

2023  
ANNUAL  
REPORT



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Auditors of Current Financial Report

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Public listings and securities trading in overseas stock exchanges : None.

## THSRC Milestones

Date of Incorporation: **May 1998**

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

Operation Stage: **Started in January 2007**

Capitalization: **NT\$56.28 billion**

## Key Operating Statistics for 2023

Number of Train Services: **54,991**

Punctuality (defined as arrival within five minutes of scheduled time): **99.58%**

Annual Ridership: **73.09 million passengers**

Annual Revenues: **NT\$49.81 billion**

Loading Factor: **70.67%**

Passenger Kilometers: **12,565 million km**

Total Route Length: **350 km**

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

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

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

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

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

Note:

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

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

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



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# 1

Letter to  
Shareholders





Chairman

*Y. C. Chiang*

## Business Report and Future Prospects

Since Taiwan High Speed Rail Corporation (hereinafter "THSRC" or "the Corporation") commenced operations in 2007, ridership has grown steadily year by year. However, the Corporation faced great challenges from the coronavirus (COVID-19) pandemic during 2020–2022. Following the easing of the pandemic, ridership volumes for the year reached greater heights and set a new record of 330,000 passengers per day. As one of the main transportation operators in Taiwan's western corridor, THSRC has continuously implemented various preventive measures to ensure the safety and well-being of our passengers.

Looking ahead to the future, we will continue to adhere to our vision of "To be the Platform for Advancement and Enjoyment" and work to provide excellent service, comfortable travel, and customer satisfaction to our passengers while fulfilling our social responsibilities.

### 1. Business Report for 2023

#### (1) Operational Performance

##### 1) Rail Operations

Pandemic control measures were gradually relaxed in 2023, normal life resumed, and our ridership volumes exceeded pre-pandemic levels. Starting from July 1, THSRC increased the number of weekly train services from 1,016 to 1,025, and began providing 1,039 train services starting from October 16, providing a total of 54,991 train services over the course of the year, an increase of 937 train services compared to 2022. Our loading factor for the year reached 70.67% (up by 17.36% compared to 2022) and passenger volumes reached 73.09 million, up by 34.95% compared to 2022. Our total passenger-kilometers were 12,565 million km, up by 34.56% compared to 2022. Average daily ridership reached 200,000 passengers, an increase of 52,000 passengers compared to 148,000 passengers in 2022.





President

In terms of operational safety, no accidents or injuries occurred in 2023. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.58%, up by 0.11% compared to 2022, and our average reliability rate (excluding delays due to force majeure) was 100%.

#### Operational Statistics

Indicators	2022	2023	Change
1. Train Services	54,054	54,991	+1.73%
2. Ridership (in millions)	54.16	73.09	+34.95%
3. Seat-Kilometers (in millions)	17,517	17,780	+1.50%
4. Passenger-Kilometers (in millions)	9,338	12,565	+34.56%
5. Punctuality Rate (as % of trains arriving within five minutes of scheduled time)	99.47%	99.58%	+0.11%
6. Loading Factor (Passenger-km/Seat-km)	53.31%	70.67%	+17.36%

#### 2) Marketing and Passenger Services

Products and services launched in 2023:

##### A. Product Promotions

- (a) We launched a range of T Holiday packages and combo tickets for hotels, transportation, and various travel commodities.
- (b) We subsequently launched a number of large-scale projects to meet new post-pandemic lifestyles, including the "Perfect travel on the HSR," "Real face-to-face travel," and "ITF International Travel Fair-Travel wishlist" projects.

- (c) Collaborated with the Ministry of Transportation and Communications (MOTC) Tourism Bureau to launch the "Go 2 Taiwan" promotional event, encouraging foreign travelers to visit Taiwan and drive local economic development.
- (d) We continued to maintain regular promotions such as early bird discounts, college student discounts, credit card discounts, and periodic/multi-ride tickets to meet different customer needs.

**B. Service Diversification**

- (a) We continued to launch cumulative rewards for corporate members as well as promotions for specific trains to increase ridership.
- (b) Launched new functions on our mobile ticketing app "T Express" to enable mobile ticket purchases of non-reserved seats in HSR stations and station entry through scanning of barcodes on smartwatches to provide new passenger experiences and convenient ticketing services.
- (c) In response to aging societies, we optimized automated ticketing machine interfaces in all stations, enlarging fonts on all information page displays to provide elder-friendly ticketing services.
- (d) Integrated mobile payment functions on train trolleys.
- (e) Reduced plastic packaging for on-train products, for example by replacing rubber bands on HSR meal boxes with stickers, replacing disposable plastic tableware with bamboo tableware, eliminating use of plastic straws, replacing traditional bottled water with lightweight (reduced plastic) bottles, and offering bring-your-own-cup discounts for hot beverage purchases.

**(2) Budget Implementation**

Our estimated operating revenue for 2023 was NT\$45.17 billion. Due to the easing of the pandemic, our actual operating revenue was NT\$49.81 billion. Our budget achievement rate was 110.3% and our actual net income was NT\$7.82 billion.

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

Our revenue for 2023 reached NT\$49.81 billion, up by 34.1% compared to 2022; net income before tax was NT\$9.74 billion, up by 128.3% compared with the previous year.

Ridership volumes for 2023 continued to grow steadily, reflecting the high demand for intercity travel on the HSR along the western corridor.

Financial Data

Unit: NT\$ in billions

Indicators	2022	2023
Operating Revenue	37.13	49.81
Gross Profit	11.24	22.19
Operating Income	9.92	20.53
Income Before Income Tax	4.27	9.74
Income Tax Expense	0.49	1.91
Net Income	3.77	7.82

**(4) Research and Development**

Main research and development activities in 2023 were as follows:

- 1) Civil Facilities:
  - A. Establishment of artificial intelligence drone for HSR viaduct inspections.
  - B. Updated and upgraded slope real-time monitoring system.

- C. Conducted research on amplification of seismic responses at viaducts in the Chiayi section.
  - D. Conducted research on the reduction of seismic displacement after implementation of dampers on viaducts in the Tainan area (including construction improvements and analysis of quantitative feedback).
  - E. Rectified differential vertical settlements between adjacent piers using pot bearings.
- 2) Operation and Maintenance System:
- A. Increased bandwidth of free Wi-Fi services at HSR stations and on trains.
  - B. Development of Intelligent Passenger Information System (PIS).
  - C. Added CCTV surveillance systems in front of THSR trains.
  - D. Development of Railway Turnout Monitoring System (TMS).
  - E. Establishment of intelligent repair and management system for track, power, and tram line systems.
- 3) Information Systems:
- A. Planning and establishment of new-generation information network architectures.
  - B. Development of Advanced Open Reservation System (AORS).
  - C. Establishment of non-reserved ticket purchase function on T Express.
  - D. Establishment of Malware Scan Kiosk.
- 4) Localization of maintenance materials and equipment.

## 2. Business Plan for 2024

### (1) Business Strategy

We adhere to our corporate vision, "To be the platform for advancement and enjoyment," and continue to provide safe, excellent, and innovative passenger services as well as work towards a better life in Taiwan. We formulated the following strategic projects that adhere to our "six major strategies":

- 1) Respond to environmental changes and mitigate disaster risks.
- 2) Accelerate digital optimization and strive for digital transformation.
- 3) Refine services and operations management for demographic and technological changes.
- 4) Create demand in a post-pandemic environment to increase revenues.
- 5) Strengthen supplier management and build partnerships.
- 6) Implement carbon reduction actions and fulfill corporate social responsibilities.

### (2) 4T Main Strategies and Major Projects

#### 1) Transportation

We continue to improve operational safety and actively respond to transportation impacts caused by climate change by establishing warning systems. We optimized our tangible and intangible assets related to passenger services in response to passenger needs and competition from autonomous cars to enhance our competitiveness and passenger comfort. Main implementation items include:

- A. Reinforce tunnel entrances and slopes along the HSR line, formulate slope grading mechanisms, and conduct professional slope inspection, investigation, and improvement projects in response to extreme climate threats.

- B. Assess safety impacts of the Chekualin Fault on bridge structures, implement design and improvement projects, and use drones to inspect civil structures and survey disaster sites to strengthen disaster resilience and warning capabilities.
- C. Update and upgrade core electrical engineering systems.
- D. Improve and optimize service facilities at HSR stations and on trains, including train and station restrooms, station lactation rooms, station waiting seats, train cushions, and curtains.
- E. Procure new generation rolling stock and construct second rolling stock inspection plant at Zuoying maintenance depot to enhance HSR competitiveness.
- F. Plan installation of station platform gates, upgrade Passenger Information System, increase passenger service elevators, and optimize transportation service equipment.
- G. Establish and promote T-MaaS (Transportation Mobility as a Service) services to enhance passenger convenience and user experiences.

## 2) Technology

We strive to innovate, enhance our technological capabilities, utilize new technologies, and promote smart transportation as we continue to enhance our operations, services, safety, and decision-making efficiency and quality while using big data and digital tools to optimize customer experiences and provide better convenience. Main implementation items include:

- A. Develop Advanced Open Reservation System (AORS).
- B. Install new generation AFCS cloud-based equipment at HSR stations as well as paperless and digital multi-ride, periodic ticket, and e-coupon systems.
- C. Expand data transmission systems (DTS) and fiber optic cable (FOC) systems to optimize information management as well as management of tangible and intangible resources relating to passenger services.
- D. Establish HSR public and hybrid clouds, and use cloud solutions to achieve a zero-outage information architecture for THSRC.

## 3) Taiwan

We continue to work with local enterprises and institutes to promote economic growth. Main implementation items include:

- A. Promote localization of rail industries, including OCS maintenance vehicles, and foster development capabilities of local rail industries.
- B. Promote local cultural events and domestic travel.
- C. Integrate ESG concepts with train services, promote green procurement, achieve sustainable development, and fulfill corporate social responsibilities.
- D. Continue to revitalize affiliated businesses while strengthening collaboration with local brands and social enterprises.

## 4) Touch

We continue to cultivate talent to enhance employee development, establish management mechanisms for sustainable supply chains, and promote various energy-saving measures to generate positive environmental benefits. Main implementation items include:

- A. Expand space for Southern District Operations Section, redesign uniforms, formulate manpower adjustment plans for aging employees, and impart the professional experiences of senior employees to create a friendly workplace.
- B. Maintain a talent pool of potential upper management talents and implement capability development programs for key personnel to enhance employee competitiveness and value.
- C. Promote management of sustainable supply chains and collaborate with suppliers to jointly create social and environmental value.

D. Establish charging equipment for electric vehicles in station parking lots, install solar power generation equipment, and replace station elevators to enhance energy efficiency.

E. Issue green bonds to enhance environmental competitiveness.

### (3) Ridership Forecast

Due to economic growth, population growth, digital services, convenience of ticketing services, promotion of membership services, and improved travel products, we estimate that the annual ridership volume for 2024 will exceed 73.58 million passengers.

## 3. Future Outlook

THSRC will continue to incorporate the "4T" strategy into daily operations through proactive actions such as improving travel quality and innovative services. Faced with rapidly changing external environments, THSRC will continue to advance with the times and build more inclusive, resilient, and sustainable transportation operations.

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

According to domestic economic outlook data released by the Directorate-General of Budget, Accounting and Statistics on November 28, 2023, continued improvements in the job market and salary levels, increases in cross-regional travel volumes, and new emerging technologies and applications are driving consumption abilities and willingness to consume. Economic growth rates for 2024 are estimated to reach 3.35%. THSRC will continue to formulate suitable operational strategies to achieve our business targets in the face of market changes.

In terms of the legal environment, the Ministry of Transportation and Communications recently amended the Railway Act and a number of sub laws. In 2023, revisions were made to the "Railway Act", "Railway Operating Regulations", and "Railway Train Driver Certification Management Rules." The above amendments positively ensured the safety of railway operations and protected the rights and interests of passengers. THSRC is optimistic about related outcomes and abides by relevant laws and regulations; we will adjust internal by-laws accordingly to ensure regulatory compliance as we continue to make strides toward sustainable business operations.

THSRC complies with all relevant regulations. Under our legal compliance mechanisms, all units regularly identify and compile applicable laws for compliance. We have an effective grasp on and appropriate response measures to changes in legal environments. Amendments to relevant laws in 2023 had no significant impacts on our business operations. We will continue to stay abreast of legislative updates, refine our operations, strengthen our corporate governance, integrate legal compliance into our corporate culture, and adhere to the highest safety standards to provide high-quality passenger services as we strive for long-term sustainability and generate value for our shareholders.

Looking at overall operational conditions, it is expected that the two major economies of the United States and China will face adverse factors in consumption and investment, respectively. The performance of other major economies is expected to recover, and the economic performance of emerging markets and developing economies are also expected to be better than for 2023. Major international forecasting agencies believe that global economic growth rates for 2024 will be lower than the previous year as global inflationary pressures are still high. Faced with challenges from extreme climates, aging societies, low birthrates, and aging operating equipment, which raise maintenance costs and trigger different problems, THSRC will continue to focus on developing smart transportation, increasing safety and efficiency 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 with local cultures to provide our passengers with better transportation quality.







# 2

Company Profile



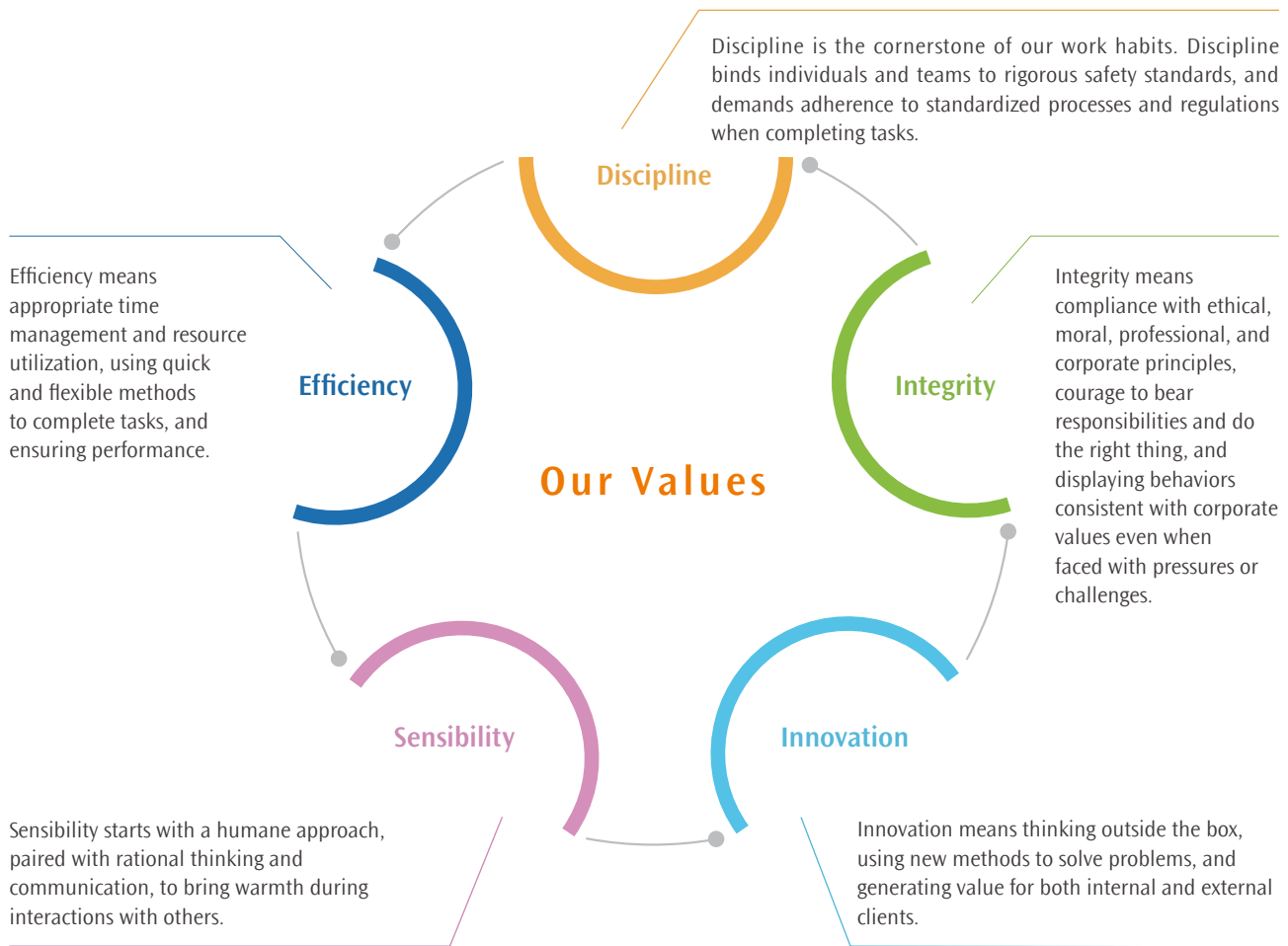
## 1. Business Strategy and Vision

In order to become a new symbol of progress and build a better future for Taiwan, we have set clear visions and values that establish the corporate positioning of THSRC. We adhere to these operational missions in realizing our commitment to society, shareholders, customers, partners, and employees. All employees set these visions and values as their highest guiding principles when implementing their duties.

**Our Vision --  
"To be the Platform for Advancement and Enjoyment"**

THSRC continues to promote an enjoyable life in Taiwan by implementing ESG actions and strengthening corporate governance, and by providing safe, high-quality, and innovative transportation services.





## 2. Historical Milestones

Incorporated on May 11, 1998

Development Stage	
<b>November 1996</b>	The Taiwan High Speed Rail Consortium was established.
<b>September 1997</b>	The Ministry of Transportation and Communications (MOTC) awarded the Taiwan High Speed Rail Consortium with a concession to build and operate THSR.
<b>May 1998</b>	THSRC was incorporated.
<b>July 1998</b>	THSRC and the MOTC signed the Taiwan North-South High Speed Rail Construction and Operation Agreement, the Taiwan North-South High Speed Rail Station Zone Development Agreement, the Memorandum on Government Commitment Matters, and the Memorandum on Contract Execution.
<b>February 2000</b>	THSRC entered into a syndicated loan agreement with 25 banks in order to obtain credit facilities of NT\$323.3 billion. A tripartite agreement was signed by THSRC, the syndicate, and the MOTC.
Construction Stage	
<b>March 2000</b>	THSRC commenced construction of the high-speed rail project.
<b>December 2000</b>	THSRC entered into the Core System Supply Contract and the Core System Integration and Installation Contract with Taiwan Shinkansen Corporation and Taiwan Shinkansen International Engineering Corporation.
<b>April 2001</b>	The Securities and Futures Bureau approved THSRC's re-registration as a public company.
<b>September 2003</b>	THSRC applied to the Gre Tai Securities Market for permission to trade on the Emerging Stock Market.
<b>January 2004</b>	THSRC held a ceremony to unveil the THSR 700T trainset at Kawasaki's manufacturing facilities in Kobe, Japan.
<b>October 2005</b>	A train to be delivered to THSRC achieved a top speed of 315 km/hr on a test run.
<b>July 2006</b>	THSRC entered into a second syndicated loan agreement with seven banks to secure credit facilities of NT\$40.7 billion.
<b>October 2006</b>	THSRC launched a new corporate identity system.

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

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

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

<b>August 2017</b>	The iTaiwan free Wi-Fi network was made available along HSR line. THSRC hosted the "Business Opportunity Seminar for Taiwan Track Industry Localization" at Yanchao Main Workshop.
<b>October 2017</b>	THSRC won the first Transportation Award of Service hosted by Next Magazine. THSRC launched the "TGo" and THSRC App.
<b>November 2017</b>	THSRC won Global Views Magazine's 15th Five-Star Service Award.
<b>December 2017</b>	THSRC won the Ministry of Culture's 13th Art & Business Award.
<b>May 2018</b>	THSRC participated in the Corporate Governance Evaluation for the first time and received a "Top 5% of the 4th Corporate Governance Evaluation Award."
<b>June 2018</b>	THSRC participated in the Taiwan Corporate Governance Association's corporate governance evaluations and received a CG6011 (2017) Corporate Governance System Assessment Certificate with an "Excellent" ranking.
<b>July 2018</b>	THSRC carried its 500 millionth passenger.
<b>August 2018</b>	THSRC was listed in the MSCI Taiwan index, the FTSE TWSE Taiwan 50 Index, the FTSE Emerging Markets Index, the TWSE CG 100 Index, and the FTSE4Good Emerging Index. THSRC was awarded the 2018 "Corporate Social Responsibility Excellence Award" by CommonWealth Magazine.
<b>September 2018</b>	THSRC received the German "Red Dot Award: Communication Design 2018" for its T Express mobile ticket purchasing app.
<b>November 2018</b>	THSRC obtained twAA+ and AA+ excellent credit rating from Taiwan Ratings and Fitch Ratings for the third consecutive year. THSRC tickets were redesigned for the first time. THSRC won three major awards at the "Taiwan Corporate Sustainability Awards," namely the Corporate Sustainability Report Transportation Industry Top 50 Platinum Award, Creativity in Communication Award, and Growth through Innovation Award. THSRC's rolling stock locomotive path confirmation system obtained international IEC61508 certification.
<b>December 2018</b>	THSRC won the "Critical Infrastructure and Security Protection Practice Award" given by the British Standards Institution (BSI) InfoSec Standards.

<b>March 2019</b>	THSRC launched ticket pick-up services for senior/disabled concession tickets on the mobile ticketing app and from automatic ticketing machines. THSRC launched smart online ticketing services on Facebook Messenger.
<b>April 2019</b>	THSRC participated in the 5th (2018) Corporate Governance Evaluations and again ranked among top 5% of listed companies. THSRC won the exclusive "FTSE4Good TIP Taiwan ESG Index" badge certification for financial indicators.
<b>October 2019</b>	THSRC participated in National Day Parade Float for the first time with the theme of "Journey with THSR, Discover Taiwan." THSRC launched automatic inspection mechanism services for senior/disabled concession tickets, allowing passengers to purchase tickets without documentation at convenience stores.
<b>November 2019</b>	THSRC won the "Technology Management Award 2019" from the Chinese Society for Management of Technology. THSRC won the "14th Arts and Business Awards (Permanent Awards Category)" from the Ministry of Culture. THSRC participated in the "2019 TCSA Awards" and won the Gold "Corporate Sustainability Report Award" and the "Top 50 Corporate Sustainability Award" from the Taiwan Institute for Sustainable Energy.
<b>January 2020</b>	THSRC carried its 600 millionth passenger.
<b>April 2020</b>	THSRC was ranked the most desirable traditional corporation for new graduates in yes123 Job Bank's "Career Development Plan for Graduates and New Recruits for Corporations" survey for two consecutive years. Received top 5% ranking in the Corporate Governance Evaluations hosted by TWSE for three consecutive years, and was ranked in top 10% of publicly listed "non-financial or electronic companies with market values of 10 billion and above" for two consecutive years.
<b>May 2020</b>	"Road ~ Taiwan Express," the first TV drama with Taiwan High Speed Rail construction and operation period as its backstory, was broadcast in Taiwan and Japan.

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

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



<b>November 2021</b>	<p>In accordance with the humanitarian assistance and corporate social responsibility, THSRC donated an amount of NTD 5 million to Social Affairs Bureau of Kaohsiung City Government to help victims and families of the "1014 Fire Tragedy in Yancheng District" to get through the hardships together.</p> <p>THSRC won the "Three-Star Medal Excellence Management Quality Award" in Enterprise Category from the Chinese Society for Quality.</p> <p>THSRC participated in the "2021 Taipei International Travel Fair (ITF)" and was once again awarded with the "Best Pavilion Award" by the ITF-organizer.</p> <p>The Agriculture and Food Agency Council of Agriculture hosted the award ceremony for the "2021 Enterprises appreciation to support Taiwan's fruits and encourage public to consume Taiwan's agricultural products," and presented THSRC with the Certificate of Appreciation and a Trophy.</p> <p>THSRC hosted the "High Speed Rail Catenary Maintenance Vehicle Commissioning Ceremony" at Zuoying Depot to promote the "Railway Industries Localization."</p>
<b>December 2021</b>	<p>Awarded with the top prize of "Buying Power - Social Innovation Products and Services Procurement" by the Ministry of Economic Affairs.</p> <p>THSRC introduced the "Taiwan Intellectual Property Management System (TIPS)" and awarded with the TIPS A-level Certification on first-time application for relevant verification.</p> <p>Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index," and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Mark" for the period ended June 19, 2022.</p>
<b>January 2022</b>	<p>THSRC won the "15th Arts and Business Awards (Permanent Award Gold Award)" from the Ministry of Culture and was honored of receiving the Arts and Business Awards for the third consecutive time.</p>
<b>March 2022</b>	<p>Donated NT\$ 3 million to the Ukrainian Refugee Assistance Program for humanitarian aid.</p>
<b>April 2022</b>	<p>THSRC received top 5% ranking in the Corporate Governance Evaluation hosted by TWSE for the fifth consecutive year, and was also ranked in top 10% of publicly listed "non-financial or electronic companies with market values of NTD 10 billion and above" for fourth consecutive years.</p>
<b>May 2022</b>	<p>In collaboration with the Industrial Technology Research Institute (ITRI), the first localized Bogie Running Tester (BRT) was developed and manufactured, and subsequently obtained the Conformite Europeenne (CE) certification. It was a significant breakthrough in the history of domestic rail industry.</p>
<b>October 2022</b>	<p>THSRC won the 19th National Brand Yushan Award in the following categories: Best Popular Brand and Best Product, and was also honored to receive award in the Outstanding Enterprise Category for three years in a row.</p>
<b>December 2022</b>	<p>Awarded with the top prize of "2022 Buying Power - Social Innovation Products and Services Procurement" by the Ministry of Economic Affairs.</p> <p>THSRC's Intellectual Property Management System was once again awarded with the "Taiwan Intellectual Property Management System" (TIPS) A-level Certification.</p> <p>Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index," and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Mark" for the period ended June 16, 2023.</p>
<b>January 2023</b>	<p>For the first time to be listed in the annual ranking of the world's 100 most sustainable corporations, which was selected by Corporate Knights, THSRC is honored to be ranked 9th in the world and 1st in the Asia-Pacific region.</p>
<b>March 2023</b>	<p>Received the "Excellent" certification under the Corporate Governance Evaluations hosted by the Taiwan Corporate Governance Association again.</p>
<b>April 2023</b>	<p>THSRC received a top 5% ranking in the Corporate Governance Evaluations hosted by TWSE for the sixth consecutive year, and also ranked in the top 10% of publicly listed companies belonging to the "non-financial and non-electronics industry with a market value above NT\$10 billion" category for the fifth consecutive year.</p>
<b>May 2023</b>	<p>Signed procurement contract for new-generation high-speed rolling stock with Hitachi Toshiba Supreme Consortium.</p>
<b>June 2023</b>	<p>Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index" and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Mark" until December 15, 2023.</p>
<b>July 2023</b>	<p>Continued to be selected as a constituent of the "TWSE RA Taiwan Employment Creation 99 Index."</p>



<b>September 2023</b>	The Taiwan Ratings Corporation (Taiwan Ratings) publicly confirmed that THSRC continued to maintain the previously issued "twAAA" long-term credit rating, "twA-1+" short-term credit rating, and "stable" outlook.
<b>October 2023</b>	Received Outstanding Enterprise, Best Popular Brand, and Best Product at the 20th "National Brand Yushan Award," and also received first prize in the Outstanding Enterprise Category, winning this prestigious honor for the third time.
<b>November 2023</b>	Participated in the "2023 Taipei International Travel Fair (ITF)" hosted by the Taiwan Visitors Association and received the "Best Pavilion Award." Received "Permanent Award - Gold Award" at the 16th Ministry of Culture Arts and Business Awards. Signed memorandum of cooperation with Central Japan Railway Company. Participated in the "2023 CSEA Excellence in Customer Service Award" hosted by the Taiwan Contact Center Development Association and received the "Best Customer Service Enterprise" award.
<b>December 2023</b>	Received the top prize of the "2023 Buying Power Social Innovation Products and Services Procurement" award from the Ministry of Economic Affairs. The 0 Series Oiran Train Scenic Park officially commenced operations at the square in front of Tainan Station. Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index" and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Mark" until June 21, 2024.
<b>January 2024</b>	Awarded the annual ranking of the 2024 world's 100 most sustainable corporations once again, which was selected by Corporate Knights, THSRC is honored to be ranked 4th in the world as a sustainable company and the best result among Asian companies. In accordance with the humanitarian assistance and corporate social responsibility, THSRC donated NTD 5 million to "Noto Peninsula Earthquake, Japan" disaster relief account at Ministry of Foreign Affairs, Republic of China (Taiwan). THSRC held groundbreaking ceremonies for Second maintenance factory at the Zuoying Depot.





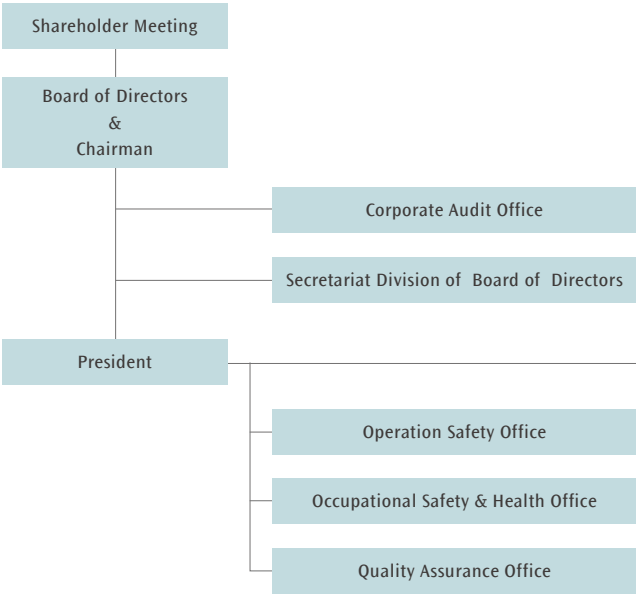
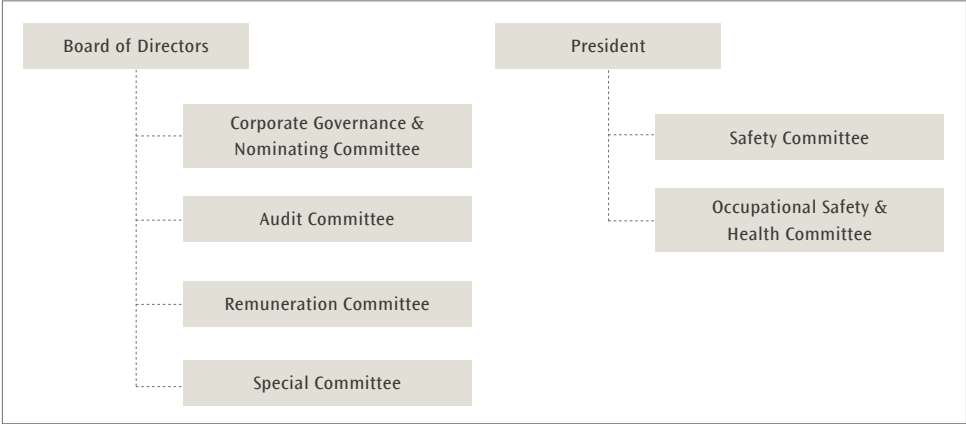


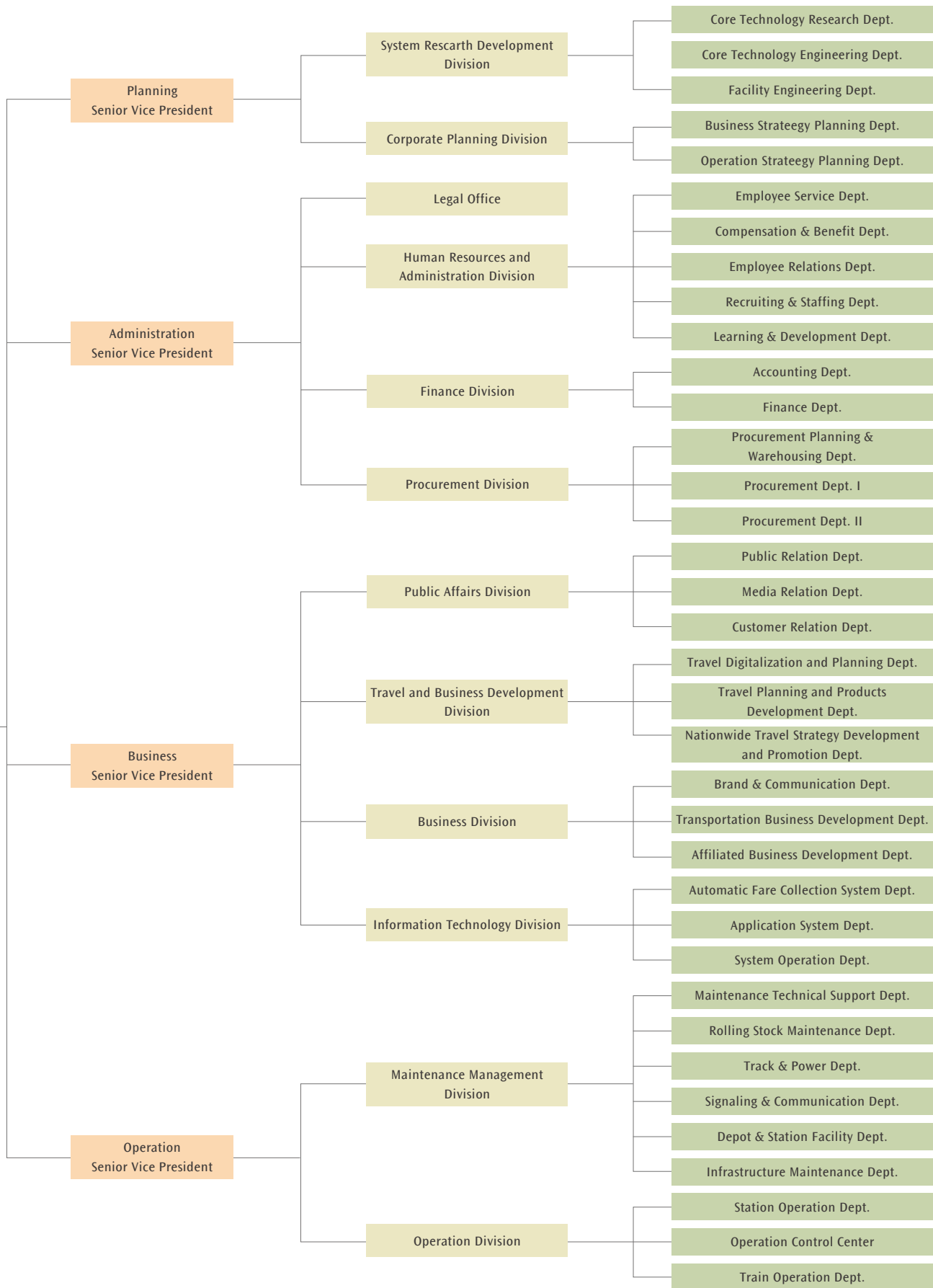
# 3

Corporate Structure

# 1. Organizational Structure

## (1) Corporation Organizational Structure





## (2) Business Operations of Major Departments

Main duties of functional committees overseen by the Board of Directors

### 1) Corporate Governance & Nomination Committee

- A. Review the diversified backgrounds of independent directors, non-independent directors, and managerial officers in terms of professional and technical knowledge, past experiences, and gender as well as standards of impartiality, and use these criteria to seek out, assess, and nominate candidates to serve as directors, independent directors, and managerial officers.
- B. Plan composition of the Board and its functional committees and evaluate performance of the Board, committees, all directors, and managerial officers, and the independence of the independent directors. This Committee shall explore the willingness of potential candidates to serve on committees and consider candidate backgrounds and the duties of the respective committees before presenting its plans and suggestions regarding the composition of the committees to the Board.
- C. Be responsible for nominations of independent directors and non-independent directors.
- D. Identify and evaluate potential candidates for independent and non-independent directors.
- E. Review the basic programs for director continuing education and succession plans of directors and managerial officers (succession planning).
- F. Plan and review implementation performance of the Board and its committees.
- G. Devise and review liability insurance plans for directors and managerial officers.
- H. Review status of information disclosures.
- I. Analyze, implement, and provide recommendations relating to the Corporation's corporate governance system, and review the Corporation's Guidelines for Corporate Governance and relevant bylaws.
- J. Review implementation performance of the corporate governance system, including execution of corporate social responsibilities, ethical management, and stakeholder communication.
- K. Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.

### 2) Audit Committee

- A. Adopt or amend the internal control systems pursuant to Article 14-1 of the Securities and Exchange Act.
- B. Evaluate the effectiveness of the Corporation's internal control system.
- C. Adopt or amend the procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, monetary loans to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.
- D. Review matters that may involve the personal interest of directors.
- E. Review material asset and derivatives transactions.
- F. Review material monetary loans or endorsement, or provision of guarantees.
- G. Review the public offering, issuance, or private placement of equity-type securities.
- H. Evaluate the appointment, dismissal, or compensation of attesting CPAs.
- I. Evaluate the appointment and dismissal of the Corporation's chief financial officer, chief accountant, or chief internal auditor.
- J. Review the annual financial report and the first to third quarter financial reports, which are signed or sealed by the Corporation Chairperson, managerial officer and chief accountant.

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

#### Main operational scope and duties of each department/unit

1) Corporate Audit Office

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

2) Secretariat Division of the Board of Directors

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

3) Corporate Planning Division

Responsible for formulating overall corporate business strategies; formulating and implementing strategies related to sustainable development, service needs, important projects, and international affairs; analyzing overall business performance; and managing important projects.



### 4) Occupational Safety and Health Office

Formulates, plans, supervises, and promotes safety and health management procedures, and guides relevant departments in implementation of said procedures. Main duties include occupational safety management and employee health management.

### 5) Operation Safety Office

Responsible for formulating the Corporation's safety management system, management policies and management systems for personal information, safety policies, and safety objectives, and assessing the effectiveness of safety management procedures. Main duties include three main aspects: investigation, operation maintenance, and disaster prevention.

### 6) Quality Assurance Office

Responsible for planning, management, supervision of the Corporation's quality management system, form management, coordination for government audits, system assurance, independent verification & validation (IV&V), internal control, and risk management, as well as formulation of relevant systems.

### 7) Operation Division

Responsible for planning and execution of train maintenance, trolley sales, train operations, traffic monitoring, station management, ticketing operations, and passenger services to provide safe, comfortable, and efficient passenger transportation services.

### 8) Maintenance Management Division

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

### 9) System Research Development Division

Develops technologies and upgrades core high-speed rail systems, as well as plans, designs, monitors, and improves Corporation system facilities.

### 10) Business Division

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

### 11) Travel and Business Development Division

Mainly responsible for planning, developing, and marketing of HSR travel products, and making appropriate adjustments to align with target customer needs, available seats on trains, and ticket revenues, thereby balancing market trends and corporate interests. The division also works to build the HSR travel brand and increase product sales by adhering to the Corporation's corporate identity standards and by implementing digital marketing for travel products, systematic interface optimizations, and distributor channel promotions while also aligning with government policies and local tourism resources to evaluate potential opportunities for collaboration with HSR travel products in response to government tourism policies and to promote travel around Taiwan on the HSR.

### 12) Information Technology Division

Formulates and confirms proposed corporate digital transformation strategies and goals. Responsible for the planning, development, operation and maintenance of the Corporation's overall information system, including formulation of information development strategies, planning of information system architecture, evaluation and introduction of application systems, maintenance and management of automatic fare collection system, maintenance and operation of computer room host equipment, corporate information security governance and management, planning and optimization of information system infrastructure, education and training for information promotion, and execution of various information management procedures.

13) Public Affairs Division

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

14) Human Resources and Administration Division

Responsible for integrated management and planning of human resources, general affairs and logistics, and document management, as well as formulation of relevant systems. Main duties encompass remuneration and benefits, recruitment and appointment, employee relations, learning and development, general administration, and document management.

15) Finance Division

Responsible for financial planning and execution, securing of long-term and short-term funds, capital utilization and management, financial risk management, land and share management; comprehensive analysis and reporting of corporate budgets, final accounts, taxes, and business performance; research and handling of accounting related matters; and formulation, revision, and implementing of business by-laws.

16) Procurement Division

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

17) Legal Office

Provides legal advice and legal counsel to all Corporation units, including advice on corporate development and risk management; handles lawsuits related to all corporate business aspects; reviews all contracts; formulates and revises all contract templates; assists in planning, promotion, and execution of corporate governance systems and corporate governance evaluations; provides legal counsel on shareholder, Board, and functional committee proposals and meeting operations; plans and promotes management systems for intellectual properties; establishes and promotes legal compliance systems; plans and coordinates handling of engineering, operation, and asset insurance, claims, or third-party claims cases; and provides counseling on matters relating to insurance.

## 2. Board of Directors

### (1) Directors

Title	Nationality/ Place of Incorporation	Name	Gender /Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	China Aviation Development Foundation	—	2023/05/25	2026/05/24	2006/01/20	260,040	4.62	260,040	4.62	0	0
	R.O.C.	Representative: Yao-Chung Chiang	Male/ 71-80	2023/05/25	2026/05/24	2016/10/18	0	0	0	0	0	0
Director	R.O.C.	Representative: Yu-Fen Hung	Female/ 61-70	2023/05/25	2026/05/24	2023/05/25	0	0	0	0	0	0
	R.O.C.	Representative: Wei-Cheng Hsieh	Male/ 51-60	2023/05/25	2026/05/24	2023/05/25	0	0	0	0	0	0
Director	R.O.C.	Ministry of Transportation and Communications, R.O.C.	—	2023/05/25	2026/05/24	2017/05/24	2,420,000	43.00	2,420,000	43.00	0	0
	R.O.C.	Representative: Huan-Tung Tseng	Male/ 51-60	2024/01/19	2026/05/24	2024/01/19	0	0	0	0	0	0
	R.O.C.	Representative: Cheng-Chung Young	Male/ 51-60	2023/05/25	2026/05/24	2023/05/25	0	0	0	0	0	0
	R.O.C.	Former Representative: Chin-Hong Pan	Male/ 51-60	2023/05/25	2024/01/19	2021/07/19	0	0	0	0	0	0

Thousands of shares; % (as of 2024/03/25)

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
				Title	Name	Relation	
0	0	—	—	None	None	None	
0	0	Ph. D. in Engineering Mechanics, University of Wisconsin-Madison M.S. in Mechanical Engineering, National Cheng Kung University • Independent Director, Tyntek Corporation • Chairman, China Steel Chemical Corporation • Chairman, Kaohsiung Rapid Transit Corporation • Chairman, China Steel Corporation • Chairman, China Airlines • Deputy Minister, Public Construction Committee, Executive Yuan • Director-General, Department of Rapid Transit System, Taipei City Government • Technical Supervisor, Researcher, National Chung-Shan Institute of Science and Technology	• Director, China Aviation Development Foundation • Independent Director, Radiant Opto-Electronics Corporation	None	None	None	
0	0	MBA from Institute of Business & Management, National Chiao Tung University • Vice President, Taoyuan International Airport Corporation. • Director, Department of Accounting, Ministry of Economic Affairs • Director, Department of Accounting, Ministry of Transportation and Communications	• Supervisor, CECI Engineering Consultants, Inc. Taiwan	None	None	None	
0	0	LL.B from Department of Law, Soochow University. • CEO, Taoyuan Social Housing Service Center (previous position). • Senior Administrator, Taoyuan Metro Corporation. • Secretary-General, Rail Engineering Society of Taiwan. • Director, Taiwan International Ports Corporation. • Senior Specialist, Ministry of Transportation and Communications.	• Secretary-General, China Aviation Development Foundation • Director, Railway Engineering Society of Taiwan (RESOT), Taiwan	None	None	None	
0	0	—	—	None	None	None	
0	0	Bachelor's degree from Department of Accounting, Chinese Culture University • Director, Budget, Accounting and Statistics Office, National Development Council • Director, Accounting and Statistics Office, Hakka Affairs Council • Senior Specialist, Directorate General of Budget, Accounting and Statistics, Executive Yuan	• Deputy Director, Department of Accounting, Ministry of Transportation and Communications	None	None	None	
0	0	M.S. in Institute of Traffic and Transportation, National Chiao Tung University. • Deputy Director-General, Railway Bureau, Ministry of Transportation and Communications • Deputy Director-General, Bureau of High Speed Rail, Ministry of Transportation and Communications	• Deputy Director-General, Railway Bureau, Ministry of Transportation and Communications	None	None	None	
0	0	B.A. in Department of Accounting, Chung Hsing University • Deputy Director, Department of Accounting, Ministry of Transportation and Communications • Director, Budget, Accounting and Statistics Department, Yilan County • Section Chief, Specialist, Chief, Directorate General of Budget, Accounting and Statistics, Executive Yuan	• Budget, Accounting and Statistics Officer, Directorate General of Budget, Accounting and Statistics, Executive Yuan	None	None	None	

Title	Nationality/ Place of Incorporation	Name	Gender /Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Director	R.O.C.	China Steel Corporation	—	2023/05/25	2026/05/24	2009/11/10	242,148	4.30	242,148	4.30	0	0
	R.O.C.	Representative: Chien-Chih Hwang	Male/ 61-70	2023/08/04	2026/05/24	2023/08/04	0	0	0	0	0	0
	R.O.C.	Former Representative: Chao-Tung Wong	Male/ 61-70	2023/05/25	2023/08/04	2018/03/31	0	0	0	0	0	0
Director	R.O.C.	Taiwan Sugar Corporation	-	2023/05/25	2026/05/24	2000/06/27	200,000	3.55	200,000	3.55	0	0
	R.O.C.	Representative: Ming-Jou Yang	Male/ 61-70	2023/05/25	2026/05/24	2023/05/25	0	0	0	0	0	0
Director	R.O.C.	Management Committee of National Development Fund, Executive Yuan	—	2023/05/25	2026/05/24	2009/11/10	120,000	2.13	120,000	2.13	0	0
	R.O.C.	Representative: Shien-Quey Kao	Female/ 61-70	2023/05/25	2026/05/24	2016/10/14	0	0	0	0	0	0
Director	R.O.C.	TECO Electric & Machinery Co., Ltd.	—	2023/05/25	2023/08/04	1998/04/13	190,060	3.38	190,060	3.38	0	0
	R.O.C.	Representative: Mao-Hsiung Huang	Male/ 81-90	2023/05/25	2023/08/04	2011/03/14	0	0	0	0	0	0

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
				Title	Name	Relation	
0	0	—	—	None	None	None	
0	0	B.A. in Economics, Tunghai University • Vice President, Commercial Division, China Steel Corporation • Chairman, China Steel Global Trading Corporation • Vice President, Commercial Division, China Steel And Nippon Steel Vietnam Joint Stock Company • Representative of Osaka Office, China Steel Corporation/ President of CSGT Japan Co., Ltd.	• Executive Vice President, China Steel Corporation • Chairman, Dragon Steel Corporation • Chairman, Transglory Investment Corporation • Director, China Steel Structure Co., Ltd.	None	None	None	
0	0	Ph.D. in Resources Engineering, National Cheng Kung University • President, Vice President, China Steel Corporation	• Chairman, China Steel Corporation • Executive Director, Industrial Technology Research Institute • Director, China Prosperity Development Corporation • Director, China Ecotek Corporation • Director, China Steel Chemical Corporation • Director, Chung Hung Steel Corporation • Director, Dragon Steel Corporation	None	None	None	
0	0	—	—	None	None	None	
0	0	M.S in Institute of Civil Engineering, National Cheng Kung University • Acting Mayor of Kaohsiung City Government • Counselor of Kaohsiung City Government • Deputy Mayor of Kaohsiung City Government • Secretary-General of Kaohsiung City Government	• Chairman, Taiwan Sugar Corporation • Director, Central Bank of the Republic of China (Taiwan)	None	None	None	
0	0	—	—	None	None	None	
0	0	M.S. in Economics, National Taiwan University Bachelor's Degree in Economics, National Taiwan University. • Secretary General, National Development Council, Executive Yuan. • Secretary General, Council for Economic Planning and Development, Executive Yuan. • Director, Department of Economics Research, CEPD. • Deputy Director, Department of Overall Planning, CEPD.	• Deputy Minister, National Development Council, Executive Yuan	None	None	None	
0	0	—	—	None	None	None	
0	0	MBA, The Wharton School, University of Pennsylvania Bachelor of Economics, Keio University	• Chairman, Century Development Corporation • Director, An-Shin Food Services Co., Ltd • Honorary Chairman, Chinese National Association of Industry & Commerce, Taiwan	None	None	None	

Title	Nationality/ Place of Incorporation	Name	Gender /Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Director	R.O.C.	Taipei Fubon Commercial Bank Co., Ltd.	—	2023/05/25	2026/05/24	1998/04/13	20,277	0.36	20,277	0.36	0	0
	R.O.C.	Representative: Yi-Ling Wu	Female/ 51-60	2024/01/31	2026/05/24	2024/01/31	0	0	0	0	0	0
	R.O.C.	Former Representative: Chu-Min Hong	Male/ 61-70	2023/05/25	2024/01/31	2023/03/14	45	0.00	45	0.00	0	0
Independent Director	R.O.C.	Kenneth Huang- Chuan Chiu	Male/ 61-70	2023/05/25	2026/05/24	2017/05/24	0	0	0	0	0	0
Independent Director	R.O.C.	Duei Tsai	Male/ 71-80	2023/05/25	2026/05/24	2020/05/21	0	0	0	0	0	0
Independent Director	R.O.C.	Ming-Teh Wang	Male/ 61-70	2023/05/25	2026/05/24	2023/05/25	0	0	0	0	0	0



Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
				Title	Name	Relation	
0	0	—	—	None	None	None	
0	0	MBA, Department of Finance, National Central University. • Senior Vice President, Chief Marketing Officer and Product Management Director, Deputy Director of Financial Markets Division, Taipei Fubon Commercial Bank Co., Ltd. • Deputy Director, Training Center, Taiwan Academy of Banking and Finance	• Managing Director, Director of Wealth Management Division, Taipei Fubon Commercial Bank Co., Ltd.	None	None	None	
0	0	MBA, Royal Roads University • President, Xiamen Bank Co., Ltd. • President, Taiwan Sport Lottery Co., Ltd. • Senior Vice President, Fubon Financial Holding Co. • President, Chairman, Fubon Asset Management Co., Ltd.	• Chairman, Fubon Real Estate Management Co., Ltd. • Chairman, JihSun International Commercial Bank Co., Ltd. • Director, Xiamen Bank Co., Ltd. • Managing Director, Taipei Fubon Commercial Bank Co., Ltd. • Director, Fubon Charity Foundation • Director, CITIC FuTong Financial Leasing Co., Ltd.	None	None	None	
0	0	LL.M, University of Cambridge LL.B, National Taiwan University • Managing Partner, Kew & Lord • Partner, Taiwan Commercial Law Offices • Attorney, Baker & McKenzie • Attorney, Huang & Associates	• Independent Director, ShunSin Technology Holdings Limited • Director, Ju-Kao Engineering Co., Ltd. • Independent Director, Chunghwa Precision Test Tech. Co., Ltd. • Independent Director, Lungteh Shipbuilding Co., Ltd.	None	None	None	
0	0	Ph.D. from the Graduate Institute of Electrical Engineering, National Taiwan University • Adjunct Professor, Department of Electronics Engineering, National Taiwan University of Technology • Minister, Ministry of Transportation and Communications • Political Deputy Minister, Public Construction Commission, Executive Yuan • Political Deputy Minister, Ministry of Transportation and Communications • Administrative Deputy Minister, Ministry of Transportation and Communications • Technical Supervisor, Ministry of Transportation and Communications • Director General, Civil Aeronautics Administration, Ministry of Transportation and Communications • Deputy Director General, Directorate General of Telecommunications, MOTC	• Independent Director, Compal Electronics, Inc. • Independent Director, TTY Biopharm Company Limited • Independent Director for Public Welfare, Starlux Airlines. Co., Ltd.	None	None	None	
0	0	Ph.D. in Civil Engineering, Massachusetts Institute of Technology • Chairman, Taoyuan International Airport Corporation. • Deputy Mayor, Taoyuan City Government • Chairman, Taiwan BIM Technology • Vice President and Dean of the School of Architecture and Planning, Chung Hwa University • Dean, Taiwan Construction Research Institute • President, Century Development Corporation • Deputy County Minister, Taoyuan County Government • Director, Public Works Bureau, Taoyuan County Government • Associate Professor, Department of Civil Engineering, National Taiwan University	• Chairman, Taiwanese Institute of Built Environment Lifecycle Management • Senior Consultant, Taiwan BIM Technology	None	None	None	

Title	Nationality/ Place of Incorporation	Name	Gender /Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Independent Director	R.O.C	Pai-Ta Shih	Male/ 51-60	2023/05/25	2026/05/24	2020/05/21	0	0	0	0	0	0

Independent Director	R.O.C	Yung-Cheng (Rex) Lai	Male/ 41-50	2023/05/25	2026/05/24	2020/05/21	0	0	0	0	0	0
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Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
				Title	Name	Relation	
0	0	Ph.D. in Economics, University of Texas at Austin • Director, Taiwan Risk and Insurance Association • Independent Director, Twoway Communications, Inc. • Independent Director, Nan Shan Life Insurance Co., Ltd. • Independent Director, Edison Opto Corp. • Associate Professor, Department of Finance, National Taiwan University • Assistant Professor, Associate Professor, Department of Economics, National Dong Hwa University	• Professor, Department of Finance, National Taiwan University • Director, Digital Finance and Industry Development Research Center, College of Management, National Taiwan University • Independent Director, Horizon Fixture Group Co., Ltd. Taiwan Branch (Cayman) • Independent Director, Skytech Inc. • Advisory Committee Member, Taiwan, Insurance Guaranty Fund • Independent Director, Central Reinsurance Corporation	None	None	None	
0	0	Ph.D., Railroad Engineering Program, University of Illinois at Urbana-Champaign • Associate Professor, Assistant Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University • Chairman, Railroad Operating Technologies Committee, Transportation Research Board (TRB), USA • Committee Member, Academic Committee, Railway Engineering Society of Taiwan (RESOT), Taiwan • Committee Member, Review Committee for Technical Standards of High-Speed Rail Rolling Stock, Ministry of Transportation and Communication • Committee Member, Executive Yuan Investigative Team for 1021 Puyuma Incident • Committee Member, Railway Accident Investigation Team, MOTC, Taiwan • Board Member, Railway Operational Safety Board, Taiwan Railways Administration (TRA), Taiwan • Visiting Professor, Faculty of Societal Safety Science, Kansai University, Japan • Visiting Professor, Research Institute for Sustainable Urban Development (RISUD), Hong Kong Polytechnic University (PolyU), Hong Kong • Visiting Scholar, TOMII Lab, Chiba Institute of Technology, Japan	• Professor, Railway Technology Research Center, National Taiwan University • Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University • Director, Railway Technology Research and Certification Center • Co-Chair, SIG A3 Rail Transport, World Conference on Transport Research Society (WCTRS) • Associate Editor, Transportation Research Record (TRR) • Associate Editor, Journal of Rail Transport Planning & Management (JRTPM) • Board Member, International Association of Railway Operations Research (IAROR) • Director, Railway Engineering Society of Taiwan (RESOT), Taiwan • Executive Supervisor, Chinese Institute of Transportation, Taiwan • Committee Member, Review Committee for Mass Rapid Transit System Construction and Peripheral Land Development Plans, Ministry of Transportation and Communication (MOTC), Taiwan	None	None	None	

**(2) Major Shareholders of Institutional Shareholders**

List of major shareholders of institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
China Aviation Development Foundation	A non-corporate organization. In February 1988, all 27 shareholders of the Corporation donated shares held and 100% of shareholder equity to set up this Foundation, which was reported to the Ministry of Transportation and Communications on March 2 of the same year. Its establishment was approved on July 6 (Note 5).
Ministry of Transportation and Communications, R.O.C.	Governmental institute
China Steel Corporation	Ministry of Economic Affairs (20%), Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. (2.24%), Transglory Investment Corporation (1.63%), Fubon Life Insurance Co. Ltd. (1.58%), Labor Retirement Fund (1.12%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.09%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.03%), Winning Investment Corporation (1.01%), New Labor Pension Fund (0.96%), Polaris Taiwan Dividend + ETF (0.93%)
Taiwan Sugar Corporation	Ministry of Economic Affairs (86.15%), Northern Region Branch, National Property Administration, MOF (9.92%), First Commercial Bank (0.75%), Chang Hwa Commercial Bank (0.41%), Bank of Taiwan (0.36%), Taiwan Business Bank Co., Ltd. (0.30%), Hua Nan Commercial Bank (0.14%), Central Investment Co. (0.14%), Mega International Commercial Bank Co., Ltd. (0.13%), Land Bank of Taiwan (0.08%), Taiwan Cooperative Commercial Bank (0.08%)
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (10.81%), Jaryuan Investment Co. Ltd (5.29%), Capital Tip Customized Taiwan Select High Dividend ETF (2.69%), He Yuan International Investment Co., Ltd. (2.36%), Creative Sensor Co., Ltd. (2.20%), Tong Kuang Investment Co., Ltd. (1.50%), Kuan Yuan Industrial Co., Ltd. (1.25%), Yinge Int. Inv. Co., Ltd. (1.05%), Yuban International Investment Co., Ltd. (0.98%)
Management Committee of National Development Fund, Executive Yuan	Governmental institute
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)

Note 1: If directors are serving as representatives of institutional shareholders, the name of said institutional shareholder should be listed here.

Note 2: The major (top ten) shareholders and shareholding ratios of said institutional shareholders should be listed here. Major shareholders which are entities should be listed below.

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

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2024, while some are sourced from the Commerce Industrial Services Portal or shareholder websites.

Note 5: Endowers listed in the Charter of Endowment of Chang Yung-Fa Foundation.

Major shareholders of the Corporation's major institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
Ministry of Economic Affairs	Governmental institute
China Steel Corporation	Transglory Investment Corporation China Steel Express Corporation (48.28%), Chung Hung Steel Corporation (39.59%), China Steel Chemical Corporation (8.90%), United Steel Engineering & Construction Corp. (3.23%)
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications, R.O.C. (100%)

Name of institutional shareholders (Note 1)		Major shareholders (Note 2)
Taiwan Sugar Corporation	Ministry of Economic Affairs	Governmental institute
	Northern Region Branch, National Property Administration, MOF	Governmental institute
	First Commercial Bank	First Financial Holding Co. Ltd. (100%)
	Chang Hwa Commercial Bank	Ministry of Finance (12.19%), Taishin Financial Holding Co., Ltd. (10.35%), Chunghwa Post Co., Ltd. (7.50%), National Development Fund, Executive Yuan (5.42%), First Commercial Bank (4.99%), Excel Chemical Corporation (2.54%), Taiwan Cooperative Bank, Ltd. (2.39%), Hua Nan Commercial Bank, Ltd. (2.23%), Bank of Taiwan (1.81%), Land Bank of Taiwan (1.80%)
	Bank of Taiwan	Taiwan Financial Holdings Co., Ltd (100%)
	Taiwan Business Bank Co., Ltd.	Bank of Taiwan (16.21%), Management Committee of National Development Fund, Executive Yuan (5.87%), Land Bank of Taiwan (2.29%), Ministry of Finance (2.08%), Taiwan Business Bank Trust Account for Employee Stock Ownership of Taiwan Business Bank (1.03%), Norges Bank Investment Fund under the custody of Citibank (0.94%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (0.9%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.90%), New Labor Pension Fund (0.83%), iShares Core MSCI Emerging Markets ETF (0.7%)
	Hua Nan Commercial Bank	Hua Nan Financial Holding Co Ltd. (100%)
	Central Investment Co.	Kuomintang (100%)
	Mega International Commercial Bank Co., Ltd.	Mega Financial Holding Co Ltd. (100%)
	Land Bank of Taiwan	Ministry of Finance (100%)
TECO Electric & Machinery Co., Ltd.	Taiwan Cooperative Commercial Bank	Taiwan Cooperative Financial Holding Co., Ltd. (100%)
	PJ Asset Management Co., Ltd.	Ho Yang Management Consulting Co. (100%)
	Walsin Lihwa Corporation	Chin-Xin Investment Co., Ltd. (6.15%), Winbond Electronics Corporation (6.14%), TECO Electric and Machinery Co., Ltd. (5.22%), LGT Bank (Singapore) Investment Fund under the custody of Business Department, Standard Chartered Bank (Taiwan) Ltd. (4.54%), Rong Jiang Co., Ltd. (4.27%), Yuanta Taiwan Dividend Plus ETF (3.31%), Patricia Chiao (2.71%), Huali Investment Corp. (2.65%), Chunghwa Post Co., Ltd. (1.89%), Yu-Heng Chiao (1.62%)
	Jaryuan Investment Co. Ltd.	He Yuan International Investment Co., Ltd. (99.89%), Chang Wei Management Consulting (0.11%)
	He Yuan International Investment Co., Ltd.	Shu-Chiung Tseng (98%), Shu Chen Pai (2%)
	Creative Sensor Co., Ltd.	TECO Image Systems Co. Ltd. (19.39%), Universal Cement Corporation (8.83%), Tien Da Investment Co., Ltd. (8.26%), Yurui Co., Ltd. (6.05%), Huan Ni Investment Co., Ltd. (6.04%), TECO Capital Investment Co., Ltd. (5.31%), Creative Sensor Inc. (treasury stock 4.08%), Koryo Co., Ltd. (3.82%), TECO International Investment Co., Ltd. (3.56%), TECO Electric & Machinery Co., Ltd. (1.43%)
	Tong Kuang Investment Co., Ltd.	Kuang Yuan Industrial Co., Ltd. (39.27%), Huo-Huei Lin Huang (35.01%), Bright Lane Investments, Ltd. (12.73%), Tong Ho Global Investment Co., Ltd (6.00%), Other (6.99%)
	Kuang Yuan Industrial Co., Ltd.	Tong Kuang Investment Co., Ltd. (34.46%), Huo-Huei Lin Huang (51.58%), Bright Lane Investments, Ltd. (10.00%), Tong Ho Global Investment Co., Ltd (0.74%), Other (3.22%)
	Yinge Int. Inv. Co., Ltd.	Po-Chih Huang (99.28%), Fong-Mei Hsu (0.72%)
	Yuban International Investment Co., Ltd.	Kuang Yuan Industrial Co., Ltd. (39.40%), Tong Kuang Investment Co., Ltd. (30.41%), Forward Electric Company Limited (8.50), Others(21.69%)
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holding Co., Ltd.	Taipei City Government (13.07%), Ming Dong Co., Ltd. (8.34%), Dao Ying Co., Ltd. (7.62%), Richard M. Tsai (3.15%), Daniel M. Tsai (2.17%), Hung Fu Investment Co., Ltd. (2.59%), New Labor Pension Fund (2.44%), Chung Shing Development Co., Ltd. (1.40%), Hope Fine Investments Ltd. (1.5%), Citigroup Taiwan is entrusted with the custody of the Singapore government investment account (1.16%)

Note 1: Major shareholders which are entities should be listed here.

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

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

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2024, while some is sourced from the Commerce Industrial Services Portal or shareholder websites.

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

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

Criteria Name	Professional qualifications and experience	Independence status (Note 2)	Concurrent independent director position at other public companies
Chairman Yao-Chung Chiang	1. Area of expertise: Mechanical engineering, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in transportation 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	1
Independent Director Kenneth Huang- Chuan Chiu	1. Area of expertise: Law 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Experience in other industries 3. No violations of Article 30 of the Company Act	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	2
Independent Director Duei Tsai	1. Area of expertise: Electrical engineering, transportation management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in transportation (4) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3. No violations of Article 30 of the Company Act	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	3
Independent Director Ming-Teh Wang	1. Area of expertise: Civil engineering 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3. No violations of Article 30 of the Company Act	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	0



Criteria Name	Professional qualifications and experience	Independence status (Note 2)	Concurrent independent director position at other public companies
Independent Director Pai-Ta Shih	1. Area of expertise: Economics, finance 2. Experience: (1) Board member of other public companies (2) Professor at Department of Finance, National Taiwan University 3. No violations of Article 30 of the Company Act	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	3
Independent Director Yung-Cheng (Rex) Lai	1. Area of expertise: Civil engineering, transportation 2. Experience: (1) Relevant industry experience in transportation (2) Professor at Railway Technology Research Center, National Taiwan University 3. No violations of Article 30 of the Company Act	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	0
Director Huan-Tung Tseng	1. Area of expertise: Accounting 2. Experience: Relevant positions at Executive Yuan Directorate General of Budget, Accounting and Statistics and National Development Council. 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Cheng-Chung Young	1. Area of expertise: transportation 2. Experience: Relevant industry experience in transportation 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Yu-Fen Hung	1. Area of expertise: Finance 2. Experience: (1) Board member of other public companies (2) Relevant industry experience (shipping and engineering) 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Wei-Cheng Hsieh	1. Area of expertise: Law, transportation 2. Experience: Relevant industry experience in transportation 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Chien-Chih Hwang	1. Area of expertise: Economics 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in steel 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0

Criteria Name	Professional qualifications and experience	Independence status (Note 2)	Concurrent independent director position at other public companies
Director Ming-Jou Yang	1. Area of expertise: Civil engineering, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (4) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Shien-Quey Kao	1. Area of expertise: Economics 2. Experience: (1) Position at Council for Economic Planning and Development, Executive Yuan (2) Position at National Development Council 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Mao-Hsiung Huang	1. Area of expertise: Business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0
Director Yi-Ling Wu	1. Area of expertise: Finance, Business management 2. Experience: Relevant industry experience 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.	0

2) Diversification and Independence of the Board of Directors:

A. Diversification of the Board of Directors:

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

- (a) Composition of Board members shall be diverse, and appropriate diversification standards shall be set according to Corporation operations, mode of operation, and development needs, including but not limited to the following:
  - I. Basic qualifications and values: gender, age, nationality, and culture.
  - II. Level of contribution to businesses or in other professional areas.
  - III. Personality, professional expertise and skills. Professional expertise and skills include professional backgrounds (such as in finance, accounting, legal practice, marketing, technology, business management, and so on), as well as professional skills and industry experience.
  - IV. Willingness and time to participate in corporate affairs.
  - V. Concurrent director and managerial officer positions held at other companies.
- (b) THSRC has established a Corporate Governance & Nominating Committee which is responsible for reviewing the diversified standards of professional knowledge, techniques, experience, and gender distribution required by directors to ensure that the Board possesses appropriate professional knowledge and expertise. The Committee is also responsible for conducting regular evaluations of Board performance, reviewing director training plans, and reviewing manager succession plans.
- (c) Composition of the Corporation's 10th Board complies with our "Articles of Incorporation"; nominated candidates are selected, nominated, and elected through the rigorous processes stipulated in the Corporation's "Charter of the Corporate Governance

& Nominating Committee" and "Rules for the Election of Directors," thus ensuring diversification and independence of Board members.

- (d) The Board is currently composed of 15 directors, including 5 independent directors and 10 non-independent directors. Our current directors are all industrial or academic experts with management experience in listed companies or in government institutes. Apart from possessing leadership and decision-making capabilities, crisis management capabilities, and an international outlook, of our 5 independent directors, Independent Director Kenneth Huang-Chuan Chiu is a partner at Kew & Lord, Independent Director Duei Tsai served as the Minister of Transportation and Communications, Independent Director Ming-Teh Wang served as the chairman of Taoyuan International Airport Corporation, Independent Director Pai-Ta Shih is a full-time professor at the National Taiwan University Department of Finance, and Independent Director Yung-Cheng (Rex) Lai is a professor at the National Taiwan University Railway Technology Research Center. They therefore possess professional expertise in legal practices, finance and accounting, industry knowledge, and operational insights. Additionally, of the other 10 non-independent directors, directors Huan-Tung Tseng, Shien-Quey Kao, and Yi-Ling Wu have finance and accounting expertise; Director Cheng-Chung Young is currently the Director General of the Railway Bureau, Ministry of Transportation and Communications; Director Wei-Cheng Hsieh is the Secretary General of the China Aviation Development Foundation; and Chairman Yao-Chung Chiang and directors Yu-Fen Hung, Chien-Chih Hwang, Ming-Jou Yang, and Mao-Hsiung Huang all have significant management experience as a chairperson or president of listed companies in industries spanning from technology, construction, finance, steel, airlines, manufacturing, and services; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight.

Expertise	Related to the Corporation	Number of directors
Board/committee leadership	Lead the board and functional committees in formulating important corporate strategies and supervise business implementations	10
Relevant industry experience	Supervise the Corporation's operational maintenance, financial planning, and project management	8
Legal expertise	Supervision, consulting, and operational experience in respective areas of expertise	1
Accounting expertise	Supervision, consulting, and operational experience in respective areas of expertise	2

- (e) The Corporation sets the 4Ts (Transportation, Technology, Taiwan, and Touch) as our main developmental goal and selects directors based on their management experience and expertise. Our current directors possess knowledge on corporate governance, the latest industrial insights, and expertise in business, finance, accounting, and corporate matters, fulfilling the goals set out by our 4Ts.
- (f) The Corporation strives to maintain gender equality in the composition of Board members. Our goal is to increase our ratio of female directors to 1/3 (33%). Currently, we have 80% (12) male directors and 20% (3) female directors. In future, we hope to add other female directors to achieve our goal.
- (g) Currently, four of our five independent directors were reelected following a full term and the remaining director is a newly appointed independent director. We currently have 15 Board members, of which 33% (5) are under 60 years old, 20% (3) are between 60 to 65 years old, and 47% (7) are over 65 years old.

#### B. Independence of the Board of Directors:

The Corporation's 10th Board is composed of 15 directors, 5 of which are independent directors, accounting for approximately 33% of Board members.

All Corporation directors are elected following nomination, with nomination, election, and other compliance matters adhering fully to the relevant regulations of securities authorities. Members of the Corporation's 10th Board were submitted to the Board for discussion and approval by the Corporate Governance & Nominating Committee in accordance with the aforementioned regulations. Documentation relevant to nomination matters were submitted to the Corporation during the announced period for accepting nominations. Directors were elected from the list of nominees at the Shareholders General Meeting held on May 25, 2023. Documentation provided by Board members during the nomination process confirmed there were no violations of paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, and none of the directors/independent directors had spousal relations or were relatives within second degree of kinship.

### 3. Management Team

Information on President, Vice Presidents, Assistant Vice Presidents, and all Department Heads

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
President	R.O.C.	James Jeng	Male	2014/03/14	21	0	0	0	0	0
Administration Senior Vice President	R.O.C.	Barret Wang	Male	2006/12/01	12	0	3	0	0	0
Operation Senior Vice President	R.O.C.	Andy Lu	Male	2006/12/01	0	0	0	0	0	0
Business Senior Vice President, and head of Travel & Business Development Division and Information Technology Division and Spokesperson	R.O.C.	Calvin Yen	Male	2016/04/01	7	0	0	0	0	0
Planning Senior Vice President, and head of Corporate Planning Division	R.O.C.	Rae Chung	Female	2005/06/06	0	0	0	0	0	0
Secretary-General, Secretariat Division, Board of Directors	R.O.C.	Joe Wang	Male	2024/01/01	0	0	0	0	0	0
Chief Auditor, Corporate Audit Office	R.O.C.	Andy Chiu	Male	2024/01/01	0	0	0	0	0	0
Vice President, Human Resources and Administration Division	R.O.C.	Tim Fu	Male	2014/01/01	25	0	0	0	0	0
Vice President, Finance Division	R.O.C.	Allen Wang	Male	2020/01/15	0	0	0	0	0	0

Unit: Thousands of shares; % (as of 2024/03/25)

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Ph.D. in Transportation Management, National Chiao Tung University. M.S. in Ocean Systems Management, Massachusetts Institute of Technology, USA. Master of Engineering in Transportation, National Chiao Tung University, Taiwan. • Chief Executive Officer, Taiwan High Speed Rail Corporation • Chairman/Vice Chairman/President, EVA Airways Corporation. • Chairman/President/Vice President, UNI Airways Corporation. • Vice Chairman, Italia Marittima S.p.A, a wholly-owned subsidiary of Evergreen Group. • Executive Vice President, Evergreen Marine Corporation. • Assistant Vice President, Corporate Planning Division and Operation Division, Taiwan High Speed Rail Corporation • Deputy Project Director, Taiwan High Speed Rail Consortium	None	None	None	None	
Bachelor of Law, National Taiwan University. • Vice President, Human Resources Division, Taiwan High Speed Rail Corporation. • Vice President, Legal Office, Taiwan High Speed Rail Corporation. • Secretary-General, Secretariat Division of Board of Directors, Taiwan High Speed Rail Corporation. • Attorney-at-Law, Chun He Law Firm.	None	None	None	None	
Executive MBA, College of Management, National Sun-Yat-Sen University. • Vice President, Operation Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Maintenance Management Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Operation Sub-Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Station Management Department, Taiwan High Speed Rail Corporation. • Assistant Vice President, Passenger Service Department, Taiwan High Speed Rail Corporation. • Assistant Manager, EVA Airways Corporation.	None	None	None	None	
B.S. in Computer Science, Tamkang University. • Vice President, Information Technology Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Information Technology Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Application System Department, Taiwan High Speed Rail Corporation. • Manager, Ever Rich Group Corp.	None	None	None	None	
B.A. in Economics, Tamkang University. • Vice President and Spokesperson, Corporate Planning Division, Taiwan High Speed Rail Corporation. • Vice President, Business Division, Taiwan High Speed Rail Corporation. • Vice President, Marketing Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Marketing Division, Taiwan High Speed Rail Corporation. • Marketing Manager, New Zealand Milk Products (Far East) Ltd., Taiwan Branch.	None	None	None	None	
Master's Degree in Law, Kyoto University, Japan. • Deputy Director of Legal Affairs and Government Ethics Division, Taipei Rapid Transit Corporation.	None	None	None	None	
Master's Degree in Transportation Engineering, Department of Civil Engineering, National Taiwan University • Supervisor, De Shazo, Starek & Tang, Inc.	None	None	None	None	
B.S. in Computer Science, Tamkang University. • Vice President, Procurement Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Procurement Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Corporate Audit Office, Taiwan High Speed Rail Corporation. • Manager, Pfizer Inc.	None	None	None	None	
Executive MBA, College of Management, National Taiwan University. • Chief Finance Officer, IME Group Beijing.	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Vice President, Maintenance Management Division	R.O.C.	Bob Chen	Male	2014/01/01	0	0	0	0	0	0
Vice President, Public Affairs Division And Acting Spokesperson	R.O.C.	Elaine Tsou	Female	2016/07/15	14	0	0	0	0	0
Vice President, Business Division	R.O.C.	Simon Chen	Male	2008/09/01	15	0	0	0	0	0
Vice President, System Research Development Division	R.O.C.	Eric Cheng	Male	2006/11/06	11	0	0	0	0	0
Vice President, Operation Division	R.O.C.	Paul Yang	Male	2016/04/01	14	0	0	0	0	0
Assistant Vice President, Affiliated Business Development Department of Business Division	R.O.C.	Wilson Ting	Male	2008/02/25	0	0	0	0	0	0
Assistant Vice President, Procurement Division	R.O.C.	Max Liu	Male	2008/06/16	12	0	0	0	0	0
Assistant Vice President, Quality Assurance Office	R.O.C.	Paul Hwang	Male	2006/11/06	0	0	0	0	0	0



Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Executive MBA, College of Management, National Sun-Yat-Sen University. <ul style="list-style-type: none"> <li>Assistant Vice President, Maintenance Management Division, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Depot &amp; Station Facility Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Rolling Stock Maintenance Department, Taiwan High Speed Rail Corporation.</li> <li>Section Chief, EVA Airways Corporation.</li> </ul>	None	None	None	None	
B.A. in Mass Communication, Fu Jen Catholic University. <ul style="list-style-type: none"> <li>Assistant Vice President, Public Affairs Division, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Public Affairs Department, Wei Chuan Foods Corporation.</li> </ul>	None	None	None	None	
Ph.D., Division of Transportation Engineering, Institute of Civil Engineering, National Taiwan University. <ul style="list-style-type: none"> <li>Assistant Vice President, Business Division, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Affiliated Business Development Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Transportation Business Development Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Marketing Division, Taiwan High Speed Rail Corporation.</li> <li>Research Fellow, Taiwan High Speed Rail Consortium Project, Transportation and Traffic Foundation</li> </ul>	None	None	None	None	
Master's Degree in Department of Electrical Engineering, National Taiwan University of Science and Technology. <ul style="list-style-type: none"> <li>Assistant Vice President, System Research Development Division, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Signaling &amp; Communication Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Track &amp; Power Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Facility Maintenance Department, Taiwan High Speed Rail Corporation.</li> <li>Electrical Engineering Plant Director &amp; Power Supply Plant Director, Taipei Rapid Transit Corp.</li> </ul>	None	None	None	None	
B.S. in Computer Science, Tamkang University. <ul style="list-style-type: none"> <li>Assistant Vice President, Operation Division, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Operation Control Center, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Station Operation Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Train Operation Department, Taiwan High Speed Rail Corporation.</li> <li>Engineer, EVA Airways Corporation.</li> </ul>	None	None	None	None	
M.S., Finance, Golden Gate University, USA. <ul style="list-style-type: none"> <li>Assistant Vice President, Transportation Business Development Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Strategy Development Office, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Marketing Division, Taiwan High Speed Rail Corporation.</li> <li>Sales /Channel Management Director, Far EasTone Telecommunications Co., Ltd.</li> </ul>	None	None	None	None	
Executive MBA, College of Commerce, National Chengchi University. <ul style="list-style-type: none"> <li>Assistant Vice President, Quality Assurance Office, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Employee Service Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Procurement Department, Taiwan High Speed Rail Corporation.</li> <li>Special Assistant to the Chairman/ Assistant Vice President, DJ Auto Components Corporation.</li> </ul>	None	None	None	None	
M.S., Transportation and Communication Management Science, National Cheng Kung University. <ul style="list-style-type: none"> <li>Assistant Vice President, Train Operation Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Operation Control Center, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Operation Planning Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Rail Operation Division, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Training Department, Taiwan High Speed Rail Corporation.</li> <li>Director of Training Center, Deputy Director of OCC, Taipei Rapid Transit Corp.</li> </ul>	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Assistant Vice President, Core Technology Engineering Department, System Research Development Division	R.O.C.	Sheng-Hsin Yu	Male	2015/01/01	6	0	0	0	0	0
Assistant Vice President, Station Operation Department of Operation Division	R.O.C.	Alpha Lin	Male	2006/11/06	0	0	0	0	0	0
Assistant Vice President, Facility Engineering Department, System Research Development Division	R.O.C.	Tom Tsai	Male	2016/04/01	61	0	40	0	0	0
Assistant Vice President, Accounting Department of Finance Division	R.O.C.	Griffin Huang	Male	2017/10/19	0	0	0	0	0	0
Assistant Vice President, System Operation Department, Information Technology Division	R.O.C.	Beatrice Tsai	Female	2020/06/01	0	0	0	0	0	0
Assistant Vice President, Operation Safety Office	R.O.C.	Paul Hsu	Male	2020/11/16	0	0	0	0	0	0
Assistant Vice President, Legal Office	R.O.C.	Mandy Ko	Female	2021/04/01	1	0	0	0	0	0
Assistant Vice President, Travel Planning and Products Development Department, Travel and Business Development Division	R.O.C.	Athena Pao	Female	2021/05/01	16	0	0	0	0	0
Assistant Vice President, Track & Power Department, Maintenance Management Division	R.O.C.	Marion Chi	Male	2021/10/16	1	0	0	0	0	0
Assistant Vice President, Rolling Stock Maintenance Department, Maintenance Management Division	R.O.C.	Edward Chen	Male	2021/10/16	3	0	0	0	0	0
Assistant Vice President, Core Technology Research Department, System Research Development Division	R.O.C.	Jason Chen	Male	2022/10/03	0	0	0	0	0	0
Assistant Vice President, Depot & Station Facility Department, Maintenance Management Division	R.O.C.	Simon Chen	Male	2023/06/01	2	0	0	0	0	0
Assistant Vice President, Business Strategy Planning Department, Corporate Planning Division	R.O.C.	Yi-Ming Chiu	Male	2023/06/01	5	0	0	0	0	0
Senior Manager, Occupational Safety & Health Office	R.O.C.	Vincent Ku	Male	2022/12/01	0	0	0	0	0	0

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Master's Degree in Electrical Engineering, University of Memphis, USA. • Assistant Vice President, Core Technology Development Department, Taiwan High Speed Rail Corporation. • Assistant Vice President, Technology Development Department, Taiwan High Speed Rail Corporation. • Electronics Engineering Plant Director, Taipei Rapid Transit Corp.	None	None	None	None	
Master's Degree in Systems Analysis Group, Institute of Management Science, Tamkang University. • Assistant Vice President, Station Operation Department, Taiwan High Speed Rail Corporation. • Assistant Vice President, Train Operation Department, Taiwan High Speed Rail Corporation. • Director of OCC and Train Operation Center, Taipei Rapid Transit Corp.	None	None	None	None	
Master's Degree from Culture Planning Institute, Chinese Culture University. • Assistant Vice President, Facility Engineering Department, Taiwan High Speed Rail Corporation. • Manager, Kangshe Construction Corp.	None	None	None	None	
Master's Degree in Business Administration, National Taipei University. • Senior Manager, Deloitte Taiwan.	None	None	None	None	
M.S., Applied Chemistry National Chiao Tung University • Chief Technology Officer, AFE-Solutions Corporation, HK	None	None	None	None	
M.S., Department of Civil Engineering, National Chung Hsing University. • Assistant Researcher, National Disaster Prevention and Technology Center.	None	None	None	None	
Master's Degree from Law Institute of Chinese Culture University • Legal Manager, EASYCARD Co., Ltd.	None	None	None	None	
Executive MBA, National Chiao Tung University • Assistant Vice President, Travel Business Related Department, Taiwan High Speed Rail Corporation. • Assistant Deputy Section Chief of EVA Airways Corporation.	None	None	None	None	
Department of Civil Engineering, National Cheng Kung University. • Chief of Civil & Track Workshop, Taipei Rapid Transit Corp.	None	None	None	None	
Department of Social Work, Tunghai University. • Assistant Vice President, Depot & Station Facility Department, Taiwan High Speed Rail Corporation. • Assistant Deputy Section Chief, EVA Airways Corporation.	None	None	None	None	
M.S., Institute of Computer Engineering, University of Massachusetts, USA. • System R&D Manager, Boeing, USA	None	None	None	None	
Department of Naval Architecture and Ocean Engineering, National Kaohsiung Marine University. • Assistant Engineer, Cargo Container Business Division & Steel Structure Business Division, Evergreen Heavy Industry's Container.	None	None	None	None	
Master's Degree in Transportation Engineering, Department of Civil Engineering, National Taiwan University. • Engineer, Taipei Rapid Transit Corp.	None	None	None	None	
Master's Degree from Graduate Institute of National Development and Mainland China Studies, Chinese Culture University. • Assistant Deputy Section Chief, EVA Airways Corporation.	None	None	None	None	

#### 4. Remuneration to Directors and Department Heads

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

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

Title	Name	Remuneration							
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
China Aviation Development Foundation		0	0	0	0	13,449	13,449	0	0
Chairman Representative: Yao-Chung Chiang		7,068	7,068	0	0	0	0	481	481
Director Representative: Yu-Fen Hung		0	0	0	0	0	0	140	140
Director Representative: Wei-Cheng Hsieh		0	0	0	0	0	0	130	130
Director Former Representative: Lee-Ching Ko		0	0	0	0	0	0	16	16
Ministry of Transportation and Communications, R.O.C.		0	0	0	0	10,425	10,425	162	162
Director Representative: Cheng-Chung Young		0	0	0	0	0	0	60	60
Director Former Representative: Wen-Jong Chi		0	0	0	0	0	0	0	0
Director Former Representative: Chin-Hong Pan		0	0	0	0	0	0	93	93
China Steel Corporation		0	0	0	0	5,213	5,213	100	100
Director Representative: Chien-Chih Hwang		0	0	0	0	0	0	0	0
Director Former Representative: Chao-Tung Wong		0	0	0	0	0	0	0	0
Taiwan Sugar Corporation		0	0	0	0	5,213	5,213	124	124
Director Representative: Ming-Jou Yang		0	0	0	0	0	0	0	0
Director Former Representative: Chao-Yih Chen		0	0	0	0	0	0	0	0

Unit: NT\$ thousands (as of 2023/12/31)

Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company	
		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements		
						Cash	Stock	Cash	Stock				
13,449 0.17	13,449 0.17	0	0	0	0	0	0	0	0	0	13,449 0.17	13,449 0.17	None
7,549 0.10	7,549 0.10	0	0	0	0	0	0	0	0	0	7,549 0.10	7,549 0.10	None
140 0.00	140 0.00	0	0	0	0	0	0	0	0	0	140 0.00	140 0.00	None
130 0.00	130 0.00	0	0	0	0	0	0	0	0	0	130 0.00	130 0.00	None
16 0.00	16 0.00	0	0	0	0	0	0	0	0	0	16 0.00	16 0.00	None
10,587 0.14	10,587 0.14	0	0	0	0	0	0	0	0	0	10,587 0.14	10,587 0.14	None
60 0.00	60 0.00	0	0	0	0	0	0	0	0	0	60 0.00	60 0.00	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
93 0.00	93 0.00	0	0	0	0	0	0	0	0	0	93 0.00	93 0.00	None
5,313 0.07	5,313 0.07	0	0	0	0	0	0	0	0	0	5,313 0.07	5,313 0.07	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
5,337 0.07	5,337 0.07	0	0	0	0	0	0	0	0	0	5,337 0.07	5,337 0.07	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None

Title	Name	Remuneration							
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
Management Committee of National Development Fund, Executive Yuan		0	0	0	0	5,213	5,213	81	81
Director Representative: Shien-Quey Kao		0	0	0	0	0	0	93	93
TECO Electric & Machinery Co., Ltd.		0	0	0	0	5,213	5,213	0	0
Director Representative: Mao-Hsiung, Huang		0	0	0	0	0	0	194	194
Taipei Fubon Commercial Bank Co., Ltd.		0	0	0	0	5,213	5,213	0	0
Director Former Representative: Chu-Min Hong		0	0	0	0	0	0	144	144
Director Former Representative: Kuo-Chih Liu		0	0	0	0	0	0	32	32
Independent Director Kenneth Huang-Chuan Chiu		720	720	0	0	0	0	420	420
Independent Director Duei Tsai		317	317	0	0	0	0	470	470
Independent Director Ming-Teh Wang		434	434	0	0	0	0	240	240
Independent Director Pai-Ta Shih		720	720	0	0	0	0	420	420
Independent Director Yung-Cheng (Rex) Lai		720	720	0	0	0	0	394	394

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

According to Article 2-07 of the Corporation's "Guidelines for Corporate Governance," the remuneration paid to Directors for their services as Directors, including Board meeting attendance fees, salary and pay, and profit-sharing compensation paid to Directors as set out in the Articles of Incorporation, shall be discussed and determined by the Board separately for each Director in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines, with consideration to the level of involvement and value of the contribution of each Director, and taking into reference the usual pay level in the industry domestically and abroad. Remuneration for directors is based on overall operational performance, future industrial risks, and development trends, as well as 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. Additionally, remuneration for independent directors not only adheres to the aforementioned policies, standards, and evaluations, but also references MOTC remuneration standards for privatized state-owned enterprises; independent directors are not entitled to profit sharing.

