

Stock Code: 2633



# Handbook for the 2020 Annual Shareholders' Meeting

DATE: May 21, 2020 at 9:00 a.m.

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

# Taiwan High Speed Rail Corporation

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# Management Presentation

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

According to Paragraph 3, Article 5-2-02 of the Corporation's Guidelines for Corporate Governance, the Corporate Governance and Nomination Committee should prepare a report on the Corporation's implementation of corporate governance prior to each shareholders' annual general meeting. Following review by the Board, said report shall be included in the Annual Meeting Handbook. The Corporation's report on implementation of corporate governance for the current year was passed at the 35th meeting of the 8th Board, and is hereby presented to the shareholders' general meeting.

### I. Background

For the purpose of sound corporate governance, as well as assurance of shareholders' equity, consolidation of the Board of Directors' function, promotion of information transparency, and fulfillment of corporate social responsibility, our Guidelines for Corporate Governance were formally passed with a resolution at the May 28, 2003 shareholders' general meeting. Additionally, independent directorship was introduced so as to establish an infrastructure for corporate governance. Accordingly, relevant corporate governance systems and measures have been initiated and executed in the last 17 years with considerable effectiveness.

### II. Corporate Governance Guidance

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

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## III. Execution of Corporate Governance System

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

### 1. Establishment of Independent Directorship

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

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

In consideration of appropriate Board scale, representation of shareholder interests, business nature of BOT, and corporate development, as well as shareholder structure and discussion efficiency, the number of directors serving on the 8th Board were reduced to 13 from the previous 15 directors serving on the 7th Board; Board members include 3 independent directors and 10 non-independent directors elected at the shareholders' general meeting held on May 24, 2017.

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

To implement efficient decision-making and robust supervision, since the 4th Board of

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

Furthermore, the 13 directors comprising the 8th Board were elected for three years of office (May 24, 2017 to May 23, 2020). The current Board oversees the Corporate Governance & Nomination Committee, Audit Committee (encompassing the duties of the Finance Committee), Remuneration Committee, and Special Committee (encompassing the duties of the Procurement Committee); of these, the Audit Committee, Remuneration Committee, and Special Committee are convened by independent directors.

#### 4. Primary tasks and execution responsibilities for Board of Directors and functional committees (from January 2019 to March 2020)

##### (1) Board of Directors

- ① Composition: 13 directors (former institutional director TSRC Corporation transferred more than half of the total number of THSRC shares held at the time of election and was discharged from office in August 2019).
- ② Number of meetings: 15.
- ③ Primary tasks:

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

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(see Schedule for details).

④ Execution:

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

(2) Corporate Governance & Nomination Committee

① Composition: 5 directors (including the Chairman), convened by the Chairman who is elected by all committee members.

② Number of meetings: 13.

③ Primary tasks:

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

④ Execution:

- 1) Discuss proposals for evaluation of implementation of Board of Directors and functional committees and annual work plans.
- 2) Discuss executive report on corporate governance.
- 3) Discuss renewal of Directors and Officers Liability Insurance.
- 4) Discuss corporate organizational structure adjustments and procedural

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amendments.

- 5) Discuss amendments or amendment proposals to internal rules and regulations relating to corporate governance.
- 6) Discuss director and manager succession plans.
- 7) Discuss Corporation corporate governance implementation performance, execution of corporate social responsibilities and ethical management, and implementation of information disclosures.

## (3) Audit Committee

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

Review and oversee corporate financial statements and risk control/management affairs (see Schedule for details).
- ④ Execution:
  - 1) Review annual budget, budget implementation report and financial statements.
  - 2) Discuss amendments to the Corporation's General Rules of Corporate Auditing, Internal Control System, and General-Rules of Internal Control Self-Assessments.
  - 3) Review results of annual self-evaluations of internal control system and statements of internal control system at all levels of the organization.
  - 4) Review transactions involving directors' conflicts of interest, subject to recusal of exercise of voting rights, transactions with related parties, and transactions requiring prevention of conflicts of interest.
  - 5) Review appointment of Certified Public Accountants.
  - 6) Review annual audit plans and executive reports thereof.
  - 7) Periodically communicate with internal audit managers and accountants. Main communication items are as shown in the Schedule.

## (4) Remuneration Committee



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

② Number of meetings: 13.

③ Primary Tasks:

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

④ Execution:

The Remuneration Committee applies the foregoing primary tasks when considering the Corporation's proposals for performance management and compensation.

## (5) Special Committee

① Composition: 7 directors, convened by an independent director elected by committee members.

② Number of meetings: 15.

③ Primary Tasks:

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

④ Execution:

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

## 5. Measures Specific to Corporate Governance

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

In 2019, in order to strengthen our corporate governance system, the functional committees of the Corporation pre-assessed proposals to establish or revise basic and management bylaws relating to corporate governance, and submitted these to the

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Board for approval; the corporate bylaws concerned included the “Guidelines for Corporate Governance,” “Rules of Procedure for Shareholders’ Meetings,” “Rules of Procedure for Board of Directors Meetings,” “Standardized Operating Procedure for Handling Directors’ Requests,” “Risk Management Regulation,” “Regulation of Self-Evaluation of the Board of Directors,” “Charter of the Corporate Governance & Nominating Committee,” and “Regulation for Nominating and Reviewing of Director Candidates” (which has since been renamed “Regulation for Nominating of Director Candidates”), “Internal Control System,” and “General-Rules of Internal Control Self-assessments.”

The Corporation revised the “Ethical Corporate Management Best Practice Principles” and “Rules of Procedure for Shareholders’ Meetings” in accordance with business operations and amendments made to the Company Act, Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies; these revisions will be submitted to the shareholders’ meeting for presentation and discussion.

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

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

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

- ① Purchase of D&O is a part of implementation of corporate governance initiatives.  
From the Corporation’s perspective, D&O not only facilitates the acquisition of

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talent, but also encourages dauntless service, thus contributing to corporate governance. For directors and officers, D&O can help to avoid legal damage from fault or neglect related to performance of duties.

② The current insured D&O amount is NT\$ 900 million.

#### (4) Formulation of Reasonable Remuneration Policies:

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

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

When setting remuneration for our Chairman and President, we referenced the "remuneration standards for executive officers of public institutions governed by the MOTC" and submitted these remuneration plans to the Board of Directors for

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approval. Additionally, in order to fully demonstrate business achievements, the performance of our Chairman and President were evaluated using annual indicators based on Corporation operations, governance, and financial outcomes. Evaluation scope included 5 financial indicators (growth of operating income, EPS, net income before tax and amounts for income smoothing, productivity per person, and credit ratings or Taiwan ratings) and 2 non-financial indicators (customer satisfaction and corporate governance evaluations).

The term “remuneration” as defined by our “Charter of the Remuneration Committee” includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures.

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

Results of performance self-assessments for the Corporation’s Board of Directors, Board members, and functional committees in 2019 all significantly exceeded standards. Additionally, results of performance assessments for managers in 2019 showed that all managers either met or exceeded set targets. Compensation for the Corporation’s Chairman, Board directors, President, and managers fully consider the professional capabilities of these individuals and Corporation operations and finances, and are linked to performance management and evaluation results.

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

(5) Periodic Independence Assessments of Certified Public Accountant (CPA):

According to Article 5-3-06 of the Corporation’s GCG, the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and these assessments shall be submitted to the Board of Directors. CPA assessment results for 2019 were approved by the 33th Audit Committee Meeting of the 8th Board of Directors dated February 17, 2020 and the 35th Board Meeting of the 8th Board of Directors dated February 19, 2020, confirming that the Corporation’s CPA fulfilled the following assessment standards for independence and competency:

No.	Evaluation Item	Evaluation Results	Passed Independence Assessment
1	As of the most recent audit, there have been no instances where CPA remained unchanged for 7 years, or where CPA was reassigned to the Corporation within 2 years.	Yes	Yes
2	CPA has no direct or indirect major financial stake in the Corporation.	Yes	Yes
3	CPA is not involved in any financing or financial guarantee agreements involving the Corporation or Corporation directors.	Yes	Yes
4	CPA does not have any potential employment relationship with the Corporation.	Yes	Yes
5	Accounting firm of CPA is not overly reliant on funds from the Corporation as a single client .	Yes	Yes

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No.	Evaluation Item	Evaluation Results	Passed Independence Assessment
6	CPA and members of the audit team are not currently serving as Corporation directors, managers, or in positions that have major impact on Corporation audits, and have not done so over the past 2 years.	Yes	Yes
7	Non-audit services provided by CPA to the Corporation have no direct impact on the major items of audit services provided.	Yes	Yes
8	CPA does not promote or sell shares or other securities issued by the Corporation.	Yes	Yes
9	CPA is not representing the Corporation in litigation of a third party or other disputes.	Yes	Yes
10	CPA and members of the audit team have no familial relationships with directors, managers, or people in positions that have major impact on Corporation audits at the Corporation.	Yes	Yes
11	CPA has not served as company director, manager, or in positions that have major impact on Corporation audits within 1 year of termination.	Yes	Yes
12	The Corporation has not requested that members of the audit team accept improper accounting practices or improper disclosures on financial statements made by the Corporation.	Yes	Yes
13	The Corporation has not pressured accountants and facilitated improper reduction of audit duties in order to reduce audit fees.	Yes	Yes

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No.	Evaluation Item	Evaluation Results	Passed Independence Assessment
14	CPA is not involved in decision-making managerial duties at the Corporation.	Yes	Yes

## IV. Effectiveness of Corporate Governance System

### 1. Preliminary Review by Functional Committees

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

### 2. Independence and Professionalism of Independent Directors

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

### 3. Management Implementation

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

### 4. Strengthen Information Disclosure

For the convenience of shareholders and stakeholders, our corporate governance information is disclosed on the Market Observation Post System (<http://mops.twse.com.tw>). In addition, we release our corporate governance information on our corporate website (<http://www.thsrc.com.tw>) in both Chinese and English to further enhance transparency. Material information is disclosed on the Market Observation Post System in both Chinese and English so that domestic and overseas investors can receive timely updates on the latest Corporation information. Furthermore, we not only communicate all issues of concern to our stakeholders through multiple

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channels, but also established a stakeholder section and stakeholder contacts on our corporate website. Appropriate communication allows us to understand the reasonable expectations and needs of our stakeholders and respond accordingly to major issues of concern.

## 5. Corporate Social Responsibility and Social Contribution

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

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



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## V. Concluding Remarks

Since going public, the Corporation has participated in the 4th and 5th TWSE Corporate Governance Evaluations (for 2017 and 2018) and was ranked among the top 5% of publicly listed companies. Additionally, we were awarded an “Excellent” certification by the Taiwan Corporate Governance Association under their CG6011 corporate governance evaluations (for 2017) on June 26, 2018. In future, we will focus on the continuous functioning of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, in order to improve the corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

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Schedule

Item	Primary Tasks
Board of Directors	<p>As per Article 3-02 of the Guidelines for Corporate Governance of the Corporation, the Board of Directors has the following primary tasks:</p> <ol style="list-style-type: none"> <li>1). Reviewing and deliberating the adoption and amendment of an internal control system.</li> <li>2). Reviewing and deliberating significant bylaws and rules.</li> <li>3). Reviewing and deliberating the Corporation’s significant financial plans, long-term and short-term goals, business plans, and budgets and final accounts.</li> <li>4). Drawing up proposals for the distribution of profits and offsetting of losses and for increases or decreases in capital.</li> <li>5). Reviewing and deliberating the setting up, closing down, or change of branches.</li> <li>6). Reviewing and deliberating matters that may involve the personal interest of a Director.</li> <li>7). Reviewing and deliberating material asset or derivatives transactions and material loans of funds or endorsements or guarantees.</li> <li>8). Reviewing and deliberating any offering, issuance, or private placement of securities.</li> <li>9). Reviewing and deliberating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).</li> <li>10). Appointing, dismissing, and supervising senior managerial officers and the chief financial officer, chief accountant, and chief internal auditor.</li> <li>11). Reviewing and deliberating any matter presented by the Chairman, or submitted by a functional committee, or submitted by a Managerial Officer and then presented by the Chairman.</li> <li>12). Supervising the Corporation’s operating results and risks, and ensuring compliance with relevant laws and regulations.</li> </ol>

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Item	Primary Tasks
	<p>13). Planning directions for future development.</p> <p>14). Enhancing the Corporation’s image and fulfilling social responsibility.</p> <p>15). Reviewing and deliberating other significant matters requiring resolution by the Board as provided by laws and regulations, the Articles of Incorporation, shareholders’ meeting resolutions, the Guidelines for Corporate Governance, or other relevant bylaws of the Corporation.</p>
<p>Corporate Governance &amp; Nomination Committee</p>	<p>As per Article 3 of the Charter of the Corporate Governance &amp; Nomination Committee, the Corporate Governance &amp; Nomination Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"> <li>1). Review the diversified backgrounds of independent directors, non-independent directors, and managerial officers in terms of professional and technical knowledge, past experiences, and gender as well as standards of impartiality, and use these criteria to seek out, assess, and nominate candidates to serve as directors, independent directors, and managerial officers.</li> <li>2). Plan composition of the Board and its functional committees, and assess performance of the Board, committees, directors, and managerial officers.</li> <li>3). Be responsible for nominations of independent directors and non-independent directors.</li> <li>4). Identify and evaluate potential candidates for independent and non-independent directors.</li> <li>5). Review succession plans for directors and managerial officers.</li> <li>6). Plan and review implementation performance of the Board and its committees.</li> <li>7). Devise and review liability insurance plans for directors and managerial officers.</li> </ol>

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

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Item	Primary Tasks
	<ul style="list-style-type: none"> <li>9). Evaluate the appointment and dismissal of the Corporation’s chief financial officer, chief accountant, or chief internal auditor.</li> <li>10). Review annual and semi-annual financial reports.</li> <li>11). Review financial reports for the first and third quarters.</li> <li>12). Review the Corporation’s accounting system and financial condition.</li> <li>13). Evaluate the Corporation’s risk management policies and risk measurement standards.</li> <li>14). Review the procedures for material financial and operational acts</li> <li>15). Evaluate, examine, and monitor any existing or potential risks to the Corporation.</li> <li>16). Examine the Corporation’s compliance with laws, regulations and rules.</li> <li>17). Review the Corporation’s capital, financing, and credit plans.</li> <li>18). Assess the Corporation’s tax planning and compliance with tax laws and regulations.</li> <li>19). Other major matters as required by the competent authority.</li> <li>20). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</li> </ul>
<p>Remuneration Committee</p>	<p>As per Article 3 of the Charter of the Remuneration Committee, the Remuneration Committee is responsible for the following tasks:</p> <ul style="list-style-type: none"> <li>1). Formulate and regularly review policies, systems, standards, and composition of performance evaluations and remuneration of directors and managerial officers.</li> <li>2). Regularly evaluate and formulate the remuneration of directors and managerial officers.</li> </ul>

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Item	Primary Tasks
Special Committee	<p>As per Article 3 of the Charter of the Special Committee, the Special Committee is responsible for the following tasks:</p> <ol style="list-style-type: none"><li data-bbox="488 555 1461 757">1). Provide counsel and suggestions in accordance with Board resolutions on major legal or contractual disputes and important institutional changes of the Corporation, and assist the Board in supervising the implementation of said resolutions by managerial departments.</li><li data-bbox="488 779 1382 925">2). Review proposals relating to procurement matters that should be submitted to the Board by managerial departments according to Corporation bylaws.</li><li data-bbox="488 947 1461 1086">3). Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</li></ol>

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Communication items between independent directors and internal audit managers for 2019:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2019/2/19	Audit Committee (8-21)	2018 Q4 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2019/5/7	Audit Committee (8-24)	2019 Q1 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2019/8/6	Audit Committee (8-27)	2019 Q2 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2019/10/14	Audit report (Independent report made by internal audit managers to independent directors)	Audit plans for 2020	Acknowledged by independent directors.	No objections from independent directors.
2019/10/14	Audit Committee (8-29)	Formulation of 2020 audit report for auditing office	Approved after discussion by all Audit Committee members in attendance.	The independent directors asked audit managers to provide additional explanations of the reasons for changing audit plan items and risk assessment results to the Board. Audit managers provided

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Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
				additional explanation to the Board, and the proposal was approved following full discussion by the directors in attendance.
2019/11/4	Audit Committee (8-30)	2019 Q3 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.



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Communication items between independent directors and CPAs for 2019:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2019/2/19	Audit Committee (8-21)	<ol style="list-style-type: none"> <li>1. 2018 financial report</li> <li>2. Important communications with governance units</li> <li>3. Key audit items</li> <li>4. Impacts of new IFRS standards</li> <li>5. Explanation of principles for disclosing related parties</li> <li>6. Revisions made to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2019/5/7	Audit Committee (8-24)	<ol style="list-style-type: none"> <li>1. 2019 Q1 financial report highlights</li> <li>2. Explanation of new disclosures in 2019 Q1 financial report</li> <li>3. Communication on Audit Committee member queries</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2019/8/6	Audit Committee (8-27)	<ol style="list-style-type: none"> <li>1. 2019 Q2 financial report highlights</li> <li>2. Explanation of revisions made to Statute for Industrial Innovation</li> <li>3. Communication on Audit Committee member queries</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.

# Management Presentation

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2019/11/4	Audit Committee (8-30)	<ol style="list-style-type: none"> <li>1. 2019 Q3 financial report</li> <li>2. Audit plans and key audit items for 2019 financial reports</li> <li>3. Communication on Audit Committee member queries</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2019/11/4	CPA audit report (Independent report made by CPAs to independent directors)	Report of audits on financial statements and audit plans	Acknowledged by independent directors.	No objections from independent directors.

# Management Presentation

## **Report No. 2: Report on Allocation of 2019 Remuneration to Board of Directors and Employees.**

1. According to Article 235-1 of the Company Act and Letter No. 10402413890 dated June 11, 2015 issued by the Ministry of Economic Affairs, a fixed amount or ratio of profit of the current year distributable as employees' compensation as well as remuneration to directors and supervisors shall be stipulated in the Articles of Incorporation. However, the Corporation's accumulated losses should be offset prior to distribution. Distribution of director and employee compensation shall be undertaken by a resolution adopted by a majority vote at a Board meeting attended by at least two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.
2. Furthermore, according to Article 35-1 of the Articles of Incorporation, "If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation."
3. The Corporation's profit for 2019 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NT\$ 7,974,469,197 (no accumulated losses offset). In accordance with the provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution was reached by 34th meeting of the 8th Board dated January 15, 2020, the 35th meeting of the 8th Board dated February 19, 2020 for the distribution of 2019 director and employee compensation, with the percentage and amount to be allocated as follows:

# Management Presentation

(1) For directors' compensation:

1. Percentage allocated: 0.5%.
2. Amount allocated: NT\$ 39,872,346.

(2) For employees' compensation

1. Percentage allocated: 2 %.
2. Amount allocated: NT\$ 159,489,384.

# Management Presentation

## **Report No. 3: Revision of Ethical Corporate Management Best Practice Principles.**

1. In order to comply with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” provided by the Taiwan Stock Exchange Corporation and Taipei Exchange and in consideration of the Corporation’s operating needs, amendments are proposed to the Corporation’s “Ethical Corporate Management Best Practice Principles,” which will be used to establish the “Procedures for Ethical Management and Guidelines for Conduct” and “Declaration of Compliance with Ethical Management Policies.”
2. A comparison of amended articles in the “Ethical Corporate Management Best Practice Principles” is shown in Attachment I (please refer to p.59-p.68 of the Annual Meeting Handbook).
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, and is hereby presented to the shareholders’ annual general meeting.

# Proposals

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

Proposal: Proposal of 2019 Annual Business Report and Financial Statements of the Corporation.

Explanation: The Corporation's business report for 2019 (please refer to p.30-p.39 of the Annual Meeting Handbook) and financial statements (please refer to p.40-p.45 of the Annual Meeting Handbook) were approved on February 19, 2020 at the 35th meeting of the 8th Board. The financial statements were audited by certified public accountants, and an audit report thereto was issued on February 19, 2020 (please refer to p.46-p.49 of the Annual Meeting Handbook), distributed to the Audit Committee for review (please refer to p.49 of the Annual Meeting Handbook), and is hereby submitted for adoption at shareholders' annual general meeting.

Resolution:

# Proposals

## **Business Report for 2019**

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

Taiwan High Speed Rail Corporation (THSRC) has been in commercial operation since 2007. Our passenger volumes have continued to increase year over year and we set new ridership records during the Chinese New Year, Tomb Sweeping Day, and Mid-Autumn Festival consecutive holidays in 2019, as well as a new single-day ridership record of 318 thousand passengers. Over the years, we have brought significant changes to the public's transportation habits and lifestyles, and reduced the distances between urban and rural communities.