2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as non-employee consultants and others) other than disclosed in the table above: None.

Note 1: Includes expenses for meeting attendances and company cars, but not driver remuneration of NT\$838 thousand.

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

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



Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees									Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company
		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements		
						Cash	Stock	Cash	Stock				
5,294 0.07	5,294 0.07	0	0	0	0	0	0	0	0	0	5,294 0.07	5,294 0.07	None
93 0.00	93 0.00	0	0	0	0	0	0	0	0	0	93 0.00	93 0.00	None
5,213 0.07	5,213 0.07	0	0	0	0	0	0	0	0	0	5,213 0.07	5,213 0.07	None
194 0.00	194 0.00	0	0	0	0	0	0	0	0	0	194 0.00	194 0.00	None
5,213 0.07	5,213 0.07	0	0	0	0	0	0	0	0	0	5,213 0.07	5,213 0.07	None
144 0.00	144 0.00	0	0	0	0	0	0	0	0	0	144 0.00	144 0.00	None
32 0.00	32 0.00	0	0	0	0	0	0	0	0	0	32 0.00	32 0.00	None
1,140 0.01	1,140 0.01	0	0	0	0	0	0	0	0	0	1,140 0.01	1,140 0.01	None
787 0.01	787 0.01	0	0	0	0	0	0	0	0	0	787 0.01	787 0.01	None
674 0.01	674 0.01	0	0	0	0	0	0	0	0	0	674 0.01	674 0.01	None
1,140 0.01	1,140 0.01	0	0	0	0	0	0	0	0	0	1,140 0.01	1,140 0.01	None
1,114 0.01	1,114 0.01	0	0	0	0	0	0	0	0	0	1,114 0.01	1,114 0.01	None

2) Remuneration of President and Vice Presidents

Title	Name	Base Compensation (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Allowances (C) (Note 4)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
President	James Jeng						
Senior Vice President	Barret Wang						
Senior Vice President	Andy Lu						
Senior Vice President	Calvin Yen						
Senior Vice President	Rae Chung						
Vice President	Tim Fu						
Vice President	Allen Wang	Total amount 37,460	Total amount 37,460	Total amount 1,611	Total amount 1,611	Total amount 22,697	Total amount 22,697
Vice President	Bob Chen						
Vice President	Elaine Tsou						
Vice President	Simon Chen						
Vice President	Eric Cheng						
Vice President	Paul Yang						
Former Vice President	Todd Hsiao						

Note 1: The number of people with decision-making management authority and people who were appointed to ranks of vice president and above following Board approval was 13; of these, 5 were changed during the year (Assistant Vice President Eric Cheng was promoted to Vice President on 2023/1/3, Assistant Vice President Paul Yang was promoted to Vice President on 2023/2/1, Vice President Todd Hsiao resigned on 2023/6/1, Vice President Calvin Yen was promoted to Senior Vice President on 2023/7/1, and Vice President Rae Chung was promoted to Senior Vice President on 2023/12/1.)

Note 2: Remuneration (A) includes basic salaries and food allowances.

Note 3: Actual amounts of retirement pay for 2023 came to a total of NT\$0 and retirement pensions expenses came to NT\$1,611 thousand, making a total of NT\$1,611 thousand.

Note 4: The amount of performance bonuses for 2023 are disclosed as estimated figures. The remuneration, bonuses and special disbursements in this table are disclosed in accordance with regulations regarding information to be disclosed in annual reports. Special leave liability and non-business travel of NT\$ 4,118 thousand is not included. Includes expenses for company cars, but not includes the relevant remuneration paid to the driver of NT\$ 983 thousand.

Note 5: Article 35-1 of the Articles of Incorporation states that "If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to Directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation." Employee compensation for 2023 was calculated based on profits for the year (pre-tax profits minus profits prior to distribution of employee and director compensation), and were estimated to be 2% of NT\$9,987,509 thousand (no accumulated losses to be offset). This proposal will be carried out in accordance with regulations following approval from the shareholders' meeting.

Unit: NT\$ thousands (as of 2023/12/31)

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

Total amount 2,079	0	Total amount 2,079	0	63,847 0.82	63,847 0.82	None
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## 3) Remuneration range table

Unit: NT\$

Range of Remuneration	Names of President and Vice Presidents	
	The Corporation	All Companies Included in Financial Statements
Lower than 1,000,000		
1,000,000 (Included) ~ 2,000,000 (Not included)	Todd Hsiao	Todd Hsiao
2,000,000 (Included) ~ 3,500,000 (Not included)		
3,500,000 (Included) ~ 5,000,000 (Not included)	Tim Fu, Allen Wang, Bob Chen, Elaine Tsou, Simon Chen, Eric Cheng, Paul Yang	Tim Fu, Allen Wang, Bob Chen, Elaine Tsou, Simon Chen, Eric Cheng, Paul Yang
5,000,000 (Included) ~ 10,000,000 (Not included)	James Jeng, Barret Wang, Rae Chung, Andy Lu, Calvin Yen	James Jeng, Barret Wang, Rae Chung, Andy Lu, Calvin Yen
10,000,000 (Included) ~ 15,000,000 (Not included)	-	-
15,000,000 (Included) ~ 30,000,000 (Not included)	-	-
30,000,000 (Included) ~ 50,000,000 (Not included)	-	-
50,000,000 (Included) ~ 100,000,000 (Not included)	-	-
Above 100,000,000	-	-
Total	13	13

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

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

Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)	
Managers	President	James Jeng					
	Senior Vice President	Barret Wang					
	Senior Vice President	Andy Lu					
	Senior Vice President	Calvin Yen					
	Senior Vice President	Rae Chung					
	Vice President	Tim Fu					
	Vice President	Allen Wang					
	Vice President	Bob Chen					
	Vice President	Elaine Tsou					
	Vice President	Simon Chen					
	Vice President	Eric Cheng					
	Vice President	Paul Yang					
	Assistant Vice President	Wilson Ting					
	Assistant Vice President	Max Liu					
	Assistant Vice President	Paul Hwang					
	Assistant Vice President	Sheng-Hsin Yu		0	Total amount 4,545	Total amount 4,545	0.06
	Assistant Vice President	Alpha Lin					
	Assistant Vice President	Tom Tsai					
	Assistant Vice President	Griffin Huang					
	Assistant Vice President	Beatrice Tsai					
	Assistant Vice President	Paul Hsu					
	Assistant Vice President	Mandy Ko					
	Assistant Vice President	Athena Pao					
	Assistant Vice President	Marion Chi					
	Assistant Vice President	Edward Chen					
	Assistant Vice President	Jason Chen					
	Assistant Vice President	Simon Chen					
Assistant Vice President	Yi-Ming Chiu						
Principal Specialist	Shirley Lai						
Former Vice President	Todd Hsiao						
Former Assistant Vice President	Vincent Huang						

Note: The aforementioned employee compensation for 2023 are estimated figures.

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

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

Unit: NT\$ thousands

Item	2022	2023
Total remuneration paid to directors	33,937	63,708
Ratio of total remuneration paid to directors (Note 1)	0.90%	0.81%
Total remuneration paid to managers ranked above vice president (Note 2)	53,130	63,847
Ratio of total remuneration paid to managers ranked above vice president (Note 1)	1.41%	0.82%

Note 1: Information for 2022 was calculated based on after-tax profits of NT\$3,769,337 thousand, and information for 2023 was calculated based on after-tax profits of NT\$7,824,283 thousand.

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

2) Remuneration policies, standards, and packages

According to Article 27-1 of the Articles of Incorporation, remuneration for individual board directors should be determined by the Board based on the level of participation, value contributed, and remuneration levels of similar companies. Additionally, if the Corporation is profitable in a given year, it shall allocate not more than 1% of the net profit as profit-sharing compensation to Directors according to Article 35-1 of the Articles of Incorporation. Independent directors receive fixed monthly compensation as determined by the Board and are not entitled to profit shares. The Corporation's employee remuneration levels are set according to individual work experience, positions and job duties, work skills and work performance, and the Corporation's financial and operational status, and have a positive correlation with operational performance. Additionally, if the Corporation is profitable in a given year, it shall allocate not less than 1% of the net profit as profit-sharing compensation to employees according to Article 35-1 of the Articles of Incorporation. Remuneration levels for Corporation managers are determined by the Board based on individual performance, contribution to Corporation operations, relevant regulations, and market standards. The Corporation's "Salary Payment Regulation" stipulates salary allowances and bonuses to reward employees for their contribution and hard work. Bonus levels are based on the Corporation's annual business performance, financial status, operating conditions, and individual work performance.

Remuneration as defined by the Charter of Remuneration Committee includes cash remuneration, stock options, dividends, retirement or redundancy benefits, allowances, and other substantial incentives; the scope of remuneration is consistent with that set out for director and manager remuneration in our publicly issued annual report.

3) Procedures for determining remuneration

For regular evaluation of director and managerial officer remuneration, the performance evaluations of Corporation directors and managers refer to our "Regulation of Self-Evaluation of Board of Directors" and our "Performance Appraisal Regulation" (applicable to managers and employees). Evaluation items for director performance include: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations engagement and communication, director knowledge and continued training, and internal control. Evaluation items for annual performance of managers and employees adhere to performance indicators for their main work duties and include evaluations of management capabilities and core capabilities. Manager assessment items include: the knowledge, techniques and behavioral items required for managers, planning and organizational capabilities, mentoring abilities, customer-oriented improvement capabilities, continuous improvement capabilities, performance improvement capabilities, and safety awareness. Employee assessment items include: the knowledge, techniques and behavioral items required by employees, problem analysis and resolution capabilities, work management capabilities, proactive capabilities, adaptive capabilities, and capability to pursue excellence. Additionally, the remuneration of the Corporation's Chairman and President is determined in reference to the "Reference Table of Remuneration Standards for Heads of Public Institutes under the Ministry of Transportation and Communications" and is submitted to the Board for approval. In order to fully reflect achievement of operational performance indicators, performance assessments for the Chairman are based on annual Corporation performance relating to operations, governance, and finances, and include four assessment items: net income before tax, credit ratings or Taiwan ratings, customer satisfaction, and corporate governance evaluations. Performance assessment items for the president encompass achievement of various performance indicators related to main job responsibilities, including management of operational safety,

supervision of financial plan execution, revenue management, promotion of autonomous maintenance capabilities, strengthening of internal controls, and implementation and management of quality assurance. Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors, and takes into account the Corporation's overall business performance, future industrial risks, and development trends, as well as individual performance achievement rates and level of contribution to the Corporation. Our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current corporate governance trends so as to balance sustainable operations and risk management.

Performance self-evaluations of the Board, Board members, and functional committee members for 2023 all significantly exceeded standards. Additionally, as post-pandemic economic conditions gradually recovered in 2023, domestic travel demands rose sharply, and our transportation volumes and passenger number grew substantially. Our single-day transportation volumes and revenues reached historical heights, achieving outstanding operational performance. Manager performance evaluations for 2023 showed that all managers reached or exceeded predetermined target requirements, and the Corporation received "Excellent" ratings on evaluations relating to annual operating targets. Remuneration for directors and managers fully considered their professional capabilities, as well as the Corporation's operational and financial conditions, overall corporate operational performance, management of individual performance goals, and evaluation results.

#### 4) Linkage to operating performance and future risk exposure

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

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

Manager performance indicators are linked with "risk controls" to ensure that all risks associated with manager duties can be managed and prevented. Evaluation results are based on actual performance and linked to related remuneration policies. Important management decisions at the Corporation are made after considering various risk factors, and the results of relevant decisions are reflected through profitability indicators, thereby achieving our aim of linking management remuneration with risk control performance.

#### 5) Policies linking remuneration for senior managers with ESG-related performance evaluations:

ESG sustainable development concepts" and the 4T sustainability axes have been incorporated into the Corporation's mid- and long-term strategies, and were used to formulate performance targets for the Corporation president and managers. Evaluation results are based on actual performance. In accordance with the Corporation's "Regulations Governing Performance Management," manager evaluation results are used as a basis for implementing position adjustments, promotions, salary adjustments, and bonus distributions, thereby linking remuneration for senior managers with ESG performance.

A summary of links between manager performance targets and ESG performance is as follows:

- \* Supervised disaster drills and strengthened operations of emergency response units to achieve zero-accident targets.
- \* Supervised operational management to ensure passenger safety: The injury rate per million trips (including deaths, serious injuries, and minor injuries) is lower than 0.06.
- \* Increased supply of local equipment and materials: Annual procurement of local maintenance materials made up more than 33% of total material procurement costs.
- \* Developed sustainable supply chain management mechanisms: Generated supplier risk maps, conducted risk evaluations, and formulated audit plans.
- \* Integrated mobile payment and third-party payment functions to strengthen digitalization of ticketing channels and enable paperless ticketing.
- \* Developed HSR-specific earthquake advance warning system: Conducted drills and implemented system integration plans in accordance with relevant procedures; execution rate of relevant projects surpassed 90%.
- \* Established disaster and extreme climate risk responses: The average execution rate of relevant annual plans (including projects related to drone viaduct inspection and maintenance systems, slope monitoring and repair, fault safety assessments and improvements) all exceeded 90%.



- \* Greenhouse gas inventory and verification procedures: Annual inventory, verification, and reporting procedures adhered to regulation timelines and items, and execution rates exceeded 98%.
- \* Environmental impact assessment commitment execution and reporting procedures: Executions and improvements of audit deficiencies were completed according to plan, and execution rates exceeded 98%.
- \* Harmonious labor-management relations: Regularly convened routine labor union communication meetings; annual completion rate for related issues reached 85%.
- \* Supported public welfare activities and fulfilled corporate social responsibilities: Collaborated with the government to host large-scale events and worked with community groups to organize various public welfare and educational activities. Overall event satisfaction levels exceeded 87 points.

For more information on our 2023 sustainability strategy goals and achievements, please refer to the “Sustainability Strategy and Goals,” “Operational Performance,” and 4T sections in the Corporation’s Sustainability Report.

## 5. Human Resources

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

Year	2022 (As of 2022/12/31)	2023 As of 2023/12/31	2024 As of 2024/03/31	
Employee Numbers	General Staff	4,624	4,637	4,596
	Domestic contractors	52	108	106
	Expats	2	1	1
	Total	4,678	4,746	4,703
Average Age	39.5	40.4	41.5	
Average Seniority	11.2	11.7	11.9	
Education Distribution Ratios (%)	Doctorate	0.3	0.3	0.3
	Master	13.1	13	13.2
	Undergraduate	82.4	80.6	80.3
	High School	3.9	5.9	5.9
	Below High School	0.3	0.2	0.3

### (2) Employee Benefits and Rights

#### 1) Employee benefits

Friendly environment and establishing a win-win solution

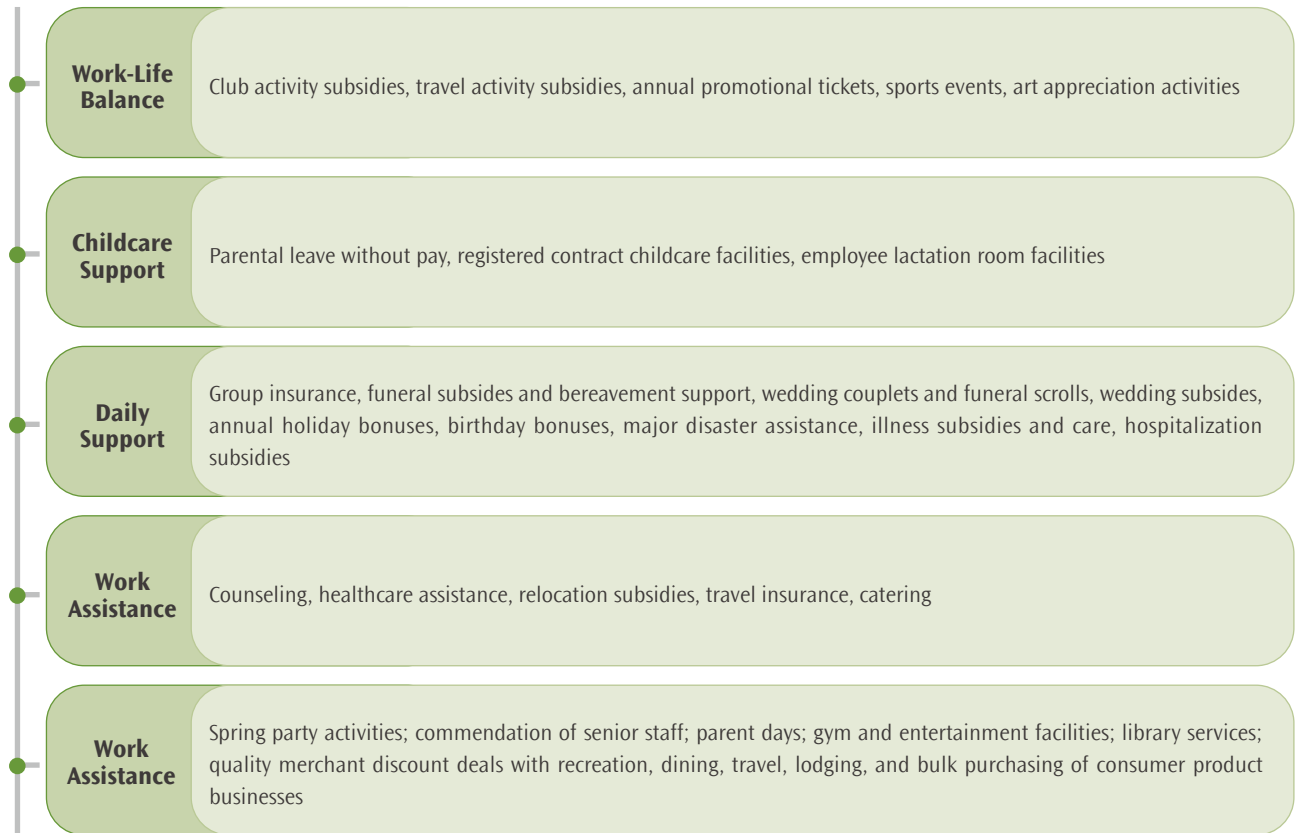
Apart from employee labor and health insurance, vacation days, retirement, injury compensation, health checks, and other benefits stipulated by law, we believe that only happy employees can provide quality passenger services, and therefore we are committed to establishing a friendly work environment and competitive salaries and benefits. Employees who have childcare needs, major disaster needs, and personal turmoil can also apply for leave without pay to take care of their personal and family care needs.

We attach great importance to the work-life balance of our colleagues and encourage them to participate in activities beneficial to their physical and mental health during their free time. In 2023, we successively launched a series of online summer marathon events which attracted more than 9,000 participants, and also organized table tennis, softball, badminton, and other sports competitions, allowing our many athletic talents to exert their skills. Our colleagues enthusiastically enrolled in and enjoyed these activities. We hope that encouraging our colleagues to exercise and better their health can help them to relieve stress from work, strengthen their immune systems, and avoid diseases.

In 2023, a total of 114 clubs were registered with the employee welfare committee, including the archery club, walking clubs, softball clubs, billiard clubs, etc. Exercise-type clubs made up 60% of all clubs. The corporate sports certification mark issued by the Sports Department of the Ministry of Education continues to be valid.

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

THSRC Employee Benefits and Work Support Items



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

2) Education, training, and retirement systems:

A. Education and training:

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

B. Implementation of retirement plan system:

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

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

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

(b) Defined contribution plan: Includes pension plans under the Labor Pension Act. The Corporation places 6% of employee monthly salaries in individual labor insurance accounts to serve as pension reserves.

(c) Pension distribution table

Pension Plan	Defined benefit plan	Defined contribution plan
Applicable Law	Labor Standards Act	Labor Pension Act
Pension Contributions	We contribute 2% of employee salaries into pension funds each month	We contribute 6% of employee salaries into pension funds each month
	We contributed a total of NT\$17,056 thousand to pension funds in 2023	We contributed a total of NT\$208,305 thousand to pension funds in 2023

Retirement conditions:

(a) Voluntary retirement: An employee may apply for voluntary retirement under any of the following conditions:

- I. Has reached the age of fifty-five and has worked for fifteen years.
- II. Has worked for more than twenty-five years.
- III. Has reached the age of sixty and has worked for ten years.

(b) Forced retirement:

- I. Has reached the age of sixty-five.
- II. Is unable to perform his/her duties due to disability.

(c) Pension payments and standards:

- I. Defined benefit plan: Employers shall pay employee pensions within 30 days from the day of retirement. According to Article 55 of the Labor Standards Act, pensions are calculated according to bases of tenure of services rendered and the six-month average salary amount following approval of retirement application. Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. An additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers forced to retire due to disability incurred from the execution of their duties.
- II. Defined contribution plan: According to the Labor Pension Act and relevant regulations, employees under the new pension system can collect pensions from their pension reserve accounts directly from the Bureau of Labor Insurance.

### (3) Labor-Management Negotiations

#### 1) Labor-management negotiations:

- A. In order to enhance labor relations, the Corporation management holds monthly discussions with labor unions and works with various departments to handle and respond to issues.
- B. The Corporation has conducted more than 20 group negotiations of labor-management agreements with the THSRC Labor Union since June 3, 2019 where both parties discussed agreement principles, labor organizations, mode of operation, and facilities. A consensus and balance between the interests of both parties were reached under principles of fairness and reasonableness, and in consideration of the interests of all stakeholders. To enhance labor-management relationships, an agreement was officially signed on March 31, 2022, and will be valid for three years after the effective date.
- C. The HSR union organizes labor education activities for union members every month, and THSRC offers one day of official leave and commuting support on the HSR for union members participating in these labor education activities. Each individual is provided with half-price ticket vouchers for designated purposes.

#### 2) Legal compliance:

##### A. Convening of labor-management conferences:

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

##### B. Establishment of the grievance appeals system:

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

##### C. Sexual harassment prevention and appeals system:

We established and implemented our "Sexual Harassment Prevention and Handling Regulations" on May 14, 2015 in accordance with the Act of Gender Equality in Employment and Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace. Revisions were made to our "Sexual Harassment Prevention and Handling Regulations" on April 29, 2022, and we continue to make revisions based on changes in laws and regulations. Following approval of drafted amendments to the three sexual equality laws by the Executive Yuan on July 13, 2023, we released an updated version of our "Sexual Harassment Prevention and Handling Regulations" (which included amendments made to the Gender Equality in Employment Act and Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace) on March 8, 2024 to ensure physical and mental safety of all employees in the workplace strengthen prevention of sexual harassment incidents, and disseminate related information. We promote relevant information through the training program for new employees and our E-learning platform and also display our appeals hotline and fax number on our corporate website, stations, and workplaces to effectively prevent external and internal incidences of sexual harassment.

##### D. Promotion of work equality:

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

##### E. Healthcare management:

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

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

- 3) Losses sustained as a result of labor disputes (including results of labor inspections found to be in violation of provisions in the Labor Standards Act, specifying the disposition date, disposition reference number, provisions of the regulations breached, description of the violation, and the disposition) in the most recent fiscal year and up to publication date of this annual report, disclosure of estimated losses incurred to date or likely to be incurred in the future, and indication of mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect:

The Corporation reached an agreement with the THSRC Labor Union on January 21, 2016 on overtime payments and confirmed calculation of payments in July 2016. Appropriate measures were implemented based on the content of this agreement and the decision of the administrative court. As of December 31, 2022, the Corporation has placed NT\$ 283,299 thousand in debt reserves. The aforementioned decision of the administrative court refers to the appeal filed in November 2015 by the Corporation against the Taipei City Government's claim of failure to provide overtime payments and vacation days according to law. The Taipei High Administrative Court dismissed the Corporation's case on June 7, 2018, and the Corporation filed an additional appeal on July 6, 2018. The Supreme Administrative Court issued a judgment on October 17, 2019, abolished the original judgment, and sent it back to the Taipei High Administrative Court for trial. On December 23, 2020, the Taipei High Administrative Court revoked "the appeal decision and the original sanctions concerning the plaintiff's violation of Article 24 of the Labor Standards Law of NT\$150,000." On January 15, 2021, THSRC filed an appeal against the original decision pronounced by the Taipei City Government, which stated that THSRC had violated Article 37 of the Labor Standards Law. The Supreme Administrative Court passed judgment on January 16, 2023 and dismissed both appeals. Court rulings and the stipulations of the Agreement required the Corporation to provide "overtime pay for national holidays." Following a report to the Board and related negotiations, it was determined that the true aim of the aforementioned Agreement was to clarify the legality of "biweekly overtime payments" and "overtime payments for national holidays," and the Board resolved to pay "biweekly overtime payments" to associated colleagues in consideration of harmonious labor-management relations and employee care. As of December 31, 2023, the Corporation has provided overtime payments to all personnel who have completed statutory signing procedures, resolving the dispute between the Corporation and the HSR union.

Additionally, following an occupational hazard investigation meeting in 2022 which determined an employee injury incident to be an occupational hazard incident, the Corporation failed to immediately grant occupational injury leave dating back to the day of said incident and pay salary compensations to said employee who was unable to work due to medical treatment of said occupational injury over the aforementioned period. Therefore, the Taipei City Government found the Corporation to be in violation of Paragraph 2, Article 38; Article 43; and Paragraph 2, Article 59 of the Labor Standards Act on March 10, 2023, and imposed fines of NT\$20,000. The Corporation has reminded all colleagues to be attentive of legal compliance to prevent recurrence of similar incidents. There were no significant impacts on corporate operations, shareholder interests, or security prices.







# 4

Corporate Governance



## 1. Corporate Governance Status

### (1) Status of Board Operations

The Board of Directors convened 13 times in 2023. Board operations are as detailed below:

#### 1) Director attendance records for meetings of the 9th Board in 2023

Title	Name	Actual Attendances	By Proxy	Required Attendances	Actual Attendance Rate (%)	Remarks
Chairman	China Aviation Development Foundation Representative: Yao-Chung Chiang	5	0	5	100	
Director	Ministry of Transportation and Communications Representative: Wen-Jong Chi	5	0	5	100	
Director	Ministry of Transportation and Communications Representative: Chin-Hong Pan	5	0	5	100	
Director	China Aviation Development Foundation Representative: Lee-Ching Ko	2	3	5	40	
Director	China Steel Corporation Representative: Chao-Tung Wong	5	0	5	100	
Director	Taiwan Sugar Corporation Representative: Chao-Yih Chen	5	0	5	100	
Director	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	5	0	5	100	
Director	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	5	0	5	100	
Former Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	2	0	2	100	Left office on 2023/3/14
Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Chu-Min Hong	3	0	3	100	Took office on 2023/3/14
Independent Director	Kenneth Huang-Chuan Chiu	5	0	5	100	
Independent Director	Duei Tsai	5	0	5	100	
Independent Director	Pai-Ta Shih	5	0	5	100	
Independent Director	Yung-Cheng (Rex) Lai	5	0	5	100	
Average actual director attendance rates of the 9th Board in 2023 (%) (Total actual attendances/Total required attendances)		62	3	65	95	

Attendances of Independent Directors at Board Meetings of the 9th Board of Directors in 2023:

(◎: Attended in person; ☆: Proxy attendance; △: Did not attend)

Name/Date Session (Term-Sitting)	2023/1/19 (9-34)	2023/2/22 (9-35)	2023/3/15 (9-36)	2023/4/12 (9-37)	2023/5/10(9-38)
Kenneth Huang-Chuan Chiu	◎	◎	◎	◎	◎
Duei Tsai	◎	◎	◎	◎	◎
Pai-Ta Shih	◎	◎	◎	◎	◎
Yung-Cheng (Rex) Lai	◎	◎	◎	◎	◎

2) Director attendance records for meetings of the 10th Board in 2023

Title	Name	Actual Attendances	By Proxy	Required Attendances	Actual Attendance Rate (%)	Remarks
Chairman	China Aviation Development Foundation Representative: Yao-Chung Chiang	8	0	8	100	
Director	Ministry of Transportation and Communications Representative: Cheng-Chung Young	8	0	8	100	
Director	Ministry of Transportation and Communications Representative: Chin-Hong Pan	8	0	8	100	
Director	China Aviation Development Foundation Representative: Yu-Fen Hung	8	0	8	100	
Director	China Aviation Development Foundation Representative: Wei-Cheng Hsieh	8	0	8	100	
Former Director	China Steel Corporation Representative: Chao-Tung Wong	2	1	3	67	Left office on 2023/8/4
Director	China Steel Corporation Representative: Chien-Chih Hwang	4	1	5	80	Took office on 2023/8/4
Director	Taiwan Sugar Corporation Representative: Ming-Jou Yang	6	2	8	75	
Director	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	7	1	8	88	
Director	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	8	0	8	100	
Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Chu-Min Hong	7	1	8	88	
Independent Director	Kenneth Huang-Chuan Chiu	8	0	8	100	
Independent Director	Duei Tsai	8	0	8	100	
Independent Director	Ming-Teh Wang	7	1	8	88	
Independent Director	Pai-Ta Shih	8	0	8	100	
Independent Director	Yung-Cheng (Rex) Lai	8	0	8	100	
Average actual director attendance rates of the 10th Board in 2023 (%) (Total actual attendances/Total required attendances)		113	7	120	94	

Attendances of Independent Directors at Board Meetings of the 10th Board of Directors in 2023:

(◎: Attended in person; ☆: Proxy attendance; △: Did not attend)

Name/Date Session (Term-Sitting)	2023/5/25 (10-1)	2023/6/6 (10-2)	2023/6/20 (10-3)	2023/8/9 (10-4)	2023/9/13 (10-5)	2023/10/18 (10-6)	2023/11/8 (10-7)	2023/12/13 (10-8)
Kenneth Huang-Chuan Chiu	◎	◎	◎	◎	◎	◎	◎	◎
Duei Tsai	◎	◎	◎	◎	◎	◎	◎	◎
Ming-Teh Wang	◎	◎	◎	☆	◎	◎	◎	◎
Pai-Ta Shih	◎	◎	◎	◎	◎	◎	◎	◎
Yung-Cheng (Rex) Lai	◎	◎	◎	◎	◎	◎	◎	◎

3) Combined average actual director attendance rate of the 9th and 10th Board was 94.5% in 2023.

Other matters required to be recorded:

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

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

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2023/1/18	9-34	Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/3/15	9-36	Contract award suggestions for procurement of new HSR trainsets (Contract No. E321 and E322)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/3/15	9-36	Procurement and contract award suggestions for HSR meal boxes	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/4/12	9-37	Procurement strategy suggestions for "Second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot"	Approved.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved in consideration of the procurement schedule for new generation rolling stock, to avoid subsequent contract risks and costs, and to meet timely construction requirements for increasing operational and repair needs; the managerial unit was requested to actively participate in discussion and coordination with competent authorities, as well as provide professional suggestions from the perspective of a high-speed rail service provider to assist the government in formulating feasible solutions while maintaining operational safety, efficiency, and passenger interests. Additionally, the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2023/4/12	9-37	Procurement strategy suggestions for "Construction of track and core electricity systems at Zuoying Depot second rolling stock inspection & repair plant"	Approved.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.
2023/5/25	10-01	National Taiwan University professors Pai-Ta Shih and Yung-Cheng (Rex) Lai, who were elected as independent directors of the Corporation's 10th Board of Directors by the shareholders general meeting, proposed signing of "Industry-academia collaboration contract" and "Academic rebate contract" with National Taiwan University	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/6/6	10-02	Extension of quota for derivative assets that expired during the second half of 2023	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/6/6	10-02	Extension or transfer of letters of credit that expired during the second half of 2023	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/8/9	10-04	Revisions to the Corporation's "Internal Control System"	Approved.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.
2023/9/13	10-05	Suggestions for renewal of director and officer liability insurance	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/9/13	10-05	Procurement strategy suggestions for "Headquarters office and parking spaces lease"	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/11/8	10-07	Procurement and contract award suggestions for "Headquarters office and parking spaces lease"	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/11/8	10-07	Procurement and contract award suggestions for "Second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot"	Approved.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the managerial department was requested to rigorously control construction schedule and quality for this project.
2023/12/13	10-08	Suggestions for adjustment and appointment of audit office manager	Approved.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2023/12/13	10-08	Approval to sign "Sixth contract amendment to syndicated loan contract for syndicated loan of NT\$382 billion for Taiwan North-South High-Speed Rail construction and operation"	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/12/13	10-08	Renewal of operating insurance for 2024	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

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

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

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2023/1/18	9-34	Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	Directors Wen-Jong Chi and Chin-Hong Pan	The Ministry of Transportation and Communications, which is the counterparty to this proposal, has appointed representative directors at THSRC, necessitating recusal of voting rights to avoid conflicts of interest. In accordance with the regulations set out by the Corporation's "Charter of the Audit Committee," this proposal was submitted to the Audit Committee for prior review before submission to the Board for deliberation. Directors Wen-Jong Chi and Chin-Hong Pan absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/3/15	9-36	Chairman self-evaluation results for 2022	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	The proposing unit was requested to prepare supplemental explanations in response to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for review at the next Board meeting.
2023/3/15	9-36	Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	The proposing unit was requested to prepare supplemental explanations in response to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for review at the next Board meeting.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2023/3/15	9-36	Procurement and bid selection suggestions for HSR meal boxes	Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Wen-Jong Chi, Chin-Hong Pan, and Shien-Quey Kao	Chairman Yao-Chung Chiang and Director Lee-Ching Ko are representatives of China Aviation Development Foundation; directors Wen-Jong Chi and Chin-Hong Pan are representatives of the Ministry of Transportation and Communications; and the Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, has appointed a representative director at China Airlines, necessitating recusal of voting rights to avoid conflicts of interest. Therefore, Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Wen-Jong Chi, Chin-Hong Pan, and Shien-Quey Kao absented from the proceedings and were recused during the discussion and voting procedures for this proposal, and Chairman Yao-Chung Chiang designated an acting chairman.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/4/12	9-37	Chairman self-evaluation results for 2022	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Following discussion by directors in attendance, the proposal was approved.
2023/4/12	9-37	Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards.	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to reference the suggestions of directors in attendance and review indicators and standards for evaluating chairman performance for submission to the Board for review when appropriate.
2023/5/10	9-38	Suggestions regarding distributions of chairman and president bonuses for 2022	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	The proposal was approved after the acting chairman confirmed there were no objections from all directors in attendance.
2023/5/25	10-01	National Taiwan University professors Pai-Ta Shih and Yung-Cheng (Rex) Lai, who were elected as independent directors of the Corporation's 10th Board of Directors by the shareholders general meeting, proposed signing of "Industry-academia collaboration contract" and "Academic rebate contract" with National Taiwan University	Independent directors Pai-Ta Shih and Yung-Cheng (Rex) Lai	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Independent directors Pai-Ta Shih and Yung-Cheng (Rex) Lai absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2023/6/6	10-02	Extension of quota for derivative assets that expired during the second half of 2023	Director Shien-Quey Kao	The Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, is also represented by a director at Mega Financial Holding Co Ltd., the parent company of Mega Bank, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/6/6	10-02	Extension or transfer of letters of credit that expired during the second half of 2023	Director Shien-Quey Kao	The Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, is also represented by a director at Mega Financial Holding Co Ltd., the parent company of Mega Bank, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/9/13	10-05	Suggestions for renewal of director and officer liability insurance	Director Chu-Min Hong	Fubon Insurance Co., Ltd., one of the potential underwriters for this proposal, belongs to the same business group as Taipei Fubon Commercial Bank Co., Ltd., a legal entity represented by Director Chu-Min Hong, necessitating recusal of voting rights to avoid conflicts of interest. Director Chu-Min Hong absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/9/13	10-05	Procurement strategy suggestions for "Headquarters office and parking spaces lease"	Director Mao-Hsiung Huang	Century Development Corporation is a legal entity represented by Director Mao-Hsiung Huang, making this proposal a transaction between related parties and necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/11/8	10-07	Procurement and contract award suggestions for "Headquarters office and parking spaces lease"	Director Mao-Hsiung Huang	Century Development Corporation is a legal entity represented by Director Mao-Hsiung Huang, making this proposal a transaction between related parties and necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2023/12/13	10-08	Approval to sign "Sixth contract amendment to syndicated loan contract for syndicated loan of NT\$382 billion for Taiwan North-South High-Speed Rail construction and operation"	Director Shien-Quey Kao	The Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, is also represented by a director at Mega Financial Holding Co Ltd., the parent company of Mega Bank, necessitating recusal of voting rights to avoid conflicts of interest.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.



Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2023/12/13	10-08	Renewal of operating insurance for 2024	Directors Chu-Min Hong and Shien-Quey Kao	Fubon Insurance Co., Ltd., one of the insurance companies awarded this contract, belongs to the same business group as Taipei Fubon Commercial Bank Co., Ltd., a legal entity represented by Director Chu-Min Hong. Additionally, the Executive Yuan Management Committee of National Development Fund, a legal entity represented by Director Shien-Quey Kao, has appointed a director representative who serves on the board of Mega Financial Holding Co Ltd., the parent company of Chung Kuo Insurance Co., Ltd., another insurance company awarded this contract. Therefore, this proposal necessitates recusal of voting rights to avoid conflicts of interest.	Following discussion by directors in attendance, it was agreed that subsequent MOIP order issuance should be limited to the latest premium amount set out by the proposing unit (NT\$184 million) and the managerial department should continue to negotiate the final premium amount prior to order issuance; the proposing unit was requested to handle this proposal in accordance with the suggestions provided by directors in attendance.

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

#### Implementations of Board Evaluations

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

Evaluation Cycle	Evaluation Duration	Scope of Evaluation	Method of Evaluation	Content of Evaluation
Internal Board performance evaluations: implemented once every year.	January 1, 2023 to December 31, 2023	Includes performance evaluations of the Board, individual directors, and functional committees.	Internal self-evaluations were conducted on the Board, Board directors, and members of functional committees.	Assessment items for Board performance evaluations included 25 indicators across five main aspects: participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control. Assessment items for Board director performance evaluations included 25 indicators across six main aspects: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations and communication, director knowledge and continued training, and internal control. Assessment items for functional committee member performance evaluations included 25 indicators across five main aspects: participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.

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

(1) In consideration of appropriate Board scale, representation of shareholder interests, business nature of BOT projects, and corporate development, as well as implementation of Board diversification policies, shareholder structure, and meeting efficiency, the number of directors serving on the 10th Board were elected at the shareholders' general meeting held on May 25, 2023. There are 15 directors on the Board; the number of independent directors were increased to 5 from the original 4, and the remaining 10 directors were non-independent directors. Functional committees such as the Corporate Governance & Nominating Committee, Audit Committee,

Remuneration Committee, and Special Committee were established under the 10th Board. The Audit Committee and the Remuneration Committee are convened by independent directors, while more than half of the members in the Corporate Governance & Nominating Committee are independent directors. The composition of these committees, their duties, and implementation status are disclosed in this annual report and on the Corporation website. All functional committees have a duty of pre-assessment and help to enhance meeting efficiency and quality. Independent directors exercise their independence and professionalism by sharing their professional opinions during meetings.

- (2) The Corporation has taken out a total of NT\$0.9 billion in D&O liability insurance for directors and important managerial officers to help reduce risk of legal liability and to enhance corporate governance capabilities.
- (3) In order to improve corporate governance systems, formulations of and amendments to a number of corporate governance rules and management regulations (including the Corporation's "Sustainable Development Best Practice Principles," "Regulations of Disclosure Information," and "THSRC Organizational Regulation") were reviewed by functional committees prior to submission to the Board for approval.
- (4) Our corporate governance information is disclosed on the Market Observation Post System in accordance with relevant regulations, and we have also established ESG, investor relations, and corporate governance sections on our corporate website to provide detailed and timely disclosures of information that are of concern to our stakeholders. Additionally, we regularly review our "Regulations of Disclosure Information," "Guidelines for Disclosure of Material Information and Major News Submitted to Directors," "Regulation for Posting Information on 'Market Observation Post System,'" and "Media Management Procedure" and other regulations relating to information disclosures, and make timely adjustments based on the latest laws and regulations and our actual operations.
- (5) Since going public, THSRC has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for six consecutive years (from 2017 to 2022). Additionally, we were awarded an "Platinum" certification by the Taiwan Corporate Governance Association under the CG6013 (2021) Corporate Governance System Assessment on August 26, 2022, the certification period being from August 26, 2022 to August 25, 2024.

## (2) Operational Status of Audit Committee

- 1) The Corporation's Audit Committee was established on March 18, 2016 to replace our supervisor system, and the committee is composed of the independent directors on our Board of Directors. The number of committee members cannot be fewer than three, and at least one of them has to have professional expertise in accounting or finance. Additionally, following election of Board members by the shareholders' general meeting on May 25, 2023, the 10th committee members will serve until May 24, 2026; there are five members on the committee and Independent Director Duei Tsai was elected as convener by all committee members. The committee operates according to the "Charter of the Audit Committee" and convenes at least once every quarter.
- 2) The main duties of the committee and focuses for 2023 included review and supervision of financial reports, risk management items, and financial proposals, as well as the auditing of: financial reports; accounting and internal control systems; transactions of major assets or derivatives; offering and issuance of securities; appointment, dismissal, or compensation of Certified Public Accountants (CPAs); matters involving director conflicts of interest; and appointment, dismissal and performance of financial, accounting, or internal audit directors. (Please refer to Chapter Three of this report for details regarding the main duties of the Audit Committee).
  - A. Review financial reports: The Corporation's business reports, annual financial reports, and surplus distribution proposals all have to be reviewed by the Audit Committee before submission to the Board for approval and the shareholders' general meeting for recognition. The Corporation's 2023 financial report was submitted to the 10th Board at the 9th Audit Committee Meeting held on February 19, 2024, was approved by the 10th Board at the 10th Board Meeting on February 21, 2024, and will be submitted to the 2024 shareholders' general meeting for recognition. Additionally, all quarterly financial reports also have to be discussed and approved by the Audit Committee before submission to the Board.
  - B. Assess efficiency of internal control system: The self-assessment results for the Corporation's internal control system are completed by all units through cyclical procedures and submitted to the Audit Committee for confirmation of internal control systems, which

includes understanding of operational performance, efficiency, and goal attainment rates; reliability, timeliness, transparency, and legal compliance of reporting measures; and efficient implementation to ensure that relevant goals are met. Results of self-assessments for our internal control system in 2023 were submitted to the 10th Board at the 9th Audit Committee Meeting held on February 19, 2024, and were approved by the 10th Board at the 10th Board Meeting on February 21, 2024.

C. Appoint and evaluate CPAs: The Audit Committee periodically assesses the professionalism, independence, and audit fees of CPAs at the end of each year. CPA assessment results for 2023 were approved by the 10th Board at the 9th Audit Committee Meeting held on February 19, 2024 and the 10th Board at the 10th Board Meeting on February 21, 2024, confirming that accountants Chih Fan Yu and Chien Hung Chou of PricewaterhouseCoopers both fulfilled assessment standards for independence and competency.

3) The Audit Committee convened 13 times in 2023, and the operational status of the committee was as follows:

A. Operational Status of 9th Audit Committee in 2023:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Duei Tsai	5	0	5	100	
Independent Director	Kenneth Huang-Chuan Chiu	5	0	5	100	
Independent Director	Pai-Ta Shih	5	0	5	100	
Independent Director	Yung-Cheng (Rex) Lai	5	0	5	100	
Average actual attendances of 9th Audit Committee members in 2023 (%) (Total actual attendances/Total required attendances)		20	0	20	100	

B. Operational Status of 10th Audit Committee in 2023

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Duei Tsai	8	0	8	100	
Independent Director	Kenneth Huang-Chuan Chiu	8	0	8	100	
Independent Director	Ming-Teh Wang	8	0	8	100	
Independent Director	Pai-Ta Shih	8	0	8	100	
Independent Director	Yung-Cheng (Rex) Lai	8	0	8	100	
Average actual attendances of 10th Audit Committee members in 2023 (%) (Total actual attendances/Total required attendances)		40	0	40	100	

C. Combined average 9th and 10th Audit Committee member attendance rate was 100% in 2023.

Other matters required to be recorded:

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

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

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2023/1/18 (9-34)	Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	2023/1/16 (9-32)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/2/22 (9-35)	2022 financial report	2023/2/20 (9-33)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2023/2/22 (9-35)	2022 CPA audits	2023/2/20 (9-33)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2023/2/22 (9-35)	Self-assessment results of internal control system for 2022	2023/2/20 (9-33)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2023/3/15 (9-36)	Procurement and contract award suggestions for HSR meal boxes	2023/3/13 (9-34)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2023/3/15 (9-36)	Contract award suggestions for procurement of new HSR trainsets (Contract No. E321 and E322)	2023/3/13 (9-34)	It was agreed that this proposal be revised based on supplementary explanations from the president and managerial officers regarding the three optional items and amounts newly added after re-evaluation, as well as recommended adjustments to total contract amounts. The proposing unit was requested to revise the proposal and presentation content before submission to the Board for review.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2023/4/12 (9-37)	New transaction quota for import usance letter of credit and derivative financial products	2023/4/10 (9-35)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/4/12 (9-37)	Procurement strategy suggestions for "Second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot"	2023/4/10 (9-35)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/4/12 (9-37)	Procurement strategy suggestions for "Construction of track and core electricity systems at Zuoying Depot second rolling stock inspection & repair plant"	2023/4/10 (9-35)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/6/6 (10-02)	Extension of quota for derivative assets that expired during the second half of 2023	2023/6/5 (10-01)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/6/6 (10-02)	Extension or transfer of letters of credit that expired during the second half of 2023	2023/6/5 (10-01)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/8/9 (10-04)	New medium-term bank loan	2023/8/8 (10-03)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2023/9/13 (10-05)	Suggestions to prevent exchange rate risks for procurement of new generation rolling stock	2023/9/12 (10-04)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2023/9/13 (10-05)	Procurement strategy suggestions for "Headquarters office and parking spaces lease"	2023/9/12 (10-04)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/11/8 (10-07)	Procurement and contract award suggestions for "Headquarters office and parking spaces lease"	2023/11/7 (10-06)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/11/8 (10-07)	Procurement and contract award suggestions for "Second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot"	2023/11/7 (10-06)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2023/12/13 (10-08)	Extension of quota for derivative assets that expired during the first half of 2024	2023/12/12 (10-07)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/12/13 (10-08)	Extension of letters of credit that expired during the first half of 2024	2023/12/12 (10-07)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/12/13 (10-08)	Approval to sign "Sixth contract amendment to syndicated loan contract for syndicated loan of NT\$382 billion for Taiwan North-South High-Speed Rail construction and operation"	2023/12/12 (10-07)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2023/12/13 (10-08)	New medium-term bank loan	2023/12/12 (10-07)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/12/13 (10-08)	Renewal of operating insurance for 2024	2023/12/12 (10-07)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2023/12/13 (10-08)	Suggestions for adjustment and appointment of audit office manager	2023/12/12 (10-07)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None

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

2. Implementation of independent director recusals on proposals due to conflicts of interest, including independent director names, proposal content, reasons for recusal, and participation in voting procedures: None.

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

(1) THSRC's chief internal auditor presents quarterly internal audit reports to the Audit Committee and fully communicates audit implementation, follow-up of improvements to errors, and implementation results. The chief internal auditor not only periodically provides independent directors with written audit reports, but also presents business reports based on suggestions from independent directors.

(2) CPAs periodically present annual and quarterly audits of financial reports and audit reports to the Audit Committee, and also communicate other matters according to relevant laws.

(3) Individual meetings between independent directors, the chief internal auditor, and CPAs are convened at least once a year. The chief internal auditor and CPAs respectively make independent reports to the independent directors regarding audit items, annual plans, financial reports, and details of annual audit plans.

(4) The chief internal auditor and CPAs directly communicate with independent directors via email, phone, or face-to-face meetings as necessary; periodically review the Corporation's financial and business conditions according to regulations; and directly communicate with management and governance units.



1) The independent directors communicated well with the chief internal auditor; a list of reported items for 2023 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2023/2/20	Audit Committee Meeting (9-33)	2022 Q4 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2023/5/8	Audit Committee Meeting (9-36)	2023 Q1 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2023/8/8	Audit Committee Meeting (10-03)	2023 Q2 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2023/10/17	Audit report (Independent report made by chief internal auditor to independent directors)	Audit plans for 2024	Acknowledged by independent directors.	No objections from independent directors.
2023/10/17	Audit Committee Meeting (10-05)	Formulation of 2024 audit report for auditing office	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2023/11/7	Audit Committee Meeting (10-06)	2023 Q3 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

2) The independent directors communicated well with CPAs; a list of reported items for 2023 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2023/2/20	Audit Committee Meeting (9-33)	1. Summary of audits on financial report for 2022 2. Statement of Independence 3. Key audit items 4. Other disclosures for 2022	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2023/5/8	Audit Committee Meeting (9-36)	1. Summary of audits on financial report for first quarter of 2023 2. Statement of Independence	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2023/8/8	Audit Committee Meeting (10-03)	1. Summary of audits on financial report for second quarter of 2023 2. Statement of Independence	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2023/11/7	Audit Committee Meeting (10-06)	1. Summary of audits on financial report for third quarter of 2023 2. Statement of Independence 3. Explanation of new disclosures in financial report for third quarter of 2023 4. Audit plans and key audit items for 2023 financial report	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2023/11/7	CPA audit report (Independent report made by CPAs to independent directors)	Report of audits on financial statements and audit plans	Acknowledged by independent directors.	No objections from independent directors.

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

#### 1) 9th Remuneration Committee Members

2023/12/31

Criteria		Professional qualifications and experience	Independence status	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Title	Name			
(Convener) Independent Director	Kenneth Huang- Chuan Chiu	<ol style="list-style-type: none"> <li>Area of expertise: Law</li> <li>Experience:                             <ol style="list-style-type: none"> <li>Board member of other public companies</li> <li>Board/committee leadership experience</li> <li>Experience in other industries</li> </ol> </li> <li>No violations of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.</li> <li>The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts.</li> <li>The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation.</li> <li>The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.</li> </ol>	3
Independent Director	Duei Tsai	<ol style="list-style-type: none"> <li>Area of expertise: Electrical engineering, transportation management</li> <li>Experience:                             <ol style="list-style-type: none"> <li>Board member of other public companies</li> <li>Board/committee leadership experience</li> <li>Relevant industry experience in transportation</li> <li>An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university</li> </ol> </li> <li>No violations of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.</li> <li>The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts.</li> <li>The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation.</li> <li>The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.</li> </ol>	3
Independent Director	Pai-Ta Shih	<ol style="list-style-type: none"> <li>Area of expertise: Economics, finance</li> <li>Experience:                             <ol style="list-style-type: none"> <li>Board member of other public companies</li> <li>Professor at Department of Finance, National Taiwan University</li> </ol> </li> <li>No violations of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.</li> <li>The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts.</li> <li>The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation.</li> <li>The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.</li> </ol>	1

2) 10th Remuneration Committee Members

2023/12/31

Criteria		Professional qualifications and experience	Independence status	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Title	Name			
(Convener) Independent Director	Kenneth Huang- Chuan Chiu	<ol style="list-style-type: none"> <li>Area of expertise: Law</li> <li>Experience:                             <ol style="list-style-type: none"> <li>Board member of other public companies</li> <li>Board/committee leadership experience</li> <li>Experience in other industries</li> </ol> </li> <li>No violations of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.</li> <li>The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts.</li> <li>The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation.</li> <li>The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.</li> </ol>	3
Independent Director	Duei Tsai	<ol style="list-style-type: none"> <li>Area of expertise: Electrical engineering, transportation management</li> <li>Experience:                             <ol style="list-style-type: none"> <li>Board member of other public companies</li> <li>Board/committee leadership experience</li> <li>Relevant industry experience in transportation</li> <li>An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university</li> </ol> </li> <li>No violations of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.</li> <li>The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts.</li> <li>The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation.</li> <li>The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.</li> </ol>	3
Independent Director	Pai-Ta Shih	<ol style="list-style-type: none"> <li>Area of expertise: Economics, finance</li> <li>Experience:                             <ol style="list-style-type: none"> <li>Board member of other public companies</li> <li>Professor at Department of Finance, National Taiwan University</li> </ol> </li> <li>No violations of Article 30 of the Company Act.</li> </ol>	<ol style="list-style-type: none"> <li>The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.</li> <li>The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts.</li> <li>The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation.</li> <li>The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.</li> </ol>	1
Independent Director	Yung-Cheng (Rex) Lai	<ol style="list-style-type: none"> <li>Area of expertise: Civil engineering, transportation</li> <li>Experience:                             <ol style="list-style-type: none"> <li>Relevant industry experience in transportation</li> <li>Professor at Railway Technology Research Center, National Taiwan University</li> </ol> </li> <li>No violations of Article 30 of the Company Act</li> </ol>	<ol style="list-style-type: none"> <li>The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies.</li> <li>The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts.</li> <li>The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation.</li> <li>The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.</li> </ol>	0

### 3) Operational Status of Remuneration Committee

A. The Corporation's Remuneration Committee is composed of three to five people, and committee members are appointed in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." Following election of Board members by the shareholders' general meeting on May 25, 2023, the 10th committee members will serve until May 24, 2026; there are three members on the committee and Independent Director Kenneth Huang-Chuan Chiu was elected as convener by all committee members. The committee operates according to the "Charter of the Remuneration Committee" and convenes at least twice every year.

B. The main duties of the committee and focuses for 2023 included formulating and regularly reviewing policies, systems, standards, and structure of evaluations on director and manager performance, salaries, and compensation, as well as regular assessment and formulation of director and manager salaries and compensation. (Please refer to Chapter Three of this report for details regarding the main duties of the Remuneration Committee).

C. The Remuneration Committee convened 10 times in 2023, and the operational status of the committee was as follows:

#### (a) Operational Status of 9th Remuneration Committee in 2023:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Kenneth Huang-Chuan Chiu	5	0	5	100	
Independent Director	Duei Tsai	5	0	5	100	
Independent Director	Yung-Cheng (Rex) Lai	5	0	5	100	
Average actual attendances of 9th Remuneration Committee members in 2023 (%) (Total actual attendances/Total required attendances)		15	0	15	100	

#### (b) Operational Status of 10th Remuneration Committee in 2023:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Kenneth Huang-Chuan Chiu	5	0	5	100	
Independent Director	Duei Tsai	5	0	5	100	
Independent Director	Pai-Ta Shih	5	0	5	100	
Independent Director	Pai-Ta Shih	5	0	5	100	
Average actual attendances of 10th Remuneration Committee members in 2023 (%) (Total actual attendances/Total required attendances)		20	0	20	100	

(c) Combined average 9th and 10th Remuneration Committee member attendance rates were 100% in 2023.

Other matters required to be recorded:

1. Matters discussed and resolved during Remuneration Committee meetings in 2023, and the Corporation's responses to Remuneration Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2023/1/18 (9-34)	Report on self-evaluations of Board performance for 2022 (Note)	2023/1/16 (9-32)	Acknowledged by all committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/1/18 (9-34)	Distribution suggestions for 2022 employee compensation and bonuses (Note)	2023/1/16 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/1/18 (9-34)	Suggestions regarding distributions of performance bonuses for 2022 (Note)	2023/1/16 (9-32)	The proposal was approved and submitted to the Board for deliberation. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	Approved by the Board following revision.	The proposal was approved after amending the distribution amount of performance bonuses for 2022 to 1.7 months' salary. The proposing unit was requested to reference the suggestions provided by directors in attendance to formulate a system for linking bonus amounts with operational performance results; said system should be submitted to the Board for review prior to submission of suggested performance bonuses for the subsequent year to the Board.
2023/1/18 (9-34)	Suggestions regarding distribution of epidemic prevention bonuses for 2022	2023/1/16 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/1/18 (9-34)	Salary adjustment suggestions for 2023	2023/1/16 (9-32)	The proposal was approved and submitted to the Board for deliberation. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	The proposing unit was requested to re-evaluate the proposal and facilitate necessary communication before determining whether the proposal should be submitted to the Board for review.	The proposing unit was requested to re-evaluate the proposal and facilitate necessary communication before determining whether the proposal should be submitted to the Board for review. Additionally, Director Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.
2023/1/18 (9-34)	Suggested salary adjustments for Operation Division acting manager following official appointment and promotion	2023/1/16 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2023/1/18 (9-34)	Remuneration suggestions for President's Office senior consultant followed continued appointment	2023/1/16 (9-32)	The proposal was submitted to the Board for deliberation.	The proposing unit was requested to re-evaluate the proposal and facilitate necessary communication before determining whether the proposal should be submitted to the Board for review.	The proposing unit was requested to re-evaluate the proposal and facilitate necessary communication before determining whether the proposal should be submitted to the Board for review. The proposing unit was also requested to reference the suggestions provided by directors in attendance in clarifying the approval levels and review procedures (including preliminary reviews) of consultants following continued appointment. Additionally, Director Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.
2023/1/18 (9-34)	Distribution suggestions for 2022 director remuneration (Note)	2023/1/16 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/1/18 (9-34)	Implementation status of Remuneration Committee in 2022 (Note)	2023/1/16 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/2/22 (9-35)	Actual distributions of director remuneration and employee compensation in 2022 (Note)	2023/2/20 (9-33)	Acknowledged by all committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/2/22 (9-35)	Principles for retirement, resignation, and pension payments to the chairman and president	2023/2/20 (9-33)	Following discussion, the committee members in attendance expressed respect for the institutional plan in the proposal. However, as the proposal content involved shareholder authority and amendments to the Articles of Incorporation, the proposal was submitted to the Board for discussion.	Following discussion by directors in attendance, the proposal was deferred.	Following discussion by directors in attendance, the proposal was deferred. The proposing unit was requested to add detailed plans based on the suggestions provided by directors in attendance and communicate fully with major shareholders as soon as possible before submission to the next Board meeting for deliberation. Directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.
2023/3/15 (9-36)	Chairman self-evaluation results for 2022 (Note)	2023/3/13 (9-34)	The proposal was approved and submitted to the Board for review and approval.	The proposing unit was requested to prepare supplemental explanations in response to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for review at the next Board meeting.	Following discussion by directors in attendance, the proposing unit was requested to prepare responses to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for deliberation at the next Board meeting.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2023/3/15 (9-36)	Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards	2023/3/13 (9-34)	It was recommended that the standards of the original indicators be maintained, but all indicators under this item be adjusted down by 3% for customer satisfaction surveys conducted over the Internet or online. The proposing unit was requested to add committee conclusions to the proposal before submission to the Board for deliberation.	The proposing unit was requested to prepare supplemental explanations in response to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for review at the next Board meeting.	Following discussion by directors in attendance, the proposing unit was requested to prepare responses to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for deliberation at the next Board meeting.
2023/3/15 (9-36)	Suggestions on president performance evaluation results for 2022 (Note)	2023/3/13 (9-34)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/3/15 (9-36)	Results of manager performance audits for 2022 (Note)	2023/3/13 (9-34)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/3/15 (9-36)	Salary adjustment suggestions for 2023	2023/3/13 (9-34)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/3/15 (9-36)	Suggestions for adjusting salary grade distributions	2023/3/13 (9-34)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/4/12 (9-37)	Chairman self-evaluation results for 2022 (Note)	2023/4/10 (9-35)	The proposal was approved and submitted to the Board for review and approval. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved. Directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.
2023/4/12 (9-37)	Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards	2023/4/10 (9-35)	The proposing unit was requested to revise the second item in the proposal in accordance with the suggestions provided by committee members in attendance, as well as use clear diagrams to visualize the content of the proposal in accordance with the suggestions provided by committee members in attendance before submission to the Board for deliberation.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to reference the suggestions of directors in attendance and review indicators and standards for evaluating chairman performance for submission to the Board for review when appropriate.



Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2023/5/10 (9-38)	Suggestions regarding distribution of manager performance bonuses for 2022	2023/5/8 (9-36)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/5/10 (9-38)	Suggestions regarding distributions of chairman and president bonuses for 2022	2023/5/8 (9-36)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/6/20 (10-03)	Review report of compensation competitiveness (including manager compensation) for 2023 (Note)	2023/6/16 (10-01)	Acknowledged by all committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/6/20 (10-03)	Salary adjustments for appointed and promoted Business Division senior vice president	2023/6/16 (10-01)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/6/20 (10-03)	Suggestions on remuneration standards for the directors of the 10th Board	2023/6/16 (10-01)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/9/13 (10-05)	Supplementary balancing of phase 1 retirement and exit payments for current president and related suggestions	2023/9/12 (10-02)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/10/18 (10-06)	Remuneration Committee work plans for 2024 (Note)	2023/10/17 (10-03)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/11/8 (10-07)	Salary adjustments for appointed and promoted Planning Division senior vice president	2023/11/7 (10-04)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/12/13 (10-08)	Suggestions for adjustment and appointment of Board secretariat and corporate governance officer	2023/12/12 (10-05)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/12/13 (10-08)	Suggestions for adjustment and appointment of audit office manager	2023/12/12 (10-05)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/12/13 (10-08)	Salary adjustment suggestions for 2024	2023/12/12 (10-05)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to revise the second item of the conclusion for the proposal presentation and delete all references to "budget scope" in accordance with the suggestions provided by directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2023/12/13 (10-08)	Suggestions regarding year-end bonuses for 2023	2023/12/12 (10-05)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to revise the second item of the conclusion for the proposal presentation and delete all references to "budget scope" in accordance with the suggestions provided by directors in attendance.
2023/12/13 (10-08)	Manager performance goals for 2024 (Note)	2023/12/12 (10-05)	Within the overall bonus amount planned to be approved by the Board in January of next year, it was agreed to adopt the revised presentation content submitted by the proposing unit (that each individual receive a year-end bonus of 2.3 months' salary and an operational incentive of NT\$12,000) when submitting the proposal to the Board for deliberation. Additionally, the proposing unit was requested to add supplementary explanations in response to the opinions expressed by committee members in attendance at the pre-meeting discussion and delete the summary text on page 12 of the presentation before submission to the Board for deliberation.	Following discussion by directors in attendance, it was agreed to adhere to the preliminary review conclusions of the Remuneration Committee and adopt the revised presentation content submitted by the proposing unit (that each individual receive a year-end bonus of 2.3 months' salary and an operational incentive of NT\$12,000) within the overall bonus amount planned to be approved by the Board in January of next year.	Following discussion by directors in attendance, it was agreed to adhere to the preliminary review conclusions of the Remuneration Committee and adopt the revised presentation content submitted by the proposing unit (that each individual receive a year-end bonus of 2.3 months' salary and an operational incentive of NT\$12,000) within the overall bonus amount planned to be approved by the Board in January of next year. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.

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

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

#### (4) Operational Status of Corporate Governance & Nominating Committee

- 1) The Corporation's Corporate Governance & Nominating Committee is composed of five to seven committee members, and more than half of committee members should be composed of independent directors. Additionally, following election of Board members by the shareholders' general meeting on May 25, 2023, the 10th committee members will serve until May 24, 2026; there are six members on the committee, four of which are independent directors, and Chairman Yao-Chung Chiang was elected as convener by all committee members. The committee operates according to the "Charter of the Corporate Governance & Nominating Committee" and convenes at least four times every year.

2) More than half of Corporate Governance & Nominating Committee members are independent directors. Of the six committee members, excepting the four independent directors who respectively possess expertise in legal affairs, finance and accounting, industrial knowledge, and operational insights, Director Yu-Fen Hung has professional expertise in finance and accounting, Chairman Yao-Chung Chiang has significant management experience as a chairperson or president of publicly listed companies, possesses professional corporate governance and management capabilities, has sufficient experience to assess the professional criteria necessary for directors and managers, and is capable of planning and reviewing implementation of corporate governance, thereby meeting the professional requirements for this committee.

Title	Name	Area of Expertise
Chairman (Convener)	Yao-Chung Chiang	Corporate governance, operational management
Director	Yu-Fen Hung	Corporate governance, operational management, industrial knowledge
Independent Director	Kenneth Huang-Chuan Chiu	Law
Independent Director	Pai-Ta Shih	Finance
Independent Director	Yung-Cheng (Rex) Lai	Industry knowledge
Independent Director	Duei Tsai	Industry knowledge, corporate governance, operational management
Former Director	Chu-Min Hong	Corporate governance, operational management

3) The main duties of the committee and focuses for 2023 included: Review diverse background and independent standards including professional knowhow, technical knowledge, expertise, and gender of independent directors, non-independent directors, and managers; plan composition of the Board and functional committees; review succession plans for directors and managers; conduct performance evaluations of the Board, committees, directors, and managers; nominate independent directors and non-independent directors; research and analyze corporate governance systems; and review effectiveness of corporate governance systems and implementation of information disclosures. (Please refer to Chapter Three of this report for details regarding the main duties of the Corporate Governance & Nominating Committee).

4) The Corporate Governance & Nominating Committee convened 12 times in 2023, and the operational status of the committee was as follows:

A. Operational Status of 9th Corporate Governance & Nominating Committee in 2023:

Title	Name	Professional qualifications and experience	Actual Attendances	By Proxy	Required Attendances	Actual Attendances (%)	Remarks
Convener	Yao-Chung Chiang	1. Area of expertise: Mechanical engineering, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in transportation 3. No violations of Article 30 of the Company Act.	5	0	5	100	
Member	Kenneth Huang-Chuan Chiu	1. Area of expertise: Law 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Experience in other industries 3. No violations of Article 30 of the Company Act.	5	0	5	100	

Title	Name	Professional qualifications and experience	Actual Attendances	By Proxy	Required Attendances	Actual Attendances (%)	Remarks
Member	Pai-Ta Shih	1. Area of expertise: Economics, finance 2. Experience: (1) Board member of other public companies (2) Professor at Department of Finance, National Taiwan University 3. No violations of Article 30 of the Company Act.	5	0	5	100	
Member	Yung-Cheng (Rex) Lai	1. Area of expertise: Civil engineering, transportation 2. Experience: (1) Relevant industry experience in transportation (2) Professor at Railway Technology Research Center, National Taiwan University 3. No violations of Article 30 of the Company Act.	5	0	5	100	
Member	Duei Tsai	1. Area of expertise: Electrical engineering, transportation management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in transportation (4) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3. No violations of Article 30 of the Company Act	2	0	2	100	Took office on 2023/3/15
Former Member	Kuo-Chih Liu	1. Area of expertise: Physics, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (transportation and construction) 3. No violations of Article 30 of the Company Act.	2	1	3	66	Left office on 2023/3/14
Average actual attendances of 9th Corporate Governance & Nominating Committee in 2023 (%) (Total actual attendances/Total required attendances)			24	1	23	96	

B. Operational Status of 10th Corporate Governance & Nominating Committee in 2023:

Title	Name	Professional qualifications and experience	Actual Attendances	By Proxy	Required Attendances	Actual Attendances (%)	Remarks
Convener	Yao-Chung Chiang	<p>1. Area of expertise: Mechanical engineering, business management</p> <p>2. Experience:</p> <p>(1) Board member of other public companies</p> <p>(2) Board/committee leadership experience</p> <p>(3) Relevant industry experience in transportation</p> <p>3. No violations of Article 30 of the Company Act.</p>	7	0	7	100	
Member	Kenneth Huang-Chuan Chiu	<p>1. Area of expertise: Law</p> <p>2. Experience:</p> <p>(1) Board member of other public companies</p> <p>(2) Board/committee leadership experience</p> <p>(3) Experience in other industries</p> <p>3. No violations of Article 30 of the Company Act.</p>	7	0	7	100	
Member	Duei Tsai	<p>1. Area of expertise: Electrical engineering, transportation management</p> <p>2. Experience:</p> <p>(1) Board member of other public companies</p> <p>(2) Board/committee leadership experience</p> <p>(3) Relevant industry experience in transportation</p> <p>(4) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university</p> <p>4. No violations of Article 30 of the Company Act</p>	7	0	7	100	
Member	Ming-Teh Wang	<p>1. Area of expertise: Civil engineering</p> <p>2. Experience:</p> <p>(1) Board member of other public companies</p> <p>(2) Board/committee leadership experience</p> <p>(3) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university</p> <p>3. No violations of Article 30 of the Company Act</p>	7	0	7	100	
Member	Pai-Ta Shih	<p>1. Area of expertise: Economics, finance</p> <p>2. Experience:</p> <p>(1) Board member of other public companies</p> <p>(2) Professor at Department of Finance, National Taiwan University</p> <p>3. No violations of Article 30 of the Company Act.</p>	7	0	7	100	
Member	Yu-Fen Hung	<p>1. Area of expertise: Finance</p> <p>2. Experience:</p> <p>(1) Board member of other public companies</p> <p>(2) Relevant industry experience (shipping and engineering)</p> <p>3. No violations of Article 30 of the Company Act</p>	7	0	7	100	

Title	Name	Professional qualifications and experience	Actual Attendances	By Proxy	Required Attendances	Actual Attendances (%)	Remarks
Former Member	Chu-Min Hong	1. Area of expertise: Business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (transportation and construction) 3. No violations of Article 30 of the Company Act	6	1	7	86	Left office on 2024/1/31
Average actual attendances of 10th Corporate Governance & Nominating Committee in 2023 (%) (Total actual attendances/Total required attendances)			48	1	49	98	

C. Combined average 9th and 10th Corporate Governance & Nominating Committee member attendance rate was 97% in 2023.

Other matters required to be recorded:

1. Matters discussed and resolved during Corporate Governance & Nominating Committee meetings in 2023, and the Corporation's responses to Corporate Governance & Nominating Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2023/1/18 (9-34)	Report on self-evaluations of Board performance for 2022	2023/1/16 (9-31)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2023/1/18 (9-34)	Implementation status of Audit Committee and Remuneration Committee in 2022	2023/1/16 (9-31)	Acknowledged by committee members in attendance.	Approved by the Board.	The proposal was approved.
2023/1/18 (9-34)	Suggestions for official appointment and promotion of Operation Division manager	2023/1/16 (9-31)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was acknowledged. The managerial department was requested to handle the proposal in accordance with the suggestions provided by directors in attendance. Additionally, directors Wen-Jong Chi, Chin-Hong Pan, and Chao-Tung Wong expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.
2023/1/18 (9-34)	Continued appointment of President's Office senior consultant	2023/1/16 (9-31)	The proposal was approved and submitted to the Board for deliberation.	The proposal was withdrawn by the managerial department.	The Board agreed to allow the managerial department to withdraw the proposal and hold it for resubmission to the committee and the Board at an appropriate time.
2023/1/18 (9-34)	Implementation status of Corporate Governance & Nominating Committee in 2022	2023/1/16 (9-31)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2023/2/22 (9-35)	Explanation and handling of verdict related to disputed overtime payments	2023/2/20 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/2/22 (9-35)	Report of implementation status of corporate governance	2023/2/20 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/2/22 (9-35)	Determination of director (and independent director) candidates for the 10th Board	2023/2/20 (9-32)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/3/15 (9-36)	Progress report for greenhouse gas inventory and verification	2023/3/13 (9-33)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/3/15 (9-36)	Report on review of Corporation bylaws and whether they fully protect shareholder interests	2023/3/13 (9-33)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/3/15 (9-36)	Chairman self-evaluation results for 2022	2023/3/13 (9-33)	Following discussion by all committee members in attendance, the proposal was approved and submitted to the Board for review and approval; the proposing unit was requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	The proposing unit was requested to re-evaluate the proposal before submission to the next Board meeting for deliberation.	Following discussion by directors in attendance, the proposing unit was requested to prepare responses to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for deliberation at the next Board meeting.
2023/3/15 (9-36)	Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards	2023/3/13 (9-33)	Following discussion by committee members in attendance, it was recommended that the standards of the original indicators be maintained, but all indicators under this item be adjusted down by 3% for customer satisfaction surveys conducted over the Internet or online. The proposing unit was requested to add committee conclusions to the proposal before submission to the Board for deliberation.	The proposing unit was requested to re-evaluate this proposal before submission to the next Board meeting for deliberation.	Following discussion by directors in attendance, the proposing unit was requested to prepare responses to the suggestions provided by directors in attendance and conduct additional discussions before submitting the proposal for deliberation at the next Board meeting.
2023/3/15 (9-36)	Suggestions on president performance evaluation results for 2022	2023/3/13 (9-33)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/3/15 (9-36)	Results of manager performance audits for 2022	2023/3/13 (9-33)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/3/15 (9-36)	List of Board-nominated candidates for the 5 independent directors and 10 non-independent directors on the 10th Board	2023/3/13 (9-33)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.



Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2023/3/15 (9-36)	Revisions to the Corporation's "Sustainable Development Best Practice Principles"	2023/3/13 (9-33)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/3/15 (9-36)	Revisions to the Corporation's "Regulations of Disclosure Information"	2023/3/13 (9-33)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/4/12 (9-37)	Chairman self-evaluation results for 2022	2023/4/10 (9-34)	The proposal was approved and submitted to the Board for deliberation.	Following discussion by directors in attendance, the proposal was approved.	Following discussion by directors in attendance, the proposal was approved. Directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.
2023/4/12 (9-37)	Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards	2023/4/10 (9-34)	Following discussion by committee members in attendance, the proposing unit was requested to revise the second item in the proposal in accordance with the suggestions provided by committee members in attendance, as well as use clear diagrams to visualize the content of the proposal in accordance with the suggestions provided by committee members in attendance before submission to the Board for deliberation.	The proposal was approved following discussion by directors in attendance.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to reference the suggestions of directors in attendance and review indicators and standards for evaluating chairman performance for submission to the Board for review when appropriate.
2023/4/12 (9-37)	Discussion of "Removal of Non-Competition Restriction Against the Corporation's 10th Board of Directors" proposal for the shareholders general meeting to be held on May 25, 2023	2023/4/10 (9-34)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/5/10 (9-38)	Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Chart"	2023/5/8 (9-35)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/6/6 (10-02)	Progress report for greenhouse gas inventory and verification (Second quarter of 2023)	2023/6/5 (10-01)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2023/6/6 (10-02)	Suggestions regarding composition of Remuneration Committee and Special Committee of the 10th Board	2023/6/5 (10-01)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	After the chairman confirmed that all directors in attendance had no dissenting opinions, it was agreed that the members of the Remuneration Committee and Special Committee for the 10th Board, as well as the conveners of the first meetings for said committees, adhere to the plans and suggestions provided by the Corporate Governance & Nominating Committee, and the term of office for committee members should adhere to the term of office for the 10th Board of Directors.
2023/6/6 (10-02)	Resignation of Travel and Business Development Division manager and appointment of new manager	2023/6/5 (10-01)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/6/20 (10-03)	The Ministry of Transportation and Communications forwarded a letter to the Executive Yuan approving continued appointment of the Corporation's president	2023/6/16 (10-02)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/6/20 (10-03)	Report on operation and implementation status of corporate governance systems, sustainable development, and ethical management in 2023	2023/6/16 (10-02)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/6/20 (10-03)	Report of Travel and Business Development Division business performance for first half of 2023	2023/6/16 (10-02)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/6/20 (10-03)	Suggestions for appointment and promotion of Business Division senior vice president	2023/6/16 (10-02)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/9/13 (10-05)	Report on review and implementation of information disclosure system	2023/9/12 (10-03)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/9/13 (10-05)	Progress report for greenhouse gas inventory and verification (Third quarter of 2023)	2023/9/12 (10-03)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2023/9/13 (10-05)	Suggestions for renewal of director and officer liability insurance	2023/9/12 (10-03)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/10/18 (10-06)	Corporate Governance & Nominating Committee work plans for 2024	2023/10/17 (10-04)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/10/18 (10-06)	Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Chart"	2023/11/7 (10-05)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	Apart from the issue of whether the Quality Assurance Office falls under the authority of the Planning Division senior vice president, which should be discussed by the proposing unit and submitted to the Board for deliberation when appropriate, the remainder of the proposal was approved.
2023/11/08 (10-07)	Suggestions for appointment and promotion of Planning Division senior vice president in accordance with organizational adjustments	2023/11/7 (10-05)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/12/13 (10-08)	Report on corporate governance self-evaluation procedures for 2023	2023/12/12 (10-06)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/12/13 (10-08)	Progress report for greenhouse gas inventory and verification (Fourth quarter of 2023)	2023/12/12 (10-06)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2023/12/13 (10-08)	Report of Travel and Business Development Division business performance for second half of 2023	2023/12/12 (10-06)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance, and the proposing unit was requested to provide written responses to the questions raised by directors in attendance.
2023/12/13 (10-08)	Suggestions for adjustment and appointment of Board secretariat and corporate governance officer	2023/12/12 (10-06)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/12/13 (10-08)	Suggestions for adjustment and appointment of audit office manager	2023/12/12 (10-06)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.
2023/12/13 (10-08)	Suggestions regarding performance goals for managers in 2024	2023/12/12 (10-06)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.

2. If the Board declines to adopt, or modifies, a recommendation of the Corporate Governance & Nominating Committee, the date of said Board meeting, session number, proposal content, Board resolutions, and the Corporation's responses to Corporate Governance & Nominating Committee opinions should be recorded: None.

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

## (5) Operational Status of Special Committee

1) The Corporation's Special Committee is composed of five to seven members, at least one of whom must be an independent director. Following election of Board members by the shareholders' general meeting on May 25, 2023, the 10th committee members served until May 24, 2026. There were seven committee members, and all committee members elected Director Mao-Hsiung Huang as convener. The committee operates according to the "Charter of the Special Committee."

2) The main duties of the committee and focuses for 2023 included providing advice on the Corporation's major legal or contractual disputes and important system reforms; assisting the Board in supervising implementation of decisions by managers; and reviewing the Corporation's procurement-related proposals to be submitted to the Board as required by Corporation bylaws. (Please refer to Chapter Three of this report for details regarding the main duties of the Special Committee).

3) The Special Committee convened 8 times in 2023, and the operational status of the committee was as follows:

### A. Operational Status of 9th Special Committee in 2023:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Director (Convener)	Mao-Hsiung Huang	3	0	3	100	
Independent Director	Duei Tsai	3	0	3	100	
Independent Director	Yung-Cheng (Rex) Lai	3	0	3	100	
Director	Chin-Hong Pan	3	0	3	100	
Director	Chao-Yih Chen	3	0	3	100	
Director	Shien-Quey Kao	3	0	3	100	
Average actual attendances of 9th Special Committee members in 2023 (%) (Total actual attendances/Total required attendances)		18	0	18	100	

### B. Operational Status of 10th Special Committee in 2023:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Director (Convener)	Mao-Hsiung Huang	5	0	5	100	
Independent Director	Duei Tsai	5	0	5	100	
Independent Director	Ming-Teh Wang	4	1	5	80	
Independent Director	Yung-Cheng (Rex) Lai	5	0	5	100	
Director	Cheng-Chung Young	5	0	5	100	
Director	Wei-Cheng Hsieh	5	0	5	100	
Director	Shien-Quey Kao	4	1	5	100	
Average actual attendances of 10th Special Committee members in 2023 (%) (Total actual attendances/Total required attendances)		33	2	35	91	

C. Combined average 9th and 10th Special Committee member attendance rate was 95.5% in 2023.

Other matters required to be recorded:

1. Matters discussed and resolved during Special Committee meetings in 2023, and the Corporation's responses to Special Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2023/2/22 (9-35)	Adjustments to plans for second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot	2023/2/20 (9-27)	Following discussion by committee members in attendance, the proposal was reported to the Board. The proposing unit was requested to provide supplementary explanation to the Board in accordance with the suggestions provided by committee members in attendance. Additionally, the committee will conduct an on-site inspection on February 21, 2023 and subsequently report its findings to the Board.	Approved by the Board.	Acknowledged by directors in attendance. The managerial department was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.
2023/2/22 (9-35)	Explanation and handling of verdict related to disputed overtime payments	2023/2/20 (9-27)	Following discussion by committee members in attendance, the revised agenda and presentation content (removal of the wording "similar to the other two lost lawsuits") provided by the proposing unit in response to the suggestions of committee members in attendance were approved, and the proposal was submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved following discussion by directors in attendance.
2023/3/15 (9-36)	Contract award suggestions for procurement of new HSR trainsets (Contract No. E321 and E322)	2023/3/10 (9-28)	Following discussion by committee members in attendance, the proposing unit was requested to provide supplementary content in accordance with the suggestions provided by committee members in attendance before submission to the Board for deliberation. The proposing unit was also requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance.
2023/3/15 (9-36)	Procurement strategy suggestions for train body and train equipment general maintenance technician services contract at Yanchao Main Workshop from 2023 to 2027	2023/3/10 (9-28)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2023/3/15 (9-36)	Contract award suggestions for supplementary clauses of operating train and main line rights (north and south regions) security services contracts	2023/3/10 (9-28)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/4/12 (9-37)	Procurement strategy suggestions for "Second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot"	2023/4/7 (9-29)	Following discussion by committee members in attendance, the proposing unit was requested to provide supplementary content in accordance with the suggestions provided by committee members in attendance before submission to the Board for deliberation. The proposing unit was also requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	Approved by the Board.	Following discussion by Board members, the proposal was approved in consideration of the procurement schedule for new generation rolling stock, to avoid subsequent contract risks and costs, and to meet timely construction requirements for increasing operational and repair needs; the managerial unit was requested to actively participate in discussion and coordination with competent authorities, as well as provide professional suggestions from the perspective of a high-speed rail service provider to assist the government in formulating feasible solutions while maintaining operational safety, efficiency, and passenger interests. Additionally, the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance. Directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.
2023/4/12 (9-37)	Procurement strategy suggestions for "Construction of track and core electricity systems at Zuoying Depot second rolling stock inspection & repair plant"	2023/4/7 (9-29)	Following discussion by committee members in attendance, the proposing unit was requested to provide supplementary content in accordance with the suggestions provided by committee members in attendance before submission to the Board for deliberation. The proposing unit was also requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by directors in attendance. Directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of comments and the meeting minutes.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2023/4/13 (9-25)	Procurement strategy suggestions for re-negotiation of operating train and main line rights (north and south regions) security services contracts from 2023 to 2026	2023/4/7 (9-29)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/6/20 (10-03)	Operating insurance renewal requirements and procurement strategy for 2024	2023/6/16 (10-01)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/8/9 (10-04)	Suggestions for procurement strategy adjustments related to operating insurance for 2024	2023/8/7 (10-02)	Following discussion by committee members in attendance, the proposal was approved after supplementary revisions made to the presentation during the meeting by the proposing unit (namely, "maintain originally approved estimated procurement amount of NT\$167,208,000," "expand bidding scope and seek out other international insurance brokers to participate in bidding," and "revise tender documents and include pricing principles of Clause 30A in selection criteria") before submission to the Board for deliberation. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by committee members in attendance ("confirm whether the original contract period can be extended as soon as possible," "evaluate feasibility of participation in bidding procedures by domestic insurance companies," and "reconsider necessity of international insurance brokers"). Additionally, the meeting convener reminded the proposing unit to actively enhance business abilities related to insurance procurement and collection of market information.	Approved by the Board.	Following discussion by directors in attendance, it was agreed that the proposal should be handled in accordance with the preliminary review conclusions of the Special Committee (maintain originally approved estimated procurement amount, expand bidding scope, and revise tender documents).
2023/9/13 (10-05)	Procurement strategy suggestions for "Headquarters office and parking spaces lease"	2023/9/11 (10-03)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.



Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2023/9/13 (10-05)	Suggestions for second-round adjustments to procurement strategy related to operating insurance for 2024	2023/9/11 (10-03)	Following discussion by committee members in attendance, the overall estimated amount of NT\$167,208,000 for operating insurance for 2024 remained unchanged and payment mechanisms for consulting service fees should effectively and actively ensure that insurance consultants propose insurance renewal solutions that comply with the Corporation's interests and reasonable insurance premiums. The proposal was approved and submitted to the Board for deliberation, and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by committee members in attendance. The proposing unit was also requested to provide supplementary explanations of the conditions and timelines for consulting service payments for the "Operating insurance consulting services contract for 2024" in the presentation for this proposal.	Approved by the Board.	The proposal was approved.
2023/11/8 (10-07)	Procurement and contract award suggestions for "Headquarters office and parking spaces lease"	2023/11/7 (10-04)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2023/11/8 (10-07)	Procurement and contract award suggestions for "Second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot"	2023/11/7 (10-04)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	Following discussion by directors in attendance, the proposal was approved, and the managerial department was requested to rigorously control construction schedule and quality for this project.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2023/12/13 (10-08)	Renewal of operating insurance for 2024	2023/12/8 (10-05)	Following discussion by committee members in attendance, the proposal was submitted to the Board for deliberation. The proposing unit was requested to invite Convener Huang to assist the managerial department in subsequent vendor negotiations and strive to obtain price reductions. The proposing unit was also requested to provide supplemental information on "insurance premium rises for transportation industry peers" and "standards for assessing insurance consultant performance" when submitting the proposal to the Board for deliberation.	Approved by the Board.	Following discussion by directors in attendance, it was agreed that subsequent MOIP order issuance should be limited to the latest premium amount set out by the proposing unit (NT\$184 million) and the managerial department should continue to negotiate the final premium amount prior to order issuance; the proposing unit was requested to handle this proposal in accordance with the suggestions provided by directors in attendance.
2023/12/13 (10-08)	Suggestions for supplements to contract for THSRC self-developed turnout control cabinets and replacement of existing control cabinets	2023/12/8 (10-05)	Following discussion by committee members in attendance, the proposal was submitted to the Board for deliberation. The proposing unit was requested to invite Convener Huang to assist the managerial department in subsequent vendor negotiations and strive to obtain price reductions. The proposing unit was also requested to handle the proposal in accordance with the suggestions provided by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.

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

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

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		<p>■The Corporation has established the "Guidelines for Corporate Governance" which are disclosed on the "Investor Relations" and the "Corporate Governance" sections of our corporate website, as well as on the Market Observation Post System. Revisions to our "Guidelines for Corporate Governance" were approved at the 24th meeting of the 9th Board (convened on March 16, 2022) and a shareholders general meeting (convened on May 26, 2022).</p>	■None.
2. Shareholding Structure and Shareholders' Rights (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		<p>■The Corporation has a shareholder services unit that is responsible for providing shareholder services, handling shareholder recommendations, and responding to shareholder queries, while our legal unit handles shareholder disputes and litigation matters. All related matters are handled according to our operating procedures.</p>	■None.
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		<p>■The Corporation regularly maintains a list of its major shareholders as well as the ultimate owners of those shares. At present, most of our major shareholders are board members or financial institutions, and the list of major shareholders and ultimate owners can be viewed at any time to ensure the stability of the Corporation's operating policies.</p>	■None.
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		<p>■The Corporation currently has no affiliated businesses. Additionally, to avoid conflicts of interest, the Corporation has established the "Regulation of Related Party Transaction" and our Audit Committee is responsible for auditing transactions of related parties and other avoidances of conflicts of interest.</p> <p>■The Corporation has established the Rules Governing Transactions with Affiliated Enterprises, Procedures for the Acquisition or Disposal of Assets, Operational Procedures for Lending Funds to Others, and other written regulations relating to financial and business transactions between the Corporation and affiliated enterprises. Amendments were made to the Rules Governing Transactions with Affiliated Enterprises on November 8, 2023 to include a new requirement: "Actual transaction statuses for major purchases, sales, asset acquisitions and disposals, and other transactions with individual affiliated enterprises which have been approved by the Board shall be reported to the most recent shareholders meeting after the end of the year."</p> <p>■The aforementioned amendment encompasses management procedures for purchase and sale transactions, asset acquisitions and disposals, and stipulates that the aforementioned major transactions should be approved by the Board prior to commencement.</p> <p>■The aforementioned amendment also stipulates that actual transaction statuses for major purchases, sales, asset acquisitions and disposals, and other transactions with individual affiliated enterprises which have been approved by the Board shall be reported to the most recent shareholders meeting after the end of the year.</p>	■None.
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		<p>■The Corporation has established the "Regulations for Management of the Prevention of Insider Trading," which stipulate that corporate insiders, quasi-insiders, and tippees must abide by the provisions of the Securities and Exchange Act, and any trade of securities conducted using undisclosed information is prohibited. Article 12 of these Regulations were amended in 2022 to stipulate that insiders shall not trade Corporation stocks during closed periods (30 days prior to release of annual financial reports and 15 days prior to the release of quarterly financial reports). Additionally, Article 11 of our "Code of Ethical Conduct" and Subparagraph (d), Paragraph 3, Article 6.1.2 of our "Code of Conduct" also contain stipulations inhibiting insider trading.</p>	■None.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
<p>3. Composition and responsibilities of the board of directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p>	✓		<p>■Article 14, Chapter 2 of the Corporation's "Charter of the Corporate Governance &amp; Nominating Committee" (Structural Composition of the Board and its Committees and Performance Assessments) stipulates a diversification policy for board member composition and overall capabilities of board members. Article 17 of the Charter also stipulates succession plans for directors.</p> <p>■The Corporation's diversification policy for board member composition states that appropriate diversification standards for the Board should be set according to operations, mode of operation, and development needs, including but not limited to the following:</p> <ol style="list-style-type: none"> <li>1. Basic qualifications and values: Gender, age, nationality, and culture.</li> <li>2. Level of contribution to businesses or in other professional areas.</li> <li>3. Personality, professional expertise, and skills. Professional expertise and skills include professional backgrounds (such as in finance, accounting, legal practice, marketing, technology, business management, and so on), as well as professional skills and industry experience.</li> <li>4. Willingness and time to participate in corporate affairs.</li> <li>5. Concurrent director and manager positions held at other companies.</li> </ol> <p>■Overall, the Board as a whole should possess the following capabilities:</p> <ol style="list-style-type: none"> <li>1. Operational insight capabilities.</li> <li>2. Accounting and financial analysis capabilities.</li> <li>3. Management capabilities.</li> <li>4. Crisis management capabilities.</li> <li>5. Industry knowledge.</li> <li>6. International outlook.</li> <li>7. Leadership and decision-making ability.</li> </ol> <p>■The Corporation has established a Corporate Governance &amp; Nominating Committee which is responsible for reviewing the diversified standards of professional knowledge, technical expertise, experience, and gender distribution required by directors to ensure that the Board possesses appropriate professional knowledge and expertise. The Committee is also responsible for conducting regular evaluations of Board performance, reviewing director training plans, and reviewing manager succession plans.</p> <p>■Composition of the Corporation's 10th Board complies with our "Articles of Incorporation"; nominated candidates are selected, nominated, and elected through the rigorous processes stipulated in the Corporation's "Charter of the Corporate Governance &amp; Nominating Committee" and "Rules for the Election of Directors," thus ensuring diversification and independence of board members.</p> <p>■The Board is currently composed of 15 directors, including 5 independent directors and 10 non-independent directors. Our current directors are all industrial or academic experts, with management experience in listed companies or in government institutes. Apart from possessing leadership and decision-making capabilities, crisis management capabilities, and an international outlook, our five independent directors also have expertise in legal affairs, finance and accounting, industrial knowledge, and operational insights: Independent Director Kenneth Huang-Chuan Chiu is a partner at Kew &amp; Lord, Independent Director Duei Tsai served as the Minister of Transportation and Communications, Independent Director Ming-Teh Wang served as the chairman of Taoyuan International Airport Corporation, Independent Director Pai-Ta Shih is a full-time professor at the National Taiwan University Department of Finance, and Independent Director Yung-Cheng (Rex) Lai is a professor at the National Taiwan University Railway Technology Research Center. They therefore possess professional expertise in legal practices, finance and accounting, industry knowledge, and operational insights. Additionally, of the other 10 non-independent directors, directors Huan-Tung Tseng, Yu-Fen Hung, and Shien-Quey Kao have finance and accounting expertise; Director Cheng-Chung Young is currently the Director General of the Railway Bureau, Ministry of Transportation and Communications; Director Wei-Cheng Hsieh is the Secretary General of the China Aviation Development Foundation; and Chairman Yao-Chung Chiang and directors Chien-Chih Hwang, Ming-Jou Yang, Mao-Hsiung Huang, and Yi-Ling Wu all have significant management experience as a chairperson, president, or executive vice president of listed companies in industries spanning from technology, construction, automobiles, steel, airlines, manufacturing, and services; they therefore possess professional capabilities relating to marketing, technology, management, industrial knowledge, and operational insight. THSRC adheres to the main axes of 4Ts development strategy (Transportation, Technology, Taiwan, and Touch) and bases selection of directors on relevant business management experience and professional qualifications. Our current directors fully possess the professional expertise related to corporate governance, latest industrial information, and business, finance, accounting, and corporate matters, complying with our 4T development goals.</p>	<p>■None.</p>

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>■The Corporation strives to maintain gender equality in the composition of Board members. Our goal is to increase our ratio of female directors to 1/3 (33%). Currently, we have 80% (12) male directors and 20% (3) female directors. In future, we hope to add other female directors to achieve our goal.</p> <p>■Currently, four of our five independent directors were reelected following a full term and the remaining independent director is a newly appointed independent director. We currently have 15 Board members, of which 33% (5) are under 60 years old, 20% (3) are between 60 to 65 years old, and 47% (7) are over 65 years old.</p> <p>■Board members are all active in attending Board meetings, and the average actual attendance rate for 2023 was 97%, while the average actual attendance rate for 2022 was 94%, showing that our Board is indeed exercising its supervisory duties.</p> <p>■Overall, our Board possesses capabilities aligned with the Corporation's future development, and our policy of board diversification has been well implemented. (For details on the implementation status of our board diversification policy, please refer to Note 1 and Chapter 3 (3) Professional Expertise, Diversification Policy, and Independence Analysis of the Board of Directors.) Additionally, the "Corporate Governance Implementation Status" subsection under the "Corporate Governance" section of our corporate website has also disclosed details of our board diversification policy and implementation status.</p>	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	✓		<p>■The Corporation has established a Remuneration Committee and Audit Committee in accordance with law, and we have also voluntarily established other functional committees including our Corporate Governance &amp; Nominating Committee and Special Committee in consideration of corporate matters and development. The Audit Committee and Remuneration Committee are convened by independent directors. The Audit Committee and Remuneration Committee are composed of independent directors, while more than half of the members in the Corporate Governance &amp; Nominating Committee are independent directors. All functional committees are well operated, exercise sound supervisory duties, and strengthen the functions of the Board.</p>	■None.
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	✓		<p>■On March 21, 2017, the Corporation's "Regulation of Self-Evaluation of the Board of Directors" was passed at the 27th meeting of the 7th Board and amendments were approved at the 18th meeting of the 9th Board on September 15, 2021. The Corporation's Corporate Governance &amp; Nominating Committee serves as the implementation unit for these evaluations, and the Secretariat Division of the Board of Directors assists the Corporate Governance &amp; Nominating Committee in collecting information on Board activities at the end of each year for internal self-assessments of Board performance. Self-assessments on Board operations, Board members, and all functional committees (including the Corporate Governance &amp; Nominating Committee, Audit Committee, Remuneration Committee, and Special Committee) are conducted via surveys. Survey results are organized and submitted to the Board as a basis for review and improvement. Additionally, assessment results on the Board and its functional committees serve as a reference for selecting or nominating directors (and independent directors), while assessment results on individual directors may be used in future as a reference when setting salaries and remuneration. Furthermore, the aforementioned Corporation bylaw stipulates that an external assessment should take place at least once every three years.</p> <p>■Assessment indicators for the Corporation's Board includes the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in corporate operations.</li> <li>2. Enhancement of Board decision-making quality.</li> <li>3. Board composition and structure.</li> <li>4. Director elections and continued training.</li> <li>5. Internal control.</li> </ol> <p>■Assessment indicators of the Corporation's directors includes the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Understanding of corporate goals and tasks.</li> <li>2. Recognition of director responsibilities.</li> <li>3. Participation in corporate operations.</li> <li>4. Internal relations and communication.</li> <li>5. Director knowledge and continued training.</li> <li>6. Internal control.</li> </ol>	■None.

Evaluation Item	Implementation Status		Summary Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No		
			<p>■ Self-assessment indicators for functional committee members include the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in corporate operations.</li> <li>2. Recognition of functional committee responsibilities.</li> <li>3. Enhancement of functional committee decision-making quality.</li> <li>4. Composition of functional committees and election of committee members.</li> <li>5. Internal control.</li> </ol> <p>■ The Corporation completed all self-assessments of the Board, Board members, and functional committee members for 2023 in January 2024. The full score for assessments was 100. The Board and Board members received self-assessment scores of 96.27 and 97.40 (the scores were 97.31 and 97.77 in 2022). Additionally, overall self-assessment scores for functional committee members were as follows: 98.42 for the Corporate Governance &amp; Nominating Committee, 98.60 for the Audit Committee, 99.50 for the Remuneration Committee, and 99.42 for the Special Committee (the scores were 98.2 for the Corporate Governance &amp; Nominating Committee, 99.75 for the Audit Committee, 99.33 for the Remuneration Committee, and 97.31 for the Special Committee in 2022). Assessment results were the same as for the previous year: "Significantly exceeded standards."</p> <p>■ The aforementioned assessment results were submitted to the 6th Remuneration Committee meeting of the 10th Board on January 16, 2024 and the 7th Corporate Governance &amp; Nominating Committee meeting of the 10th Board on January 16, 2024, and were reported at the 10th meeting of the 10th Board on January 17, 2024. Suggestions for improvement and areas that required continued strengthening were as follows:</p> <ol style="list-style-type: none"> <li>1. Board of Directors:             <ol style="list-style-type: none"> <li>(1) "Enhancement of Board decision-making quality": Strengthen completeness and accuracy of meeting materials provided to the Board so that directors can better understand proposal content and board meetings can run smoothly.</li> <li>(2) "Director elections and continued training": The Corporation's "Charter of the Corporate Governance &amp; Nominating Committee" stipulates that the composition of Board members shall be diverse, and appropriate diversification standards and director capabilities shall be set according to Corporation operations, modes of operation, and development needs.</li> <li>(3) "Internal control": Strengthen corporate plans for major strategies and risk management so as to help directors evaluate and supervise the implementation of relevant operations.</li> </ol> </li> <li>2. Board members:             <ol style="list-style-type: none"> <li>(1) "Participation in corporate operations": Strengthen proposals for internal control systems and risk management so as to help directors evaluate and supervise the implementation of relevant operations.</li> <li>(2) "Internal relations and communication": Strengthen timeliness, relevance, and comprehensiveness of answers provided by management team when interacting with directors so as to ensure that director suggestions and questions are appropriately handled.</li> <li>(3) "Director knowledge and continued training": Continue to organize training for our directors on a variety of subjects every year.</li> </ol> </li> <li>3. Functional committees:             <ol style="list-style-type: none"> <li>(1) "Participation in corporate operations": Strengthen timeliness, relevance, and comprehensiveness of answers provided by management team when interacting with directors so as to ensure that director suggestions and questions are appropriately handled.</li> <li>(2) "Recognition of functional committee responsibilities": Strengthen risk assessment of important proposals to provide a decision-making reference for functional committees.</li> <li>(3) "Enhancement of functional committee decision-making quality": Improve the quality of meeting materials provided to the Board so that directors can better understand proposals and strengthen management and tracking for implementation of committee resolutions and committee member suggestions, as well as regularly review proposals submitted to functional committees and appropriateness of meeting frequencies.</li> </ol> </li> </ol>	

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	
			<p>■According to the stipulations of our "Regulation of Self-Evaluation of the Board of Directors," an evaluation of Board performance should be conducted by external units at least once every three years. The Corporation commissioned the "Taiwan Corporate Governance Association" to evaluate Board effectiveness and performance, and the most recent external evaluation of Board performance was completed in February 2022. The Taiwan Corporate Governance Association and evaluating experts were independent units that had no business dealings with the Corporation; a report on Board performance was issued on February 22, 2022. Results of the aforementioned external evaluation were reported to the 27th meeting of the 9th Board on June 15, 2022. Implementation details were as follows:</p> <ol style="list-style-type: none"> <li>1. Evaluation duration: January 1, 2021 to December 31, 2021.</li> <li>2. Evaluation method: The Taiwan Corporate Governance Association conducted reviews of the relevant documents submitted by the Corporation for evaluations, and also commissioned two experts to conduct on-site evaluations and interviews with the Corporation's Chairman, President, independent directors, corporate governance officer, head of Corporate Planning Department, and accountants on February 16, 2022.</li> <li>3. Evaluation standards: Standards included the eight aspects of board composition, board guidance, board authority, board supervision, board communication, internal control and risk management, self-discipline of the board, and others (board meetings, support systems, and so on). The experts conducting the evaluations referenced information provided by the Corporation and publicly available information regarding implementation for each indicator and carried out on-site interviews before submitting evaluation reports.</li> <li>4. Overall evaluation results: <ol style="list-style-type: none"> <li>(1) The Corporation has achieved remarkable progress in ESG (Environment, Social, and corporate Governance) promotions. We have been ranked among the top 5% of companies by the TWSE Corporate Governance Evaluations for four consecutive years, continue to be a constituent of the FTSE4Good Index Series and FTSE4Good TIP Taiwan ESG Index, and have received the TCSA "Top Ten Sustainable Model Businesses" award.</li> <li>(2) The Corporation commissioned an external professional independent organization to conduct Board performance evaluations for the first time in 2019, and have prioritized relevant suggestions for strengthening corporate governance. The results of the subsequent (second) independent evaluation showed that our Board is active in implementing corporate governance systems and enhancing Board efficiency, and strives to seek out opportunities for improvement through independent and objective reviews.</li> <li>(3) The Corporation has established a "Corporate Governance Promotion Committee" which is chaired by the President and is composed of senior executives from managerial departments. The Corporate Governance Planning Team, Corporate Social Responsibility Team, and Ethical Management Team, which have been established under the Committee, are responsible for implementing related issues and report on overall corporate governance promotions and implementation results to the Board each year to strengthen corporate governance measures and legal compliance. The Corporation is fully committed to improving corporate governance and sustainable operations.</li> <li>(4) The Corporation has formulated "Risk Management Policies" and identified the four material risk categories of "Operational Safety, Information Security, Environmental Safety, and Financial Risks." These risks are supervised by the President, and various standard operating procedures are managed by responsible units. The management team regularly reports risk management implementations to the Audit Committee and the Board, and uses comprehensive response strategies and management mechanisms to enable the Board to efficiently supervise management of corporate risks.</li> </ol> </li> </ol>



Evaluation Item	Implementation Status		Summary Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			<p>5.Implementation of evaluation recommendations and improvement items:</p> <p>(1) The Corporation should reference the requirements of the "Corporate Governance 3.0 Blueprint for Sustainable Development" issued by the Financial Supervisory Commission. Composition of the next Board should not only consider the needs of corporate operations and developments, but also the diversity of Board members. The number of independent directors should exceed one-third of Board members to enhance overall independence and professional expertise of the Board. ---The Corporation amended the Articles of Incorporation in 2022 and stipulated that the number of independent directors shall be no less than one-third of Board members.</p> <p>(2) The Corporation's bylaws, which have been disclosed on the THSRC corporate website, contain clear stipulations regarding the Board and all functional committees. The Corporation should regularly review functional committee charters and make amendments based on practical needs and the latest revisions to related laws. For instance, the responsibilities of the Audit Committee, as set out in the Charter of the Audit Committee, can include review of business reports, surplus appropriation statements, and changes to accounting policies. ---The Corporation will review organizational charters and make appropriate amendments.</p> <p>(3) The Corporation has established the "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" and relevant incidents are handled by the Audit Office. The whistleblower mechanism emphasizes direct connections with the Board (and particularly independent directors), and therefore the Corporation is recommended to establish independent and trustworthy communication channels in addition to existing mechanisms to allow employees, suppliers, and other stakeholders a channel for direct or simultaneous reporting to independent directors and the Audit Committee, thereby strengthening the independence of the grievance reporting system. ---The Corporation has set up a mailbox to the Audit Committee in the Stakeholder section of the THSRC external website to establish a direct communication channel between stakeholders and the Audit Committee.</p> <p>■The Corporation has disclosed our "Regulation of Self-Evaluation of the Board of Directors" on the Market Observation Post System and on our corporate website. Results of performance evaluations for the Board have also been disclosed on the "Corporate Governance Implementation Status" page in the "Corporate Governance" section of our corporate website.</p>	■None
(4) Does the Company regularly evaluate its external auditors' independence? ✓			<p>■Handled in accordance with Article 5-3-06 of the Corporation's Guidelines for Corporate Governance, which stipulates that "the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and report the results to the Board," and Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," which stipulates that "TWSE/TPEX Listed Companies should regularly (at least once a year) refer to the Audit Quality Indicators (AQIs) to review the independence and suitability of CPAs."</p> <p>■The Corporation's Audit Committee annually assesses the independence and suitability of CPAs, requires CPAs to provide "Statements of Independence," and conducts assessments based on the standards for independence and suitability (Note 2) and AQIs. Our CPAs maintain independence both in form and substance, receive reasonable remuneration, and their professional, supervisory, and innovative capabilities adhere to business requirements. There was no case-level information that could be used as a reference for some quality control indicators as this was the first year we collaborated with the firm; we will continue to track these indicators in 2024.</p> <p>■Results of CPA service evaluations for 2023 were approved by the 10th Board at the 9th Audit Committee meeting held on February 19, 2024 and the 10th Board meeting held on February 21, 2024. CPAs Chih Fan Yu and Chien Hung Chou of PricewaterhouseCoopers Taiwan both fulfilled the Corporation's assessment standards for independence and suitability, and a letter of declaration was provided by PricewaterhouseCoopers Taiwan (Note 3).</p>	■None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
4. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		<p>■The Corporation established the Secretariat Division under the Board of Directors as the unit responsible for corporate governance, and set up an appropriate number of qualified corporate governance personnel according to Article 3-08 of the Corporation's Guidelines for Corporate Governance. The qualifications and duties of the Board Secretariat manager complies with the criteria for corporate governance officers. On March 20, 2019, Board Secretariat Secretary Senior Vice President Barret Wang was appointed to be the Corporation's corporate governance officer at the 24th meeting of the 8th Board to protect shareholder rights and strengthen Board functions as he possesses legal qualifications and served in managerial capacities for more than three years, handling the legal, shareholding, and corporate governance affairs of listed companies. The main duties of the corporate governance officer are to handle Board and shareholder meeting matters in accordance with law, prepare meeting handbooks for Board and shareholder meetings, assist directors in taking office and continued training, provide directors with information necessary for implementation of business matters, and assist directors in complying with laws and regulations. The implementation status of corporate governance within the Corporation was reported at the 35th meeting of the 9th Board on February 22, 2023, and will be periodically reported to the Board every year. On December 13, 2023, the Board resolved to appoint Chief Secretary Joe Wang as Acting Board Secretariat and Corporate Governance Officer, taking office on January 1, 2024. "Suggestions for official appointment of Board secretariat and corporate governance officer" was submitted to and approved by the Board on March 13, 2024. Main implementations for 2023 included:</p> <p>(1) Assisting the Board or its committees with drawing up annual work plans and meeting agendas, and collecting, researching, analyzing, or providing related materials.</p> <p>(2) Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or its committees, for reference by the Board and its committees during deliberations.</p> <p>(3) Ensuring that the operations of the Corporation's shareholders' meetings, Board meetings, and committees do not violate laws or regulations, the Corporation's Articles of Incorporation, shareholders' meeting resolutions, and the Corporation's Guidelines for Corporate Governance.</p> <p>(4) Assisting with deliberation, supervision, or other processes relating to the planning and review of systems for liaison and interaction between the Corporation and shareholders, employees, consumers, stakeholders, and the general public.</p> <p>(5) Assisting with the general administrative affairs of shareholders' meetings and the calling of, notices for, holding of, and record-keeping for Board meetings and committee meetings.</p> <p>(6) Ensuring that Board members have timely knowledge of material information by notifying Board members upon publication of such information.</p> <p>(7) Formulating Board meeting agendas and notifying directors seven days in advance of meetings, convening meetings and providing meeting information, providing prior reminders of conflicts of interest, and compiling Board meeting handbooks within 20 days of meetings.</p> <p>(8) Assisting directors in organizing other training plans and courses.</p> <p>(9) Assessing and taking out appropriate D&amp;O liability insurance for directors, supervisors, and managers.</p> <p>(10) Conducting performance assessments in accordance with the Corporation's Regulation of Self-Evaluation of the Board of Directors.</p>	■None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons																																
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			<p>■ Training undertaken by the Corporation's corporate governance officers in 2023 were as follows:</p> <table border="1"> <thead> <tr> <th>Training Date</th> <th>Hosting Organization</th> <th>Course</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2023/2/14</td> <td>Taiwan Corporate Governance Association</td> <td>New corporate governance under ESG trends</td> <td>3</td> </tr> <tr> <td>2023/4/12</td> <td>Securities and Futures Institute</td> <td>Future developments in the metaverse and cryptocurrency blockchains</td> <td>3</td> </tr> <tr> <td>2023/4/21</td> <td>Taiwan Corporate Governance Association</td> <td>Board formulation of ESG sustainable governance strategies in 2023</td> <td>3</td> </tr> <tr> <td>2023/7/13</td> <td>Taipei Exchange</td> <td>Seminar of sustainable development action plans for TWSE/TPEX listed companies</td> <td>3</td> </tr> <tr> <td>2023/9/18</td> <td>Taiwan Insurance Institute</td> <td>Introduction to proportional reinsurance</td> <td>6</td> </tr> <tr> <td>2023/9/25</td> <td>Taiwan Insurance Institute</td> <td>Introduction to non-proportional reinsurance</td> <td>6</td> </tr> <tr> <td colspan="4" style="text-align: center;">Accumulated training hours in 2023: 24 hours</td> </tr> </tbody> </table> <p>■ Review the qualifications of independent directors during nomination, election, and tenure periods with regard to relevant regulations, and report the same to the Board: The Board Secretariat reviewed the Board-nominated candidates for the 5 independent directors and 10 non-independent directors of the 10th Board, and ensured that their qualifications adhere to relevant regulations. The results were reported to the 9th Board at the 36th meeting held on March 15, 2023.</p> <p>■ Director changes were handled by the Board Secretariat in accordance with related regulations.</p> <p>■ The Corporation has established a shareholder services unit under the Finance Department; this unit is responsible for providing shareholder services, handling matters relating to shareholders' meetings, making changes to Corporation registration details, and publishing information on shareholder matters in accordance with law.</p>	Training Date	Hosting Organization	Course	Training Hours	2023/2/14	Taiwan Corporate Governance Association	New corporate governance under ESG trends	3	2023/4/12	Securities and Futures Institute	Future developments in the metaverse and cryptocurrency blockchains	3	2023/4/21	Taiwan Corporate Governance Association	Board formulation of ESG sustainable governance strategies in 2023	3	2023/7/13	Taipei Exchange	Seminar of sustainable development action plans for TWSE/TPEX listed companies	3	2023/9/18	Taiwan Insurance Institute	Introduction to proportional reinsurance	6	2023/9/25	Taiwan Insurance Institute	Introduction to non-proportional reinsurance	6	Accumulated training hours in 2023: 24 hours				
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5. Has the company established communication channels for stakeholders (including but not limited to shareholders, employees, clients, and suppliers), established a stakeholder section on the company website, and appropriately responded to stakeholder concerns regarding important corporate social responsibility issues?	✓		<p>■ A "Stakeholders Communications" sub-section has been established under the "ESG" section of our corporate website to uphold the rights of stakeholders. We periodically assess stakeholder categories, establish designated units and communication channels for stakeholders, use appropriate communication measures to understand the reasonable expectations and needs of stakeholders, and provide fitting responses to major CSR issues of concern. Communication with stakeholders and handling of major disputes for 2023 were reported to the Corporation's 3rd meeting of the 10th Board on June 20, 2023, and will continue to be reported to the Board on an annual basis.</p> <p>■ For more information on stakeholders, please refer to the "Stakeholders" sub-section in the "ESG" section of our corporate website and the "Stakeholders and Material Topics" section in our sustainability report.</p>	■ None																																
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		<p>■ The Corporation has appointed Fubon Securities Transfer Agency Department as our professional shareholder service agency.</p>	■ None																																

Evaluation Item	Implementation Status		Summary Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No		
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		<p>■The Corporation's corporate website has an "Investor Relations" section and a "Corporate Governance" section which both disclose information regarding the Corporation's finances, business matters, and corporate governance. This information is updated periodically and in a timely manner.</p>	■None
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		<p>■When disclosing information, the Corporation not only publishes the information on our annual reports and prospectuses in accordance with law, but also publicly discloses and files the information to websites designated by governing authorities and on our corporate website. Additionally, information is also disclosed in the following ways:</p> <p>(1) The Corporation has established an English language website (<a href="https://en.thsrc.com.tw/">https://en.thsrc.com.tw/</a>) to disclose important information on the Corporation's finances, business matters, and corporate governance.</p> <p>(2) The Corporation has implemented a spokesperson system.</p> <p>(3) The Corporation's Investor Conference notices and related information are disclosed on our corporate website.</p>	■None
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	✓		<p>■The Corporation publicly disclosed and filed our financial report for 2023 on February 22, 2024, and our financial reports for the first, second, and third quarters of 2023 and monthly operational status reports for the same year were publicly disclosed and filed prior to the time limits set by regulations.</p>	■None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		<p>■Since going public, the Corporation has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for six consecutive years (from 2017 to 2022).</p> <p>■Additionally, the Corporation was awarded a "Platinum" certification by the Taiwan Corporate Governance Association under the CG6013 (2021) Corporate Governance System Assessment on August 26, 2022, the certification period being from August 26, 2022 to August 25, 2024.</p> <p>■The Corporation continued to be selected as a constituent of the FTSE4Good TIP Taiwan ESG Index in December 2023 and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Label" from December 18, 2023 to June 16, 2024, demonstrating external recognition of our developments in E (Environment), S (Social), and G (corporate Governance) sustainability.</p> <p>■Participated in the "2023 16th TCSA Awards" hosted by the Taiwan Institute for Sustainable Energy, and received the Gold Award for corporate sustainability reports in November 2023.</p> <p>■In October 2023, the Corporation received the Outstanding Enterprises, Most Popular Brand, and Best Product awards at the 20th National Brand Yushan Awards.</p> <p>■We were listed in the Corporate Knights Global 100 Most Sustainable Companies again in 2024, ranking in fourth place globally and once more ranking in first place for the Asia-Pacific region.</p> <p>■In 2021, the Corporation began implementing the Taiwan Intellectual Property Management System and obtained TIPS Level A verification (effective until December 31, 2022). In order to maintain the validity of this qualification, we reapplied and successfully passed TIPS Level A verification in September 2022. This qualification is now valid until December 31, 2024.</p>	■None

Evaluation Item	Implementation Status		Summary Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No		
			<p>■The Corporation's "Charter of the Corporate Governance &amp; Nominating Committee" stipulates succession plans for Board of Director members. In order to pass on the professionalism and experiences of our Board members, the Corporation has organized plans for director successors through a variety of appropriate methods and has placed a list of director candidates in our talent pool database; nominees are submitted to the Board for review when appropriate and serve as a reference for the Board to nominate director candidates. For more information, please refer to the "Succession Plan for Board of Director Members" page under the "Board of Directors" sub-section in the "Corporate Governance" section of our corporate website. Additionally, the Corporation plans annual training courses for directors in accordance with changes in external and internal environmental conditions and development needs to enhance the professional knowledge of new and returning directors and strengthen Board capabilities.</p> <p>■The Corporation has also established succession plans for senior management in accordance with the "Succession Plan for Senior Management" passed by the 33rd meeting of the 8th Board on December 18, 2019, which is implemented through five stages (identification of key skills, availability of current talent, development of successors, evaluation of successors, and approval of management personnel), the purpose being to ensure sustainable management and growth, and establish a succession system for important management personnel to pass on the professionalism and experiences of important management personnel. In order to cultivate successors, the Corporation will conduct evaluations of management skills for all department managers, and will conduct management training courses once evaluations have concluded. Depending on availability of important management positions, operational goals, and organizational needs, these will be submitted to the Board for review following approval from the Chairman. For more information, please refer to the "Succession System for Important Management Personnel" page under "Corporate Governance Structure and Organization Chart" in the "Corporate Governance" section of our corporate website.</p> <p>■The Corporation's Guidelines for Corporate Governance stipulate that the Corporation shall devote attention to public policy, economic development, consumer rights and interests, community concerns, environmental protection and sanitation, public safety, and other public interest issues, to enhance the Corporation's image, and to faithfully fulfill its social responsibilities. The Corporation participates in social contributions through a number of measures, for example through subsidies to preserve jacanas and other wildlife, providing care to communities alongside the HSR line, and support of other environmental hygiene and public policies.</p> <p>■The Corporation has established "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct," "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior," "Regulations for Management of the Prevention of Insider Trading," "Reward and Discipline Regulation," "Grievance Regulation," and "Procurement Staff Ethical Regulation," which not only govern the ethical standards and codes of conduct for Corporation personnel when carrying out their duties, but also ensure that the corporate activities of the Corporation do not interfere with social contributions, thus maintaining the rights of the Corporation and our shareholders, fulfilling our corporate social responsibilities, and helping our stakeholders to understand relevant regulations.</p> <p>■The Corporation has established an Occupational Safety and Health Policy and is committed to compliance with government health and safety laws, regulations, and procedures to ensure the safety of passengers, employees, and other members of the public. We periodically conduct employee health checks, promote health-enhancing activities, and implement health management every year to enhance the physical and mental health of employees.</p> <p>■The Corporation has established a Safety and Health Policy, relevant procedures, and implementation results, which are regularly reviewed each year to further our goal of continued improvements to safety. All employees have to undergo training in accordance with our safety regulations and operating procedures so that they can continue to display and be equipped with attention to and recognition of safety measures when carrying out daily tasks. Our contractors are carefully selected, supervised, and managed to ensure that their operations fulfill the Corporation's safety goals.</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>■The Corporation is committed to appropriate utilization of internationally recognized risk assessments and safety management methods in our safety management system to actualize control and minimize hazards. We are committed to maintaining the highest quality control standards and are active in exercising safety management policies as we strive to implement various health and safety measures.</p> <p>■The Corporation has established a Supply Chain Management Policy which states that when collaborating with suppliers, we should gradually integrate environmental, social, and corporate governance needs into our supplier regulations in hopes of creating a more sustainable collaboration with our suppliers. Our management policies are disclosed on our corporate website.</p> <p>■Since 2004, the Corporation has complied with the "Guidelines for Corporate Governance" approved by the shareholders' meeting and taken out liability insurance for all directors, supervisors, and managers with respect to their liability under the law for their actions when exercising their duties. D&amp;O liability insurance policies for 2022 and 2023 were approved by the 30th meeting of the 9th Board on September 14, 2022 and the 5th meeting of the 10th Board on September 13, 2023. Insurance application procedures have since been completed, and the total insurance amount came to NT\$0.9 billion. Additionally, the insurance amount for environmental pollution defense costs came to NT\$3 million.</p> <p>■The continued education of all current Corporation directors complies with the number of training hours stipulated by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. In 2023, Corporation directors underwent a total of 159 hours of training as detailed in Note 4.</p>	

**9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.**

The Corporation was ranked among the top 5% listed companies in the 9th Corporate Governance Evaluations (2022). We list improvements to unachieved evaluation items below:

Item	Evaluation Indicators	Improvements
1.17	Is it true that the company did not have any government agencies or any single legal entity and its subsidiaries accounting for one-third or more of the board? [If the company did not have any government agency, juristic person, or representative thereof serve as a director, one additional point will be added to the total score.]	Government agencies, single legal entities, and associated subsidiaries do not currently make up more than one-third of Corporation directors, but not all Corporation directors are natural persons, and therefore we do not fulfill the criteria for additional points.
2.6	Did the company's board members include at least one female director? [If directors of each gender accounted for at least one-third of all of the directors, one additional point will be added to the total score.]	The Corporation currently has three female directors, fewer than one-third of board members, which is the criteria for additional points. In future, we will increase the number of female directors so as to achieve gender equality and raise the ratio of female directors.
2.7	Did the company's independent directors reach one-half or more of all of the directors?	The Corporation's 10th Board has five independent directors, which complies with the requirements of this indicator, but does not fulfill the criteria for additional points. The Corporation's Articles of Incorporation were amended by the Board on May 26, 2022. Starting with the 10th Board, the number of independent directors shall be no less than three and no less than one-third the number of directors.
2.21	Has the company appointed a company secretary and disclosed on the company's website and in its annual report the scope of the company secretary's authority and the status of the company secretary's continuing education? [If the post of company secretary is filled by a person not serving in any other position in the company, one additional point will be added to the total score.]	The Corporation has appointed the Board Secretariat as the corporate governance officer. In 2022, the corporate governance officer held other concurrent positions within the Corporation, and therefore does not fulfill the criteria for additional points.

Item	Evaluation Indicators	Improvements
3.8	Did the company voluntarily disclose its financial forecast quarterly, without having any corrections ordered by the competent authority or having any demerits imposed by the TWSE or TPEX?	The Corporation currently has no plans to publish quarterly financial forecast reports, and will discuss the necessity of disclosing financial forecast reports when appropriate.
3.21	Did the company voluntarily disclose in the annual report the individual remuneration details of the general manager (chief executive officer) and assistant general manager(s)?	The Corporation temporarily maintains summary disclosures for remuneration of our president and managers ranking above vice president.

Note 1: Implementation of board diversification policy

Director Name	Core Diversification Items		Composition				Professional Background and Capabilities					
	Nationality	Gender	Corporation Employee	Independent Director Time in Office		Finance and Accounting	Legal Affairs	Marketing, Technology	Operational Management	Leadership and Decision-Making	Industrial Knowledge and Operational Judgment	Crisis Management and International Outlook
				Fewer than three years	Three to nine years							
Yao-Chung Chiang	R.O.C.	M						✓	✓	✓	✓	✓
Kenneth Huang-Chuan Chiu	R.O.C.	M		✓		✓				✓		✓
Duei Tsai	R.O.C.	M		✓						✓	✓	✓
Ming-Teh Wang	R.O.C.	M		✓				✓	✓	✓	✓	✓
Pai-Ta Shih	R.O.C.	M		✓		✓				✓	✓	✓
Yung-Cheng (Rex) Lai	R.O.C.	M		✓						✓	✓	✓
Huan-Tung Tseng	R.O.C.	M						✓	✓	✓	✓	✓
Cheng-Chung Young	R.O.C.	M				✓				✓		✓
Yu-Fen Hung	R.O.C.	F						✓	✓	✓	✓	✓
Wei-Cheng Hsieh	R.O.C.	M						✓	✓	✓	✓	✓
Chien-Chih Hwang	R.O.C.	M						✓	✓	✓	✓	✓
Ming-Jou Yang	R.O.C.	M						✓	✓	✓	✓	✓
Shien-Quey Kao	R.O.C.	F				✓				✓		✓
Mao-Hsiung Huang	R.O.C.	M						✓	✓	✓	✓	✓
Yi-Ling Wu	R.O.C.	F				✓		✓	✓	✓	✓	✓



Note 2: Independence assessment indicators of CPA

No.	Evaluation Item	Evaluation Results	Passed Independence Assessment?
1	CPA has no direct or indirect major financial stake in the Corporation.	Yes	Yes
2	CPA is not involved in any financing or financial guarantee agreements involving the Corporation or Corporation directors.	Yes	Yes
3	CPA does not have any potential employment relationship with the Corporation.	Yes	Yes
4	Accounting firm of CPA is not overly reliant on funds from any single client, including the Corporation.	Yes	Yes
5	Non-audit services provided by CPA to the Corporation have no direct impact on the major items of audit services provided.	Yes	Yes
6	CPA does not promote or sell shares or other securities issued by the Corporation.	Yes	Yes
7	CPA is not representing the Corporation in litigation of a third party or other disputes.	Yes	Yes
8	CPA and members of the audit team are not currently serving as Corporation directors, managers, or in positions that have major impact on Corporation audits, and have not done so over the past 2 years.	Yes	Yes
9	CPA and members of the audit team have no familial relationships with directors, managers, or people in positions that have major impact on Corporation audits at the Corporation.	Yes	Yes
10	CPA has not served as company director, manager, or in positions that have major impact on Corporation audits within 1 year of termination.	Yes	Yes
11	CPA is not involved in decision-making managerial duties at the Corporation.	Yes	Yes
12	As of the most recent audit, there have been no instances where CPA remained unchanged for 7 years, or where CPA was reassigned to the Corporation within 2 years.	Yes	Yes
13	The Corporation has not requested that members of the audit team accept improper accounting practices or improper disclosures on financial statements made by the Corporation.	Yes	Yes
14	The Corporation has not pressured accountants and facilitated improper reduction of audit duties in order to reduce audit fees.	Yes	Yes

Note 3: Letter of declaration

Recipient : Taiwan High Speed Rail Corporation

1. To deliver optimal service to your company, our auditors are dedicated to upholding objectivity, integrity, and a rigorous attitude in all appointed engagements. We strictly adhere to the Standards on Auditing of the Republic of China, ensuring the timely delivery of high-quality professional auditing services in line with public expectations.
2. The responsibility of our auditors is in delivering audit results, ensuring that your company's financial statements are provided with a valid opinion on its financial position, performance, and cash flows. However, the financial statement preparation is the responsibility of your company's management, they are expected to provide all relevant information, including financial and accounting records. Even post-audit, management remains accountable for the aforementioned financial statement responsibility.
3. Our auditors communicate with the governance unit based on Standards on Auditing of the Republic of China No. 260, "Communication with Those Charged with Governance." They exercise judgment in communicating with the governance unit during financial statement audits to gain insights into governance matters significantly relevant to overseeing financial reporting and disclosure procedures. It is essential to note that these provisions do not mandate designing audit procedures specifically for confirming all significant governance matters. Therefore, this audit cannot be expected to confirm all governance matters.
4. To fulfill the auditors' responsibility, our team adopts a professionally skeptical attitude, meticulous planning and executing audit work to ensure the highest quality. The final review and determination of the audit report type are conducted by our auditors, who affix their signatures to demonstrate accountability.
5. The engagement team, other professionals in our firm, and all involved in this year's audit work have adhered to the relevant provisions of the Republic of China's Code of Professional Ethics for Certified Public Accountants No. 10 regarding independence. There have been no violations affecting our firm's independence. If the execution of this appointment involves other PwC alliance firms, they have also followed the PwC Global Independence Policy, ensuring compliance with International Standard on Auditing No. 220.
6. Our audit and related services comply with the requirements of the Standards on Auditing of the Republic of China No. 1, "Quality Management for Firms that Perform Audits."
7. Our audit work is based on fairness and objectivity. We have confirmed certain matters, and if there are inconsistencies, please contact our auditors:
  - (1) Our auditors and the professional service members of the audit team have no investment relationships involving ownership with your company.
  - (2) Our auditors and professional service members have not held positions as directors, supervisors, or executives in your company.
  - (3) There are no business cooperation or litigation relationships between our firm and your company.
  - (4) There are no litigation relationships between our firm and your company.
  - (5) No other situations judged by our auditors that could potentially violate independence.
  - (6) Our auditors have not identified any situations that might threaten independence, so there is no need for communication regarding safeguards.
8. During the process of our audit, if our auditors discover potential violations of independence, communication will be made with your company's governance unit to address the situation and implement relevant safeguards.

*Yu, Chih-Fan*

Yu, Chih-Fan

*Chou, Chien-Hung*

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan  
January 4, 2024

Note 4: Director training programs in 2023

Director Name	Date of Attendance	Course	Training Hours
Yao-Chung Chiang	2023/04/12	Future developments in the metaverse and cryptocurrency blockchains	3
	2023/07/05	How directors can fulfill their fiduciary duties and duty of care as managers	3
	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/10/24	New post-pandemic global economic trends, risk evaluation, and responses	3
Kenneth Huang-Chuan Chiu	2023/04/12	Future developments in the metaverse and cryptocurrency blockchains	3
	2023/04/26	M&A strategy concepts and practical evaluations	3
	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/08/11	Legality of the Cyber Security Management Act under ransomware threats	3
Duei Tsai	2023/04/13	2023 KPMG Business Leader Academy Forum: Net-zero business opportunities and challenges	3
	2023/05/16	Future global risks and sustainable transformation opportunities	3
	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/10/13	Digital technology and artificial intelligence trends and risk management	3
	2023/11/10	Low-carbon economy and corporate low-carbon innovation global trends and business opportunities in 2023	3
Ming-Teh Wang	2023/12/11	Latest practical analysis of trade secrets and operational risks for directors and supervisors	3
	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/10/25	ESG development trends and digital transformation response strategies	3
	2023/11/09	Important information security regulatory standards and compliance	3
	2023/11/20	Risk management perspective for digital transformation and information security	3
Pai-Ta Shih	2023/12/07	How chief information security officers can respond to urgent needs in information security governance and information security management	3
	2023/02/17	Early warning and analysis of corporate financial crises	3
	2023/03/24	Internal auditing guidelines for sales and collection cycles as well as compliance with laws and regulations	6
	2023/04/19	Protection of trade secrets	3
	2023/04/25	Practical tax planning and case analysis for international diversification	3
	2023/05/16	Corporate governance evaluation highlights for directors and supervisors	3
	2023/06/28	Common deficiencies found in "financial report reviews" and practical analysis of important internal control regulations	6
Yung-Cheng (Rex) Lai	2023/09/28	Transformation opportunities and challenges for Taiwanese industries under geopolitical conditions-Exclusive PMI NMI analysis	3
	2023/10/05	Introduction to short-term trading by company insiders and case analyses	3
Cheng-Chung Young	2023/11/09	Exploring cases of fraud in corporate financial statements	3
	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/08/10	Enhance corporate sustainable values and improve risk management systems	6
Yu-Fen Hung	2023/08/22	Dual-axis sustainable and digital transformation	3
	2023/05/09	ESG sustainable management in the transportation industry	3
Wei-Cheng Hsieh	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/07/05	How directors can fulfill their fiduciary duties and duty of care as managers	3
	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/09/28	Transformation opportunities and challenges for Taiwanese industries under geopolitical conditions-Exclusive PMI NMI analysis	3
	2023/10/24	New post-pandemic global economic trends, risk evaluation, and responses	3

Director Name	Date of Attendance	Course	Training Hours
Chien-Chih Hwang	2023/03/15	AI and big data challenges and opportunities	3
	2023/04/10	Technological innovation and digital transformation	3
	2023/05/29	Corporate circular economy and sustainable development	3
	2023/07/17	Corporate low-carbon transformation strategies	3
	2023/08/11	Using case studies to explore corporate fraud risks and prevention responses	3
Ming-Jou Yang	2023/07/18	Corporate governance 3.0 "sustainability report" practical analysis	3
	2023/08/11	ESG governance roles and responsibilities of senior board managers	3
	2023/08/18	Big data analysis and fraud detection	3
Shien-Quey Kao	2023/09/26	Trade secret risks and management under digital transformation	3
	2023/09/18	Global net-zero challenges and carbon trading opportunities	3
Mao-Hsiung Huang	2023/11/23	Corporate governance trends and corporate sustainable development	3
	2023/08/09	Doing good business by doing charitable acts right and well (ESG/SROI)	3
	2023/08/11	Controlled foreign company (CFC) and global anti-tax evasion	3
Huan-Tung Tseng	-	-	Took office on 2024/1/19
Yi-Ling Wu	-	-	Took office on 2024/1/31
Director training hours for 2023			159

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

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1.Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		<p>■ Following approval by the Board in September 2018, THSRC established a Corporate Governance Promotion Committee. The Corporate Governance Planning Team, Sustainable Development Team, and Ethical Management Team have been established under the Corporate Governance Promotion Committee, which is overseen by the Board and Chairman and chaired by our President. Executives from our managerial departments serve as committee members and meetings are convened every 2 months or as needed to discuss specific topics. The Committee drafts optimization strategies for corporate governance and sustainable development policies, systems, and functions; formulates measures to strengthen corporate governance; and reviews sustainable development policies to provide a reference for decision-makers within the Corporation. Additionally, the Committee makes annual reports of overall corporate governance and sustainable development promotion and implementation status to the Board, and conducts risk evaluations and management of environmental, social, and governance issues relating to operations by materiality principles every year. Details on the operational status of the Corporate Governance Promotion Committee can be found on our corporate website on the "Corporation Governance and Organizational Structure" page under our "Corporate Governance" section.</p> <p>■ The Corporation fulfills its corporate social responsibilities in accordance with the "Corporate Social Responsibility Best Practice Principles" approved by the Board of Directors in March 2016, and is active in promotion of corporate governance, social welfare, and environmental sustainability, concepts which are integrated in our operational strategies and management goals. The Board approved amendments to the "Corporate Social Responsibility Best Practice Principles," which was renamed the "Sustainable Development Best Practice Principles" in March 2022.</p>	■ None.

Item	Implementation Status		Summary Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			<p>■ The Sustainable Development Team of the Corporate Governance Promotion Committee is convened by the manager of our Corporate Planning Division and composed of representatives from all departments; the team is responsible for planning and promoting activities relating to sustainable development, compiling annual sustainability reports, and convening every quarter to discuss matters of sustainable development promotion. The team is also responsible for making annual reports to the Board regarding specific performance and promotion of sustainable development issues.</p> <p>The main duties of the Sustainable Development Team include:</p> <ol style="list-style-type: none"> <li>1.Coordinating the Corporation's recent developments and goals in corporate sustainability.</li> <li>2.Formulating future long-term strategies and guidelines for sustainable development promotion.</li> <li>3.Overseeing internal units responsible for planning and proposing annual sustainable development strategies and plans in their specific area of business.</li> <li>4.Coordinating various departments in implementing sustainable development activities and projects.</li> <li>5.Reviewing and finalizing sustainability reports.</li> <li>6.Other tasks relating to review or compilation of sustainable development matters.</li> </ol> <p>■ Specific implementation results for 2023 included compliance with the UN SDGs and strategic themes, items, main implementations, stakeholder communications, materiality matrix analysis, and key sustainable developments in business for various ESG aspects. An associated report was submitted to the 3rd meeting of the 10th Board on June 20, 2023. The Board expressed support for current implementations and planned sustainable development promotions, and also provided suggestions on the "THSRC Greenhouse Gas Inventory and Verification Implementation Report." Details on the operational status of the Sustainable Development Team can be found on our corporate website in the "Corporation Governance and Organizational Structure" page under our "Corporate governance" section.</p> <p>■ The Corporation strives to promote sustainable development and demonstrate a sincere desire to serve; our mission is to build closer relationships with passengers and local communities, and become a platform for life improvement. We also actively ensure that the sustainable management measures of our core business comply with UN SDGs so that we can keep pace with international trends.</p> <p>■ The Corporation's Sustainability Report for 2022 was published in June 2023. For more information on the Corporation's specific implementation plans and results of sustainable development, please refer to Item 7 below (Other important information to facilitate better understanding of the company's sustainable development practices). Details have also been disclosed on the "Sustainable Development" page of our "ESG" section of our corporate website.</p>	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
2.Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		<p>■ These disclosures encompass our sustainable development performance from January to December 2023, and risk assessment boundaries are set within the Corporation.</p> <p>■ In order to build a complete risk management system; strengthen effectiveness of corporate governance; ensure comprehensiveness, effectiveness, and reasonableness of risk management, as well as effectively evaluate and oversee risk-bearing capabilities of the Corporation to determine risk response strategies and implementation of risk management procedures, the Corporation's "Risk Management Regulation" and related "Risk Management Policies" were established at the 27th meeting of the 8th Board on June 19, 2019 to provide reasonable assurance of the Corporation's mid- to long-term strategic plans and achievement of targets.</p> <p>■ The Corporation's Audit Committee assists the Board of Directors in supervising the relevant operating mechanisms of risk management.</p> <p>■ The Corporation has inventoried and identified, in a proactive and cost-effective manner, possible risks that may impact operations and profits due to Corporation business and operational activities, the main considerations being business environments, operations, finances, hazardous incidents, and other aspects. We have also reviewed comprehensiveness of corporate risk management procedures and effectiveness of risk management controls, and conducted risk evaluations of major environmental, social, and corporate governance issues relating to operations; these evaluations are used to establish implementation systems and identify main risk categories (Note 1). For more information regarding these risks and relevant response measures, please refer to the following table (Note 2).</p> <p>■ The Corporation's various committees (such as the Audit Committee, Safety Committee, Information Security Committee, Sustainable Development Team under the Corporate Governance Promotion Committee) and each risk category management authority and responsibility unit all participated in establishing the aforementioned risk management measures, issues, evaluations, and polices, and are assisting in promotion thereof.</p> <p>■ Implementation Status The Corporation began actively promoting risk management procedures in 2018 and reports on implementations to the Board of Directors once every year. Main implementations in 2023 include: 1.An annual risk management report (including risk management implementation status and progress) was presented to the Audit Committee and the Board of Directors in September 2023. The report encompassed the Corporation's risk categories, important items for risk management, and risk assessments. Units responsible for management of different risk categories have all adopted appropriate response measures and made suitable records of risk management procedures and implementation results. 2.To strengthen implementation of risk management mechanisms, we arranged for relevant personnel to attend risk management classes. A total of 5,086 employees received 6,790 hours of training to build cultural awareness and recognition of operational risks.</p>	■ None.
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics?	✓		<p>■ The Corporation has established an environmental management system in accordance with the ISO14001 Environmental Management System, and our Environmental Management Manual lays out specific implementations for all environmental management requirements. We passed ISO14001:2015 environmental management system verification and obtained a certificate in 2020, and subsequently passed re-verification in 2023. Our current certificate is valid from September 24, 2023 to September 24, 2026. By establishing an applicable environmental management system, we can strengthen our pollution risk prevention and resource conservation management capabilities, and increase our responses to internal (such as organizational changes) or external (such as climate change, stricter laws and regulations) environmental impacts.</p>	■ None.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		<p>■ The Corporation has established environmental management objectives and strategies based on principles of safety, comfort, environmental protection, energy saving, and carbon reduction. We promote four main programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage) for continual reduction of energy and water usage as well as improvement of energy efficiency. We conduct periodical reviews of these environmental objectives and also apply appropriate measures to protect the environment from possible negative impacts.</p>	■ None.
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		<p>■ The Corporation actively faces the impacts of climate change. The Sustainable Development Team established under the Corporate Governance Promotion Committee is chaired by our President, who is also responsible for convening meetings to assess potential risks and opportunities of climate change on current and future operations, review implementation of corresponding response measures, and discuss future plans. With regard to the "Adaptation Strategy to Climate Change in Taiwan" proposed by the National Development Council, we continue to assist the Institute of Transportation, Ministry of Transportation and Communications (MOTC) in conducting research related to climate change adaptation, participate in the development of the railway and highway climate change adaptation information platform and the expansion of its functions, and strengthen the analytical functions regarding vulnerability and risk of the information platform, with a view to supporting decision-making analysis of climate change by railway and highway competent authorities. Furthermore, the Corporation has also signed the "Memorandum of Cooperation on Cross-border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities through mutual cooperation, while serving as an important reference for the Corporation to make traffic dispersion decisions and assess track safety during disasters.</p> <p>■ Since 2013, the Corporation has cooperated with the government to promote renewable energy policies by leasing out the rooftop areas of the Wuri and Zuoying maintenance depots and the Yanchao Main Workshop to energy suppliers for the installation of solar power equipment, with a total power generation capacity of 5,359 kWh. Beginning in 2018, we sequentially implemented solar power generation system plans at six locations (Wuri Depot, Zuoying Depot, Liujia Depot, Taoyuan Station, Chiayi Station, and Tainan Station) by utilizing depot flood basins, station outdoor parking spaces, and station roofs. The total power generation capacity is approximately 3,811 kWh, and the solar equipment began generating power in 2020.</p> <p>■ Additionally, we installed rooftop solar panels to serve as sun and rain shelters at Miaoli, Changhua, and Yunlin stations with a total power generation capacity of 258 kWh to generate electricity for use at these stations. In 2018, the Corporation also applied for and obtained Renewable Electricity Certificates for the solar energy generated at these three stations.</p> <p>■ The main risks brought about by climate change include severe weather phenomenon such as extreme high temperatures and rising sea levels, as well as increased rainfall, rainfall intensity, typhoons, cyclones, and lightning; these climate events have increased in frequency and intensity, enhancing vulnerability levels of the railway industry and impacting our operations.</p> <p>■ At present (2023~2026), our adaptive actions toward climate change impacts include the following three items, and progress reports are provided annually:</p> <ol style="list-style-type: none"> <li>1. Update and upgrade slope safety monitoring systems.</li> <li>2. Reinforce protections for tunnel entrances and steep vegetated slopes along the HSR line.</li> <li>3. Risk assessment and protection design for scoured cross-river bridges.</li> </ol> <p>■ For information on the potential risks, opportunities, and corresponding measures of climate change for the Corporation now and in the future, please see Note 3. More details are disclosed on the "Climate Change Mitigation and Adaption" page under the "Environmental Sustainability" section of the "ESG" section of our corporate website.</p>	■ None.

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(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		<p>■ The Corporation continues to promote the four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage) and has established energy-saving goals for depots and stations (reduction of at least 0.86% in average annual power consumption per passenger served). We implement water conservation, water reduction, and water recycling as our water resources management policy, and set an annual water-saving goal of at least 3.42% with regard to average water consumption per passenger served. Additionally, in order to quantify our carbon emissions from energy consumption, we established the "passenger-kilometer emissions" indicator and have set a "target greenhouse gas reduction rate" of at least 1.50% every year. Our waste management policy promotes reuse and recycling, continual source reduction, and strengthening of waste separation and recycling.</p> <p>■ Implementation results for the aforementioned targets in 2023 were as follows: Reduced "station power consumption" by 25.92% (&gt;0.86%); reduced "station water consumption" by 19.01% (&gt;3.42%); and reduced "carbon emissions" by 25.51% (&gt;1.50%).</p> <p>■ The Corporation calculates greenhouse gas emissions, water usage, and total weight of solid waste every year, and discloses these in our annual "Sustainability Report." Statistical data for the past two years (2022-2023) were as follows:</p> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Greenhouse Gas Emissions (ton CO<sub>2</sub>e)</th> <th>Scope 1 (ton CO<sub>2</sub>e)</th> <th>Scope 2 (ton CO<sub>2</sub>e)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>315,316.17</td> <td>6,310.52</td> <td>309,005.65</td> </tr> <tr> <td>2023</td> <td>317,679.09</td> <td>1,268.73</td> <td>316,410.36</td> </tr> </tbody> </table> <p>Note: Includes scope 1 and 2 emissions for the entire Corporation. Figures for 2022 were updated following verification and figures for 2023 are estimated values.</p> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Water Usage (m<sup>3</sup>)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>653,423</td> </tr> <tr> <td>2023</td> <td>714,514</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Solid Waste (ton)</th> <th>Hazardous Waste (ton)</th> <th>Non-Hazardous Waste (ton)</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>6,306.73</td> <td>13.86</td> <td>6,292.87</td> </tr> <tr> <td>2023</td> <td>7,322.23</td> <td>0.05</td> <td>7,322.18</td> </tr> </tbody> </table> <p>■ The Corporation voluntarily conducted organizational greenhouse gas inventory and external verifications for all 12 stations from 2016 to 2021 based on ISO14064-1:2006 standards (2016 to 2020), ISO14064-1:2018 standards (2021), and the EPA Greenhouse Gas Inventory Guidelines, and obtained an ISO14064-1 verification statement. Corporation-wide greenhouse gas inventory and verification procedures for 2022 were conducted in 2023, and an ISO 14064-1:2018 verification statement was obtained in September 2023.</p>	Item/Year	Greenhouse Gas Emissions (ton CO <sub>2</sub> e)	Scope 1 (ton CO <sub>2</sub> e)	Scope 2 (ton CO <sub>2</sub> e)	2022	315,316.17	6,310.52	309,005.65	2023	317,679.09	1,268.73	316,410.36	Item/Year	Water Usage (m <sup>3</sup> )	2022	653,423	2023	714,514	Item/Year	Solid Waste (ton)	Hazardous Waste (ton)	Non-Hazardous Waste (ton)	2022	6,306.73	13.86	6,292.87	2023	7,322.23	0.05	7,322.18	■ None.
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<p>4. Social Issues</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>■ Article 18 in Chapter 4 (Maintaining social welfare) of the Corporation's "Sustainable Development Best Practice Principles" stipulates compliance with the International Bill of Human Rights in gender equality, right to work, and prohibition of discrimination, as well as establishment of relevant management policies and procedures.</p> <p>■ The Corporation complies with the spirit of the International Bill of Human Rights and established a "Human Rights Policy" corresponding to the characteristics of the rail transportation industry in 2018, which is disclosed on our corporate website. We adhere to local labor laws while also supporting and complying with the principles and spirit underlying the UN's Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the UN Global Compact, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, including freedom of association, right to unionization and collective bargaining, care for vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, elimination of employment discrimination, and elimination of all forms of discrimination towards women, while also confirming that our human resource utilization policies do not discriminate on the basis of gender, race, social class, age, marital status, and family conditions.</p> <p>■ The Corporation has established various regulations for corporate governance, environmental protection, public affairs, procurement and human resources. We have specific regulations relating to human rights policies to serve as a basis for identifying important human rights issues and to promote risk-reducing measures. The Corporation's "Supply Chain Management Policy" stipulates that in addition to procurement quality, costs, delivery date, and services, the Corporation should also consider factors such as reasonable profits, social responsibility, labor safety, human rights, and environmental protection when making management and implementation decisions. When inviting bids, the Corporation stipulates that companies submitting bids should not discriminate on the basis of gender, should not discriminate against indigenous people or vulnerable groups, and should not use child labor. We work with all collaborating partners in continuing to enhance and improve management of human rights issues so as to mitigate potential crises and impacts. We actively contribute to society and participate in local activities to the best of our limited abilities, in hopes of maintaining sustainable interactions with our collaborating organizations to implement social care and strengthening of local culture. The Corporation has provided effective and appropriate grievance mechanisms for matters that infringe upon labor rights to ensure the equality and transparency of grievance procedures. Relevant human rights concerns and specific management plans and actions are detailed in Chapter Seven of this Report. Additional information is disclosed on the "Human Rights Policy" and "Implementation of Mitigation Measures for Human Rights Risks" pages under the "Policy" subsection in the "About Us" section of our corporate website.</p>	<p>■ None.</p>

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(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		<p>■ The Corporation has established a "Welfare Regulation," and not only provides employee vacation days, insurance, funeral subsidies, and health checks according to these regulations, but also works actively to establish a friendly work environment with catering, relocation subsidies, shuttle buses, uniform cleaning services, and even employee counseling, healthcare assistance, employee ride discounts, and employee benefits so that employees can enjoy their work. Additionally, we annually assess and compare related market information to gain a better understanding of employee welfare to provide comprehensive benefits. For more information on employee benefits, please refer to Chapter Three of this Report.</p> <p>■ The Corporation has established a "Retirement Regulation" and deposits pension funds for employees under prior pension plans according to law. A Pension Reserves Supervisory Committee was established and convenes every quarter to review pension reserves and other matters stipulated by law. We place deposits in individual labor insurance accounts established by the Bureau of Labor Insurance according to law so that employees under (new) pension plans of the Labor Pension Act can be protected after retirement. For more information on retirement systems and implementation status, please refer to Chapter Three of this Report.</p> <p>■ The Corporation offers two days off per week, national holidays, and other holidays as stipulated by central competent authorities. Employee annual leaves are granted pursuant to the Labor Standards Act.</p> <p>■ The Corporation actively complies with laws and regulations to achieve our goal of diversity in human resources by utilizing a variety of recruitment channels. We have also established a section for recruiting disabled personnel on our recruitment website and hire employees with disabilities for specific jobs.</p> <p>■ The Corporation hired 48 employees with disabilities in 2023, including 11 severely disabled employees, surpassing legal requirements. We also hired 52 employees with indigenous backgrounds in 2023.</p> <p>■ To help our employees maintain a work-life balance, the Corporation guarantees salaries and career development status of employees on leave without pay, regardless of gender, so that our employees can implement family planning and childcare without worry. Regardless of gender, all employees who apply for (childcare, injury, or military service) leave without pay can enjoy applicable salary adjustments and guaranteed labor conditions when they return to work.</p> <p>■ Our "Charter of the Remuneration Committee" stipulates periodic review of director and manager performance; remuneration policies, systems, standards, and structures; and general compensation levels in the industry. To ensure competitiveness and motivation, employee remuneration is determined by the Corporation's financial conditions, business performance and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to our "Articles of Incorporation," if the Corporation is profitable in a given year, it shall allocate no less than 1% of net profits as profit-sharing compensation to employees.</p> <p>■ The Corporation is attentive of market remuneration standards, regularly reviews remuneration policies, and sets out salaries, allowances, and bonuses according to the "Salary Payment Regulation" to reward employees for their contribution and hard work. Year-end bonuses and performance bonuses are distributed based on the Corporation's annual business performance, financial conditions, operating conditions, and individual work performance, and we also have established remuneration adjustment policies to enhance employee remuneration and benefits. Annual salary adjustments have been implemented for 2023 to realize our goal of rewarding and caring for our employees; overall average adjustment rate was 3.2%.</p>	■ None.