We will continue to deliver on our commitment to provide excellent service, customer satisfaction, and corporate responsibility, adhering to our mission "To be the platform for advancement and enjoyment" for every action we take.

### **1. 2019 Business report**

#### (1) Operational performance

##### A. Rail Operations

In 2019, THSRC celebrated its 13th year of operations. A total of 53,727 train services were provided during the course of the year, an increase of 1,290 train services compared to 52,437 trains in 2018. Daily maximum train services reached 166 north- and south-bound trains and this number was increased to 204 train services per day during consecutive holidays to successfully fulfill passengers' needs. Our loading factor was 68.03% (up by 1.02% compared to 67.01% in 2018) and passenger volume increased to 67.41 million, up by 3.45 million (5.39%) compared to 63.96 million in the previous year. Our total passenger-kilometers were 11,994 million km, up by 3.76% compared to 2018. Average daily ridership reached 185 thousand passengers, an increase of 10 thousand passengers compared to 175 thousand passengers in 2018.

In terms of operational safety, no accidents or injuries occurred in 2019. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.88%, higher than our target of 99.50%, and our average reliability rate (excluding effects due to

# Proposals

natural disasters) was 100%, exceeding our target of 99.60%.

## B. Marketing and Passenger services

Products, services, and activities launched in 2019:

- (a) We continued to recruit TGo members through exclusive member benefits and various activities, as well as a reward program for designated items in convenient stores, in order to increase membership numbers and contributions.
- (b) We continued to launch cumulative rewards activities for corporate members and special discount options for designated off-peak train services to increase ridership during off-peak hours.
- (c) We continued to promote a variety of travel packages, and made adjustments to our multi-ride tickets, college student discounts, and business class discounts to increase ridership and revenues.
- (d) We collaborated with famous Japanese illustrator Kanahei to launch themed trains and also released a limited and highly popular line of “Piske and Usagi” themed products.
- (e) We initiated the second stage of the “Taiwan High Speed Rail Art Program” and released a mobile app as part of our “Taiwan High Speed Rail Opening Year of Arts” event, using mobile and alternate reality technologies to create virtual scenes of Taiwanese culture and landscapes.
- (f) We streamlined the ticket purchasing process to provide enhanced convenience for elderly and disabled passengers.
- (g) We developed a new generation of automatic ticket vending machines and launched an updated version of our Customer Loyalty Program System to enhance the convenience of ticket purchasing.
- (h) We installed CCTV surveillance systems in train compartments to ensure travel safety and quality.
- (i) We installed smart bus stop signs and information boards at all HSR stations to improve passenger convenience.



# Proposals

(j) Taoyuan HSR station constructed a roofed corridor and installed elevators to enhance passenger convenience.

(k) Tainan HSR Station constructed a roofed corridor to enhance service quality at pick-up and drop-off zones.

## (2) Budget Implementation

In 2019, our estimated operating revenue was NT\$46.2 billion and actual operating revenue was NT\$47.51 billion. Our budget achievement rate was 102.8% and our actual net income after tax was NT\$8.01 billion.

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

In 2019, our revenue was NT\$47.51 billion and income before tax was NT\$7.78 billion, up by 4.6% and 6.3% compared to 2018. Net income reached NT\$80.1 billion due to the recognition of income tax benefits.

These figures highlight the efficiency of our management team. The one-day living circle realized by our services has caused great positive changes in corporate business models and the lives of the general public.

## (4) Research and Development

Main research and development activities in 2019 were as follows:

### A. Facility Construction:

Establishment of artificial intelligence drone service platform for HSR viaduct inspections.

### B. Signaling and Communications:

(a) Development of new detection slides for point machines.

(b) Development of intelligent Passenger Information System (PIS).

### C. Rolling Stock:

Installation of CCTV surveillance systems in train compartments.

### D. Information Technology:

(a) Development of new-generation automatic ticket vending machines.

(b) Development of updated Customer Loyalty Program System.

# Proposals

(c) Development of Smart Maintenance Platform.

## E. Localization of Maintenance Materials and Equipment:

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

### (a) Rolling Stock

- i. Train pantograph components.
- ii. Brake disc bolts and wheel tread cleaners.
- iii. Automatic train painting equipment.
- iv. Paint materials for train bodies.
- v. Gas dampers for train seats.
- vi. Table trays on train seats.
- vii. Vending machines on 700T trains.
- viii. Honeycomb floor panels on 700T trains.
- ix. Additional luggage placement areas on trains.
- x. Water taps, toilet seats, and liquid soap dispensers.
- xi. Bellows and gangways for train compartments.

### (b) Track and Power Systems

- i. Automatic vibration measurement system for rolling stock.
- ii. Domestic production of OCS maintenance vehicles.

## F. Electronic Service Center:

We established an electronic maintenance center in mid-2008 to reduce dependence on original manufacturers and to increase our self-maintenance capabilities. The number of repairs conducted on circuit boards and components from all systems has increased year over year.

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

# Proposals

- (a) Manufacturing of bogie running testers.
- (b) Remote surveillance system for traction power station monitoring PCs (MPCs).
- (c) Auxiliary low-speed analysis & inspection system for OCS (Overhead Catenary System).
- (d) Phase II of Traction Power Equipment Maintenance & Management System (TPMMS) plans.
- (e) ACCRP (Air-Conditioning Control Relay Panel) and OMDB (Operation Mode and Display Box) test system.

## **2.Business Plan for 2020**

### (1) Management Guidelines

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

### (2) Expected Sales Volumes

Due to steady domestic economic growth, increasing convenience of digital ticket purchase services, and promotion of membership services and travel products, we estimate that the annual ridership volume for 2020 will exceed 68.37 million passengers.

### (3) Major Production and Marketing Initiatives

Major Initiatives for 2020:

- A. Facilitation of timely train service adjustments to maintain adaptability of seating supply and demand in response to growth in passenger numbers, as well as establishment of appropriate train schedules as necessary to meet market demands for transportation services.

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- B. Development of diversified products, services, and discount programs based on different customer characteristics to satisfy different customer segments, enhance product attractiveness, and achieve sales potential so as to build the HSR tourism brand and ensure that we meet our revenue targets.
- C. Promotion of the “Journey with THSR, Discover Taiwan” brand through our T Holiday promotions, hotel packages, travel coupons, and event packages to integrate sales and attract more passengers.
- D. Enhancement of TGo membership system and related services through analysis of travel frequency and preferences to increase purchase frequency, customer loyalty, and ridership. Additionally, we plan to utilize our TGo membership program and affiliate programs to build a foundation for the TGo membership economy, encourage cross-industry collaborations, and increase ticket and non-ticket revenues.
- E. THSRC plans to utilize passenger flows to develop affiliated business including shops, parking lots, advertising, and so on. We will also continue to develop retail products and expand sales channels to enrich passenger experiences and increase non-ticket revenues.
- F. We continue to enhance our ticketing services through our online-offline integration strategy, and work with different industries to increase ticket utilization and enhance ticketing convenience. Additionally, we continue to introduce innovative payment technologies and applications into our ticketing channels and are assessing the feasibility of mobile credit card transactions, travel cards, and cloud-based ticketing systems.

### **3. Future strategies**

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

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

- A. To implement comprehensive safety and emergency measures.

# Proposals

- B. To enhance operational equipment at stations, build friendly travel environments, increase customer service equipment, and enhance service quality.
  - C. To improve operational processes and ensure maximum train capabilities.
  - D. To improve revenue management efficiency, provide a variety of products, and increase ridership during off-peak hours.
  - E. To strengthen maintenance equipment (and self-maintenance capabilities), so as to ensure system stability and accountability.
- (2) Technology: To implement intelligent transportation that improves operational efficiency and quality, and enhances service, safety, and emergency responses.
- A. To digitalize ticketing channels.
  - B. To utilize big data in the promotion of our membership economy.
  - C. To implement information technology that strengthens operational, maintenance, and service quality to improve efficiency.
  - D. To research and enhance core system capabilities.
- (3) Taiwan: To combine unique local cultures and landscapes to create a multicultural and progressive platform.
- A. To enhance local development capabilities and increase the percentage of local equipment and materials.
  - B. To promote localization for the railway industry.
  - C. To develop multiple products that combine local culture and activities and enhance common prosperity.
  - D. To develop affiliated business and optimize quality.
  - E. To integrate technical railway resources and evaluate possibilities for re-investment or technical exportation.
- (4) Touch: To establish brand culture, enhance talent skills and corporate efficiency, and participate in social caring and environmental protection.
- A. To build talent development plans.

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- B. To enhance the management capabilities of managers.
- C. To combine the Corporation's brand with arts and culture, broadening our cultural scope and depth.
- D. To optimize long term financial structure.
- E. To build a corporate governance culture that serves as an example to all other businesses, and carry out corporate social responsibilities.
- F. To promote environmental protection, energy efficiency, and carbon reduction goals.

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

Domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 29, 2019 predict that Taiwan's export capabilities will rise due to advances in global trade volumes, continuing and increasing positive effects on exportation from enhanced capacity due to homecoming Taiwanese entrepreneurs, and continuing development of competitively advantageous advanced manufacturing processes for semiconductors, as well as trends of emerging applications in 5G mobile communication, high-performance computing, AI, and IoT which is expected to contribute to industrial developments. The local market is stable in terms of private consumption and public investment continues to rise. However, aging populations and low birth-rates may have some impact on trade growth momentum. Thus, expected economic growth rate for 2020 is estimated to be 2.72%. Faced with these external economic environmental challenges, THSRC will continue to formulate suitable operational strategies to achieve our business targets.

In terms of the legal environment, 44 laws and regulations relating to our operational activities were amended this year, including several landmark actions such as the formulation of the "Act for Establishment of Railway Technology Research and Certification Center," which established dedicated research and certification units to improve development of railway technologies, verify certification capabilities, and enhance developments in the railway industry; formulation of the "Organic Act of the Taiwan Transportation Safety Board"; major revision of the "Aviation Occurrence Investigation Act," now renamed the "Transportation Occurrence Investigation Act,"

# Proposals

expanding the scope of independent investigation by dedicated units to include railway, land, and waterway transport incidents for the purpose of providing recommendations and suggestions to ensure transportation safety. These legal amendments, the establishment of the “Railway Bureau, MOTC,” and the continued implementation of the 5 main schemes and 38 railway infrastructure plans under the “Forward-Looking Railway Infrastructure Project” all indicate that the government and legislative authorities are responding in a proper and timely manner to the public’s deepening reliance on rail transport, and are highly focused on the operational scale, capacity, and safety of rail transportation. Furthermore, promotion of children and youth welfare policies and amendments made to “The Protection of Children and Youth Welfare and Rights Act” and the “Public Breastfeeding Act” have also significantly improved establishment of mother-infant friendly environments in public places and protection of the rights of children and youth.

THSRC regularly identifies applicable laws, organizes law compilations, and complies with relevant regulations where necessary. We have an effective grasp on and appropriate response measures to changes in legal environments, and make timely updates to our operating procedures and station facilities. The aforementioned amendments had no significant impacts to our business operations. In future, as rail transportation networks continue to expand and become more convenient, we anticipate that legal measures will become more comprehensive and relevant laws will continue to be formulated. We will continue to stay abreast of legislative updates, refine our operations, strengthen our corporate governance, integrate legal compliance into our corporate culture, and adhere to the highest safety standards so as to provide high-quality passenger services as we strive for long-term sustainability and generate value for our shareholders.

Looking at overall operational conditions, THSRC is facing challenges from economic depression, decreasing birth rates, and aging populations, which is slowing our passenger growth. In addition, challenges such as abnormal climate changes and aging operation equipment are causing our maintenance costs to increase. However, we will continue to focus on developing smart transportation, increasing safety and efficiencies of emergency responses, establishing local maintenance capabilities, developing localization materials, and formulating other strategic

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plans. Additionally, we will continue to enhance our strengths through industry cooperation and integrate local cultures to provide our passengers with better transportation quality and establish a foundation for long-term sustainability.



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

	December 31			
	2019		2018	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 16,271,676	4	\$ 6,947,850	2
Financial assets at fair value through profit or loss	330,443	-	327,446	-
Notes and accounts receivable	333,092	-	505,565	-
Current tax assets	166,783	-	166,783	-
Inventories	2,056,045	1	2,028,925	1
Other financial assets	22,207,764	5	11,881,545	2
Other current assets	<u>1,344,333</u>	-	<u>938,435</u>	-
Total current assets	<u>42,710,136</u>	<u>10</u>	<u>22,796,549</u>	<u>5</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	125,047	-	98,085	-
Right-of-use assets	628,988	-	-	-
Operating concession asset	390,113,063	88	401,168,964	93
Computer software, net	54,413	-	54,245	-
Deferred tax assets	7,316,212	2	6,808,133	2
Other financial assets	2,102,503	-	2,083,255	-
Other non-current assets	<u>9,240</u>	-	<u>47,838</u>	-
Total non-current assets	<u>400,349,466</u>	<u>90</u>	<u>410,260,520</u>	<u>95</u>
<b>TOTAL</b>	<u>\$ 443,059,602</u>	<u>100</u>	<u>\$ 433,057,069</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 64,980	-	\$ 147,865	-
Accounts payable	256,338	-	274,404	-
Operating concession liabilities	777,511	-	731,182	-
Other payables	3,197,362	1	3,031,763	1
Payable for construction	942,141	-	535,830	-
Current tax liabilities	194,722	-	123,204	-
Provisions	6,367,937	2	283,279	-
Current portion of long-term bills payable	-	-	7,986,870	2
Other current liabilities	<u>1,477,915</u>	-	<u>699,649</u>	-
Total current liabilities	<u>13,278,906</u>	<u>3</u>	<u>13,814,046</u>	<u>3</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	7,990,329	2	-	-
Long-term debt	276,100,317	62	276,093,677	64
Provisions	10,000,000	2	9,560,897	2
Lease liabilities	447,175	-	-	-
Long-term interest payable	8,450,080	2	8,921,744	2
Operating concession liabilities	55,263,201	13	54,914,835	13
Other non-current liabilities	<u>452,325</u>	-	<u>338,857</u>	-
Total non-current liabilities	<u>358,703,427</u>	<u>81</u>	<u>349,830,010</u>	<u>81</u>
Total liabilities	<u>371,982,333</u>	<u>84</u>	<u>363,644,056</u>	<u>84</u>
<b>EQUITY</b>				
Capital stock				
Common stock	<u>56,282,930</u>	<u>13</u>	<u>56,282,930</u>	<u>13</u>
Capital surplus	<u>172,981</u>	-	<u>172,981</u>	-
Retained earnings				
Legal reserve	2,469,719	-	1,400,081	-
Unappropriated earnings	<u>12,151,639</u>	<u>3</u>	<u>11,557,021</u>	<u>3</u>
Total retained earnings	<u>14,621,358</u>	<u>3</u>	<u>12,957,102</u>	<u>3</u>
Total equity	<u>71,077,269</u>	<u>16</u>	<u>69,413,013</u>	<u>16</u>
<b>TOTAL</b>	<u>\$ 443,059,602</u>	<u>100</u>	<u>\$ 433,057,069</u>	<u>100</u>

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

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

	<b>For the Years Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE	\$ 47,507,390	100	\$ 45,415,007	100
OPERATING COSTS	<u>(25,762,687)</u>	<u>(54)</u>	<u>(25,081,394)</u>	<u>(55)</u>
GROSS PROFIT	21,744,703	46	20,333,613	45
OPERATING EXPENSES	<u>(1,232,750)</u>	<u>(3)</u>	<u>(1,188,649)</u>	<u>(3)</u>
INCOME FROM OPERATIONS	<u>20,511,953</u>	<u>43</u>	<u>19,144,964</u>	<u>42</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	162,700	-	106,859	-
Interest expense	(6,454,624)	(13)	(6,618,272)	(14)
Stabilization reserve expense	(6,523,761)	(14)	(5,415,046)	(12)
Other gains and losses	<u>78,840</u>	<u>-</u>	<u>93,318</u>	<u>-</u>
Total non-operating income and expenses	<u>(12,736,845)</u>	<u>(27)</u>	<u>(11,833,141)</u>	<u>(26)</u>
INCOME BEFORE INCOME TAX	7,775,108	16	7,311,823	16
INCOME TAX BENEFIT	<u>231,925</u>	<u>1</u>	<u>3,384,558</u>	<u>7</u>
NET INCOME	<u>8,007,033</u>	<u>17</u>	<u>10,696,381</u>	<u>23</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(48,861)	-	(103,820)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>9,772</u>	<u>-</u>	<u>23,323</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(39,089)</u>	<u>-</u>	<u>(80,497)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,967,944</u>	<u>17</u>	<u>\$ 10,615,884</u>	<u>23</u>

(Continued)

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

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	<b>For the Years Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>EARNINGS PER SHARE</b>				
Basic earnings per share	<u>\$ 1.42</u>		<u>\$ 1.90</u>	

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

(Concluded)

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

	<u>Capital Stock</u>		<u>Retained Earnings</u>			<u>Total Equity</u>
			<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	
BALANCE AT JANUARY 1, 2019	\$ 56,282,930	\$ 172,981	\$ 1,400,081	\$ 11,557,021	\$ 12,957,102	\$ 69,413,013
Appropriations of 2018 earnings						
Legal reserve	-	-	1,069,638	(1,069,638)	-	-
Cash dividends to shareholders - NT\$1.12 per share	-	-	-	(6,303,688)	(6,303,688)	(6,303,688)
	-	-	1,069,638	(7,373,326)	(6,303,688)	(6,303,688)
Net income for the year ended December 31, 2019	-	-	-	8,007,033	8,007,033	8,007,033
Other comprehensive loss for the year ended December 31, 2019	-	-	-	(39,089)	(39,089)	(39,089)
Total comprehensive income for the year ended December 31, 2019	-	-	-	7,967,944	7,967,944	7,967,944
BALANCE AT DECEMBER 31, 2019	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 2,469,719</u>	<u>\$ 12,151,639</u>	<u>\$ 14,621,358</u>	<u>\$ 71,077,269</u>
BALANCE AT JANUARY 1, 2018	\$ 56,282,930	\$ 172,981	\$ 866,090	\$ 5,696,348	\$ 6,562,438	\$ 63,018,349
Appropriations of 2017 earnings						
Legal reserve	-	-	533,991	(533,991)	-	-
Cash dividends to shareholders - NT\$0.75 per share	-	-	-	(4,221,220)	(4,221,220)	(4,221,220)
	-	-	533,991	(4,755,211)	(4,221,220)	(4,221,220)
Net income for the year ended December 31, 2018	-	-	-	10,696,381	10,696,381	10,696,381
Other comprehensive loss for the year ended December 31, 2018	-	-	-	(80,497)	(80,497)	(80,497)
Total comprehensive income for the year ended December 31, 2018	-	-	-	10,615,884	10,615,884	10,615,884
BALANCE AT DECEMBER 31, 2018	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 1,400,081</u>	<u>\$ 11,557,021</u>	<u>\$ 12,957,102</u>	<u>\$ 69,413,013</u>

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

# Proposals

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

	For the Years Ended December 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,775,108	\$ 7,311,823
Adjustments for:		
Depreciation	202,294	35,921
Amortization	13,798,850	13,740,294
Write-downs (reversal) of inventories	22,650	(87)
Interest expense	6,454,624	6,618,272
Interest income	(162,700)	(106,859)
Loss on foreign currency exchange, net	11,878	4,185
Stabilization reserve expenses	6,523,761	5,415,046
Others	(2,700)	13,765
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(2,997)	(7,461)
Hedging financial instruments	-	5
Notes and accounts receivable	172,473	(158,331)
Inventories	(49,770)	(101,115)
Other current assets	(403,292)	17,726
Other non-current assets	2,571	(6,170)
Accounts payable	(16,575)	24,424
Other payables	150,065	34,429
Other current liabilities	625,036	37,632
Other non-current liabilities	(5,618)	(7,295)
Cash generated from operations	35,095,658	32,866,204
Interest received	149,679	101,781
Interest paid	(5,772,857)	(6,061,159)
Interest paid with respect to operating concession liabilities	(731,182)	(647,850)
Income tax paid	(194,844)	(42,075)
Net cash generated from operating activities	<u>28,546,454</u>	<u>26,216,901</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in other financial assets	(10,366,158)	(2,465,579)
Acquisition of property, plant and equipment	(67,192)	(26,361)
Proceeds from disposal of property, plant and equipment	1	182
Acquisition of intangible assets	(2,328,694)	(1,864,550)
Proceeds from disposal of intangible assets	<u>1,266</u>	<u>-</u>
Net cash used in investing activities	<u>(12,760,777)</u>	<u>(4,356,308)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease) increase in short-term borrowings	(79,700)	105,249
Proceeds from issuance of bonds	8,000,000	-
Repayment of long-term debt	-	(10,000,000)

(Continued)

# Proposals

## TAIWAN HIGH SPEED RAIL CORPORATION

### STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

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	For the Years Ended December 31	
	2019	2018
Repayment of long-term bills payable	\$ (8,000,000)	\$ (8,000,000)
Repayment of the principal portion of lease liabilities	(148,863)	-
Increase in other non-current liabilities	70,231	15,468
Cash dividends	<u>(6,303,688)</u>	<u>(4,221,220)</u>
Net cash used in financing activities	<u>(6,462,020)</u>	<u>(22,100,503)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>169</u>	<u>(157)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,323,826	(240,067)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,947,850</u>	<u>7,187,917</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 16,271,676</u>	<u>\$ 6,947,850</u>

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

(Concluded)

# Proposals

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Taiwan High Speed Rail Corporation

### **Opinion**

We have audited the accompanying financial statements of Taiwan High Speed Rail Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed by the Financial Supervisory Commission ("FSC") of Taiwan, the Republic of China ("ROC").