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(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		<p><u>Safety and Health Policy</u></p> <ul style="list-style-type: none"> <li>■ Safety is the cornerstone of THSRC – Without safety, there is no THSRC. All decisions and actions of THSRC are based on safety as the highest guiding principle. THSRC will maintain proactive safety and health management with staff participation on improvements to achieve zero disaster and accident goals.</li> <li>■ Compliance with laws, regulations, and procedures; each staff has a clear responsibility to protect their personal safety, service objects, and management of THSRC's assets.</li> <li>■ Apply international recognized risk assessments for safety and health management systems to control and reduce risk hazards as much as reasonably practicable.</li> <li>■ Provide all staff with required training, as well as safety and health information to maintain attention and awareness of safety and health in performance of all daily duties.</li> <li>■ Select, supervise, and manage contractors and suppliers carefully to ensure that their operations, machinery, equipment, tools, and materials comply with the laws of Taiwan and THSRC's safety management requirements.</li> <li>■ Establish and maintain a high-quality working environment and operational management measures, and coordinate with required external assistance to maintain physical and mental health for all staff.</li> <li>■ THSRC reviews safety and health policy, rules, procedures, and executive performance regularly to enhance management performance and achieve continuous improvement of safety.</li> </ul> <p><u>Monitoring of work environments</u></p> <ul style="list-style-type: none"> <li>■ We conduct periodic inspections of working environments at our headquarters, Taoyuan OMC Building, 12 stations, and 5 maintenance depots every six months to provide our employees with a healthy and safe work environment.</li> </ul> <p><u>Safety and health management regulations</u></p> <ul style="list-style-type: none"> <li>■ The Corporation has established the "Employee Safety and Health Work Instructions," "Occupational Safety and Health Management Plan," "Railway Operation Safety Rulebook," "THSRC Operation Regulation," "THSRC Operation Rules," and "OCC Working Manual/Station Control Room Working Manual/Maintenance Depot Working Manual" to serve as a basis for management of safe operations at THSRC. Our operating procedures are reviewed and updated at least once every three years in accordance with the aforementioned regulations.</li> </ul> <p><u>Safety and health monitoring and guidance</u></p> <ul style="list-style-type: none"> <li>■ The Corporation has formulated annual safety and health monitoring and guidance plans to provide suggestions and follow up on specific improvement items.</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #4CAF50; color: white;">Safety and Health monitoring and guidance in 2023</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">Occupational safety and health office monitoring patrols</td> <td style="text-align: right; padding: 2px;">41 sessions</td> </tr> <tr> <td style="padding: 2px;">Maintenance and safety management division Safety and health guidance</td> <td style="text-align: right; padding: 2px;">629 sessions</td> </tr> </tbody> </table> <p><u>Equipment safety management</u></p> <ul style="list-style-type: none"> <li>■ The Corporation has classified all equipment and listed hazardous machinery and equipment in accordance with law. We conduct detailed inspections to ensure safe usage of all equipment. In 2023, we conducted regular inspections on our 37 pieces of hazardous machinery in accordance with the Regulations for Safety Inspection of Hazardous Machines and Equipment to ensure safe usage of all equipment.</li> </ul>	Safety and Health monitoring and guidance in 2023		Occupational safety and health office monitoring patrols	41 sessions	Maintenance and safety management division Safety and health guidance	629 sessions	■ None.
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			<p><u>Corporate verifications</u></p> <ul style="list-style-type: none"> <li>■ The Corporation established and has maintained an occupational safety and health management system since its Construction Stage.</li> <li>■ THSRC successfully passed LRQA audits in July 2017 and obtained both TOSHMS (Taiwan Occupational Safety and Health Management System) CNS 15506 and OHSAS (Occupational Health and Safety Assessment Series) 18001 verifications. In June 2020, THSRC passed BSI (British Standards Institution) reviews and completed transfer verifications for CNS 45001 (TOSHMS) and ISO 45001, and passed the annual routine verification so far.</li> <li>■ The Corporation's occupational safety and health management system verification scope encompasses all sites under HSR management along Taiwan's western corridor, including train stations, maintenance depots, trackside equipment, and offices.</li> </ul> <p><u>Safety and health training</u></p> <ul style="list-style-type: none"> <li>■ Every year, the Corporation establishes an Annual Safety and Health Training Plan which includes relevant safety and health training courses. Additionally, the Corporation hosts a number of promotional activities on Safety and health standards, operational procedures, and regulations for all staffs enhance their awareness and capabilities.</li> <li>■ The Corporation hosted a number of traffic safety activities, for example, traffic safety lectures and safe-driving promotional training for motorcycles. We also provide shuttle buses for our employees in some stations or depots.</li> </ul> <p><u>THSRC occupational safety and health training and promotions over the past three years</u></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of trainees</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>2,677</td> <td>5,733</td> </tr> <tr> <td>2022</td> <td>4,534</td> <td>13,602</td> </tr> <tr> <td>2023</td> <td>4,934</td> <td>22,457</td> </tr> </tbody> </table> <p>Note: Starting in 2022, we began including trainee numbers and training hours for legally mandated external training for occupational safety and health certifications.</p> <p><u>Health checks, management, and promotion</u></p> <ul style="list-style-type: none"> <li>■ The Corporation provides health checks beyond those mandated by regulations. Employees aged above 45 years undergo annual health checks, while those under 45 years undergo health checks every two years. Train staff undergo annual health checks. Annual health checks for general and train personnel in 2023 were completed during March to October; the completion rate for train personnel was 100%.</li> <li>■ We established an online occupational health check reservation system to maximize service accessibility. Occupational health physicians provided hazard assessments, health consultations, home and work injury care, assessments for returning workers and worker fitness over 144 on-site sessions, ensuring comprehensive healthcare benefits for employees.</li> <li>■ Infirmaries have been established at headquarters and the OMC building, as well as labor health management professionals who facilitate employee health management and promotion. Health stations of higher quality than stipulated by law have been established at all HSR stations and are equipped with nursing staffs that provide emergency medical assistance to passengers and employees.</li> </ul>	Year	Number of trainees	Training hours	2021	2,677	5,733	2022	4,534	13,602	2023	4,934	22,457	
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			<p>■ Every year, we implement programs relating to prevention of human hazards, prevention of disorders brought on by abnormal workloads, and maternal health protection. We also conduct health management surveys to analyze employee health risks and provide timely interventions and special preventive measures for preventive care and management.</p> <p>■ The Corporation has formulated the Prevent Plan for Wrongful Physical or Mental Harm During the Execution of Job Duties in accordance with the Occupational Safety and Health Act to guide implementations of all units and to ensure work safety and physical health.</p> <p>■ In terms of preventive care for mental health, we have established hotlines and dedicated email inboxes to provide multiple communication channels and care for our employees.</p> <p><u>Investigation, handling, and statistical analysis of occupational disasters and near misses</u></p> <p>■ In 2023, occupational disasters inside our working environment included 7 occupational disasters, 19 days charged for disabling injuries, and the total injury index (FSI) of 0.03; outside our working environment, we incurred 13 traffic-related occupational injuries, 95 days charged for disabling injuries, and the total injury index (FSI) of 0.11. No occupational disease incidents were recorded.</p> <p>■ The Corporation provided substantial incentives and encouraged employees to propose management solutions for near misses under our Rewards Program for Reporting Near Misses of Occupational Safety and health Hazards to enhance occupational safety and health awareness.</p> <p><u>Operational safety</u></p> <p>■ Refine operational safety management</p> <p>1. Revisions made to the "Regulations for Train Operations" in 2022 stipulated that rail institutions should establish safety management systems. The Corporation referenced the latest regulations, safety guidelines from international transportation organizations, and safety management system implementations from domestic and overseas benchmark enterprises in the transportation industry. Following a review of previously implemented safety management systems, revisions were made to the Corporation's "Operational Safety Plan" for official implementation on January 1, 2023, serving as an important strategic guide for subsequent strengthening of safety management at the Corporation.</p> <p>2. In 2023, we conducted 7 planned rail operational safety audits; audit results and improvements were reported and tracked by the Operational Safety Committee.</p> <p>■ Continue to enhance operational safety</p> <p>1. To maintain safety of HSR operational systems, train reliability, and punctuality, we conducted investigations of 1 general operational incident and 32 abnormal operational incidents that occurred over the year; improvement measures for these incidents were reviewed and tracked at relevant meetings.</p> <p>2. We hosted Safety Month promotion activities in November 2023 and strengthened safety awareness and voluntary reporting capabilities in on-site personnel through relevant lectures and competitions.</p> <p>■ Strengthen security operations</p> <p>1. In accordance with Article 56-4 of the Railway Act and to strengthen the security response, support, and handling capabilities of our station managers, supervisors, and operating personnel (including contractors), we organized 3 training sessions themed around identification of hazardous objects, security responses, and handling of security incidents (including lectures on key infrastructure) which were attended by 142 participants.</p> <p>2. We conducted 12 supervisory audits of our security contractors over the year in accordance with the security management system and "Security Management Plan" formulated by the Corporation. We conduct quarterly audits of access controls for all stations/maintenance depots/workshop factories to ensure that HSR security and access controls are well-managed.</p> <p>3. The Corporation has formulated the "Plan Of Security Measures For The Personal Information File" to guide protection of personal information provided by passengers. This year, we conducted 9 training sessions related to personal information awareness for new employees, and 4,738 personnel also participated in annual refresher training programs for personal information.</p>	

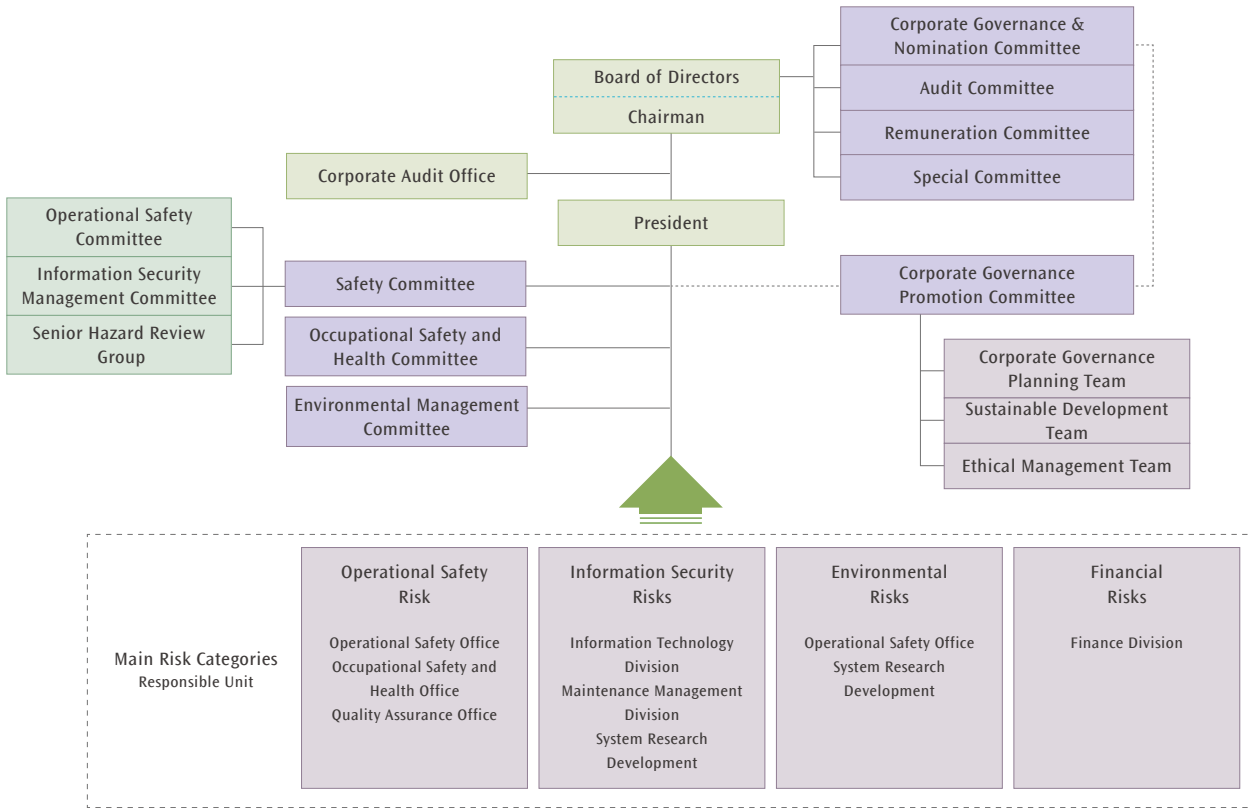
Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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			<p>■ Continue to refine responses and preparations</p> <p>1. In 2023, we established 10 response centers due to natural disasters, but no employees or passengers were injured.</p> <p>2. To strengthen the capabilities of first-line commanders, we held 1 seminar for new on-site commanders and emergency engineers this year which was attended by 43 participants.</p> <p>3. This year, we invited external support units (including police, fire, environmental protection, and medical units) along the HSR line, as well as 94 people from supervising units such as the Executive Yuan Office of Disaster Management, Taiwan Transportation Safety Board, Ministry of Transportation and Communications, and Railway Bureau, to participate in lectures on HSR disaster prevention and relief mechanisms so they could familiarize themselves with evacuation and rescue procedures and relevant regulations.</p> <p>4. To strengthen response capabilities to various abnormal operational incidents, we conducted 100 disaster prevention drills and training exercises in our stations, maintenance depots, and railway lines in 2023, including 2 joint drills which were conducted in tandem with external supporting units and one comprehensive technical response drill.</p> <p>■ Each station invites external supporting units and emergency passenger transport operators to jointly conduct surveys of the 184 emergency exits along the high-speed rail line once every six months. Surveys for 2023 were completed in May and November.</p> <p>For more information on work environments, operational safety training, and training activities related to operational safety, please refer to Chapter Six of this Report.</p>	
(4) Has the Company established effective career development training programs for employees?	✓		<p>■ The Corporation established a training program based on the two major themes of safety and service, which encompassed the three aspects of core competence, professional competence, and management competence. We also implemented cross-training for specific personnel and formulated manager learning passports to initiate our HSR-oriented training series which provides our employees with a comprehensive occupational training course that is beneficial for sustainable corporate development.</p>	■ None.
(5) Does the Company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		<p>■ The Corporation manages developmental processes for THSRC retail products and provides high-quality and safe products to consumers through establishment of internal review and external inspection management systems. We also clearly stipulate intellectual property ownership, invest in product liability insurance, strictly adhere to all governmental regulations, and also formulate internal operational procedures to ensure protection of customer health and safety.</p> <p>■ The Corporation has established the Plan of Security Measures for the Personal Information File, a Personal Information Protection Implementation Team, and personal information operation representatives. We fully respect customer privacy and protect the personal information of our customers through internal audits, external verifications, and training associated with personal information.</p> <p>■ Marketing and labeling of all Corporation products and services adhere to the Railway Act, relevant regulations, and international standards. We have also formulated our "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," and "Code of Conduct." Our Passenger Transportation Contract also contains clear stipulations which are disclosed on our corporate website and stations for consumer reference and protection of customer interests. Apart from the aforementioned channels, we have also established a THSRC customer service hotline at 4066-3000, digital customer services, a customer suggestion box, and internal handling procedures for transparent and effective handling of consumer suggestions.</p>	■ None.

Item	Implementation Status		Summary Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No		
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights?	✓		<p>■ In order to strengthen sustainable collaborative relations with supplier partners, THSRC has set development of localized supply chains as a key goal in recent years. Procurement of local materials and development of local suppliers not only generates financial benefits for THSRC, but also helps to cultivate capabilities to manufacture world-class materials and components for high-speed railways within Taiwan's railway industry.</p> <p>■ THSRC released the "Supply Chain Management Policy" on September 21, 2017, but the Policy lacked relevant supporting measures when it was released. After referencing policies formulated by benchmark enterprises and facilitating rigorous discussions between relevant internal units, the Chinese and English versions of the amended "Supply Chain Management Policy" were released on November 1, 2023 to ensure that suppliers adhere to ESG principles as well as the requirements of applicable laws and regulations. The amended Policy provides specific explanations for the four major aspects of integrity and ethics, human and labor rights, health and safety, and environmental protection; the original four-point policy was changed to a five-point policy, serving as a guideline for adherence by all suppliers and business partners.</p> <p><u>Supplier reviews</u></p> <ul style="list-style-type: none"> <li>• Established different supplier qualification criteria for different projects.</li> <li>• For projects involving foods sold on train trolleys, suppliers or manufacturers should hold ISO 22000 or HACCP certification.</li> <li>• For localized rail industry procurement projects, suppliers should hold ISO9001 or other international quality certifications.</li> <li>• For verification and inspection service projects, suppliers should hold TAF ISO/IEC 17025 laboratory accreditation or TAF ISO 17020 inspection body accreditation.</li> </ul> <p><u>Supplier management and audits</u></p> <ul style="list-style-type: none"> <li>• Established different supplier goals and actively adopted periodic and non-periodic measurement and supervisory inspection and audit mechanisms, ensuring implementation of internal health and safety management mechanisms; and also established complete notification systems for effective handling of occupational accidents and to avoid negative impacts.</li> <li>• Established a digital "Contractor Occupational Health and Safety Management System" to control and audit contractor factory entry and exit processes during all project stages. To strengthen execution of autonomous safety management by business units and contractors, overall contractor health and safety requirements are evaluated based on project needs, and evaluation results serve as a basis for future selection of contractors.</li> <li>• Starting in August 2019, THSRC specifically required all companies participating in public bidding procedures to pledge compliance with THSRC corporate social responsibility regulations and sign a statement of commitment to corporate social responsibility. THSRC regularly convenes project team meetings to review self-assessment forms submitted by contracting vendors and conducts randomized reviews of written information. THSRC began implementing on-site audits in 2022 to fulfill corporate social responsibilities.</li> </ul> <p><u>Supplier training</u></p> <ul style="list-style-type: none"> <li>• Supplier personnel must complete relevant training before entering HSR restricted areas and obtain HSR operational regulation safety certifications before commencing work. Supplier personnel for lengthy projects must also complete refresher training to extend their validity periods in accordance with HSR operational regulations.</li> <li>• THSRC has established the "Contractor Management Plan" which stipulates that suppliers should organize physical health examinations and occupational health and safety training for all temporary personnel (such as work-study, cooperative education, and volunteer workers) as well as general employees.</li> </ul>	■ None.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
5. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	✓		<p>■ The Corporation's sustainability report follows the requirements of the Global Reporting Initiative Sustainability Reporting Standards (2021 GRI Standards) developed by the Global Sustainability Standards Board (GSSB), the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the Sustainability Accounting Standards Board (SASB) Transportation Standard Index.</p> <p>■ Our sustainability report has been verified by the British Standards Institute (BSI), a third-party certification entity, which ensures that our report meets the Core option of the GRI Standards and complies with AA1000 Type 2 High and Moderate level assurance. The Independent Assurance Statement issued by BSI has also been included in the appendix to the report.</p>	■ None.
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: None.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development:				
(1) To implement environmental protection and energy-saving policies, THSRC buildings are designed with sustainable environment concepts encompassing "ecosystem, energy-saving, waste reduction, and health." HSR Miaoli, Changhua, and Yunlin stations are equipped with solar power facilities which generate power for station usage, and have applied for Renewable Electricity Certificates (RECs). These three stations respectively received Diamond Level, Gold Level and Gold Level Green Building Certificates from the MOI and Green Building Certification plaques.				
(2) In 2020, we applied to the Environmental Protection Agency to extend the 5-year validity period of the "High-Speed Rail Transportation Service Carbon Footprint Label" (from December 17, 2020 to December 16, 2025), and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32 gCO <sub>2</sub> e per passenger per kilometer (per passenger-kilometer) and our commitment to reduce carbon emissions by more than 3% within 3 years (carbon reduction of 4.92%) was awarded again the "Carbon Footprint Reduce Label" (Certificate label No. R2014910001).				
(3) On September 28, 2023, THSRC obtained a Corporation-wide ISO14064-1:2018 verification statement issued by a third-party verification unit for GHG emissions in 2022.				
(4) The solar power facilities of Miaoli, Changhua, and Yunlin stations generated 180 RECs in 2023 (13 for Miaoli Station, 72 for Changhua Station, and 95 for Yunlin Station).				
(5) Since its initiation in 2010, the High-Speed Educational Endowment Program has accumulated 166 million NTD over 13 years and is estimated to have helped more than 30,000 disadvantaged schoolchildren achieve their dreams of learning.				
(6) The THSRC Smiling Train Program project was initiated in 2009 and collaborates with local educational and charitable institutes to help the disadvantaged fulfill their dreams of taking a ride on the punctual and convenient high-speed rail. As of 2023, a total of 863 disadvantaged groups and 148,504 people have participated in this program.				
(7) The THSRC Winter Outreach Blood Drive was initiated in 2012 and helps hospitals all over Taiwan store sufficient amounts of blood for use in medical emergencies. THSRC hosted 15 blood drives in 2023 for the 12th Winter Outreach Blood Drive event. A total of 3,503 bags of blood were collected from 2,328 participants. Over the past 12 years, a total of 18,000 people have participated in this event and donated 26,246 bags of blood.				
(8) The THSR ART Together Program was initiated in 2015, connecting HSR stations to local communities through art performances. Over the course of 9 years, 665 groups and 19,433 people have performed at 9 stations (Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying), winning great praise from the public and HSR passengers.				
(9) The THSR Museum was inaugurated on January 5, 2017 and displays cultural assets to illustrate the history of Taiwan's railway industry as well as THSRC's founding, construction, and operation; these cultural relics reflect the obstacles faced during THSRC's development. In 2023, a total of 47,228 people visited the museum, and the total number of cumulative visitors over the past 6 years amount to 223,000 people.				
(10) THSRC completed costly restoration procedures for O Series Shinkansen (Oiran) end cars which served as "structure gauge test cars" during THSRC's construction stage on December 22, 2023 as part of our plans to promote and revitalize global railway assets, and an end car scenic park was established at HSR Tainan Station. We hope that restoring these end cars to their former glory can extend their contributions to THSRC.				
(11) In order to preserve important railway assets, THSRC initiated the "THSRC Historical Archive Project" during our construction stage. Following approval by the Board in 2021, expired MO-52787 track inspection vehicles and D29 trailers were gifted to the National Railway Museum and donations of track components were subsequently completed in October 2023. The National Railway Museum will continue to evaluate donation activities prior to the launch of the official exhibition according to on-site needs.				
(12) THSRC worked with domestic colleges and universities to promote a number of collaborative measures that shared our rich industrial expertise and comprehensive training resources for railway services, providing internship programs, railway equipment laboratories, and industry-academia collaboration memorandum of understanding, offering rail transportation career opportunities to young students. In 2023, THSRC worked with 15 colleges and universities to establish semester intern programs, providing 95 students with one-year maintenance and operational internships. We also worked with National Taipei University of Technology, National Kaohsiung University of Science and Technology, Asia Eastern University of Science and Technology, Cheng Shiu University, and National Chin-Yi University of Technology to jointly provide maintenance internships to 19 students. (For more details, please refer to the "Talent Cultivation" page of the "Social Value" sub-section under the "Corporate Sustainable Development" section of our corporate website.)				



Note 1: Implementation structure for risk management



Note 2: Main risk categories and response measures and actions

Material Issues	Main Risk Categories	Risk Assessments	Risk Management Strategies and Related Response Measures
Environmental	Environmental Risks	Assess various environmental risks (such as global warming, extreme weather conditions, earthquakes, land subsidence, and formation of new fault lines) which can cause revisions in laws and regulations, system damages, regional power cuts, and water shortages, which may affect service quality and increase maintenance and operation costs.	<ol style="list-style-type: none"> <li>1. Established environmental policies and implemented management according to our environment management manual. We have applied for ISO14001 certification and are seeking to establish environment management systems that adhere to these standards.</li> <li>2. Identified climate change risks and estimated future mid-to long-term climate change risks to formulate plans and strategies to save energy. We also collaborated with professional institutions to analyze and formulate response strategies to climate change, effectively decreasing possible impacts to our operations from climate change.</li> <li>3. Collaborated with professional institutions to establish an early-warning system for earthquakes.</li> <li>4. Conducted assessments on land subsidence, new fault lines, flood prevention, and earthquake prevention capabilities to formulate improvement measures.</li> <li>5. Gained a full understanding of environmental hazards through DWS hazard warning systems and conducted annual hazard prevention audits and regular and irregular drills.</li> </ol>

Material Issues	Main Risk Categories	Risk Assessments	Risk Management Strategies and Related Response Measures
Social	Operational Safety Risks	Assess HSR systems that may be affected by internal and external factors such as malfunctions of facilities and equipment, human error, intentional sabotage, or other external factors which may affect train safety; cause injury to our employees, passengers, contractors, or the general public; or cause delay or cessation of rail operations.	<ol style="list-style-type: none"> <li>1. Established our safety and health, corporate quality, and configuration management policies, and implemented management according to our operational safety plan, occupational safety and health management manual, corporate quality manual, high-speed rail system configuration management manual, corporate RAMS manual, management plan for rail security, and assurance plan for corporate safety.</li> <li>2. Established an Operational Safety Committee which convenes every quarter and also an Occupational Safety and Health Committee which convenes every quarter.</li> <li>3. Implemented internal audits and safety inspections of rail operation safety, occupational safety and health, quality management, configuration management, and system assurance.</li> <li>4. Implemented rail safety training, education and training for occupational safety and health, hazard management training, and hazard prevention and response drills and training.</li> </ol>
Corporate Governance	Information Security Risks	THSRC is a national critical information infrastructure provider with a cybersecurity responsibility level that must be submitted to the Executive Yuan for approval by the Ministry of Transportation and Communications. We assess the confidentiality, comprehensiveness, accessibility, and legal compliance of all HSR information systems based on this cybersecurity responsibility level.	<ol style="list-style-type: none"> <li>1. Formulated information security policy and Copyright Protection Policy for Computer Software, and implemented management according to information security management manual.</li> <li>2. Established Information Security Committee and convened information security review meetings once every six months.</li> <li>3. Established management procedures and systems according to international ISO27001 information security system.</li> <li>4. Implemented internal information security audits, drills and evaluations, information security inspections, penetration testing, defense-in-depth mechanisms, and education &amp; training based on national cybersecurity responsibility level.</li> </ol>
	Financial Risks	Assess changes in domestic and overseas economic and financial conditions that may impact our income, maintenance and operation costs, interest rates, and exchange rates, which in turn may affect our profitability and cash flows.	<ol style="list-style-type: none"> <li>1. Adhered to "International Financial Reporting Standards (IFRS)," "International Accounting Standards (IAS)," and government regulations.</li> <li>2. Underwent annual financial audits by competent authorities.</li> <li>3. Our managerial departments underwent monthly budgeting and accounting reviews and presented these to the Board every six months.</li> <li>4. Periodically issued quarterly and annual financial reports.</li> <li>5. Our Board conducted reviews of important financial activities in accordance with relevant regulations and internal control systems.</li> </ol>

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

Current and future potential climate change risks, opportunities and corresponding measures of the Corporation				
Climatic Risks	Potential Financial Impacts	Climatic Opportunities	Potential Financial Impacts	Corresponding Measures in 2023
<ol style="list-style-type: none"> <li>(1) Extreme high temperatures</li> <li>(2) Increased rainfall and rainfall intensity</li> <li>(3) Typhoons, cyclones, and lightning</li> <li>(4) Unstable water and electricity supply</li> <li>(5) Operational impacts</li> </ol>	<ol style="list-style-type: none"> <li>(1) Severe weather can damage railway facilities and increase maintenance costs</li> <li>(2) Operational impacts cause decreases in revenue</li> <li>(3) Rising temperatures raise electricity consumption, operating costs, and carbon emissions.</li> </ol>	<ol style="list-style-type: none"> <li>(1) THSRC signed the "Memorandum of Cooperation on Cross-Border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities.</li> <li>(2) Collaborated with power companies to set up leased solar power generation systems at our maintenance bases and stations.</li> <li>(3) Conducted evaluations for setting up self-use solar power generation systems at our maintenance bases and stations, and applied for renewable energy certificates.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Strengthen adaptability towards climate change to reduce the probabilities of operational interruptions and possible losses.</li> <li>(2) Energy savings, carbon reduction, and cost savings.</li> <li>(3) Increased use of renewable energy.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Completed equipment and software upgrading for automatic slope monitoring system, and completed installation of IoT stabilizer bars.</li> <li>(2) Continue to implement improvements for three TK93 steep vegetated slopes.</li> <li>(3) Completed scour prevention measures at Chungang Creek Bridge and Houlong River Bridge.</li> <li>(4) Planned to set up leased solar power generation systems at Miaoli, Changhua, and Yunlin stations.</li> </ol>

## (8) Climate Information of Listed Companies

Information on climate-related implementations

Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	Please refer to Section 1
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	Please refer to Section 2
3. Describe the financial impact of extreme weather events and transformative actions.	Please refer to Section 2
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Please refer to Section 3
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Please refer to Section 2
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	Not applicable.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Not applicable.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Please refer to Section 4
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan.	Please refer to 1-1 and 1-2

### Section 1:

#### Governance

The Corporation has established a "Corporate Governance Promotion Committee" under the "Corporate Governance & Nominating Committee." The Corporate Governance Promotion Committee is overseen by the Board and the Chairman, and is composed of the President and senior executives from managerial departments. The Corporate Governance Promotion Committee's Corporate Governance Planning Team, Sustainable Development Team, and Ethical Management Team continue to focus on internal issues related to sustainable management, and report implementations and achievements to the Corporate Governance & Nominating Committee and the Board every year.

The Corporation has formulated a "Risk Management Policy," and the Audit Committee under the Board is responsible for supervising and establishing overall risk management mechanisms, including risk management structures that encompass all Corporation operations. The Environmental Management Committee is responsible for supervising implementations, regularly reviewing environmental risks and aims, and communicating environmental management matters. The Committee is chaired by the President and is composed of the top executives of various departments, facilitating interdepartmental communications that are beneficial for overall operations. A number of interdepartmental working teams have been established under the Environmental Management Committee to implement environmental management tasks.

Additionally, risk management promotion and implementation units report to the Board once every year in accordance with risk management frameworks to facilitate reviews of responses to climate change risks and effective actions. For more information on climate governance matters, please refer to the "Corporate Governance Structure" section on our corporate website, the THSRC Annual Report, the THSRC website, and the Market Observation Post System.

### Section 2:

#### Strategy

In 2022, THSRC referenced the TCFD framework to identify corporate risks and opportunities posed by climate change. We completed our latest climate risk assessment in 2022. After considering the characteristics of the rail transportation industry and focusing on internal management actions for natural disasters, we identified 6 major risks from 22 climate risk items, including 2 transition risks and 4 physical risks. We also simultaneously considered possible timelines for impacts from climate risks. Identification results are as shown in the table below:

Climate Risk Aspect	Climate Risk Event	Impact Timeline	Description of Operational Impacts	Potential Financial Impacts
Transition Risks	Laws and policies: Increased costs for greenhouse gas emissions	Medium term	In response to the 2050 Net Zero initiative and the promulgation of the Climate Change Response Act, all enterprises are required to pay tiered carbon fees based on industry characteristics, resulting in increased costs for greenhouse gas emissions. 1. The current carbon pricing mechanism established by the Climate Change Response Act adopts tiered payments and will begin by imposing levies on large companies starting in 2024, which may result in increased costs for greenhouse gas emissions. 2. As construction projects are required to pay carbon fees, contractors may transfer their derived costs to the Corporation.	<ul style="list-style-type: none"> <li>Increased costs and revenue reductions.</li> <li>In accordance with 2050 Net Zero transition mechanisms and carbon reduction requirements, we plan to replace project equipment with low-carbon products or equipment with high energy efficiency.</li> <li>Assess feasibility of purchasing renewable energy certificates or carbon rights.</li> </ul>
	Technology: Transition to low-carbon technology	Medium term	THSRC is as yet unable to upgrade to low-carbon and energy-efficient equipment across the entire Corporation.	
Physical Risks	Extreme physical risks: Increased frequency of extreme weather events-Wind disasters caused by typhoons (Note 1)	Short term	Potential operational disruptions and damage to infrastructure and assets: 1. Severe typhoons can bring strong winds and heavy rains, which may cause disasters such as slope collapses and erosions of bridge foundations, 2. Severe typhoons can bring strong winds and heavy rains, which may cause damage to ongoing projects, resulting in project delays and impacts to normal operations.	<ul style="list-style-type: none"> <li>Revenue reductions.</li> <li>Additional manpower and maintenance costs required for equipment/facility repairs.</li> </ul>
	Extreme physical risks: Increased frequency of extreme weather events-Heavy rainfall (Note 2)	Short term	Flooding in stations, track failures, and trackside slope collapses may cause operational interruptions: 1. Rapid and heavy rainfall may cause disasters such as slope collapses or flooding of trackside equipment rooms, requiring subsequent repairs to maintain or restore functionality. 2. Rapid and heavy rainfall may cause damage to ongoing projects, resulting in project delays and impacts to normal operations. 3. After rapid and heavy rainfall, our colleagues conducting on-site inspections may encounter unforeseen accidents which can put their lives at risk.	<ul style="list-style-type: none"> <li>Revenue reductions.</li> <li>Reductions in asset value.</li> <li>Additional manpower and maintenance costs required to strengthen infrastructure resilience.</li> </ul>
	Extreme physical risks: Increased frequency of extreme weather events-Extreme high temperatures (Note3)	Short term	1. THSRC is as yet unable to completely upgrade to low-carbon and energy-efficient equipment. 2. Failure to achieve net-zero emissions goals may damage our corporate reputation.	<ul style="list-style-type: none"> <li>Operational disruptions and revenue reductions.</li> <li>Reductions in asset values.</li> <li>Additional manpower and maintenance costs required to strengthen infrastructure resilience.</li> </ul>
	Long term physical risks: Rises in average temperatures	Long term	Climate change will impact passenger demands and preferences. For example, consumers may choose to use more sustainable modes of transportation.	

Notes:

1. Wind disasters refer to climate events caused by strong winds (wind speeds of more than 30 m/s) and heavy rains brought by severe typhoons.
2. Heavy rainfall refers to rapid and heavy rainfall events with rainfall volumes of more than 50 mm/h or more than 250 mm/24h.
3. Extreme high temperatures refer to climate events where the highest temperature in a day exceeds 37.6 degrees.

In accordance with these identified climate risks, THSRC has listed response measures for short term (2023 to 2025) climate risk events. At present, THSRC has sound internal warning mechanisms for climate disasters. In future, we plan to strengthen disaster tolerance levels of track infrastructure and climate resilience of operational systems to provide our passengers with smooth and safe services.

Climate Risk Aspect	Climate Risk Event	THSRC Response Measures
	<p>Extreme physical risks: Increased frequency of extreme weather events-Wind disasters caused by typhoons.</p>	<p>The Corporation has established procedures for abnormal weather events and contingency measures corresponding to different typhoon intensities, thereby strengthening our prevention responses to related climate events:</p> <ol style="list-style-type: none"> <li>1. Suspend operations: THSRC sets up Emergency Operation Centers (EOCs) immediately after sea typhoon warnings have been issued to closely monitor typhoon developments and make decisions on whether to suspend operations in advance based on forecasts of strong winds and rainfall volumes.</li> <li>2. Resume operations: Operations are gradually resumed after considering wind speeds, rainfall volumes, and track conditions, and following inspections of the mainline.</li> </ol> <p>In future, we will continue to integrate technology to strengthen our disaster tolerance levels and advance warning capabilities (for example, by working with ITRI to develop drone track inspection systems), thereby strengthening our internal disaster prevention and response mechanisms.</p>
<p>Physical Risks</p>	<p>Extreme physical risks: Increased frequency of extreme weather events-Heavy rainfall</p>	<p>The Corporation has formulated a manual for abnormal weather events and contingency measures. Although forecasting lead times for storms tend to be short, we still adopt the following measures to respond appropriately as needed:</p> <ol style="list-style-type: none"> <li>1. Ensure safety: The Central Weather Bureau and private weather forecasting companies both provide forecasting information on rainfall volumes. The Corporation 1) implements tiered train deceleration response measures based on actual rainfall volumes and locations; 2) implements tiered train deceleration or operational suspension response measures based on flooding information obtained from cameras installed on cross-river bridges; 3) assesses potential impact from disasters and adopts response measures by moving trains away from underground sections and our Wuri maintenance depot.</li> <li>2. Maintain operations: THSRC has established a trackside disaster warning system (DWS) to ensure that trains can be stopped immediately if heavy rains cause rockslides or slope collapses, following which we may maintain operations by running bi-directional trains on a single track or by running trains between location intervals depending on actual conditions.</li> <li>3. Slopes along the HSR line have poor geological characteristics and tend to have steep rises. In recent years, internal and external slope conditions have continued to worsen due to extreme climates, causing changes in stress states and making it necessary to strengthen slope management and monitoring. The Corporation completed overall inspections and improvements of 389 slope locations in 2022 and divided slopes into four levels (A, B, C, and, D; with A having the highest risk and D having the lowest risk) based on their impacts to operational safety. The results of risk assessments conducted in May 2022 revealed that there was 1 A level slope location, 2 B level slope locations, 50 C level slope locations, and 336 D level slope locations (improvements have since been completed for 2 B level slopes and 1 A level slope). In future, we plan to utilize digital technologies to strengthen slope monitoring and protection mechanisms, thereby updating and upgrading our automated slope monitoring systems. (The system was completed and launched online in September 2023.)</li> <li>4. Inspected and improved flood elevations for old underground emergency exits in Taipei based on flood prevention requirements.</li> </ol>
	<p>Extreme physical risks: Increased frequency of extreme weather events-Extreme high temperatures</p> <p>Long term physical risks: Rises in average temperatures</p>	<p>The Corporation has formulated a manual for abnormal weather events and contingency measures. Sensors have been installed on mainline switches to monitor and record track temperatures, thereby avoiding impacts to operational safety:</p> <ol style="list-style-type: none"> <li>1. In terms of track temperatures, THSRC has established safety triggers for temperatures of 51°C and above. Temperatures less than 61°C will trigger additional monitoring but no restrictions to train operations, temperatures over 61°C will trigger decelerations, and temperatures of 65°C and above will stop trains from operating.</li> <li>2. THSRC tracks are designed to withstand high temperatures, and therefore internal assessments have revealed that there are minimal impacts to train operations from extreme high temperatures.</li> </ol>

THSRC has formulated medium and long term strategic blueprints for the next five years. One of our six sustainable strategies ("respond to extreme climates and mitigate disaster risks") prioritizes prevention measures and responses to climate change and related risks. Therefore, THSRC plans to proactively work with government institutes, academic institutes, and related industries to strengthen our climate adaption capabilities, reduce potential operational disruptions, and minimize financial losses.

Strategic Goal	Strategic Plans	Key Tasks
Respond to extreme climates and mitigate disaster risks	Utilize technology to strengthen disaster tolerance levels and advance warning capabilities	<ul style="list-style-type: none"> <li>Strengthen resilience and climate tolerance of existing facilities and buildings.</li> <li>Integrate AI + IoT technologies to strengthen disaster warning and facility monitoring capabilities.</li> <li>Integrate remote monitoring and drone monitoring technologies to enhance observational capabilities.</li> </ul>
	Respond to threats from extreme climates by inspecting disaster prevention and response mechanisms	<ul style="list-style-type: none"> <li>Establish operational response, support, and decisional support systems.</li> <li>Develop mobile response information platforms.</li> <li>Slope safety management and advance warning response mechanisms.</li> <li>Review and implement basic standard operating procedures for safety operations.</li> </ul>

Climate change brings corporate risks as well as potential business opportunities. We make good use of our industrial advantages as a low-carbon transportation carrier and continue to enhance our energy efficiency while expanding our investments in renewable energy devices for stations and maintenance depots. THSRC aims to establish a zero-carbon transportation value chain. We actively respond to climate risks and strive to exert our influence on consumers by providing eco-friendly, fast, and convenient services that move Taiwan as a whole toward a sustainable society.

Identified climate opportunities are shown in the following table:

Climate Opportunity	Description	Potential Operational or Financial Impacts
Technology: Enhance energy efficiency	Enhance energy efficiency at maintenance depots and stations, utilize high-performance trainsets and equipment, and identify opportunities for reducing greenhouse gas emissions.	<ul style="list-style-type: none"> <li>Reduce energy costs.</li> </ul>
Market: Changes in consumer demands for green products and services	Consumers are becoming more and more environmentally conscious and give priority to environmentally sustainable, low-carbon transportation products, which will increase our revenues.	<ul style="list-style-type: none"> <li>Enhance brand value, improve corporate evaluation scores, and increase investor and shareholder confidence.</li> <li>Passenger volumes and revenues will increase as passengers choose to use more sustainable transportation methods.</li> </ul>

**Section 3:**

**Risk management**

**Identification and assessment process for climate risks**

THSRC references TCFD guidelines and disclosures from international rail transportation industries. Following interdepartmental interviews and discussions, we re-examined and incorporated internal existing management and response mechanisms for natural disasters to complete identification procedures for climate risks and opportunities, using qualitative assessment methods to assess operational and financial impacts from climate change. We plan to incorporate risk review and decision-making processes in future to form more comprehensive climate risk management measures for THSRC, thereby strengthening our response capabilities to climate change.

**Identification, evaluation, and management processes for climate risks, and integrated management systems**

THSRC inventoried and identified possible operational and profitability risks based on operational and business activities, mainly considering environmental, operational, financial, and hazardous events while also reviewing the comprehensiveness of corporate risk management measures and effectiveness of risk controls. We assessed the risks of material domestic and overseas environmental, social, and governance issues related to our operations, using these to establish an operational structure and to identify our main risk categories, which include environmental risks (encompassing climate change risks), information security risks, operational safety risks, and financial risks.

THSRC has established "Risk Management Policies" and gathers identified and inferred potential climate change risks from committees of all levels and risk management frameworks encompassing all Corporation operations. Units responsible for promoting and implementing risk management make annual reports to the Board and the Audit Committee. We formulate risk management actions and response measures, review implementation effectiveness, and revise our mechanisms in an active and cost-effective manner using our medium and long term risk strategies, goals, and project implementations to strengthen our resilience toward climate risks.

## Section 4:

### Metrics and targets

THSRC works to align with global and domestic net zero and carbon reduction goals, and has formulated reduction targets for greenhouse gases, water resources, and energy usage. We regularly track and review our progress on all indicators, and conduct rolling adjustments to internal management mechanisms in accordance with annual review results to mitigate the impacts of climate change through our sustainability performance.

Energy management (Note 1)	Indicator	Average annual electricity savings per passenger served (Note 2)		
	Target	>0.86%		
	Evaluation item	2021	2022	2023
	Total electricity consumption (10,000 kWh)	9,089.537	9,141.130	9,138.384
	Average electricity usage per passenger served (kWh)	2.091	1.688	1.250
	Electricity savings (million joules)	18,977.791	-1,857.3228	98.8607
	Electricity saving rate (%)	12.380%	19.273%	25.916%
Water resource management (Note 1)	Indicator	Average annual water savings per passenger served (Note 3)		
	Target	>3.42%		
	Evaluation item	2021	2022	2023
	Total water consumption (cubic meter)	590,363	648,901	709,144
	Average water consumption per passenger served (cubic meter)	0.014	0.012	0.0097
	Water saving rate (%)	17.170%	11.764%	19.014%
Greenhouse gas management (Note 1)	Indicator	Average annual carbon reductions per passenger served (Note 4)		
	Target	>1.50%		
	Evaluation item	2021	2022	2023
	Total emissions (tCO <sub>2</sub> e) (Note 5 and Note 6)	285,609.55	316,942.85	317,679.09
	Average grams CO <sub>2</sub> e reduction per passenger-kilometer (gCO <sub>2</sub> e/passenger-kilometer)	37.735	33.941	25.284
	Carbon reduction rate (%)	19.406%	10.055%	25.507%

#### Notes:

- Electricity savings rate, water savings rate, and carbon reduction rates for 2022~2023 were calculated using the previous year as a base year. Due to impacts on passenger volumes from the pandemic in 2021, we were allowed to adjust base values. Therefore, the results for 2020 were compared with adjusted values (base electricity savings value: 1.845 kWh per passenger served; base water savings value: 0.013 cubic meters per passenger served; and base carbon reduction value: 35.15 gCO<sub>2</sub>e per passenger-kilometer). The results for 2021 were compared with adjusted values (base electricity savings value: 2.387 kWh per passenger served; base water savings value: 0.0164 cubic meters per passenger served; and base carbon reduction value: 46.18 gCO<sub>2</sub>e per passenger-kilometer). Decreases in electricity savings, water savings, and carbon reduction rates are noted using "positive" values, while increases are noted using "negative" values.
- The scope for all formulated indicators and targets includes all stations (including the Taoyuan OMC Building, but not shared public electricity consumption in commercial areas, parking lots, or areas shared with TRA in Nangang, Taipei, and Banqiao stations) and maintenance depots. For information on evaluation indicators associated with our trains and headquarters, please refer to the sections titled "Building low-carbon trains" and "Optimizing sustainable operations."
- The scope for all formulated indicators and targets includes all stations (including the Taoyuan OMC Building, but not shared public water consumption in commercial areas, parking lots, or areas shared with TRA in Nangang, Taipei, and Banqiao stations) and maintenance depots.
- The scope for all formulated indicators and targets includes electricity, gasoline, and diesel usage in all trains, stations (including shared public electricity consumption in areas shared with TRA in Nangang, Taipei, and Banqiao stations, as well as the Taoyuan OMC Building, but does not include commercial areas and parking lots), maintenance depots, and our corporate headquarters.
- The total greenhouse gas emissions listed in this table are estimated amounts based on the Corporation's total electricity, gasoline, and diesel consumption for the year, and do not include emissions from refrigerants and carbon dioxide fire extinguishers. The electricity carbon emission factors used referenced the coefficient values for the previous year.
- Emission factors for gasoline and diesel were taken from the EPA Emission Factors for Greenhouse Gas Inventories (version 6.0.4, released June 2019).

## 1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

### 1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO<sub>2</sub>e), intensity (metric tons CO<sub>2</sub>e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.

1. In 2022, Corporation-wide greenhouse gas emissions amounted to 315,316.17 tCO<sub>2</sub>e. Scope 1 emissions amounted to 6,310.52 tCO<sub>2</sub>e (intensity: 0.17 tCO<sub>2</sub>e/million NTD); Scope 2 emissions amounted to 309,005.65 tCO<sub>2</sub>e (intensity: 8.32 tons CO<sub>2</sub>e/million NTD), and emissions per passenger-kilometer amounted to 33.09 gCO<sub>2</sub>e. Corporation-wide greenhouse gas inventory data encompassed 12 stations, 5 maintenance depots, our headquarters, our OMC, and the mainline (including trains and line equipment).
2. In 2023, Corporation-wide greenhouse gas emissions amounted to 317,679.09 tCO<sub>2</sub>e (estimated value which has not been verified). Scope 1 emissions amounted to 1,268.73 tCO<sub>2</sub>e (intensity: 0.025 tons CO<sub>2</sub>e/million NTD), Scope 2 emissions amounted to 316,410.36 tCO<sub>2</sub>e (intensity: 6.35 tons CO<sub>2</sub>e/million NTD), and emissions per passenger-kilometer amounted to 25.28 gCO<sub>2</sub>e. Corporation-wide greenhouse gas inventory data encompassed 12 stations, 5 maintenance depots, our headquarters, our OMC, and the mainline (including trains and line equipment).

Note 1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) shall be disclosed.

### 1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

1. Corporation-wide greenhouse gas emissions for 2022 included Scope 1 emissions of 6,310.52 tCO<sub>2</sub>e (2% of total emissions) and Scope 2 emissions of 309,005.65 tCO<sub>2</sub>e (98% of total emissions); these emissions were verified with reasonable assurance by a verification unit (SGS) using ISO14064-3 standards. A third-party verification unit issued an ISO14064-1:2018 verification statement for Corporation-wide greenhouse gas emissions in 2022 on September 28, 2023, encompassing the entire Corporation, 12 stations, 5 maintenance depots, our headquarters, our OMC, and the mainline (including trains and line equipment).
2. Verifications of Corporation-wide greenhouse gas emissions for 2023 are scheduled to be completed before December 2024.

### 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

In terms of greenhouse gas reduction policies, we completed Corporation-wide greenhouse gas emission surveys and verifications for 2022 in 2023. We set 2022 as our base year and formulated reduction targets including reduction of annual average carbon reduction rate per passenger-kilometer by more than 1.50%, as well as carbon-reducing strategies related to train energy conservation, station energy conservation, service energy conservation, and use of green energies. We adopted specific actions including energy-efficient driving techniques, replaced lighting equipment with LED lights, and paperless tickets. Our carbon reduction rate for 2022 was 10.06% and our carbon reduction rate for 2023 was 25.51%, both achieving our target.



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

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1.Establishment of ethical corporate management policies and programs (1)Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		<p>■ The Corporation adheres to the five core values of Discipline, Integrity, Efficiency, Innovation, and Sensibility, and has established a corporate culture of ethical management based on our operational principles of Honesty, Transparency, and Responsibility. We have also established our Code of Ethical Conduct; Ethical Corporate Management Best Practice Principles; Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior; Code of Conduct; Regulations for Management of the Prevention of Insider Trading; Reward and Discipline Regulation; Grievance Regulation; and Procurement Staff Ethical Regulation for our employees to abide by.</p> <p>■ The Corporation established the "Ethical Corporate Management Best Practice Principles" following approval at the 11th meeting of the 7th Board on June 19, 2016, and these Principles were revised following approval at the 36th meeting of the 8th Board on March 18, 2020 to stipulate that directors and managers shall exercise due care of good administrators when carrying out business duties, rigorously execute their duties, and implement the commitments of ethical management policies.</p> <p>■ Additionally, the Corporation's "Procedures for Ethical Corporate Management and Guidelines for Conduct" were established following approval at the 36th meeting of the 8th Board on March 18, 2020, and contain specific stipulations regarding compliance with ethical management policy items by Corporation personnel.</p>	■ None.
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	✓		<p>■ In addition to our "Code of Ethical Conduct" and "Code of Conduct," we have also established "Ethical Corporate Management Best Practice Principles" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" to provide clear and detailed guidelines for operating procedures, conduct, education and training, disciplinary violations, and appeals systems. The formulation and implementation of integrity management policies are overseen by our audit department, which periodically reports to the Board.</p> <p>■ The Corporation recently updated the "Procedures for Ethical Corporate Management and Guidelines for Conduct" to serve as our policy for guiding ethical management, stating in clear detail specific ethical management measures and preventive measures for unethical conduct.</p>	■ None.
(3)Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		<p>■ The Corporation recently updated the "Procedures for Ethical Corporate Management and Guidelines for Conduct" to serve as our policy for guiding ethical management, stipulating operational procedures, codes of conduct, disciplinary actions for violations, and appeals systems, and we periodically review and revise whether preventive measures are operating effectively.</p> <p>■ The Corporation established the "Procurement Regulation," which contains articles relating to business confidentiality and conflicts of interests in procurement staff; employees that exhibit dishonest behaviors are subject to disciplinary actions under the "Reward and Discipline Regulation" depending on severity of the cases.</p> <p>■ The Corporation's "Code of Ethical Conduct," "Code of Conduct," and "Work Rules" contain stipulations relating to business confidentiality and conflicts of interests in staff conduct, and employees that display dishonest behaviors are subject to disciplinary actions under the "Reward and Discipline Regulation" depending on severity of the cases.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
<p>2.Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p>	✓		<p>■ The Corporation has established an assessment system for suppliers and business partners. During contract negotiation, the rights and obligations of both parties are well documented, and confidentiality clauses are contained in all contracts.</p>	■ None.
<p>(2)Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p>	✓		<p>■ In order to fulfill our supervisory obligations of ethical management, the Corporation has established a Corporate Governance &amp; Nominating Committee, an Audit Committee, and a Remuneration Committee to supervise compliance with ethical management. Additionally, the Ethical Management Team, which reports to the "Corporate Governance Promotion Committee," is convened by the manager of the Corporate Planning Division and is composed of representatives from the Legal Office, the Audit Office, the Human Resources and Administration Division, the Secretariat Division of the Board of Directors, and the Corporate Planning Division. The Ethical Management Team is responsible for reviewing and improving ethical management policies and implementing measures, assessing ethical management developments both domestically and overseas, convening quarterly to discuss implementations of ethical management, and making annual reports on specific performance and promotion measures of ethical management to the Board. The specific performance and promotion measures of ethical management for 2022 and the first half of 2023 were reported at the 3th meeting of the 10th Board on June 30, 2023. The main annual work plans and duties of the Ethical Management Team are as follows:</p> <ol style="list-style-type: none"> <li>1. Integrate ethical values into the Corporation's operational strategies and establish measures to ensure ethical management in accordance with laws and regulations.</li> <li>2. Establish programs containing standard operating procedures and behavioral guidelines for work duties to prevent unethical behavior.</li> <li>3. Plan internal organization, preparation, and job duties for mutual supervision and balance of operational activities at high risk of unethical behavior.</li> <li>4. Promote and coordinate ethical management policies and training.</li> <li>5. Plan systems for reporting ethical violations to ensure effective implementation.</li> <li>6. Assist the Board and management in reviewing and assessing effective operation of ethical management measures, and periodically assess and report on adherence of relevant processes.</li> </ol> <p>■ The Corporation has implemented ethical corporate management policies in accordance with corporate governance, business strategies, and operating procedures. Ethical management training, attendees, and training hours for 2023, as well as specific implementations of ethical management were as follows:</p> <ol style="list-style-type: none"> <li>1.A total of 341 new recruits (7.2% of total employees) received communications and training in anti-corruption policies.</li> <li>2.We hosted ethical management training programs for all employees; a total of 4,747 participants received 2,373.5 hours of training. In addition, all Corporation directors and senior managers signed the "Ethical Management Policy Statement."</li> <li>3.We hosted training courses for prevention of insider trading for all employees; a total of 4,747 participants received 2,373.5 hours of training.</li> <li>4.The Corporation upholds principles of ethical management and initiated the "Promotion Plan for Legal Compliance" in 2016 for comprehensive management of compliance with regulating authorities and Corporation regulations laid out in the Corporation Charter. Additionally, relevant regulations and rulings of regulating authorities are reviewed and presented every quarter, and legal compliance meetings are held to ensure that Corporation employees adhere to relevant regulations.</li> </ol>	■ None.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>5. Confidentiality of tender information, protection of intellectual property rights, and commitment of corporate social responsibility are enclosed in tender instructions and affidavits, and articles prohibiting unjust enrichment and conflicts of interests are included in the main body of contracts.</p> <p>6. We established an Audit Committee mailbox on the "Stakeholders" section of our corporate website to serve as a direct communication channel between stakeholders and the Audit Committee.</p> <p>7. We established internal and external whistle-blowing channels (including phone, fax, and mailbox channels), and set up a dedicated team for reviewing and investigating reported cases, and tracking management mechanisms.</p> <p>■ Detailed information on the Ethical Management Team can be found under the "Corporate Governance Structure and Organization Chart" subsection of the Corporate Governance section on the THSRC website, and the "Ethical Governance" page under the "Sustainable Development" sub-section in the "ESG" section of our corporate website.</p>	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		<p>■ The Corporation's regulations stipulate that managers of all levels are responsible for assisting the Corporation President in promoting ethical management policies. All conflicts of interest should be reported to department heads. The Corporation has also established the "Grievance Regulation" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" to provide timely and appropriate channels for making statements and reports to prevent conflicts of interest.</p>	■ None.
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		<p>■ In order to implement ethical management, regulation compliance at the Corporation is periodically reviewed via internal auditing, accounting, and control systems.</p> <p>■ The Corporation implements internal control mechanisms on an annual basis. The Quality Assurance Office acts as a secretariat unit in executing internal control systems and self-inspection of administrative procedures. Each office carries out self-inspections that are reviewed by the Audit Office. Finally, CPAs are responsible for issuing review reports on internal control systems.</p> <p>■ The accounting system at THSRC has been effectively implemented for many years. Every year, certified accountants conduct audits and issue an audit report.</p> <p>■ The Corporation's "Ethical Corporate Management Best Practice Principles" stipulate that internal audit units should formulate audit plans based on risk assessments of unethical conduct which can be used to review compliance with measures for preventing unethical conduct, and which may be audited by CPAs. Assistance may be obtained from professionals when necessary.</p>	■ None.
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		<p>■ The Corporation's "Ethical Corporate Management Best Practice Principles" stipulate that the Corporation should host periodic training and promotion activities for Board directors, managers, employees, and fiduciaries to help them understand the Corporation's commitment to ethical management, related policies, prevention solutions, and consequences of ethical violations.</p>	■ None.
3. Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	✓		<p>■ The Corporation has established the "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior." Related matters are handled by dedicated units and service hotlines have been set up to handle feedback in accordance with established processes.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓		<p>■ The Corporation's "Code of Conduct" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" have clear stipulations on the appeals process and reviewing units, and commit to confidentiality for complainants and related evidence.</p>	■ None.
(3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓		<p>■ The Corporation's "Code of Conduct" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" clearly stipulate that if reported persons threaten or retaliate against whistleblowers, the Corporation will take disciplinary action according to relevant regulations.</p>	■ None.
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		<p>■ The Corporation's "Ethical Corporate Management Best Practice Principles" and relevant standards are publicly available for review on our internal and external websites. Amendments are announced to all staff members and information on our website is simultaneously updated.</p> <p>■ The Corporation has established the "Regulations of Disclosure Information" and "Regulation for Posting Information on the 'Market Observation Post System,'" allowing us to fulfill our responsibilities and obligations of information disclosures and disclose important information in a timely manner. Additionally, voluntary disclosures are posted to the Market Observation Post System and our corporate website to strengthen information transparency and enhance timeliness, symmetry, and fairness of information disclosures.</p>	■ None.
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation:			None.	
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): To implement the basics of ethical corporate management policies, the Corporation operates under the Corporation Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.				

### (10) Corporate Governance Guidelines, Regulations, and Methods to Access this Information

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

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

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

#### **(11) Other Important Information for Further Understanding Implementation Status of Corporate Governance**

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

Additionally, the Corporation has established 7 core policies (Supply Chain Management Policy, Safety and Health Policy, Information Security Policy, Environmental Policy, Risk Management Policy, Human Rights Policy, and Corporate Quality Policy). All have been signed by the Chairman of the Board, are fully implemented, and are disclosed on the "Policy" page under the "About Us" section on our corporate website. Through the announcement of these core policies, all colleagues can work together to continuously strengthen corporate governance and achieve the goal of sustainable business operations.

## 2. Implementation Status of Internal Control System

### (1) Internal Control System Letter of Declaration

Taiwan High Speed Rail Corporation

Statement of Internal Control System

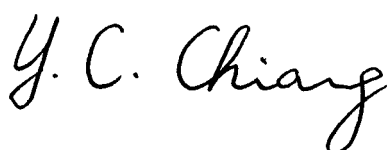
Date: Feb 21, 2024

Based on the findings of a self-assessment, Taiwan High Speed Rail Corporation (THSRC) states the following with regard to its internal control system during the period from January 1, 2023 to December 31, 2023:

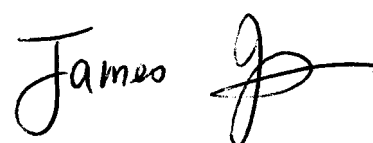
1. THSRC is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. THSRC has established such a system aimed at providing reasonable assurance regarding the achievement of the following objectives: effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets); reliability, timeliness, and transparency of reporting in compliance with relevant specifications; and compliance with applicable laws and regulations.
2. All internal control systems have inherent limitations. No matter how carefully designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes in environment or circumstances. Nevertheless, the internal control system of THSRC contains self-monitoring mechanisms, and THSRC takes corrective actions whenever a deficiency is identified or an enhancement becomes necessary.
3. THSRC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") of the Republic of China. The Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring, with each component containing several further elements. Please refer to the Regulations for additional details.
4. THSRC has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, THSRC believes that during the period from January 1, 2023 to December 31, 2023, the design and operation of its internal control system has reasonably achieved the objectives mentioned in Item 1 above, including the monitoring of operational effectiveness and efficiency, as well as the reliability, timeliness, and transparency of reporting in compliance with relevant specifications, and compliance with applicable laws and regulations.
6. This Statement is a public document that constitutes an integral part of THSRC's Annual Reports and the THSRC Prospectus. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by the Board of Directors at the meeting held on Feb 21, 2024, and all content contained in this Statement was affirmed by the 15 Board members present at the meeting, with no dissenting opinions.

Taiwan High Speed Rail Corporation

Chairman of the Board of Directors:



President:



Notice to Readers

For the convenience of readers, the Statement has been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language Statement shall prevail.

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

### 3. Important Governance Information for 2023 and as of Publication Date of This Annual Report

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

Discipline has always been a core value for the Corporation. In 2023 and up to the publication date of this report, various disciplinary actions were taken against employees for violations of operational procedures in accordance with our Reward and Discipline Regulation. Memorandums announcing said violations were issued to all staff members for reference purposes and were supplemented with education, training, and case sharing to correct behaviors and promote accurate concepts. No material adverse impacts on corporate operations occurred as a result of the aforementioned violations. Relevant behaviors have all been improved, and all regulations and manuals are regularly reviewed and amended to fulfill our operational needs.

The Corporation failed to immediately grant occupational injury leave following an occupational hazard investigation meeting in 2022 which determined an employee injury incident to be an occupational hazard incident, and therefore said employee could only apply for other leave types (extended personal leave and special leave) when undergoing medical treatment. The Corporation did not take the initiative in restoring special leave hours after the fact or pay salary compensations to said employee who was unable to work due to medical treatment of said occupational injury over the aforementioned period. Therefore, the Taipei City Government found the Corporation to be in violation of Paragraph 2, Article 38; Article 43; and Paragraph 2, Article 59 of the Labor Standards Act on March 10, 2023, and imposed fines of NT\$20,000. The Corporation has reminded all colleagues to be attentive of legal compliance to prevent recurrence of similar incidents. There were no significant impacts on corporate operations, shareholder interests, or security prices.

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

1) Important resolutions of Shareholders' Meetings and implementation status in 2023:

##### **Proposals**

Proposal No. 1: Proposed by the Board

Proposal: Proposals of the 2022 Annual Business Report and financial statements of the Corporation.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 95.95%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions.

Proposal No. 2: Proposed by the Board

Proposal: Proposals of 2022 profit distribution of the Corporation.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 95.89%. The proposal was approved.

Implementation status: Cash dividends per share were NT\$0.67, the ex-dividend date was set as July 17, 2023, and cash dividend distribution date was set as August 10, 2023.

Election Matters

Election of the 10th term board of directors' office of the Corporation.

Voting results:

Listed of elected directors:

Shareholder No.	Account or Name	Votes Received (Including Electronic Votes)
51400	China Aviation Development Foundation Representative: Yao-Chung Chiang	8,286,687,288 (Including 7,736,352,399 electronic votes)
92268	Ministry of Transportation and Communications Representative: Chin-Hong Pan	6,993,506,866 (Including 6,472,420,311 electronic votes)
92268	Ministry of Transportation and Communications Representative: Cheng-Chung Young	6,747,830,719 (Including 6,226,865,669 electronic votes)
51400	China Aviation Development Foundation Representative: Yu-Fen Hung	6,381,780,049 (Including 5,860,973,874 electronic votes)
51400	China Aviation Development Foundation Representative: Wei-Cheng Hsieh	6,139,593,851 (Including 5,618,813,851 electronic votes)
43831	China Steel Corporation Representative: Chao-Tung Wong	5,731,891,224 (Including 5,470,808,424 electronic votes)
5762	Taiwan Sugar Corporation Representative: Chao-Yih Chen	5,492,770,308 (Including 2,231,993,908 electronic votes)
38578	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	5,260,616,524 (Including 4,999,815,819 electronic votes)
11	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	5,003,849,863 (Including 4,565,352,863 electronic votes)
6	Taipei Fubon Commercial Bank Co., Ltd. Representative: Chu-Min Hong	4,830,533,035 (Including 4,569,523,035 electronic votes)

List of elected independent directors:

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

Implementation status: Approved and registered by the Ministry of Economic Affairs under Official Letter No. 11230101380 on June 12, 2023. The listed of elected directors was also disclosed on the Market Observation Post System.

Other Discussion Items:

Proposal No. 1: Proposed by the Board

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

Resolution: Attending shareholders represented more than two-thirds of the total number of outstanding Company shares, and voting rights in favor for all propositions exceeded more than one-half of total voting rights. The proposal for removal of non-competition restrictions against institutional directors and their representatives was approved.

Implementation status: The proposal was made effective following the resolution of the shareholders' meeting.



2) Important Board resolutions for January 2023-March 2024

Date	Session (Term-Sitting)	Important Resolutions
2023/1/18	9-34	<ol style="list-style-type: none"> <li>1. Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities."</li> <li>2. Distribution suggestions for 2022 employee compensation and bonuses.</li> <li>3. Suggestions regarding distributions of performance bonuses for 2022.</li> <li>4. Suggestions regarding distribution of epidemic prevention bonuses for 2022.</li> <li>5. Salary adjustment suggestions for 2023.</li> <li>6. Suggestions for official appointment and promotion of Operation Division manager.</li> <li>7. Continued appointment of President's Office senior consultant.</li> <li>8. Distribution suggestions for 2022 director remuneration.</li> <li>9. Implementation status of Corporate Governance &amp; Nominating Committee, Audit Committee, and Remuneration Committee in 2022.</li> <li>10. Evaluations and suggestions regarding Board and functional committee performance in 2022.</li> </ol>
2023/2/22	9-35	<ol style="list-style-type: none"> <li>1. 2022 financial report.</li> <li>2. 2022 CPA audits.</li> <li>3. CPA non-audit services plans for 2023.</li> <li>4. The Corporation's plans to utilize working capital for advanced settlement of syndicated loan principal payments.</li> <li>5. Self-assessment results of internal control system for 2022.</li> <li>6. Explanation and handling of verdict related to disputed overtime payments.</li> <li>7. Principles for retirement, resignation, and pension payments to the chairman and president.</li> <li>8. 2022 business report.</li> <li>9. Report of implementation status of corporate governance.</li> <li>10. Determination of director (and independent director) candidates for the 10th Board.</li> <li>11. Announcement to accept shareholder proposals and director (including independent director) nominations for 2023 shareholders general meeting.</li> <li>12. 2023 shareholders general meeting date, venue, and agenda topics.</li> </ol>
2023/3/15	9-36	<ol style="list-style-type: none"> <li>1. Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards.</li> <li>2. Suggestions on president performance evaluation results for 2022.</li> <li>3. Results of manager performance audits for 2022.</li> <li>4. Contract award suggestions for procurement of new HSR trainsets (Contract No. E321 and E322).</li> <li>5. Salary adjustment suggestions for 2023.</li> <li>6. Suggestions for adjusting salary grade distributions.</li> <li>7. Employment of resigned professional foreign contractors to serve as consultants.</li> <li>8. List of Board-nominated candidates for the 5 independent directors and 10 non-independent directors on the 10th Board.</li> <li>9. Election of committee members for vacant seats on the "Corporate Governance &amp; Nominating Committee" of the 9th Board.</li> <li>10. Suggestions regarding distributable surpluses for 2022.</li> <li>11. Procurement and contract award suggestions for HSR meal boxes.</li> <li>12. Procurement strategy suggestions for work train driver simulators and training equipment.</li> <li>13. Procurement strategy suggestions for train body and train equipment general maintenance technician services contract at Yanchao Main Workshop from 2023 to 2027.</li> <li>14. Contract award suggestions for supplementary clauses of operating train and main line rights (north and south regions) security services contracts.</li> <li>15. Revisions to the Corporation's "Sustainable Development Best Practice Principles."</li> <li>16. Revisions to the Corporation's "Regulations of Disclosure Information."</li> <li>17. Report on director remuneration for 2022.</li> </ol>
2023/4/12	9-37	<ol style="list-style-type: none"> <li>1. Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards.</li> <li>2. Continued appointment of Corporation Core Technology Development Department foreign personnel.</li> <li>3. New transaction quota for import usance letter of credit and derivative financial products.</li> <li>4. Submission of the Corporation's HSR Financial Resolution Plan 2022 implementation status table to the Ministry of Transportation and Communications.</li> <li>5. Procurement strategy suggestions for "Second rolling stock inspection &amp; repair plant and affiliated buildings at Zuoying Depot."</li> <li>6. Procurement strategy suggestions for "Construction of track and core electricity systems at Zuoying Depot second rolling stock inspection &amp; repair plant."</li> <li>7. Procurement strategy suggestions for re-negotiation of operating train and main line rights (north and south regions) security services contracts from 2023 to 2026.</li> <li>8. Discussion of "Removal of Non-Competition Restriction Against the Corporation's 10th Board of Directors" proposal for the shareholders general meeting to be held on May 25, 2023.</li> </ol>

Date	Session (Term-Sitting)	Important Resolutions
2023/5/10	9-38	<ol style="list-style-type: none"> <li>1. Financial report for first quarter of 2023.</li> <li>2. Suggestions regarding distribution of manager performance bonuses for 2022.</li> <li>3. Suggestions regarding distributions of chairman and president bonuses for 2022.</li> <li>4. Revisions to the Corporation's "THSRC Organizational Regulation" and "Organization Structure."</li> <li>5. Revisions to the Corporation's "General Rules of Corporate Auditing."</li> </ol>
2023/5/25	10-01	<ol style="list-style-type: none"> <li>1. Chairman elected by the Corporation's 10th Board.</li> <li>2. Election of committee members for the "Corporate Governance &amp; Nominating Committee" of the 10th Board.</li> <li>3. National Taiwan University professors Pai-Ta Shih and Yung-Cheng (Rex) Lai, who were elected as independent directors of the Corporation's 10th Board of Directors by the shareholders general meeting, proposed signing of "Industry-academia collaboration contract" and "Academic rebate contract" with National Taiwan University.</li> </ol>
2023/5/25	10-01	<ol style="list-style-type: none"> <li>1. Suggestions for appointment and promotion of Business Division senior vice president.</li> <li>2. Formulation of suggestions related to remuneration standards for the directors of the 10th Board.</li> <li>3. Establishment of 2022 surplus distribution ex-dividend date and cash dividend distribution date.</li> <li>4. Operating insurance renewal requirements and procurement strategy for 2024.</li> <li>5. Contract award suggestions for work train driver simulators and training equipment.</li> <li>6. Donation of track components to the Preparatory Office of National Railway Museum.</li> </ol>
2023/6/20	10-03	<ol style="list-style-type: none"> <li>1. Suggestions for appointment and promotion of Business Division senior vice president.</li> <li>2. Formulation of suggestions related to remuneration standards for the directors of the 10th Board.</li> <li>3. Establishment of 2022 surplus distribution ex-dividend date and cash dividend distribution date.</li> <li>4. Operating insurance renewal requirements and procurement strategy for 2024.</li> <li>5. Contract award suggestions for work train driver simulators and training equipment.</li> <li>6. Donation of track components to the Preparatory Office of National Railway Museum.</li> </ol>
2023/8/9	10-04	<ol style="list-style-type: none"> <li>1. Financial report for second quarter of 2023.</li> <li>2. New medium-term bank loan.</li> <li>3. Suggestions for procurement strategy adjustments related to operating insurance for 2024.</li> <li>4. Revisions to the Corporation's "Internal Control System."</li> </ol>
2023/9/13	10-05	<ol style="list-style-type: none"> <li>1. Suggestions to prevent exchange rate risks for procurement of new generation rolling stock.</li> <li>2. Revisions to the Corporation's "Regulation for Accounting Treatments."</li> <li>3. Suggestions for renewal of director and officer liability insurance.</li> <li>4. Suggestions for second-round adjustments to procurement strategy related to operating insurance for 2024.</li> <li>5. Procurement strategy suggestions for "Headquarters office and parking spaces lease."</li> <li>6. Supplementary balancing of phase 1 retirement and exit payments for current president and related suggestions.</li> </ol>
2023/10/18	10-06	<ol style="list-style-type: none"> <li>1. Audit office annual audit plan for 2024.</li> <li>2. Formulation of Corporate Governance &amp; Nominating Committee, Audit Committee, and Remuneration Committee work plans for 2024.</li> </ol>
2023/11/8	10-07	<ol style="list-style-type: none"> <li>1. Financial report for third quarter of 2023.</li> <li>2. Corporation budget for 2024.</li> <li>3. Procurement and contract award suggestions for "Headquarters office and parking spaces lease."</li> <li>4. Procurement and contract award suggestions for "Second rolling stock inspection &amp; repair plant and affiliated buildings at Zuoying Depot."</li> <li>5. Continued appointment of System Research Development Division consultant.</li> <li>6. Revisions to the Corporation's "THSRC Organizational Regulation" and "Organization Structure."</li> <li>7. Suggestions for appointment and promotion of Planning Division senior vice president in accordance with organizational adjustments.</li> <li>8. Revisions to the Corporation's "Regulation of Related Party Transaction."</li> </ol>

Date	Session (Term-Sitting)	Important Resolutions
2023/12/13	10-08	<ol style="list-style-type: none"> <li>1. Suggestions for adjustment and appointment of Board secretariat and corporate governance officer.</li> <li>2. Suggestions for adjustment and appointment of audit office manager.</li> <li>3. Salary adjustment suggestions for 2024.</li> <li>4. Suggestions regarding year-end bonuses for 2023.</li> <li>5. Manager performance goals for 2024.</li> <li>6. Extension of quota for derivative assets that expired during the first half of 2024.</li> <li>7. Extension of letters of credit that expired during the first half of 2024.</li> <li>8. Submission of the Corporation's HSR Financial Resolution Plan 2024 implementation status table to the Ministry of Transportation and Communications.</li> <li>9. Adjustments to estimated amortization periods for certain operating concession assets.</li> <li>10. New medium-term bank loan.</li> <li>11. Submitted applications for import duty guarantees to be submitted to the Ministry of Finance Customs Administration Kaohsiung Customs due to the Corporation's need for post-release duty payments when handling imported cargo.</li> <li>12. Approval to sign "Sixth contract amendment to syndicated loan contract for syndicated loan of NT\$382 billion for Taiwan North-South High-Speed Rail construction and operation."</li> <li>13. Renewal of operating insurance for 2024.</li> <li>14. Suggestions for supplements to contract for THSRC self-developed turnout control cabinets and replacement of existing control cabinets.</li> <li>15. Donation and sponsorship plan for 2024.</li> </ol>
2024/1/17	10-09	<ol style="list-style-type: none"> <li>1. Suggestions for supplements to procurement contract for new HSR trainsets (Contract No. E321 and E322).</li> <li>2. New medium-term bank loan.</li> <li>3. Distribution suggestions for 2023 employee compensation and bonuses.</li> <li>4. Suggestions regarding distributions of overall bonuses and performance bonuses for 2023.</li> <li>5. Suggestions for adjustments to Procurement Division, Human Resource and Administration Division, and Quality Assurance Office managers.</li> <li>6. Continued appointment of System Research Development Division consultant.</li> <li>7. Distribution suggestions for 2023 director remuneration.</li> <li>8. Donation to relief efforts for "Japan Noto earthquake."</li> <li>9. Implementation status of Corporate Governance &amp; Nominating Committee, Audit Committee, and Remuneration Committee in 2023.</li> <li>10. Evaluations and suggestions regarding Board and functional committee performance in 2023.</li> </ol>
2024/2/21	10-10	<ol style="list-style-type: none"> <li>1. 2023 financial report.</li> <li>2. 2023 CPA audits.</li> <li>3. CPA non-audit services plans for 2024.</li> <li>4. Self-assessment results of internal control system for 2023.</li> <li>5. Procurement strategy suggestions for periodic maintenance (PM) materials for rolling stock repairs from 2025 to 2026.</li> <li>6. Suggestions for asset adjustment strategy related to "TCS Traffic Control System replacement package (Package 2)."</li> <li>7. Procurement strategy suggestions for HSR station cleaning services/greenery maintenance services contract from 2024 to 2027.</li> <li>8. Procurement requirements and procurement strategy suggestions for Central Japan Railway Company Phase 2 consulting services contract.</li> <li>9. Submission of revisions to the Corporation's "Guidelines for Corporate Governance" for discussion at the shareholders general meeting on May 23, 2024.</li> <li>10. Submission of revisions to the Corporation's "Articles of Incorporation" for discussion at the shareholders general meeting on May 23, 2024.</li> <li>11. Revisions to the Corporation's "THSRC Organizational Regulation" and "Organization Structure."</li> <li>12. Election of committee members for vacant seats on the "Corporate Governance &amp; Nominating Committee" of the 10th Board.</li> <li>13. Donation to establish the "Taiwan High-Speed Rail Foundation."</li> <li>14. 2023 business report.</li> <li>15. Report of implementation status of corporate governance.</li> <li>16. Announcement to accept shareholder proposals for 2024 shareholders general meeting.</li> <li>17. 2024 shareholders general meeting date, venue, and agenda topics.</li> </ol>

Date	Session (Term-Sitting)	Important Resolutions
2024/3/13	10-11	<ol style="list-style-type: none"> <li>1. Chairman and president salary adjustments.</li> <li>2. Suggestions on president performance evaluation results for 2023.</li> <li>3. Results of manager performance audits for 2023.</li> <li>4. Suggestions for official appointment and promotion of Board secretariat and corporate governance officer.</li> <li>5. Suggestions for official appointment and promotion of Audit Office manager.</li> <li>6. Suggestions regarding distributable surpluses for 2023.</li> <li>7. Submission of the Corporation's HSR Financial Resolution Plan 2023 implementation status table to the Ministry of Transportation and Communications.</li> <li>8. New medium-term bank loan.</li> <li>9. Procurement and contract award suggestions for HSR meal boxes.</li> <li>10. Procurement requirements and procurement strategy suggestions for public announcement system improvement and upgrading project.</li> <li>11. Procurement strategy suggestions for train cleaning services contract at HSR Nangang, Zuoying, and Taichung stations from 2024 to 2027.</li> <li>12. Submission of report to shareholders meeting regarding signing of contracts "Phase 3 Lease for Office Space at Nangang Software Park" and "Phase 3 Lease for Parking Spaces at Nangang Software Park" with related party Century Development Corporation.</li> <li>13. Revisions to "Guidelines for Corporate Governance" and "Charter of the Corporate Governance &amp; Nominating Committee."</li> <li>14. Report on Director Remuneration for 2023.</li> </ol>

**(3) Any Recorded or Written Dissenting Opinions of Directors in the Current Year and up to the Publication Date of the Annual Report in Relation to Important Resolutions and the Content of Said Dissenting Opinion:**

Agenda Content	Special Committee Date Session (Term-Sitting)	Dissenting Directors
Procurement strategy suggestions for "Second rolling stock inspection & repair plant and affiliated buildings at Zuoying Depot"	2024/4/12 (9-37)	Directors Wen-Jong Chi and Chin-Hong Pan
Procurement strategy suggestions for "Construction of track and core electricity systems at Zuoying Depot second rolling stock inspection & repair plant"	2024/4/12 (9-37)	Directors Wen-Jong Chi and Chin-Hong Pan
Suggestions regarding distributions of overall bonuses, year-end bonuses, and performance bonuses for 2023.	2024/2/21 (10-10)	Director Cheng-Chung Young
Suggestions for issuance of on-duty compensation payments for specific cultural vacations in 2024.	2024/2/21 (10-10)	Director Cheng-Chung Young

**(4) Resignation or Dismissal of the Company's Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D in the Current Year and up to the Publication Date of the Annual Report:**

Position	Name	Start Date	Resign Date	Reason for Resignation or Dismissal
Corporate Governance Officer	Barret Wang	2019/3/20	2023/12/31	Position Adjustment
Chief Internal Auditor	Roger Chu	2017/2/15	2023/12/31	Retirement

## 4. Information on CPA Professional Fees

### (1) Audit Fees

Unit: thousand NT\$

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee (Note)	Total	Remarks
Pricewaterhouse Coopers Taiwan	Chih Fan Yu Chien Hung Chou	2023.1.1~ 2023.12.31	3,900	1,280	5,180	

Note: Non-audit fees included tax compliance audit fee \$620 thousand, and other services required the independent auditor's report \$660 thousand.

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

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

## 5. Replacement of CPA:

### (1) Regarding the former CPA

Replacement Date	Approved by the Board of Directors on December 14, 2022.		
Replacement reasons and explanations	Accounting firm and CPA change made effective beginning in the first quarter of 2023 due to the Corporation's future operational development.		
Describe if the Company terminated the CPA or if the CPA did not accept the appointment	Status	Parties	THSRC
	Termination of appointment	CPA	
	No longer accepted (continued) appointment		V
Reasons for issuing audit reports other than unqualified audit reports over the past two years	None		
Differences with the company	Yes		Accounting principle or practices
			Disclosure of Financial Statements
			Audit scope or procedures
			Others
	None	V	
Remarks/specify details: None			
Other disclosures (according to Items 1-4 to 1-7 of Paragraph 6, Article 10 of these principles)	None		

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

(2) Regarding the successor CPA

Name of accounting firm	PricewaterhouseCoopers Taiwan
Name of CPA	Chih Fan Yu and Chien Hung Chou
Date of appointment	Approved by the Board of Directors on December 14, 2022
Consultant comments and opinions on accounting treatments or principles regarding specific transactions and possible comments issued by the CPA on Company financial reports prior to engagement.	None
Succeeding CPA's written opinion of disagreement with former CPA	None

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

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

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

## 7. Information on Share Transfers and Pledge Changes

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

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

Unit: thousand shares

Title	Name	2023		As of 2024/03/31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
–	–	–	–	–	–

### (2) Shares Trading with Related Parties

Unit: thousand shares

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

### (3) Shares Pledge with Related Parties: None

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

Information Relating to Relationships Between Any of the Top Ten Shareholders

Unit: thousand shares, % (as of 2024/03/25)

Name (Note1)	Current Shareholding		Spouse's/ Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ministry of Transportation and Communications, R.O.C.	2,420,000	43.00	0	0	0	0	None	None	Corporation institutional director.
Huan-Tung Tseng	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Cheng-Chung Young	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
China Aviation Development Foundation	260,040	4.62	0	0	0	0	None	None	Corporation institutional director.
Yao-Chung Chiang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Yu-Fen Hung	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Wei-Cheng Hsieh	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
China Steel Corporation	242,148	4.30	0	0	0	0	None	None	Corporation institutional director.
Chien-Chih Hwang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.

Name (Note1)	Current Shareholding		Spouse's/ Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Taiwan Sugar Corporation	200,000	3.55	0	0	0	0	None	None	Corporation institutional director.
Ming-Jou Yang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
TECO Electric & Machinery Co., Ltd.	190,060	3.38	0	0	0	0	None	None	Corporation institutional director.
Mao-Hsiung Huang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
CMC Magnetics Corporation	126,675	2.25	0	0	0	0	None	None	Corporation institutional shareholder.
Ming-Sen Wong	0	0	0	0	0	0	None	None	Chairman of CMC Magnetics Corporation
Management Committee of National Development Fund, Executive Yuan	120,000	2.13	0	0	0	0	None	None	Corporation institutional director.
Shien-Quey Kao	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Cathay Life Insurance Co., Ltd.	117,822	2.09	0	0	0	0	None	None	Corporation institutional shareholder.
Ming-Ho Hsiung	0	0	0	0	0	0	None	None	Chairman of Cathay Life Insurance Co., Ltd.
Mega International Commercial Bank Co., Ltd.	71,100	1.26	0	0	0	0	None	None	Corporation institutional shareholder.
Paul, Chung-Dar Lei	0	0	0	0	0	0	None	None	Chairman of Mega International Commercial Bank Co., Ltd.
Hua Nan Commercial Bank Co., Ltd.	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Yun-Peng Chang	0	0	0	0	0	0	None	None	Chairman of Hua Nan Commercial Bank Co., Ltd.
First Commercial Bank Co., Ltd.	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Ye-Chin Chiou	0	0	0	0	0	0	None	None	Chairman of First Commercial Bank Co., Ltd.
Taiwan Cooperative Bank	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Yen-Mao Lin	0	0	0	0	0	0	None	None	Chairman of Taiwan Cooperative Bank

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

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

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





# 5

## Financing Information

## 1. Capital and Share Information

### (1) Sources of Capital

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

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

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

## (2) Share Types

Unit: thousand shares (As of 2024/03/25)

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

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

Information for Shelf Registration: Not applicable.

## (3) Shareholding Structure

### Common shares

Units: people, thousand shares, % (As of 2024/03/25)

Shareholders Quantity	Government Agencies	Public Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	1	16	439	118,605	731	119,794
Shareholding	2,540,000	200,000	466,503	1,009,508	827,657	584,625	5,628,293
Shares ratio	45.13	3.55	8.29	17.93	14.71	10.39	100.00

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

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

#### (4) Distribution of Shares

##### Common shares

Units: people, shares (face value of each share being NT\$10)  
(As of 2024/03/25)

Share breakdown			Number of Shareholders	Shareholding	Shareholding Ratio (%)
1	to	999	21,814	4,139,828	0.07
1,000	to	5,000	68,754	155,805,357	2.77
5,001	to	10,000	14,255	113,215,670	2.01
10,001	to	15,000	4,485	57,379,222	1.02
15,001	to	20,000	3,233	60,178,739	1.07
20,001	to	30,000	2,395	61,838,336	1.10
30,001	to	40,000	1,426	52,236,808	0.93
40,001	to	50,000	774	36,169,905	0.64
50,001	to	100,000	1,428	104,061,769	1.85
100,001	to	200,000	569	80,812,403	1.44
200,001	to	400,000	307	86,103,044	1.53
400,001	to	600,000	93	45,631,552	0.81
600,001	to	800,000	47	32,672,644	0.58
800,001	to	1,000,000	36	32,129,627	0.57
1,000,001	to	1,200,000	25	28,028,131	0.50
1,200,001	to	1,400,000	20	26,134,517	0.46
1,400,001	to	1,600,000	11	16,176,901	0.29
1,600,001	to	1,800,000	10	17,006,212	0.30
1,800,001	to	2,000,000	13	24,504,096	0.44
Over 2,000,001			99	4,594,068,297	81.62
Total			119,794	5,628,293,058	100.00

#### (5) List of Major Shareholders

Unit: thousand shares (As of 2024/03/25)

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

Note1: Shareholders holding more than 5% of shares.

Note 2: For more information on the top ten shareholders by shareholding ratio, shareholding, and shareholding ratio, please refer to chapter 4 (Corporate Governance) of this report.

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

Unit: NT\$/thousand shares

Item	Year	2022	2023	2024/1/1-2024/3/31
<b>Market Price per Share</b>				
Highest Market Price		29.70	33.75	30.80
Lowest Market Price		26.20	28.40	29.25
Average Market Price		28.49	30.36	29.86
<b>Net Worth per Share</b>				
Before distribution		11.96	12.67	-
After distribution		11.29	(Note 1)	-
<b>Earnings per Share</b>				
Weighted Average Shares (thousand shares)		5,628,293	5,628,293	-
Earnings per Share		0.67	1.39	-
<b>Dividends per Share</b>				
Cash Dividends		0.67	1.02 (Note 1)	-
<b>Stock Dividends</b>				
• Dividends from Retained Earnings		-	-	-
• Dividends from Capital Surplus		-	-	-
Accumulated Undistributed Dividends		-	-	-
<b>Return on Investment</b>				
Price/Earnings Ratio (Note 2)		42.52	21.84	-
Price/Dividend Ratio (Note 3)		42.52	29.76 (Note 1)	-
Cash Dividend Yield (Note 4)		2.35%	3.36% (Note 1)	-

Note 1 : The amount of dividends for 2022 is currently pending stockholders' approval.

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

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

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

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

### 1) Dividend Policy in Articles of Incorporation

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

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

2) Implementation Status

The proposal for the distribution of 2023 profits was passed at the meeting of the Board of Directors:

The proposed distribution of cash dividends is NT\$ 1.02 per share to a total of NT\$ 5,740,859 thousand. An ex-dividend date will be set following approval by the shareholders' general meetings.

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

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

**(9) Employee Compensation and Director Remuneration**

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

If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to Directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation.

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

A. In 2023, 2% of net profit was set as employee compensation, amounting to NT\$199,750 thousand in cash; 0.5% of net profit was set as director remuneration, amounting to NT\$49,938 thousand in cash.

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

3) Board resolutions on employee and director compensation distributions:

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

On January 17, 2024, the Board approved a resolution for employee compensation of NT\$199,750 thousand and director remuneration of NT\$49,938 thousand, payable in cash, for the year ended December 31, 2023. There was no difference between such amounts and the respective amounts recognized in the financial statements for the year ended December 31, 2023.

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

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

4) Information on 2022 distribution of compensation of employees and directors (with an indication of the number of shares, monetary amount, and stock price of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated:

Employee compensation of NT\$87,500 thousand and director remuneration of NT\$21,875 thousand for 2022 was distributed in 2023 in cash. There was no discrepancy between said amounts and respective amounts recognized in the financial statements for 2022.

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

## 2. Information on Corporate Debts

### (1) Unpaid domestic corporate bonds:

#### Issuance of Corporate Bonds

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

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

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

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

Issuance		1st unsecured corporate bond for 2021 Tranche B
Issuing Date		2021/07/01
Denomination		NT\$10 million
Issuance and Transaction Location		Not Applicable
Offering Price		Par
Total Amount		NT\$4 billion
Coupon Rate		Fixed Rate: 0.35%
Maturity		4 years maturity: 2025/07/01
Guarantor		None
Trustee		Hua Nan Commercial Bank Ltd.
Underwriter		MasterLink Securities



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

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

(2) Current corporate bonds: None.

### 3. Information on Preferred Stock

(1) Preferred stock in circulation: None.

(2) Current preferred stock: None.

### 4. Information on Overseas Depository Receipts: None.

### 5. Information on Employee Stock Option Certificates: None.

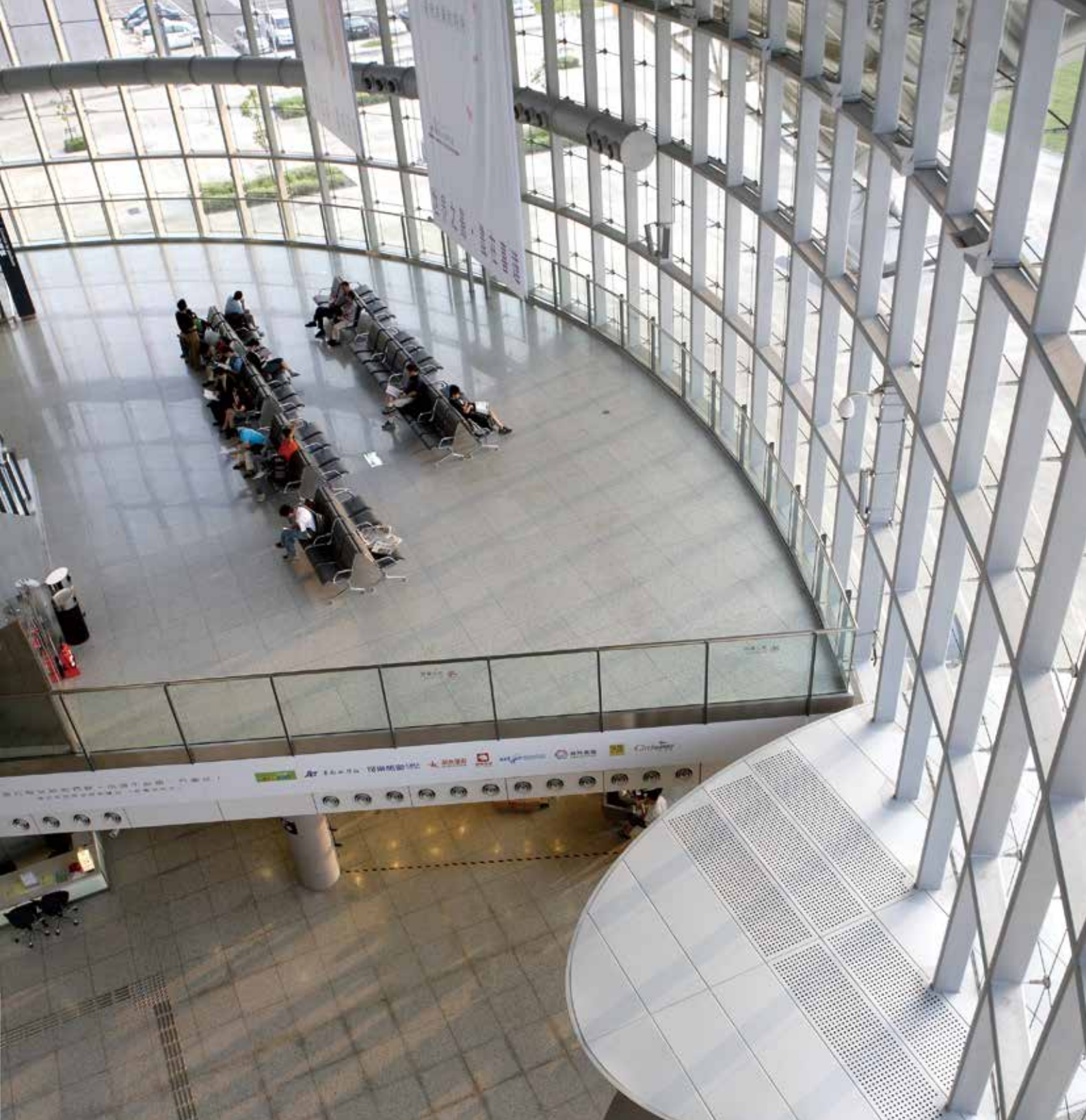
### 6. Information on Restricted Stock Awards: None.

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

### 8. Implementation of Capital Utilization Plans

The funds raised by the Corporation's domestic issuance of corporate bonds were allocated according to the associated fund utilization plan and actual needs. Ongoing fund utilization plans as of the fourth quarter of 2023 are listed below:

Item	Fund Raised	Fund Used	Explanation
2021 Phase 2 Unsecured Corporate Bonds (Accreditation for the qualification of sustainable development bonds by the consortium juristic person of the Republic of China Securities OTC Trading Center on August 3, 2010, Zhenggui Bond No. 1100007896)	NT\$1 billion	Green (building automation equipment for spray painting factory at maintenance depot) and social benefit (upgraded station passenger information system) investment plans.	As of the fourth quarter of 2023, the cumulative planned capital utilization rate for this project was 100.0%, actual cumulative progress was 38.56%, and unused capital amounted to NT\$614,338,000. Planned capital utilization for this year was NT\$200,000,000, and actual capital utilization amounted to NT\$190,386,000. Project progress and payments were delayed due to impacts from the COVID-19 epidemic. Fund expenditures fell behind schedule, but are being accelerated. Quarterly reports on fund utilization were filed within ten days after the end of each quarter. Fund utilizations were carried out according to the original plan, and there were no significant differences between expected and actual benefits.



# 6

## Operational Overview

## 1. Operations Scope and Review of Current Operations

### (1) Business Scope

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

#### 1) High-speed rail operations

THSRC operations adhere to the principle of providing passengers with safe and speedy transportation. After more than 15 years of effort, we have now become the transportation backbone of Taiwan's western corridor. THSRC provides intercity high-speed rail services via 12 stations: Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying, and we are constantly enhancing passenger services through service planning, promotional activities, and multiple ticket-purchase channels to expand market share. In 2023, epidemic prevention policies were gradually relaxed; the public learned to live with the virus and their lives returned to normal. Our ridership volumes recovered and even exceeded pre-pandemic levels. Passenger volumes reached 73.09 million in 2023, an increase of 34.95% compared to 2022. Starting on July 1, the number of weekly train runs was increased to 1,025 trains from 1,016 trains, and we added 14 trains starting on October 16, making a total of 1,039 weekly trains.

#### 2) Operation of affiliated business services

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

### (2) Results of Operations

#### 1) Operational overview

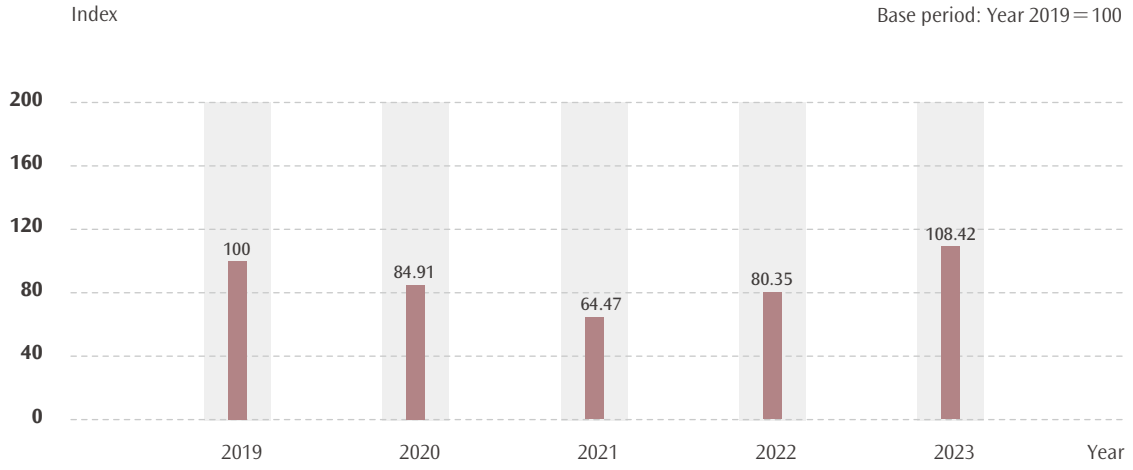
##### A. Passenger service

In 2023, THSRC carried over 73.09 million passengers, an increase of 34.95% over the prior year, reaching a total of 12,565 million passenger-kilometers. We operated a total of 54,991 trains, an increase of 1.73% over the prior year, and our total service capacity amounted to 17,780 million seat-kilometers. Our loading factor was 70.67%, an increase of 17.36% over the prior year, and our punctuality rate was 99.58%, an increase of 0.11% over the prior year.

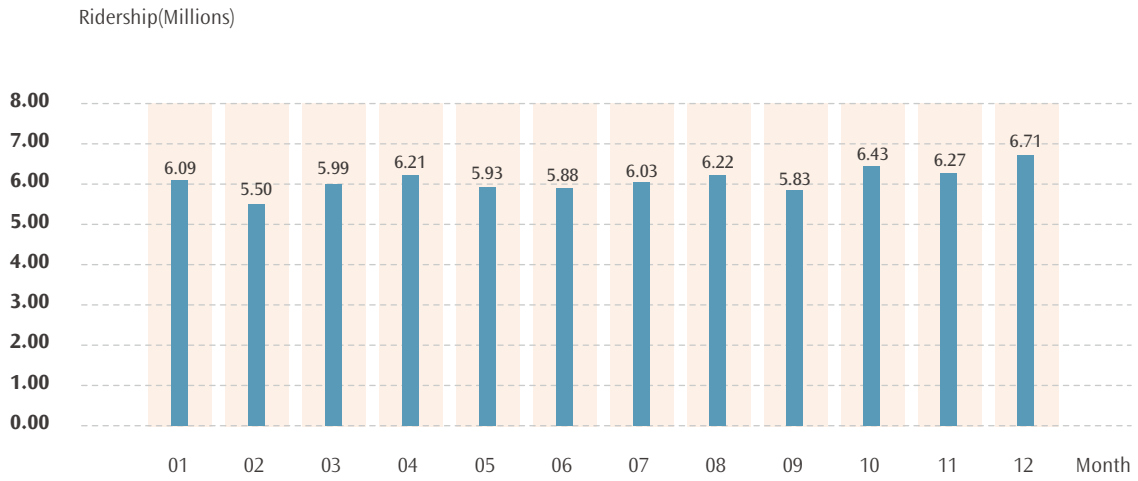
Measures of Operational Performance, 2022-2023

Item	2022	2023
1. Train Services	54,054	54,991
2. Ridership (in millions)	54.16	73.09
3. Seat-kilometers (in millions)	17,517	17,780
4. Passenger-kilometers (in millions)	9,338	12,565
5. Punctuality (as % of trains arriving within five minutes of scheduled time)	99.47%	99.58%
6. Loading factor (passenger-km/seat-km)	53.31%	70.67%

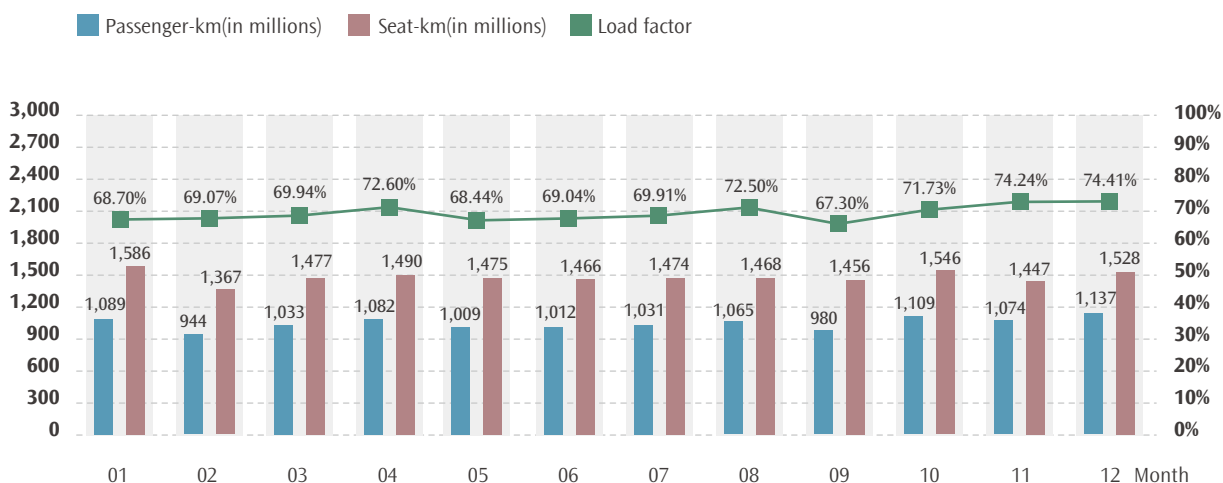
### HSR Operational Growth Index 2019~2023



### Monthly Ridership in 2023



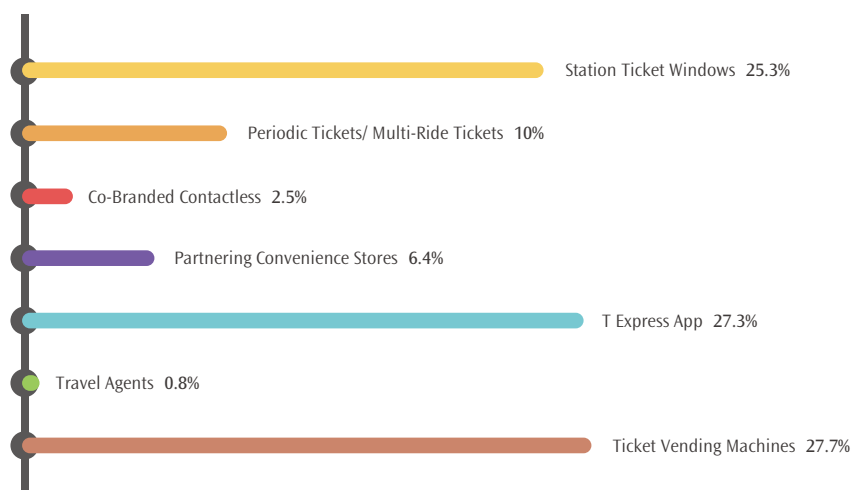
Monthly passenger kilometers, seat kilometers, and loading factor in 2023



B. Multiple booking and ticketing options

We offer a number of channels to make booking and paying for tickets easy and convenient. Passengers can choose to purchase tickets at station ticket windows, from ticket vending machines, partnering convenience stores, via our online booking website, the T Express app (which includes a chatbot booking feature and provides non-reserved ticket purchasing services), or a joint ticketing program with travel agents. Passengers can also board trains using contactless smartcards such as EasyCard co-branded credit cards and iPass co-branded credit cards.

Ticket Volume by Channel in 2023



C. Maintenance

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

- (a) Daily inspection (Level 1 inspection): every 2 days
- (b) Monthly inspection (Level 2 inspection): every 30 days or every 30,000 km

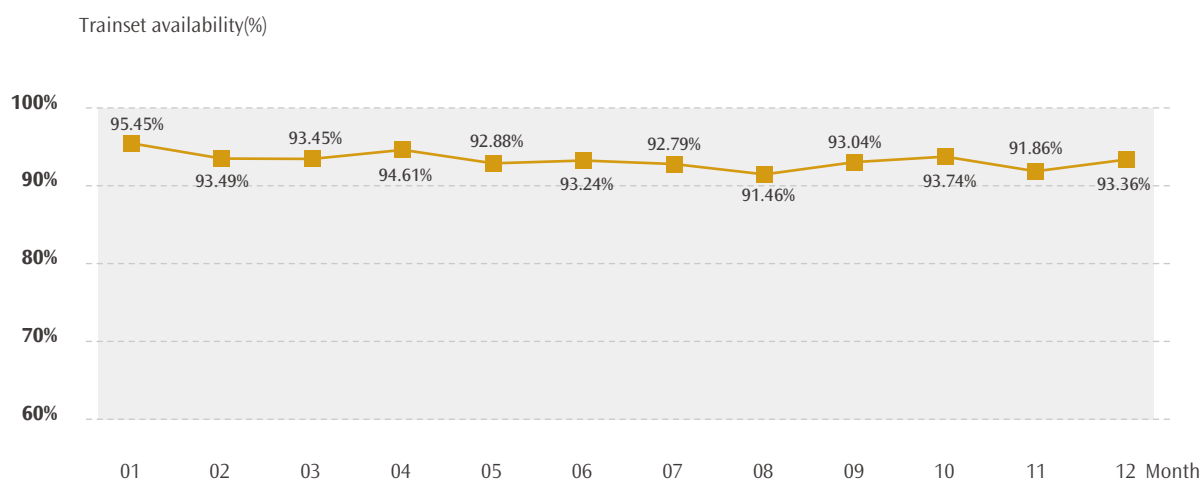


(c) Bogie inspection (Level 3 inspection): every 18 months or every 600,000 km

(d) General inspection (Level 4 inspection): every 3 years of operations or every 1,200,000 km

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

Monthly trainset availability in 2023



#### D. Operational safety

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

##### (a) Safety management system

THSRC adhered to domestic and international best practices and standards when formulating a safety management system based on risk management which encompasses 12 safety management elements used to identify, eradicate, and control potential risks stemming from HSR operations and operational personnel, thereby ensuring the continued safety and excellence of our operations, maintenance, and services. The THSRC Chairman signed a new "Safety and Hygiene Policy" on August 17, 2023 for continued implementation of safety and hygiene policies, commitment to safety management and implementation strategies, and to provide joint safety goals for all HSR personnel.

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

##### (b) Train and passenger safety

As of December 31, 2023, there have been no passenger casualties caused by railway operation accidents since THSRC commenced operations. We are constantly seeking to improve and enhance passenger services through equipment updates and strive to prevent accidents such as falls or collisions from occurring at stations or on trains due to personal carelessness.

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

### (c) Safety audits and hazard management

In order to review whether relevant operational safety implementations are consistent with announced and written procedures, the THSRC Operation Safety Office conducted 7 railway safety audits and 1 full HSR line power system backup resilience audit targeting internal operation and maintenance units in 2023. The audits covered train operation and dispatch, passenger services, facility maintenance, and disaster prevention preparation. Improvements were already made to all relevant audit findings prior to publication of audit reports.

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

### (d) HSR station security

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

There have been many malicious attacks and online threats in recent years. Criminals often use the privacy and anonymity of the Internet to spread irresponsible statements on corporate websites, online customer service platforms, and other communication platforms, which not only causes public panic, but also increases corporate operational costs. To maintain our "safe, comfortable, and punctual" corporate brand image, THSRC uses "two-factor" and "OTP" network authentication methods to block malicious interference and false information. We also provide our passengers with professional "digital customer services" and began implementing the "THSRC Network Security Mechanisms" in July 2022. We have significantly lowered the number of malicious online comments, and the Executive Yuan Office of Homeland Security and MOTC Railway Bureau have shared our implementations with other domestic transportation institutes.

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

### (e) Disaster response drills

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



firefighting, environmental protection, medical, and special external supporting units so that they can familiarize themselves with our "THSR Traffic Accident Overall Disaster Prevention and Contingency Plan" (including joint disaster relief operation procedures and response command mechanisms for various types of major disasters), develop a tacit understanding, enhance on-site rescue competencies, and work together to prepare for disaster prevention and damage control.

To instill command and response capabilities in our staff, we held a seminar for new on-site commanders and emergency engineers in 2023 which was attended by 43 participants. On December 6 and December 12, we invited external supporting units along the HSR mainline (firefighters; police; medical units; environmental protection units; North, Central, South District emergency operations centers; and EPA Toxic and Chemical Substances Bureau environmental incident specialist teams), the Executive Yuan Office of Disaster Management, Taiwan Transportation Safety Board, the Ministry of Transportation and Communications, the Railway Bureau, and other supervising units to participate in our "HSR Emergency Response Symposium." A total of 94 people participated in this event, which helped external supporting units familiarize themselves with HSR emergency response mechanisms and equipment, as well as better understand important precautions for different emergency response tasks.

To familiarize emergency personnel with emergency escape exits, emergency routes, and operational environments along the HSR line, each station invites police, firefighters, medical units, environmental protection units, other external supporting units, and emergency shuttle bus transport operators to jointly survey the 184 emergency escape exits along HSR line every six months. Surveys for 2023 were completed in May and November. During this survey, we examined the emergency routes and available parking locations and spaces for large-scale rescue vehicles (such as large cranes and trucks); this information was used as a basis for revising the emergency maps which were subsequently provided to relevant emergency support personnel at all regions along the HSR line.

In 2023, we completed 100 disaster prevention drills exercises at various stations, depots, and on the HSR mainline, as shown in the following table, including two joint drills (one drill for simulated evacuation of passengers following an explosion held on June 8, 2023 and one response drill for a major security incident and fire at Nangang Station held on September 7, 2023) and one comprehensive technical response drill held on November 29, 2023 at Yanchao Main Workshop.

Number of disaster prevention drills in 2023

Location	Station/Depot Area	Mainline Area	HQ & OMC Buildings	No-Warning Response Test	Other	Total
Frequency	80	7	5	7	1	100

THSRC conducts a number of drills each year to simulate response measures following different disasters, aiming to reduce incident impacts and improve overall disaster prevention and response capabilities. After more than three months of discussion and preparation, THSRC held a "Response drill for major security incident and fire at Nangang Station" on the evening of September 7, 2023 to simulate responses following discovery of a suspicious package. Following verification procedures which adhered to the HOT principles, the Fifth Criminal Investigation Corps was notified and arrived on scene to remove said package and cordon off the site. As part of the drill, incoming trains were informed that a fire had broken out within the station, and train personnel helped to evacuate train passengers while station personnel initiated operational changes and shuttle services. Apart from THSRC personnel, we also invited participants from the Taipei City Government Fire Department, Police Department, and Department of Health; the Criminal Investigation Corps; the Railway Police Bureau; the Railway Bureau; and integrated structural units. More than 200 people participated in this drill.



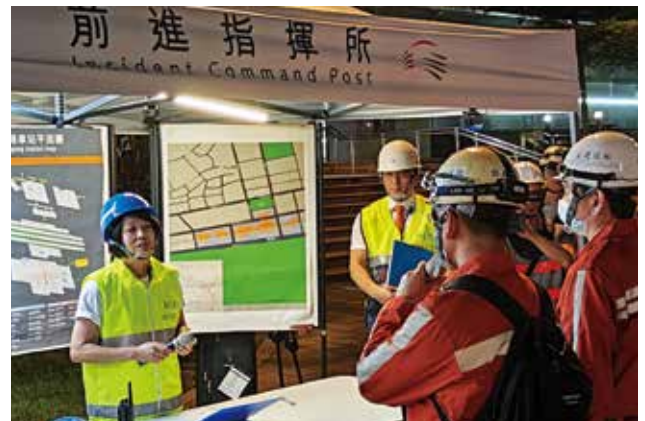
Fire brigade sends injured patients to the hospital for further treatment



On-site commander from the Ministry of Transportation and Communications takes command at the command center



The on-site commander from the Ministry of Transportation and Communications arrives at the command center; the on-site THSRC commander explains the situation and transfers command



Emergency response engineers and technical engineering teams arrive at the command center

(f) Response Preparations

Upon occurrence of disaster incidents (including natural disasters, equipment malfunctions, or man-made disasters), THSRC establishes response centers based on the severity of operational interruptions and possible impacts to coordinate and direct response procedures, deploy operations, and provide resources necessary for on-site assistance. Response center secretarial personnel undergo refresher training each year to familiarize themselves with operational procedures and equipment usage. Since official commencement of operations up to December 31, 2023, we have maintained a record of no passenger injuries caused by operational accidents.

In 2023, THSRC established a total of ten response centers for (i) Person falling onto train track at Banqiao Station on March 1, (ii) Derailment of service vehicle RW3414 at Chiayi 5552 Turnout on March 7, (iii) Abnormal signaling incident within EI control range at Nangang Station on May 5, (iv) Typhoon Mawar on May 29, (v) Typhoon Doksuri on July 25, (vi) Typhoon Khanun on August 1, (vii) Typhoon Saola on August 29, (viii) Typhoon Haikui on September 1, (ix) Chiayi earthquake on September 5, and (x) Typhoon Koinu on October 2.

- I. "Person falling onto train track at Banqiao Station on March 1" occurred as a passenger accidentally fell onto the train track from Banqiao Station platform, necessitating temporary bi-directional operations on the western line for the Taipei-Banqiao section. THSRC immediately initiated response procedures and established a first-level response center. The fire brigade and railway police were notified to commence rescue procedures, and normal operations were resumed after all operations were confirmed to be safe.

- II. "Derailment of service vehicle RW3414 at Chiayi 5552 Turnout on March 7" occurred during a maintenance period and did not affect operations. THSRC established a third-level response center and deployed maintenance personnel for on-site handling. Normal operations were resumed after completing emergency procedures.
- III. "Abnormal signaling incident within EI control range at Nangang Station on May 5" caused abnormal operations in the Nangang-Banqiao section. THSRC established a third-level response center and deployed maintenance personnel for on-site handling. Normal operations were resumed after completing emergency procedures.
- IV. "Typhoon Mawar on May 29": THSRC established a fourth-level response center based on the typhoon's scale and scope of impact; the typhoon had no impact on the operations of high-speed rail facilities.
- V. "Typhoon Doksuri on July 25": THSRC established a third-level response center based on the typhoon's scale and scope of impact; the typhoon had no impact on the operations of high-speed rail facilities.
- VI. "Typhoon Khanun on August 1": THSRC established a third-level response center based on the typhoon's scale and scope of impact; the typhoon had no impact on the operations of high-speed rail facilities.
- VII. "Typhoon Saola on August 29": THSRC established a fourth-level response center based on the typhoon's scale and scope of impact; the typhoon had no impact on the operations of high-speed rail facilities.
- VIII. "Typhoon Haikui on September 1": THSRC established a second-level response center based on the typhoon's scale and scope of impact; the typhoon had no impact on the operations of high-speed rail facilities.
- IX. "Chiayi earthquake on September 5" affected certain sections between Yunlin and Tainan. THSRC established a third-level response center immediately after the earthquake occurred and verified facility structures. Related inspections and resumption of operations were carried out according to procedure, and normal operations were resumed after post-earthquake track inspections confirmed there were no abnormalities.
- X. "Typhoon Koinu on October 2": THSRC established a second-level response center based on the typhoon's scale and scope of impact; the typhoon had no impact on the operations of high-speed rail facilities.

#### E. Safety, Operations, and Maintenance Training

We have put in place various training initiatives to ensure that our operations and maintenance staff obtain the proper competencies and knowledge.

The participation of initial or recurrent professional training courses in 2023 was as follows: 6,706 attendances for employees and external partners, who received general training on High Speed Rail Operations Regulations (HSROR); 8,458 attendances in 664 classes for controller, train, and station staff; and 10,490 attendances in 902 classes for staff responsible for maintenance of rolling stock, signaling and communications, power, overhead catenary systems (OCS), and tracks. There was a total of 1,566 training classes and 18,948 attendances.



Controller (G33) Professional Training Certification Ceremony.

## (2) Marketing Events

### 1) Plans for product events

- A. Our TGo membership program was launched in October 2017. In order to increase member retention, activity participation, and other sources of income, we not only implemented exclusive member offers, provided discount programs for designated trains, and organized bonus points promotion programs on designated dates, but also encouraged members to participate in cross-branded point exchange and affiliate programs. TGo members can redeem points for tickets, T Holiday packages, as well as various items on TGo 365, which uses a variety of marketing activities to boost membership numbers and member contributions.
- B. We continue to launch cumulative rewards activities for corporate members to encourage business travelers to resume travel via HSR and promote special discounts for designated train services to increase load factor.
- C. We also continue to provide regular promotions such as Early Bird discounts, discounted tickets for college students, credit card discounts, and Periodic/Multi-Ride tickets. Several short-term promotions were also launched to increase ridership and revenues.
- D. We continue to promote a variety of integrated T Holiday packages, hotel combo tickets, domestic travel packages, group discounts, and other promotions. We conduct rolling reviews and adjustments of promotional packages for different customer segments to increase ridership and overall revenues.

### 2) Plans for service improvement

- A. In 2023, we conducted HSR customer satisfaction surveys and special surveys on selected topics to further explore the reasons why customers were dissatisfied with specific services, as well as customer expectations and needs. All units referenced collected customer queries, feedback, satisfaction surveys, and results for surveys on special topics when reviewing and adjusting service strategies, then implemented service improvement plans for 2024, thereby achieving a virtuous cycle of continuous improvements and enhanced service quality.
- B. In response to challenges brought on by an aging society, the user interface of the ticket vending machines (TVM) at each THSR station has been fully optimized, and the font size displayed on the information page has been enlarged to make it more suitable for senior passengers since December 2023. In addition, it is expected that the T Express app interface will be optimized in 2024 to provide senior-friendly ticketing services.

## (3) Five Years in Review

This section provides a review of THSRC operations and performance for the past five years, from 2019 to 2023:

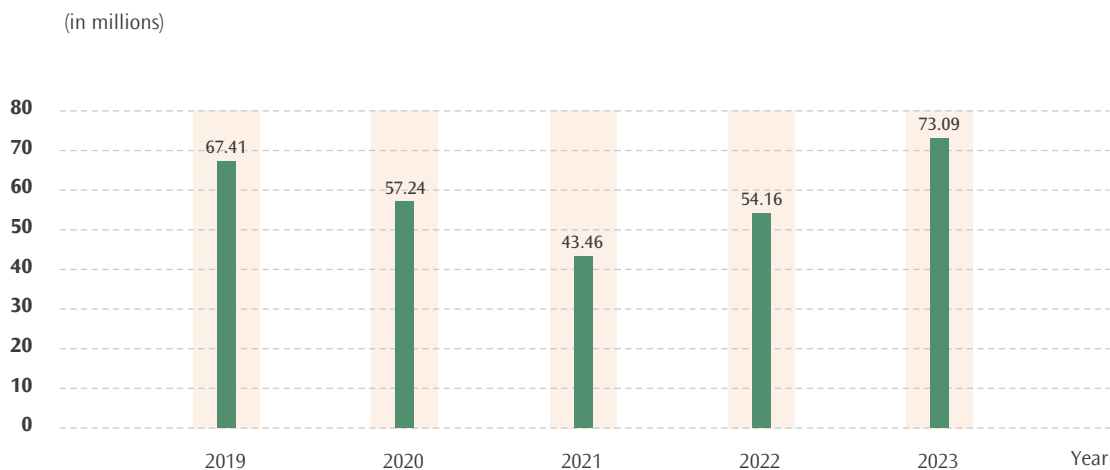
- Provided a total of 262,640 train services
- Average reliability rate: 99.99%
- Achieved a total of 51.378 billion passenger-kilometers and 85.509 billion seat-kilometers. Average loading factor: 60.08%
- Average punctuality rate: 99.54%.



Key Operating Statistics, 2019-2023

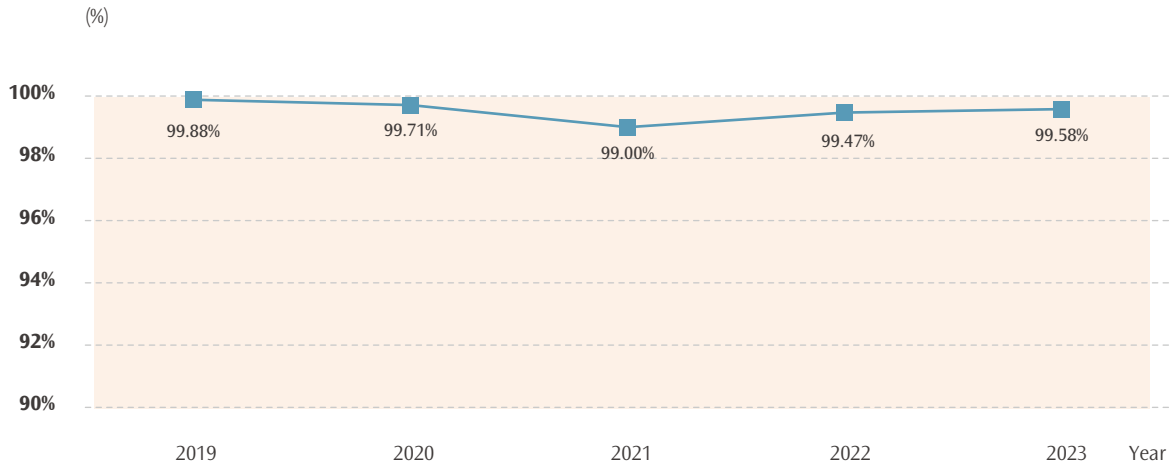
Year/Key Performance Indicator	Total Ridership (in Millions)	Train Services per Year	Loading Factor (Passenger- Km/Seat-Km)	Punctuality (as % of Trains Arriving Within Five Minutes of Scheduled Time)	Passenger-Kilometers (in Millions)	Seat-Kilometers (in Millions)
2019	67.41	53,727	68.03%	99.88%	11,994	17,630
2020	57.24	53,076	56.94%	99.71%	9,912	17,407
2021	43.46	46,792	49.88%	99.00%	7,569	15,175
2022	54.16	54,054	53.31%	99.47%	9,338	17,517
2023	73.09	54,991	70.67%	99.58%	12,565	17,780

Total Ridership, 2019-2023

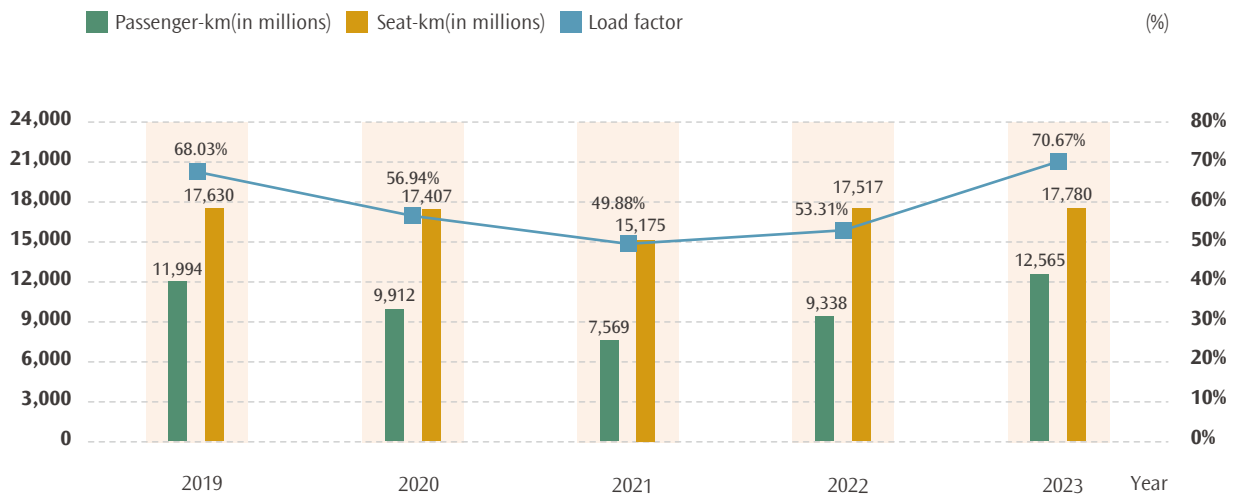


Punctuality, 2019-2023

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



Passenger-Kilometers and Seat-Kilometers for 2019-2023



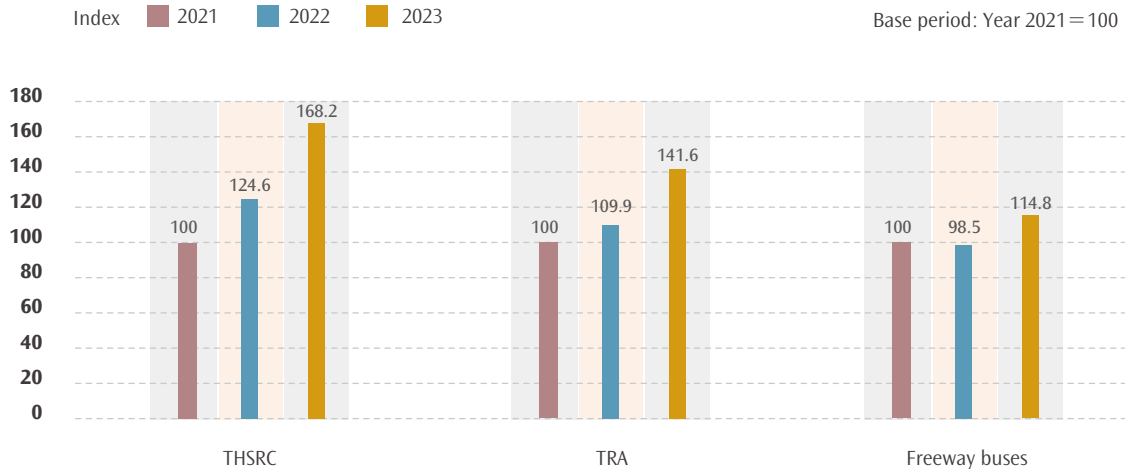
## 2. Industrial Overview & Development

### (1) Operational Overview

#### 1) Current industry conditions and development

Intercity public transit service providers in Taiwan mainly include Taiwan High Speed Rail Corp., Taiwan Railway Corp. Ltd., and freeway bus companies. Passenger volumes for THSRC and TRC are better than for freeway buses.

### Passenger index for main public transportation



In terms of intercity transportation industry environments, consumption levels have gradually returned to normal after the pandemic, and the number of outbound travelers continues to grow due to the rebound in international travel. Lifting of restrictions on international travel may cause a decline in domestic travel. In the long term, we are also faced with possible impacts to transportation volumes from low birthrates and aging populations. In order to attract more passengers, THSRC plans to enhance digital services and convenience of ticketing services, provide senior-friendly ticketing channels, and promote TGo membership services and travel products.

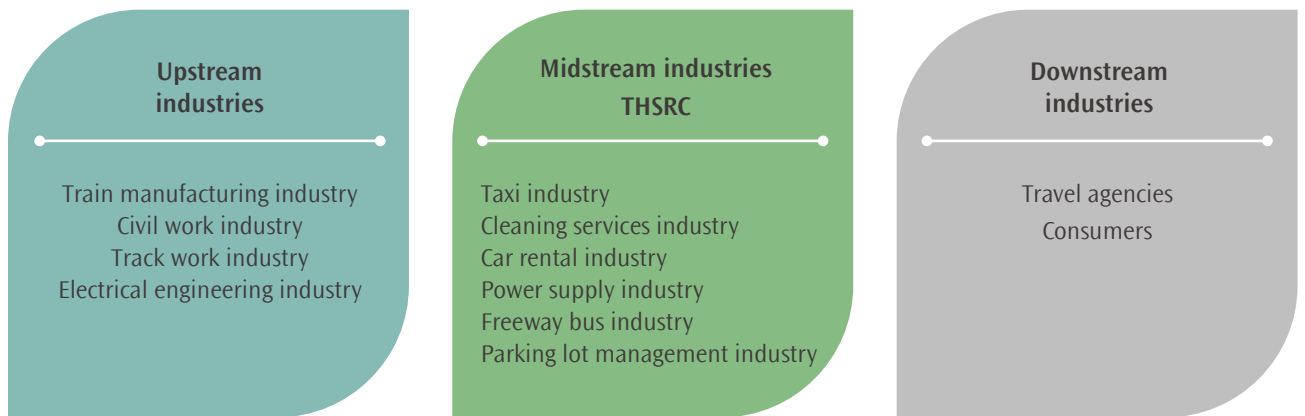
In terms of transportation industry environments, local markets have undergone a major shift since THSRC entered the transportation industry in 2007. To sustain operations, each transportation operator has had to use its strengths and opportunities to overcome its weaknesses and threats, and collaborate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

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

#### 2) Industry supply chain

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





3) Development of various products

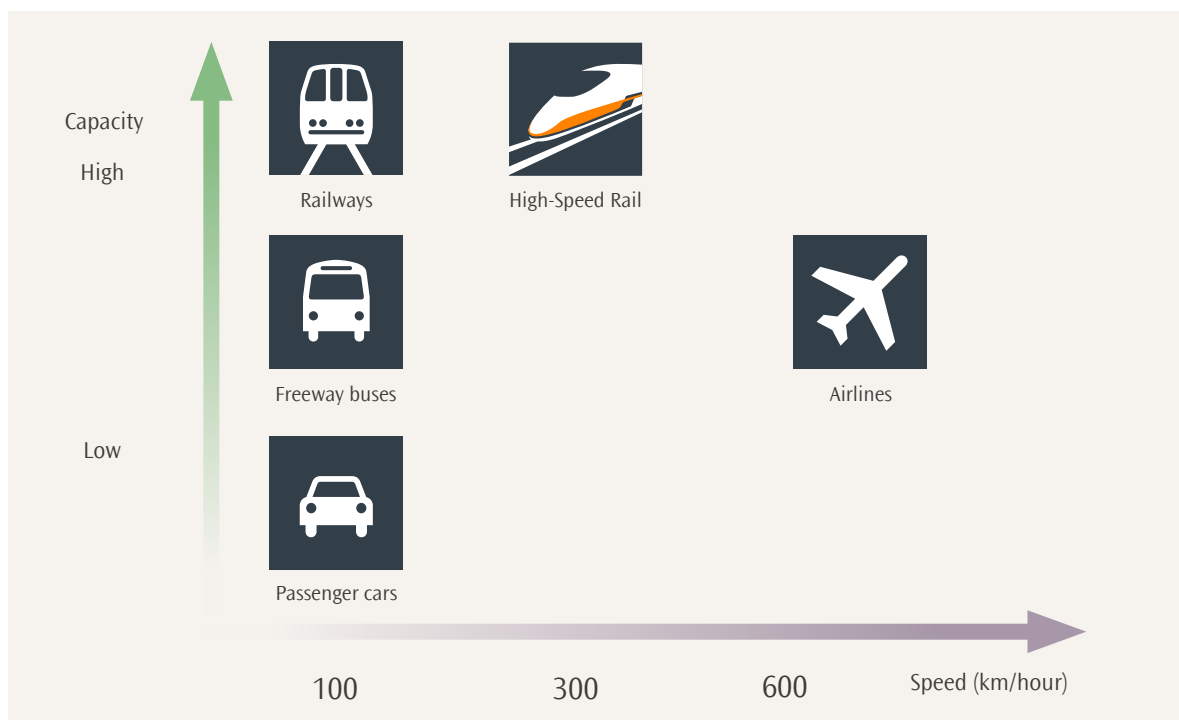
In response to growing passenger demand, clear disparities in ridership during peak and off-peak times, continued growth in elderly populations, advances in mobile and digital technologies, and to strengthen customer relationships, we have developed the following strategic plans for our products:

- A. Continue to provide varied travel packages, services, and promotions to satisfy needs of different customer segments.
- B. Differentiate promotions for peak and off-peak times to enhance overall revenue.
- C. Continue to enhance THSRC ticketing services through online-to-offline integration strategy, and expand mobile payment capabilities to increase ticket sales and convenience of ticketing services.
- D. Use gradual promotions and diversified redemption programs to recruit new TGo members and enhance TGo membership economy.

4) Competitive status

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

Market advantages of each transportation type





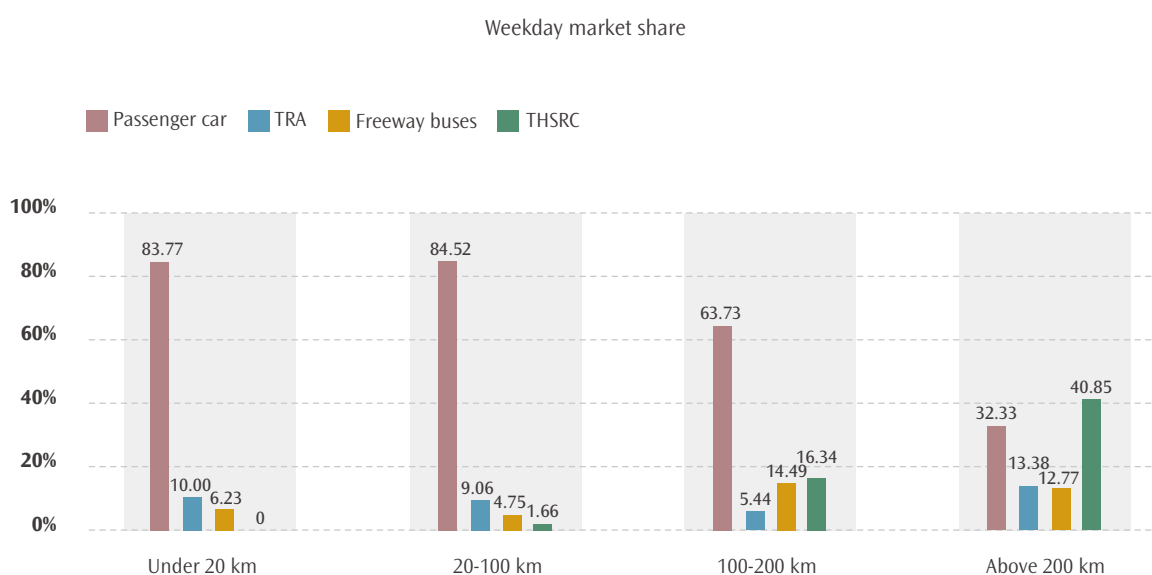
The advantages and disadvantages of the transportation along Taiwan's western corridor are analyzed in the table below:

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

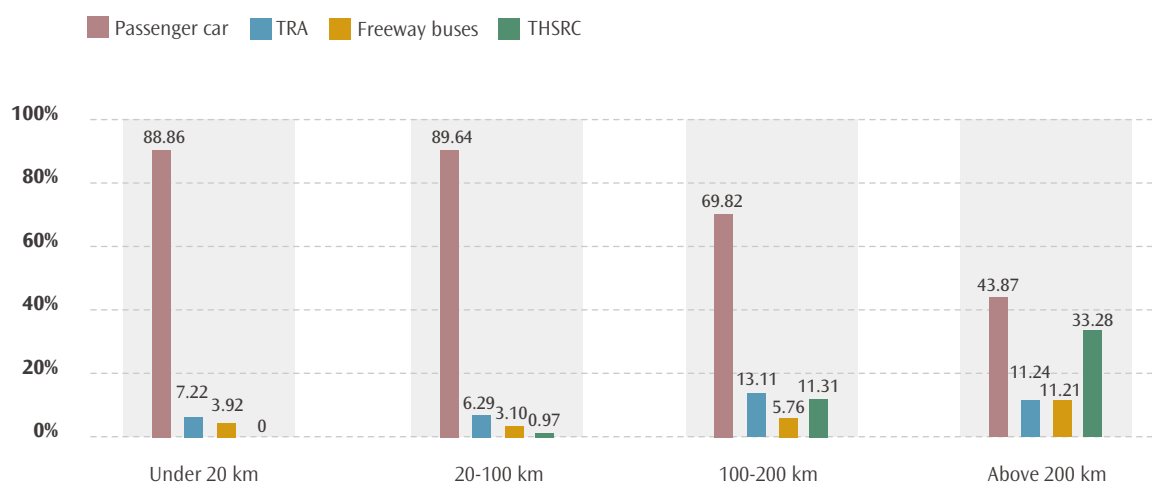
THSRC implements the following strategies in response to the advantages and disadvantages of the aforementioned competing transportation tools:

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

According to the "Observations of Inter-city Transportation Growth and Decline from 2014 to 2020 (2022)" published by the MOTC Institute of Transportation, the weekday/weekend passenger car, TRC, freeway bus, and THSRC market share for varying distances in 2019 is as shown below:



Holiday market share



## (2) Market Analysis

### 1) Market scope and market share

According to statistical data from the MOTC, average passenger volumes in 2023 for on-road public transportation was close to 5.74 million passengers (including 2.42 million intercity bus passengers, 2.3 million MRT passengers, 0.22 million freeway bus passengers, 0.6 million TRC passengers, and 0.2 million HSR passengers), an increase of 21.4% from 4.72 million passengers in 2022. After deducting passenger volumes for intercity bus and MRT systems, HSR accounted for 19.7% of passenger volumes in 2023, an increase of 1.2% compared to 18.5% of market share in 2022. In terms of private transport, an average of 15.56 million cars travel through freeway pay-as-you-go toll systems every day, an increase of 3.8% from 14.99 million in 2022.

### 2) Future demand and supply and market growth

We estimate a passenger volume target of 73.58 million in 2024 (0.7% growth compared to 2023) based on domestic and overseas economic environments, growth in THSRC capacity, and promotion of products and services.

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

The impact of the COVID-19 epidemic has gradually decreased, people's lives have returned to normal, and large-scale exhibitions and performances have resumed. The demand for travel, whether for business commutes, tourism, or home returns, is showing a recovery trend. The "one-day living circle" effect continues to thrive, and taking north- and southbound trips via the HSR has been integrated into the lives of the general public. Gradually improving living functions and the rise of large-scale commercial entertainment and leisure complexes around HSR stations have increased the number of large exhibitions and activities held around HSR stations, increasing the number of tourist passengers. The government has actively promoted the development of domestic high-tech industries in recent years, and the central and southern high-tech corridors have gradually developed and formed. In the future, major science parks and industrial parks will create employment opportunities, drive demand for business trips and commutes, and generate long-term benefits for HSR development. However, in the future, the impacts of abnormal climates and increases in asset usage times may raise equipment maintenance costs. In response to the aforementioned opportunities and barriers, we will continue to expand our membership economy and integrate smart transportation technology to strengthen travel information services and enhance security and efficiency of response measures. We will also continue to build autonomous maintenance capabilities and develop localized materials to establish a foundation for sustainable operations.

#### (4) Main Purpose of Products and Production Process

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

#### (5) Main Supply Conditions for Raw Materials

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

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

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

We provide high speed rail services for passengers and are not a manufacturing business. Our operating costs primarily include depreciation and amortization expenses, personnel expenses, power expenses, and costs of materials and maintenance. Consequently, there are no reportable major customers and vendors.

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

#### (7) Production in the Last Two Years

	Seat-Kilometers (Million)	Passenger-Kilometers (Million)	Loading Factor (%)	Total Ridership (Thousand)
2022	17,517	9,338	53.31%	54,162
2023	17,780	12,565	70.67%	73,087

#### (8) Sales in the Last Two Years

Sales/ Year	2022			2023		
	Quantity (Million Passenger-Kilometers)	Amount (NT\$ Thousands)	Rate (%)	Quantity (Million Passenger-Kilometers)	Amount (NT\$ Thousands)	Rate (%)
Railroad Transportation	9,338	35,640,556	95.98%	12,565	48,074,881	96.51%
Goods	—	121,227	0.33%	—	206,632	0.42%
Rental & Others	—	1,371,450	3.69%	—	1,530,510	3.07%
Total	9,338	37,133,233	100.00%	12,565	49,812,023	100.00%

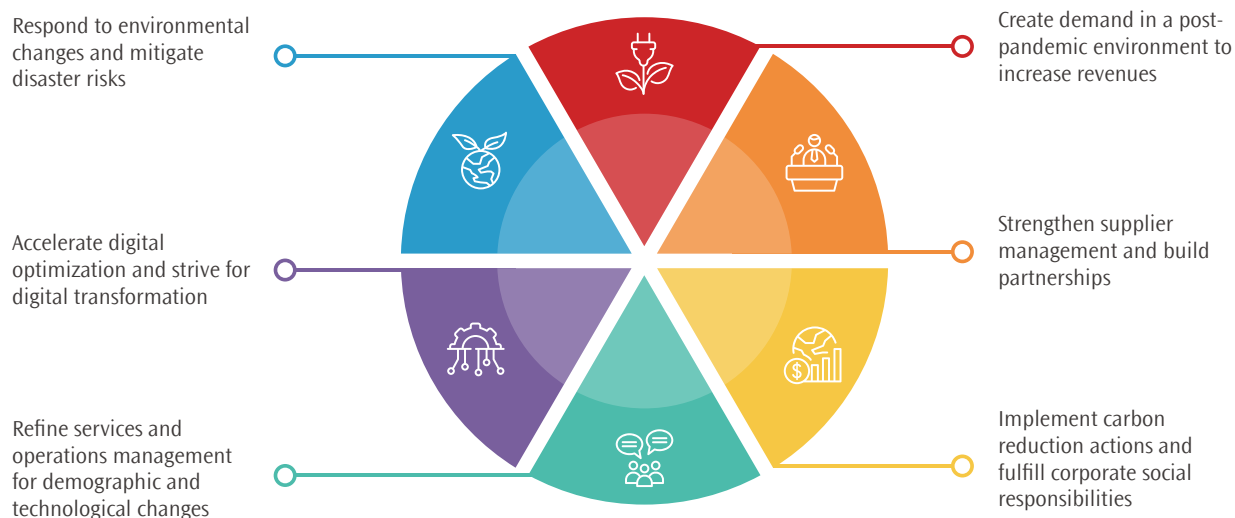
### 3. Analysis of Macroeconomic Environments

According to domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 28, 2023, real private consumption for the year is expected to grow by 8.36% due to improvements in labor markets, wage increases, and continued growth in international travel volumes, which will in turn raise overseas consumption expenditures. Salary adjustments for servicemen and civil servants, as well as increases in minimum wages, are expected to drive corporate wage adjustments and raise household income levels. These factors coupled with emerging technologies are likely to raise consumption capacities and willingness to consume, so real private consumption is expected to grow by 2.88%. In terms of the consumer price index (CPI), international raw material prices have fallen due to sluggish demand, offsetting cost pressures from the depreciation of the NT Dollar. However, successive typhoons and heavy rains in the second half of 2023 raised food prices, and recreation and rent expenditures have continued to increase. Therefore, CPI for 2023 is expected to rise by 2.46%. Rising cost pressures for services continue to be present in 2024, so CPI is expected to rise by 1.64%. Despite these changes in our external economic environments, we will continue to dynamically respond to market changes and formulate suitable operational strategies to achieve our business targets.

## 4. Long- and Short-Term Business Development Plans

### (1) Short-Term Business Development Plans

In 2024, we will implement ESG actions and strengthen our corporate governance in accordance with our corporate vision, "To be the platform for advancement and enjoyment," providing safe, excellent, and innovative passenger services as we continue to work towards a better life in Taiwan. We formulated the following strategic projects that adhere to our "six major strategies":



Main pillars of THSRC 4T strategy and implementation items

#### 1. Transportation

We continue to improve operational safety and actively respond to transportation impacts caused by climate change by establishing warning systems. We optimized our tangible and intangible assets related to passenger services in response to passenger needs and competition from autonomous cars to enhance our competitiveness and passenger comfort. Main implementation items include:

- (1) Reinforce tunnel entrances and slopes along the HSR line, formulate slope grading mechanisms, and conduct professional slope inspection, investigation, and improvement projects in response to extreme climate threats.
- (2) Assess safety impacts of the Chekualin Fault on bridge structures, implement design and improvement projects, and use drones to inspect civil structures and survey disaster sites to strengthen disaster resilience and warning capabilities.
- (3) Improve and optimize service facilities at HSR stations and on trains, including train toilets, station lactation rooms, station waiting seats, station restrooms, train cushions, and curtains.
- (4) Procure new generation rolling stock and construct second rolling stock inspection plant at Zuoying maintenance depot to enhance HSR competitiveness.
- (5) Plan installation of station platform gates, upgrade Passenger Information System, increase passenger service elevators, and optimize transportation service equipment.
- (6) Establish and promote T-MaaS (Transportation Mobility as a Service) services to enhance passenger convenience and user experiences.

## 2. Technology

We strive to innovate, enhance our technological capabilities, utilize new technologies, and promote smart transportation as we continue to enhance our operations, services, safety, and decision-making efficiency and quality while using big data and digital tools to optimize customer experiences and provide better convenience. Main implementation items include:

- (1) Develop Advanced Open Reservation System (AORS).
- (2) Install new generation AFCS cloud-based equipment at HSR stations as well as paperless and digital multi-ride, periodic ticket, and e-coupon systems.
- (3) Integrate mobile payment functions on train trolleys.
- (4) Expand data transmission systems (DTS) and fiber optic cable (FOC) systems to optimize information management as well as management of tangible and intangible resources relating to passenger services.
- (5) Establish HSR public and hybrid clouds, and use cloud solutions to achieve a zero-outage information architecture for THSRC.

## 3. Taiwan

We continue to work with local enterprises and institutes to promote economic growth. Main implementation items include:

- (1) Promote localization of rail industries, including OCS maintenance vehicles, and foster development capabilities of local rail industries.
- (2) Promote local cultural events and domestic travel.
- (3) Reduce plastic packaging for on-train products such as bottled water and wet wipes, and promote green procurement, including for magnetic tickets, paper cups, and straws, to achieve sustainable development and fulfill corporate social responsibilities.
- (4) Continue to revitalize affiliated businesses while strengthening collaboration with local brands and social enterprises.

## 4. Touch

We continue to cultivate talent to enhance employee development, establish management mechanisms for sustainable supply chains, and promote various energy-saving measures to generate positive environmental benefits. Main implementation items include:

- (1) Expand space for Southern District Operations Section, redesign uniforms, formulate manpower adjustment plans for aging employees, and impart the professional experiences of senior employees to create a friendly workplace.
- (2) Maintain a talent pool of potential upper management talents and implement capability development programs for key personnel to enhance employee competitiveness and value.
- (3) Promote management of sustainable supply chains and collaborate with suppliers to jointly create social and environmental value.
- (4) Establish charging equipment for electric vehicles in station parking lots, install solar power generation equipment, and replace station elevators to enhance energy efficiency.
- (5) Issue green bonds to enhance environmental competitiveness.

## (2) Long-Term Business Development Plans

1) THSRC strategic plans for 2023~2027 are as follows:

Our corporate vision adheres to our 4T program of Transportation, Technology, Taiwan and Touch, and our business plans are as follows:

### Transportation

- A. Introduce technology that strengthens disaster resilience and early warning capabilities.
- B. Inspect disaster prevention and response mechanisms in response to threats posed by extreme weather.
- C. Optimize tangible and intangible assets related to passenger services in response to passenger needs.
- D. Enhance HSR competitiveness in response to competition from smart vehicles.
- E. Assure passenger confidence.
- F. Assist passengers in returning to physical interactions and normal life.

### Technology

- A. Optimize digital information management.
- B. Optimize digital maintenance management.
- C. Optimize digital operation management.
- D. Optimize digital marketing.

### Taiwan

- A. Promote domestic travel by building connections with local cultures and activities.
- B. Review business models and marketing strategies of affiliated business services.
- C. Promote procurement to realize sustainable development and fulfill corporate social responsibilities.

### Touch

- A. Promote talent cultivation and build a friendly workplace.
- B. Improve management mechanisms and enhance organizational efficiency.
- C. Strengthen and promote supply chain management.
- D. Transform energy structures and improve energy efficiency.
- E. Reduce carbon emissions and enhance green competitiveness.

## 5. Important Contracts

Contract	Contracting Party	Signing Date	Summary	Restrictive Covenants
Taiwan North-South High Speed Rail Construction and Operation Contract	Ministry of Transportation and Communications	1998/07/23	35-year high-speed rail Build- Operate-Transfer (BOT) contract from Taipei (Xizhi) to Kaohsiung (Zuoying) with Ministry of Transportation and Communications, and Union Passenger Terminal contracts with Taiwan Railway Administration and Mass Rapid Transit.	THSRC assets and equipment obtained for the construction and operation of the high-speed rail cannot be transferred, leased or reallocated without approval from the Ministry of Transportation and Communications
Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement	Ministry of Transportation and Communications and Bank of Taiwan	2010/01/08	In order to protect the rights of the financing institutions, this agreement was signed in accordance with the provisions of the Taiwan North-South High Speed Rail Construction and Operation Agreement	The Syndicated Loan Agreement contains certain restrictions on the Corporation's assets and equipment quality and changes
Taiwan North-South High Speed Rail Construction and Operation Project NT\$382 Billion Syndicated Loan Agreement	8 syndicated loan banks, including Bank of Taiwan	2010/01/08	In order to reduce the financial risks of the Corporation, the leading bank was appointed to form a bank syndicate to provide a syndicated loan of no more than NT\$382 billion. The lending banks shall provide credit to the Corporation within the scope of their individual credit lines in accordance with the provisions of the Syndicated Loan Agreement	The Syndicated Loan Agreement contains certain restrictions on the Corporation's assets and equipment quality, as well as increases in debt and principal interest coverage
Construction of HSR Changhua Station No. S260	Joint contract between TECO Corporation and Century Development Corporation	2013/01/08	Construction of HSR Changhua Station	Confidentiality
Modification of THSRC AFCS Software System and Maintenance Contract No. M7-17-007	IBM Co.	2017/06/12	AFCS software system maintenance	Confidentiality
Supply and Manufacturing of Maintenance Vehicles No. E5-18-003	China Steel Co.	2018/08/10	Manufacturing and supply of Maintenance Vehicles	Confidentiality
Bogie Running Tester Manufacture and Supply Contract No. L1-18-039	Industrial Technology Research Institute (ITRI)	2019/03/29	Manufacture and supply of bogie running testers which help THSRC technicians in judging conditions of bogies during operations and in early detection of potential hazard factors.	Confidentiality
Upgrade of TCS and Related Subsystems Package 3 FTC-OCC: ARS/ TD Contract No. E231	Taiwan Hitachi Asia Pacific Co., Ltd.	2019/04/23	Upgrades to Taiwan High Speed Rail OCC traffic control system main computer, including software porting and modification and hardware upgrades.	Confidentiality
Manufacturing and Supply of Three Diesel Shunters Contract No. E2-18-022	Taiwan Rolling Stock, Co., Ltd. (TRS)	2019/07/03	Manufacturing and supply of three diesel shunters	Confidentiality
Credit Card Payment Service for Passenger Tickets (2022~2027) No. O1-19-017	Taishin International Commercial Bank Co., Ltd.	2020/03/26	Credit card payment service for passenger tickets	Confidentiality
Establishment of Automated Construction Equipment for Yanchao Main Workshop Paint Shop No. T2-20-009	Industrial Technology Research Institute (ITRI)	2021/01/26	Establishment of automated construction equipment for Yanchao Main Workshop paint shop	Confidentiality

Contract	Contracting Party	Signing Date	Summary	Restrictive Covenants
Research and Development of Traction Power Substation ATP6 Controlled Electrical Stage No. E4-20-005	InfoChamp Systems Corporation	2021/03/02	Phase 1 procurement of core CRP equipment and related subsystems	Confidentiality
THSRC AFCS Software System Upgrade and Maintenance Contract (2017-2027) No. M7-17-007	Kyndryl Taiwan Corporation	2021/10/14	Transfer of maintenance service agreement to upgrade the host computer of the automated ticketing system. (IBM Co. transferred the contract to Kyndryl Taiwan Corporation)	Confidentiality
Data Transmission System (DTS) & Fiber Optic Cable (FOC) System Extension Project No. PCDL-22-0043	Chunghwa Telecom Corporation	2022/08/03	Data transmission system (DTS) & fiber optic cable (FOC) system extension project	Confidentiality
Procurement Contract for New Generation Train Sets No. E321/E322	Hitachi Toshiba Supreme Consortium, HTSC	2023/05/18	Procurement of 12 new generation train sets (144 cars)	Confidentiality
Insurance Advisor Contract	Marsh Ltd., Taiwan Branch	2023/10/06	Insurance advisory services for MOIP	Confidentiality
Civil Engineering Construction Contract for Second Vehicle Inspection and Repair Shop at Zuoying Depot No. PCDL-23-0114	Formosa Builders, Inc.	2023/12/01	Civil engineering construction contract for second vehicle inspection and repair shop at Zuoying Depot	Confidentiality
Phase 3 Lease for Office and Parking Spaces at Nangang Software Park No. PCDD-23-1292/1293	Century Development Corporation	2023/12/08	Phase 3 lease for office and parking spaces at Nangang Software Park	Confidentiality
Insurance Contracts	<ul style="list-style-type: none"> <li>• Fubon Insurance Company Ltd.;</li> <li>• ShinKong Insurance Company Ltd.;</li> <li>• Cathay Century Insurance Company Ltd.;</li> <li>• Chung Kuo Insurance Company Ltd.;</li> <li>• Taiwan Fire &amp; Marine Insurance Company Ltd.;</li> <li>• Tokio Marine Nawa Insurance Company Ltd.;</li> <li>• Mingtai Insurance Company Ltd.</li> </ul>	2023/12/20	Master Operational Insurance Program (MOIP)	Confidentiality



## 6. Status of Technological Research and Development

Research and development for 2023 were as follows:

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Communication System Research & Development	Innovation and Development of Intelligent Passenger Information System (PIS)	To strengthen provision of real-time information by our Passenger Information System (PIS) for efficient operational management and to lower our dependence on foreign R&D capabilities, we conducted our own R&D and used innovative technological products to build a PIS. Phase one updated and upgraded control software and servers. Phase two updated and upgraded display units (PIDS) in lobbies and on platforms. Phase three added new platform display units near carriage doors for stations north of Taichung (included). Phase four added new platform display units near carriage doors for stations south of Taichung. Phases five and six will update and upgrade PIS systems and add platform display units at four new stations.	Improved passenger experience and operational management; new technologies and products enabled better service quality.	(1) Phases one and two were initiated on December 27, 2018. R&D was completed in 2019 and construction commenced in 2020. All PIS/PIDS installations were completed and officially commenced operations in October 2022. (2) Phases three and four were initiated on December 11, 2019, and PIS upgrades for all 8 stations were completed in October 2022. (3) Equipment upgrades for all 12 stations will be completed in 2026.
	Increase Bandwidth of Free Station and Train Wi-Fi Services to 10Mbps	(1) Increased bandwidth of free passenger Wi-Fi services at all stations and on trains (SSID: THSR_ free Wi-Fi_ALL) to at least 10Mbps in 2022. (2) Set up remote monitoring of Wi-Fi system equipment at all stations and on trains to enable remote automatic reconfiguration and real-time troubleshooting; troubleshooting personnel can be dispatched quickly and precisely in the event of reconfiguration failure.	(1) Improved the quality of free passenger Wi-Fi services. (2) Remote monitoring of station and train Wi-Fi equipment enabled remote automatic reconfiguration and real-time troubleshooting, improving system reliability. (3) Enabled precise and rapid dispatching of maintenance personnel for smart repair services.	(1) Free Wi-Fi services for all stations and on trains. (2) Established 277 Wi-Fi equipment sets, 281 antennae, and 418 train hotspots to enable Wi-Fi services.
	Digitalization of TETRA Main Radio System (MSO) and Network IP Upgrade	To improve wireless communication quality between our Operation Control Center, train drivers, station personnel, train personnel, and maintenance personnel, and for night maintenance and construction work, our original TETRA wireless communication system, which was fully reliant on a system developed by Japanese companies, was replaced with a self-developed and upgraded wireless radio system. During the first phase of the project, a Taiwanese company implemented system host upgrades in accordance with THSRC requirements, while the original Japanese company acted as a contractor, allowing us to achieve initial localization goals. The localization rate for the entire project was set at no less than 18%.	(1) Improved Operation Control Center wireless communication quality by integrating new digital technologies, new products, and IP network technologies to provide better and safer system services. (2) Achieved initial localization goals and a localization rate of at least 18%. (3) The overall stability and reliability of our wireless communication system was improved by a stable and reliable new-generation TETRA MSO system with no issues related to discontinuation of production and maintenance support.	(1) The TETRA Operation Control Center MSO system upgrading project encompassed equipment upgrades for signal & communication rooms (SCR), depot control rooms (DCR), and Station Control Room (SCER) in our OMC/OCC, training classrooms, stations, and maintenance depots. (2) Project timeline: Review of functional specifications for the project commenced in August 2020 and design/production/installation, function testing, and switching operations took place from 2021~2022. (3) The new system went live on August 29, 2022 as scheduled and has since passed three-month system stability verifications.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
	(DTS_FOC) Data Transmission System and Fiber Optic Cable (FOC) System Expansions	<p>(1) The systems and equipment at our OCC, as well as all depots, stations, signaling, and electrical rooms, use the DTS_FOC to transmit various operational and control signals.</p> <p>(2) Our DTS_FOC data transmission system has been in operation for more than 15 years and is now faced with discontinuation of system maintenance materials and increased maintenance costs, limiting its expansion capacity. We therefore examined the requirements and technologies needed for a new-generation data transmission system.</p> <p>(3) Digital transformation has become a global trend following rapid advances in digital technologies. Expansions and upgrades of the new system are required to support the operational needs of the next 15 years and facilitate future maintenance and application of IoT, big data, and AI for smart rail transportation.</p> <p>(4) Following analysis of the aforementioned factors, we implemented a new-generation Multiprotocol Label Switching (MPLS) system and established infrastructure to facilitate big data analysis, AI, and IoT applications.</p> <p>(5) To avoid affecting the operations of our current system, our expanded DTS_FOC system currently co-exists alongside our original SDH system and we are gradually transferring data transmission services for all HSR subsystems.</p>	<p>(1) The new system will facilitate installation of new-generation smart monitoring systems, smart security systems, multimedia information, and smart electrical equipment to meet transmission bandwidth and traffic needs.</p> <p>(2) Reduce operational risks while achieving system expansion and upgrading.</p> <p>(3) Facilitate gradual upgrades, expansions, and integration with data transmission systems in accordance with transmission bandwidth needs for each subsystem.</p>	<p>(1) Project construction scope and content: Planned expansions based on MPLS technology architecture. An additional 102 machine rooms, 193 emergency escape points, and 790 km of 96-core optical fiber will be installed. The system architecture will be based around the CTE core switching system, which will be connected to ATE access points, synchronous clock systems, network management systems, and optical fiber monitoring systems.</p> <p>(2) Construction commenced on September 20, 2022 and is scheduled to continue for three years, with a three-year maintenance warranty.</p>

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Signaling System Research & Development	Improvement, Innovation, and R&D of PLC Switch Controls	The Corporation independently developed a "PLC turnout controller" which was 100% independently researched and developed, and is the first turnout controller in the world with integrated programmable logic control technologies. This controller significantly reduces the probability of relay damage and enhances maintenance efficiency. In order to provide proper protections for this independently developed controller, we obtained a utility model patent in June 2023 and an invention patent was granted by the Taiwan Intellectual Property Office in March 2024.	Decrease relay numbers and strengthen reliability of existing turnout controllers, reducing impacts on customer service caused by turnout failures.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment was confirmed to be reliable. We extended this project by awarding a five-year contract (E4-20-003 "Turnout Controller Replacement Project") at the end of 2020 to replace 142 sets of turnout controllers across the entire HSR line. All installations are scheduled to be completed in 2025.
	R&D on Railway Intelligent Turnout Monitoring System (TMS)	THSRC independently developed a localized first-generation "TMS turnout monitoring system." Through digital transformation, THSRC re-designed and developed an intelligent TMS turnout monitoring system. Apart from the original monitoring functions, this new system has expanded capabilities related to big data analysis, prediction reports, advance warning, real-time display, and historical analysis reports, enabling preventive maintenance and adjustments prior to turnout failure, significantly increasing system reliability and facilitating rapid repairs. Our TMS utility model patent was granted by the Taiwan Intellectual Property Office in January 2024.	Analysis of data fluctuations from sensors on the turnout system can be used to provide predictions for maintenance and adjustment needs in advance of potential abnormalities, preventing turnouts from breaking down during service hours.	Used locally developed data acquisition board (DAB) Moxa hardware as a basis for redesigning an intelligent TMS to replace all existing turnout VAE TMS along the HSR line. We commenced a project to replace the TMS at 82 locations in April 2021. The project is scheduled to be completed in 2025.
	Alternative Localized Parts for Switch Machine	Development of alternative parts.	Reduction of maintenance costs	Under development
	Development of Switch Machine Durability Testing Machine	Development and testing of alternative parts.	Improve reliability and safety of developed alternative materials.	Completed and currently in use.
	Programmable Signal Generator for Wind Velocity, Rainfall, and Water Level Sensors	Collaborated with a local university to jointly develop functional sensors for disaster warning systems.	Reduce maintenance costs.	Under development
	Verification and Certification of Switch Machine Contact Assembly	Collaborated with a local university to conduct verification and certification processes.	Improve maintenance quality and operational safety.	Under development

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Electronic Service Center (ESC)	Test Bench for Train Public Address Control Unit	Independently developed testing system for train public address control unit to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	Test Bench for Digital Slave Clock Lighting System	Independently developed test bench for digital slave clock lighting system to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	Test Bench for Train Internal Information Display (IID)	Independently developed test bench for train internal information display (IID) to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	Test Bench for Disaster Information Transmitter (DIT)	Independently developed test bench for disaster information transmitter (DIT) to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	Test Bench for Buzzer Panel	Independently developed test bench for buzzer panel to ensure repair quality.	Lower development costs and establish independent development capabilities.	Completed and currently in use.
	Test Bench for Train Control Unit Power Module	Independently developed test bench for train control unit power module to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	Test Bench for Passenger Emergency Communication Intercom System	Independently developed test bench for passenger emergency communication intercom system to lower development costs.	Lower development costs and establish independent development capabilities.	Completed and currently in use.
	Test Bench for Train Vending Machine Power Supply	Independently developed test bench for train vending machine power supply to ensure repair quality.	Lower development costs and establish independent development capabilities.	Completed and currently in use.
	Test Bench for Switch Machine Fuse Unit	Independently developed test bench for switch machine fuse unit to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	SMR (Switching Mode Rectifier)-PMC (Plant Monitoring Control) Power System Alarm Bridge	Independently developed SMR (Switching Mode Rectifier)-PMC (Plant Monitoring Control) power system alarm bridge to lower development costs.	Lower development costs and establish independent development capabilities.	Completed and currently in use.
	Auxiliary Test Bench for Helmet Headlight LED Welding Tool	Independently developed auxiliary test bench for helmet headlight LED welding tool to ensure repair quality.	Lower development costs and establish independent development capabilities.	Completed and currently in use.
	Test Bench for Train BIDS (Bogie Instability Detection System) Sensor	Independently developed test bench for train BIDS (Bogie Instability Detection System) sensor to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	Wind Velocity Simulator	Independently developed wind velocity simulator to lower development costs.	Lower development costs and establish independent development capabilities.	Completed and currently in use.
	DWS (Disaster Warning System) Receiver Simulator	Independently developed DWS (Disaster Warning System) receiver simulator to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
	Test Bench for Train Radio I/O Junction Box	Independently developed test bench for train radio I/O junction box to lower development costs.	Lower development costs and establish independent development capabilities.	Completed and currently in use.
	Test Bench for River and Slope Surveillance CCTV Camera Systems	Independently developed test bench for river and slope surveillance CCTV camera systems to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
	Test Bench for Turnout Control Cabinet (TCC) Simulator and Control Equipment	Independently developed test bench for turnout control cabinet (TCC) simulator and control equipment to ensure repair quality.	Maintain system functions while reducing maintenance costs.	Completed and currently in use.
Rolling Stock System	Train Cab CCTV System (Dashcam)	Installed train cab dashcams on the first and twelfth carriages of all trainsets.	Complies with the regulations of the Railway Act and the Railway Traffic Rules, and enhances operational safety.	Completed installations on 34 trainsets in December 2023.
	Train Toilet Space & Improvement	Upgraded train toilet equipment, FRP wall trim, and toilet floors.	Improve system functions and quality of passenger services.	Completed analysis of improvement plans and signed construction contract in 2023.
	Development of Train Public Address (PA) System Components	Commissioned National Kaohsiung University of Science and Technology to develop components.	Maintain system functions while reducing maintenance costs.	Completed prototype development and currently procuring materials for mass production.
	Train Carriage Curtains	Commissioned local manufacturer to develop materials.	Lower maintenance costs and improve quality of passenger services.	Completed prototype development and currently procuring materials for mass production.
	Train Seat Cushions and Seat Cover Fabrics	Commissioned local manufacturer to develop materials.	Lower maintenance costs and improve quality of passenger services.	Completed prototype development and currently procuring materials for mass production.
Track & Power System	Localization of OCS Maintenance Vehicles	Purchased 8 MV type vehicles and 2 sets of CS vehicles (4 vehicles).	Improve repair efficiency and personnel safety.	4 MV vehicles were delivered to THSRC in 2023.
	Development of THSRC SCADA Simulation System	Commissioned a local university to conduct research.	Improve repair efficiency and reduce response times in emergencies.	Final report was completed and submitted in 2023, and the completed system was demonstrated at the final report meeting.
	Development of Track Structure Gauge Optical Measurement Equipment	Commissioned ITRI to conduct localized development in consideration of the usage periods of current equipment and to reduce reliance on foreign procurement and original factory calibrations.	Reduce maintenance costs and improve maintenance efficiency.	Completed testing and final verification of MS3 finished product in 2023 (including testing of corrected prototype).
	Development of OCS Composite Insulator Information Management System and Aged Equipment Analysis	Currently being researched and investigated by local university.	Establish maintenance data management and analysis platform, and provide recommendations for maintenance strategies.	Completed verification of MS1 insulator sampling plan report in 2023.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
	Development of OCS Measurement Data Management and Trend Analysis System	Currently being researched and investigated by local university.	Integrate maintenance data to build predictions of maintenance trends.	Completed verification of MS2 explanation of testing data, requirement interviews, and confirmations in 2023, and submitted a development plan for a wear trend prediction method.
	Development of Track Area Monthly Schedule Coordination System (TASCS)	Currently being developed by consulting firm	Optimize digitalization of maintenance management.	Contract initiated in 2023 and currently implementing the "requirement interview and system design" phase.
	Maintenance Vehicle Simulation Training Equipment	In development at NCSIST	Improve management systems and organizational efficiency.	Completed requirement interviews and submission of MS1 documents in 2023.
Power System R&D	Traction Power Substation Controlled Electric Stage R&D Project	The system has been in operation for more than 15 years and is now faced with discontinuation of system maintenance materials. This project will develop local control and protection CRP to strengthen HSR train traction power systems so that trains can operate with stable power supplies, and we will also develop computerized local control systems to replace current panel control models.	<ul style="list-style-type: none"> <li>(1) The new system will improve the stability of power control systems.</li> <li>(2) Gradually achieve localization goals.</li> <li>(3) Lower CRP upgrading costs.</li> <li>(4) Reduce need for maintenance parts.</li> </ul>	In development.
System Research & Development	New Generation Network Architecture Design and Implementation Project	Replaced AFCS core network equipment and built a dual-device architecture to improve the stability and availability of ticketing services. The main tasks of the project included new network architecture implementation, replacement of old equipment, new firewall implementation, and improvement of network monitoring mechanisms. The project was initiated in April 2021 and completed in December 2023.	<ul style="list-style-type: none"> <li>(1) Constructed a new network architecture to support virtualization, micro-services, and cloud network architectures for new IT systems.</li> <li>(2) Replaced old equipment, built a high-availability network architecture, and improved data transmission efficiency.</li> <li>(3) Introduced an advanced firewall to provide an application-layer security mechanism between systems, with a flexible framework for information security.</li> <li>(4) Improved network management monitoring to enable better network visibility and management for independent maintenance and management, and improved network management personnel skills to strengthen their abilities to deliver micro services and cloud services.</li> </ul>	The project was initiated in April 2021 and completed in December 2023, including construction of the information center computer room, power system layout, monitoring station reconstruction, and station ticketing network equipment replacement.