### **Basis of Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matter of the 2019 financial statements are as follows:

#### Provision for Stabilization Reserve

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

# Proposals

According to the Taiwan North-South High Speed Rail Construction and Operation Agreement (the “C&O Agreement”), which was amended on July 27, 2015, the Corporation established the financial stabilization mechanism (“FSM”) in 2016 in order to serve the purpose of returning the major portion of the excess earnings, which is defined under the C&O Agreement, to the ROC government. Started in 2017, the Corporation reports the status of the implementation of the aforementioned FSM to the Ministry of Transportation and Communications (“MOTC”), including the provision, contribution, and accumulated balance of the stabilization reserve in accordance with the C&O Agreement. Because 1) the provision for the stabilization reserve is related to the profitability of the remaining concession period under the C&O Agreement, 2) the reserve amount is material and can vary significantly, depending on the expiration or termination of the C&O Agreement, and 3) the implementation of the FSM involves critical accounting judgments and estimates, the recognition of provision for stabilization reserve is deemed a key audit matter.

Since earnings to be made in the remaining concession period, which will end in the year 2068 or any year where the C&O Agreement might be early terminated, cannot be reliably estimated, the stabilization reserve, totaling NT\$16,084,658 thousand as of December 31, 2019, was provided based on the earnings achieved in 2019 and on the requirements as stipulated in the C&O Agreement.

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

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

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

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

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

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

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



# Proposals

As part of an audit performed in accordance with auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2019 financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Yen Chiang and Kwan-Chung Lai.

# Proposals

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 19, 2020

## Notice to Readers

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

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

# Proposals

## **Audit Committee's Review Report on 2019 Financial Statements**

### Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report and Financial Statements. The CPA of Deloitte & Touche, Mei-Yen Chiang and Kwan-Chung Lai, were retained to audit THSRC's Financial Statements 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: Kung-Wha Ding

February 19, 2020

# Proposals

## Proposal No. 2: Proposed by the Board

Proposal: Proposal of 2019 Profit Distributions of the Corporation.

Explanation:

1. As of year-end 2019, our distributable earnings amounted to NT\$ 11,350,935,402.
2. In order to stabilize and balance payout policy and in consideration of long-term corporate financial planning, the Corporation proposes cash dividends of NT\$ 1.2101 per share for 2019 profit distribution, amounting to NT\$ 6,810,797,429 on a basis of 5,628,293,058 common shares outstanding.
3. The Corporation's profit distribution table was approved at the 37th meeting of the 8th Board dated April 8, 2020, circulated to the Audit Committee for review (please refer to p.52 of the Annual Meeting Handbook), and is being submitted to the shareholders' annual general meeting for approval.

Taiwan High Speed Rail Corporation

### PROFIT DISTRIBUTION TABLE

Fiscal Year 2019	Unit: NT\$
Unappropriated retained earnings at the beginning of the period	4,183,694,728
Add: Net income for 2019	8,007,032,749
Less: Re-measurements of defined benefit plan	(39,088,800)
Undistributed earnings	12,151,638,677
Less: 10% legal reserve	(800,703,275)
2019 distributable earnings	11,350,935,402
Distributable items:	
Cash dividends (NT\$ 1.2101 per share)	(6,810,797,429)
Current-year undistributed earnings	4,540,137,973

# Proposals

4. Following approval from the 2020 shareholders' annual general meeting, the cash dividends will be distributed on an ex-dividend date payment date to be determined by the Board.

Resolution:

# Proposals

## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 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: Kung-Wha Ding

April 8, 2020

# Discussion

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

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

Explanation:

1. In order to comply with revisions made to the "Company Act" and the revised "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" released by the Taiwan Stock Exchange Corporation and Taipei Exchange, and in consideration of revisions made to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" issued by the Taiwan Stock Exchange Corporation on January 2, 2020, letters of interpretation issued by the Ministry of Economic Affairs, and actual operating needs, amendments are proposed to the Corporation's Rules of Procedure for Shareholders' Meetings.
2. A comparison of amended articles in the Rules of Procedure for Shareholders' Meetings is shown in Attachment II (please refer to p.69-p.81 of the Annual Meeting Handbook)
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

# Discussion

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

Proposal: Revision of Operational Procedures for Endorsements and Guarantees.

Explanation:

1. In order to comply with the revised “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” released by the Financial Supervisory Commission on March 7, 2019, and in consideration of the Corporation’s actual operating needs, amendments are proposed to the Corporation’s Operational Procedures for Endorsements and Guarantees.
2. A comparison of amended articles in the Operational Procedures for Endorsements and Guarantees is shown in Attachment III (please refer to p.82-p.88 of the Annual Meeting Handbook)
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, and is hereby submitted to the shareholders’ annual general meeting for approval.

Resolution:



# Discussion

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

Proposal: Revision of Operational Procedures for Loaning Funds to Others.

Explanation:

1. In order to comply with the revised “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” released by the Financial Supervisory Commission on March 7, 2019, and in consideration of the Corporation’s actual operating needs, amendments are proposed to the Corporation’s Operational Procedures for Loaning Funds to Others.
2. A comparison of amended articles in the Operational Procedures for Loaning Funds to Others is shown in Attachment IV (please refer to p.89-p.94 of the Annual Meeting Handbook)
3. This proposal was approved at the 36th meeting of the 8th Board dated March 18, 2020, and is hereby submitted to the shareholders’ annual general meeting for approval.

Resolution:

# Election Matters

## **Election of the Corporation's 9th Board of Directors.**

1. According to Article 17 and 17-1 of the Corporation's Articles of Incorporation, the Corporation's Board shall be composed of 9 to 17 directors, with at least 2 among them being independent directors representing no less than one fifth of the Board. The total number of directors (including independent directors) is determined by the Board. Furthermore, the candidate nomination system stipulated in Article 192-1 of the Company Act is adopted for election of directors.
2. The quota of 13 directors (including 4 independent directors) to be elected was approved at the 35th meeting of the 8th Board dated February 19, 2020. Following election, the newly appointed directors will assume office after this shareholders' general meeting, with their three-year term starting on May 21, 2020 and ending on May 20, 2023.
3. Nomination of director (and independent director) candidates was carried out from March 12 to March 25, 2020. A list of nominated directors (and independent directors) was submitted at the 36th meeting of the 8th Board on March 18, 2020, and no other director (or independent director) candidates were nominated by shareholders.
4. The candidate nomination system is adopted for election of directors (and independent directors) and the shareholders shall elect directors from among the nominees listed in the roster of director candidates. Please refer to Attachment V for education background, past work experience, and other relevant information of the candidates (p.95-p.103 of the Annual Meeting Handbook).
5. Please refer to Appendix II for the Corporation's Rules for the Election of Directors (p.121-p.124 of the Annual Meeting Handbook).

Voting Results:

# Other Discussion

## **Other Discussion Items: Proposed by the Board**

Proposal: Removal of Non-Competition Restriction Against the Corporation's 9th Board of Directors

Explanation:

1. According to Paragraph 1, Article 209 of the Company Act, a director who does anything for themselves or on behalf of another person that is within the scope of the company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure approval to conduct the same.
2. In view of the fact that director (and independent director) candidates nominated by the Board hold concurrent positions in enterprises whose business is partly the same or similar with the Corporation, we have prepared a list of directors to release from non-competition restrictions according to the foregoing stipulation of Article 209 of the Company Act (please refer to Attachment VI on p.104-p.107 of the Annual Meeting Handbook), and submit this to the shareholders' general meeting for approval to release prohibition on newly elected directors and their representatives from participation in competing business on the condition that such participation will not jeopardize the interests of the Corporation.
3. This proposal requests on-the-spot approval regarding directors and scope of non-competition restrictions in accordance with the election results for directors of the 9th Board.
4. The proposal was approved at the 37th meeting of the 8th Board dated April 8, 2020 and is hereby submitted to the shareholders' annual general meeting for approval.

Resolution:

# Questions and Motions

## **Questions and Motions**

## **Adjournment**

# Attachment I

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Ethical Corporate Management Best Practice Principles

Amended Articles	Current Articles	Description
<p>Article 3 (Types of benefit) “Benefit” in these Principles may refer to any valuable thing, including money, gifts, commissions, positions, services, preferential treatment, or rebates of any type or name. Benefits received or given occasionally in accordance with accepted social etiquette and customs and that do not adversely affect specific rights and obligations shall be excluded.</p>	<p>Article 3 (Types of benefit) “Benefit” in these Principles may refer to any valuable thing, including money, gifts, commissions, positions, services, preferential treatment, or rebates of any type or name. Benefits received or given occasionally in accordance with accepted social etiquette and customs and that do not adversely affect specific rights and obligations shall be excluded.</p>	<p>Redundant wording for the Chinese version of this Article have been deleted.</p>
<p>Article 5 (Policy) The Corporation shall abide by the operational philosophies of honesty, transparency and responsibility, <u>as well as</u> establish the “<u>Procedures for Ethical Corporate Management and Guidelines for Conduct</u>” <u>base</u> its policies on the principle of good faith <u>and obtain approval from the board of directors</u>, and establish good corporate governance and risk control and management mechanism <u>so as</u> to create an operational environment for sustainable development.</p>	<p>Article 5 (Policy) The Corporation shall abide by the operational philosophies of honesty, transparency, and responsibility. Base its policies on the principle of good faith and establish good corporate governance and risk control and management mechanisms, to create an operational environment for sustainable development.</p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” on May 23, 2019.</p>
<p>Article 6 (Prevention programs) The Corporation <u>has established</u> the “<u>Procedures for Ethical Corporate Management and Guidelines for Conduct</u>”, clearly and thoroughly prescribe specific ethical management practices, and programs to</p>	<p>Article 6 (Prevention programs) The Corporation <u>shall</u> clearly and thoroughly prescribe specific ethical management practices, and programs to prevent unethical conduct. The content shall include operational procedures, conduct guidelines,</p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” on May 23, 2019.</p>

# Attachment I

Amended Articles	Current Articles	Description
<p>prevent unethical conduct. The content shall include operational procedures, conduct guidelines, and training courses. It shall also comply with relevant laws and regulations of the place where the Corporation <u>is</u> operating.</p>	<p>and training courses. It shall also comply with relevant laws and regulations of the place where the Corporation <u>and its organization are</u> operating.</p>	
<p>Article 7 (Scope of prevention programs)            The Corporation shall <u>establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis</u> business activities within <u>the business scope which are at a higher risk of being involved in</u> unethical conduct, and <u>establish “Procedures for Ethical Corporate Management and Guidelines for Conduct” accordingly and review its adequacy and effectiveness on a regular basis.</u>  <u>It is advisable for the Corporation to refer to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, which shall at least include preventive measures against the following:</u>            (a)Offering and acceptance of bribes.            (b)Illegal political donations.            (c)Improper charitable donations or sponsorship.            (d)Offering or acceptance of unreasonable gifts or hospitality, or other improper benefits.            (e)Infringement of trade secrets, trademark rights, patent rights,</p>	<p>Article 7 (Scope of prevention programs)            The Corporation shall <u>analyze which</u> business activities within <u>its business scope may beat</u> a higher risk of unethical conduct, and <u>strengthen relevant preventive measures.</u>  <u>The ethical corporate management operational procedures and conduct guidelines, adopted by the Corporation, shall at least include preventive measures against the following:</u>            (a)Offering and acceptance of bribes.            (b)Illegal political donations.            (c)Improper charitable donations or sponsorship.            (d)Offering or acceptance of unreasonable gifts or hospitality, or other improper benefits.            (e)Infringement of trade secrets, trademark rights, patent rights, copyrights, or other intellectual property rights.            (f)Engaging in unfair competitive conduct.            (g)Selling of products and services, which directly or indirectly damage the rights or interests, health, or safety of consumers or other stakeholders</p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” on May 23, 2019.</p>

# Attachment I

Amended Articles	Current Articles	Description
<p>copyrights, or other intellectual property rights.            (f)Engaging in unfair competitive conduct.            (g)Selling of products and services, which directly or indirectly damage the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, and provision.</p>	<p>in the course of research and development, procurement, manufacture, and provision.</p>	
<p>Article 8 (Commitment and implementation)  <u>The Corporation shall request its directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u>            The Corporation shall clearly specify in its rules and external documents <u>and on the company website</u> the ethical corporate management policies and the commitment by the board of directors and <u>senior management on</u> rigorous and thorough implementation of <u>such</u> policies, and shall carry out the policies in internal management and in commercial activities.  <u>The Corporation shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information</u></p>	<p>Article 8 (Commitment and implementation)            The Corporation <u>and its organizational units</u> shall clearly specify in their rules and external documents <u>about</u> the ethical corporate management policies and the commitment by <u>the Board of Directors (“Board”)</u> and the management <u>to</u> rigorous and thorough implementation of <u>the</u> policies, and shall <u>faithfully</u> carry out the policies in internal management and in <u>external</u> commercial activities.</p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” on May 23, 2019.</p>

# Attachment I

Amended Articles	Current Articles	Description
<p><u>properly.</u></p> <p>Article 17 (Organization and responsibility)            The directors, <u>managers</u>, employees, <u>mandataries</u>, and <u>substantial controllers</u> of the Corporation shall exercise the due care of good administrators to <u>urge the company</u> to prevent unethical conduct, <u>always</u> review <u>the</u> results of <u>the</u> preventive measures and continually make <u>adjustments so as to ensure thorough implementation of its ethical corporate management policies.</u> To achieve sound ethical corporate management, <u>the Corporation shall establish a dedicated unit that is under the board of directors and avail itself of adequate resources and staff itself with competent personnel, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):</u></p> <ol style="list-style-type: none"> <li><u>Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the</u></li> </ol>	<p>Article 17 (Organization and accountability)            The directors, <u>managerial officers</u>, employees, and <u>appointees</u> of the Corporation shall exercise the due <u>diligence and</u> care of good administrators, to <u>oversee the Corporation</u> to prevent <u>any</u> unethical conduct, <u>and constantly</u> review <u>the implementation and</u> results of preventive measures and continually make <u>improvements.</u></p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” on May 23, 2019.</p>



# Attachment I

Amended Articles	Current Articles	Description
<p><u>requirements of laws and regulations.</u></p> <p>2. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope.</u></p> <p>3. <u>Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</u></p> <p>4. <u>Promoting and coordinating awareness and educational activities with respect to ethics policy.</u></p> <p>5. <u>Developing a whistle-blowing system and ensuring its operating effectiveness.</u></p> <p><u>Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</u></p>		
<p>Article 18 (Legal compliance in conducting business) The Corporation and its directors, <u>managers</u>, employees, <u>mandataries</u>, and substantial</p>	<p>Article 18 (Legal compliance in conducting business) The Corporation and its directors, <u>managerial officers</u>, employees, and <u>appointees</u> shall</p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for</p>

# Attachment I

Amended Articles	Current Articles	Description
<p><u>controllers shall comply with laws, this principle and the “Procedures for Ethical Corporate Management and Guidelines for Conduct”.</u></p>	<p><u>comply with laws and regulations and the prevention programs when conducting business.</u></p>	<p>TWSE/ TPEX Listed Companies” and establishment of the Corporation’s “Procedures for Ethical Management and Guidelines for Conduct,” as well as actual Corporation operations.</p>
<p>Article 20 (Accounting and internal control)            The Corporation shall establish effective accounting systems and internal control systems for business activities <u>possibly</u> at a higher risk of <u>being involved in an unethical conduct, not have</u> under-the-table accounts or keep secret accounts, and conduct reviews <u>regularly so as to ensure that the design and enforcement of the systems are showing results.</u>            The internal audit unit of the Corporation shall, <u>based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans including auditees, audit scope, audit items, audit frequency, etc., and</u> examine the compliance with the <u>prevention programs.</u> The internal audit unit <u>may engage a</u> certified public accountant to carry out the audit, and may <u>engage</u> professionals to assist if necessary.  <u>The results of examination in the preceding paragraph shall be reported to senior management</u></p>	<p>Article 20 (Accounting and internal control)            The Corporation shall establish effective accounting systems and internal control systems for business activities at a higher risk of an unethical conduct Under-the-table books or keep secret accounts <u>are prohibited,</u> and <u>shall</u> conduct reviews <u>on regular basis</u> to ensure the <u>sustained effectiveness of the design and implementation</u> of the systems.            The internal audit unit of the Corporation shall <u>regularly</u> examine the compliance with the systems under the <u>preceding paragraph,</u> and submit an audit report to the Board. The internal audit unit may <u>appoint certified public accountant</u> to carry out the audit, and may <u>appoint</u> professionals to assist if necessary.</p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” on May 23, 2019.</p>

# Attachment I

Amended Articles	Current Articles	Description
<p><u>and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.</u></p>		
<p>Article 22 (<u>Training and appraisal programs</u>)            The <u>chairperson</u>, president, or senior management of the Corporation shall communicate the importance of corporate ethics to the directors, employees, and <u>mandataries on a regular basis</u>.            The Corporation shall <u>periodically organize training and awareness programs</u> for directors, managers, employees, <u>mandataries, and substantial controllers</u> to understand the Corporation's <u>resolve to implement ethical corporate management, the related policies, prevention programs</u> and the consequences of committing unethical conduct.            The Corporation shall <u>apply the policies of ethical corporate management</u> to establish a clear and effective reward and discipline system.</p>	<p>Article 22 (Education training and appraisal)            The chairman, president, or senior management of the Corporation shall <u>regularly</u> communicate the importance of corporate ethics to the directors, employees, and <u>appointees</u>.            The Corporation shall <u>regularly hold education training, and awareness programs</u> for directors, <u>managerial officers, employees, and appointees</u> to understand the Corporation's determination, policies, prevention measurement, and the consequences of committing any unethical conduct.            The Corporation shall <u>combine the ethical corporate management policies with the employee performance appraisal system, and human resource policies,</u> to establish a clear and effective reward and discipline system.</p>	<p>Amended according to actual Corporation operations.</p>
<p>Article 23 (Whistleblowing system)            The Corporation shall adopt a concrete <u>whistle-blowing system</u> and <u>scrupulously operate the system</u>. The <u>whistle-blowing system</u> shall include at least the following:            1. <u>An independent mailbox or hotline to allow internal and external personnel of the</u></p>	<p>Article 23 (Whistleblowing system)            The Corporation shall adopt a concrete <u>whistleblowing system</u> and <u>faithfully implement the system</u>. The <u>whistleblowing system</u> shall include at least the following:            1. <u>Establishment and announcement of an internal independent</u></p>	<p>Amended in accordance with revisions made to the "Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies" on May 23, 2019 and revisions made to the Corporation's "Procedures for Handling Reports of</p>