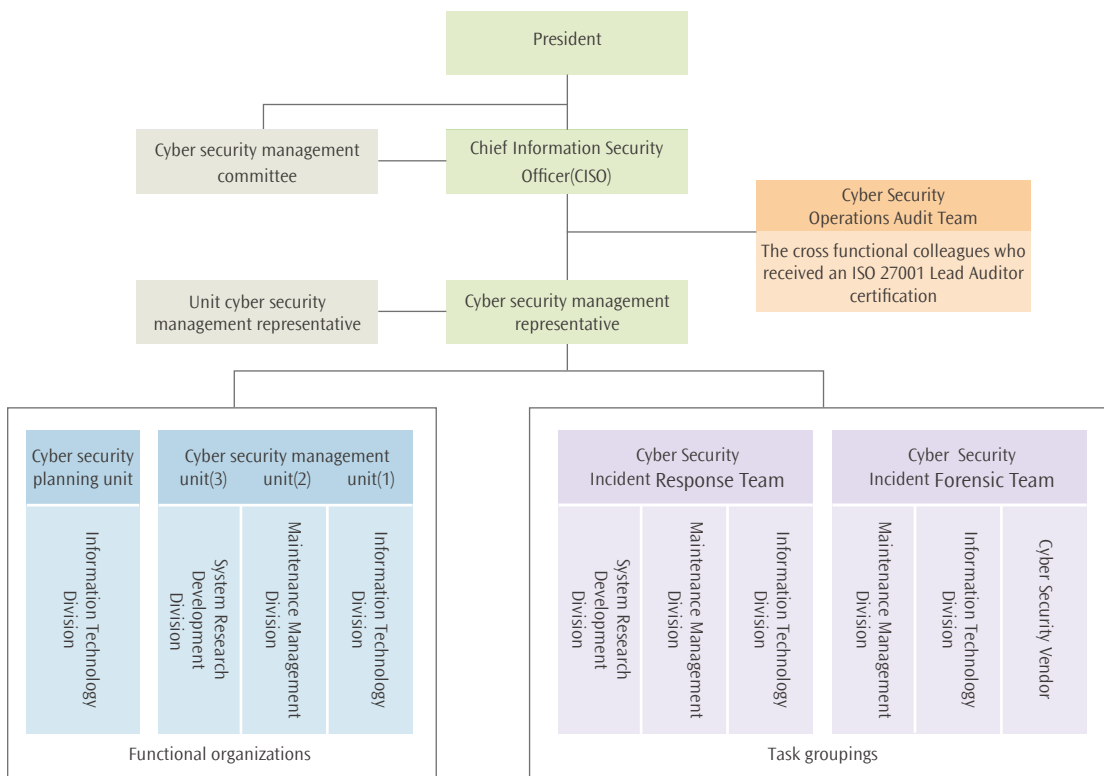
Category	R&D project	R&D project content	Benefits of R&D	R&D results
	Advanced Open Reservation System Phase II Transfer of Core Functions for Business Strategy Management (BSM) Module	The core module of ticket reservation services will be transferred from the current mainframe system to a private cloud open platform micro-service architecture. An open system architecture with flexible expansion will be constructed to enable independent maintenance and operational capabilities in the future. The main tasks of this project include construction of infrastructure, the BSM module, and core functions of the Advanced Open Reservation System (AORS). The project was initiated in September 2021 and is scheduled to be completed and live in September 2025.	<ol style="list-style-type: none"> <li>(1) Transfer core functions of reservation services from the current mainframe to a private cloud open platform micro-service architecture.</li> <li>(2) Enable flexible adjustment of system operating capacity according to transaction volumes.</li> <li>(3) Enable autonomy of system maintenance and operations.</li> </ol>	Version 1.5 of the BSM module went live in October 2023. Subsequent service items include (1) BSM Version 2.0 and (2) core function transfer, both of which are planned to go live in September 2025. The project is currently progressing as planned.
	Enabled Sales of Non-Reserved Tickets on T Express	Integrated station Beacons with T Express to enable sales of non-reserved seats in station areas. The project was initiated in January 2022 and went live in July 2023.	<ol style="list-style-type: none"> <li>(1) Enabled sales of non-reserved seats on T Express, lifting sales restrictions on non-reserved seats.</li> <li>(2) We estimate that the number of non-reserved seats purchased through T Express will reach 30% of all non-reserved seats by 2027.</li> <li>(3) Reduced printing needs for at least 1.2 million magnetic tickets in the year of service launch, thereby achieving our digital and paperless strategy.</li> <li>(4) Reduced passenger waiting times at station ticket windows by at least 40,000 hours each year and reduced station attendant workloads.</li> </ol>	The project was initiated in January 2022 and went live in July 2023.
	Precision Marketing on Digital Data Integration Platform	Integrated member, travel, and website tracking data to develop customer clustering and product preference prediction models, and evaluated performance based on actual marketing activities. The project was initiated in October 2021 and customer clustering and product preference model implementation was completed by the end of December 2022. A total of 4 precision marketing activities based on these models were conducted in October 2023.	<ol style="list-style-type: none"> <li>(1) Increased member retention rates and reduced churn rates.</li> <li>(2) Triggered customer demand and increased sales performance.</li> <li>(3) Matched customer product preference scores with appropriate marketing activities to achieve precise customer management.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Completed development of tourism management and sales analysis reports in June 2022 to enable better understanding of travel product sales performance and provide information for planning marketing strategies.</li> <li>(2) Member clustering and product preference prediction models were utilized to organize 4 marketing activities in 2023.</li> </ol>
	Malware Scan Kiosk	Malware Scan Kiosks were designed and developed to ensure that any external files and storage media could be used safely by Corporation information equipment. The project was initiated in June 2021 and completed in March 2023.	<ol style="list-style-type: none"> <li>(1) The Information Technology Division developed Malware Scan Kiosks to strengthen security mechanisms for external files and storage media.</li> <li>(2) Ensured security of external files received by our colleagues.</li> </ol>	A total of 17 external file inspection hosts and 84 external file inspection workstations were deployed to all regions (including office areas, depots and stations) in March 2023.
	Continuous Integration Continuous Delivery (CI/CD)	Automatic deployment and verification of computer programs, including Jira delivery, OS patch update, and extension of CI/CD. The project was initiated in September 2022 and went live in July 2023.	Completed second phase of automated process and tool integration to shorten information security patch update windows, improve project management efficiency, and increase accuracy of system maintenance troubleshooting.	The project was initiated in September 2022 and went live in July 2023.

## 7. Information and Communication Security Management

### (1) Management measures relating to information security implemented in 2023 were as follows:

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

- A. The head of the Information Technology Division acts as the CISO and the chairman of Information Security Management Committee meetings. Regular meetings are held every 6 months to assess information security developments and strategies, ensuring that information security management systems can continue to operate in a stable manner. The committee also reports periodically to the Board regarding information security implementation results.
- B. Each office and department unit assigns at least one information security representative, and the head of the System Operation Department under the Information Technology Division acts as the Corporation's information security management representative. These representatives convened "Information Security Representative Meetings" once every quarter in 2023 to report information security plans under development and implementation results, and to promote relevant information security policies and implementation highlights.
- C. Relevant information security management reports and implementation results were submitted to the 2nd meeting of the 10th Board of Directors on June 6, 2023.
- D. Information Security Management Structure

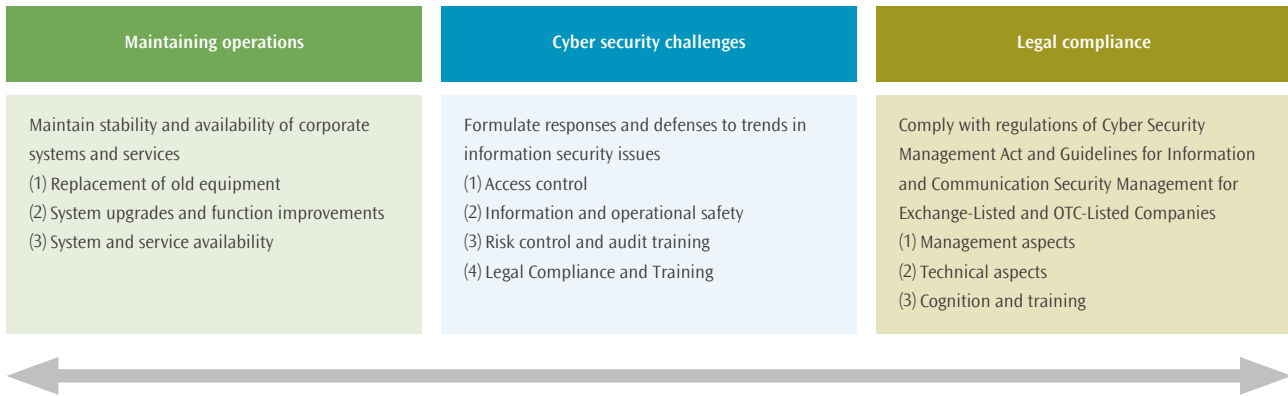




2) Information Security Policies: The Corporation periodically assesses information security policies every year. Following approval from the Chairman on May 22, 2023, these policies were published on our corporate website.

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

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



B. In 2023, the Corporation took out electronics equipment insurance policies for operational assets relating to maintenance of information systems and network equipment; security monitoring measures and access control were also implemented to prevent incidents of theft and malicious destruction.

C. To implement defense-in-depth strategies, the Corporation deploys multi-layered information security protection on information services such as network, personal computers, servers, and data protection to prevent malignant cyber-attacks or hacking. However, the Corporation can neither claim nor guarantee total invincibility against cyber-attacks such as APT (Advanced Persistent Threat) attacks, DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks, and information theft that could result in disruption to information service systems. We have established a Security Operation Center (SOC); leveraged a Security Information and Event Management (SIEM) platform; integrated proactive defense mechanisms such as network threat protections and Endpoint Detection and Response (EDR); and set up Security, Orchestration, Automation, and Response (SOAR) mechanisms for collaborative defense, enhancing real-time identification and rapid analysis capabilities against potential threats. The Corporation is also considering taking on cyber-insurance as additional backing. After considering all issues relating to insurance scope, claim scope for damages, identification of damages, and qualification of identification institutes, the Corporation currently responds to current information security challenges through annual external and internal audits, internal control systems, information security regulation reviews, and information security implementation procedure reviews. The following strategies have been adopted:

☑ Continued annual review of trends in information environments and technical information in accordance with our corporate information security policies, and establish protective measures and solutions.

☑ Implement annual security checks, information and communication security health checks, and social engineering and information breach scenario exercises to strengthen employee awareness of information security crises and response capabilities to efficiently prevent threats, detect breaches, and halt proliferation at the first instance.

☑ To strengthen employee awareness of information security crises and response capabilities, information security training for all employees are conducted quarterly, as well as monthly social engineering and routine information breach scenario exercises.

☑ Establish cyber security incident notification and response protocols for incident notifications to all related agencies to facilitate creation of incident response teams, assessments of incident impact scope, damage control, and post-incident investigation. Implementation of protocol minimizes impacts on THSRC service coverage and service times, and prioritizes passenger rights.

D. The Corporation passed the annual check for the ISO27001 information security management system in October 2023 following re-verification by BSI. Our current ISO27001 certificate is valid from December 28, 2023 to October 31, 2025.

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

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

### (1) Foreword

Pursuant to Article 37-2 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Item 2.27 of the "Corporate Governance Evaluation Indicators," the Corporation began developing annual intellectual property management plans linked to our operational strategies starting from 2020. We formulate comprehensive asset management plans based on five dimensions (establishment of policy objectives, establishment of management systems, provision and maintenance of resources, assessment of risk and opportunities, and formulation of continuous improvement mechanisms) to ensure that our management systems not only effectively respond to internal and external opportunities and risks, but also fully protect and utilize our research and development achievements, reduce operating costs and damages, and enhance our corporate competitiveness. Our intellectual property management plans and implementation results are regularly reported to the Board of Directors each year.

### (2) Intellectual Property Management Plan for 2023

The Corporation's 2023 Intellectual Property Management Plan was reported to the 32nd meeting of the 9th Board on November 2, 2022, and is summarized below:

#### 1) Intellectual Property Management Policy

In accordance with the core strategies of the Corporation's five-year medium to long-term plan for 2023 to 2027, we set the 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our corporate strategy and objectives, and used the "Technology" and "Taiwan" pillars to formulate our intellectual property management policies.

#### 2) Intellectual Property Management Objectives

The Corporation developed the following two intellectual property management objectives based on the two aforementioned management pillars.

- A. Ensure effective implementation of the Corporation's intellectual property management plan;
- B. Maintain validity of Taiwan Intellectual Property Management System (TIPS) Level A qualification.

#### 3) Potential Intellectual Property Risks and Countermeasures

In order to ensure effective achievement of intellectual property management goals, we identified the following internal and external issues and potential risks and opportunities related to intellectual property management according to our operating conditions, and formulated various response measures and an intellectual property management system to serve as a basis for future implementation.

Stakeholders	External/Internal Issues	Risks or Opportunities	Countermeasures
Employees	<ul style="list-style-type: none"> <li>- Intellectual property ownership</li> <li>- Confidentiality requirements</li> <li>- Talent cultivation and training</li> <li>- Intellectual property application assistance</li> <li>- Intellectual property consultation and communication</li> </ul>	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- Independent R&amp;D</li> <li>- Patent/trademark application</li> </ul> <p><u>Risks</u></p> <ul style="list-style-type: none"> <li>- Non-compliance with management systems</li> <li>- Non-compliance of corporate confidentiality requirements</li> </ul>	<ul style="list-style-type: none"> <li>- Reward improvement proposals</li> <li>- Regular training</li> <li>- Enhanced consultation and communication</li> </ul>

Stakeholders	External/Internal Issues	Risks or Opportunities	Countermeasures
Investors (shareholder)	<ul style="list-style-type: none"> <li>- Corporate governance</li> <li>- Legal compliance</li> <li>- Information transparency</li> </ul>	<u>Opportunities</u> <ul style="list-style-type: none"> <li>- Provide investors with necessary information</li> <li>- Maintain market image and investor relations</li> </ul> <u>Risks</u> <ul style="list-style-type: none"> <li>- Difficulty in raising capital</li> </ul>	<ul style="list-style-type: none"> <li>- Regular publication of achievements (via our corporate website, annual reports, or sustainability reports)</li> <li>- Investor conferences</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Marketing strategy</li> <li>- Comprehensive management system for intellectual properties</li> <li>- Intellectual property ownership</li> <li>- Confidentiality protection</li> </ul>	<u>Opportunities</u> <ul style="list-style-type: none"> <li>- Reduce costs through joint development</li> <li>- Reduce procurement costs</li> </ul> <u>Risks</u> <ul style="list-style-type: none"> <li>- Ownership disputes over developed properties</li> <li>- Third party infringement claims</li> </ul>	<ul style="list-style-type: none"> <li>- Improve intellectual property contract terms and review mechanisms</li> <li>- Intellectual property evaluation</li> </ul>
Competent authority	<ul style="list-style-type: none"> <li>- Legal compliance</li> <li>- Compliance with government policies (localization of rail industry)</li> </ul>	<u>Opportunities</u> <ul style="list-style-type: none"> <li>- Preferential industrial policies</li> <li>- Tax benefits</li> </ul> <u>Risks</u> <ul style="list-style-type: none"> <li>- Changes in industrial policies or regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Visits and exchanges</li> <li>- Annual operational inspections</li> <li>- Regular review of regulatory changes and responses</li> </ul>

#### 4) Identify and Provide the Necessary Resources to Ensure Implementation and Maintenance of Intellectual Property Management Systems

##### A. Expenses invested in research and development projects

In 2023, the Corporation approved a budget of approximately NT\$1,649,000 for intellectual property management related expenses, including trademark and patent applications, maintenance fees, law firm research fees, and education and training fees.

##### B. Manpower allocations for intellectual property management

The Corporation's legal office employs 4 people responsible for implementing intellectual property management related matters. In addition, relevant business units have assigned a total of 14 employees familiar with business operations to serve as intellectual property representatives, monitor implementations of annual intellectual property management plans through quarterly intellectual property representative meetings, and report annual implementation results to the Board.

#### 5) Formulate Continuous Improvement Mechanisms

A. The Legal Office convenes quarterly intellectual property representative meetings to review implementations of annual intellectual property plans for continued improvement.

B. The Legal Office formulates annual intellectual property audit plans, which are implemented in accordance with the "Management System Internal Audit Regulation"; implementations are reported at management review meetings.

C. The Legal Office tracks corrections and improvements implemented by relevant units for suggestions provided by external verification units.

D. The Legal Office reports annual plan implementations for the current year and intellectual property plans for the following year to the Board of Directors each year.

### (3) Implementation Status of 2023 Intellectual Property Management Plan

Implementation results for the Corporation's 2023 Intellectual Property Management Plan were reported at the 7th meeting of the 10th Board of Directors on November 8, 2023 and are summarized below:

#### 1) Ensure effective implementation of the Corporation's intellectual property management plan

##### A. Development and innovation

(a) A total of 14 R&D projects were implemented and completed.

(b) Implementation of improvement proposals (as of November 30, 2023)

A total of 967 improvement proposals were submitted in 2023; implemented improvements saved NT\$8,778,307 and approximately 18,829 man-hours.

B. Protection and maintenance

(a) Training related to intellectual property

- I. In 2023, 3 employees participated in TIPS level A training courses hosted by the Institute for Information Industry and successfully became qualified self-assessors.
- II. Hosted "Intellectual Property Management" training targeting Corporation employees through our internal online learning system. A total of 4,706 employees completed the training (completion rate 98.4%) and passed relevant tests.

(b) Intellectual property inventory results (as of December 31, 2023)

- I. Patents: A total of 62 patents (including 24 invention patents and 38 utility model patents)
  - ※ New patents: In 2023, we obtained 1 invention patent (test device for rail vehicle bogie test bench) and 1 utility model patent (switch machine control chassis).
  - ※ Pending patents: 3 patents (track switch control system, train track signal transmission device, and a turnout monitoring system).
- II. Trademarks: A total of 168 trademarks.
  - ※ New trademarks: None.
  - ※ Pending trademarks: None.

(c) Optimization of intellectual property management standards

I. Strengthen preparatory work for R&D

A new "R&D Assessment Form" was established for pre-R&D assessments, serving as the first line of defense for R&D to avoid wasted resources, maximize R&D efficiency, identify R&D risks as early as possible, and facilitate adoption of management measures.

II. Optimize personnel management

We designed a "Pre-employment intellectual property rights survey for new employees" for employees to sign, which clarified the intellectual property rights belonging to the Corporation and to employees, thereby avoiding disputes and reducing the time spent on information collection.

III Established new R&D record format

We designed a new "R&D record format" for R&D personnel to efficiently preserve R&D information and evidence, thereby avoiding losses due to personnel changes and reducing excessive time spent on subsequent data collection.

C. Value-added applications

In 2023, we gained the following income through utilization of intellectual properties:

- (a) Licensing revenues for trademarked products (trademark licensing for train model series): NT\$1,560,029.
- (b) Licensing revenues for co-branded products: NT\$1,595,316.
- (c) Other licensing revenues (videos and print media): NT\$139,000.

2) Maintain validity of TIPS level A qualification

In 2021, we began implementing the Taiwan Intellectual Property Management System for verification of patents and trademarks and obtained TIPS Level A verification (effective until December 31, 2022). In order to maintain the validity of this qualification, we reapplied and successfully passed TIPS Level A verification in September 2022. This qualification is now valid until December 31, 2024.

3) Implementation of a continuous improvement mechanism

- A. Internal audits were conducted in 2023 and no non-compliances were found.
- B. The 3 minor non-conformities discovered during the TIPS external verification conducted in 2022 have all been improved in 2022.
- C. In summary, the Corporation's intellectual property management system does not currently require any major corrections.



# 7

## Value Propositions





## Environmental

### 1. Establishing A Sustainable Environment

In order to implement comprehensive environmental protection throughout the Construction to Operation stages, THSRC has constantly promoted multiple aspects of environmental care (including the establishment of an environmental management system, formulation of environmental policies, establishment of an environmental management organization, and evaluation of related goals and implementation strategies). We encourage environmental actions such as environmental management, energy reduction, waste reduction, green construction, ecological conservation, environmental education, and green procurement, and we strive to adapt to the impacts of climate change. Furthermore, in 2019, we established an Environmental Management Committee, which is responsible for supervising the implementation and periodic review of environmental objectives, as well as communicating matters associated with our environmental management system. Our environmental management system obtained ISO14001:2015 verification in 2020 and passed re-verification in 2023 (certificate valid from September 24, 2023 to September 24, 2026), making us the first rail company in Taiwan to obtain this verification.

#### (1) Green Buildings

THSRC strives to integrate the four pillars of "ecology, energy saving, waste reduction, and health" with the nine indicators of green buildings while building new sustainable green buildings that can become potential landmarks. HSR Miaoli, Changhua, and Yunlin stations were designed in accordance with the "Green Chapter of the Building Construction Regulations" and the "Green Building Evaluation Manual"; these stations received Green Building Candidate Certificates in 2013. Green designs were implemented during construction and we applied for Green Building Certificates in 2016 after construction was completed. Miaoli station applied for 7 indicators and was awarded a Diamond level certificate from the Ministry of the Interior (MOI). Changhua and Yunlin stations applied for 6 indicators and both stations were awarded a Gold level certificate from the MOI. Green Building Certificates are valid for 5 years, and we extended the validity of our certificates for 5 years in 2021.



#### (2) Energy Saving and Carbon Reduction

##### 1) Energy Management

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

 Energy Management	Indicator	Annual average electricity conservation rate per passenger served		
	Target		>0.86%	
Evaluation item		2021	2022	2023
Total electricity consumption (10 MWh)		9,089.537	9,141.130	9,138.384
Average electricity consumption per passenger served (kWh)		2.091	1.688	1.250
Electricity savings (million joules) (Note)		18,977.7910	-1,857.3228	98.8607

Note: Decreases in electricity savings are denoted using "positive" values and increases are denoted using "negative" values.

## 2) High-Speed Rail Carbon Footprint

In 2020, we petitioned the Environmental Protection Agency to extend the 5-year validity period of our "Carbon Footprint Label Certificate of High Speed Rail Transportation Services" from December 17, 2020 to December 16, 2025 and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32 g CO<sub>2</sub>e per passenger per kilometer (per passenger-kilometer), and we received another "Carbon Footprint Reduction Label" (Certificate label No. R2014910001) due to our achievement of reducing carbon emissions by more than 3% (4.92%) within 3 years. Additionally, we received the 2021 Low Carbon Product Award and NT\$100,000 in prize money from the Executive Yuan Environmental Protection Agency on November 4, 2021. The "footprint" logo on the back of our tickets clearly informs HSR passengers that carbon emissions per person per kilometer are 0.032 kg CO<sub>2</sub>e. A comparison with other transportation vehicles indicates that this emission level is one-third that of cars, one-half of buses, and one-eighth of national airlines. In 2023, THSRC's total passenger traffic volumes amounted to 12,564 million passenger-kilometers, and carbon emissions amounted to 1,042,859 tons, lower than that of small vehicles with similar passenger-transport volumes. This reduction level is equivalent to the carbon absorption level of 2,681 Daan Forest Parks.



## 3) CO<sub>2</sub> or Other Greenhouse Gas Emissions

We continue to promote our four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage), and have set a power-saving target to reduce "average electricity consumption per passenger" by at least 0.86% each year. We further established the indicator "carbon emissions per Passenger-Kilometer" for the purpose of quantifying carbon emissions generated by overall energy consumption. We plan to reduce carbon emissions by more than 1.5% each year. In 2023, the Corporation's greenhouse gas emissions amounted to 317,679.09 tons CO<sub>2</sub>e, with 99% coming from purchased electricity. We voluntarily conducted greenhouse gas (GHG) inventories for our 12 stations in 2016~2021 and obtained an ISO14064-1 Verification Opinion Statement issued by a third party. In 2023, we conducted Corporation-wide greenhouse gas inventories and verifications for 2022, which encompassed 12 stations, 5 maintenance depots, THSRC headquarters, THSR Operation Management Center, and the HSR line (including train electricity consumption and line equipment), and obtained an ISO 14064-1:2018 Verification Opinion Statement in September 2023. Relevant verification information for the past three years are as follows:


Year	Scope 1: Direct greenhouse gas emissions (the source of emissions from the usage of diesel, gasoline and refrigerant) (CO <sub>2</sub> e)	Scope 2: Indirect greenhouse gas emissions from energy purchased and consumed (the source of emissions from the purchased electricity) (CO <sub>2</sub> e)	Verification Unit
2020	1,481.5537	45,947.4916	SGS Taiwan Ltd..
2021	503.9087	43,397.6933	SGS Taiwan Ltd..
2022	6310.5185	315,316.1664	SGS Taiwan Ltd..

Note: Inventories for 2020-2021 encompassed 12 stations; inventories for 2022 encompassed 12 stations, 5 maintenance depots, THSRC headquarters, THSR Operation Management Center, and the HSR line (including train electricity consumption and line equipment).



### Carbon-reducing efficiency of electronic documentation system:

- Signing rate for documents in the electronic documentation exchange system was more than 99%.
- In 2023, we used 49,620 electronic documents, saving 595,440 pieces of paper, conserving 71 trees, and reducing 852 kg of carbon emissions.

 Greenhouse Gas Management	Indicator	Annual average carbon reduction rate per passenger-kilometer		
	Target	>1.5%		
	Evaluation item	2021	2022	2023
Total emissions (tons CO <sub>2</sub> e) (Note)	285,609.55	316,942.85	317,679.09	
Average carbon dioxide emissions per passenger-kilometer (g CO <sub>2</sub> /passenger-kilometer)	37.735	33.941	25.284	

Note: The total greenhouse gas emissions listed in this table are estimated amounts based on the Corporation's total electricity, gasoline, and diesel consumption for the year, and do not include emissions from refrigerants and carbon dioxide fire extinguishers. The electricity carbon emission factors used referenced the coefficient values for the previous year.

### (3) Adaptation to Climate Change Impact


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

In 2023-2026, we plan to adopt the following adaptive actions in response to climate change impacts:

- (1) Update and upgrade slope safety monitoring systems
- (2) Reinforce protections for tunnel entrances and steep vegetated slopes along the HSR line
- (3) Risk assessment and protection design for scoured cross-river bridges.

### (4) Water Resources Management

We implemented water conservation, water reduction, and water recycling as our water resources management policy, and set an annual water-saving goal to reduce at least 3.42% of "water consumption per passenger." We established sewage treatment plants at each maintenance depot and station, and test and report regularly on the quality of discharged water every month to ensure that it meets standards for discharged water and can be recycled for irrigation. We also track the implementation status of water-saving measures through quarterly review meetings to check water usage volumes, analyze reasons for increments or decrements in water consumption, and promote water saving measures to reduce our water usage. Additionally, our water supply is completely sourced from tap water and uses no groundwater. The Corporation's total tap water consumption was 714,514 m<sup>3</sup> (including water consumption for all depots and stations) in 2023. Recovered rainwater and waste water is used for plant irrigation to reduce tap water usage. At depots, rainwater and discharged waste water is first discharged to a retention pond prior to usage. The station buildings at Miaoli, Changhua, and Yunlin stations are specially equipped with underground water storage tanks to store rainwater and waste water for reuse.

 Water Resource Management	Indicator	Annual average water conservation rate per passenger served		
	Target	>3.42%		
	Evaluation item	2021	2022	2023
Total water consumption (cubic meter)	590,363	648,901	709,144	
Average water consumption per passenger served (cubic meter)	0.0136	0.0120	0.0097	



## (5) Air Pollution Prevention and Control

THSRC operations produce no air pollutants, apart from those generated by train repairs at our Yanchao Main Workshop, where we have set up facilities for air pollution control, including pulse-jet bag filters, activated carbon filters, and catalyst incinerators, which help to treat the dust and volatile organic compounds (VOCs) generated from painting cars. We obtained a permit for stationary pollution source installations on October 19, 2017 and an operation permit on January 31, 2019. We file periodic reports with the Environmental Protection Administration in accordance with the "Regulations for Declaring Fixed Pollutant Emissions from Public and Private Places."

## (6) Waste Management

Our waste management policy promotes the concepts of recovery and recycling, reduces waste at the source, and strengthens waste separation and recycling. Most waste generated from our operations, including passenger waste, is general industrial waste which we entrust to qualified disposal companies for transport to incinerators. Furthermore, we promote waste recycling (including waste paper, waste plastic, scrap iron, waste wood, scrap copper, aluminum scrap, waste lighting sources, waste lead storage batteries, and waste glass containers) at depots and stations, which has effectively reduced our waste volume. Our total waste disposal volume was 7,322.23 tons in 2023, including 2,191.88 tons of recycled waste.

## (7) Noise Prevention and Control

Our noise prevention and control targets comply with government regulations and commitments set out in THSR EIA Reports, and we have responded effectively to noise complaints from local residents. We have established a dedicated unit to communicate with the environmental authorities, and standard procedures have been developed for handling noise petitions and noise complaints. Additionally, to reduce the impacts of noise made by our trains, we use noise barriers and soundproof windows or doors for better noise control.

## (8) Information on Environmental Expenses

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

- 1) No losses or penalties occurred as a result of environmental pollution during 2023 or up to the printing date of this Report
- 2) Major capital of environmental protection estimated for the next three years:

Unit: NT\$ thousands

Item \ Year	2024	2025	2026
Monitoring of Environmental Quality	2,496	1,248	1,200
Research for Environmental Impact	5,343	6,043	6,343
Environmental Pollution Prevention	94,103	96,556	96,996
Total	101,942	103,847	104,539

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

Unit: NT\$ thousands

Item	Year	Amounts	Use and Benefits
Recovery of artificial Jacana habitat	2021-2023	3,429	Compliance with the commitments set in the THSRC EIA Report and highlighting our concern for ecological conservation.
Noise prevention project (including noise improvement of surrounding residential buildings)	2021-2023	68,710	Implementation of noise prevention and control according to EIA reports and regulations.
Measurement of noise and vibration in sensitive areas along the HSR line	2021-2023	4,914	Compliance with commitments set in THSRC noise prevention gap analysis report.
Environmental monitoring in Miaoli, Changhua, and Yunlin stations during operations	2021-2023	469	Compliance with commitments set in THSRC environmental measures gap analysis report.
Treatment of waste and waste water generated from HSR stations, workshops, and relevant operations and maintenance	2021-2023	199,929	Treatment of waste and waste water from stations and workshops in accordance with relevant regulations.
Verification of carbon footprint for high speed rail transportation services, and GHG surveys on all 12 stations	2021-2023	5,544	Obtained EPA Carbon Footprint Label Certificate of High Speed Rail Transportation Services, disclosed average carbon dioxide emissions per passenger-kilometer, and obtained ISO14064-1 Verification Opinion Statement issued by a third party.
Establishment of ISO14001 Environmental Management System with continuous improvement and consultation	2021-2023	3,079	Facilitate effectiveness of Environmental Management System and ensure normal operations and maintenance.
<b>Total</b>		<b>286,074</b>	



## 2. Quality Services

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

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

Train stopping patterns

Nangang	Taipei	Banqiao	Taoyuan	Hsinchu	Miaoli	Taichung	Changhua	Yunlin	Chiayi	Tainan	Zuoying	Total run time (minutes)
●	●	●				●					●	105
●	●	●				●				●	●	110
●	●		●			●	●	●	●	●	●	130
●	●	●	●	●		●			●	●	●	130
●	●	●	●	●	●	●						76
						●	●	●	●	●	●	72
●	●	●	●	●	●	●	●	●	●	●	●	145

2) THSRC provides up to 169 services a day depending on peak or off-peak days of the week. The number of train runs are increased during consecutive holidays in order to provide frequent and convenient services that fulfill passenger needs.

## (2) Multiple Convenient Ticket Booking and Purchasing Channels

- 1) Currently, passengers can book, purchase, and pick up their tickets through ticket windows, ticket vending machines, the online booking website, convenience store ticketing systems, the T Express app (which includes a chatbot booking feature and provides non-reserved seat ticket purchasing services), and travel agencies. Passengers can also board trains using autoload EasyCard and iPass co-branded credit cards.
- 2) THSRC upholds principles of innovative service and continues to establish multiple ticket purchasing channels so as to provide our passengers with convenient ticketing services.

## (3) Convenient Station Services

- 1) Our artfully designed stations and enthusiastic station personnel provide a wide range of services and amenities to ensure ease of travel, including ticket counters and automated ticket vending machines, passenger information systems, information desks, guidance for elderly and disabled passengers travelling alone, accessible facilities (including toilets, elevators, and parking spaces), nursery rooms, family restrooms, drinking fountains, convenience stores, and restaurants. Wi-Fi is also available in all stations so passengers can quickly retrieve any information they need.
- 2) HSR station transfer services include buses, taxis, rental cars, drop-off and pick-up zones, and parking lots. Nine of our stations (Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Tainan, and Zuoying) are connected to other railway systems (TRA or MRT).
- 3) In order to provide our passengers with convenient access to and from our stations, the Corporation works with bus companies to provide free shuttle bus services under joint marketing campaigns. In 2023, we offered 206,265 free shuttle bus trips to 2,617,582 passengers. The following is a summary of bus routes operated in 2023:

Distribution of HSR Shuttle Bus Routes

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

## (4) Heartwarming Train Services

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

### Train attendants

Train attendants sell goods from train trolleys, help passengers with disabilities and passengers who have applied for assistance to get on and off trains, and manage on-train nursery rooms. They are attentive to the needs of wheelchair, disabled, elderly, and pregnant passengers, and ensure that luggage is placed in appropriate locations. Additionally, train attendants help to maintain on-train noise levels, thus enhancing safety and service quality for passengers. Train attendants also respond to passenger queries, collect passenger feedback, and assist train masters during emergencies to ensure the safety of train passengers.

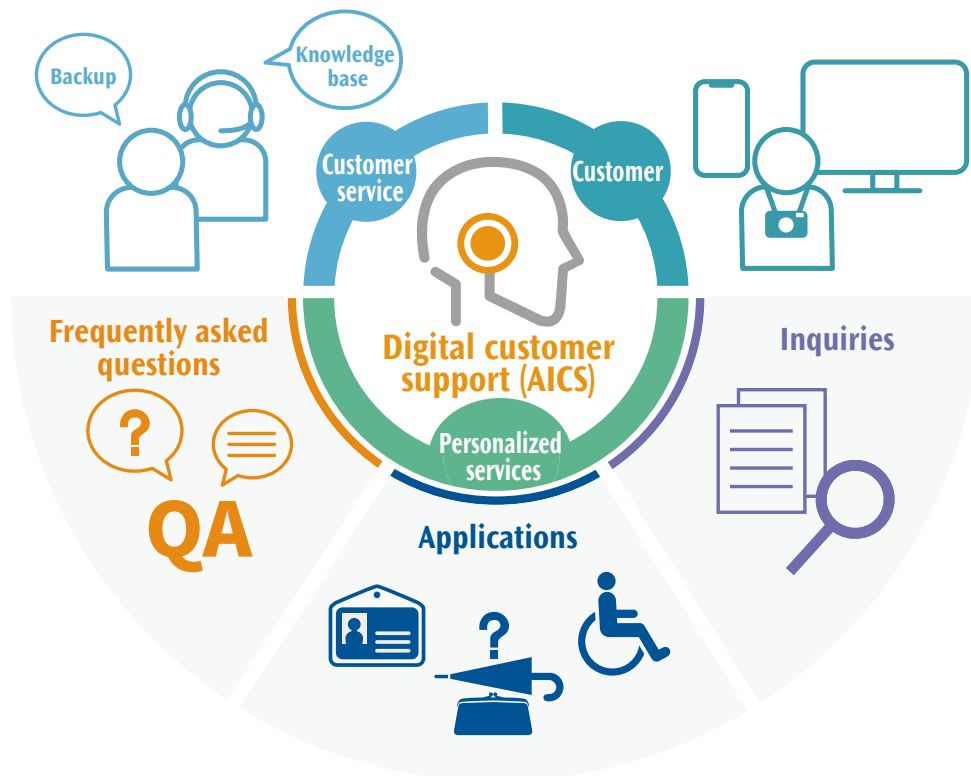
**Train masters**

Train masters provide assistance to train drivers when necessary, inspect operational safety equipment, conduct ticket inspections, and facilitate fare changes while also providing transfer details and guidance to passengers who have boarded the wrong trains or who have changed their plans at short notice. Train masters also provide lost and found services, assist passengers who require assistance, and respond to passenger queries. Our train masters not only maintain train safety, but are also committed to providing high-quality passenger transportation services.

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

**(5) Real-Time Customer Support**

THSRC utilized network communications and artificial intelligence to launch a 24/7 digital customer support system that assists passengers with frequently asked questions, dates when tickets are listed for sale, online lost & found services/ lost & found progress tracking services, bookings for wheelchair users, passenger guides, and other personalized service applications and inquiry services. Additionally, we also provide Chinese, Taiwanese, and English customer phone support from 06:00 to 24:00 (English support only available from 9:00 to 22:00), allowing customers to select different interfaces that fulfill their needs so that they can all receive the same excellent service quality.



## Use "THSRC Digital Services" to find lost property and track report progress

- 1 Scan the QR code below to enter the "THSRC Digital Services" page



- 2 Select "Report lost property" or "Track report progress"



Lost property reporting/tracking

Report lost property

Report loss of registered card

Track report progress

\* Please flip over for more detailed explanations.

For items lost on THSRC premises which have not been previously reported, please select **Report lost property**

- 1 Provide personal information and description of lost property
- 2 Verify cell phone number
- 3 Generate lost property report number  
(a total of 11 numbers, e.g. L23090900123)

For lost property reported within the last month which has been issued a lost property report number please select **Track report progress**

- 1 Enter cell phone number for verification
- 2 Enter lost property report number  
(a total of 11 numbers, e.g. L23090900123)

\* If you have forgotten your lost property report number, you can enter your name and the date on which the item was lost.

## (6) Maintenance of Passenger Relations

### 1) Innovative, Digital, and Real-Time Communication

We have installed passenger information displays in lobbies and waiting areas at HSR stations to provide timely operational information, notices, and precautions, as well as promotional videos for HSR services. We have also set up our own Facebook page to provide the latest product, service, and brand information. In 2023, THSRC's Facebook page cumulatively garnered 440,000 fans. Posts on the THSRC's Facebook page reached 6.39 million people.

In terms of enhanced digital communications, THSRC not only offers professional personalized ticketing services through the T Express app, but has also launched the Taiwan High Speed Rail app, which mainly focuses on multi-functional travel services and provides customers with more comprehensive digital services. As of December 2023, the Taiwan High Speed Rail app has been downloaded more than 1.51 million times.

### 2) Current feedback collection channels and customer service processes

Passengers who wish to convey their expectations, feedback, and suggestions to THSRC can do so by utilizing a diverse range of customer feedback platforms, including THSRC customer suggestion forms, emails, digital customer support services, customer service hotlines, and station and train staff.

In 2023, the aforementioned platforms handled a total of 750,000 customer service and feedback cases, mainly relating to ticketing services, train schedules, passenger guidance, lost & found tracking, and THSRC promotions.

Received passenger feedback is investigated, handled, and responded to by relevant THSRC departments within specified time limits to achieve effective two-way communication and ensure protection of customer and Corporation interests.

Additionally, THSRC regularly commissions external institutes to conduct HSR customer service satisfaction surveys. Customer experiences, feedback, and suggestions help us further understand and assess items that should be refined and improved. We establish a virtuous cycle that enables continued improvement and enhancement of service quality through adjustment of service strategies and annual quality targets.

### 3. Friendly Work Environment

#### (1) Talent Development

1) Labor Conditions

A. Talent retention and appropriate placement:

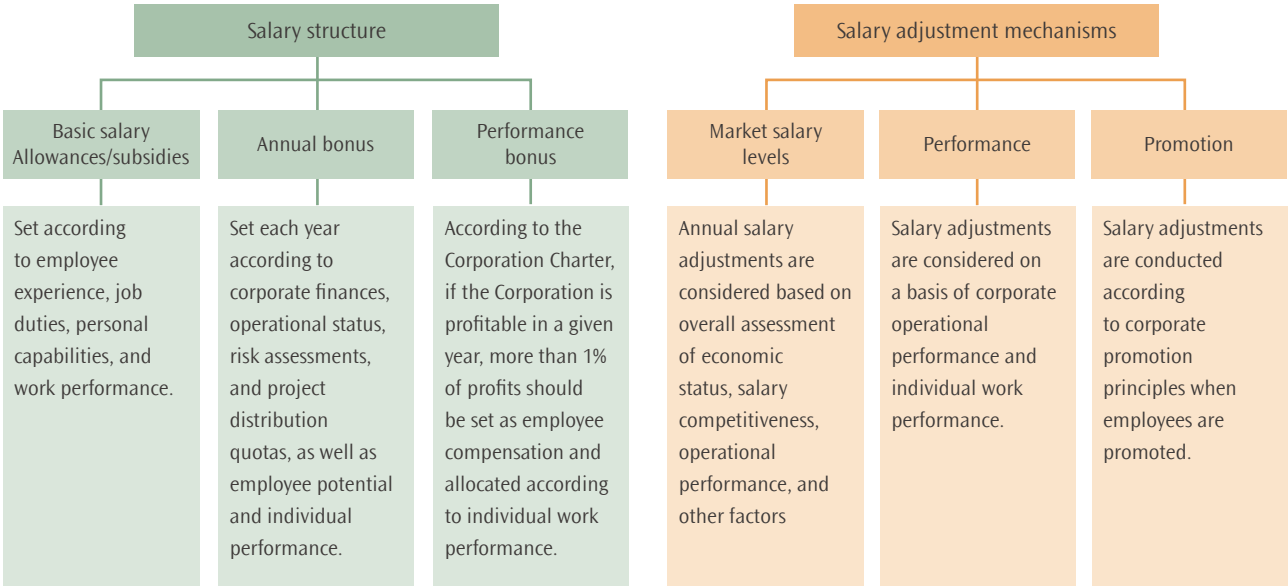
THSRC provides career advancement opportunities for talented employees based on organizational needs and individual development to enhance professionalism and achieve our target of incentivizing and retaining talent. Qualified employees that meet company requirements and wish to hold managerial positions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

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

B. Competitive remuneration:

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

#### Salary structure and salary adjustment mechanisms



Year	2017	2019	2020	2022	2023
Adjustment	3.1%	3.5%	3.42%	2.5%	3.2%

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

2) Learning and Development

THSRC has established a comprehensive talent cultivation and development plan. In addition to the Management Learning Passport, which facilitates enhancements in managerial capabilities, we also set up the Individual Development Plan for High Potential Management (HIPO), which includes individual training courses and development plans based on the competency gaps of each HIPO individual. We also mapped the competencies and training needs of Key Position back office staff and established the Key Position Staff 197 Competency Development Plan, which, taken together with the Frontline Staff Career Path Development Plan and the Senior Staff Expertise Succession Plan that we are continuing to implement in 2023, will allow us to achieve our goals related to talent cultivation and succession.

## (2) Concern for Human Rights

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

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Freedom of Association	Employees	We ensure employees have freedom to form associations for various purposes, and to participate or refrain from participating in association composition and related affairs.	<ol style="list-style-type: none"> <li>1. We support freedom of association for our employees, who have currently established more than one hundred different clubs.</li> <li>2. We protect our employees' right to organize. Currently, two labor unions (a corporate union and an industry union) have been formed within the Corporation. The Corporation periodically convenes meetings with these unions to build harmonious and strong labor-management relationships.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 22 of the International Covenant on Civil and Political Rights</li> <li>2. Article 8 of the International Covenant on Economic, Social and Cultural Rights</li> <li>3. International Labour Convention No. 87: Freedom of Association and Protection of the Right to Organize Convention</li> </ol>
Care for Disadvantaged Groups	Employees/ Employee Family Members/ Passengers/ Community Residents	We focus on public policy and various charities, and participate in the community development and education activities of civic organizations, charitable organizations, and local governmental institutes.	<ol style="list-style-type: none"> <li>1. We hire disabled and indigenous individuals in accordance with law, and provide group insurance, compensation payments, and relief payments for hospitalization, medical care, and major hazards.</li> <li>2. We provide passenger guidance services as well as accessible seating, elevators, parking spaces, and toilets as part of our commitment to offer a friendly and accessible environment for our passengers, and we have formulated a comprehensive service program.</li> <li>3. Our "High-Speed Educational Endowment Program" provides educational opportunities for economically disadvantaged groups; our "THSRC Smiling Train Program" works with various educational and charitable institutes to help disadvantaged groups obtain free or discounted HSR tickets; and our "Winter Outreach Blood Drive" helps to relieve blood shortages during the winter season.</li> </ol>	Article 9 of the Convention on the Rights of Persons with Disabilities: Accessibility
Prohibition of Child Labor	Community Residents	We do not employ any child laborers younger than 15 years of age.	To protect children's right to education, we filter out child laborers under 15 years of age when assessing job candidates. The Corporation does not currently employ any child laborers.	Article 10 of the International Covenant on Economic, Social and Cultural Rights
Eradication of Forced Labor	Employees	We prohibit use of any form of forced labor through abuse, intimidation, detention, or other illegal means.	<ol style="list-style-type: none"> <li>1. We do not retain personal identification documents of personnel reporting for work and also do not require prior payment of any fees.</li> <li>2. All wages are paid in full, save where otherwise provided by law (legally withheld funds, health insurance and labor pension co-payments, employee welfare funds, union fees, and so on).</li> <li>3. Employees provide their services voluntarily.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 8 of the International Covenant on Civil and Political Rights</li> <li>2. International Labour Convention No. 100: Equal Remuneration Convention</li> </ol>
Eradication of Hiring and Employment Discrimination	Employees/ Job Candidates	We avoid discrimination and differential treatment in all forms to realize diversity and enhance equality in the workplace.	<ol style="list-style-type: none"> <li>1. The Corporation does not discriminate in any way during the hiring process.</li> <li>2. We provide employee lactation rooms to support breastfeeding policies.</li> <li>3. Those who apply for statutory leave without pay (infant care, injury, illness, and military service) and who have worked for less than 183 days in the year, regardless of gender, will be subject to the annual salary adjustment system after reinstatement. A total of 182 people applied for parental leave, including 26 males and 156 females for 2023.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 7 of the International Covenant on Economic, Social and Cultural Rights</li> <li>2. International Labour Convention No. 111: Discrimination (Employment and Occupation) Convention</li> <li>3. International Labour Convention No. 183: Maternity Protection Convention</li> <li>4. Convention on the Elimination of All Forms of Discrimination Against Women</li> </ol>

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Abolish Violations of Human Rights	Employees	We ensure that individual employees have appropriate channels for clarification and grievance reporting when their legitimate rights and interests are infringed upon, and make sure that they are not subject to any form of adverse treatment.	<ol style="list-style-type: none"> <li>1. We have formulated preventive measures and grievance reporting procedures for sexual harassment and publicly disclosed these within the workplace; additionally, our two-tiered grievance processing mechanism solidifies our internal grievance system and ensures that the problems of each employee are appropriately handled.</li> <li>2. Our appraisals and penalties for violations or noncompliance of laws, regulations, and internal Corporation rules are handled in accordance with regulations governing rewards and disciplinary actions.</li> <li>3. We provided training for protection of human rights and the total number of training hours for 2023 were:               <ol style="list-style-type: none"> <li>(1) A total of 682 hours of in-person training on legal compliance for new employees, attended by 341 employees, accounting for 7.18% of all staff members (4,747 employees).</li> <li>(2) A total of 318 hours of in-person training on prevention of workplace bullying (including promotion of the Stalking and Harassment Prevention Act), attended by 106 employees, accounting for 2.23% of all staff members (4,747 employees).</li> <li>(3) A total of 2,373.5 hours of training on prevention of sexual harassment, attended by 4,747 employees (we held online courses attended by 4,747 employees).</li> <li>(4) A total of 1,659 hours of in-person training on prevention of illegal infringements in the workplace and interpersonal communications, attended by 237 employees, accounting for 4.99% of all staff members (4,747 employees).</li> <li>(5) A total of 22,457 hours of occupational health and safety training, attended by 4,934 employees, accounting for 103.93% of all staff members (4,747 employees).</li> <li>(6) A total of 2,373.5 hours of training on ethics and morals, attended by 4,678 employees, accounting for 100% of all staff members (4,747 employees).</li> <li>(7) A total of 2,373.5 hours of training on prevention of insider trading, attended by 4,678 employees, accounting for 100% of all staff members (4,747 employees).</li> </ol> </li> </ol> <p>Total training hours for 2023 as detailed above amounted to 32,236.5 hours</p>	Article 2 of the International Covenant on Civil and Political Rights
Friendly Workplace	Employees/ Employee Family Members	We help our employees to find a balance between work-life conflicts so as to build a friendly workplace and enhance employee loyalty.	<ol style="list-style-type: none"> <li>1. We disclosed the following remuneration information for full-time, non-managerial employees: Average remuneration for 2023 was NT\$ 1,079,000, a 13.82% increase over the previous year. We annually review the competitiveness of our remuneration so that our employees can receive reasonable compensation.</li> <li>2. We provide employees with appropriate leisure spaces and facilities such as softball fields, basketball courts, badminton courts, gym equipment, and so on. We host a variety of sports competitions and invite family members of employees to participate.</li> <li>3. Our "HSR Family Day Activity" gives employee family members a chance to visit our maintenance depots and other places of work, providing a fun experience within the workplace and bringing our employees together.</li> <li>4. Each department hosts birthday celebrations and dinner parties to enhance employee relationships.</li> <li>5. We have established mechanisms to protect the physical and mental health of our employees and to build a healthy and friendly work environment.</li> </ol>	Article 11 of the International Covenant on Economic, Social and Cultural Rights



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

Training for protection of human rights:

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

Item	2019	2020	2021	2022	2023
Attendees	14,153	18,782	13,913	19,241	19,859
Total training time (hours)	18,569	20,008	19,141	22,926	32,236

**(3) Occupational Safety and Health**

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

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

**4. Mutually Beneficial Society**

**(1) Social Contributions**

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

1) Go Green Together: Sustainable Low-Carbon Actions

THSRC actively implements corporate ESG strategies and adheres to the government's 2050 net zero transformation goal. Starting in 2022, we began collaborating with the Executive Yuan Council of Agriculture Forestry Bureau to host the "Go Green Together: Sustainable Low-Carbon Actions" event, exerting our social influence and demonstrating synergistic benefits that allow us to continue co-existing harmoniously with the environment.

In order to proactively enhance awareness of green consumption in passengers and members of the public, as well as promote utilization of green transportation, THSRC once again collaborated with the Forestry Bureau Hsinchu Forest District Office, Dongshi Forest District Office, and Pingtung Forest District Office to host the "Go Green Together: Sustainable low-carbon actions" event on April 21, 2023, one day before World Earth Day, gifting seedlings at stations, giving out a total of 3,600 *Vaccinium wrightii*, *Rhodomyrtus tomentosa*, *Eurya emarginata*, *Lespedeza thunbergii subsp. formosa*, *Cinnamomum osmophloeum*, *Prunus serrulata*, *Tournefortia argentea*, *Melastoma malabathricum*, *Ardisia squamulosa Presl.*, *Syzygium buxifolium*, *Rhaphiolepis umbellata*, *Podocarpus costalis*, and other native plants of Taiwan at HSR Taoyuan, Taichung, and Zuoying stations. We also used this opportunity to promote THSRC's digital tickets, calling on our passengers and members of the public to protect the environment. Additionally, the pots used for our seedling gifts were not made from plastic, but from eco-friendly and biodegradable pulp materials developed and produced by the Forestry Bureau, ensuring environmental sustainability as well as environmental greening.



Stationmaster at HSR Taoyuan Station (back row) gifts saplings to children at local kindergartens

## 2) High-Speed Educational Endowment Program

The THSRC "High-Speed Educational Endowment Program," which has been hosted consecutively for 13 years, was once again initiated on New Year's Day of 2023. In order to help disabled and disadvantaged children bridge learning gaps, THSRC Chairman Yao-Chung Chiang and "After School Association of Taiwan" Honorary Chairman Nien-Jen Wu jointly hosted the "High-Speed Educational Endowment Program" press conference at HSR Nangang Station on December 22, 2022, inviting generous donations from the public to spread warmth and love to every corner of Taiwan through donations raised in HSR trains and stations.

THSRC has hosted the "High-Speed Educational Endowment Program" annually since 2010. Over the years, we have raised more than NT\$166 million and helped with the learning and growth of more than 30,000 disadvantaged schoolchildren. We hope our passengers can continue to show love for others to build a brighter future and bring hope to Taiwan.

## 3) THSRC Smiling Train Program

Apart from providing high-quality transportation services to passengers, THSRC also fulfills corporate social responsibilities and promotes charitable activities. THSRC works with charitable organizations and enterprises to provide HSR rides for disadvantaged groups. We leveraged our advantages to launch the "THSRC Smiling Train Program," collaborating with local educational and charitable organizations to help disadvantaged groups. Since 2009, THSRC has worked with local educational and charitable organizations to help others achieve their dreams, hoping that the relatively underprivileged in society can be positively encouraged by the warmth of others.

As of 2023, a total of 863 disadvantaged groups and 148,504 individuals have participated in the THSRC Smiling Train Program. THSRC will continue to promote the THSRC Smiling Train Program in hopes of providing love, care, and encouragement to those in need, as well as opportunities to travel around Taiwan and enjoy its beautiful sights.

## Gifting HSR Tickets to Disadvantaged Children

A total of 45 students, teachers, and parents from the Taiwan Association for the Disadvantaged set out on a long-anticipated HSR journey; this trip was planned more than two years ago, but was cancelled due to the pandemic. This trip allowed the students to experience the high speeds (up to 300 km/hr) of the HSR and visit the THSR Museum, giving them an in-depth understanding of railway culture. The Association was grateful to THSRC for providing this opportunity that enabled their students to travel with their families and teachers during the winter vacation and create beautiful memories. THSRC seeks to give back to passengers and society by providing passengers with safe environments as well as comfortable and convenient transportation services, spreading love and warmth while actively implementing our corporate vision "To be the platform for advancement and enjoyment."

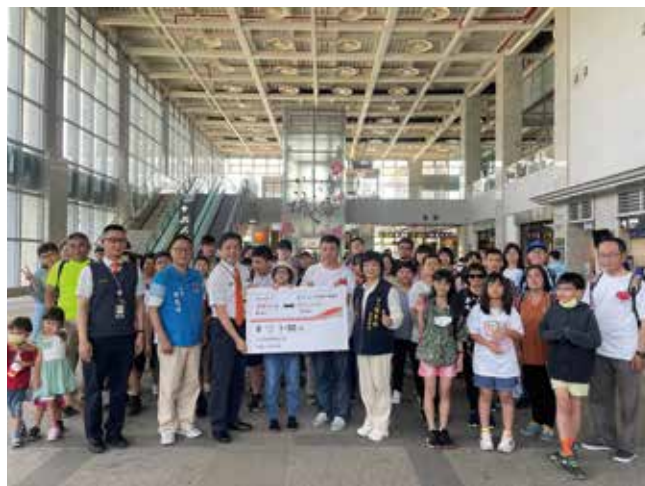






### HSR Trip for Individuals with Down Syndrome

People with disabilities at the Taoyuan Sing Fu Happiness Foundation strive to learn self-sufficiency skills and develop work capabilities, but also need to relax their minds and bodies through recreational activities. This one-day HSR trip to Taichung allowed them to admire gorgeous scenery during the HSR journey as well as enjoy life experiences, the warmth of society, and beautiful memories.



### HSR Miaoli Station Provided a Trip for People with Hearing Disabilities

To provide a variety of community services for people with disabilities, the Miaoli County Shenghui Association established the 851 Community Workshop, which organizes events that encourage people with disabilities to leave their homes, join community activities, and engage in social participation. Social workers, educare givers, and service users jointly plan work and life goals to achieve balance, and service users build capabilities that allow them to reintegrate with society. Tian-Ci Ye, the director-general of the Shenghui Association, stated that those with hearing disabilities may look just like everyone else, but they cannot hear any sound and may not be able to speak, which can lead

to misunderstandings, causing them to close themselves off and be wary of strangers. THSRC encouraged Association members with hearing disabilities to go outdoors and integrate with society. We hope to create a diverse and mutually prosperous society by enhancing public understanding of people with hearing disabilities.

#### 4) Annual THSRC Winter Outreach Blood Drive

THSRC launched the Winter Outreach Blood Drive initiative in 2012 and has consecutively hosted this annual blood drive at all HSR stations and Corporation headquarters each year. All of our colleagues rolled up their sleeves and donated blood while calling on the public to do the same, bringing warmth to cold winters through mutual assistance and active commitment to public welfare. In 2023, our blood drive attracted 2,328 participants and successfully collected 3,503 bags of donated blood. The past 12 blood drives have attracted more than 18,000 participants who donated a total of 26,246 bags of blood. We fulfill our corporate social responsibilities by working with passengers, the public, and our employees to create an intangible, invaluable, and irreplaceable asset via these blood drive events. We hope that the public can continue to support our charity events and make Taiwan a better place.





#### 5) HSR Employee T-SPORT Activities

THSRC organized the "HSR employee T-SPORT activities," encouraging our colleagues to establish good exercise habits for appropriate stress relief. Apart from online activities, we organized a number of sports competitions to build team spirit, thereby achieving corporate governance and improving employee engagement through healthy collaboration and competition.

A. "Summer Marathon": In 2023, we made some enhancements to the "Summer Marathon" online event which was launched in 2021. We used a mobile application for the first time to increase fun and interactivity, making participation even more interesting for our colleagues; many of our colleagues invited each other to participate. The number of participants for this event grew by 45% compared to the previous year. We asked our colleagues to share their photos on online platforms as a way to encourage all employees to compete and exercise together. This strengthened employee loyalty and engagement while helping our colleagues improve their physical health. This event attracted 9,090 applicants, 7,142 of whom completed the marathon, achieving a completion rate of 80% and total accumulated mileage of more than 706,575 kilometers.

B. "Sports competitions": We hosted "badminton," "table tennis," and "slow-pitch softball" competitions between 32 teams composed of more than 500 employees, enhancing employee health and relationships; these activities were met with much enthusiasm.

#### 6) THSR Art Festival

To encourage a return to normal life following the pandemic and facilitate arts appreciation for our colleagues during their spare time, thereby enriching their lives and expanding their horizons, we launched a series of "THSR Arts Festival" activities in 2023 beginning with the film "On The Train," followed by 31 performances from Paper Windmill Theater Troupe, Greenray Theatre Company, U Theatre, Story Works, and Tang Mei Yun Taiwanese Opera Company. A total of 2,128 employees and their family members attended these activities which showcased THSRC's support for domestic arts events, fulfillment of corporate social responsibilities, and commitment to local culture.







7) Energy Conservation, Plastic Reduction, and Green & Low-Carbon Actions for Environmental Sustainability

More than 3,800 HSR employees have participated in beach clean-ups from 2016 to 2023 on wetlands, sandy beaches, and tetrapod filled beaches. THSRC employees from north to south have cleared about 18,083 kg of ocean waste over the past few years, doing their part to maintain the beauty of Taiwan.

We actively work to fulfill our corporate social responsibilities and the government's "2050 Net Zero" policy goals. Our Employee Welfare Committee organized the "Cultivation for Environmental Sustainability" event at the Yanchao Main Workshop, and Chairman Yao-Chung Chiang and President James Jeng led nearly 100 THSRC employees in participation of a tree-planting activity to protect the environment and care for the land with practical actions. We hope that these seedlings can grow alongside THSRC and ensure a beautiful and sustainable future for Taiwan.

(2) Environmental Protection

1) Pheasant-Tailed Jacana Preservation

In 1998, the pheasant-tailed jacana, a Level 2 protected species also known as the "water chestnut bird" and the "ripple fairy," faced a survival crisis as HSR's mainline passed through their habitat in Hulubei of Guantian District in Tainan. In order to conserve the pheasant-tailed jacana, THSRC worked with relevant units and, starting from 2000, invested more than NT\$69 million to build the first artificial habitat recovery ground in Guantian under a three-way collaboration project involving the government, construction units, and civil organizations. Many volunteers have participated in the processes



of habitat assessment, land rental, and construction, and many professionals and academics have also been involved in this work, causing the number of jacanas to rise from 9 in 2000 to 2,882 in 2023. The area of the jacana habitat was gradually increased; in 2007, we renamed the recovered habitat Jacana Park and opened it to the public. More than 284,000 visitors have been recorded to date. To strengthen the educational value of this park, we created tour devices, galleries, and interactive displays to present the results of our native species restoration efforts and help the public better understand wildlife conservation. This project has also drawn the attention of international environmental units and conservation activists, serving as one of the few successful cases where economic development and conservation is able to coexist.

### (3) Preservation of Railway Assets

#### 1) Official Opening of 0 Series Oiran Train Scenic Park

During THSRC's construction period, 0 Series Shinkansen end cars were exported to Taiwan to serve as structure gauge test cars. Testing equipment were installed on the exterior of these end cars so they could be used for testing and clearance work, making them look like the intricate hairpins worn by oirans during the Edo period. These end cars were therefore nicknamed "Oiran trains." In 2020, THSRC implemented and completed an interior and exterior preservation and restoration plan for 0 Series Shinkansen end cars. In 2021, plans for a scenic park at HSR Tainan Station themed around these



0 Series Shinkansen end cars (nicknamed "Oiran trains") publicly displayed in front of HSR Tainan Station

Oiran trains were drawn up; construction was successfully completed and the park was opened to the public on December 22, 2023. By displaying the fruits of our restoration work, we hope to showcase the new life these 0 Series Shinkansen end cars gained in Taiwan through localization while also reminiscing on their past as structure gauge test cars at THSRC. This park allows passengers entering and exiting the station to be naturally immersed in an atmosphere of railway culture.

#### 2) Donation of decommissioned HSR construction vehicles

The "THSRC Historical Archive Project" was initiated in 2003 to archive cultural relics from THSRC's Construction Stage. After the HSR commenced operations, the goal of the project became to archive and conduct research on cultural relics from THSRC's Operations Stage.

Following approval by the Board in 2021, expired MO-52787 track inspection vehicles and D29 trailers were gifted to the National Railway Museum so these vehicles could extend their contributions to railway developments in Taiwan.

The decommissioned vehicles were delivered to the National Railway Museum for renovation. The majority of the renovation and painting work was completed at the end of 2022, and THSRC provided track components for display at the museum in October 2023. The National Railway Museum will organize a donation ceremony before the display opens to the public, when the newly renovated MO-52787 track inspection vehicles and D29 trailers will be displayed to railway lovers.







#### (4) Exchanges and Events

##### Taiwan High Speed Rail New Generation Rolling Stock Contract Signing Ceremony

The THSRC Board of Directors awarded the "High Speed Rail Rolling Stock Procurement Contract" to Hitachi Toshiba Supreme Consortium (HTSC) in mid-March 2023. Following nearly two months of intensive negotiations, a procurement contract for THSRC new generation rolling stock was officially signed with HTSC on May 18, 2023 in Tokyo, Japan. A contract to purchase 12 sets (144 carriages) of new generation rolling stock (using N700S as a reference model) was jointly signed between THSRC and HTSC, and the approximate procurement amount was 124.091 billion yen. Representative of Taiwan to Japan Frank Hsieh and Ministry of Transportation and Communications Political Deputy Minister Allen Hu were also invited to the ceremony to witness this historical moment.

Delivery of new generation rolling stock to THSRC is scheduled to begin in 2026 and the rolling stock will be officially put into operations in 2027. The new generation rolling stock has a more streamlined appearance compared to current THSRC 700T rolling stock, and offers the following advantages: lighter weight, better performance, increased energy savings, and higher comfort. Each seat in the new trains will be equipped with 110V sockets, and train carriages will be equipped with full color LCD information displays, arrival lights, and double-layered luggage racks to further improve our service quality. In future, THSRC will continue to evaluate market development trends, formulate plans for trains fleets, and improve operational efficiency to provide passengers with premium travel services and advance toward corporate sustainability.

##### THSRC "0 Series Oiran Train Scenic Park" Launch Ceremony

The official launch ceremony for the "0 Series Oiran Train Scenic Park," located at the square in front of HSR Tainan Station, was held on December 22, 2023 to display the 0 Series Shinkansen end cars known as "Oiran trains." Executive Yuan Vice Premier Wen-Tsan Cheng, Legislator Ting-Yu Wang, Tainan City Mayor Wei-Che Huang, and THSRC Chairman Yao-Chung Chiang jointly opened the "0 Series Oiran Train Scenic Park" and invited officials from the Ministry of Transportation and Communications and the Railway Bureau, Tainan City Council members, Representative Kazuyuki Katayama from the Japan-Taiwan Exchange Association (Taipei Office), and other distinguished guests to jointly witness this historical moment when the scenic park was opened in the city.

Additionally, we also launched a digital version of our popular "THSR Museum" located in Taoyuan, offering 720° virtual reality (VR) services for the museum. Members of the public can virtually walk into the museum at any time and from anywhere via the "VR Tour" section on the "THSR Museum" website, immerse themselves in the virtual world, and freely explore stories related to the HSR and knowledge associated with railways. An "Exploring Oiran Trains" subsection has been added to the "Explore Online" section of the "THSR Museum" website so that members of the public can access the "THSR Museum" and the "Oiran Train Scenic Park" at any time through the Internet and learn about the HSR from a wealth of images and detailed explanations.





### HSR Camps

THSRC is responsible for providing transportation along Taiwan's western corridor and offering safe, comfortable, convenient, and high-quality travel for passengers. To disseminate railway information and showcase HSR's development history, we launched railway camps during the winter and summer vacations starting in 2008. The camps provide a variety of courses for students of different ages, and include visits to our Operational Control Center, Maintenance Base, and the THSR Museum. Detailed briefings and tours provide participants with moving descriptions of THSRC's history, maintenance procedures, and operations. This fun and comprehensive learning journey firmly embeds knowledge of the railroad industry and THSRC culture into the hearts of participants of all different ages.

Camp activities are segregated by age for university, high school, junior high school, and elementary school (fifth and sixth graders) students. We hosted 12 rounds of activities throughout the year, attracting 9,592 online applicants and 299 participants to the HSR summer and winter vacation camps.

### THSR ART Together Program

THSRC launched the "THSR ART Together Program" in 2015, providing free space in HSR stations for group performances as well as individual singing, dancing, and musical performances. In 2017, 2019, and 2021, THSRC was respectively awarded the "13th Arts and Business Awards (Cultural Development)," the "14th Arts and Business Awards (Permanent Awards Category)," and the "15th Arts and Business Awards (Permanent Awards Category)" by the Ministry of Culture. In 2023, our "THSRC Art Program" and "National Day Celebration and Evening Gala Sponsorship Event" received the "16th Arts and Business Awards (Permanent Awards Category)." As of year-end 2023, 665 groups and 19,433 individuals have performed at 9 HSR stations (Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying). THSRC hopes that the "THSR ART Together Program" can allow passengers to appreciate the beauty of the arts while traveling with the HSR.



### THSR Museum

The THSR Museum opened its doors in 2017. Planned and established around the rich cultural railway assets taken from the Planning, Construction, and Operations stages of the HSR, the comprehensive collection at the museum guides visitors in exploring the context behind Taiwan's third railway spatial revolution, showing how the dream of building an HSR in Taiwan was realized from conception of the HSR, governmental route planning and developments along the HSR line, BOT contractor selection and contract



Visiting group from Mahidol University in Thailand

negotiation, and forming of the Taiwan High Speed Rail Consortium by Continental Engineering Corporation and the five original shareholders. Display and introduction of relevant items help the public easily understand our history and serve as an important platform for THSRC external communications. A total of 247,228 people visited the THSR Museum in 2023.

### (5) Technical Exchanges and Visitations

We continue to maintain good relations with our peers in the transportation and rail industries, and we were involved in 20 public associations in 2023. We ensure continued updating and innovation of our services and operational strategies through academic and experience exchanges with academic societies.



## Governance

### 5. Effectiveness of Corporate Governance System

#### (1) Preliminary Review by Functional Committees

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

#### (2) Independence and Professionalism of Independent Directors

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

#### (3) Management Implementation

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

#### (4) Strengthen Information Disclosure

For the convenience of shareholders and stakeholders, our corporate governance information is disclosed on the Market Observation Post System (<https://mops.twse.com.tw>). In addition, we release our corporate governance information on our corporate website (<https://>

corp.thsrc.com.tw/corp/governance) in both Chinese and English to further enhance transparency. Material information is disclosed on the Market Observation Post System in both Chinese and English so that domestic and overseas investors can receive timely updates on the latest 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.

We began participated in the Corporate Governance Evaluations after a year of going public, starting with the 4th Corporate Governance Evaluations for 2017. As of the 9th Corporate Governance Evaluations for 2022, we have ranked among the top 5% of publicly listed companies for six consecutive years. In order to enhance our corporate governance, we participated in the Taiwan Corporate Governance Association corporate governance evaluations for 2018 and 2020, and were respectively awarded an "Excellent" and "Premium" certification. We participated in the CG6013 (2021) corporate governance evaluations in 2022 and again received a "Premium" certification. In 2023, we again received the Outstanding Enterprises award, as well as first place in the "Most Popular Brand" and "Best Product" categories at the 20th National Brand Yushan Awards. In future, we will focus on the ongoing influence of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, and strengthen corporate governance systems to become a benchmark for corporate governance.

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

## (5) Fulfill Corporate Social Responsibilities and Implement Sustainable Operations

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

In 2017, we drafted a strategic roadmap using our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our sustainable management strategy. We continue to pursue excellence in our sustainable practices, reviewed our Corporate Governance 3.0 Blueprint for Sustainable Development in 2020, and adjust our operational strategies and future outlook in accordance with corresponding UN SDGs to strengthen our goals and maintain consistency of our core operations.

Due to our outstanding performance on sustainable investment and low-carbon emission indicators, we were listed in the Corporate Knights Global 100 Most Sustainable Companies again in 2024, ranking in fourth place globally and once more ranking in first place for the Asia-Pacific region.

In future, we will continue to reference international trends and local demands, using our 4Ts to formulate our short-, mid-, and long-term goals and action plans. We use various assessment mechanisms to periodically track the development and performance of various issues, and to promote and implement our sustainable concepts. Our short-term goals include reducing greenhouse gas emissions, assisting the Guantian District in Tainan with conservation of pheasant-tailed jacana, and strengthening waste classification and recycling; mid-term goals include reducing carbon emissions, and reducing energy and water usage in stations; long-term goals include Corporation-wide inventory and verification of greenhouse gases, and strengthening of energy management to gradually solidify our determination and commitment to sustainable operations as we actively realize our corporate vision "To be the platform for advancement and enjoyment."