# Attachment I

Amended Articles	Current Articles	Description
<p><u>company to submit reports.</u></p> <p>2. <u>Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported directly to the Audit Committee. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</u></p> <p>3. <u>Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></p> <p>4. <u>Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</u></p> <p>5. <u>Protection of the identity of whistle-blowers and the content of reported cases.</u></p> <p>6. <u>Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</u></p> <p>7. <u>Whistle-blowing incentive measures.</u></p> <p><u>When material misconduct or likelihood of material</u></p>	<p><u>mailbox or hotline, for use by internal and external personnel.</u></p> <p>2. <u>Establish dedicated personnel or unit to handle the whistleblowing system. Any information involvement of director or senior management shall be reported directly to the Audit Committee.</u></p> <p>3. <u>Preserve documentation, records, and results of whistleblowing cases.</u></p> <p>4. <u>Keeping confidential of whistleblowers identity and the content of reported cases.</u></p> <p>5. <u>Protecting whistleblowers from inappropriate disciplinary actions.</u></p> <p>6. <u>Incentive measures for whistleblowers.</u></p> <p><u>When material of misconduct or material of impairment to the Corporation occurred during the investigation, a report shall be prepared and notified the independent directors in writing.</u></p>	<p>Illegal, Immoral, and Unethical Cases.”</p>

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Amended Articles	Current Articles	Description
<p>impairment to the Corporation <u>comes to its awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the Audit Committee in written form.</u></p>		
<p>Article 25 (Information disclosure)            The Corporation shall disclose <u>the measures taken for implementing ethical corporate management, the status of implementation on its website, annual report, and prospectus, and shall disclose its ethical corporate management best practice principles on the Market Observation Post System.</u></p>	<p>Article 25 (Information disclosure)            The Corporation shall disclose <u>information of ethical corporate management and the status of implementation on corporate website, in annual reports, and during public announcement.</u></p>	<p>Amended in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies.”</p>
<p>Article 27 (Implementation)  <u>The ethical corporate management best practice principles shall be implemented after the board of directors grants the approval, and shall be reported at a shareholders’ meeting. The same procedure shall be followed when the principles have been amended. When the Corporation submits its ethical corporate management best practice principles to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director’s opinions. Any objections or reservations of any independent director</u></p>	<p>Article 27 (Implementation)  <u>These Principles and any amendments hereto, shall be implemented after the approval by the Board of Directors, and shall be reported to the shareholders’ meeting.</u></p>	<p>Amended in accordance with revisions made to the “Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies” on May 23, 2019.</p>

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Amended Articles	Current Articles	Description
<u>shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</u>		

# Attachment II

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

Amended Articles	Current Articles	Description
<p>Article 2 (Attendance Sign-ins, Proxies, and Calculation of Shares Present at Shareholders' Meetings)</p> <p>The Corporation shall start to process meeting attendance sign-ins by shareholders at least 30 minutes before the start of a meeting.</p> <p>For each shareholders' meeting, a shareholder may appoint one person as proxy to attend the meeting in the place of the shareholder by issuing a proxy form printed and issued by the Corporation, stating therein the scope of authorization granted to the proxy.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for a meeting and shall serve it on the Corporation by 5 days before the meeting. In the event there are multiple proxy forms, the one first served on the Corporation shall prevail. The same, however, does not apply in the case of a proxy stating that it revokes a prior proxy appointment.</p> <p>After the service of a proxy form on the Corporation, if the shareholder decides to attend the shareholders' meeting in person or to exercise voting rights by electronic means, the shareholder shall give a written notice of revocation of proxy to the</p>	<p>Article 2 (Attendance Sign-ins, Proxies, and Calculation of Shares Present at Shareholders' Meetings)</p> <p>The Corporation shall start to process meeting attendance sign-ins by shareholders at least 30 minutes before the start of a meeting.</p> <p>For each shareholders' meeting, a shareholder may appoint one person as proxy to attend the meeting in the place of the shareholder by issuing a proxy form printed and issued by the Corporation, stating therein the scope of authorization granted to the proxy.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for a meeting and shall serve it on the Corporation by 5 days before the meeting. In the event there are multiple proxy forms, the one first served on the Corporation shall prevail. The same, however, does not apply in the case of a proxy stating that it revokes a prior proxy appointment.</p> <p>After the service of a proxy form on the Corporation, if the shareholder decides to attend the shareholders' meeting in person or to exercise voting rights by electronic means, the shareholder shall give a written notice of revocation of proxy to the</p>	<p>In order to effectively control the number of attendees at shareholders' meetings for organization of meeting venues and flow, protect attendance rights of all shareholders, and in consideration of the Letter of Interpretation issued by the Ministry of Economic Affairs (Letter No. 10402404570) which states, "If the company stipulates the upper limit of juristic person representative attendees in the Rules of Procedure for Shareholders' Meetings, the upper limit of representative attendees is as the number of directors is to be elected at current shareholders' meeting," we hereby stipulate a reasonable upper limit of juristic person representative attendees.</p>

# Attachment II

Amended Articles	Current Articles	Description
<p>Corporation by 2 days before the meeting. If the revocation is made after the time limit, the voting rights exercised by the appointed proxy present at the meeting shall prevail.</p> <p>A shareholder or a proxy appointed by a shareholder (hereinafter, “shareholder”) shall attend the relevant shareholders’ meeting by presenting a meeting attendance card, an attendance sign-in card, or other attendance document. The Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. The shareholder attending the meeting shall surrender the attendance sign-in card in place of signing the attendance sheet.</p> <p>A non-shareholder proxy or proxy solicitor shall also carry an identity document for verification.</p> <p>The number of shares present shall be calculated based on the attendance sign-in cards received from shareholders in combination with the number of shares whose voting rights are exercised by electronic means.</p> <p>The Corporation shall provide each shareholder attending a shareholders’ meeting with a meeting agenda handbook, an annual report (except in the case of a special shareholders’ meeting), a meeting attendance card, speaker’s slips, voting ballot, other meeting materials,</p>	<p>Corporation by 2 days before the meeting. If the revocation is made after the time limit, the voting rights exercised by the appointed proxy present at the meeting shall prevail.</p> <p>A shareholder or a proxy appointed by a shareholder (hereinafter, “shareholder”) shall attend the relevant shareholders’ meeting by presenting a meeting attendance card, an attendance sign-in card, or other attendance document. The Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. The shareholder attending the meeting shall surrender the attendance sign-in card in place of signing the attendance sheet.</p> <p>A non-shareholder proxy or proxy solicitor shall also carry an identity document for verification.</p> <p>The number of shares present shall be calculated based on the attendance sign-in cards received from shareholders in combination with the number of shares whose voting rights are exercised by electronic means.</p> <p>The Corporation shall provide each shareholder attending a shareholders’ meeting with a meeting agenda handbook, an annual report (except in the case of a special shareholders’ meeting), a meeting attendance card, speaker’s slips, voting ballot, other meeting materials,</p>	



## Attachment II

Amended Articles	Current Articles	Description
<p>and, if directors are to be elected at the meeting, the election ballot.</p> <p>When a government agency or juristic person is a shareholder, more than one person may attend a shareholders' meeting as its representative, <u>however, except with the consent of the Corporation, the upper limit of representative attendees is three persons; when there is a proposal for the election of directors at the current shareholders' meeting, the upper limit of representative attendees is as the number of directors is to be elected, if the number of proposed directors is less than three, the upper limit of representative attendees is still to be three persons.</u> When a juristic person is appointed to attend a shareholders' meeting as a proxy, it may appoint only one person to attend the meeting on its behalf.</p> <p>Shares considered to have no voting rights under Article 179 of the Company Act may not be included in calculating the total issued shares and the number of shares present.</p>	<p>and, if directors are to be elected at the meeting, the election ballot.</p> <p>When a government agency or juristic person is a shareholder, more than one person may attend a shareholders' meeting as its representative. When a juristic person is appointed to attend a shareholders' meeting as a proxy, it may appoint only one person to attend the meeting on its behalf.</p> <p>Shares considered to have no voting rights under Article 179 of the Company Act may not be included in calculating the total issued shares and the number of shares present.</p>	
<p>Article 7 (Discussion of Agenda Items)</p> <p>If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be determined by the Board of Directors; <u>relevant agenda items (including extraordinary motions and amendments to original proposals) shall be voted on an item-by-item basis, and the</u></p>	<p>Article 7 (Discussion of Agenda Items)</p> <p>If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be determined by the Board of Directors; the meeting shall proceed in the determined order of the agenda, which may not be changed unless by resolution of the shareholders' meeting.</p>	<p>As all TWSE Listed and TPEX Listed Companies have now adopted electronic voting, and in consideration of Paragraph 3, Article 7 of the "Corporate Governance Best Practice Principles for TWSE/ TPEX Listed</p>

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Amended Articles	Current Articles	Description
<p>meeting shall proceed in the determined order of the agenda, which may not be changed unless by resolution of the shareholders' meeting.</p> <p>The provisions of the preceding paragraph shall apply mutatis mutandis when a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting.</p> <p>Before the conclusion of the pre-determined agenda items (including any extraordinary motion) under the preceding two paragraphs, the chair may not declare the meeting dissolved unless by resolution of the shareholders' meeting; the same, however, does not apply to such question-and-answer matters of a general nature as may be involved in an extraordinary motion. In the event that the chair dissolves the meeting in violation of the rules of meeting procedure, a new chair may be selected to continue the meeting with the approval of a majority of the voting rights of the shareholders present.</p> <p>The chair shall allow sufficient opportunity for the explanation and discussion of an agenda item or any amendment or extraordinary motion submitted by a shareholder, and when the chair deems that any such item has been discussed sufficiently to put it to a vote, the chair may declare the discussion closed and</p>	<p>The provisions of the preceding paragraph shall apply mutatis mutandis when a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting.</p> <p>Before the conclusion of the pre-determined agenda items (including any extraordinary motion) under the preceding two paragraphs, the chair may not declare the meeting dissolved unless by resolution of the shareholders' meeting; the same, however, does not apply to such question-and-answer matters of a general nature as may be involved in an extraordinary motion. In the event that the chair dissolves the meeting in violation of the rules of meeting procedure, a new chair may be selected to continue the meeting with the approval of a majority of the voting rights of the shareholders present.</p> <p>The chair shall allow sufficient opportunity for the explanation and discussion of an agenda item or any amendment or extraordinary motion submitted by a shareholder, and when the chair thinks that any such item has been discussed sufficiently to put it to a vote, the chair may declare the discussion closed and</p>	<p>Companies" which states that proposals for shareholders' meetings should be voted on an item-by-item basis, as well as Article 10 of the latest "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" (Hereinafter referred to as the Taiwan Stock Exchange Corporation Sample Template) released by the Taiwan Stock Exchange Corporation, the wording of this Article has been amended.</p>

## Attachment II

Amended Articles	Current Articles	Description
call a vote.	call a vote.	
<p>Article 8 (Shareholders Speaking at Meetings)</p> <p>To speak at a shareholders' meeting, a shareholder shall submit a speaker's slip specifying thereon the shareholder account number (or meeting attendance card number), <u>account</u> name of the shareholder, and the subject of speech. The chair shall determine the order of speaking for each such shareholder.</p> <p>(Remainder omitted.)</p>	<p>Article 8 (Shareholders Speaking at Meetings)</p> <p>To speak at a shareholders' meeting, a shareholder shall submit a speaker's slip specifying thereon the shareholder account number (or meeting attendance card number), name of the shareholder, and the subject of speech. The chair shall determine the order of speaking for each such shareholder.</p> <p>(Remainder omitted.)</p>	<p>The wording of this Article has been amended in accordance with Article 8 of the Taiwan Stock Exchange Corporation Sample Template.</p>
<p>Article 9 (Shareholder Proposals)</p> <p>Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. In the event where the proposal contains relevant suggestions for promoting public interests of the Corporation or fulfillment of social responsibilities, <u>the Board of Directors may decide that</u> the proposal shall still be included on the agenda. The Board of Directors may decide not to include on the agenda any</p>	<p>Article 9 (Shareholder Proposals)</p> <p>Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. In the event where the proposal contains relevant suggestions for promoting public interests of the Corporation or fulfillment of social responsibilities, the proposal shall still be included on the agenda. The Board of Directors may decide not to include on the agenda any proposal submitted by a shareholder that falls under</p>	<ol style="list-style-type: none"> <li>1. In order to improve corporate governance, implement shareholder activism, and in consideration of the Taiwan Stock Exchange Corporation Sample Template, restrictions on shareholder proposals for shareholders' meetings in this Article have been removed.</li> <li>2. In accordance with the Letter of Interpretation issued by the Ministry of Economic Affairs (Letter No. 10702417500, which states, " If the notice of the</li> </ol>

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Amended Articles	Current Articles	Description
<p>proposal submitted by a shareholder that falls under any of the circumstances set forth in the subparagraphs of Article 172-1, paragraph 4 of the Company Act, and matters that must not be brought up as extemporary motions should be handled in accordance with the stipulations laid out in Article 172 of the Company Act.</p> <p>Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders, acceptance of proposal in writing or by way of electronic transmission, and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.</p> <p>A proposal submitted by a shareholder for inclusion as an agenda item of a regular shareholders' meeting shall not exceed 300 Chinese characters in length; otherwise, it shall not be included. The shareholder submitting the proposal shall, in person or by proxy, attend the meeting and participate in the discussion of the agenda item.</p> <p>The Corporation shall, before the date of notice of a shareholders' meeting, inform each shareholder that has submitted a proposal of the status of the proposal (accepted or rejected) submitted by the shareholder, and shall include in the notice of the</p>	<p>any of the circumstances set forth in the subparagraphs of Article 172-1, paragraph 4 of the Company Act, and matters that must not be brought up as extemporary motions should be handled in accordance with the stipulations laid out in Article 172 of the Company Act.</p> <p>Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders, acceptance of proposal in writing or by way of electronic transmission, and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.</p> <p>A proposal submitted by a shareholder for inclusion as an agenda item of a regular shareholders' meeting shall not exceed 300 Chinese characters in length; otherwise, it shall not be included. The shareholder submitting the proposal shall, in person or by proxy, attend the meeting and participate in the discussion of the agenda item.</p> <p>The Corporation shall, before the date of notice of a shareholders' meeting, inform each shareholder that has submitted a proposal of the status of the proposal (accepted or rejected) submitted by the shareholder, and shall include in the notice of the meeting a list of proposals that satisfy the requirements of this</p>	<p>shareholders' meeting has stated the re-election of the directors, supervisors and the date of appointment, when the re-election of directors, supervisors in the shareholders' meeting are completed, the same meeting may not change said appointment date by extraordinary motions or other proposal." and in consideration of Article 3 of the Taiwan Stock Exchange Corporation Sample Template, relevant regulations have been added to this Article.</p>

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Amended Articles	Current Articles	Description
<p>meeting a list of proposals that satisfy the requirements of this Article. For shareholder proposals not included on the agenda, the Board of Directors shall explain at the meeting the reasons why they are not included.</p> <p><u>If the notice of the shareholders' meeting has stated the re-election of the directors and the date of appointment, when the re-election of directors, in the shareholders' meeting are completed, the same meeting may not change said appointment date by extraordinary motions or other proposals.</u></p>	<p>Article. For shareholder proposals not included on the agenda, the Board of Directors shall explain at the meeting the reasons why they are not included.</p> <p><u>Unless otherwise provided by law or regulation, if a shareholder attending a shareholders' meeting intends to propose an extraordinary motion or to submit an amendment or alternative to a proposal not included on the agenda under the preceding paragraph, the proposal shall be submitted in writing by a shareholder with voting power who is attending the meeting, and the proposal shall be seconded by signature of another or other shareholders attending the meeting and the proposer and seconder(s) shall collectively hold shares representing at least 0.02 percent of the total voting rights of issued shares of the Corporation.</u></p>	
<p>Article 9-1 (Processing of Proposals Submitted Before Shareholders' Meetings) For shareholder proposals submitted before a regular</p>	<p>Article 9-1 (Processing of Proposals Submitted Before Shareholders' Meetings) For shareholder proposals submitted before a regular</p>	<p>The original quoted paragraph has been moved to Paragraph 7 of Article 11; the referenced Article and</p>

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Amended Articles	Current Articles	Description
<p>shareholders' meeting but not included as agenda items of the meeting, the Board of Directors shall in the meeting agenda handbook state the reasons why they are not included, and these proposals shall neither be presented separately on the agenda nor be recorded in the meeting minutes. Notwithstanding the foregoing, the Board of Directors shall at the meeting explain the reasons why they are not included. Shareholder proposals that the Board of Directors <u>may</u> decide to include on the agenda shall, if belonging to the same type, be consolidated by the chair into one case and the provisions of Article <u>11</u>, Paragraph <u>7</u> shall apply mutatis mutandis thereto.</p>	<p>shareholders' meeting but not included as agenda items of the meeting, the Board of Directors shall in the meeting agenda handbook state the reasons why they are not included, and these proposals shall neither be presented separately on the agenda nor be recorded in the meeting minutes. Notwithstanding the foregoing, the Board of Directors shall at the meeting explain the reasons why they are not included. Shareholder proposals that the Board of Directors <u>decides</u> to include on the agenda shall, if belonging to the same type, be consolidated by the chair into one case and the provisions of Article <u>9</u>, paragraph <u>2</u> shall apply mutatis mutandis thereto.</p>	<p>Paragraph have therefore been amended.</p>
<p>Article 11 (Votes on Agenda Items) The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act. When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the</p>	<p>Article 11 (Votes on Agenda Items) The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act. When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders'</p>	<p>As all TWSE Listed and TPEX Listed Companies have now adopted electronic voting, paragraphs 6 to 8 of this Article have been amended in accordance with Paragraph 3, Article 7 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", which states that voting should be conducted on each separate proposal and voting results should be disclosed.</p>

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Amended Articles	Current Articles	Description
<p>shareholders' meeting. However, the shareholder exercising voting rights by electronic means shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting. A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall serve a notice of intent on the Corporation by 2 days before the meeting, and if more than one notice is given, the first one served on the Corporation shall prevail. The same, however, does not apply in the case of a notice stating that it revokes a prior notice of intent.</p> <p>A shareholder who, after exercising voting rights by electronic means, intends to attend the relevant shareholders' meeting in person shall revoke the notice of intent to exercise voting rights under the preceding paragraph by 2 days before the meeting, in the same manner as the shareholder did to exercise the voting rights. If the revocation is made after the time limit, the voting rights exercised by electronic means shall prevail. If the shareholder exercises voting rights by electronic means and also, by a proxy form, appoints a proxy to attend the shareholders' meeting, the voting rights exercised by the proxy</p>	<p>meeting. However, the shareholder exercising voting rights by electronic means shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting. A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall serve a notice of intent on the Corporation by 2 days before the meeting, and if more than one notice is given, the first one served on the Corporation shall prevail. The same, however, does not apply in the case of a notice stating that it revokes a prior notice of intent.</p> <p>A shareholder who, after exercising voting rights by electronic means, intends to attend the relevant shareholders' meeting in person shall revoke the notice of intent to exercise voting rights under the preceding paragraph by 2 days before the meeting, in the same manner as the shareholder did to exercise the voting rights. If the revocation is made after the time limit, the voting rights exercised by electronic means shall prevail. If the shareholder exercises voting rights by electronic means and also, by a proxy form, appoints a proxy to attend the shareholders' meeting, the voting rights exercised by the proxy</p>	<p>Amendments to this Article also referenced Article 13 of the Taiwan Stock Exchange Corporation Sample Template, which no longer makes a distinction for proposals with whether an objections is motioned by shareholdersto decide a proposals shall be deemed approved or shall be voted upon.</p>

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Amended Articles	Current Articles	Description
<p>present at the meeting shall prevail.</p> <p>Unless otherwise provided by law or regulation, or by the Articles of Incorporation, an agenda item put to vote shall be passed with the approval of a majority of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a list of Directors elected and the numbers of votes they receive, shall be announced immediately at the voting place.</p> <p><u>The agenda items shall be voted on an item-by-item basis. The chair may direct a vote to be held in multiple polls or a single poll on the various agenda items (including elections), with the ballots to be counted separately</u></p>	<p>present at the meeting shall prevail.</p> <p>Unless otherwise provided by law or regulation, or by the Articles of Incorporation, an agenda item put to vote shall be passed with the approval of a majority of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a list of Directors elected and the numbers of votes they receive, shall be announced immediately at the voting place.</p> <p><u>With respect to the pre-determined items on the agenda, a shareholder present shall be deemed to approve an item if the shareholder does not object orally to that item at the meeting when it is under discussion.</u></p> <p><u>If an agenda item is neither objected to by any shareholder exercising voting rights by electronic means, nor by any shareholder present at the meeting upon being asked by the chair, it shall be deemed as passed, with the same validity as if it has been approved by a poll.</u></p> <p><u>If there is any shareholder objecting to an agenda item, it shall be put to vote by a poll. The chair may direct a vote to be held on an item-by-item basis, or multiple polls or a single poll to be held on the various agenda items (including elections), with</u></p>	