# 8

## Financial Overview

## 1. Five-Year Financial Summary

### (1) Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current Assets		42,710,136	38,621,107	49,973,996	32,136,694	39,987,314
Property, Plant and Equipment		125,047	109,729	109,162	128,514	251,631
Operating Concession Assets		390,113,063	378,291,412	367,972,348	359,479,197	351,993,627
Other Assets		10,111,356	10,544,722	9,851,535	8,795,727	10,471,657
Total Assets		443,059,602	427,566,970	427,907,041	400,540,132	402,704,229
Current Liabilities	Before Distribution	13,278,906	7,067,221	30,025,709	28,950,383	47,862,390
	After Distribution	20,089,703	12,976,929	25,759,463	25,179,427	(Note)
Non-Current Liabilities		358,703,427	350,413,093	330,103,361	304,299,682	283,505,539
Total Liabilities	Before Distribution	371,982,333	357,480,314	360,129,070	333,250,065	331,367,929
	After Distribution	378,793,130	363,390,022	355,862,824	329,479,109	(Note)
Share Capital		56,282,930	56,282,930	56,282,930	56,282,930	56,282,930
Capital Surplus		172,981	172,981	172,981	172,981	172,981
Retained Earnings	Before Distribution	14,621,358	13,630,745	11,322,060	10,834,156	14,880,389
	After Distribution	7,810,561	7,721,037	7,055,814	7,063,200	(Note)
Total Equity	Before Distribution	71,077,269	70,086,656	67,777,971	67,290,067	71,336,300
	After Distribution	64,266,472	64,176,948	63,511,725	63,519,111	(Note)

Note: Pending shareholders' approval.

## (2) Condensed Statement of Comprehensive Income

Unit: NT\$ thousands  
Except Basic Earnings Per Share

Item	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating Revenue	47,507,390	39,137,205	30,227,887	37,133,233	49,812,023
Gross Profit	21,744,703	13,042,151	4,525,557	11,243,130	22,193,206
Net Operating Income	20,511,953	11,806,685	3,317,882	9,920,408	20,532,021
Non-Operating Income and Expenses	(12,736,845)	(6,387,374)	947,743	(5,654,783)	(10,794,200)
Income Before Income Tax	7,775,108	5,419,311	4,265,625	4,265,625	9,737,821
Net Income	8,007,033	5,843,037	3,610,922	3,769,337	7,824,283
Other Comprehensive Income	(39,089)	(22,853)	(9,899)	9,005	(7,094)
Total Comprehensive Income for the Year	7,967,944	5,820,184	3,601,023	3,778,342	7,817,189
Basic Earnings Per Share (NT\$)	1.42	1.04	0.64	0.67	1.39

## (3) Auditors' Opinions from 2019 to 2023

Year	Accounting Firm	Name of CPA	Audit Opinion
2019	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion
2020	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion
2021	Deloitte & Touche	Mei-Yen Chiang and Kuo-Tyan Hong	Unmodified Opinion
2022	Deloitte & Touche	Jui-Hsuan Ho and Kuo-Tyan Hong	Unmodified Opinion
2023	PricewaterhouseCoopers Taiwan	Chih Fan Yu and Chien Hung Chou	Unmodified Opinion

## 2. Five-Year Financial Analysis

Item (Note)	Year	Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt ratio	83.96	83.61	84.16	83.20	82.29
	Ratio of long-term capital to property, plant and equipment	343,695.33	383,216.61	364,487.03	289,143.40	141,016.74
	Ratio of long-term capital to operating concession assets	110.17	111.16	108.13	103.37	100.81
Solvency	Current ratio (%)	321.64	546.48	166.44	111.01	83.55
	Quick ratio (%)	296.44	498.03	154.69	99.09	76.05
	Times interest earned (times)	2.20	1.92	1.74	1.68	2.43
Operating Performance	Accounts receivable turnover (times)	113.29	142.01	68.39	68.77	107.88
	Average collection days	3.22	2.57	5.33	5.30	3.38
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Property, plant and equipment turnover (times)	425.82	333.40	276.19	312.47	262.07
	Operating concession assets turnover (times)	0.12	0.10	0.08	0.10	0.14
	Total asset turnover (times)	0.11	0.09	0.07	0.09	0.12
Profitability	Return on total assets (%)	3.35	2.81	1.98	2.24	3.31
	Return on total equity (%)	11.40	8.28	5.24	5.58	11.29
	Pre-tax income to paid-in capital ratio (%)	13.81	9.63	7.58	7.58	17.30
	Profit ratio (%)	16.85	14.93	11.95	10.15	15.71
	Earnings per share (NT\$)	1.42	1.04	0.64	0.67	1.39
Cash Flow (%)	Cash flow ratio	214.98	(21.67)	89.51	33.95	57.98
	Cash flow adequacy ratio	320.17	229.34	262.39	206.40	192.60
	Cash flow reinvestment ratio	68.81	(24.23)	91.36	90.24	(550.29)
Leverage	Operating leverage ratio	2.13	2.99	8.07	3.35	2.21
	Financial leverage ratio	1.46	2.01	(1.36)	2.69	1.50



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

1. The decrease in ratio of long-term capital to property, plant and equipment was mainly due to increase of net property, plant and equipment in 2023.
2. The decrease in current ratio and quick ratio were mainly due to increase of current liabilities in 2023. The increase of times interest earned were mainly due to increase of net income before tax.
3. The increase in accounts receivable turnover, operating concession assets turnover, total asset turnover and the decrease in average collection days were mainly due to increase of net sales in 2023.
4. The increase in profitability ratios was mainly due to increase of net income after tax in 2023.
5. The increase in cash flow ratios was mainly due to increase of the cash flow from operating activities in 2023. The decrease in cash flow reinvestment ratio was mainly due to decrease of working capital in 2023.
6. The decrease in leverage ratios were mainly due to increase of operating income in 2023.

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

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

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

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

2. Solvency

(1) Current ratio = Current assets / Current liabilities

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

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

3. Operating performance

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

(2) Average collection days = 365 / Receivable turnover

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

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

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

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

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

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

4. Profitability

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

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

(3) Profit ratio = Net income / Net sales

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

5. Cash flow

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

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

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

6. Leverage

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

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

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

#### Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2023 Business Report and Financial Statements. The CPA of PricewaterhouseCoopers, Taiwan, Chih-Fan Yu and Chien-Hung Chou, 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 21, 2024

### Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2023 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 13, 2024

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

(1) Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditor Reports

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Taiwan High Speed Rail Corporation

#### **Opinion**

We have audited the accompanying balance sheet of Taiwan High Speed Rail Corporation (the "Company") as at December 31, 2023, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

#### **Basis for opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 Company's 2023 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 financial statements are stated as follows:

#### **Recognition of gain on contract modification**

##### Description

Refer to Notes 4(20) and 6(8) of the financial statements for the accounting policies on borrowing costs and long-term debt, respectively. The Company entered into a Syndicated Loan Agreement with a group of eight syndicated banks, including the Bank of Taiwan, in January, 2010, and later signed the sixth amendment of the Syndicated Loan Agreement in December, 2023. According to the sixth amendment, the mark-up interest rate that was originally increased year by year was reduced and will be adjusted based on the annual Pre-Tax Income Margin. As a result, the Company recognized a gain on contract modification amounting to \$6,832,216 thousand in 2023. The calculation of gain on contract modification relies on the estimates of future cash flows. Given the estimates involve the preparation of medium and long-term financial forecasts which includes multiple assumptions and are subject to judgment and high uncertainty, which has significant impact on future cash flows and the estimation of the gain on contract modification. Thus, we consider the accuracy of the gain on contract modification as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Understand and evaluate the internal controls for signing amendment contracts and preparing medium and long-term financial forecasts.
2. Obtain the Syndicated Loan Agreement and related amendment contracts, and identify changes of rights and obligations.
3. Use the work of valuation experts to assist in evaluating the reasonableness of key assumptions used in medium and long-term financial forecasts, and compare them with historical experience, economic environment and industry forecasts.
4. Recalculate and verify the accuracy of gain on contract modification.

### **Other Matter – The prior year financial statements were audited by other auditors**

The financial statements for the year ended December 31, 2022, were audited by other auditors who expressed an unmodified opinion on those statements dated February 22, 2023.

### **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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control 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 Company'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 Company 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 Company's financial reporting process.

### **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

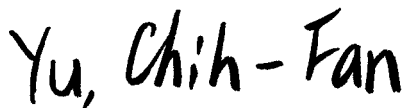
1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Company 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 Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.



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Yu, Chih-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan



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Chou, Chien-Hung

February 21, 2024

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

**TAIWAN HIGH SPEED RAIL CORPORATION**

## BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 17,569,018	4	\$ 16,558,946	4
1139	Financial assets for hedging	6(2)	94,908	-	72	-
1170	Notes and accounts receivable	6(15)	509,512	-	413,946	-
1220	Current tax assets	4(23)	28,217	-	180,600	-
130X	Inventories	6(3)	2,651,680	1	2,425,999	1
1476	Other financial assets	6(4) and 8	18,121,004	5	11,496,900	3
1479	Other current assets	7	1,012,975	-	1,060,231	-
11XX	<b>Total current assets</b>		<b>39,987,314</b>	<b>10</b>	<b>32,136,694</b>	<b>8</b>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(5)	251,631	-	128,514	-
1755	Right-of-use assets	6(6) and 7	447,510	-	405,315	-
1821	Operating concession assets	6(7) and 7	351,993,627	87	359,479,197	90
1801	Computer software, net	6(7)	148,496	-	134,962	-
1840	Deferred tax assets	4(23) and 6(17)	7,401,472	2	6,174,444	2
1980	Other financial assets	6(4) and 8	2,160,013	1	2,079,603	-
1990	Other non-current assets	6(2)	314,166	-	1,403	-
15XX	<b>Total non-current assets</b>		<b>362,716,915</b>	<b>90</b>	<b>368,403,438</b>	<b>92</b>
1XXX	<b>Total assets</b>		<b>\$ 402,704,229</b>	<b>100</b>	<b>\$ 400,540,132</b>	<b>100</b>



	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(8)	\$ 48,099	-	\$ 5,737	-
2110	Short-term notes and bills payable	6(8) and 7	21,938,192	6	21,960,820	6
2170	Accounts payable	7	237,135	-	403,869	-
2209	Operating concession liabilities	6(10) and 7	973,782	-	426,563	-
2200	Other payables	6(8)(12)	10,081,258	3	3,418,404	1
2211	Payable for construction	7	1,016,403	-	941,566	-
2230	Current tax liabilities	4(23)	3,092,765	1	-	-
2250	Provisions	6(11) and 7	4,371,701	1	284,781	-
2320	Current portion of long-term liabilities	6(9)	4,998,681	1	-	-
2399	Other current liabilities	6(6)(12)(15) and 7	1,104,374	-	1,508,643	-
21XX	<b>Total current liabilities</b>		<u>47,862,390</u>	<u>12</u>	<u>28,950,383</u>	<u>7</u>
<b>Non-current liabilities</b>						
2511	Financial liabilities for hedging	6(2)	367,963	-	-	-
2530	Bonds payable	6(9)	22,479,136	6	27,473,537	7
2541	Long-term debt	6(8), 7 and 8	199,852,375	50	217,622,140	54
2550	Provisions	6(11) and 7	10,000,000	2	3,149,335	1
2580	Lease liabilities	6(6) and 7	278,006	-	238,113	-
2611	Long-term interest payable	6(8)	-	-	5,390,517	1
2612	Operating concession liabilities	6(10) and 7	49,789,923	12	49,759,974	13
2670	Other non-current liabilities	6(12)(13)(17)	738,136	-	666,066	-
25XX	<b>Total non-current liabilities</b>		<u>283,505,539</u>	<u>70</u>	<u>304,299,682</u>	<u>76</u>
2XXX	<b>Total liabilities</b>		<u>331,367,929</u>	<u>82</u>	<u>333,250,065</u>	<u>83</u>
<b>Equity</b>						
Share capital		6(14)				
3110	Common stock		56,282,930	14	56,282,930	14
Capital surplus						
3200	Capital surplus		172,981	-	172,981	-
Retained earnings						
3310	Legal reserve		4,590,376	1	4,212,542	1
3350	Unappropriated retained earnings		10,290,013	3	6,621,614	2
3XXX	<b>Total equity</b>		<u>71,336,300</u>	<u>18</u>	<u>67,290,067</u>	<u>17</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 402,704,229</u>	<u>100</u>	<u>\$ 400,540,132</u>	<u>100</u>

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

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the Year Ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(15) and 7	\$ 49,812,023	100	\$ 37,133,233	100
5000 Operating costs	6(16) and 7	( 27,618,817)	( 55)	( 25,890,103)	( 70)
5900 Gross profit		22,193,206	45	11,243,130	30
6000 Operating expenses	6(16) and 7	( 1,661,185)	( 3)	( 1,322,722)	( 4)
6900 Net operating income		20,532,021	42	9,920,408	26
Non-operating income and expense					
7100 Interest income	6(16)	419,962	1	205,005	1
7510 Interest expense	6(8)(16) and 7	( 6,815,554)	( 14)	( 6,231,824)	( 17)
7625 Stabilization reserve (expense) reverse	6(11)	( 11,220,855)	( 23)	398,767	1
7590 Other gains and losses	6(8)(16) and 7	6,822,247	14	( 26,731)	-
7000 Total non-operating income and expense		( 10,794,200)	( 22)	( 5,654,783)	( 15)
7900 Profit before income tax		9,737,821	20	4,265,625	11
7950 Income tax expense	6(17)	( 1,913,538)	( 4)	( 496,288)	( 1)
8200 Profit for the year		\$ 7,824,283	16	\$ 3,769,337	10
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311 (Losses) gains on remeasurements of defined benefit plan	6(13)	( \$ 8,868)	-	\$ 11,256	-
8349 Income tax relating to components item that will not be reclassified subsequently to profit or loss	6(17)	1,774	-	( 2,251)	-
8300 Other comprehensive (loss) income for the year		( \$ 7,094)	-	\$ 9,005	-
8500 Total comprehensive income for the year		\$ 7,817,189	16	\$ 3,778,342	10
Basic earnings per share					
9750 Basic earnings per share	6(18)	\$	1.39	\$	0.67
Diluted earnings per share					
9850 Diluted earnings per share	6(18)	\$	1.39	\$	0.67

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

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

			Retained Earnings		Total equity
	Share capital- common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	
<u>For the year ended December 31, 2022</u>					
Balance at January 1, 2022	\$ 56,282,930	\$ 172,981	\$ 3,852,440	\$ 7,469,620	\$ 67,777,971
Appropriations of 2021 earnings					
Legal reserve	-	-	360,102	( 360,102)	-
Cash dividends of NT\$0.758 per share	-	-	-	( 4,266,246)	( 4,266,246)
	-	-	360,102	( 4,626,348)	( 4,266,246)
Profit for the year	-	-	-	3,769,337	3,769,337
Other comprehensive income	-	-	-	9,005	9,005
Total comprehensive income	-	-	-	3,778,342	3,778,342
Balance at December 31, 2022	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 4,212,542</u>	<u>\$ 6,621,614</u>	<u>\$ 67,290,067</u>
<u>For the year ended December 31, 2023</u>					
Balance at January 1, 2023	\$ 56,282,930	\$ 172,981	\$ 4,212,542	\$ 6,621,614	\$ 67,290,067
Appropriations of 2022 earnings					
Legal reserve	-	-	377,834	( 377,834)	-
Cash dividends of NT\$0.67 per share	-	-	-	( 3,770,956)	( 3,770,956)
	-	-	377,834	( 4,148,790)	( 3,770,956)
Profit for the year	-	-	-	7,824,283	7,824,283
Other comprehensive loss	-	-	-	( 7,094)	( 7,094)
Total comprehensive income	-	-	-	7,817,189	7,817,189
Balance at December 31, 2023	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 4,590,376</u>	<u>\$ 10,290,013</u>	<u>\$ 71,336,300</u>

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

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 9,737,821	\$ 4,265,625
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	230,040	223,028
Amortization	13,441,734	13,412,502
Interest expense	6,815,554	6,231,824
Interest income	( 419,962 )	( 205,005 )
(Gain) loss on foreign currency exchange, net	( 35,640 )	39,847
Stabilization reserve expense(reverse)	11,220,855	( 398,767 )
Loss on disposal of intangible assets	62,093	179,046
Gain on contract modification	( 6,832,216 )	-
Others	20,974	25,531
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets for hedging	72	( 584 )
Notes and accounts receivable	( 95,566 )	252,011
Inventories	( 225,681 )	( 80,001 )
Other current assets	50,067	164,523
Other non-current assets	( 2,881 )	( 471 )
Changes in operating liabilities		
Accounts payable	( 160,740 )	( 140,111 )
Other payables	644,242	268,275
Provisions	-	( 885,959 )
Other current liabilities	( 410,549 )	236,965
Other non-current liabilities	37,795	( 5,897 )
Cash inflow generated from operations	34,078,012	23,582,382
Interest received	417,285	188,183
Interest paid	( 6,423,940 )	( 6,035,505 )
Interest paid with respect to operating concession liabilities	( 426,563 )	( 8,049,281 )
Income tax refunded	106,641	141,601
Net cash flows from operating activities	27,751,435	9,827,380
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	( 1,759,000 )	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,762,153	-
Acquisition of financial assets for hedging	( 1,531,233 )	-
Proceeds from disposal of financial assets for hedging	1,473,330	-
(Increase) decrease in other financial assets	( 6,685,719 )	12,705,174
Acquisition of property, plant and equipment	( 54,346 )	( 46,898 )
Acquisition of intangible assets	( 6,080,530 )	( 5,191,424 )

**For the Years Ended December 31**

	<b>2023</b>	<b>2022</b>
Proceeds from disposal of intangible assets	-	100
Net cash (used in) flows from investing activities	( 12,875,345 )	7,466,952
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	42,671 (	10,922 )
Increase in short-term notes and bills payable	-	7,000,000
Repayment of long-term debt	( 10,000,000 ) (	25,000,000 )
Repayment of the principal portion of lease liabilities	( 168,690 ) (	165,693 )
Increase in other non-current liabilities	24,997	93,945
Cash dividends paid	( 3,770,956 ) (	4,266,246 )
Net cash flows used in financing activities	( 13,871,978 ) (	22,348,916 )
Effects due to changes in exchange rate on the balance of cash held in foreign currency	5,960 (	5,966 )
Net increase (decrease) in cash and cash equivalents	1,010,072 (	5,060,550 )
Cash and cash equivalents at beginning of year	16,558,946	21,619,496
Cash and cash equivalents at end of year	<b>\$ 17,569,018</b>	<b>\$ 16,558,946</b>

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

## **TAIWAN HIGH SPEED RAIL CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

### 1. GENERAL

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

On January 5, 2007, the Company started its commercial operations from the Banqiao Station to the Zuoying Station. On March 2, 2007, the Company started operating its railway service at the Taipei Station. On December 1, 2015, the Company started operating its railway service at the Miaoli, Changhua and Yunlin stations. On July 1, 2016, the Company started operating its railway service at the Nangang Station. The Company’s stock has been listed and traded on the Taiwan Stock Exchange since October 27, 2016.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and released by the Board of Directors on February 21, 2024.

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

- (1) **Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) that came into effect as endorsed by the Financial Supervisory Commission (FSC).**

Effective Date Announced by IASB	New Standards, Interpretations and Amendments
January 1, 2023	Amendments to IAS 1 “Disclosure of Accounting Policies”
January 1, 2023	Amendments to IAS 8 “Definition of Accounting Estimates”
January 1, 2023	Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
May 23, 2023	Amendments to IAS 12 “International tax reform - Pillar Two Model Rules”

The Company has evaluated that the initial application of the abovementioned IFRSs that came into effect as endorsed by the FSC did not have material impact on the Company’s accounting policies.

- (2) **Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company.**

New standards, interpretations and amendments endorsed by FSC and will become effective from 2024 are as follows:

Effective Date Announced by IASB	New Standards, Interpretations and Amendments
January 1, 2024 (Note 1)	Amendments to IFRS 16 “Lease liability in a sale and leaseback”
January 1, 2024	Amendments to IAS 1 “Classification of liabilities as current or non-current”
January 1, 2024	Amendments to IAS 1 “Non-current liabilities with covenants”
January 1, 2024	Amendments to IAS 7 and IFRS 7, “Supplier finance arrangements”

Note 1: The seller and lessee should retrospectively apply the amendments of IFRS 16 to the sale and leaseback transactions signed after the date of initial application of IFRS 16.

Except for the mentioned below, the Company has assessed that the above standards and interpretations have no significant impact on the Company's financial position and financial performance.

Amendments to IAS 1 "Classification of liabilities as current or non-current".

The amendments aim to help companies determine whether debt and other liabilities should be classified as current or non-current. The company should assess whether it has the unconditional right to defer settlement of a liability when that right is subject to compliance with specified conditions within 12 months after the reporting period. A liability is classified as non-current if the company has the right at the end of the reporting period, regardless of whether the company expects to exercise the right.

On April 7, 2023, the Company made an early repayment of the syndicated loan of the outstanding principal amount in Tranche A of \$10 billion and gave notice to the Bank of Taiwan one month in advance in accordance with the Syndicated Loan Agreement. However, as of March 31, 2023, the Company still has the right to defer the settlement period of liabilities to at least 12 months after the reporting period. On March 31, 2023, after retrospective application of the standard mentioned above, the Company reduced the amount of current portion of long-term liabilities and other payables by \$9,996,251 thousand and \$306,614 thousand, respectively, and increased the amount of long-term debt and long-term interest payable by \$9,996,251 thousand and \$306,614 thousand, respectively.

### (3) IFRSs issued by IASB but not yet endorsed by the FSC

Effective Date Announced by IASB (Note1)	New Standards, Interpretations and Amendments
To be determined by International Accounting Standards Board	Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"
January 1, 2023	IFRS 17 "Insurance Contracts"
January 1, 2023	Amendments to IFRS 17 "Insurance contracts"
January 1, 2023	Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - comparative Information"
January 1, 2025	Amendments to IAS 21 "Lack of exchangeability"

Note1: Unless stated otherwise, the above new IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Statement of compliance

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

### (2) Basis of preparation

- a. The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.
- b. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

### (3) Classification of current and non-current assets and liabilities

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



**(4) Foreign currencies**

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

**(5) Cash equivalents**

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

**(6) Financial assets at fair value through profit or loss**

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

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

**(7) Impairment of financial assets at amortized cost**

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

Receivables are mainly generated from customers who purchased tickets and merchandise through credit cards; these receivables are assessed for lifetime Expected Credit Loss (ECL). For other financial assets measured at amortized cost, after considering all reasonable and substantiated information, if the credit risk has not increased significantly since the original recognition, the allowance loss is measured at the 12-month expected credit loss amount; For those whose credit risk has increased significantly since the original recognition, the allowance loss shall be measured according to the amount of expected credit loss during the duration.

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

**(8) Inventories**

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

**(9) Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently. Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: Machinery and equipment - 3 to 7 years; transportation equipment - 4 years; office equipment - 3 to 10 years; leasehold improvements - 2 to 10 years; other equipment - 3 to 35 years.

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

**(10) Intangible assets**

a. Operating concession assets

The Company was granted authority to construct and operate the HSR and relevant ancillary facilities under the C&O Agreement and therefore the Company's operation is under the scope of IFRIC 12 "Service Concession Arrangements". According to the C&O Agreement, the Company is required to share profit with the MOTC for the development and construction of HSR infrastructure and

facilities, thus profit sharing payments are considered as an acquisition cost of the concession. The minimum commitment to profit sharing payments was discounted and recognized as intangible assets - operating concession assets with corresponding operating concession liabilities.

The Fourth Amendment of the C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years (Calculated from 2007, the operating concession period is 61.5 years). Receivable due from shortfall charges with respect to statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession assets - period extension cost.

The cost less residual value of the operating concession assets are amortized on a straight-line basis over the estimated useful lives which range as follows: Land improvements - 15 to 61.5 years; buildings - 10 to 61.5 years; machinery and equipment - 2 to 35 years; transportation equipment - 3 to 35 years; other equipment - 5 years; profit sharing payments - 61.5 years; period extension cost (shortfall charge with respect to statutory concession tickets) - 52.75 years (the remaining concession period started from October 2015).

Operating concession assets are measured initially at cost model and then amortized during the concession period. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently. On de-recognition of operating concession assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

b. Computer software

Computer software is amortized on a straight-line basis over 2 to 7 years.

**(11) Operating concession liabilities**

According to the C&O Agreement, the Company is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities; thus, profit sharing payments are considered as an acquisition cost of the concession. The acquisition cost is recognized as operating concession assets (an intangible asset described in item k.1) above) with corresponding operating concession liabilities. The liability was measured at the discounted amount of the profit sharing payments at the date of HSR commercial operation. Subsequent interest is computed by using the effective interest method.

The Fourth Amendment of the C&O Agreement and the SZD Termination Agreement were effective on October 30, 2015. As the value of returned superficies is allowed to offset profit sharing payable each year, it is recognized as a deduction of the operating concession liabilities (value of returned superficies for offset of profit sharing payable).

**(12) Impairment of assets**

The Company estimates the recoverable amount of an asset at the balance sheet date if there was an indication that it might be impaired. Recoverable amount is the higher of value in use and fair value less costs to sell. When the carrying amount of an asset exceeds its value in use, the Company further estimates its fair value less costs to sell. If the carrying amount of an asset exceeds its fair value less costs to sell, an impairment loss will be recognized as the excess of the carrying amount over the higher of value in use or fair value less costs to sell.

When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years.

**(13) Financial liabilities at fair value through profit or loss**

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.

Financial liabilities at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss.

**(14) Hedge accounting**

The Company designates some hedging instruments (including derivatives and non-derivatives to avoid exchange rate risk) for fair value hedging, which refers to the hedging of recognized liabilities or unrecognized firm commitments against risk of fair value changes. The gain or loss on the hedging instrument shall be recognized in profit or loss. The hedging gain and loss on the hedged item shall adjust the carrying amount of the hedged item and be recognized in profit or loss. When a hedged item is an unrecognized firm commitment (or a component thereof), the subsequent cumulative change in the fair value of the hedged item is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

The Company only postpones the cessation of hedging accounting when the hedging relationship no longer meets the requirements of hedging accounting, including the expiration, sale, termination or exercise of hedging tools.

**(15) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(16) Share capital**

Common stocks are classified as equity.

**(17) Dividends**

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

**(18) Revenue recognition**

Passenger fares received or receivable are recognized as revenue when transport services are provided. Amounts received for passenger tickets sold but not yet used are recorded as contract liabilities.

Sales of tickets that grant reward credits to customers under the Company's reward scheme are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the tickets sold and the reward credits granted. The transaction price of the reward credits is allocated to the contract's performance obligations based on the relatively separate sales price. Such consideration is not recognized as revenue at the time of the initial sale transaction but is recognized as contract liabilities; revenue is recognized when the reward credits are redeemed and the Company's obligations have been fulfilled.

**(19) Leases**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs

incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any re-measurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

#### **(20) Borrowing costs**

- a. Borrowing costs refer to long-term and short-term funds borrowed from banks and other long-term and short-term loans. The Company measured it at its fair value minus transaction costs at the time of original recognition, and subsequently recognized any difference between the price after deducting transaction costs and the redemption value, using the effective interest method and amortizing procedures to recognize interest expenses during the circulation period in profit and loss.
- b. When all or part of the terms of a financial liability are modified, the Company should compare between the present value of the discounted future cash flows based on the modified terms (including any fees paid and discounted using the original effective interest rate) should be compared with the discounted present value of the remaining cash flows of the original financial liability to determine whether there is a significant difference. If there is no significant difference, the carrying amount of the original financial liability will be adjusted to the present value of the future cash flows under the modified terms discounted at the original effective interest rate, and the adjustment will be recognized as other gains and losses.
- c. The fee paid when setting up the loan amount, if it is very likely to withdraw part or all of the amount, the fee shall be recognized as the transaction cost of the loan, and shall be deferred until the payment occurs and shall be recognized as an adjustment of the effective interest rate.
- d. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (interest and other costs incurred on borrowed funds) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than the borrowing costs described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **(21) Government grants**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

#### **(22) Retirement benefit costs**

Payments of contributions to a defined contribution plan are recognized as an expense when employees have rendered service entitling them to the contributions. Defined benefit costs under a defined benefit plan are recognized based on actuarial calculations.

**(23) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself, which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

**a. Current tax**

Current tax payable depends on the current taxable income. Taxable income is different from the net income before tax on the statement of comprehensive income for the reason that certain revenue and expenses are taxable or deductible items in other period, or not taxable or deductible items pursuant to related Income Tax Act. The Company's current tax liabilities are calculated by the legislated tax rate on the balance sheet date.

Pursuant to the Income Tax Act, an additional tax at 5% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

**b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and personnel training expenditures to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies which are described in Note 4 to the financial statements, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and basic assumptions are reviewed on an ongoing basis. If the amendment of estimates only affects the current period, it is recognized in the current period when the accounting estimates is revised. If the amendment of accounting estimates affects both the current and future periods, it is recognized both in the current period and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**a. Stabilization reserve**

As of December 31, 2023 and 2022, the Company recognized a provision for stabilization reserve in the amounts of \$14,371,701 thousand and \$3,150,817 thousand, respectively, in accordance with the stabilization mechanism under the C&O Agreement. The actual payment for the stabilization reserve may change and is subject to the profitability for the remaining concession period, which ends in the year 2068 or earlier if so terminated. Please refer to Notes 6(11) and 9(1)c. to the financial statements for further information.

## b. Income taxes

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets includes consideration of future revenue growth, amount of tax credits that can be utilized and feasible tax planning strategies.

As of December 31, 2023 and 2022, the carrying amounts of deferred tax assets in relation to deductible temporary differences were \$7,401,472 thousand and \$6,174,444 thousand, respectively.

## c. Intangible assets -Amortization of the Operating concession assets

Using the vast experience and technical expertise that it has developed since the launch of passenger rolling stock service, especially in the area of maintenance, the Company periodically reviews the expected economic benefits of its assets and changes in circumstances, such as the operating environment and the general inspection program, that could result in the actual lives of operating concession assets differing from the Company's current estimates. In order to reasonably reflect future economic benefits and appropriately amortize the cost of the assets, the Company held a meeting of the Asset Review Committee on October 31, 2023. The Committee thereby decided to modify the estimated amortization lives of certain operating concession assets. The revised estimated amortization lives became effective on December 1, 2023. For the years ended December 31, 2023 and 2024, the adjustment in accounting estimates increased the Company's amortization expense by \$80,889 thousand and \$775,111 thousand, respectively, and decreased cumulatively by \$856,000 thousand in subsequent years.

## 6. Details of Significant Accounts

### (1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 119,506	\$ 101,699
Demand deposits	5,801,174	233,658
Time deposits	8,718,000	12,595,866
Repurchase agreement collateralized by bonds	2,930,338	3,627,723
	<u>\$ 17,569,018</u>	<u>\$ 16,558,946</u>

### (2) FINANCIAL ASSETS AND LIABILITIES FOR HEDGING

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets for hedging - current</u>		
Fair value hedges - forward exchange contracts	\$ 57,121	\$ 72
Fair value hedges - demand deposit in JPY	37,787	-
	<u>\$ 94,908</u>	<u>\$ 72</u>
<u>Financial liabilities for hedging - non current</u>		
Fair value hedges - forward exchange contracts	\$ 256,595	\$ -
Fair value hedges - cross currency swap contracts	111,368	-
	<u>\$ 367,963</u>	<u>\$ -</u>

The Company entered into forward exchange contracts mainly to hedge the risk of exchange rate fluctuations of foreign-currency firm commitment, accounts payable and payables for construction. As of the balance sheet date, outstanding forward exchange contracts were as follows:

<b>December 31, 2023</b>	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	
Buy forward exchange contracts	NT\$/JPY	January 2024- December 2024	JPY	42,118,773
	“	December 2026	JPY	33,392,369
	“	December 2027	JPY	11,420,197
	“	December 2028	JPY	1,246,385
Buy cross currency swap contracts	NT\$/JPY	December 2025	JPY	17,545,724
<b>December 31, 2022</b>	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	
Buy forward exchange contracts	US\$/JPY	January 2023	JPY	49,219
	NT\$/US\$	January 2023	US\$	371

As of December 31, 2023, the accumulated gains and losses of fair value hedging attributable to the hedging items amounted to \$310,842 thousand, which were shown as “other non-current assets”.

### (3) INVENTORIES

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Spare parts and supplies	\$ 2,627,997	\$ 2,416,637
Merchandise	23,683	9,362
	<u>\$ 2,651,680</u>	<u>\$ 2,425,999</u>

As of December 31, 2023 and 2022, allowance for inventory valuation losses amounted to \$582,830 thousand and \$596,176 thousand, respectively.

### (4) OTHER FINANCIAL ASSETS

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Time deposits	\$ 19,090,984	\$ 12,131,528
Repurchase agreement collateralized by bonds	1,170,000	1,426,000
Demand deposits	12,636	11,615
Demand deposits - Stabilization Mechanism Account (Note 6(11))	1,361	1,334
Other performance guarantee	6,036	6,026
	<u>\$ 20,281,017</u>	<u>\$ 13,576,503</u>
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	\$ 18,121,004	\$ 11,496,900
Non-current	2,160,013	2,079,603
	<u>\$ 20,281,017</u>	<u>\$ 13,576,503</u>

a. Details of other financial asset pledged to others as collected are provided in Note 8.

b. Information relating to the credit risk of financial assets is provided in Note 6(20)c.



**(5) PROPERTY, PLANT AND EQUIPMENT**

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 28	\$ 404,959	\$ 87	\$ 124,723	\$ 82,133	\$ 283,666	\$ 895,596
Additions	-	30,681	-	4,945	80	18,640	54,346
Disposals	-	( 29,389)	( 43)	( 3,039)	-	( 310)	( 32,781)
Transfer	-	77,057	-	( 261)	40,676	8,447	125,919
Balance at December 31, 2023	28	483,308	44	126,368	122,889	310,443	1,043,080
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	-	314,580	87	112,409	81,409	258,597	767,082
Depreciation	-	42,029	-	4,601	1,065	9,677	57,372
Disposals	-	( 29,389)	( 43)	( 3,039)	-	( 310)	( 32,781)
Transfer	-	-	-	( 224)	-	-	( 224)
Balance at December 31, 2023	-	327,220	44	113,747	82,474	267,964	791,449
	\$ 28	\$ 156,088	\$ -	\$ 12,621	\$ 40,415	\$ 42,479	\$ 251,631

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 28	\$ 355,972	\$ 87	\$ 124,252	\$ 82,133	\$ 273,418	\$ 835,890
Additions	-	41,516	-	3,618	-	1,764	46,898
Disposals	-	( 8,983)	-	( 3,147)	-	( 85)	( 12,215)
Transfer	-	16,454	-	-	-	8,569	25,023
Balance at December 31, 2022	28	404,959	87	124,723	82,133	283,666	895,596
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	-	286,329	87	110,736	80,664	248,912	726,728
Depreciation	-	35,187	-	4,820	745	9,842	50,594
Disposals	-	( 8,983)	-	( 3,147)	-	( 85)	( 12,215)
Transfer	-	2,047	-	-	-	( 72)	1,975
Balance at December 31, 2022	-	314,580	87	112,409	81,409	258,597	767,082
	\$ 28	\$ 90,379	\$ -	\$ 12,314	\$ 724	\$ 25,069	\$ 128,514

**(6) LEASE ARRANGEMENTS****a. Right-of-use assets**

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 472,823	\$ 496,973	\$ 71,994	\$ 1,260	\$ 1,043,050
Additions	187,489	-	24,488	2,886	214,863
Balance at December 31, 2023	660,312	496,973	96,482	4,146	1,257,913
<u>Accumulated depreciation</u>					
Balance at January 1, 2023	339,395	245,925	51,575	840	637,735
Depreciation	87,132	61,481	23,571	484	172,668
Balance at December 31, 2023	426,527	307,406	75,146	1,324	810,403
	\$ 233,785	\$ 189,567	\$ 21,336	\$ 2,822	\$ 447,510

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 469,915	\$ 496,973	\$ 71,994	\$ 1,260	\$ 1,040,142
Additions	2,908	-	-	-	2,908
Balance at December 31, 2022	472,823	496,973	71,994	1,260	1,043,050
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	252,259	184,443	28,179	420	465,301
Depreciation	87,136	61,482	23,396	420	172,434
Balance at December 31, 2022	339,395	245,925	51,575	840	637,735
	\$ 133,428	\$ 251,048	\$ 20,419	\$ 420	\$ 405,315

**b. Lease liabilities**

	December 31, 2023	December 31, 2022
Buildings	\$ 234,900	\$ 134,829
Machinery and equipment	184,621	241,874
Transportation equipment	21,448	20,548
Other equipment	2,888	433
	443,857	397,684
Less: Recognized as current lease liabilities	( 165,851)	( 159,571)
Lease liabilities - non-current	\$ 278,006	\$ 238,113

Range of discount rate for lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Buildings	0.38%-1.69%	0.38%-1%
Machinery and equipment	0.87%	0.87%
Transportation equipment	0.68%-1.47%	0.45%-0.73%
Other equipment	0.38%-1.69%	0.38%

**c. Material lease terms**

The Company leased an office building from Century Development Company with the lease term from January 2018 to December 2023. After the lease expired, the lease contract extension was renewed until December 2026.

The Company leased a parking lot for rental business in Zuoying Station from Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC with the lease term from January 2017 to January 2027.

The Company leased a host of automatic ticketing system for operating from Kyndryl Taiwan Company with the lease term from February 2018 to January 2027.

**d. Other lease information**

	For the Years Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ 690	\$ 878
Expenses relating to low-value asset leases	-	\$ 355
Total cash outflows for leases	(\$ 172,152)	(\$ 170,636)

The Company leases certain space, which qualifies as short-term leases, and certain office equipment and other equipment, which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

(7) INTANGIBLE ASSETS

a. Movements of the intangible assets

	Operating Concession Assets						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 479,284,196	\$ 69,972,043	\$ 12,701,819	\$ 3,048,089	\$ 565,006,147	\$ 631,182	\$ 565,637,329
Additions	885,828	-	-	5,237,343	6,123,171	38,814	6,161,985
Disposals	( 565,063)	-	-	-	( 565,063)	( 150)	( 565,213)
Transfer	3,285,026	-	-	( 3,438,617)	( 153,591)	22,629	( 130,962)
Balance at December 31, 2023	482,889,987	69,972,043	12,701,819	4,846,815	570,410,664	692,475	571,103,139
<u>Accumulated amortization</u>							
Balance at January 1, 2023	183,750,308	20,030,893	1,745,749	-	205,526,950	496,220	206,023,170
Amortization	12,054,464	1,097,608	240,793	-	13,392,865	47,909	13,440,774
Disposals	( 502,970)	-	-	-	( 502,970)	( 150)	( 503,120)
Transfer	192	-	-	-	192	-	192
Balance at December 31, 2023	195,301,994	21,128,501	1,986,542	-	218,417,037	543,979	218,961,016
	\$ 287,587,993	\$ 48,843,542	\$ 10,715,277	\$ 4,846,815	\$ 351,993,627	\$ 148,496	\$ 352,142,123

	Operating Concession Assets						
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total	Computer Software	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 476,575,681	\$ 69,972,043	\$ 12,701,819	\$ 2,826,901	\$ 562,076,444	\$ 569,309	\$ 562,645,753
Additions	1,300,350	-	-	3,842,013	5,142,363	24,254	5,166,617
Disposals	( 2,124,741)	-	-	-	( 2,124,741)	( 490)	( 2,125,231)
Transfer	3,532,906	-	-	( 3,620,825)	( 87,919)	38,109	( 49,810)
Balance at December 31, 2022	479,284,196	69,972,043	12,701,819	3,048,089	565,006,147	631,182	565,637,329
<u>Accumulated amortization</u>							
Balance at January 1, 2022	173,665,854	18,933,286	1,504,956	-	194,104,096	456,196	194,560,292
Amortization	12,032,190	1,097,607	240,793	-	13,370,590	40,514	13,411,104
Disposals	( 1,945,595)	-	-	-	( 1,945,595)	( 490)	( 1,946,085)
Transfer	( 2,141)	-	-	-	( 2,141)	-	( 2,141)
Balance at December 31, 2022	183,750,308	20,030,893	1,745,749	-	205,526,950	496,220	206,023,170
	\$ 295,533,888	\$ 49,941,150	\$ 10,956,070	\$ 3,048,089	\$ 359,479,197	\$ 134,962	\$ 359,614,159

**b. Operating assets and construction in progress are as follows:**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<u>Operating assets, net</u>		
Land improvements	\$ 151,773,650	\$ 154,998,583
Buildings	25,457,554	26,045,381
Machinery and equipment	22,117,693	23,397,821
Transportation equipment	88,230,041	91,077,877
Other equipment	9,055	14,226
	<u>\$ 287,587,993</u>	<u>\$ 295,533,888</u>
 <u>Construction in progress</u>	 <u>\$ 4,846,815</u>	 <u>\$ 3,048,089</u>

**c. Capitalization of interest amount and range of the interest rates:**

	<b>2023</b>	<b>2022</b>
Capitalization of interest amount	\$ 3,906	\$ -
Range of the interest rates for capitalization	2.1847%-2.1859%	-

**d. Operating concession - rental**

According to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Company acquired superficies from the MOTC on the land of transportation infrastructure and pays the rental every year, including routes, maintenance bases, and stations. The rental is governed by the Publicly-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in the future reported price of publicly-owned land and usage of such publicly-owned land and other relevant factors. The Company prepays the rental for the following year by the end of each year, and if the reported price of publicly-owned land is adjusted, the discrepancies due to that should be paid off in the same year. As of December 31, 2023, the superficies encompasses northern area to southern area of Taiwan, from Land Lot No. 1042-0001 of Tongxing Section, Xizhi District, New Taipei City located in the north to Land Lot No. 0419-0002 of Subsection 6, Hsinchuang Section, Zuoying District, Kaohsiung City located in the south. The term of such acquired superficies is from the date of their registration to the date of expiration or termination of the C&O Agreement.

**(8) BORROWINGS AND SHORT-TERM NOTES AND BILLS PAYABLE****a. Short-term borrowings**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Letters of credit	\$ 48,099	\$ 5,737

The range of interest rates on short-term borrowings at the end of the reporting period was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Letters of credit	0.63%-0.89%	0.63%-0.74%

**b. Short-term notes and bills payable**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Short-term bills payable	\$ 22,000,000	\$ 22,000,000
Less: Discount on short-term bills payable	( 61,808)	( 39,180)
	<u>\$ 21,938,192</u>	<u>\$ 21,960,820</u>

The above-mentioned short-term notes and bills payable are non-guaranteed commercial papers. The Company could issue non-guaranteed commercial paper (up to 90 days) on a revolving basis during the contract term, only interest and handling fees will be paid during the period. The outstanding short-term notes and bills payable are as follows:

Guarantee or Acceptance Agency	Issue Period	Issue Price	Unamortized Discount	Book Value	Interest Rate	Contract Period
International Bills Finance Corporation	2023.11.22- 2024.2.20	\$ 5,000,000	(\$ 11,138)	\$ 4,988,862	1.59%	2021.7.19- 2026.7.18
Mega Bills Finance Corporation	2023.11.22- 2024.2.20	5,000,000	( 11,138)	4,988,862	1.59%	2021.7.19- 2026.7.18
China Bills Finance Corporation	2023.11.22- 2024.2.20	5,000,000	( 11,138)	4,988,862	1.59%	2021.7.19- 2026.7.18
International Bills Finance Corporation	2023.12.28- 2024.3.22	2,500,000	( 10,147)	2,489,853	1.81%	2022.5.3- 2027.5.2
Mega Bills Finance Corporation	2023.12.28- 2024.3.22	2,000,000	( 8,117)	1,991,883	1.81%	2022.5.3- 2027.5.2
China Bills Finance Corporation	2023.12.28- 2024.3.22	2,500,000	( 10,130)	2,489,870	1.80%	2022.5.3- 2027.5.2
		<u>\$ 22,000,000</u>	<u>(\$ 61,808)</u>	<u>\$ 21,938,192</u>		

### c. Long-term debt

	December 31, 2023	December 31, 2022
Syndicated loan		
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	\$ 91,200,000	\$ 95,400,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	116,505,117	122,305,117
	<u>207,705,117</u>	<u>217,705,117</u>
Less: Unamortized cost of long-term debt	-	( 82,977)
Discount on long-term debt	( 7,852,742)	-
	<u>\$ 199,852,375</u>	<u>\$ 217,622,140</u>

#### (A) Syndicated loan

The Company entered into the Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement (the "Tripartite Agreement") with the MOTC and Bank of Taiwan on January 8, 2010, and the NT\$382 billion Syndicated Loan Agreement with respect to Taiwan North-South High Speed Rail Construction and Operation Project (the "Syndicated Loan Agreement") with a group of eight syndicated banks. The syndicated banks of the Syndicated Loan Agreement consist of Bank of Taiwan, Mega International Commercial Bank, Taiwan Cooperative Bank, Land Bank of Taiwan, First Commercial Bank, Taiwan Business Bank, Chang Hwa Commercial Bank, and Hua Nan Commercial Bank. The significant terms are as follows:

(a) The syndicated loan includes Tranches A1, A2, A3, B, C and D with different credit facilities. Tranches A1, A2, C and D are credit facilities, Tranche A3 is corporate bond guarantee facility, and Tranche B is performance guarantee facility. Tranche A3, C and D were fully redeemed and cannot be issued afterwards.

(b) The Company provided assets (refer to assets to be transferred to the MOTC under the C&O Agreement) as collateral for the syndicated loan (the Company's assets are not required to be registered with the syndicated banks for creating rights attached to the Company's such assets). When the value of the collateral is less than the balance of the outstanding syndicated loan, the Company shall negotiate with Bank of Taiwan and the MOTC for solutions. However, if an agreement cannot be reached within 45 days after the date of the negotiation notice issued by Bank of Taiwan, the Company should redeem the difference immediately. The aforementioned collateral is inspected in May and November every year. The re-assessment mechanism for collateral value is inactive when Tranche B Facility is not utilized.

(c) According to the Syndicated Loan Agreement, the Company opened capital account and reserve account at Bank of Taiwan for deposits and financial instruments. The Company is free to use the capital account; however, the reserve account is restricted and pledged as collateral to Bank of Taiwan, and is recorded as other financial assets. Please refer to Notes 6(4) and 8 to the financial statements for further information.

(d) The repayment method and interest rates of the Syndicated Loan Agreement are as follows:

i. Term of loan and repayment method

	<b>Repayment Schedule</b>	<b>Ratio of Repayment</b>	<b>Repayment schedule after Early Repayment</b>	<b>Number of Semi-annual Installment Repayment after Early Repayment</b>
Tranche A1 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	May 4, 2028 - November 4, 2040	Installments 15-40
	May 4, 2041 - November 4, 2049	2.0% per installment	May 4, 2041 - May 4, 2049	Installments 41-57
	May 4, 2050	4.0% per installment		
Tranche A2 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	November 4, 2028 - November 4, 2040	Installments 16-40
	May 4, 2041 - November 4, 2049	2.0% per installment	May 4, 2041 - May 4, 2048	Installments 41-55
	May 4, 2050	4.0% per installment		

On April 7, 2023, the Company made early repayment for \$10 billion and repaid interest differences for \$306,421 thousand due to early repayment of the loan.

On May 4, 2022, the Company made early repayment for \$25 billion and repaid interest differences for \$795,291 thousand due to early repayment of the loan.

ii. Interest rates

The interest rates (including 5% VAT) of the Tranche A1 Facility and Tranche A2 Facility are determined as the reference rate (1-year time deposit floating rate of Chunghwa Post Co., Ltd.) plus spread as listed on the table below. Due to the step-up spread mechanism, the Company shall make up for the deficit of the interests below the agreed interest rate to the syndicated banks if early redemption occurs. As of December 31, 2023 and 2022, the reference rate were 1.56% and 1.44%, respectively.

<b>Syndicated Period</b>	<b>Mark-up Interest Rates</b>
May 4, 2010 - May 3, 2012	0.10%
May 4, 2012 - May 3, 2013	0.20%
May 4, 2013 - May 3, 2014	0.30%
May 4, 2014 - May 3, 2015	0.40%
May 4, 2015 - May 3, 2016	0.50%
May 4, 2016 - May 3, 2017	0.60%
May 4, 2017 - May 3, 2018	0.70%
May 4, 2018 - May 3, 2040	0.92%
May 4, 2040 - May 4, 2049	1.08%

On December 21, 2023, the Company signed the sixth amendment of the Syndicated Loan Agreement (the "Agreement") with the syndicated banks. In accordance with the provisions of the Agreement, upon the Company pays an one-time compensation of interest difference on original ramp-up markup interests to the bank syndicate, the terms of the Agreement will come into effect as the tranche A1 and A2 annual mark-up interest rate of 0.45%. The Company paid \$5,766,731 thousand on January 2, 2024 (booked as other payables on December 31, 2023).

In each year of the credit period, on the next interest payment date after the annual financial statements audited by the accountant is provided to the management bank, the applicable mark-up annual interest rate will be adjusted as shown in the table below.

Pre-Tax Income Margin(X)	Mark-up interest rate
X<0%	0.65%
0% ≤ X<10%	0.55%
10% ≤ X	0.45%

Pre-Tax Income Margin(X)= Profit before income tax ÷ operating revenue listed in the annual financial audit report.

The Company discounted the expected cash flow of the Agreement at the original effective interest rate, and reduced the carrying amount of long-term debt by \$7,852,742 thousand in December 2023 (booked as discount on long-term debt). Meanwhile, long-term interest payable of \$4,820,454 thousand and unamortized long-term debt costs of \$74,249 thousand were written off, and a gain on contract modification of \$6,832,216 thousand (booked as other gains and losses) was recognized as well.

(e) The interest on Tranche A1 and A2 Facilities is calculated based on the Syndicated Loan Agreement. The Company computes interest expense by the effective interest method. Interest payment that is due longer than one year is recognized as long-term interest payable according to the agreement. The effective interest rates, accrued interest expense, and interest expense were summarized as follows:

i. Effective interest rates

	December 31, 2023	December 31, 2022
Tranche A1 Facility	2.43%	2.34%
Tranche A2 Facility	2.45%	2.35%

ii. Accrued interest expense (included as other payables, balance as of December 31, 2023 includes payment for the interest difference between Syndicated Loan Bank, please refer to the explanation related to the amendment in the preceding paragraph).

	December 31, 2023	December 31, 2022
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 2,911,555	\$ 193,978
Tranche A2 Facility	3,315,687	248,685
	\$ 6,227,242	\$ 442,663

iii. Long-term interest payable (The balance as of December 31, 2023 has been written off, please refer to the explanation related to the amendment in the preceding paragraph).

	December 31, 2023	December 31, 2022
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ -	\$ 2,546,169
Tranche A2 Facility	-	2,844,348
	\$ -	\$ 5,390,517

iv. Interest expense

	For the Years Ended December 31	
	2023	2022
<u>Syndicated loan</u>		
Interest expense	\$ 5,158,870	\$ 4,497,356



## (B) Long-term unsecured loans

The Company obtained a credit line of NT\$5 billion from First Commercial Bank Co., Ltd, Bank of Taiwan and the Hua Nan Commercial Bank, Ltd, respectively. The credit period is 5 years. This credit loan includes forward foreign letters of credit receivable and long-term unsecured loans. As of December 31, 2023, the Company has not used its credit line.

## (9) BONDS PAYABLE

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Domestic unsecured bond	\$ 27,500,000	\$ 27,500,000
Less: Unamortized issuance cost	( 22,183)	( 26,463)
	<u>27,477,817</u>	<u>27,473,537</u>
Less: Bond payable-current portion	( 4,998,681)	-
	<u>\$ 22,479,136</u>	<u>\$ 27,473,537</u>

The main conditions of domestic unsecured bonds issued by the Company were as follows:

<b>Bonds Name</b>	<b>Trustee</b>	<b>Issuance Period</b>	<b>Total Amount</b>	<b>Coupon Rate</b>	<b>Unamortized Repayment</b>
Domestic Unsecured Bonds-2019-1	Taishin International Bank	November 14, 2019 - November 14, 2049	\$ 8,000,000	1.60%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2020-1	Taishin International Bank	July 1, 2020 - July 1, 2050	10,500,000	1.30%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-A	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2024	4,000,000	0.32%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-B	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2025	4,000,000	0.35%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-2	Hua Nan Commercial Bank	August 30, 2021 - August 30, 2024	1,000,000	0.30%	Bullet repayment and Annual simple interest payment

## (10) OPERATING CONCESSION LIABILITIES

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Operating concession liabilities	\$ 70,755,143	\$ 69,785,986
Value of returned superficies for offset of profit sharing payable	( 19,991,438)	( 19,599,449)
	<u>\$ 50,763,705</u>	<u>\$ 50,186,537</u>
Current	973,782	426,563
Non-current	<u>49,789,923</u>	<u>49,759,974</u>
	<u>\$ 50,763,705</u>	<u>\$ 50,186,537</u>

According to the C&O Agreement, the Company is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Please refer to Note 9(1)b. to the financial statements for further information. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. The information about the amortization expense of operating concession assets and the interest expense of operating concession liabilities during the concession period is summarized as follows:

Year	Amortization Expense	Interest Expense	Total
Up to December 31, 2023	\$ 21,128,501	\$ 26,209,663	\$ 47,338,164
2024 (estimate)	1,097,608	1,423,634	2,521,242
2025 (estimate)	1,097,608	1,452,107	2,549,715
2026 (estimate)	1,097,608	1,481,149	2,578,757
2027-2033 (estimate)	7,683,258	7,461,404	15,144,662
2034-2068 (estimate)	37,867,460	-	37,867,460
	<u>\$ 69,972,043</u>	<u>\$ 38,027,957</u>	<u>\$ 108,000,000</u>

According to the Financial Resolution Plan, the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the Company used the appraised fair value of returned superficies of \$22,613,234 thousand to proportionally offset the operating concession liabilities (profit sharing payable), which is payable to the MOTC at the end of every five years. The estimated offset amount is \$29,784,855 thousand. Please refer to Note 9(1)b. to the financial statements for further details. The information on actual and estimated profit or loss recognized on the value of returned superficies for offset of profit sharing payable within the concession period is summarized as follows:

Year	Other Gain	Deduction of Interest Expense	Total
Up to December 31, 2023	\$ 2,613,234	\$ 3,633,970	\$ 26,247,204
2024 (estimate)	-	399,829	399,829
2025 (estimate)	-	407,825	407,825
2026 (estimate)	-	415,982	415,982
2027-2033 (estimate)	-	2,314,015	2,314,015
	<u>\$ 22,613,234</u>	<u>\$ 7,171,621</u>	<u>\$ 29,784,855</u>

As of December 31, 2023, the Company's accumulated profit sharing payments paid to the MOTC amounted to \$19,170,797 thousand (or accumulated profit sharing payments for \$25,426,563 thousand less the deductible amount of returned superficies for \$6,255,766 thousand).

## (11) PROVISIONS

### a. Provisions

	December 31, 2023	December 31, 2022
<u>Current</u>		
Provision for controversial overtime payments	\$ -	\$ 283,299
Provision for stabilization reserve	4,371,701	1,482
	<u>\$ 4,371,701</u>	<u>\$ 284,781</u>
<u>Non-current</u>		
Provision for stabilization reserve	\$ 10,000,000	\$ 3,149,335

### b. Movements in provisions were as follows:

	Balance at January 1, 2023	Addition	Deduction	Balance at December 31, 2023
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,299	\$ -	(\$ 283,299)	\$ -
Provision for stabilization reserve	1,482	4,370,219	-	4,371,701
	<u>\$ 284,781</u>	<u>\$ 4,370,219</u>	<u>(\$ 283,299)</u>	<u>\$ 4,371,701</u>
<u>Non-current</u>				
Provision for stabilization reserve	\$ 3,149,335	\$ 6,850,665	\$ -	\$ 10,000,000

	Balance at January 1,2022	Addition	Deduction	Balance at December 31,2022
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,279	\$ 20	\$ -	\$ 283,299
Provision for stabilization reserve	885,994	1,447	( 885,959)	1,482
	<u>\$ 1,169,273</u>	<u>\$ 1,467</u>	<u>(\$ 885,959)</u>	<u>\$ 284,781</u>
<u>Non-current</u>				
Provision for stabilization reserve	<u>\$ 3,548,102</u>	<u>\$ -</u>	<u>(\$ 398,767)</u>	<u>\$ 3,149,335</u>

(a) Controversial overtime payments

The Company's administrative lawsuit over controversial overtime pay was heard by the Supreme Administrative Court and the judgment was confirmed on January 16, 2023. The Company discussed the disposition measures according to the resolution of the Board of Directors on February 22, 2023, and negotiated with the employees who should be paid. The amount payable, and the estimated provision for liabilities of \$283,299 thousand was transferred to other payables. As of December 31, 2023, the Company completed the payment and adjustment.

(b) Stabilization reserve

Please refer to Note 9(1)c. regarding the recognition and use of provision for stabilization reserve from 2016 in accordance with the C&O Agreement. For the years ended December 31, 2023 and 2022, the provision for the stabilization reserve expenses and the stabilization reserve reverse amounted to \$11,220,855 thousand and \$398,767 thousand, respectively. In November 2021, the Company contributed \$885,959 thousand to the Stabilization Mechanism Account. In December 2022, disbursements were made in accordance with the C&O agreement. As of December 31, 2023, balance of the stabilization reserve account was \$14,371,701 thousand and the bank balance of stabilization mechanism account was \$1,361 thousand.

(12) OTHER LIABILITIES

	December 31, 2023	December 31, 2022
<u>Other payables</u>		
Accrued interest expense (Note 6(8)c.)	\$ 6,326,357	\$ 590,818
Accrued expenses	3,419,667	2,491,035
Business tax payable	277,821	262,611
Others	57,413	73,940
	<u>\$ 10,081,258</u>	<u>\$ 3,418,404</u>
<u>Other current liabilities</u>		
Contract liabilities (Note 6(15))	\$ 901,915	\$ 1,285,739
Lease liabilities (Note 6(6))	165,851	159,571
Receipts under custody	35,608	33,076
Rent received in advance	115	459
Others	885	29,798
	<u>\$ 1,104,374</u>	<u>\$ 1,508,643</u>
<u>Other non-current liabilities</u>		
Guarantee deposits received	\$ 408,607	\$ 383,480
Net defined benefit liabilities(Note 6(13))	281,843	275,823
Deferred revenue	47,387	6,748
Deferred tax liabilities	299	15
	<u>\$ 738,136</u>	<u>\$ 666,066</u>

### (13) RETIREMENT BENEFIT PLANS

#### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

#### b. Defined benefit plan

The Company also adopted a defined benefit plan under the Labor Standards Act (the “LSA”). Under the LSA, pension benefits are calculated based on the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committees’ name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Company is required to fund the difference in a one-time appropriation that shall be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy. Through the defined benefit plans under the LSA, the Company is exposed to the following risks:

##### (a) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be lower than the interest rate for a 2-year time deposit with local banks.

##### (b) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the value on the plan’s debt investments.

##### (c) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The amounts included in the balance sheets in respect of the Company’s obligations under its defined benefit plan are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of defined benefit obligations	(\$ 967,083)	(\$ 936,431)
Fair value of plan assets	685,240	660,608
Net defined benefit liability	(\$ 281,843)	(\$ 275,823)

Movements in net defined benefit liability were as follows:

	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liability</b>
Balance at January 1,2022	(\$ 904,605)	\$ 614,364	(\$ 290,241)
Current service cost	( 13,593)	-	( 13,593)
Net interest income (expense)	( 4,866)	3,322	( 1,544)
Recognized in profit or loss	( 18,459)	3,322	( 15,137)
Remeasurements:			
Return on plan assets	-	48,548	48,548
Actuarial loss - experience adjustments	( 55,618)	-	( 55,618)
Actuarial gain - changes in financial assumptions	18,326	-	18,326
Recognized in other comprehensive income	( 37,292)	48,548	11,256
Contributions from the employer	-	18,299	18,299
Benefits paid	23,925	( 23,925)	-
Balance at December 31,2022	(\$ 936,431)	\$ 660,608	(\$ 275,823)
Balance at January 1,2023	(\$ 936,431)	\$ 660,608	(\$ 275,823)
Current service cost	( 13,725)	-	( 13,725)
Net interest income (expense)	( 11,448)	8,117	( 3,331)
Recognized in profit or loss	( 25,173)	8,117	( 17,056)
Remeasurements:			
Return on plan assets	-	5,960	5,960
Actuarial loss - experience adjustments	( 14,828)	-	( 14,828)
Recognized in other comprehensive income	( 14,828)	5,960	( 8,868)
Contributions from the employer	-	19,904	19,904
Benefits paid	9,349	( 9,349)	-
Balance at December 31,2023	(\$ 967,083)	\$ 685,240	(\$ 281,843)

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.25%	1.25%
Future salary increases	2.75%	2.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as shown on the table below. The sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate		
Increase 0.5%	(\$ 39,754)	(\$ 42,849)
Decrease 0.5%	\$ 42,295	\$ 45,816
Future salary increases		
Increase 0.5%	\$ 41,859	\$ 45,296
Decrease 0.5%	(\$ 39,754)	(\$ 42,807)

An analysis of the average duration of the defined benefit obligation was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
The expected contributions to the plan for the next year	\$ 75,801	\$ 41,133
The average duration of the defined benefit obligation	7.2 years	8.2 years

Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 is \$ 20,225 thousand.

- c. Please refer to Note 6(16)a. to the financial statements for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income.

#### (14) EQUITY

##### a. Share capital

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Number of shares authorized (in thousands)	12,000,000	12,000,000
Shares authorized	\$ 120,000,000	\$ 120,000,000
Number of shares issued and fully paid (in thousands)	5,628,293	5,628,293
Share capital issued and outstanding	\$ 56,282,930	\$ 56,282,930

A holder of issued common stock with par value of \$10 is entitled to vote and to receive dividends. On November 26, 2015, the Company conducted capital injection and issued 3,000,000 thousand shares of common stock through a private placement at par value of \$10, or a total of \$30,000,000 thousand. The rights and obligations of the before mentioned privately placed common stock are the same as other common stock issued, except that such common stock has not yet been applied to be listed and traded on the Taiwan Stock Exchange.

##### b. Capital surplus

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Additional paid-in capital	\$ 171,885	\$ 171,885
Forfeited employee share options	1,096	1,096
	\$ 172,981	\$ 172,981

Pursuant to the R.O.C Company Law, capital surplus generated from shares issued in excess of par and generated from forfeited employee share options may be used to offset an accumulated deficit, if any; in addition, when the Company has no accumulated deficit. Further, the R.O.C Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

##### c. Legal reserve and dividend policy

Under the dividend policy set forth in the Articles of Incorporation, after the resolution of the Board of Directors to distribute employees' compensation and remuneration to directors, and payments for all taxes and duties, 10% of the remaining after-tax profit is set aside as legal reserve. However, when the legal reserve equals the Company's paid-in capital, further appropriation of earnings to legal reserve will no longer be required. Furthermore, after reversal or appropriation of special reserve according to related regulations, the remainder together with any accumulated unappropriated earnings may be distributed to shareholders as proposed by the Board of Directors and ultimately resolved by the shareholders.

The Company's dividend policy takes into account current and future development projects, consideration of investment environment, demand for funds and situations of domestic and international competitions, and consideration of shareholders' benefits and other relevant factors to determine earnings distribution. The Company adopts a stable and balanced dividend policy.

Distributable earnings shall be appropriated at the rate no less than 60% to shareholders as dividends; however, when accumulated unappropriated earnings are lower than 0.5% of paid-in capital, no appropriation shall be made. Dividends to be distributed shall be paid either in cash or in share, and cash dividends shall be no less than 50% of total dividends.

For the information on the appropriation policy, actual distributions of employees' compensation and remuneration to directors, please refer to Note 6(16)a. to the financial statements.

The appropriations of earnings for 2022 and 2021 approved in the shareholders' meetings on May 25, 2023 and May 26, 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2022	For Fiscal Year 2021	For Fiscal Year 2022	For Fiscal Year 2021
Legal reserve	\$ 377,834	\$ 360,102		
Cash dividends	3,770,956	4,266,246	\$ 0.670	\$ 0.758
	<u>\$ 4,148,790</u>	<u>\$ 4,626,348</u>		

Information on the employees' compensation and remuneration to directors, and the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

#### (15) REVENUE

	For the Years Ended December 31	
	2023	2022
Revenue from contracts with customers		
Railroad transportation revenue	\$ 48,074,881	\$ 35,640,556
Other operating revenue	1,737,142	1,492,677
	<u>\$ 49,812,023</u>	<u>\$ 37,133,233</u>

##### a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	\$ 509,512	\$ 413,946	\$ 665,957
Contract liabilities			
Railroad transportation revenue	\$ 784,530	\$ 1,185,983	\$ 872,822
Customer loyalty program	103,394	88,834	116,134
Others	13,991	10,922	8,808
	<u>\$ 901,915</u>	<u>\$ 1,285,739</u>	<u>\$ 997,764</u>

As of December 31, 2023 and 2022, accounts receivable and notes receivable are not overdue.

The changes in the balances of contract liabilities primarily result from the timing difference between the Company's performance and the customer's payment.

Revenue of the reporting period recognized from the beginning balance of contract liability is as follows:

	For the Years Ended December 31	
	2023	2022
From the beginning balance of contract liability		
Railroad transportation revenue	\$ 1,179,523	\$ 864,209
Customer loyalty program	84,194	109,767
Others	10,910	8,788
	<u>\$ 1,274,627</u>	<u>\$ 982,764</u>



**b. Revenue from contracts with customers**

The Company is engaged only in the operation of HSR and related facilities. Consequently, there is no other reportable segment. Revenue is railroad transportation revenue.

**c. Partially completed contracts**

For the performance obligations that are not fully satisfied, the expected timings for recognition of revenue are as follows.

	<b>December 31, 2023</b>
Railroad transportation revenue	\$ 778,323
In 2024	6,264
In 2025	784,587
Customer loyalty program	
In 2024	\$ 95,823
In 2025	7,571
	103,394
Others	
In 2024	\$ 13,373
In 2025	561
	13,934
	<u>\$ 901,915</u>

**(16) INCOME BEFORE INCOME TAX****a. Employee benefit expense**

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits		
Defined contribution plan	\$ 208,305	\$ 201,476
Defined benefit plan	17,056	15,137
	<u>225,361</u>	<u>216,613</u>
Short-term employee benefits		
Payroll	5,297,084	4,420,468
Insurance	422,339	402,913
Others	219,738	190,478
	<u>5,939,161</u>	<u>5,013,859</u>
	<u>\$ 6,164,522</u>	<u>\$ 5,230,472</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 4,987,031	\$ 4,297,595
Operating expenses	1,177,491	932,877
	<u>\$ 6,164,522</u>	<u>\$ 5,230,472</u>

Under the Company's Articles of Incorporation, if there is any after-tax profit at the end of the year, the Company shall first make up for accumulated losses and then distribute employees' compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. The employees' compensation and remuneration to directors of the Company were calculated based on income before income tax (net of the employees' compensation and remuneration to directors) according to the above policy.

For the years ended December 31, 2023 and 2022, the estimated employees' compensation in cash was \$199,750 thousand and \$87,500 thousand, respectively, and the estimated remuneration to directors in cash was \$49,938 thousand and \$21,875 thousand, respectively.

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

The Board of Directors had resolved the employees' compensation of \$199,750 thousand and the remuneration to directors of \$49,938 thousand for the year ended December 31, 2023 and payable in cash on January 17, 2024 which were the same amounts recognized in the financial statements for the year ended December 31, 2023.

The Board of Directors had resolved the employees' compensation of \$87,500 thousand and the remuneration to directors of \$21,875 thousand for the year ended December 31, 2022 payable in cash on January 18, 2023 which were the same amounts recognized in the financial statements for the year ended December 31, 2022.

Information on the employees' compensation and remuneration to directors resolved by the Board of Directors and reported in the shareholders' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

#### b. Depreciation and amortization

	For the Years Ended December 31	
	2023	2022
Property, plant and equipment	\$ 57,372	\$ 50,594
Right-of-use assets	172,668	172,434
Intangible assets	13,440,774	13,411,104
Other non-current assets	960	1,398
	<u>\$ 13,671,774</u>	<u>\$ 13,635,530</u>
An analysis of depreciation by function		
Operating costs	\$ 204,502	\$ 198,004
Operating expenses	25,538	25,024
	<u>\$ 230,040</u>	<u>\$ 223,028</u>
An analysis of amortization by function		
Operating costs	\$ 13,430,972	\$ 13,402,714
Operating expenses	10,762	9,788
	<u>\$ 13,441,734</u>	<u>\$ 13,412,502</u>

#### c. Interest income

	For the Years Ended December 31	
	2023	2022
Interest income of bank deposits	\$ 341,966	\$ 174,593
Interest income of repurchase agreement collateralized by bonds	77,943	30,382
Others	53	30
	<u>\$ 419,962</u>	<u>\$ 205,005</u>

#### d. Interest expense

	For the Years Ended December 31	
	2023	2022
Interest on bank loans	\$ 5,164,357	\$ 4,503,140
Interest on operating concession liabilities	1,003,731	1,194,790
Interest on short-term notes and bills payable	347,666	181,537
Interest on bonds payable	298,309	298,579
Others	5,397	53,778
	<u>6,819,460</u>	<u>6,231,824</u>
Less: Capitalization amount of qualifying assets	( 3,906)	-
	<u>\$ 6,815,554</u>	<u>\$ 6,231,824</u>

e. Other gains and losses

	For the Years Ended December 31	
	2023	2022
Gain on contract modification (Note 6(8) c.)	\$ 6,832,216	\$ -
Liquidated damages income	16,500	15,007
Foreign exchange gain, net	11,075	54,032
Compensation gain	9,343	89,044
Compensation loss	-	(21,000)
Loss on disposal of intangible assets, net	(62,093)	(179,046)
Others	15,206	15,232
	<u>\$ 6,822,247</u>	<u>(\$ 26,731)</u>

(17) INCOME TAXES

a. Income tax expense

(a) Income tax recognized in profit or loss

	For the Years Ended December 31	
	2023	2022
Current tax		
Current tax on profits for the year	\$ 3,134,409	\$ -
Prior year income tax adjustment	4,099	(323,368)
Deferred tax		
Current tax on profits for the year	(1,195,703)	861,090
Prior year income tax adjustment	(29,267)	(41,434)
Income tax expense	<u>\$ 1,913,538</u>	<u>\$ 496,288</u>

A reconciliation of income before income tax and income tax expense was as follows:

	For the Years Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 1,947,564	\$ 853,125
Nondeductible expenses in determining taxable income	2,082	9,702
Change in unrecognized deductible temporary differences	-	-
Adjustments for prior years	(25,168)	(364,802)
Others	(10,940)	(1,737)
Income tax expense	<u>\$ 1,913,538</u>	<u>\$ 496,288</u>

(b) Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2023	2022
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plan	\$ 1,774	(\$ 2,251)

## (c) Deferred tax assets and liabilities

	<b>Balance at January 1,2023</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Balance at December 31,2023</b>
Deferred tax assets				
Temporary differences				
Profit sharing payments	\$ 4,044,992	\$ 406,113	\$ -	\$ 4,451,105
Provisions	686,823	2,187,517	-	2,874,340
Deferred revenue	17,767	2,912	-	20,679
Defined benefit plan	53,534	-	1,774	55,308
Others	55,182	( 55,142)	-	40
	<u>4,858,298</u>	<u>2,541,400</u>	<u>1,774</u>	<u>7,401,472</u>
Loss carryforwards	1,316,146	( 1,316,146)	-	-
	<u>\$ 6,174,444</u>	<u>\$ 1,225,254</u>	<u>\$ 1,774</u>	<u>\$ 7,401,472</u>
Deferred tax liabilities				
Temporary differences				
Others	\$ 15	\$ 284	\$ -	\$ 299

	<b>Balance at January 1,2022</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Balance at December 31,2022</b>
Deferred tax assets				
Temporary differences				
Profit sharing payments	\$ 5,960,522	(\$ 1,915,530)	\$ -	\$ 4,044,992
Provisions	943,475	( 256,652)	-	686,823
Deferred revenue	23,227	( 5,460)	-	17,767
Defined benefit plan	55,785	-	( 2,251)	53,534
Others	6,494	48,688	-	55,182
	<u>6,989,503</u>	<u>( 2,128,954)</u>	<u>( 2,251)</u>	<u>4,858,298</u>
Loss carryforwards	7,974	1,308,172	-	1,316,146
	<u>\$ 6,997,477</u>	<u>(\$ 820,782)</u>	<u>(\$ 2,251)</u>	<u>\$ 6,174,444</u>
Deferred tax liabilities				
Temporary differences				
Others	\$ 1,141	(\$ 1,126)	\$ -	\$ 15

(d) The tax authorities have assessed the tax returns through 2020.

## (18) EARNINGS PER SHARE

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic (Diluted) earnings per share (NT\$)	\$ 1.39	\$ 0.67

The net income and weighted average number of common stock outstanding that were used in the computation of earnings per share were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Earnings attributable to common shareholders	\$ 7,824,283	\$ 3,769,337
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293

## (19) CAPITAL MANAGEMENT

The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its needs, including working capital needs within 12 months, capital expenditure during the concession period, profit sharing payments, short-term notes and bills payable, repayments of long-term and short-term debt, repayments of unsecured domestic bonds and other operating needs.

## (20) FINANCIAL INSTRUMENTS

### a. Financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets for hedging	\$ 94,908	\$ 72
Financial assets at amortized cost		
Other financial assets	20,281,017	13,576,503
Others (Note 1)	18,141,405	16,999,526
<u>Financial liabilities</u>		
Financial liabilities for hedging	367,963	-
Financial liabilities at amortized cost (Note 2)	309,486,327	326,188,034

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable, and other receivables (included in other current assets).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, short-term notes and bills payable, accounts payable, operating concession liabilities, other payables, payable for construction, bonds payable, long-term debt, long-term interest payable and guarantee deposits received (included in other non-current liabilities). However, short-term employee benefits payable and business tax payable were not included.

### b. Fair value of financial instruments

#### (a) Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

#### (b) Fair value of financial instruments that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

- i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities,
- ii. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- iii. Level 3 inputs are unobservable inputs for the asset or liability.

<b>December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets for hedging				
Demand deposit in JPY	\$ 37,787	\$ -	\$ -	37,787
Forward exchange contracts	-	57,121	-	57,121
	<u>\$ 37,787</u>	<u>\$ 57,121</u>	<u>\$ -</u>	<u>94,908</u>
Financial liabilities for hedging				
Forward exchange contracts	\$ -	\$ 256,595	\$ -	256,595
Cross currency swap contracts	-	111,368	-	111,368
	<u>\$ -</u>	<u>\$ 367,963</u>	<u>\$ -</u>	<u>367,963</u>
<b>December 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets for hedging				
Forward exchange contracts	\$ -	\$ 72	\$ -	72

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

(c) Valuation techniques and assumptions applied for measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- i. The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- ii. The fair values of derivative financial instruments are determined using valuation techniques because no market prices are available. Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

**c. Financial risk management objectives and policies**

The Company's major financial risk management goal is to manage risks that relate to operating activities. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. In order to lower relevant financial risks, the Company identifies and assesses the risks and takes actions to manage uncertainty of the market.

The Board of Directors in accordance with related regulations and internal controls reviews the Company's important financial activities. The Company also established related financial transaction procedures in accordance with the Company's overall financial risk management and segregation of duties.

(a) Market risk

i. Foreign currency risk

The Company's deposits, accounts payable, payable for construction and confirmed commitments of capital expenditures denominated in foreign currencies exposed the Company to foreign currency risk. To control decline in value or fluctuations in future cash flows due to changes in exchange rates, the Company enters into derivative financial instruments and purchases foreign currencies deposits to hedge foreign exchange risk. Financial instruments for hedging can partially, but not entirely, reduce the impact arising from changes in foreign exchange rates.

The Company hedges recognized assets and liabilities and unrecognized firm commitments with tools such as forward exchange rate transactions, cross currency swap transaction and regularly evaluates the effectiveness of the hedge. If hedge accounting is applicable, financial assets and liabilities that are hedged are shown in Note 6 (2).

The Company's significant foreign-currency financial assets and liabilities were as follows (in thousands of respective foreign currencies or New Taiwan dollars):

	December 31, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 131	30.705	\$ 4,022
JPY	10,159	0.2172	2,207
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY	972,043	0.2172	211,128

	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 23,051	30.71	\$ 707,896
JPY	13,765	0.2324	3,199
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	64	30.71	1,965
JPY	1,319,094	0.2324	306,557

The Company was mainly exposed to USD and JPY foreign currency exchange risks. The sensitivity analysis related to foreign currency exchange rate risk was mainly calculated for foreign currency monetary items relating to exchange rate at the balance sheet date. If the U.S. dollar weakened against the New Taiwan dollar by 1%, income before income tax would have decreased by \$40 thousand and \$7,059 thousand for the years ended December 31, 2023 and 2022, respectively. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by \$2,089 thousand and \$2,919 thousand for the years ended December 31, 2023 and 2022, respectively.

The significant unrealized exchange gain and loss were as follows:

Foreign Currency	For the Years Ended December 31			
	2023		2022	
	Exchange Rate	Exchange Gain, Net	Exchange Rate	Exchange Loss, Net
USD	30.705	\$ 25,166	30.71	(\$ 18,258)
JPY	0.2172	10,474	0.2324	( 21,380)

ii. Interest rate risk

The Company's syndicated loan is floating interest loan. If the market interest rate increased by 1% and all other variables were held constant, the income before income tax of the Company would have decreased by \$2,077,051 thousand and \$2,177,051 thousand for the years ended December 31, 2023 and 2022, respectively.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets with positive fair values at the balance sheet date are evaluated for credit risk. At the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

(c) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of financing facilities and ensures compliance with loan covenants.

The following table details the Company's remaining contractual maturity for its long-term debt and interest on long-term debt (Refer to Note 6(8)c.) to the financial statements, operating concession liabilities, lease liabilities, and bonds payable based on the undiscounted cash flows (excluding the hedging financial instruments, and non-hedging financial liabilities that are to be settled within one year from the balance sheet date):

December 31, 2023

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2024.1.1-2024.3.31	\$ -	\$ 6,985,632	\$ -	\$ 43,620	\$ -	\$ 7,029,252
2024.4.1-2024.12.31	-	3,656,703	973,782	126,732	5,294,300	10,051,517
2025	-	4,941,195	670,000	139,824	4,278,500	10,029,519
2026	-	4,941,195	694,390	131,897	264,500	6,031,982
2027	-	4,941,195	13,715,157	9,860	264,500	18,930,712
2028	4,989,228	5,151,864	426,563	-	264,500	10,832,155
2029-2033	45,930,767	24,631,608	42,564,456	-	1,322,500	114,449,331
2034-2050	156,785,122	40,394,358	-	-	22,868,500	220,047,980
	<u>\$ 207,705,117</u>	<u>\$ 95,643,750</u>	<u>\$ 59,044,348</u>	<u>\$ 451,933</u>	<u>\$ 34,557,300</u>	<u>\$ 397,402,448</u>

December 31, 2022

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2023.1.1-2023.3.31	\$ -	\$ 1,560,029	\$ -	\$ 42,774	\$ -	\$ 1,602,803
2023.4.1-2023.12.31	-	4,680,087	426,563	119,397	294,300	5,520,347
2024	-	6,827,920	568,900	85,340	5,294,300	12,776,460
2025	-	7,110,937	629,400	74,017	4,278,500	12,092,854
2026	-	7,110,937	627,200	72,099	264,500	8,074,736
2027	5,803,074	7,016,163	14,227,828	9,855	264,500	27,321,420
2028-2033	55,116,921	37,945,834	42,991,020	-	1,587,000	137,640,775
2034-2050	156,785,122	43,600,153	-	-	22,868,500	223,253,775
	<u>\$ 217,705,117</u>	<u>\$ 115,852,060</u>	<u>\$ 59,470,911</u>	<u>\$ 403,482</u>	<u>\$ 34,851,600</u>	<u>\$ 428,283,170</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

The MOTC under the Executive Yuan owns 43% equity interests in the Company's outstanding common stock. Under IAS 24, the Company is a government-related entity, which is significantly influenced by the central government. The Company is a related party with the government-related entities (e.g., government-owned businesses) which are controlled by the Executive Yuan. However, the Company is not a related party with those government-related entities, which are only significantly influenced but not controlled by the Executive Yuan. The Company is not required to disclose transactions and outstanding balances with the government-related entities. Except for those separately disclosed in other notes, the names of related parties, relationships, and the nature and amounts of the significant transactions were summarized as follows:



**(1) Name of related party and relationship**

<b>Related Party Name</b>	<b>Relationship with the Company</b>
MOTC	An investor with significant influence over the Company
Bank of Taiwan and seven other syndicated banks	A government-related entity controlled by the central government
Mega Bills Finance Co., Ltd.	A government-related entity controlled by the central government
China Steel Corporation	A legal entity as director of the Company
Century Development Corporation	An entity controlled by the legal entity as directors of the Company
InfoChamp Systems Corporation	An entity controlled by the legal entity as directors of the Company
Kaohsiung Catering Service, Ltd.	An entity controlled by the legal entity as directors of the Company
Others	Individual and legal entity as directors of the Company, and individuals and entities controlled by the directors, key management personnel and their relatives, and related parties in substance

**(2) Operating revenue**

The Company is mainly engaged in the operation of the North-South High Speed Railway. According to the fare rate standard, timing and procedures of fare adjustment as prescribed in the C&O Agreement and regulated by the MOTC, the Company's ticket price setting and adjustment shall be reported to the MOTC before they are announced and implemented. The transportation services and ticket prices provided to related parties were the same as those provided to general public passengers.

**(3) Operating costs/Operating expenses****a. Profit sharing payments**

According to the C&O Agreement, during the operating period, the Company shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as intangible assets - operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. Please refer to Notes 6(10) and 9(1)b. to the financial statements for further information.

**b. Operating concession - rental**

The transactions between the Company and the MOTC were as follows, and, as for the nature, please refer to Note 6(7)c. to the financial statements for further details:

**(a) Rental expense**

<b>Related Party Name</b>	<b>For the Years Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Railway Bureau, MOTC	\$ 784,181	\$ 784,228
Taiwan Railways Administration, MOTC	52,619	52,619
	<u>\$ 836,800</u>	<u>\$ 836,847</u>

**(b) Prepaid rentals (included in other current assets)**

<b>Related Party Name</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Railway Bureau, MOTC	\$ 783,116	\$ 784,181
Taiwan Railways Administration, MOTC	52,619	52,619
	<u>\$ 835,735</u>	<u>\$ 836,800</u>

## c. Purchase

Related Party Name	For the Years Ended December 31	
	2023	2022
Kaohsiung Catering Service, Ltd.	\$ 111,315	\$ 57,279

Terms of the foregoing purchases with related parties were not significantly different from transactions with non-related parties.

## d. Other - operating costs and expenses

Related Party Name	For the Years Ended December 31	
	2023	2022
InfoChamp Systems Corporation	\$ 16,097	\$ 10,582
Century Development Corporation	10,219	9,283
Kaohsiung Catering Service, Ltd.	55	-
	\$ 26,371	\$ 19,865

## (4) Non-operating income and expenses

## a. Interest expense

Please refer to Note 6(10) to the financial statements for the interest expense recognized on the operating concession liabilities, and the deduction of interest expense recognized on the value of returned superificies for offset of profit sharing payable using the effective interest method due to termination of the SZD Agreement.

## b. Other income (included in other gains or losses)

Related Party Name	For the Years Ended December 31	
	2023	2022
InfoChamp Systems Corporation	\$ 11	\$ -
Kaohsiung Catering Service, Ltd.	5	3
	\$ 16	\$ 3

## (5) Payables to related parties

## a. Accounts payable

Related Party Name	December 31, 2023	December 31, 2022
Kaohsiung Catering Service, Ltd.	\$ 20,617	\$ 14,731

## b. Payable for construction

Related Party Name	December 31, 2023	December 31, 2022
China Steel Corporation	\$ 83,379	\$ 27,654
InfoChamp Systems Corporation	44,908	67,311
	\$ 128,287	\$ 94,965

## (6) Acquisition of intangible assets - operating concession assets

Related Party Name	Purchase Price For the Years Ended December 31	
	2023	2022
China Steel Corporation	\$ 378,391	\$ -
InfoChamp Systems Corporation	26,064	78,751
	\$ 404,455	\$ 78,751

(7) Intangible assets - construction in progress of the operating concession assets

Related Party Name	December 31, 2023	December 31, 2022
InfoChamp Systems Corporation	\$ 94,984	\$ 38,367

(8) Lease arrangements

The transactions between the Company with Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC and Century Development Company were as follows:

Related Party Name	Acquisition Right-of-use Assets For the Years Ended December 31	
	2023	2022
Century Development Corporation	\$ 187,489	\$ -

Line Item	Related Party Name	December 31, 2023	December 31, 2022
Lease liabilities (Note 6(6))	Century Development Corporation	\$ 182,151	\$ 56,907
	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	40,733	54,462
		\$ 222,884	\$ 111,369

(9) Short-term notes and bills payable

The Company has entered into non-guaranteed commercial paper underwriting agreement with Mega Bills Finance Co., Ltd., with a total underwriting amount of \$7 billion. The transaction terms are not significantly different from those with other non-related parties. Please refer to Note 6(8)b. to the financial statements for further information.

(10) Long-term debt

- The Company has entered into the Tripartite Agreement with the MOTC and Bank of Taiwan. In addition, the Company has entered into the Syndicated Loan Agreement with Bank of Taiwan and seven other syndicated banks. If an early termination of the C&O Agreement occurs, the MOTC shall assume the remaining obligations under Tranche A Facility of the Syndicated Loan Agreement. Please refer to Note 6(8)c. to the financial statements for further information on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.
- The Company obtained credit approval from First Commercial Bank Co., Ltd, Bank of Taiwan and the Hua Nan Commercial Bank, Ltd, with credit line of NT\$5 billion, respectively. Please refer to Note 6(8)c. to the financial statements for further information with respect to the loan agreement.

(11) The Company was in compliance with government's policies to contribute and utilize the funds of the Stabilization Mechanism Account. Please refer to Note 6(11)b(b) to the financial statements for further information.

(12) Compensation of key management personnel was as follows:

	For the Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 129,127	\$ 88,426
Post-employment benefits	1,611	1,120
	\$ 130,738	\$ 89,546

## 8. PLEDGED ASSETS

Pledged Assets		Purpose of Pledge	December 31, 2023	December 31, 2022
Other financial assets - current:				
Repurchase agreement collateralized				
by bonds	Syndicated loan		\$ 1,170,000	\$ 1,426,000
Time deposits	Guarantee for oil purchase		4,120	-
Time deposits	Trust deposit of unearned revenue		-	68,000
Time deposits	Guarantee for customs duties		-	20,027
Time deposits	Guarantee for office lease		-	16,278
Demand deposits	Trust deposit of unearned revenue		11,359	9,923
Demand deposits	Syndicated loan		1,277	1,692
			<u>1,186,756</u>	<u>1,541,920</u>

Pledged Assets		Purpose of Pledge	December 31, 2023	December 31, 2022
Other financial assets - non-current:				
Time deposits	Performance guarantee for the C&O Agreement		2,000,000	2,000,000
Time deposits	Trust deposit of unearned revenue		68,000	-
Time deposits	Guarantee for customs duties		62,271	62,147
Time deposits	Guarantee for office lease		16,266	-
Time deposits	Guarantee for parking lease		7,000	7,310
Time deposits	Guarantee for oil purchase		-	4,120
			<u>2,153,537</u>	<u>2,073,577</u>
			<u>\$ 3,340,293</u>	<u>\$ 3,615,497</u>

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

## (1) Construction and operation agreement

The significant provisions of the C&O Agreement were as follows:

- a. The concession period, including the construction period and operating period, for the construction and operation of HSR is 70 years from the date of agreement, and can be extended pursuant to the C&O Agreement.

- b. During the operating period, the Company shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. However, if the accumulated amount of the profit sharing payments is less than the amount listed in the table below, the latter shall prevail.

As of the end of the fifth year of full operation	\$2 billion
As of the end of the tenth year of full operation	10 billion
As of the end of the fifteenth year of full operation	25 billion
As of the end of the twentieth year of full operation	48 billion
As of the end of the twenty-fifth year of full operation	75 billion
As of July 23, 2033	108 billion

According to the SZD Termination Agreement, the Company and MOTC engaged independent and professional appraisal firms to appraise the fair value of the superficies returned to the MOTC for \$22,613,234 thousand. The value of the returned superficies is allowed by the MOTC to offset the profit sharing payments for \$29,784,855 thousand at the end of every five years as follows:

As of the end of the tenth year of full operation	\$2,003,521 thousand
As of the end of the fifteenth year of full operation	4,252,245 thousand
As of the end of the twentieth year of full operation	6,520,109 thousand
As of the end of the twenty-fifth year of full operation	7,654,041 thousand
As of July 23, 2033	9,354,939 thousand

Starting from 2013, the Company prepares its financial statements in accordance with IFRSs endorsed by the FSC. Refer to Note 6(10) to the financial statements for the recognition of profit sharing payments as operating concession liabilities.

**c. The Company should establish a financial stabilization mechanism starting from 2016.**

(a) From 2016 to the year the stabilization reserve is calculated, if the annual average of net income (loss) and the effect of retrospective adjustments that resulted from the change in accounting policies exceed \$3.5 billion, the stabilization reserve should be provided as described below:

i. If the Company's EBT in the current year is higher than A1 but less than A2, the EBT is regarded as operation incentive and no stabilization reserve should be provided (please refer to the note below for the definitions of EBT, A1, A2 and A3).

ii. If the Company's EBT in the current year is higher than A2 but less than A3, the stabilization reserve should be provided in the current year as follows:

$$(EBT - A2) \times 50\%$$

iii. If the Company's EBT in the current year is higher than A3, the stabilization reserve should be provided in the current year as follows:

$$(A3 - A2) \times 50\% + (EBT - A3) \times 70\%$$

EBT = Income (loss) before income tax, net of the stabilization reserve and the compensation and remuneration set out in Article 235-1 of the Company Act.

$$A1 = \text{Net income of } \$3.5 \text{ billion} \div (1 - \text{The statutory tax rate})$$

$$A2 = \text{Net income of } \$4.0 \text{ billion} \div (1 - \text{The statutory tax rate})$$

$$A3 = \text{Net income of } \$4.5 \text{ billion} \div (1 - \text{The statutory tax rate})$$

(b) If the Company's EBT in the current year is less than A1, the reversal of the accumulated stabilization reserve should be (A1 - EBT), but only to the extent of the accumulated stabilization reserve equals zero.

(c) The Company should open a "Taiwan High Speed Rail Stabilization Mechanism Account" (the "Stabilization Mechanism Account") at Bank of Taiwan.

i. If the accumulated stabilization reserve, net of the balance in the Stabilization Mechanism Account, exceeds \$10 billion at the end of any year, the Company shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account within one month from the date the MOTC confirms the execution report submitted by the Company. The stabilization reserve should also be provided in the same amount for the interest income generated from the Stabilization Mechanism Account.

ii. The MOTC may request the Company to use the funds of the Stabilization Mechanism Account under the following circumstances:

- (i) Fare discount or fare reduction,
- (ii) Construction of HSR infrastructure and facilities, and
- (iii) In compliance with the government's policies.

- iii. The accumulated stabilization reserve shall be deducted by the same amount of funds used from the Stabilization Mechanism Account.
  - iv. Except for payment of tax levied on the Stabilization Mechanism Account, the Company cannot use the funds of the Stabilization Mechanism Account, unless the Company obtains the approval from the MOTC.
- (d) Treatments of the stabilization reserve and the Stabilization Mechanism Account upon expiration or early termination of the concession period.
- i. If the accumulated stabilization reserve exceeds the balance of the Stabilization Mechanism Account at the end of the concession period, the Company shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account, and the remaining balance of the Stabilization Mechanism Account (net of tax, if any) shall be transferred to a specific account designated by the MOTC.
  - ii. If the C&O Agreement is terminated due to mutual agreement, force majeure or excluded events, the remaining balance of the Stabilization Mechanism Account (net of tax, if any) as of the termination date shall be transferred to a specific account designated by the MOTC, and the excess of the accumulated stabilization reserve over the balance of the Stabilization Mechanism Account shall be allocated to the Company.
  - iii. According to the C&O Agreement, if the termination is due to the reasons attributable to the Company, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the MOTC.
  - iv. According to the C&O Agreement, if the termination is due to government's policies, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the Company.
- (e) Starting from 2017, the following year after the mechanism became effective, the Company shall submit to the MOTC an execution report audited by independent auditors, including provision, contribution, accumulated balance of the stabilization reserve, and the utilization and balance of the Stabilization Mechanism Account within one month from the date the shareholders approved the annual financial statements. The Company complied with MOTC's policies to utilize the funds of the Stabilization Mechanism Account. Please refer to Note 6(11)b. for further information.
- d. When the concession period expires, the assets, which are purchased under the consent of the MOTC within five years before the concession period expires and are not fully depreciated and remain usable for normal operations upon the expiry of the concession period, are transferred to MOTC with consideration. The transfer price is the undepreciated value of the assets determined based on the fixed percentage of declining method over the minimum useful lives prescribed by the Executive Yuan. Except for the assets mentioned above, the ownership and rights of all other assets shall be transferred to the MOTC or the third party designated by the MOTC without consideration.
- e. When the C&O Agreement is terminated before the expiration of the concession period, the value of the operating assets and construction in progress should be appraised by impartial professional appraisal organizations with their actual costs, usage, value in use, remaining concession period, and related articles of the C&O Agreements taken into consideration.
- f. The Company provided a \$5 billion performance bond as a guarantee for fulfillment of responsibilities of the HSR operations. The guarantee ends on the date six months after the expiry of concession period or early termination of the C&O Agreement. Starting from the date the Company commenced its commercial operations, if there is no breach of agreements, \$0.5 billion of the performance bond can be returned each year. However, the total returned amount could not exceed \$3 billion. As of December 31, 2023 and 2022, the amount of the aforementioned performance bond remained unchanged at \$2 billion, and was recognized as other financial assets.

(2) As of December 31, 2023, unused letters of credit amounted to JPY \$7,312,039 thousand.

(3) Capital expenditures that has been contracted but not incurred.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Intangible assets	\$ 32,627,160	\$ 4,468,459

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

For the information on the Company's significant financial assets and liabilities denominated in foreign currencies, please refer to Note 6(20)c. to the financial statements.

## 12. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In addition to those disclosed in other notes, the Company had the following significant events after reporting period at the end of the reporting period:

On January 17, 2024, the Company's Board of Directors resolved to obtained a credit line of \$5 billion from Mega International Commercial Bank. The credit period is 5 years.

## 13. SEPARATELY DISCLOSED ITEMS

Except for Notes 6(2) and 6(20) to the financial statements regarding the information on derivative financial instrument transactions and Tables 1 to 3 as attached, there were no other significant transactions, information on investees and investments in mainland China required for disclosure. Information of major shareholders for Table 4 to the financial statements as attached.

## 14. SEGMENT INFORMATION

The Company is engaged only in the operation of HSR and related facilities. Consequently, there is no other reportable segment.

**TAIWAN HIGH SPEED RAIL CORPORATION**

Holding of marketable securities at the end of the period

Year ended December 31, 2023

Securities held by	Marketable securities	Relationship with the securities issuer
The Company	Wisdom Marine Lines Co., Limited. 1st Secured Corporate Bond Issued in 2019	None
"	Kaohsiung City Government Bond 2021-6	"
"	CPC Corporation 1st Unsecured Corporate Bonds-C Issue in 2017	"
"	Winbond Electronics Corp. 1st Secured Corporate Bonds Issue in 2018	"
"	Societe Generale Taipei Branch 2nd Senior Unsecured Financial Debenture-Series B Issued in 2019	"
"	CTBC Financial Holding Co., Ltd. 2nd Unsecured Corporate Bonds-B Issue in 2020	"
"	CTBC Financial Holding Co., Ltd. 2nd Unsecured Corporate Bonds-C Issue in 2020	"
"	ASX-ASE Technology Holding Co., Ltd. 1st Unsecured Corporate Bonds Issue in 2020	"
"	RADIUM LIFE TECH. CO., LTD 1st Secured Corporate Bond Issued in 2020	"
"	Taishin Financial Holding Co., Ltd. 1st Unsecured Bond-A Issued in 2020	"
"	TSMC 4th Unsecured Corporate Bond in 2020- Tranche B	"
"	CHENG UEI PRECISION INDUSTRY CO., LTD. 1st secured Corporate Bonds Issue in 2020	"
"	Sinopac Holdings 1st Unsecured Corporate Bonds Issue in 2020	"
"	Cathay Financial Holdings Co., Ltd. 2nd Unsecured Corporate Bond Issue In 2020	"
"	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-B Issue In 2020	"
"	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond-C Issue In 2020	"
"	Hon Hai Precision Industry Co., Ltd. 2nd Unsecured Corporate Bonds-A Issue in 2020	"
"	VIS 1st Unsecured Corporate Bond in 2021-Tranche A	"
"	VIS 1st Unsecured Corporate Bond in 2021-Tranche B	"
"	Hotai Finance Co., Ltd. 2nd Unsecured Corporate Bonds Issue in 2021	"
"	CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION 1st Unsecured Bond-A Issued in 2021	"
"	CPC Corporation 3rd Unsecured Corporate Bonds-A Issue in 2022	"
"	VIS 1st Unsecured Corporate Bond in 2022-Tranche A	"
"	Qisda Corporation 1st Secured Corporate Bond Issue In 2022	"
"	Shin Kong Financial Holding Co., Ltd. 1st Unsecured Corporate Bond Issue in 2022	"
"	Highwealth Construction 1st Secured Corporate Bond Issued in 2022	"
"	Taiwan Power Company 4th Unsecured Corporate Bonds Issue in 2023	"
"	Fubon Life Insurance Co., Ltd. 1st Unsecured Subordinated Corporate Bonds Issue in 2023	"
"	Central Government Bond 2016-11	"



Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

General ledger account	As of December 31, 2023				Footnote
	Number (amount) of shares (thousands)	Book value	Ownership (%)	Fair value	
Cash and cash equivalents	\$ 100,000	\$ 100,000	-	\$ 100,000	
"	110,000	110,000	-	110,000	
"	100,000	100,000	-	100,000	
"	100,000	100,000	-	100,000	
"	126,000	126,000	-	126,000	
"	27,300	27,300	-	27,300	
"	18,930	18,930	-	18,930	
"	50,000	50,000	-	50,000	
"	100,000	100,000	-	100,000	
"	123,600	123,626	-	123,626	
"	50,300	50,300	-	50,300	
"	160,000	160,000	-	160,000	
"	110,000	110,000	-	110,000	
"	125,000	125,000	-	125,000	
"	81,900	81,900	-	81,900	
"	90,170	90,170	-	90,170	
"	126,000	126,000	-	126,000	
"	252,000	252,000	-	252,000	
"	163,000	163,000	-	163,000	
"	100,000	100,000	-	100,000	
"	100,000	100,000	-	100,000	
"	100,000	100,000	-	100,000	
"	43,000	43,000	-	43,000	
"	190,700	190,712	-	190,712	
"	32,400	32,400	-	32,400	
"	120,000	120,000	-	120,000	
"	120,000	120,000	-	120,000	
"	110,000	110,000	-	110,000	
Other financial assets-current	1,100,000	1,170,000	-	1,170,000	

## TAIWAN HIGH SPEED RAIL CORPORATION

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2023

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023	
					Face value/ Units (in thousands)	Amount
The Company	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -
"	Agricultural Bank of Taiwan 1st Subordinate Financial Debentures Issue in 2015	Note	-	-	\$ -	-
"	Wisdom Marine Lines Co., Limited. 1st Secured Corporate Bond Issued in 2019	"	-	-	-	-
"	Central Government Bond 2016-11	"	-	-	1,329,000	1,426,000
"	Central Government Bond 2017-4	"	-	-	-	-
"	Taipei City Government Bond 2021-5	"	-	-	-	-
"	Taipei City Government Bond 2021-6	"	-	-	50,000	50,000
"	Kaohsiung City Government Bond 2021-5	"	-	-	90,000	90,000
"	Kaohsiung City Government Bond 2021-6	"	-	-	143,400	143,467
"	SinoPac Bank 3rd Senior Unsecured Financial Debentures in 2019	"	-	-	-	-
"	Eternal Materials Co., Ltd. 1st Secured Corporate Bond Issue In 2019	"	-	-	-	-
"	FAR EASTERN INTERNATIONAL BANK 1st Financial Debenture-Series Issue In 2019	"	-	-	-	-
"	Yuanta Securities Finance Co., Ltd. 1st Unsecured Corporate Bond Issue in 2020	Financial assets at fair value through profit or loss	-	-	-	-
"	RADIUM LIFE TECH. CO., LTD 1st Secured Corporate Bond Issued in 2020	Note	-	-	150,000	150,000
"	TCC 1st Unsecured Bond-B Issued in 2020	"	-	-	-	-
"	CHENG UEI PRECISION INDUSTRY CO., LTD. 1st secured Corporate Bonds Issue in 2020	"	-	-	-	-
"	FORMOSA PETROCHEMICAL CORPORATION 1st Unsecured Bond-B Issued in 2020	"	-	-	-	-
"	Shinkong Synthetic Fibers Corporation 1st Secured Corporate Bond Issue In 2020	"	-	-	103,000	103,000
"	Vanguard International Semiconductor Corporation 1st Domestic Unsecured Coporate Bond-A Issue in 2021	"	-	-	267,000	267,000

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Addition		Disposal				Balance as at December 31, 2023			
Face value/ Units (in thousands)	Amount	Face value/ Units (in thousands)	Selling price	Book value	Gain (loss) on disposal	Gain (loss) on valuation	Face value/ Units (in thousands)	Amount	
106,508	\$ 1,469,000	106,508	\$ 1,471,779	\$ 1,469,000	\$ 2,779	\$ -	-	\$ -	
\$ 301,500	301,500	\$ 301,500	301,933	301,500	433	-	\$ -	-	
380,000	380,000	280,000	280,566	280,000	566	-	100,000	100,000	
2,704,000	2,891,000	2,933,000	3,154,381	3,147,000	7,381	-	1,100,000	1,170,000	
2,734,000	2,910,000	2,734,000	2,917,547	2,910,000	7,547	-	-	-	
300,500	300,500	300,500	301,128	300,500	628	-	-	-	
522,000	522,000	572,000	573,148	572,000	1,148	-	-	-	
321,700	321,712	411,700	412,468	411,712	757	-	-	-	
759,600	759,656	793,000	794,578	793,123	1,456	-	110,000	110,000	
625,000	625,000	625,000	626,288	625,000	1,288	-	-	-	
559,000	559,000	559,000	559,955	559,000	955	-	-	-	
424,300	424,310	424,300	424,995	424,310	685	-	-	-	
384,400	384,400	384,400	385,240	384,400	840	-	-	-	
440,300	440,300	490,300	491,155	490,300	855	-	100,000	100,000	
330,000	330,000	330,000	330,763	330,000	763	-	-	-	
775,700	775,700	615,700	616,965	615,700	1,265	-	160,000	160,000	
495,000	495,000	495,000	496,217	495,000	1,217	-	-	-	
439,300	439,298	542,300	543,144	542,298	846	-	-	-	
1,704,900	1,704,900	1,719,900	1,723,207	1,719,900	3,307	-	252,000	252,000	

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023	
					Face value/ Units (in thousands)	Amount
The Company	Vanguard International Semiconductor Corporation 1st Domestic Unsecured Corporate Bond-B Issue in 2021	"	-	-	\$ -	\$ -
"	TCC 1st Unsecured Bond-A Issued in 2021	"	-	-	20,000	20,000
"	Vanguard International Semiconductor Corporation 1st Domestic Unsecured Corporate Bond-A Issue in 2022	"	-	-	-	-
"	NORTH-STAR INTERNATIONAL CO., LTD. 2nd Secured Corporate Bond Issue In 2022	"	-	-	-	-
"	Qisda Corporation 1st Secured Corporate Bond Issue In 2022	"	-	-	110,000	110,000
"	Sun Ba Power Corporation 1st Secured Corporate Bond Issue In 2022	"	-	-	90,000	90,000
"	EXIMBANK 24-9TH UNSECURED FINANCIAL DEBENTURES	"	-	-	-	-
"	Hon Hai Precision Industry Co., Ltd. 3rd Unsecured Corporate Bonds-A Issue in 2022	"	-	-	200,000	200,000
"	CPC Corporation 2nd Unsecured Corporate Bonds-A Issue in 2023	"	-	-	-	-
"	Dragon Steel Co., Ltd 1st Unsecured Corporate Bond Issue in 2023	"	-	-	-	-
"	Delta Electronics, Inc. 2nd Unsecured Corporate Bond-A Issue In 2023	"	-	-	-	-
"	Delta Electronics, Inc. 2nd Unsecured Corporate Bond-B Issue In 2023	"	-	-	-	-
"	Cathay Financial Holdings Co., Ltd. 1st Unsecured Corporate Bond-B Issue In 2023	"	-	-	-	-
"	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond-A Issue In 2023	"	-	-	-	-
"	Far Eastern New Century Corporation 1st Unsecured Corporate Bond-A Issue In 2023	"	-	-	-	-

Note: Repurchase agreement collateralized by bonds included in cash and cash equivalents and other financial assets- current, respectively. Gain on disposal in the table is interest income.

Addition		Disposal				Balance as at December 31, 2023		
Face value/ Units (in thousands)	Amount	Face value/ Units (in thousands)	Selling price	Book value	Gain (loss) on disposal	Gain (loss) on valuation	Face value/ Units (in thousands)	Amount
\$ 542,700	\$ 542,700	\$ 379,700	\$ 380,398	\$ 379,700	\$ 698	\$ -	\$ 163,000	\$ 163,000
300,000	300,000	320,000	320,593	320,000	593	-	-	-
464,000	464,000	421,000	421,820	421,000	820	-	43,000	43,000
400,000	399,998	400,000	400,584	399,998	587	-	-	-
1,297,100	1,297,147	1,216,400	1,218,579	1,216,435	2,144	-	190,700	190,712
1,822,300	1,822,494	1,912,300	1,915,711	1,912,494	3,217	-	-	-
300,000	300,000	300,000	300,414	300,000	414	-	-	-
190,200	190,200	390,200	390,901	390,200	701	-	-	-
300,000	300,000	300,000	300,752	300,000	752	-	-	-
309,000	309,000	309,000	309,724	309,000	724	-	-	-
338,000	338,000	338,000	338,624	338,000	624	-	-	-
652,000	652,000	652,000	653,302	652,000	1,302	-	-	-
300,000	300,000	300,000	300,717	300,000	717	-	-	-
506,000	506,000	506,000	506,960	506,000	960	-	-	-
330,000	330,000	330,000	330,520	330,000	520	-	-	-

**TAIWAN HIGH SPEED RAIL CORPORATION**

Table 3

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts payable		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts payable	
The Company	Kaohsiung Catering Service, Ltd.	An entity controlled by the legal entity as directors of the Company	Purchases	\$111,315	6.59%	30 days			\$ 20,617	8.69%	

**TAIWAN HIGH SPEED RAIL CORPORATION**

Table 4

Major shareholders information

Year ended December 31, 2023

Name of major shareholders	Shares	
	Number of shares held	Ownership
MOTC	2,420,000,000	43%

Note: The table discloses shareholding information of shareholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stock and preferred stock (including treasury stock) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stock reported in the financial statements and the actual number of stock that has completed the dematerialized registration and delivery may be different due to the basis of calculation.

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**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

## Schedule 1

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hand		\$ 119,506
Deposits		
Demand deposits	Interest rate: 0.001%-1.45%	5,801,174
Time deposits	Can be redeemed between January and March 2024; interest rate: 1.32%-1.45%	8,718,000
Cash equivalents		
Repurchase agreement collateralized by bonds	Can be redeemed between January and February 2024; interest rate: 1.32%-1.35%	2,930,338
		<u>\$ 17,569,018</u>

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF INVENTORIES

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

## Schedule 2

<b>Item</b>	<b>Amount</b>
Spare parts and supplies	\$ 3,210,825
Merchandise	23,685
	-
Less: Allowance for inventory valuation losses	( 582,830)
	<u>\$ 2,651,680</u>



## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Schedule 3

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Credit Line</u>	<u>Collateral</u>
JPY letter of credit	Taichung Commercial Bank	\$ 11,761	2023.12.23-2024.3.27	0.66	\$ 153,525	None
	E.Sun Commercial Bank	11,353	2023.12.28-2024.3.27	0.65	460,575	None
	First Commercial Bank	4,448	2023.11.20-2024.3.27	0.89	460,575	None
	Hua Nan Commercial Bank	8,042	2023.11.22-2024.2.20	0.63	460,575	None
	Bank of Taiwan	12,495	2023.11.8-2024.2.6	0.63	1,535,250	None
		<u>\$ 48,099</u>			<u>\$ 3,070,500</u>	

Note: The credit line is recorded at the exchange rate of JPY 1: 0.2172 at December 31, 2023.

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Schedule 4

<u>Supplier Name</u>	<u>Amount</u>
Kaohsiung Catering Service, Ltd.	\$ 20,617
Siemens Mobility GmbH Taiwan Branch (Germany)	18,808
Kyosan Electric Manufacturing Co., Ltd. Taiwan branch (Japan)	16,282
GSK Corporation	12,035
Others (Note)	169,393
	<u>\$ 237,135</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

**TAIWAN HIGH SPEED RAIL CORPORATION**

STATEMENT OF PAYABLE FOR CONSTRUCTION

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Schedule 5

<b>Supplier Name</b>	<b>Amount</b>
Hitachi, Ltd.	\$ 123,978
Industrial Technology Research Institute	112,096
Kyosan Electric Manufacturing Co., Ltd. Taiwan branch (Japan)	96,615
Motorola Solutions Taiwan, Ltd.	88,055
China Steel Corporation	83,379
Syscom Computer Engineering Co Ltd.	69,400
Others (Note)	442,880
	<u>\$ 1,016,403</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

**TAIWAN HIGH SPEED RAIL CORPORATION**

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Schedule 6

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Railroad transportation revenue	12,565 million passenger - kilometers; 73.09 million passengers	\$ 48,074,881
Others		1,737,142
		<u>\$ 49,812,023</u>

## **TAIWAN HIGH SPEED RAIL CORPORATION**

### STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Schedule 7

<b>Item</b>	<b>Amount</b>
Amortization expense	\$ 13,430,972
Employee benefit expense	4,987,031
Electricity fee	2,414,264
Repair and maintenance expense	1,639,581
Maintenance spares consumed	1,207,077
Others	3,939,892
	<u>\$ 27,618,817</u>

## **TAIWAN HIGH SPEED RAIL CORPORATION**

### STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Schedule 8

<b>Item</b>	<b>Amount</b>
Employee benefit expense	\$ 1,177,491
Professional service expense	90,948
Repair and maintenance expense	88,602
Advertisement expense	72,453
Others	231,691
	<u>\$ 1,661,185</u>

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

Schedule 9

Nature \ Function	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense						
Payroll	\$ 4,301,965	\$ 931,891	\$ 5,233,856	\$ 3,644,327	\$ 742,685	\$ 4,387,012
Insurance	354,463	67,876	422,339	340,857	62,056	402,913
Pension	187,209	38,152	225,361	182,628	33,985	216,613
Remuneration to directors	-	63,228	63,228	-	33,456	33,456
Other personnel expenses	143,394	76,344	219,738	129,783	60,695	190,478
Depreciation expense	\$ 204,502	\$ 25,538	\$ 230,040	\$ 198,004	\$ 25,024	\$ 223,028
Amortization expense	\$ 13,430,972	\$ 10,762	\$ 13,441,734	\$ 13,402,714	\$ 9,788	\$ 13,412,502

Note:

- As at December 31, 2023 and 2022, the Company had 4,732 and 4,690 employees, including 14 and 13 non-employee directors, respectively.
- The amount of average employee benefit expense for the years ended December 31, 2023 and 2022 was \$1,293 thousand and \$1,111 thousand, respectively. The amount of average payroll for the years ended December 31, 2023 and 2022 was \$1,109 thousand and \$938 thousand, respectively.
- The average payroll has increased by 18.2% in 2023 compared with 2022.
- The Company's audit committee consists of independent directors instead of the supervisors.
- The Company's remuneration policies:

Remuneration policy for the directors

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

Managerial officers and employees

In accordance with the Company's "Charter of Remuneration Committee," THSRC shall periodically review the performance of directors and managers, policies, systems, standards, structure and general compensation levels of the industry. To ensure there is a competitive and motivational remuneration scheme, employee compensation is determined by considering the factors such as corporate financial status, business performance, and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to Article 35-1 of the Company's Articles of Incorporation, "if the Company is profitable in a given year, it shall allocate not less than 1% of the net profit as profit sharing compensation to employees."

The Company has established "Regulations for Remuneration Management" as the basis of employees' salary assessment and there is a regular review of the Company salary level and remuneration policies, setting out salary allowances and bonuses according to the Company "Remuneration Payment Procedures" to reward employees' contributive work. Bonus levels are based on the considerations of corporate financial status, operating conditions, and individuals' work performance. According to business performance, THSRC distributes year-end bonuses and performance bonuses as incentive, and has set salary adjustment policies to enhance employee compensation and welfare.

(2) Consolidated Financial Statements and Independent Auditor Reports: None.

**5. In the Event That the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Said Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: None.**

## 6. Review of Financial Conditions, Financial Performance, and Risk Management

### (1) Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2023	2022	Difference	%
Current Assets		39,987,314	32,136,694	7,850,620	24.43
Property, Plant and Equipment		251,631	128,514	123,117	95.80
Operating Concession Asset		351,993,627	359,479,197	(7,485,570)	(2.08)
Other Assets		10,471,657	8,795,727	1,675,930	19.05
Total Assets		402,704,229	400,540,132	2,164,097	0.54
Current Liabilities		47,862,390	28,950,383	18,912,007	65.33
Non-Current Liabilities		283,505,539	304,299,682	(20,794,143)	(6.83)
Total Liabilities		331,367,929	333,250,065	(1,882,136)	(0.56)
Share Capital		56,282,930	56,282,930	-	-
Capital Surplus		172,981	172,981	-	-
Retained Earnings		14,880,389	10,834,156	4,046,233	37.35
Total Equity		71,336,300	67,290,067	4,046,233	6.01

Analysis of differences over 20%:

1. The increase in current assets was mainly due to increase of demand deposits and time deposits recorded as cash and cash equivalents, and other financial assets.
2. The increase in property, plant and equipment was mainly due to increase of machinery and equipment, and other equipment.
3. The increase in current liabilities was mainly due to increase of other payables, current portion of long-term liabilities and provisions.
4. The increase in retained earnings was mainly due to net income of 2023, which was partially offset by the distribution of 2022 earnings.

**(2) Analysis of Financial Performance**

Unit: NT\$ thousands

Item	Year	2023	2022	Difference	%
Operating Revenue		49,812,023	37,133,233	12,678,790	34.14
Operating Costs		27,618,817	25,890,103	1,728,714	6.68
Gross Profit		22,193,206	11,243,130	10,950,076	97.39
Operating Expenses		1,661,185	1,322,722	338,463	25.59
Net Operating Income		20,532,021	9,920,408	10,611,613	106.97
Non-Operating Income and Expenses		(10,794,200)	(5,654,783)	(5,139,417)	(90.89)
Income Before Income Tax		9,737,821	4,265,625	5,472,196	128.29
Income Tax Expense		1,913,538	496,288	1,417,250	285.57
Net Income		7,824,283	3,769,337	4,054,946	107.58
Other Comprehensive Income		(7,094)	9,005	(16,099)	(178.78)
Total Comprehensive Income for the Year		7,817,189	3,778,342	4,038,847	106.89

Analysis of differences over 20%:

1. The increase in operating revenue, gross profit and net operating income were mainly due to the steady growth of ridership in 2023, while the impact of the epidemic in the first half of 2022 slowed down and been controlled since July 2022.
2. The increase in operating expense was mainly due to increase of employee benefit expense.
3. The variation in non-operating income and expenses was mainly due to the net impact of the increase of stabilization reserve expense resulting from profit growth in 2023 and recognition of contract modification gain.
4. The increase in income tax was mainly due to increase in income and the recognition of corrected tax refunds for the years 2016 to 2020 based on the investment credit certificates obtained in 2022.
5. The increase in income before income tax, net income, and total comprehensive income were mainly due to the net impact of the increase in operating revenue and non-operating expenses.
6. The variation in other comprehensive income was mainly due to the adjustment of remeasurement of defined benefit plans based on actuarial calculations in 2023.

**(3) Analysis of Cash Flow**

1) Cash flow analysis for the current year:

- A. Net cash generated from operating activities was NT\$ 27,751,435 thousand, mainly from cash inflows provided by operating activities and partially offset by payments of interests and profit sharing.
- B. Net cash used investing activities was NT\$ 12,875,345 thousand, mainly from increase of other financial assets and purchase of operating concession assets.
- C. Net cash used in financing activities was NT\$ 13,871,978 thousand, mainly from repayment of syndicated loan and cash dividend payments.

2) Improvement plan for insufficient liquidity: Not applicable.

3) Cash flow analysis for the coming year:

Unit: NT\$ thousands

Beginning Balance (1)	Estimated Net Cash Flow from Annual Operating Activities(2)	Estimated Annual Cash Outflow (Inflow) (3)	Estimated Cash Surplus (Insufficient) Amount (1)+(2)-(3)	Expected Remedies for Insufficient Cash	
				Investment Plan	Financial Plan
17,569,018	23,438,000	27,394,018	13,593,000	—	—

#### (4) The Impact of Recent Major Capital Expenditures on Financial Operations

##### 1) The utilization of major capital expenditures and sources of funding

Unit: NT\$ thousands

Project	Actual or Expected Source of Funding	Actual or Expected Completion Date	Total Funds Required	Actual or Scheduled Use Of Funds		
				1997-2022	2023	2024
High-speed rail project	Private funds and bank loans	2006.12	501,478,043	487,903,513	6,080,530	7,494,000

Note: The Taiwan High-Speed Rail Corporation was established and began officially operating in January 2007. Major capital expenditures for the year 2023 and 2024 were mainly equipment replacement and spare parts maintenance. The above capital expenditure does not include non-capitalization cost of during the construction period.

##### 2) Expected benefits generated:

The Taiwan North-South High-Speed Railway commenced operations on January 5, 2007; the number of passengers exceeded the 800-million benchmark on September 7, 2023, and the number of passengers continued to grow. As of December 31, 2023, a total of more than 824 million passenger travel services have been provided. We transported 73.09 million passengers in 2023, and an average of 200 thousand passengers travelled the western corridor of Taiwan via high-speed rail every day. The Corporation is market-oriented, and adopts marketing strategies to adjust train frequencies to promote revenue growth based on passengers' demand. We strive to implement various plans for cost reduction; moreover, in order to live up to the expectations of the public, the Corporation will continue improving operation quality to offer passengers safe, reliable, comfortable, and convenient travel services.

In addition to providing fast and safe transportation services, the construction and operation of high-speed rail projects has external benefits such as saving time and costs, increasing government revenue, creating employment opportunities, integrating community development, and maintaining environmental resources.

#### (5) The Most Recent Annual Investment Policy, the Main Reason for Its Profit or Loss, the Improvement Plan and the Investment Plan for the Next Year: None.

## 7. Analysis of Risk Management

#### (1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

##### 1) Interest Rates

In terms of the domestic interest rate market, the domestic interest rate in 2023 was affected by continuous US Federal Reserve (FED) interest rate hikes, and the central bank raised the rediscount rate to 1.875% per annum. THSRC is engaged in the capital-intensive construction and operation of public infrastructure, and our operations are regulated by related concession contracts. Interest payments for bank loans in 2023 amounted to NT\$5,164,357 thousand, accounting for 10.37% of the Corporation's operating revenue. Looking forward, the short-term interest rate of the NT dollar still remains at a relatively low level, which is conducive to reduction of interest burdens for financing loans. The Corporation also continues to decrease liabilities and interest expenses through various measures. In future, we will make timely adjustments to utilization of funds according to changes in interest rates.

##### 2) Foreign Exchange Rates

Affected by the interest rate policy of the US Federal Reserve (FED), foreign capital remittances, and other factors, the NT dollar exchange rate depreciated in 2023. It is expected that the NT dollar exchange rate will still be mainly affected by the strength of the international dollar in the future. In 2023, the Corporation's ratio for foreign currency exchange profit (loss) to operating revenue was 0.02%, indicating that exchange rate changes have little impact on our revenue and operations. In line with foreign currency payments required by various contracts, the Corporation uses forward exchange contracts to reduce exchange rate risks. In future, we will continue to seek favorable opportunities to hedge against the impact of exchange rate changes.

### 3) Inflation

In terms of current inflation conditions, the Directorate-General of Budget, Accounting, and Statistics estimated that the annual growth rate of the consumer price index (CPI) in Taiwan for 2023 was 2.5%, and domestic prices for relevant products are holding stable. The Corporation's fares are adjusted in accordance with inflation rates, and therefore the impacts of inflation are low.

## (2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High- Risk, High-Leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Corporation so far has not been involved in the lending of funds to others; our sole endorsement guarantee involves guarantees of customs duties handled by the Corporation itself. Our balance as of December 31, 2023 was NT\$62,000 thousand, and our balance as of March 31, 2024 was NT\$62,000 thousand.

The Corporation's transactions in derivative products adhere to our internal management regulations "Procedures for the Handling of Derivative Transactions," and are used for hedging purposes. We do not engage in speculative financial operations and each transaction is audited by certified public accountants. We will continue to deal in derivative products when it is appropriate to hedge risks.

## (3) Future Research & Development Projects and Corresponding Budget

Our planned civil construction facilities projects include cooperating with the ITRI to develop a service platform for inspection of HSR viaducts using artificial intelligence drones in hopes of advancing our grasp on drone technology and for further application on inspection, maintenance, and emergency surveillance of HSR facilities; installing dampers on viaducts in the Tainan section to reduce seismic lateral relative displacements and to facilitate improvements of viaduct structure and analysis of quantitative feedback; and continuing research on amplification of seismic responses at viaducts in the Chiayi section where different vertical anti-lifting devices are installed, to use the results as a basis for future improvement. Additionally, we are also investigating the feasibility of using thickened pot bearings to improve vertical differential track settlements as well as conducting expansive slope surveys and safety assessments using satellites, GPS, LiDAR, and other emerging remote technologies to track external environmental factors along our routes and to identify sensitive slope areas for subsequent follow-up, monitoring, management, and implementation of prevention measures and improvements.

For our communications systems, we continue to use localized products for equipment maintenance and component replacement in subsystems, including power supply equipment, backup batteries, and network communication equipment. We hope that these investments can establish our independent maintenance capabilities and promote application of local products in the rail industry.

For our rolling stock system, we are continuing to work with national universities and local companies to develop maintenance equipment. Our localization of maintenance equipment not only reduces costs and single-sourcing risks, but also helps to improve inventory management efficiency, enhance timeliness of emergency component purchases, and facilitate technology transfers to local manufacturers.

For our track and power system, we have continued to develop our own train waving automatic measurement system (currently working on optimizations in Phase II) and have purchased locally manufactured OCS maintenance vehicles from China Steel Corporation.



Planned R&D projects and expenditures are as follows:

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
Civil Construction Facilities Research & Development	HSR Intelligent Drone Bridge Inspection and Maintenance System	Developed in collaboration with ITRI, and will be implemented in two stages over 26 months.	Establish management regulations for drone inspection operations and a professional drone operator team in accordance with the regulations of the Civil Aeronautics Administration to implement HSR facility inspections, maintenance, and emergency surveys, and set up an extensive records database for inspection targets to enhance information management and quality of inspections.	Officially commenced on September 13, 2022 and currently developing 3D mapping systems and integrations with professional drone bridge inspection systems while also conducting training for professional drone operators.	Investments in 2022: 3,885; investments in 2023: 4,532.5; investments in 2024: 4,532.5.
	Relevant Research on the Reduction of Seismic Displacement After Implementation of Dampers on Viaducts in the Tainan Area (Including Construction Improvements and Analysis of Quantitative Feedback)	Viscous dampers were designed according to the structural characteristics of the high-speed rail to improve structural dislocation and movement during earthquakes.	Phase 1: Avoid track damage caused by relative bridge displacements and establish a related structural monitoring system. Phase 2: Continue structural evaluations and improvements; expected to commence in 2024.	The first phase was initiated in March 2022, and the bridge improvement and monitoring system is expected to be completed in 2024. The second phase will commence in March 2024.	Investments in 2022: 45,467; investments in 2023: 47,323; investments in 2024: 4,774.
	Research on the Amplification Effect of Chiayi Section Viaduct During Seismic Events, Especially in Vertical Direction	Carry out vibration measurements of the ground surface, bridge piers, and bridge deck to study the amplification effects on the viaduct in the event of an earthquake.	After identifying locations where bridge structures use different designs to transmit vertical forces between piers and decks, accelerometers will be installed to check the validity and improvement of anti-pulling devices.	Completed installation of measurement equipment in 2019 and completed 3 years of measurements in 2023 (2021-2023). Another 3 years of measurements were initiated in 2024.	Investments up to 2021: 2,900; investments in 2022: 414; investments in 2023: 828; investments in 2024: 4,600.
	Use Pot Bearings to Improve Differential Settlements of Adjacent Viaduct Foundations	Improve vertical track irregularity using thickened pot bearings.	Resolve track irregularities caused by differential settlements of adjacent viaducts and limitations in track maintenance using thickened pot bearings.	Design investigations, evaluations, and improvements were carried out in 2021. Construction will commence in 2022 and conclude in 2023.	Investments in 2021: 960; investments in 2022: 5,400; investments in 2023: 21,594.
	Expansive Slope Surveys and Safety Assessments	Use satellites, GPS, LiDAR, and other emerging remote technologies to track external environmental factors along our routes.	Identify sensitive slope areas for subsequent follow-up, monitoring, management, and implementation of prevention measures and improvements, thereby enhancing slope stability and operational safety.	Equipment installation and technology integration will take place from 2022-2024, and periodic monitoring and assessment will be conducted from 2024-2026.	Investments in 2022: 7,875; investments in 2023: 4,904; investments in 2024: 5,040; investments in 2025: 13,020; investments in 2026: 5,460.

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
Signaling System Research & Development	Improvement, Innovation, and R&D of PLC Switch Controls	The Corporation independently developed a "PLC turnout controller" which was 100% independently researched and developed, and is the first turnout controller in the world with integrated programmable logic control technologies. This controller significantly reduces the probability of relay damage and enhances maintenance efficiency. In order to provide proper protections for this independently developed controller, we obtained a utility model patent in June 2023 and an invention patent was granted by the Taiwan Intellectual Property Office in March 2024.	Decrease relay numbers and strengthen reliability of existing turnout controllers, reducing impacts on customer service caused by turnout failures.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment was confirmed to be reliable. We extended this project by awarding a five-year contract (E4-20-003 "Turnout Controller Replacement Project") at the end of 2020 to replace 142 sets of turnout controllers across the entire HSR line. All installations are scheduled to be completed in 2025.	Investments in 2023: 143,133; investments in 2024: 91,249; investments in 2025: 123,280; investments in 2026: 158,082.
	R&D on Railway Intelligent Turnout Monitoring System (TMS)	THSRC independently developed a localized first-generation "TMS turnout monitoring system." Through digital transformation, THSRC re-designed and developed an intelligent TMS turnout monitoring system. Apart from the original monitoring functions, this new system has expanded capabilities related to big data analysis, prediction reports, advance warning, real-time display, and historical analysis reports, enabling preventive maintenance and adjustments prior to turnout failure, significantly increasing system reliability and facilitating rapid repairs. Our TMS utility model patent was granted by the Taiwan Intellectual Property Office in January 2024.	Analysis of data fluctuations from sensors on the turnout system can be used to provide predictions for maintenance and adjustment needs in advance of potential abnormalities, preventing turnouts from breaking down during service hours.	Used locally developed data acquisition board (DAB) Moxa hardware as a basis for redesigning an intelligent TMS to replace all existing turnout VAE TMS along the HSR line. We commenced a project to replace the TMS at 82 locations in April 2021. The project is scheduled to be completed in 2025.	Investments in 2023: 53,333; investments in 2024: 53,333; investments in 2025: 53,333.

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
Communication System Research & Development	Innovation and Development of Intelligent Passenger Information System (PIS)	To strengthen provision of real-time information by our Passenger Information System (PIS) for efficient operational management and to lower our dependence on foreign R&D capabilities, we conducted our own R&D and used innovative technological products to build a PIS. Phase one updated and upgraded control software and servers. Phase two updated and upgraded display units (PIDS) in lobbies and on platforms. Phase three added new platform display units near carriage doors for stations north of Taichung (included). Phase four added new platform display units near carriage doors for stations south of Taichung. Phases five and six will update and upgrade PIS systems and add platform display units at four new stations.	Improved passenger experience and operational management; new technologies and products enabled better service quality.	Phases one and two were initiated on December 27, 2018. R&D was completed in 2019 and construction commenced in 2020. All PIS/PIDS installations were completed and officially commenced operations in October 2022. Phases three and four were initiated on December 11, 2019, and PIS upgrades for all 8 stations were completed in October 2022. Equipment upgrades for all 12 stations will be completed in 2026.	Investments in 2023: 2,231; investments in 2024: 2,231; investments in 2025: 152,109; investments in 2026: 354,921.

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	Increase Bandwidth of Free Station and Train Wi-Fi Services to 10Mbps	<p>(1) Increased bandwidth of free passenger Wi-Fi services at all stations and on trains (SSID: THSR_free Wi-Fi_ALL) to at least 10Mbps in 2022.</p> <p>(2) Set up remote monitoring of Wi-Fi system equipment at all stations and on trains to enable remote automatic reconfiguration and real-time troubleshooting; troubleshooting personnel can be dispatched quickly and precisely in the event of reconfiguration failure.</p>	<p>(1) Improved the quality of free passenger Wi-Fi services.</p> <p>(2) Remote monitoring of station and train Wi-Fi equipment enabled remote automatic reconfiguration and real-time troubleshooting, improving system reliability.</p> <p>(3) Enabled precise and rapid dispatching of maintenance personnel for smart repair services.</p>	The bandwidth of free passenger Wi-Fi services at all stations and on trains (SSID: THSR_free Wi-Fi_ALL) was increased to at least 10Mbps; contract signing, system installation, and system launch were completed in December 2022.	Investments over the past two years: 10,000
	Digitalization of TETRA Main Radio System (MSO) and Network IP Upgrade	To improve wireless communication quality between our Operation Control Center, train drivers, station personnel, train personnel, and maintenance personnel, and for night maintenance and construction work, our original TETRA wireless communication system, which was fully reliant on a system developed by Japanese companies, was replaced with a self-developed and upgraded wireless radio system. During the first phase of the project, a Taiwanese company implemented system host upgrades in accordance with THSRC requirements, while the original Japanese company acted as a contractor, allowing us to achieve initial localization goals. The localization rate for the entire project was set at no less than 18%.	<p>(1) Improved Operation Control Center wireless communication quality by integrating new digital technologies, new products, and IP network technologies to provide better and safer system services.</p> <p>(2) Achieved initial localization goals and a localization rate of at least 18%.</p> <p>(3) The overall stability and reliability of our wireless communication system was improved by a stable and reliable new-generation TETRA MSO system with no issues related to discontinuation of production and maintenance support.</p>	<p>(1) The new system went live on August 29, 2022.</p> <p>(2) System passed stability testing and verification on December 9, 2022.</p>	596,500.

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	(DTS_FOC) Data Transmission System and Fiber Optic Cable (FOC) System Expansions	<p>(1) The systems and equipment at our OCC, as well as all depots, stations, signaling, and electrical rooms, use the DTS_FOC to transmit various operational and control signals.</p> <p>(2) Our DTS_FOC data transmission system has been in operation for more than 15 years and is now faced with discontinuation of system maintenance materials and increased maintenance costs, limiting its expansion capacity. We therefore examined the requirements and technologies needed for a new-generation data transmission system.</p> <p>(3) Digital transformation has become a global trend following rapid advances in digital technologies. Expansions and upgrades of the new system are required to support the operational needs of the next 15 years and facilitate future maintenance and application of IoT, big data, and AI for smart rail transportation.</p> <p>(4) Following analysis of the aforementioned factors, we implemented a new-generation Multiprotocol Label Switching (MPLS) system and established infrastructure to facilitate big data analysis, AI, and IoT applications.</p> <p>(5) To avoid affecting the operations of our current system, our expanded DTS_FOC system currently co-exists alongside our original SDH system and we are gradually transferring data transmission services for all HSR subsystems.</p>	<p>(1) The new system will facilitate installation of new-generation smart monitoring systems, smart security systems, multimedia information, and smart electrical equipment to meet transmission bandwidth and traffic needs.</p> <p>(2) Reduce operational risks while achieving system expansion and upgrading.</p> <p>(3) Facilitate gradual upgrades, expansions, and integration with data transmission systems in accordance with transmission bandwidth needs for each subsystem.</p>	<p>(1) Project was initiated on September 20, 2022.</p> <p>(2) Initial configurations were completed on March 18, 2023.</p> <p>(3) Detailed configurations were completed on June 16, 2023.</p> <p>(4) Installations and construction work will be completed on December 7, 2024.</p> <p>(5) The project will be completed on September 14, 2025.</p>	600,000.

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
Rolling Stock Research & Development	Real-Time Train OBC Data Management (Monitoring, Integration and Transmission, and Analysis) System	Use IoT to conduct real-time monitoring, integration and transmission, and analysis of train OBC data.	Enhance analysis of train faults and reduce repair times, and expand train databases and big data analytics abilities.	System technologies currently under development.	The project is currently in the technology development phase. Budget for phase 1 of 2024: 6,963 Phase 2: Under discussion.
Localization of Materials	Train Toilet Space Improvement	Comprehensive toilet equipment enhancements and FRP wall trim re-filming.	Improve aesthetics and passenger service quality.	2024~2027: Design, testing, installation, and construction.	140,342
	Development of Control Switches	Design and manufacturing.	Maintain system function and reduce maintenance costs.	Under development	Development costs: 15,280
	Wind Speed, Rainfall, and Water Level Programmable Signal Generator Development Project	Commissioned local university to implement design and development.	Maintain system function and reduce maintenance costs.	Under development	Development costs: 1,500
	Development of Suspended Air Springs for Trains	Development of local materials.	Implement localization policies and enhance self-maintenance abilities.	Under development	Development costs: 10,123
Track & Power System Research & Development	Automatic Measurement System for Rolling Stock Vibrations: Phase II Optimizations and Development Assessments	Developed 10 simplified measurement devices for measuring rolling stock vibrations and established an smart automated post-earthquake speed adjustment system.	Enhance efficiency of post-earthquake inspections.	Procurement request is currently being approved and processed. Estimated project period: 2024~2026.	Budget for 2024~2026: 16,000 (VAT excluded).
	Localization of OCS Maintenance Vehicles	Purchased 8 MV type vehicles and 2 sets of CS vehicles (4 vehicles).	Improve repair efficiency and personnel safety.	Currently being developed and produced. Contract period: 2018~2024.	Contract amount: 1,232,000 (VAT included).
	Maintenance Vehicle Simulation Training Equipment	In development at NCSIST	Improve management systems and organizational efficiency.	Under development. Contract period: 2023~2026.	Budget for 2023~2026: 68,773 (VAT excluded).
	Development of OCS Composite Insulator Information Management System and Aged Equipment Analysis	Currently being researched and investigated by local university.	Establish maintenance data management and analysis platform, and provide recommendations for maintenance strategies.	Under development. Contract period: 2023~2026.	Contract amount: 15,150 (VAT excluded).
	Development of OCS Measurement Data Management and Trend Analysis System	Currently being developed by local university.	Integrate maintenance data to build predictions of maintenance trends.	Under development. Contract period: 2023~2025.	Contract amount: 4,700 (VAT excluded).
	Development of Track Area Monthly Schedule Coordination System (TASCS)	Currently being developed by consulting firm	Optimize digitalization of maintenance management.	Under development. Contract period: 2023~2024.	Contract amount: 11,714 (VAT excluded).

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
System Research & Development	Advanced Open Reservation System Phase II Transfer of Core Functions for Business Strategy Management (BSM) Module	The core module of ticket reservation services will be transferred from the current mainframe system to a private cloud open platform micro-service architecture. An open system architecture with flexible expansion will be constructed to enable independent maintenance and operational capabilities in the future. The main tasks of this project include construction of infrastructure, the BSM module, and core functions of the Advanced Open Reservation System (AORS). The project was initiated in September 2021 and is scheduled to be completed and live in September 2025.	<ol style="list-style-type: none"> <li>(1) Transfer core functions of reservation services from the current mainframe to a private cloud open platform micro-service architecture.</li> <li>(2) Enable flexible adjustment of system operating capacity according to transaction volumes.</li> <li>(3) Enable autonomy of system maintenance and operations.</li> </ol>	Version 1.5 of the BSM module went live in October 2023. Subsequent service items include (1) BSM Version 2.0 and (2) core function transfer, both of which are scheduled to go live in September 2025. The project is currently progressing as planned.	471,662
	Information Technology Service Management System (ITSM)	This project will provide the following functions: Automatic configuration collection functions, upgraded CMDB (Configuration Management Database), and correlation model diagrams between hosts and services. The project is scheduled to commence in May 2024 and be completed in February 2025.	<ol style="list-style-type: none"> <li>(1) Collect related data of information components (configuration) through automated tools to reduce manpower load and improve data timeliness.</li> <li>(2) Improve operational convenience of the current configuration database, improving operation efficiency, and enabling better data archival efficiency.</li> <li>(3) Rapid identification of problems through the service model, reducing time needed for reporting and diagnosing malfunctions.</li> </ol>	Multiple product evaluations, POC (proof of concept), and implementation strategy assessments were completed in October 2023. Procurements are currently ongoing.	23,010
	Continuous Integration Continuous Delivery (CI/CD)	Automatic deployment and verification of computer programs, including Jira delivery, OS patch update, and extension of CI/CD. The project is scheduled to commence in March 2024.	Implemented third-phase adjustments and upgrading of automation tool architecture to achieve large-scale automation.	Project proceeding as planned.	6,124
	Application Programming Interface Management System	Establishment of centralized API management platform. Public bidding procedures are scheduled to be completed in June 2024 and the first phase is scheduled to be completed and launched in Q4 of 2024.	<ol style="list-style-type: none"> <li>(1) Construct a centralized API management platform to manage and control API access flow, data security encryption, and tracking analysis between THSRC and collaborating vendors.</li> <li>(2) Increase income through diverse sources under a new ecosystem created by API services.</li> </ol>	Compiling requirements and implementation plans.	19,740

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	Monthly Track Schedule Coordination System	Use optimization engine tools to automatically generate maintenance schedules based on date, facility, and location requirements via a user-friendly visualization interface that allows for manual adjustments.	<ul style="list-style-type: none"> <li>(1) Enhance efficiency of scheduled work by using optimization engines to automatically generate monthly maintenance schedules.</li> <li>(2) Visualization-friendly interfaces reduce complexity of scenarios that require manual adjustment.</li> </ul>	The project was initiated in August 2023, and system design and function development is currently ongoing. The system is scheduled to go live in January 2025.	11,070
	Integrated Smart Marketing Platform (iSmart)	This platform will be based on T-MaaS applications and will be developed over three phases. The project was initiated in May 2023 and the first phase is scheduled to be completed in October 2024.	<ul style="list-style-type: none"> <li>(1) Establish an integrated marketing platform which uses the high-speed rail to connect shuttle vehicles and tourism facilities related to food, apparel, accommodation, transportation, education, and recreation.</li> <li>(2) Enable agile establishment of main platform functions and gradually improve the product component layer, core function layer, and passenger contact layer of the platform.</li> <li>(3) Integrate member economy, tourism products, itinerary planning, digital retail, and precision marketing to build a marketing platform with functional depth and product breadth.</li> <li>(4) Integrate high-speed rail tickets with existing travel and retail products as well as cross-industry shuttle services and other products and services.</li> </ul>	Compiling requirements and implementation plans.	63,838



Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	IT/OT- Security Operation Center (SOC) Information Security Monitoring: 24/7 Automatic Threat Alert System	<p>Project planning and construction was initiated on January 3, 2021; the main targets are as follows:</p> <p>(1) Improve Security Information and Event Management (SIEM) architecture and platform implementation and establish a high-performance abnormal event analysis mechanism.</p> <p>(2) Establish Intrusion Detection System (IDS) IT/OT architecture to improve threat detection and discovery capabilities in core areas.</p> <p>(3) Establish Security Orchestration, Automation and Response (SOAR) automatic information security collaboration response mechanisms to strengthen joint defenses.</p>	<p>(1) Statutory requirement: Establishment and continuous maintenance of threat detection mechanisms must be completed by specific non-government organizations with Level A information security responsibility levels.</p> <p>(2) Security monitoring requirements: Integrate and correlate diverse data, analyze traceable threats, provide real-time abnormal alarms, present risk information status, shorten time required for responses, and block breaches.</p>	<p>(1) Integrated analysis of IT/OT SOC abnormal events to optimize monitoring and protection effectiveness as well as alarm accuracy.</p> <p>(2) Continued improvement of data assessment models to detect potential unknown threats and anomalies.</p> <p>(3) Enable proactive identification and prediction of threats and attacks so that suspicious abnormal behaviors and trajectories consistent with malicious activities can be instantly identified.</p>	10,800
	Intelligent Safety Cloud (Safety Mall)	<p>(1) Combine heterogeneous safety-related data and artificial intelligent technologies such as generative AI to provide a single and smart query platform.</p> <p>(2) Develop operational safety management mobile digital tools and management support platforms to support management and decision-making.</p>	<p>(1) Enable timely investigation of safety-related events, with an achievement rate of no less than 95%.</p> <p>(2) Platform views and usage volumes will increase by 5% each year.</p>	Exploring feasible solutions and evaluating estimated project costs and schedules.	15,000
	Train Operation Schedule System	Establish train operation schedule system which utilizes optimization algorithms to generate schedules and visualization tools to present train time-space diagnoses.	<p>(1) Reduce average time needed to plan quarterly base train operation schedules from 80 hours to less than 24 hours.</p> <p>(2) Reduce average time needed to plan specific holiday timetables from 64-96 hours to less than 32 hours.</p> <p>(3) Reduce preparation time needed to announce train operation schedule notifications from 80 hours to less than 32 hours.</p>	Exploring feasible solutions and evaluating estimated project costs and schedules.	15,350

#### (4) Effects and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

All units of the Corporation identify, comply, and conform to all relevant laws and regulations in compliance with our "Law Compliance Management Regulation," and continue to track policy trends. We are able to keep abreast of all major policies and statutory changes. Over the past year, all these changes have had no significant adverse impacts to our business operations.

(5) Effects and Response to Changes in Technology (including information security risks) and the Industry Relating to Corporate Finance and Sales

Technological Changes:



Technological changes such as advances in mobile communications, artificial intelligence, big data analysis, Internet of Things, cloud solutions, and microservices impact business, operations, maintenance, data, and information security risks. We plan to implement digital transformation as part of our mid- to long-term strategic plans to meet technological changes, as well as evaluate, introduce, and utilize mature technologies and products for real-world application in necessary businesses. Further explanations are shown in the table below:

	Impacts	Responses
Business	Rapid developments in digital technologies have changed customer needs and consumption habits, increasing customer demand for mobile and real-time data, as well as demand for personalized customer experiences.	Utilize new technologies to optimize mobile ticketing services for passengers, develop personalized services to enhance customer experiences, and develop smart customer services to strengthen customer relations.
Operations	Mobile technologies enable operator access to real-time operational information. Big data analysis technologies can strengthen operational safety.	Use new technologies to develop mobile support for train services to assist train staff and provide diverse passenger services. Integrate new technologies with THSRC's more than 17 years of accumulated information on operational incidents to develop an operational safety database that provides safety information and supports decision-making for emergency incidents.
Maintenance	Internet of Things and big data technologies enhance industrial maintenance efficiency.	Utilize THSRC's more than 17 years of accumulated information on railway inspections to develop maintenance predictions, eliminate unnecessary inspections, extend equipment service life, and reduce maintenance costs.
Data	Cloud and microservice technologies have become a mainstay of industrial information platform frameworks and systems.	Establish private clouds and expandable microservice architecture to enhance capacity of information systems and lower maintenance costs, enabling flexible capacity adjustment and expansion to meet market needs.
Information security risks	Increased network security risks mean that information safeguards, identity verification, and service accessibility are becoming more important, and there is a higher risk of being breached or hacked.	Set clear stipulations of service standards for our information and communication systems and services, and adhere to related laws and information security standards when formulating information security plans and risk considerations, as well as when evaluating, introducing, outsourcing, or building systems and services. We implement associated checks, third-party laboratory inspections, and periodic or non-periodic information security drills to establish in-depth defense mechanisms and 24/7 information security monitoring measures that provide active defenses and early warnings, reduce service impacts.

#### Industrial Changes:

THSRC completely revolutionized public transport in Taiwan's western corridor by providing passengers better convenience, comfort, safety, quality, efficiency, and punctuality. THSR now serves as the main form of transport for passengers travelling over long distances, and is used in combination with TRA, buses, taxis, or rental cars. THSRC has increased industrial interactions and shortened the distance between the northern and southern regions. In the future, THSRC will continue to improve systems and equipment to provide passengers with better service. In addition, THSRC will adhere to all safety regulations and procedures, and implement appropriate risk evaluation and safety management mechanisms to minimize potential passenger injuries or operational accidents.

### (6) Impact of Corporate Image Changes on Corporate Risk Management and the Corporation's Response Measures

We at THSRC adhere to the highest standards of safety for our core business of transportation. We have established transparent channels for external communication through our corporate website, spokesperson, and on the Market Observation Post System, and we periodically publish annual reports and sustainability reports to maintain a good corporate image and convey important information to domestic and foreign mass media, consumers, shareholders, governmental units, and other stakeholders. Additionally, we assimilate relevant information to fully understand potential external crises and fulfill our duties of prevention and warning. As of the publication of this annual report, there have been no incidents jeopardizing our corporate image.

### (7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

**(8) Expected Benefits, Possible Risks and Response Measures for Plant Expansion:**

1) Expected Benefits

- A. Based on the current operating schedule, track layout, and shunting limitations, the addition of Zuoying Depot's second vehicle maintenance plant will increase maintenance capacity by up to 9 trainsets, which will in turn satisfy maintenance needs of an expanded fleet.
- B. The number of available trainsets during peak operations over long weekends can meet demand and all train-sets can be operated when necessary.
- C. Train inspection, repairing, and parking functions will be satisfied. Trainsets can be dispatched more flexibly for different operations.
  - (a) Satisfy fleet expansion needs in the future.
  - (b) Provide sufficient tracks for trainset refurbishments and other specific activities (such as trainset painting, material development, and testing), shortening operational schedules.
- D. Outsourcing procedures for the second rolling stock inspection plant at Zuoying maintenance depot have been completed, and construction is scheduled to be completed in 2027.

2) Possible Risks and Response Measures

A. Possible risks:

The construction area is close to the high-speed rail and existing buildings, so it is necessary to ensure safety and prevent interference to train operations. The chosen locale for this plant is within the Zuoying Depot, close to the high-speed railway track, the first maintenance plant, the main warehouse, and the substation. An important challenge of this project is to ensure the safety of train tracks, neighboring buildings, and construction sites during construction and excavation periods to avoid affecting HSR operations and maintenance.

B. Response Measures:

- (a) Properly plan construction flows and barrier facilities.
- (b) Strictly comply with the relevant regulations of the Occupational Safety and Health Management Measures for Railway Operation and Maintenance.
- (c) Diligently investigate the location and depth of existing pipelines.
- (d) Carefully formulate prevention measures for excavation in adjacent areas and set up a safety monitoring system to provide warnings.
- (e) Implement on-site construction safety policies.

**(9) Risks and Countermeasures in the Concentration of Incoming Goods or Sales: None.**

**(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%**

Over the past year, there were no incidences where a major quantity of shares belonging to a director or shareholder holding more than a 10 percent stake in the Corporation was transferred.

## (11) Expected Impacts, Possible Risks, and Response Measures for Changes in Management Rights:

Over the past year, there were no incidences relating to changes in management rights.

The Corporation has a stable equity structure, and has appointed a sufficient number of independent directors, adopted the candidate nomination system, implemented diversity of directors, and ensured effective functioning of the Board and all committees in accordance with laws and regulations, our Articles of Incorporation, Guidelines for Corporate Governance, and other relevant regulations. We have also implemented comprehensive internal control and risk management policies, which help establish a sound corporate governance system, and protect and promote shareholder participation. Therefore, we are able to avoid significant adverse impacts due to changes of Board members or operating rights.

## (12) Litigious and Non-Litigious Matters. List Major Litigious, Non-Litigious or Administrative Disputes (That Have Been Concluded by Means of A Final and Unappealable Judgment, or are Still Under Litigation) That Involve the Company and/or Any Company Director, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding A Stake of Greater Than 10 Percent, and/or Any Company or Companies Controlled by the Company; Where Such A Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute As of the Date of Publication of the Annual Report.

- 1) There are no current open lawsuits, non-litigation disputes, or administrative proceedings.
- 2) Concluded or ongoing major litigious, non-litigious, or administrative disputes that may have significant impact upon shareholder interests or share prices that involve Corporation directors, general managers, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Corporation that occurred over the past two years and up the publication date of our annual report:

Current list of major lawsuits, non-litigation disputes or administrative proceedings concerning juristic-person directors of THSRC (Source: taken from 2022 Annual Report).

Juristic-person director: Taiwan Sugar Corporation:

Parties	Monetary Value of the Subject Matter	Status
Claudia Badachi	On October 30, 2019, Claudia Badachi, a resigned employee, filed a lawsuit against a branch company of Taiwan Sugar Corporation, the main dispute being a different understanding of the definition for "agricultural worker." Plaintiff believed that she was not an agricultural worker; according to local regulations, ordinary workers must be paid for overtime for working more than 8 hours. Therefore, plaintiff demands a payment of US\$1.9 million.	The case was reviewed by the Superior Court of California, Monterey County. Taiwan Sugar Corporation reached a US\$500,000 settlement with Claudia Badachi on November 17th, 2022, which is pending approval by the court.

Parties	Monetary Value of the Subject Matter	Status
Yongda Institute of Technology (NPO)	Yongda Institute of Technology set the right of superficies to use 8 pieces of land with an area of 84,260 m <sup>2</sup> , including Land No. 1768, Renxin Section, Renwu District, Kaohsiung City of Taiwan Sugar Corporation, for a duration of 50 years from July 22, 2005 until July 21, 2055, and rent has been paid up to July 21, 2019 (the annual rent for 2019 was NT\$7,409,746, tax inclusive). As Yongda used the disputed land in violation of the contract, Kaohsiung Office of Taiwan Sugar Corporation issued a letter on July 17, 2019 to terminate the contract effective from July 22, 2019. However, Yongda has not yet cleared the land, is currently appealing for its return, and has also requested to be paid back NT\$44,510,832 for unjust enrichment.	The case was reviewed by Taiwan Ciantou District Court under case number 2021 Zhong-Su-Zi-No. 21. Both parties reached a settlement on October 6th, 2022. According to the settlement, Yongda should sell its real estate in Linluo campus before October 5th, 2023, and notify Taiwan Sugar Corporation within 15 days after receiving payment. Thereafter, Yongda should settle all outstanding amounts (including rent, interest, litigation fees, and land survey fees) as a lump sum within the specified period set by Taiwan Sugar Corporation.
Revenue Service Office, Kaohsiung City	Five pieces of land, including Land No. 893, Zhongcuo Section, Xiaogang District, Kaohsiung City managed by Taiwan Sugar Corporation Kaohsiung Office applied for levying of agricultural land tax, which was approved by the Revenue Service Office (Xiaogang Branch) of Kaohsiung City. However, said branch revoked the previous approval with a letter dated June 24, 2020, stating that the land value tax of the abovementioned lands will be levied using the original general land tax rate from 2014, and the difference in land value tax from 2015 to 2019 (NT\$45,234,733) will be collected. Taiwan Sugar Corporation disagreed with the decision and applied for review, but without success. After a further petition was rejected, Taiwan Sugar Corporation filed an administrative lawsuit.	<ol style="list-style-type: none"> <li>1. Kaohsiung High Administrative Court on March 3 2022 rendered a judgment (2021 Su-Zi-No. 162) and dismissed the claim filed by Taiwan Sugar Corporation.</li> <li>2. Taiwan Sugar Corporation filed an appeal which was dismissed by the Supreme Administrative Court on June 9, 2022 under case number 2022 Shang-Zi-No. 350.</li> </ol>

Since the aforementioned juristic-person directors are financially independent from the Corporation, all the aforementioned litigation, non-litigation, or administrative disputes do not have significant impact on the Corporation's shareholder equity or share prices.

- 3) In the past two years and as of the publication date of the Corporation prospectus, were there any directors, supervisors, managers, and major shareholders holding more than 10% of shares in violation of the provisions in Article 157 of the Securities and Exchange Act, and if yes, the response measures taken by the Corporation: None.

**(13) Other Important Risks and Response Measures:**

Risks and Opportunities for the Community and Response Measures:

With regard to noise impacts on neighboring residents caused by HSR operations, we have formulated the "Voluntary Noise Prevention and Improvement Plan" and the "Work Plan to Prevent and Improve Noise Impacts on Neighboring Residents Along the HSR Line." We have also established the "Procedures for Handling HSR Noise Petitions," which include surveys, interviews, and measurements with petitioning stakeholders that allow us to understand their noise issues and explain our handling methods, prevention measures, and improvement plans, thereby facilitating two-way communication. (Related measures and implementation results are disclosed in our Sustainability Report.)

**8. Other Important Disclosure Items: None**





# 9

## Special Disclosures

## 1. Information on Affiliated Businesses: None.

## 2. Information on Private Placement of Securities in the most recent year and up to the Publication Date of this Annual Report

Project	Private placement in 2015 Issue date: November 26, 2015				
Private placement securities	Common shares				
Date and amount approved by the shareholders' meeting	September 10, 2015 / No more than 3,000,000 thousand shares				
Basis and rationality of price setting	<p>1. The Board of Directors of the Corporation set November 12, 2015 as the pricing date. According to the resolution of the shareholders' meeting held on September 10, 2015, the private placement price of common stock should not be less than 80% of the reference price.</p> <p>2. The reference price shall be determined by the higher of the following conditions: (a) The share price calculated as the sum of all transaction amounts of Corporation common shares in the Emerging Stock Computerized Price Negotiation and Click System in each business day for 30 business days prior to the price determination date, divided by the sum of the number of shares traded in each business day, after adjustments for any distribution of stock dividend, cash dividend, or capital reduction; (b) The net worth per share shown on the financial report audited and certified or reviewed by a certified public accountant (CPA) for the period closest to the price determination date.</p> <p>3. The privately placed common stock reference price is set at \$10.15, and the issue price is set at \$10, consistent with the resolution of the shareholders' temporary meeting stating that the private placement price shall not be lower than 80% of the reference price.</p>				
Selection of qualified persons	The persons or funds selected for this private placement fulfill the qualifications set out by the resolutions of the Legislation Yuan and Article 43-6. Paragraph 1 of the Securities and Exchange Act and Rule No. 091003455 of the Securities and Futures Bureau of Financial Supervisory Commission dated June 13, 2002.				
Necessity for private placement	The percentage of government holdings in the Corporation was increased in order to implement the "High-Speed Rail Financial Resolution Plan" and in accordance with relevant resolutions taken by the Legislative Yuan. Additionally, private placements are characterized by quick and convenient access, and Corporation common shares issued through private placement are not freely transferable within the first 3 years, ensuring a long-term equity relationship between the Corporation and government entities. The Corporation placed common shares with specific parties according to the provisions of Article 43-6 of the Securities and Exchange Act.				
Payment completion date	November 26, 2015				
Applicants	Private placement entity	Qualifications	Subscription quantity	Relationship with THSRC	Participation in Corporation's operations
	Ministry of Transportation and Communications, R.O.C.	Paragraph 1	2,420,000 thousand shares	Government-related entity	THSRC director, largest shareholder, and governing authority of THSRC
	China Aviation Development Foundation	Paragraph 3	260,000 thousand shares	THSRC director	THSRC director
	Mega International Commercial Bank	Paragraph 1	71,100 thousand shares	None	None
	First Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
	Hua Nan Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
	Taiwan Corporative Bank	Paragraph 1	53,300 thousand shares	None	None
	Chang Hwa Commercial Bank	Paragraph 1	44,500 thousand shares	None	None
Taiwan Business Bank	Paragraph 1	44,500 thousand shares	None	None	
Actual subscription (or conversion) price	NT\$10 per share				
The difference between actual subscription (or conversion) price and reference price	The actual subscription price was \$10 per share, 98.25% of the reference price set at \$10.15.				



Private placement in 2015 Issue date: November 26, 2015	
Project	
Impacts of private placement on shareholders' equity (for example, increase of cumulative losses)	A total of 3 billion privately placed common stock was issued, generating stock income of \$30 billion, and bringing paid-in capital to \$56,052,930,580, which will help the Corporation stabilize its operations and development, and bring positive benefits to shareholders' equity.
Fund utilization of private placement and project implementation progress	Collected private equity funds were used to enrich working capital, purchase machinery and equipment, and implement preferred stock compensation schemes. In the second quarter of 2016, \$14.3 billion was used to enrich working capital, \$600 million was used to purchase machinery and equipment, and \$15.1 billion was used for preferred stock compensation programs.
Private placement benefits	Enrich the Corporation's funds, improve the Corporation's financial structure, aid implementation of preferred stock compensation programs, and stabilize the Corporation's operations and development.

**3. Information on Shares Held or Sold by Subsidiaries in the most recent year and up to Publication Date of Annual Report: None.**

**4. Other Supplementary Information Required: None.**

**5. Has the corporation experienced any events as described in Item 2, Paragraph 3, Article 36, of the Securities and Exchange Act that have had major impacts on shareholders' equity or share prices in the most recent year and up to the publication date of this Annual Report: None.**

TAIWAN HIGH SPEED RAIL CORPORATION

CHAIRMAN

*Y. C. Chiang*