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Amended Articles	Current Articles	Description
<p>for each item.</p> <p>When there is any amendment or alternative to a proposal on the agenda, the chair shall place the amended or alternative proposal together with the original one and determine the voting sequence. If any of these proposals is passed, the other(s) shall be deemed rejected, without the need of a separate vote.</p> <p>The chair shall determine the order of discussion and voting for each proposal submitted as an extraordinary motion by a shareholder present. The result of the vote shall be announced immediately at the voting place and shall be recorded.</p>	<p>the ballots to be counted separately for each item.</p> <p>When there is any amendment or alternative to a proposal on the agenda, the chair shall place the amended or alternative proposal together with the original one and determine the voting sequence. If any of these proposals is passed, the other(s) shall be deemed rejected, without the need of a separate vote.</p> <p>The chair shall determine the order of discussion and voting for each proposal submitted as an extraordinary motion by a shareholder present. The result of the vote shall be announced immediately at the voting place and shall be recorded.</p>	
<p>Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution)</p> <p>For agenda items put to vote by a poll, the chair shall designate multiple ballot inspectors and ballot counters to discharge all relevant tasks, provided that only shareholders may be appointed as ballot inspectors. The vote on agenda items, and the counting of ballots in an election listed on the agenda, shall be conducted in a publicly accessible place on the site of the relevant shareholders' meeting and the voting ballots shall not be read out loud while being counted. The results of polls and the tallied numbers of votes shall be announced immediately at the voting place</p>	<p>Article 12 (Inspection and Counting of Ballots; Preservation of Voting Ballots; Dispute Resolution)</p> <p>For agenda items put to vote by a poll, the chair shall designate multiple ballot inspectors and ballot counters to discharge all relevant tasks, provided that only shareholders may be appointed as ballot inspectors. The vote on agenda items, and the counting of ballots in an election listed on the agenda, shall be conducted in a publicly accessible place on the site of the relevant shareholders' meeting and the voting ballots shall not be read out loud while being counted. The results of polls and the tallied numbers of votes shall be announced immediately at the voting place</p>	<p>In accordance with Article 14 of the Taiwan Stock Exchange Corporation Sample Template, regulations relating to ballot retention methods and retention period for election items have been added to this Article.</p>

# Attachment II

Amended Articles	Current Articles	Description
<p>and shall be recorded; the ballot inspectors shall then place the voting ballots under seal, and after affixing their signatures or personal seals thereon, hand over the same to the Corporation for preservation.</p> <p><u>The ballots for the election referred to in the preceding paragraph shall be kept for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</u></p> <p>In the event of any dispute by a shareholder present as to the voting process, manner of ballot counting, validity or invalidity of a voting ballot, or any other relevant matters, the ballot inspectors shall put on record the shareholder account number of the disputer, the number of voting rights involved, and the cause of the dispute and, after affixing their signature or personal seal thereon, and place the record under seal.</p> <p>With respect to any dispute under the preceding paragraph, the shareholder present shall pursue the dispute through due legal process, and may not obstruct or interrupt the proceedings of the meeting on the basis of such a dispute.</p>	<p>and shall be recorded; the ballot inspectors shall then place the voting ballots under seal, and after affixing their signatures or personal seals thereon, hand over the same to the Corporation for preservation.</p> <p>In the event of any dispute by a shareholder present as to the voting process, manner of ballot counting, validity or invalidity of a voting ballot, or any other relevant matters, the ballot inspectors shall put on record the shareholder account number of the disputer, the number of voting rights involved, and the cause of the dispute and, after affixing their signature or personal seal thereon, and place the record under seal.</p> <p>With respect to any dispute under the preceding paragraph, the shareholder present shall pursue the dispute through due legal process, and may not obstruct or interrupt the proceedings of the meeting on the basis of such a dispute.</p>	
<p><u>Article 14 (Meeting Minutes of Shareholders' Meetings)</u>  <u>Matters relating to the resolutions of a shareholders' meeting shall</u></p>		<p>1.New Article.                  2.In accordance with Article 15 of the Taiwan Stock</p>

# Attachment II

Amended Articles	Current Articles	Description
<p><u>be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.</u></p> <p><u>The Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</u></p> <p><u>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the procedures by which resolutions were adopted, and a summary of the deliberations and their results (including the number of voting rights) for director elections, the number of votes for each candidate should be disclosed, and shall be retained for the duration of the existence of the Corporation.</u></p>		<p>Exchange Corporation Sample Template, regulations relating to preparation, distribution, retention method, and retention period of meeting minutes for shareholders' meetings have been added to this Article.</p>
<p>Article 15 (Break and Resumption of Meetings) (Article content omitted.)</p> <p>Article 16 (Matters Not Covered) (Article content omitted.)</p> <p>Article 17 (Supplementary Provisions) (Article content omitted.)</p>	<p>Article 14 (Break and Resumption of Meetings) (Article content omitted.)</p> <p>Article 15 (Matters Not Covered) (Article content omitted.)</p> <p>Article 16 (Supplementary Provisions) (Article content omitted.)</p>	<p>Article numbering amended.</p>

# Attachment III

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Operational Procedures for Endorsements and Guarantees

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
3.0 b)	Article 3 of the Corporation's Articles of Incorporation (THSRC-AQ1-000-001).	3.0 b)	Article 3 of the Corporation's Articles of Incorporation.	Added by-law number.
3.0 d)	The Corporation's <u>Regulation for Posting Information on Market Observation Post System</u> (THSRC-BE2-000-023).	3.0 d)	The Corporation's <u>Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System</u> (THSRC-BQ2-000-001).	Amended in accordance with changes made to by-law numbers.
4.0 a)	Means the <u>amount</u> of total assets less total liabilities.	4.0 a)	Means <u>the balance</u> of total assets less total liabilities (i.e., <u>shareholders' equity</u> ). <u>Where the Corporation's financial reports are prepared according to the International Financial Reporting Standards, "net worth" means the equity attributable to owners of the parent as stated in the balance sheet prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u>	Amended wording for this Article.
6.1 Paragraph 1 d)	(Deleted)	6.1 Paragraph 1 d)	<u>A company in which the Corporation jointly invests with another party.</u>	This subsection has been deleted and integrated with Paragraph 3 of this Article.

# Attachment III

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.1 Paragraph 3	<u>If all shareholders endorse or guarantee an invested company in accordance with shareholding ratio due to a joint investment relationship, the Corporation may endorse or guarantee said invested company, and is not subject to the regulations of the preceding two paragraphs, but the Corporation may not assume joint guarantee on behalf of other shareholders.</u>	6.1 Paragraph 3	None	In order to strengthen risk management mechanisms, this paragraph has been added to stipulate maximum limits on the amounts and liability of endorsements and guarantees for jointly invested companies.
6.2.3	For an endorsement or guarantee made due to a business transaction relationship, the endorsement or guarantee amount for that business transaction relationship <u>for each individual company</u> may not exceed 50 percent of the cumulative total transaction amount of the business transacted during the last 12 months, and may not exceed 5 percent of the paid-in capital of the guaranteed company.	6.2.3	For an endorsement or guarantee made due to a business transaction relationship, the endorsement or guarantee amount for that business transaction relationship may not exceed 50 percent of the cumulative total transaction amount of the business transacted during the last 12 months, and may not exceed 5 percent of the paid-in capital of the guaranteed company.	The regulations in this Article limit the total amount of endorsement and guarantee for “each individual company” and not for “each endorsement or guarantee.” In order to avoid confusion, the wording of this Article has been amended.
6.2.5	If the total amount of <u>external</u> endorsements and guarantees for the Corporation and its subsidiaries <u>set in accordance with Article 6.2.2</u> is 50 percent or more of the Corporation’s net worth, an explanation of	6.2.5	<u>If the total amount of</u> endorsements and guarantees that is set as the maximum for the Corporation and its subsidiaries as a whole reaches 50 percent or more of the Corporation’s net worth, an explanation	Referenced articles have been cited and Article wording has been amended.

# Attachment III

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	the necessity and reasonableness thereof shall be given at a shareholders' meeting.		of the necessity and reasonableness thereof shall be given at a shareholders' meeting.	
6.4.5	When as a result of a change in circumstances an endorsed/guaranteed entity no longer meets the requirements of these Operational Procedures or the amount of the endorsement/guarantee exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>the Audit Committee</u> , and complete the corrections according to the plan schedule.	6.4.5	When as a result of a change in circumstances an endorsed/guaranteed entity no longer meets the requirements of these Operational Procedures or the amount of the endorsement/guarantee exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>all Supervisors</u> , and complete the corrections according to the plan schedule.	The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.
6.6.2 c)	The balance of endorsements and guarantees made by the Corporation and its subsidiaries for a single business entity reaches NT\$10 million or more and also the total balance of all endorsements and guarantees for, <u>book value of equity</u> investments in, and loans of funds to, that business entity reaches 30 percent or more of the Corporation's net worth as stated in its latest financial statements.	6.6.2 c)	The balance of endorsements and guarantees made by the Corporation and its subsidiaries for a single business entity reaches NT\$10 million or more and also the total balance of all endorsements and guarantees for, <u>long-term</u> investments in, and loans of funds to, that business entity reaches 30 percent or more of the Corporation's net worth as stated in its latest financial statements.	The term "long-term investments" has been replaced with "equity investments" in accordance with relevant laws and regulations.

# Attachment III

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.6.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable competent authority requirements and the Corporation's <u>Regulation for Posting Information on Market Observation Post System</u> (THSRC-BE2-000-023).	6.6.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable competent authority requirements and the Corporation's <u>Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System</u> (THSRC-BQ2-000-001).	Amended in accordance with changes made to by-law numbers.
6.7.1	<u>Corporation subsidiaries shall establish operational procedures for making endorsements and guarantees to outside parties in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies"</u> and these <u>Operational Procedures, and comply with established procedures when handling endorsements and guarantees.</u> (Remainder omitted)	6.7.1	<u>The operational procedures of the Corporation's subsidiaries for making endorsements and guarantees for outside parties shall comply with the provisions of the Corporation.</u> (Remainder omitted)	Additional explanation has been added in accordance with relevant laws and regulations.

# Attachment III

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
6.7.2	<p>Internal audit</p> <p>The internal audit personnel shall at least quarterly audit the operational procedures for making endorsements and guarantees and the execution thereof, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>the Audit Committee</u>.</p>	6.7.2	<p>Internal audit</p> <p>The internal audit personnel shall at least quarterly audit the operational procedures for making endorsements and guarantees and the execution thereof, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>all Supervisors</u>.</p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.</p>
6.7.4	<p><u>These Operational Procedures shall be approved by one-half or more of all Audit Committee members, submitted to the Board for approval, and submitted to a shareholders' meeting for approval following Board approval.</u> When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the Director's dissenting opinion to <u>the Audit Committee</u> and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to these Operational Procedures.</p> <p><u>Operational procedures that were not approved by</u></p>	6.7.4	<p>After passage by the Board, these Operational Procedures shall be <u>sent to all Supervisors</u> and submitted to a shareholders' meeting for approval. When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the Director's dissenting opinion to <u>all Supervisors</u> and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.</p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors. The wording for this Article has therefore been amended and review processes have been integrated in accordance with revisions made to relevant laws and regulations.</p>



# Attachment III

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	<p><u>one-half or more of all Audit Committee members in accordance with the preceding paragraph may be implemented following approval by two-thirds or more of all Board members, and the resolutions of the Audit Committee shall be recorded in the meeting minutes for said Board meeting. The numbers of “all Audit Committee members” and “all Board members” as referenced in the preceding paragraph shall be calculated on the basis of actual members in office.</u></p>			
6.7.5	(Deleted)	6.7.5	<p><u>If the Corporation has established the position of independent Director, when these Operational Procedures are submitted to and discussed at a Board meeting pursuant to the preceding subparagraph, the opinions of each independent Director shall be given full consideration, and each independent Director’s explicit opinion of assent or dissent and reasons for dissent shall be recorded in the Board meeting minutes.</u></p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and the procedures in this Article have been integrated with Article 6.7.4 in accordance with relevant laws and regulations. The original Article has therefore been deleted.</p>
6.7.6	(Deleted)	6.7.6	<p><u>If the Corporation has set up an audit committee in</u></p>	<p>The Corporation has established an</p>

# Attachment III

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
			<u>accordance with the Securities and Exchange Act, all powers of Supervisors described in these Operational Procedures shall be exercised by the audit committee in accordance with law.</u>	Audit Committee to take over the duties of supervisors, and relevant amendments have been made to related articles. The original Article has therefore been deleted.

# Attachment IV

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Operational Procedures for Loaning Funds to Others

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
3.0 d)	The Corporation's <u>Regulation for Posting Information on Market Observation Post System</u> (THSRC-BE2-000-023)	3.0 d)	The Corporation's <u>Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System</u> Regulation for <u>Posting Information on Market Observation Post System</u> (THSRC-BQ2-000-001)	Added by-law number.
4.0 b)	Means the <u>amount</u> of total assets less total liabilities.	4.0 b)	Means <u>the balance</u> of total assets less total liabilities ( <u>i.e., shareholders' equity</u> ). <u>Where the Corporation's financial reports are prepared according to the International Financial Reporting Standards, "net worth" means the equity attributable to owners of the parent as stated in the balance sheet prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u>	Amended wording for this Article.
6.1.3	<u>Apart from short-term financing</u> , the Corporation's loaning of funds to others shall be subject to a maximum loan term of 2 years, provided that an extension may be	6.1.3	The Corporation's loaning of funds to others shall be subject to a maximum loan term of 2 years, provided that an extension may be made if an actual need arises and	Additional wording has been added to clarify term limits on loaned funds.

# Attachment IV

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	made if an actual need arises and upon approval by resolution of the Board before the expiration of the original term.		upon approval by resolution of the Board before the expiration of the original term.	
6.1.6	When as a result of a change in circumstances a loan recipient no longer meets the requirements of these Operational Procedures or the loan balance exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>the Audit Committee</u> , and complete the corrections according to the plan schedule.	6.1.6	When as a result of a change in circumstances a loan recipient no longer meets the requirements of these Operational Procedures or the loan balance exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to <u>all Supervisors</u> , and complete the corrections according to the plan schedule.	The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.
6.7.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable requirements of the competent authority and the Corporation's <u>Regulation for Posting Information on Market Observation Post System (THSRC-BE2-000-023)</u> .	6.7.3	Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable requirements of the competent authority and the Corporation's <u>Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001)</u> .	Amended in accordance with changes made to by-law numbers.
6.8.2	<u>Corporation subsidiaries shall establish operational</u>	6.8.2	<u>The operational procedures of the</u>	Amended in accordance with

# Attachment IV

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	<p><u>procedures for making endorsements and guarantees to outside parties in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and these Operational Procedures, and comply with established procedures when handling endorsements and guarantees. (Remainder omitted)</u></p>		<p>Corporation’s subsidiaries for <u>loaning funds to others</u> shall comply with the provisions of <u>the Corporation.</u> (Remainder omitted)</p>	<p>relevant laws and regulations.</p>
6.8.3	<p>Internal audit The internal audit personnel shall at least quarterly audit the operational procedures for loaning funds and the execution of the operations, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>the Audit Committee.</u></p>	6.8.3	<p>Internal audit The internal audit personnel shall at least quarterly audit the operational procedures for loaning funds and the execution of the operations, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to <u>all Supervisors.</u></p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and the wording for this Article has therefore been amended.</p>
6.8.4	<p>When an in-charge person or management member violates these Operational Procedures or applicable requirements of the competent authority, the violation shall be handled in accordance with the Corporation’s <u>Reward and</u></p>	6.8.4	<p>When an in-charge person or management member violates these Operational Procedures or applicable requirements of the competent authority, the violation shall be handled in accordance with the Corporation’s Rules</p>	<p>Added wording stipulating that joint liability for repayment and damages shall be borne by in-charge persons of the Corporation in accordance with</p>

# Attachment IV

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	<p><u>Discipline Regulation (THSRC-BA2-000-003). In the event of violations of Article 6.1.1, in-charge persons of the Corporation shall bear joint and several liability with the borrower for repayment; if the Corporation suffers damage, the in-charge person also shall be liable for damages.</u></p>		<p>Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).</p>	<p>relevant laws and regulations.</p>
<p>6.8.6</p>	<p><u>These Operational Procedures shall be approved by one-half or more of all Audit Committee members, submitted to the Board for approval, and submitted to a shareholders' meeting for approval following Board approval. When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the Director's dissenting opinion to the Audit Committee and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures. Operational procedures that were not approved by one-half or more of all Audit Committee members in accordance with the</u></p>	<p>6.8.6</p>	<p>After passage by the Board, these Operational Procedures shall be <u>sent to all Supervisors and</u> submitted to a shareholders' meeting for approval. When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the materials containing the Director's dissent to <u>all Supervisors</u> and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.</p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors. The wording for this Article has therefore been amended and review processes have been integrated in accordance with revisions made to relevant laws and regulations.</p>

# Attachment IV

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
	<p><u>preceding paragraph may be implemented following approval by two-thirds or more of all Board members, and the resolutions of the Audit Committee shall be recorded in the meeting minutes for said Board meeting. The numbers of “all Audit Committee members” and “all Board members” as referenced in the preceding paragraph shall be calculated on the basis of actual members in office.</u></p>			
6.8.7	(Deleted)	6.8.7	<p><u>When these Operational Procedures are submitted to and discussed at a Board meeting pursuant to the preceding article, the opinions of each Director shall be given full consideration. If the Corporation has established the position of Independent Director, each Independent Director’s explicit opinion of assent or dissent and reasons for objection shall be recorded in the Board meeting minutes.</u></p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and the procedures in this Article have been integrated with Article 6.8.6 in accordance with relevant laws and regulations. The original Article has therefore been deleted.</p>
6.8.8	(Deleted)	6.8.8	<p><u>If the Corporation has set up an Audit Committee in accordance with the Securities and Exchange Act, all powers of</u></p>	<p>The Corporation has established an Audit Committee to take over the duties of supervisors, and</p>

# Attachment IV

Number of Amended Article	Amended Article	Article Number Prior to Amendment	Current Article	Description
			<u>Supervisors described in these Operational Procedures shall be exercised by the Audit Committee in accordance with law.</u>	relevant amendments have been made to articles relating to supervisor duties. The original Article has therefore been deleted.



# Attachment VI

## List of Nominated Directors (and Independent Directors) for the 9th Board

Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
Director	Yao-Chung Chiang	<ul style="list-style-type: none"> <li>● Ph. D. in Engineering Mechanics, University of Wisconsin, Madison, WI, USA</li> <li>● M.S. in Mechanical Engineering, National Cheng Kung University.</li> </ul>	<ul style="list-style-type: none"> <li>● Independent Director, TYN SOLAR Corporation.</li> <li>● Chairman, China Steel Chemical Corporation.</li> <li>● Chairman, Kaohsiung Rapid Transit Corporation.</li> <li>● Chairman, China Steel Corporation.</li> <li>● Chairman, China Airlines.</li> <li>● Deputy Minister, Public Construction Committee, Executive Yuan.</li> <li>● Director-General, Deputy Director-General, Chief Engineer, Department of Rapid Transit System, Taipei City Government.</li> <li>● Technical Supervisor, Researcher, National Chung-Shan Institute of Science and Technology.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman, Taiwan High Speed Rail Corporation.</li> <li>● Director, China Aviation Development Foundation.</li> <li>● Independent Director, Radiant Opto-Electronics Corporation.</li> <li>● Independent Director, TYNTEK Corporation.</li> <li>● Independent Director, Chin Fong Machine Industrial Co., Ltd.</li> </ul>	China Aviation Development Foundation (Shareholder Account No. 51400)
Director	Kwo-Tsai Wang	<ul style="list-style-type: none"> <li>● Ph.D. in Institute of Traffic and Transportation, National Chiao Tung University.</li> <li>● M.S. in Transportation</li> </ul>	<ul style="list-style-type: none"> <li>● Acting Minister, Ministry of Transportation and Communications</li> <li>● Chairman, The Grand Hotel.</li> <li>● Acting Chairman, Taiwan International Ports Corporation, Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Political Deputy Minister, Ministry of Transportation and Communications.</li> <li>● Chairman, China Aviation Development Foundation.</li> </ul>	Ministry of Transportation and Communications (Shareholder Account No. 92268)

# Attachment VI

Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
		<p>Management, National Cheng Kung University.</p> <p>B.M. in Transportation Management, National Cheng Kung University.</p>	<ul style="list-style-type: none"> <li>● Acting Chairman, Chunghwa Post Co., Ltd.</li> <li>● Chairman, iPASS Corporation.</li> <li>● President, Intelligent Transportation Society of Taiwan.</li> <li>● Advisor, Kaohsiung City Government and Director, Kaohsiung City Government, Taipei Office.</li> <li>● Director General, Transportation Bureau, Kaohsiung City Government.</li> <li>● President, Chairman, THI Consultants Inc.</li> </ul>		
Director	Min-Ching Liu	M.B.A, Emporia State University.	<ul style="list-style-type: none"> <li>● Deputy Director, Department of Accounting, Ministry of Health and Welfare.</li> <li>● Director, Comptroller Office of Ministry of National Defense, R.O.C.</li> <li>● Director of Accounting, Public Construction Commission, Executive Yuan.</li> <li>● Senior Specialist, Directorate General of Budget, Accounting and Statistics, Executive Yuan.</li> <li>● Accounting Director, Freeway Bureau of MOTC.</li> <li>● Section Chief,</li> </ul>	<ul style="list-style-type: none"> <li>● Deputy Director, Department of Accounting, Ministry of Transportation and Communications, R.O.C.</li> <li>● Director, Taiwan High Speed Rail Corporation.</li> </ul>	<p>Ministry of Transportation and Communications (Shareholder Account No. 92268)</p>

# Attachment VI

Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
			Department of Accounting, Ministry of Transportation and Communications, R.O.C.		
Director	Lee-Ching Ko	Keelung's Girls Senior High School.	<ul style="list-style-type: none"> <li>● Supervisor, Evergreen International Corporation.</li> <li>● Supervisor, Evergreen International Storage &amp; Transport Corporation.</li> <li>● Supervisor, EVA Airways Corporation.</li> <li>● Director, Supervisor, Evergreen Marine Corp. (Taiwan) Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman, Evergreen International Corporation.</li> <li>● Director, Evergreen International Storage &amp; Transport Corporation.</li> <li>● Director, EVA Airways Corporation.</li> <li>● Director, Evergreen Steel Co.</li> <li>● Director, Taiwan High Speed Rail Corporation.</li> </ul>	China Aviation Development Foundation (Shareholder Account No. 51400)
Director	Chao-Tung Wong	Ph.D. in Resources Engineering, National Cheng Kung University.	<ul style="list-style-type: none"> <li>● President, Executive Vice President, China Steel Corporation.</li> <li>● Director, Taiwan High Speed Rail Corporation.</li> <li>● Chairman, China Ecotek Corporation.</li> <li>● Chairman and President, China Steel And Nippon Steel Vietnam Joint Stock Company.</li> <li>● Chairman, CHC Resources Corporation.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman, China Steel Corporation.</li> <li>● Executive Director, Industrial Technology Research Institute.</li> <li>● Chairman, China Prosperity Development Corporation.</li> <li>● Director, Chung Hung Steel Corporation.</li> <li>● Director, InfoChamp Systems Corporation.</li> <li>● Director, China Ecotek Corporation.</li> </ul>	China Steel Corporation (Shareholder Account No. 43831)

# Attachment VI

Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
Director	Chao-Yih Chen	Ph. D., Institute of Agricultural Chemistry, National Taiwan University.	<ul style="list-style-type: none"> <li>● Director, Taiwan High Speed Rail Corporation.</li> <li>● Chairman, Automotive Research &amp; Testing Center.</li> <li>● Professor Emeritus, China University of Science and Technology.</li> <li>● Chairman, Taiwan Sugar Corporation.</li> <li>● Chief Executive Officer of the Sinotech Engineering Consultants, Inc.</li> <li>● S&amp;T Advisors Office Director, Technical Department Director, Energy Commission Executive Secretary, Director General of the Department of Investment Services (DOIS), Director General of the Industrial Development Bureau (IBD), Vice Chairperson of the State-owned Enterprise Commission, MOEA.</li> <li>● Deputy Director, Department of Sectoral Planning, Council for Economic Planning and Development, Executive Yuan.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman, Taiwan Sugar Corporation.</li> <li>● Director, Industrial Technology Research Institute.</li> <li>● Director, Central Bank of the Republic of China (Taiwan).</li> </ul>	Taiwan Sugar Corporation (Shareholder Account No. 5762)

# Attachment VI

Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
Director	Shien-Quey Kao	<ul style="list-style-type: none"> <li>● M.S. in Economics, National Taiwan University.</li> <li>● Bachelor's Degree in Economics, National Taiwan University.</li> </ul>	<ul style="list-style-type: none"> <li>● Secretary General, National Development Council, Executive Yuan.</li> <li>● Secretary General, Council for Economic Planning and Development, Executive Yuan.</li> <li>● Deputy Director, Department of Overall Planning, CEPD.</li> <li>● Senior Executive Officer and Chief, Council for Economic Planning and Development, Executive Yuan.</li> <li>● Executive Officer, Officer, Clerk Council for Economic Planning and Development, Executive Yuan.</li> </ul>	<ul style="list-style-type: none"> <li>● Deputy Minister, National Development Council, Executive Yuan.</li> <li>● Director, Taiwan High Speed Rail Corporation.</li> </ul>	Management Committee of National Development Fund, Executive Yuan (Shareholder Account No. 38578)
Director	Mao-Hsiung Huang	<ul style="list-style-type: none"> <li>● MBA, The Wharton School, University of Pennsylvania.</li> <li>● Bachelor of Economics, Keio University.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman, An-Shin Food Services Co., Ltd.</li> <li>● Honorary Chairman, Chinese National Association of Industry &amp; Commerce, Taiwan.</li> <li>● Chairman, TECO Electric &amp; Machinery Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman, Century Development Corporation.</li> <li>● Director, TECO Electric &amp; Machinery Co., Ltd.</li> <li>● Director, Taiwan High Speed Rail Corporation.</li> </ul>	TECO Electric & Machinery Co., Ltd. (Shareholder Account No. 11)
Director	Kuo-Chih Liu	Ph.D. in Physics, Massachusetts Institute of Technology.	<ul style="list-style-type: none"> <li>● Chairman, Senior Consultant, Fubon Land.</li> <li>● Chairman, Taipei New Horizon Co., Ltd.</li> <li>● Chairman, Fubon</li> </ul>	<ul style="list-style-type: none"> <li>● Director, Taiwan High Speed Rail Corporation.</li> </ul>	Taipei Fubon Commercial Bank Co., Ltd. (Shareholder Account No. 6)

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Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
			<p>Real Estate Management.</p> <ul style="list-style-type: none"> <li>● President, Taiwan High Speed Rail Corporation.</li> <li>● President, Taiwan Aerospace Corp.</li> </ul>		
Independent Director	Kenneth Huang-Chuan Chiu	<ul style="list-style-type: none"> <li>● LL.M, University of Cambridge.</li> <li>● LL.B, National Taiwan University.</li> </ul>	<ul style="list-style-type: none"> <li>● Partner, Taiwan Commercial Law Offices.</li> <li>● Attorney, Baker &amp; McKenzie.</li> <li>● Attorney, Huang &amp; Associates.</li> </ul>	<ul style="list-style-type: none"> <li>● Managing Partner, Kew &amp; Lord.</li> <li>● Independent Director, Taiwan High Speed Rail Corporation.</li> <li>● Independent Director, ShunSin Technology Holdings Limited.</li> <li>● Director, Ju-Kao Engineering Co., Ltd.</li> <li>● Independent Director, Chunghwa Precision Test Tech. Co., Ltd.</li> <li>● Director, Waterland Securities Co., Ltd.</li> </ul>	Not applicable.

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Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
Independent Director	Pai-Ta Shih	<ul style="list-style-type: none"> <li>● Ph.D. in Economics, University of Texas at Austin.</li> <li>● Master's Degree from the Graduate Institute of Electrical Engineering, National Taiwan University.</li> <li>● B.S. in Electrical Engineering, National Sun Yat-Sen University.</li> </ul>	<ul style="list-style-type: none"> <li>● Independent Director, Edison Opto Corp.</li> <li>● Associate Professor, Department of Finance, National Taiwan University.</li> <li>● Assistant Professor, Associate Professor, Department of Economics, National Dong Hwa University.</li> </ul>	<ul style="list-style-type: none"> <li>● Professor, Department of Finance, National Taiwan University.</li> <li>● Director, Digital Finance and Industry Development Research Center, College of Management, National Taiwan University.</li> <li>● Independent Director, Nan Shan Life Insurance Co., Ltd.</li> <li>● Director, Financial Engineering Association of Taiwan.</li> <li>● Advisory Committee Member, Taiwan Insurance Guaranty Fund.</li> <li>● Director, Taiwan Risk and Insurance Association.</li> <li>● Committee Member, Labor Funds Supervisory Committee, Ministry of Labor.</li> </ul>	Not applicable.
Independent Director	Yung-Cheng (Rex) Lai	<ul style="list-style-type: none"> <li>● Ph.D., Railroad Engineering Program, University of Illinois at Urbana-Champaign.</li> <li>● M.S., Railroad Engineering Program, University of</li> </ul>	<ul style="list-style-type: none"> <li>● Associate Professor, Assistant Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University.</li> <li>● Chairman, Railroad Operating Technologies Committee,</li> </ul>	<ul style="list-style-type: none"> <li>● Professor, Railway Technology Research Center, National Taiwan University.</li> <li>● Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University.</li> <li>● Co-Chair, SIG A3</li> </ul>	Not applicable.

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Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
		<p>Illinois at Urbana-Champaign.</p> <ul style="list-style-type: none"> <li>● B.S., Department of Civil Engineering, National Taiwan University</li> </ul>	<p>Transportation Research Board (TRB), USA.</p> <ul style="list-style-type: none"> <li>● Chairman, Academic Committee, Railway Engineering Society of Taiwan (RESOT), Taiwan.</li> <li>● Committee Member, Review Committee for Technical Standards of High-Speed Rail Rolling Stock.</li> <li>● Committee Member, Executive Yuan Investigative Team for 1021 Puyuma Incident.</li> <li>● Board Member, Railway Operational Safety Board, Taiwan Railways Administration (TRA), Taiwan.</li> <li>● Visiting Professor, Faculty of Societal Safety Science, Kansai University, Japan.</li> <li>● Visiting Professor, Research Institute for Sustainable Urban Development(RISU D), Hong Kong Polytechnic University (PolyU), Hong Kong.</li> <li>● Visiting Scholar, TOMII Lab, Chiba Institute of Technology, Japan.</li> </ul>	<p>Rail Transport, World Conference on Transport Research Society (WCTRS).</p> <ul style="list-style-type: none"> <li>● Handling Editor, Transportation Research Record (TRR).</li> <li>● Associate Editor, Journal of Rail Transport Planning &amp; Management (JRTPM).</li> <li>● Board Member, International Association of Railway Operations Research (IAROR).</li> <li>● Director, Railway Engineering Society of Taiwan (RESOT), Taiwan.</li> <li>● Supervisor, Chinese Institute of Transportation, Taiwan.</li> <li>● Director, Taipei Society for Traffic Safety, Taiwan.</li> <li>● Committee Member, Review Committee for Mass Rapid Transit System Construction and Peripheral Land Development Plans, Ministry of Transportation and Communication (MOTC), Taiwan..</li> <li>● Committee Member, Investigative Team for Railway Incidents, MOTC,</li> </ul>	



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Candidate Type	Candidate Name	Education	Experience	Current Position	Government or Entity Represented
				Taiwan. <ul style="list-style-type: none"> <li>● Committee Member, Safety Management Committee, Taiwan Railways Administration (TRA), Taiwan.</li> </ul>	
Independent Director	Duei Tsai	<ul style="list-style-type: none"> <li>● Ph.D. from the Graduate Institute of Electrical Engineering, National Taiwan University.</li> <li>● Master's Degree from the Graduate Institute of Electrical Engineering, National Taiwan University.</li> </ul>	<ul style="list-style-type: none"> <li>● Minister, Ministry of Transportation and Communications.</li> <li>● Adjunct Professor, Department of Electronics Engineering, National Taiwan University of Technology.</li> <li>● Political Deputy Minister, Public Construction Commission, Executive Yuan.</li> <li>● Political Deputy Minister, Administrative Deputy Minister, Technical Supervisor, Ministry of Transportation and Communications.</li> <li>● Director General, Civil Aeronautics Administration, Ministry of Transportation and Communications.</li> <li>● Deputy Director General, Chief Engineer, Directorate General of Telecommunications, Ministry of Transportation and Communications.</li> </ul>	<ul style="list-style-type: none"> <li>● Adjunct Professor Rank Specialist, Department of Electrical Engineering, National Taipei University of Technology.</li> <li>● Adjunct Professor Rank Specialist, Department of Digital Multimedia Design, Kainan University.</li> <li>● Independent Director, Compal Electronics, Inc.</li> <li>● Independent Director, Taiwan Taxi Corp.</li> <li>● Independent Director, TTY Biopharm Company Limited.</li> </ul>	Not applicable.

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## List of Proposed Release of Prohibition on Directors from Participation in Competing Business

Director	Concurrent Positions Held at Other Companies	
China Aviation Development Foundation Representative: Yao-Chung Chiang	China Aviation Development Foundation	Director
	Radiant Optoelectronics Co., Ltd.	Independent Director
	TYNTEK Corporation	Independent Director
	Chin Fong Machine Industrial Co., Ltd.	Independent Director
Ministry of Transportation and Communications Representative: Kwo-Tsai Wang	China Aviation Development Foundation Chairman	
China Aviation Development Foundation Representative: Lee-Ching Ko	Evergreen Steel Co. Director	
China Steel Corporation Representative: Chao-Tung Wong	China Steel Corporation	Chairman
	China Prosperity Development Corporation	Chairman
	Chung Hung Steel Corporation	Director
	InfoChamp Systems Corporation	Director
	China Ecotek Corporation	Director

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Director	Concurrent Positions Held at Other Companies	
Taiwan Sugar Corporation Representative: Chao-Yih Chen	Taiwan Sugar Corporation	Chairman
TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	TECO Electric & Machinery Co., Ltd.	Director
	TECO International Investment Co. Ltd.	Chairman
	Tong An Assets Management & Development Management Co. Ltd.	Chairman
	Tong An Investment Co., Ltd.	Chairman
	Technos International Consultant Co. Ltd.	Director
	Taian (Malaysia) Electric Sdn. Bhd.	Director
	Antai International Investment Co., Ltd.	Chairman
	E-Joy Electronics International Co., Ltd.	Chairman
	Taiwan Pelican Express Co., Ltd.	Director
	TECO Australia Pty Limited	Director
	TECO Westinghouse Motor Co.	Director
	An-Sheng Travel Co., Ltd.	Chairman
	Royal Host Taiwan Co., Ltd.	Chairman
Magic-Food Mos Food Industry Corp.	Director	

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Director	Concurrent Positions Held at Other Companies	
	Century Development Corporation	Chairman
	Mao Wang Technology Co., Ltd.	Chairman
	Inotec Taiwan Co., Ltd.	Director
	Xianlaoman Co. Ltd.	Supervisor
	Tung Pei Industrial Co., Ltd.	Supervisor
	TG Teco Vacuum Insulated Glass Corp.	Vice Chairman
	United Development Corporation.	Chairman
	Shin-Etsu Chemical Co., Ltd.	Director
	Tecocapital Investment Co., Ltd.	Director
	Tecocapital Investment (SAMOA) Co., Ltd.	Director
	MOS Burger Australia Pty Ltd	Chairman
	Teco Elektrik Turkey A.S	Chairman
	An Tai Innovative Technology Xiamen Co. Ltd.	Director
	TECO Technology & Marketing Center Corporation	Director
	TEMICO International	Director
	TEMICO India Private Limited	Director

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Director	Concurrent Positions Held at Other Companies	
	Century Biotech Development Corporation	Chairman
	CDC Development India Private Limited	Chairman
	Royal Park Co., Ltd.	Chairman
	Nanchang TECO Electric & Machinery Co. Ltd.	Director
	Qingdao TECO Innovation Co. Ltd.	Director
	Momo.com Inc.	Director
	Fujio Food System Taiwan Co.,Ltd.	Director
Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	Wealth Media Co., Ltd.	Director
Independent director: Kenneth Huang-Chuan Chiu	Ju-Kao Engineering Co., Ltd.	Director
	ShunSin Technology Holdings Limited	Independent Director
	Chunghwa Precision Test Tech. Co., Ltd.	Independent Director
	Waterland Securities Co., Ltd.	Director
Independent director: Pai-Ta Shih	Nan Shan Life Insurance Co., Ltd.	Independent Director
Independent Director: Duei Tsai	Taiwan Taxi Corp.	Independent Director

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## **Taiwan High Speed Rail Corporation**

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

#### Article 1 (Legal Basis)

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

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

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

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

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

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

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

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

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

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

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

When a government agency or juristic person is a shareholder, more than one person may attend a shareholders' meeting as its representative. When a juristic person is appointed to attend a shareholders' meeting as a proxy, it may appoint only one person to attend the meeting on its behalf.

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

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

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

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

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

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

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

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

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

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

The Corporation may appoint its attorneys at law or certified public accountants or other relevant persons to attend a shareholders' meeting as non-voting participants.

## Article 5 (Maintenance of Order at Meetings)



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

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

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

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

## Article 6 (Opening of Shareholders' Meetings)

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

If the meeting has been postponed twice as stated in the preceding paragraph and if, despite the absence of the legal quorum, shareholders representing at least one-third of the total issued shares are present, a

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tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present in accordance with Article 175, paragraph 1 of the Company Act, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.

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

## Article 7 (Discussion of Agenda Items)

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be determined by the Board of Directors; the meeting shall proceed in the determined order of the agenda, which may not be changed unless by resolution of the shareholders' meeting.

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

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

The chair shall allow sufficient opportunity for the explanation and discussion of an agenda item or any amendment or extraordinary motion submitted by a shareholder, and when the chair thinks that any

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such item has been discussed sufficiently to put it to a vote, the chair may declare the discussion closed and call a vote.

## Article 8 (Shareholders Speaking at Meetings)

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

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

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

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

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

If a shareholder appoints a non-shareholder juristic person as proxy to attend a shareholders' meeting in the place of the shareholder, the juristic person may appoint only one person as representative to attend

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

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

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

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

## Article 9 (Shareholder Proposals)

Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. In the event where the proposal contains relevant suggestions for promoting public interests of the Corporation or fulfillment of social responsibilities, the proposal shall still be included on the agenda. The Board of Directors

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may decide not to include on the agenda any proposal submitted by a shareholder that falls under any of the circumstances set forth in the subparagraphs of Article 172-1, paragraph 4 of the Company Act, and matters that must not be brought up as extemporary motions should be handled in accordance with the stipulations laid out in Article 172 of the Company Act.

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

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

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

Unless otherwise provided by law or regulation, if a shareholder attending a shareholders' meeting intends to propose an extraordinary motion or to submit an amendment or alternative to a proposal not included on the agenda under the preceding paragraph, the proposal shall be submitted in writing by a shareholder with voting power who is attending the meeting, and the proposal shall be seconded by signature of another or other shareholders attending the meeting and

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the proposer and seconder(s) shall collectively hold shares representing at least 0.02 percent of the total voting rights of issued shares of the Corporation.

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

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

Shareholder proposals that the Board of Directors decides to include on the agenda shall, if belonging to the same type, be consolidated by the chair into one case and the provisions of Article 9, paragraph 2 shall apply mutatis mutandis thereto.

## Article 10 (Putting to Vote)

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

## Article 11 (Votes on Agenda Items)

The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act.

When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. However, the shareholder exercising voting rights by electronic means shall be

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deemed to have waived the shareholder's rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting.

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

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

Unless otherwise provided by law or regulation, or by the Articles of Incorporation, an agenda item put to vote shall be passed with the approval of a majority of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a list of Directors elected and the numbers of votes they receive, shall be announced immediately at the voting place.

With respect to the pre-determined items on the agenda, a shareholder present shall be deemed to approve an item if the shareholder does not object orally to that item at the meeting when it is under discussion.

If an agenda item is neither objected to by any shareholder exercising voting rights by electronic means, nor by any shareholder present at the

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meeting upon being asked by the chair, it shall be deemed as passed, with the same validity as if it has been approved by a poll.

If there is any shareholder objecting to an agenda item, it shall be put to vote by a poll. The chair may direct a vote to be held on an item-by-item basis, or multiple polls or a single poll to be held on the various agenda items (including elections), with the ballots to be counted separately for each item.

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

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

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

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



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

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

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

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

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

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

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## Article 14 (Break and Resumption of Meetings)

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

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

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

## Article 15 (Matters Not Covered)

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

## Article 16 (Supplementary Provisions)

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

# Appendix II

## **Taiwan High Speed Rail Corporation**

### **Rules for the Election of Directors**

Article 1        The election of Directors of the Corporation shall be conducted in accordance with these Rules.

Article 2        The Directors of the Corporation shall be elected by recorded cumulative voting. The recording of the name of the voter shall be replaced with the voter's shareholder account number or meeting attendance card number appearing on the ballot.

The number of votes exercisable in each share is equal to the number of Directors to be elected, with the total number of votes exercisable equally spread over the number of ballots equal to the number of Directors to be elected. A voter may cast all the voter's ballots for a single candidate or split them among multiple candidates. The candidates who receive ballots representing a prevailing number of votes shall be elected as Directors.

Article 3        The number of Directors for the election is determined by the Board of Director in accordance with the rule of Corporation's Articles of Incorporation, the candidates who receive ballots representing a prevailing number of votes shall be elected. If two or more candidates receive ballots representing an equal number of votes and the election of all of them would exceed the fixed number of Directors, the candidates to be elected shall be determined by drawing of lots, and the lots of the candidates who are not present at the draw shall be drawn by the chair on their behalf.

To cast votes to elect Directors of the Corporation, a shareholder may opt to vote either by electronic means or on site.

A shareholder opting to cast votes by electronic means under the preceding paragraph shall vote on an electronic voting platform designated by the Corporation.

The qualifications of the Directors elected under paragraph 1 shall meet the requirements prescribed by the competent authority.

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Article 4 The procedure for the candidate nomination system under Article 192-1 of the Company Act shall be adopted for the election of the Directors of the Corporation. Shareholders shall elect the Directors from the roster of nominated candidates.

Independent Directors and non-independent Directors of the Corporation shall be elected in accordance with these Rules and in the same election, with the numbers of Directors to be elected calculated separately for each group, and the candidates receiving a prevailing number of ballots in each group shall be elected.

For the election purposes under the preceding paragraph, the number of votes shall be calculated by adding the number of votes cast on site at a shareholders' meeting plus the number of votes cast by electronic voting.

Before the shareholders' meeting, with respect to the results of the electronic voting under the preceding paragraph, procedures shall have been conducted by an institution meeting the requirement of Article 44-6 of the Regulations Governing the Administration of Shareholder Services of Public Companies to ascertain the identities and numbers of voting rights of the shareholders and to verify the final statistical tallying.

Article 5 At the start of an election, the chair shall announce the voting time and appoint multiple ballot inspectors and ballot counters to discharge all relevant duties, and only shareholders may be appointed as ballot inspectors.

Article 6 A ballot to be cast on site at a shareholders' meeting ("on-site ballot") shall be numbered according to the meeting attendance card number and the corresponding number of votes shall be noted on the ballot. Such ballots shall be prepared and issued by the Board of Directors in printed form; only these printed ballots are valid and the voter may not make any addition, deletion, or alteration to the format of the ballot or to the content that is allowed to be filled in.

Article 7 Only one candidate's name may be filled in on each ballot. To vote for a candidate who is a shareholder, a voter shall clearly fill in the candidate's

# Appendix II

account name and shareholder account number in the “Candidate” space on the ballot; for a candidate who is not a shareholder, the voter shall clearly fill in the candidate’s name and national ID number or passport number. However, if a candidate is a government agency or juristic person shareholder, the name of the government agency or juristic person shareholder, or the name of the government agency or juristic person shareholder together with the name of its representative, shall be clearly filled in in the “Candidate” space on the ballot. When there are multiple representatives, the names of each respective representative shall be filled.

Article 8 An on-site ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:

- (1) The ballot cast is not a ballot as prescribed in these Rules.
- (2) The ballot inserted into the ballot box is a blank ballot.
- (3) The handwriting on the ballot is unclear, indecipherable, or has been altered.
- (4) Any text or mark is written on the ballot other than the candidate’s account name (or personal name), or shareholder account number, national ID number, passport number and the allocated number of votes.
- (5) The ballot is not filled in in accordance with Article 6 or 7.
- (6) If the selected candidate is a shareholder, the candidate’s account name or shareholder account number filled in on the ballot does not conform to the corresponding entry of the register of shareholders.
- (7) If the selected candidate is not a shareholder, the candidate’s name and national ID number or passport number filled in on the ballot is verified as incorrect.
- (8) The names of two or more candidates are filled in on the same ballot.
- (9) The number of selected candidates exceeds the allowed number.
- (10) The candidate’s name filled in on the ballot does not conform to the roster of nominated candidate.
- (11) There are over two candidates’ name are same, neither shareholder account number, national ID number, passport number or other identity document is filled in on the ballot.

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(12) The ballot is not inserted into the ballot box designated by the chair.

When in doubt a ballot counter shall first request a ballot inspector to verify whether an on-site ballot is invalid. Ballots determined to be invalid shall be placed in a separate place. After all the ballots have been counted, the number of invalid ballots shall be tallied by the ballot counters and delivered to the ballot inspectors, who shall mark them as invalid and affix them with their signature or personal seal.

- Article 9 With respect to the results of the voting, the ballot inspectors shall verify the sums of the valid ballots and invalid ballots, and then make separate entries in the voting log of the number of valid ballots and the corresponding number of votes and the number of invalid ballots.
- Article 10 The result of the voting shall be announced by the chair on site by indicating the list of candidates elected as Directors and the numbers of votes with which they were elected.
- Article 11 The Corporation shall issue a certificate of election to each elected Director.
- Article 12 All matters not covered by these Rules shall be subject to the direction of the chair, unless otherwise expressly provided by the Company Act, the Securities and Exchange Act, any other applicable laws or regulations, and the Corporation's Articles of Incorporation, Rules of Procedure for Shareholders' Meetings, and Principles of Corporate Governance.
- Article 13 These Rules, and any amendment hereto, shall take force after approval at a shareholders' meeting.

# Appendix III

## **Taiwan High Speed Rail Corporation**

### **Articles of Incorporation**

#### Chapter 1 General Provisions

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

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

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

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

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

#### Chapter 2 Scope of Business

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

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

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8. H701010 Residence and Buildings Construction and Development, Lease, and Sale.
9. H701020 Industrial Factory Buildings Construction and Development, Lease, and Sale.
10. H701040 Specialized Field Construction and Development.
11. J303010 Magazine and Periodical Publication.
12. F601010 Intellectual Property Rights.
13. F204110 Retail Sale of Cloths, Clothes, Shoes, Hats, Umbrellas, Apparel, Clothing Accessories, and Other Textile Products.
14. F215010 Retail Sale of Jewelry and Precious Metals.
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

## Chapter 3 Shares

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

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

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

The Corporation may issue shares without physical printed certificates, or may in a new issue prepare a printed consolidated certificate representing



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the total number of shares of that issue, provided that it shall arrange for book-entry registration or custody with a central securities depository.

The preceding three paragraphs shall apply mutatis mutandis to the preparing and issuing of corporate bonds.

Article 7-1 (deleted)

Article 7-2 (deleted)

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

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

Chapter 4 Shareholders' Meetings

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

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

1. Adoption of and amendment to these Articles of Incorporation.
2. Election of Directors.
3. Audit and recognition of financial statements and documents prepared by the Board of Directors under Article 228 of the Company Act.

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4. Resolution on the distribution of profits or offsetting of losses.
5. Adoption of or amendment to the Corporation's Principles of Corporate Governance, Rules of Procedure for Shareholders' Meetings, and Rules for the Election of Directors.
6. Resolution on any other matter required by law or regulation.

Article 11 To convene a shareholders' meeting, a notice of the meeting shall be given to each shareholder by 30 days before a regular meeting, or by 15 days before a special meeting, stating the date and place of and the proposals to be considered at the meeting. Notwithstanding the foregoing, a public notice may be made in lieu of separate notice in the case of shareholders with less than 1,000 registered shares.

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

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

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

Article 14 Unless otherwise provided by law, the Chairperson of the Board of Directors ("Chairperson") shall chair every shareholders' meeting. When

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the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as deputy to chair the meeting, failing which the Directors shall select one from among themselves to chair the meeting.

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

A shareholder of the Corporation may exercise voting rights by electronic means and, if so voting, shall be deemed to be present at the meeting in person; the method of such voting shall in all respects be subject to the provisions of applicable laws and regulations.

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

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

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

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meeting.

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

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

## Chapter 5 Board of Directors

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

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

Article 17-1 Given the requirement of Article 183 of the Securities and Exchange Act, starting from the fourth term of office of Directors, the Corporation shall

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have independent Directors, whose number, to be included in the number of Directors under the preceding Article, shall be determined by the Board of Directors as empowered by the Corporation for that purpose, but in any event shall neither be less than two nor less than one-fifth of the number of Directors.

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

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

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

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

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

1. Deliberation of all significant bylaws and rules.
2. Deliberation of business plans.
3. Deliberation of budgets and final accounts.

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

Article 21 Except for the first meeting of each term of office of the Board of Directors, which shall be convened by the Director receiving ballots representing the highest numbers of votes, or except as otherwise provided by the Company Act, meetings of the Board of Directors shall be convened and chaired by the Chairperson. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as deputy to chair the meeting, failing which the Directors shall select one of their number to convene and chair the meeting in the place of the Chairperson.

Article 22 Directors shall be present in person at the meetings of the Board of Directors. If a meeting is conducted by means of video conference, Directors participating in the meeting by such means shall be deemed to be present in person at the meeting. Unless otherwise provided by law or

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regulation, a Director unable to be present at a meeting may appoint another Director to act at the meeting on behalf of such absent Director, but shall in each instance issue a proxy form specifying the scope of authorization with respect to the reasons of the meeting.

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

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

Article 24 (deleted)

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

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

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

The notice of a meeting under the preceding paragraph may be made by means of e-mail or facsimile in lieu of notice in hardcopy form.

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

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

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

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

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

Chapter 6 (deleted)

Article 28 (deleted)

Article 29 (deleted)

Article 30 (deleted)

Article 31 (deleted)

Article 32 (deleted)

Chapter 7 Managerial Officers

Article 33 The Corporation shall have one President and several other Managerial



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

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

Chapter 8 Accounting

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

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

Article 35-1 If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to Directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation.

Article 36 If the final annual accounts of the Corporation show a net profit for a given year, the profit-sharing compensation to employees and Directors shall first be allocated from the net profit pursuant to Article 35-1 above. If the Board of Directors then 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

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the payment of all taxes required by law, the allocation of the 10 percent legal reserve (no such allocation is necessary if the legal reserve is maintained at the level of the paid-in capital of the Corporation), and the provision or reversal for the special reserve pursuant to law or regulation, and submit the proposal to a shareholders' meeting for resolution on the distribution of dividends to shareholders.

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

## Chapter 9 Supplementary Provisions

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

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

Article 39 These Articles of Incorporation were adopted on 13 April 1998. The first amendment was made on 25 May 1999; the second on 27 June 2000; the third on 20 May 2002; the fourth on 10 September 2002; the fifth on 10 September 2002; the sixth on 28 May 2003; the seventh on 30 December 2003; the eighth on 28 May 2004; the ninth on 4 March 2005; the tenth on 4 March 2005; the eleventh on 25 June 2005; the twelfth on 25 June 2005; the thirteenth on 9 June 2006; the fourteenth on 16 August 2007; the

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

# Appendix IV

## **Taiwan High Speed Rail Corporation**

### **Ethical Corporate Management Best Practice Principles**

#### Article 1 (Purpose and applicable scope)

Taking into reference to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, these Principles are adopted to assist the Corporation to build a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.

#### Article 2 (Prohibition of unethical conduct)

When engaging in commercial activities, the Corporation's directors, managerial officers, employees, and appointees may not directly or indirectly offer, promise, request or accept any improper benefit, nor commit any other unethical conduct, including breach of ethics, illegal conduct, or breach of fiduciary duty, for the purposes of acquiring or maintaining a benefit ("unethical conduct").

#### Article 3 (Types of benefit)

"Benefit" in these Principles may refer to any valuable thing, including money, gifts, commissions, positions, services, preferential treatment, or rebates of any type or name. Benefits received or given occasionally in accordance with accepted social etiquette and customs and that do not adversely affect specific rights and obligations shall be excluded.

#### Article 4 (Compliance with laws and regulations)

The Corporation shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or any other laws and regulations

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regarding commercial activities, as the underlying basic premise for implementing ethical corporate management.

## Article 5 (Policy)

The Corporation shall abide by the operational philosophies of honesty, transparency, and responsibility. Base its policies on the principle of good faith and establish good corporate governance and risk control and management mechanisms, to create an operational environment for sustainable development.

## Article 6 (Prevention programs)

The Corporation shall clearly and thoroughly prescribe specific ethical management practices, and programs to prevent unethical conduct. The content shall include operational procedures, conduct guidelines, and training courses. It shall also comply with relevant laws and regulations of the place where the Corporation and its organization are operating.

## Article 7 (Scope of prevention programs)

The Corporation shall analyze which business activities within its business scope may bear a higher risk of unethical conduct, and strengthen relevant preventive measures.

The ethical corporate management operational procedures and conduct guidelines, adopted by the Corporation, shall at least include preventive measures against the following:

- (a) Offering and acceptance of bribes.
- (b) Illegal political donations.
- (c) Improper charitable donations or sponsorship.
- (d) Offering or acceptance of unreasonable gifts or hospitality, or other improper benefits.
- (e) Infringement of trade secrets, trademark rights, patent rights, copyrights, or other intellectual property rights.

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(f) Engaging in unfair competitive conduct.

(g) Selling of products and services, which directly or indirectly damage the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, and provision.

## Article 8 (Commitment and implementation)

The Corporation and its organizational units shall clearly specify in their rules and external documents about the ethical corporate management policies and the commitment by the Board of Directors (“Board”) and the management to rigorous and thorough implementation of the policies, and shall faithfully carry out the policies in internal management and in external commercial activities.

## Article 9 (Ethical corporate management in commercial activities)

The Corporation shall engage in commercial activities in a fair and transparent manner based on the principles of ethical corporate management.

Prior to any commercial transaction, the Corporation shall take into consideration the legality of its agents, suppliers, customers, or other trading counterparties and whether any of them involved in unethical conduct, and shall avoid any dealings with persons involved in any unethical conduct.

When entering into contracts with agents, suppliers, customers, or other commercial trading counterparties, the Corporation shall include in contract terms and conditions to require compliance with ethical corporate management policy. In the event of a trading counterparty involved in unethical conduct, the Corporation may at any time terminate or rescind the contract.

## Article 10 (Prohibition against offering or accepting bribes)

The Corporation and its directors, managerial officers, employees,

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and appointees may not directly or indirectly offer, promise, request, or accept any improper benefit in any form to or from any customer, agent, contractor, supplier, public servant, or other stakeholder, when conducting business activities.

Article 11 (Prohibition against illegal political donations)

The Corporation and its directors, managerial officers, employees, and appointees shall comply with the Political Donations Act and the Corporation's relevant internal operational procedures, and may not make such donations in exchange for commercial benefit or for advantage in a transaction, when offering a donation to a political party or organization or individual participating in political activities.

Article 12 (Prohibition against improper charitable donations or sponsorship)

The Corporation and its directors, managerial officers, employees, and appointees shall comply with relevant laws and regulations and internal operational procedures, and may not surreptitiously engage in bribery, when offering charitable donations or sponsorship.

Article 13 (Prohibition against unreasonable gifts, hospitality, or other improper benefits)

The Corporation and its directors, managerial officers, employees, and appointees shall not directly or indirectly offer or accept any unreasonable gifts, hospitality, or other improper benefits to establish business relationships or influence commercial transactions.

Article 14 (Prohibition against infringing intellectual property rights)

The Corporation and its directors, managerial officers, employees, and appointees shall comply with applicable laws and regulations, internal operational procedures, and contractual provisions relating to intellectual property. Without the prior consent of the intellectual property rights holder, they may not use, nor may they disclose,

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dispose, damage, or otherwise infringe, intellectual property rights.

## Article 15 (Prohibition against unfair competitive conduct)

The Corporation shall engage in business activities, in accordance with applicable competition laws and regulations, and may not fix prices, rig bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

## Article 16 (Preventing products or services from damaging stakeholders)

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Corporation and its directors, managerial officers, employees, and appointees shall comply with applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, its products and services. It shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in the Corporation's operational activities, with a view to preventing its products or services from directly or indirectly injuring the rights and interests, health, or safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Corporation's products or services are likely to pose any hazard to the safety or health of consumers or other stakeholders, the Corporation in principle shall promptly recall those products or suspend the services.

## Article 17 (Organization and accountability)

The directors, managerial officers, employees, and appointees of the Corporation shall exercise the due diligence and care of good administrators, to oversee the Corporation to prevent any unethical conduct, and constantly review the implementation and results of preventive measures and continually make improvements.



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## Article 18 (Legal compliance in conducting business)

The Corporation and its directors, managerial officers, employees, and appointees shall comply with laws and regulations and the prevention programs when conducting business.

## Article 19 (Recusal for conflict of interest)

The Corporation shall adopt policies for preventing conflicts of interest, to identify, monitor, and manage the risk of unethical conduct resulting from conflicts of interest. It shall also offer appropriate channels for directors, managerial officers, and other stakeholders attending or present at Board meetings to voluntarily explain whether their interests potentially conflict with those of the Corporation.

When a proposal at a Board meeting concerns a personal interest of, or interest of a juristic person represented by, any director, managerial officer, or other stakeholders attending or present at a Board meeting of the Corporation. The person shall make a clear statement at the Board meeting of the important content of the relationship of interest. If there is a likelihood of prejudicing the interest of the Corporation, the person may not participate in the discussion of and voting on the proposal and shall recuse himself/herself from the discussion and voting. The person may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and may not support one another in any improper conduct.

The Corporation's directors, managerial officers, employees, and appointees may not take advantage of their positions or influence in the Corporation to obtain any improper benefit for themselves, their spouses, parents, children or any other person.

## Article 20 (Accounting and internal control)

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The Corporation shall establish effective accounting systems and internal control systems for business activities at a higher risk of an unethical conduct. Under-the-table books or keep secret accounts are prohibited, and shall conduct reviews on regular basis to ensure the sustained effectiveness of the design and implementation of the systems.

The internal audit unit of the Corporation shall regularly examine the compliance with the systems under the preceding paragraph, and submit an audit report to the Board. The internal audit unit may appoint certified public accountant to carry out the audit, and may appoint professionals to assist if necessary.

## Article 21 (Operational procedures and conduct guidelines)

The Corporation shall prescribe concrete internal guidelines by covering the following:

- (a) Standard rules for offering or acceptance of improper benefits.
- (b) Procedures for offering legitimate political donations.
- (c) Procedures and standard amounts for offering charitable donations or sponsorship.
- (d) Rules for avoiding work-related conflicts of interests, and procedures for reporting and handling conflicts of interest.
- (e) Rules for maintaining confidentiality of secrets and sensitive business information.
- (f) Rules and procedures for dealing with unethical conducts of suppliers, customers, and business transaction counterparties.
- (g) Procedures for handling violations of these Principles.
- (h) Disciplinary measures against violators of principles.

## Article 22 (Education training and appraisal)

The chairman, president, or senior management of the Corporation

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shall regularly communicate the importance of corporate ethics to the directors, employees, and appointees.

The Corporation shall regularly hold education training, and awareness programs for directors, managerial officers, employees, and appointees to understand the Corporation's determination, policies, prevention measurement, and the consequences of committing any unethical conduct.

The Corporation shall combine the ethical corporate management policies with the employee performance appraisal system, and human resource policies, to establish a clear and effective reward and discipline system.

## Article 23 (Whistleblowing system)

The Corporation shall adopt a concrete whistleblowing system and faithfully implement the system. The whistleblowing system shall include at least the following:

1. Establishment and announcement of an internal independent mailbox or hotline, for use by internal and external personnel.
2. Establish dedicated personnel or unit to handle the whistleblowing system. Any information involvement of director or senior management shall be reported directly to the Audit Committee.
3. Preserve documentation, records, and results of whistleblowing cases.
4. Keeping confidential of whistleblowers identity and the content of reported cases.
5. Protecting whistleblowers from inappropriate disciplinary actions.
6. Incentive measures for whistleblowers.

When material of misconduct or material of impairment to the

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Corporation occurred during the investigation, a report shall be prepared and notified the independent directors in writing.

## Article 24 (Disciplinary and appeal system)

The Corporation shall adopt a well-defined disciplinary and appeal system.

## Article 25 (Information disclosure)

The Corporation shall disclose information of ethical corporate management and the status of implementation on corporate website, in annual reports, and during public announcement.

## Article 26 (Review and amendment of ethical corporate management policies and measures)

The Corporation shall continually monitor developments in relevant local and international regulations, concerning ethical corporate management and encourage its directors, managerial officers, and employees to make recommendations review and improve the ethical corporate management policies and measures taken

## Article 27 (Implementation)

These Principles and any amendments hereto, shall be implemented after the approval by the Board of Directors, and shall be reported to the shareholders' meeting.

# Appendix V

## **Taiwan High Speed Rail Corporation**

### **Operational Procedures for Endorsements and Guarantees**

#### 1.0 Purpose

These Operational Procedures are adopted to protect the rights and interests of the Corporation's shareholders, ensure sound financial management, and minimize operational risks with respect to endorsements and guarantees.

#### 2.0 Scope

##### a) Financing endorsements and guarantees

i) Bill discounting.

ii) Any endorsement or guarantee made to meet financing needs of another company.

iii) Issuance of any separate negotiable instrument to a non-financial enterprise as security to meet financing needs of the Corporation itself.

b) Customs duty endorsements and guarantees: any endorsement or guarantee made for the Corporation itself or another company with respect to customs duty matters.

c) Other endorsements and guarantees: any endorsement or guarantee beyond the scope of the preceding 2 paragraphs.

d) The creation of a pledge or mortgage over any chattel or real property provided by the Corporation as security for any borrowing of funds by another company shall also be subject to these Operational Procedures.

#### 3.0 Applicable documentation

a) Article 36-1 of the Securities and Exchange Act.

b) Article 3 of the Corporation's Articles of Incorporation.

c) The Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies issued by the Financial Supervisory Commission.

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- d) The Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).
- e) The Corporation's Rules Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).
- f) The Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission.

## 4.0 Definitions

### a) Net worth

Means the balance of total assets less total liabilities (i.e., shareholders' equity). Where the Corporation's financial reports are prepared according to the International Financial Reporting Standards, "net worth" means the equity attributable to owners of the parent as stated in the balance sheet prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### b) Subsidiary

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

### c) Date of occurrence

Means the earliest of the date of endorsement/guarantee, date of Board of Directors ("Board") resolution, or other date from which the entity for which the endorsement/guarantee is made and the amount of the endorsement/guarantee can be determined.

## 5.0 Authorities and responsibilities

- a) The Finance Department under the Finance Division shall be responsible for the formulation, amendment, or repeal, and triennial review of these Operational Procedures.
- b) These Operational Procedures, and any amendments hereto, shall be implemented after adoption at a shareholders' meeting.

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c) All units and personnel involved in the execution of operations related to endorsements or guarantees shall comply with the provisions of these Operational Procedures.

## 6.0 Descriptions

### 6.1 Eligible entities for which endorsements or guarantees may be made

The Corporation may make endorsements and guarantees based on its business needs. In addition to the Corporation itself, the Corporation may make endorsements or guarantees only for the following companies (“endorsed or guaranteed entities”):

a) A company with which the Corporation has a business relationship.

b) A company in which the Corporation directly and/or indirectly holds more than 50 percent of the voting shares.

c) A company that directly and/or indirectly holds more than 50 percent of the voting shares in the Corporation.

d) A company in which the Corporation jointly invests with another party.

Companies in which the Corporation directly and/or indirectly holds 90 percent or more of the voting shares may make endorsements or guarantees for each other, subject to a maximum amount of 10 percent of the Corporation’s net worth, provided that this restriction shall not apply to endorsements or guarantees made between companies in which the Corporation directly and/or indirectly holds 100 percent of the voting shares.

### 6.2 Maximum amount limits for endorsements and guarantees

6.2.1 The Corporation’s endorsements and guarantees for outside parties shall comply with the restrictions contained in a syndicated loan agreement signed between the Corporation and a group of banks.

6.2.2 The total amount of endorsements and guarantees made by the Corporation for outside parties may not exceed 25 percent of the Corporation’s current net worth, wherein the total amount of endorsements and guarantees for a single business entity may not exceed 10 percent of the Corporation’s current net worth.

The total amount of endorsements and guarantees made by the Corporation and its

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subsidiaries as a whole for outside parties may not exceed 50 percent of the Corporation's current net worth, wherein the total amount of endorsements and guarantees for a single business entity may not exceed 20 percent of the Corporation's current net worth.

The "current net worth" indicated above shall be as stated in the Corporation's latest financial statements attested by a certified public accountant (CPA).

- 6.2.3 For an endorsement or guarantee made due to a business transaction relationship, the endorsement or guarantee amount for that business transaction relationship may not exceed 50 percent of the cumulative total transaction amount of the business transacted during the last 12 months, and may not exceed 5 percent of the paid-in capital of the guaranteed company.
- 6.2.4 If the Corporation is approved by the Ministry of Transportation and Communications (MOTC) to make equity investment in another company pursuant to Article 5.3 of the Construction and Operation Agreement between the Corporation and the MOTC, when the Corporation makes an endorsement/guarantee for the investee company pursuant to the equity investment contract stipulating that all contributing shareholders shall make a joint endorsement/guarantee for the investee company, the ratio of the amount of the endorsement/guarantee made by the Corporation for the investee company to the aggregate amount of the joint endorsement/guarantee may not exceed the Corporation's percentage of shareholding in the investee company.
- 6.2.5 If the total amount of endorsements and guarantees that is set as the maximum for the Corporation and its subsidiaries as a whole reaches 50 percent or more of the Corporation's net worth, an explanation of the necessity and reasonableness thereof shall be given at a shareholders' meeting.
- 6.3 Level of decision-making and authorization
  - 6.3.1 The Corporation shall first perform the signature/approval procedures set out in 6.4 and obtain approval by resolution of the Board before it may make any endorsement or guarantee. However, to achieve time effectiveness, the Board may grant discretionary authority to the Chairman to decide on an endorsement or guarantee within a certain amount and subsequently submit the matter to the next Board meeting for retroactive recognition.



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Before making any endorsement/guarantee under Article 6.1, paragraph 2, a subsidiary in which the Corporation directly and/or indirectly holds 90 percent or more of the voting shares shall first submit the matter to the Corporation's Board for approval by resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Corporation directly and/or indirectly holds 100 percent of the voting shares.

- 6.3.2 If due to a business need the Corporation needs to make an endorsement or guarantee in excess of the maximum amount limit set out in these Operational Procedures, and if the endorsement or guarantee meets the conditions set out in these Operational Procedures, the Corporation must first obtain approval by resolution of the Board and furthermore have half or more of the Directors sign as co-sureties for any loss that the Corporation may incur as a result of the excessive endorsement/guarantee, before it may proceed with making the endorsement or guarantee. The Corporation shall also amend these Operational Procedures and submit the matter to a shareholders' meeting for retroactive recognition. If the shareholders' meeting does not approve of the matter, the Corporation shall adopt a plan to eliminate the excess portion within a given time limit.
- 6.3.3 Where the Corporation has established the position of independent Director, when it submits a matter to a Board meeting for discussion pursuant to Article 6.3.2, 6.4.2, or 6.7.4, each independent Director's explicit opinion of assent or dissent and reasons for dissent shall be recorded in the Board meeting minutes.

## 6.4 Procedures for making endorsements/guarantees

### 6.4.1 Assessment of endorsement/guarantee cases

For making an endorsement or guarantee, the Corporation shall diligently assess and review the following matters:

- a) The necessity and reasonableness of the endorsement/guarantee.
- b) Credit and risk assessment with respect to the entity for which the endorsement/guarantee will be made.
- c) Impact on the Corporation's operational risk, financial condition, and shareholders' equity.

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- d) Whether collateral shall be obtained and valuation of collateral.
- 6.4.2 Before making an endorsement/guarantee for another party, the Corporation shall diligently assess whether the endorsement/guarantee complies with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies as well as these Operational Procedures. The results of this assessment and of the assessments referred to in the preceding article, together with explanations of the reason and circumstances for eligibility, and the maximum amount, term, and conditions of the endorsement/guarantee, shall be submitted to a Board meeting for resolution or for grant of discretionary authority to the Chairman. The endorsement/guarantee may be made only after approval by the Board or authorized discretionary decision by the Chairman.
- 6.4.3 The Corporation shall establish a log book for its endorsement- and guarantee-making activities and shall record details of each endorsement/guarantee, including the endorsed/guaranteed entity, amount, date of passage by the Board or authorized discretionary decision by the Chairman, endorsement/guarantee date, and assessment results required under Article 6.4.1, in the log book for future reference. After an endorsement/guarantee is approved by the Board or decided by the Chairman, a request for use of the corporate seals shall be submitted pursuant to the procedure set out in 6.5. All relevant negotiable instruments, agreements, and other documents shall be photocopied and safely kept, and the inventory of any documents and securities deposited with a custodian shall be regularly reviewed.
- 6.4.4 The finance unit shall prepare a statement of guarantees made or canceled during each month, for the purposes of controlling and tracking the status and for public announcement and reporting. It shall also assess and recognize contingent losses for endorsements/guarantees, disclose relevant information in the Corporation's financial reports, and provide the attesting CPAs (external auditor) with relevant materials for the performance of necessary audit procedures.
- 6.4.5 When as a result of a change in circumstances an endorsed/guaranteed entity no longer meets the requirements of these Operational Procedures or the amount of the endorsement/guarantee exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to all Supervisors, and complete the corrections

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according to the plan schedule.

6.4.6 Before the end date of an endorsement/guarantee, the finance unit shall notify the guaranteed business entity to withdraw any negotiable instrument(s) deposited with the bank or creditor institution for purposes of the guarantee, and cancel all documents or instruments related to the endorsement/guarantee.

6.4.7 When the Corporation or any of its subsidiaries makes an endorsement or guarantee for a subsidiary whose net worth is lower than half of the paid-in capital, the following risk-control measures may be taken when necessary:

a) Appoint senior management personnel to participate in the operations and decision-making of the company.

b) Demand that the company regularly submit various managerial and accounting statements for audit and analysis.

c) Demand that the company's managerial officer with the highest relevant authority attend a meeting of the Corporation's Board in a non-voting capacity and give an account of the company's current operation status and financial and business conditions.

In the case of a subsidiary with shares having no par value or having a par value other than NT\$10 per share, when calculating the paid-in capital, the sum of capital stock plus capital surplus (share premium) shall be used.

6.5 Procedures for custody and use of seals

6.5.1 The Corporation shall use the corporate seals registered with the Ministry of Economic Affairs (MOEA) as the dedicated seals for making endorsements and guarantees. The seals shall be kept in the custody of a designated person, and the fixed rules of procedure shall be complied with before the seals may be used or a negotiable instrument issued. The person designated as custodian of the seals for making endorsements and guarantees, and any change therein, shall be reported to the Board for approval.

6.5.2 The seal custodian may affix the seals for the purpose of making an endorsement or guarantee only after the endorsement or guarantee has been approved by resolution of

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the Board or by authorized discretionary decision of the Chairman and the documents requiring the affixing of seals, including the aforesaid approval record, the endorsement/guarantee contract or the negotiable instrument(s) used for purposes of the guarantee, and a seal request form, have been reviewed and approved by the chief financial officer.

6.5.3 Before affixing the corporate seals, the seal custodian shall first check the approval record.

6.5.4 When making a guarantee for a foreign company, the letter of guarantee to be issued by the Corporation shall be signed by a person authorized by the Board.

6.6 Public announcement and reporting procedures

6.6.1 The Corporation shall publicly announce and report the previous month's balance of endorsements and guarantees made by the Corporation and its subsidiaries by the 10th day of each month.

6.6.2 If the Corporation's balance of endorsements and guarantees reaches one of the following levels, it shall publicly announce and report the event within 2 days from the date of occurrence:

a) The balance of endorsements and guarantees made by the Corporation and its subsidiaries reaches 50 percent or more of the Corporation's net worth as stated in its latest financial statements.

b) The balance of endorsements and guarantees made by the Corporation and its subsidiaries for a single business entity reaches 20 percent or more of the Corporation's net worth as stated in its latest financial statements.

c) The balance of endorsements and guarantees made by the Corporation and its subsidiaries for a single business entity reaches NT\$10 million or more and also the total balance of all endorsements and guarantees for, long-term investments in, and loans of funds to, that business entity reaches 30 percent or more of the Corporation's net worth as stated in its latest financial statements.

d) The amount of any new additional endorsements/guarantees made by the Corporation or any of its subsidiaries reaches NT\$30 million or more and also

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reaches 5 percent or more of the Corporation's net worth as stated in its latest financial statements.

The Corporation shall publicly announce and report on behalf of any of its subsidiaries that is not a domestic public company any matter that such subsidiary is required to publicly announce and report under subparagraph d).

6.6.3 Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable competent authority requirements and the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).

## 6.7 Supplementary provisions

6.7.1 The operational procedures of the Corporation's subsidiaries for making endorsements and guarantees for outside parties shall comply with the provisions of the Corporation. A subsidiary that is not a public company shall, by the 5th day of each month, report relevant endorsement/guarantee information to the Corporation including the amount, entity, and term, provided that if the endorsements and guarantees made by the subsidiary reach any one of the levels set out in 6.6.2, it shall immediately notify the Corporation so that the Corporation can duly proceed with public announcement and reporting.

### 6.7.2 Internal audit

The internal audit personnel shall at least quarterly audit the operational procedures for making endorsements and guarantees and the execution thereof, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to all Supervisors.

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

6.7.4 After passage by the Board, these Operational Procedures shall be sent to all Supervisors and submitted to a shareholders' meeting for approval. When a Director

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expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the Director's dissenting opinion to all Supervisors and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.

6.7.5 If the Corporation has established the position of independent Director, when these Operational Procedures are submitted to and discussed at a Board meeting pursuant to the preceding subparagraph, the opinions of each independent Director shall be given full consideration, and each independent Director's explicit opinion of assent or dissent and reasons for dissent shall be recorded in the Board meeting minutes.

6.7.6 If the Corporation has set up an audit committee in accordance with the Securities and Exchange Act, all powers of Supervisors described in these Operational Procedures shall be exercised by the audit committee in accordance with law.

## 7.0 Records

a) Shareholders' meeting minutes (retention period: permanently)

b) Board meeting minutes (retention period: permanently)

c) Internal request and approval documents (retention period: permanently)

d) Case assessment reports for endorsements/guarantees (retention period: permanently)

e) Seal request forms (retention period: as provided in the Rules Governing Official Documents and Files)

f) Log book for endorsements/guarantees (retention period: permanently)

g) Reporting lists of public announcements and reporting over the Market Observation Post System (retention period: as provided in the Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System)

h) Audit reports (retention period: as provided in the Internal Audit Standards)

## 8.0 Attachments

None

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## **Taiwan High Speed Rail Corporation**

### **Operational Procedures for Loaning Funds to Others**

#### 1.0 Purpose

These Operational Procedures are adopted to regulate the Corporation's loaning of funds to others.

#### 2.0 Scope

The meaning of "loaning funds to others" as used in these Operational Procedures shall be determined in accordance with Article 15 of the Company Act. For any loaning of funds in connection with business transactions or necessity of a short-term financing facility between the Corporation and another company or firm, the following criteria must be met:

- a) The loan arises from a business need.
- b) The Corporation and/or its related business entity(ies) have direct investment in the company or firm accounting for an equity percentage of 50 percent or more or have direct control over the operations of the company or firm.
- c) The loan must be approved by resolution of the Board of Directors ("Board") and within a maximum amount approved and adopted at a shareholders' meeting.
- d) The loan must comply with restrictions as set out in a syndicated loan agreement signed by the Corporation.

#### 3.0 Applicable documentation

- a) Article 36-1 of the Securities and Exchange Act.
- b) The Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies issued by the Financial Supervisory Commission.
- c) The Corporation's Rules Governing Securities (THSRC-BE2-000-008).
- d) The Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).

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- e) The Corporation's Rules Governing Rewards and Disciplinary Action (THSRC-BA2-000-003).
- f) The Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission.

## 4.0 Definitions

### a) Short-term

Means the period of 1 year or 1 operating cycle, whichever is longer.

### b) Net worth

Means the balance of total assets less total liabilities (i.e., shareholders' equity). Where the Corporation's financial reports are prepared according to the International Financial Reporting Standards, "net worth" means the equity attributable to owners of the parent as stated in the balance sheet prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### c) Date of occurrence

Means the earliest of the date of loan disbursement, date of Board resolution, date of contract, or other date from which the entity ("recipient") to which the loan is made and the amount of the loan can be determined.

### d) Subsidiary

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

## 5.0 Authorities and responsibilities

- a) The Finance Department under the Finance Division shall be responsible for the formulation, amendment, or repeal, and triennial review of these Operational Procedures.
- b) These Operational Procedures, and any amendments hereto, shall be implemented after adoption at a shareholders' meeting.



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- c) All units and personnel involved in the execution of operations related to loaning of funds to others shall comply with the provisions of these Operational Procedures.

## 6.0 Descriptions

### 6.1 General provisions

#### 6.1.1 Maximum amount limits for the Corporation's loaning of funds to others

- a) The total amount of the Corporation's loaning of funds to others ("total loanable funds") may not exceed 10 percent of the Corporation's net worth, wherein the percentage of 10 percent shall be calculated based on cumulative loan amounts.
- b) The total amount of the Corporation's loaning of funds to a single recipient shall be subject to the following limits, wherein the Corporation's current net worth shall be as stated in its latest financial statements attested by a certified public accountant (CPA):
  - i) For loaning funds to others with which the Corporation transacts business, the total amount loaned to a single recipient may not exceed 20 percent of the Corporation's total loanable funds.
  - ii) For loaning funds to others due to a short-term financing necessity, the total amount loaned to a single recipient may not exceed 20 percent of the Corporation's total loanable funds.

Loans of funds may be made between overseas companies in which the Corporation directly and/or indirectly holds 100 percent of the voting shares. Unless otherwise provided by law or regulation, such loans are also subject to the maximum loan amount limits set out in the preceding paragraph and applicable maximum loan term limits set out in these Operational Procedures.

#### 6.1.2 Within the maximum amount authorized at a shareholders' meeting, and subject to approval by resolution of the Board, the Corporation may loan funds to others as specified below:

- a) A company or firm with which the Corporation transacts business.
- b) A company or firm to which it is necessary for the Corporation to grant a short-term financing facility.

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The assessment standards for the Corporation's loaning of funds to others shall be subject to the Corporation's applicable rules.

Unless otherwise provided by law or regulation, all matters relating to the Corporation's loaning of funds to others shall be handled in accordance with these Operational Procedures.

6.1.3 The Corporation's loaning of funds to others shall be subject to a maximum loan term of 2 years, provided that an extension may be made if an actual need arises and upon approval by resolution of the Board before the expiration of the original term.

6.1.4 The Corporation may not loan funds at an interest rate below the Corporation's capital cost rate. In principle, interest shall accrue on a daily basis and be paid once every month. The Corporation shall notify a borrower to pay interest within 1 week from the stated interest payment date.

6.1.5 The Corporation shall establish a log book for its funds loaning activities and shall record the itemized details of each loan, including the recipient, amount, date of passage by the Board, loan date, and the prudent assessment results required under 6.2, in the log book for future reference.

6.1.6 When as a result of a change in circumstances a loan recipient no longer meets the requirements of these Operational Procedures or the loan balance exceeds the maximum limit, the Corporation shall adopt a corrective plan, submit the plan to all Supervisors, and complete the corrections according to the plan schedule.

6.1.7 The assessment standards for the Corporation's loaning of funds to others shall be as follows:

a) For loaning funds to others with which the Corporation transacts business:

The total amount loaned to a single recipient may not exceed the amount of business transacted between the two parties. The "amount of business transacted" means the amount of purchases of goods or sales of goods between the two parties, whichever is higher.

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b) For loaning funds to others due to a short-term financing necessity, the reason and necessity shall be limited to the following:

i) It is necessary for the Corporation, due to a business need, to grant a short-term financing facility to a company in which the Corporation holds 50 percent or more of the shares.

ii) Any other loan of funds as approved by the Corporation's Board.

## 6.2 Assessment of loan cases

6.2.1 For loaning of funds to others, the Corporation shall satisfy the requirements of 6.1.1 and also prudently assess and review the following matters:

a) The necessity and reasonableness of the loan.

b) The borrower's scope of business, financial condition, repayment ability, credit status, profitability, loan purpose, company outlook, etc.

c) Impact on the Corporation's operational risk, financial condition, and shareholders' equity.

d) Whether collateral shall be obtained and valuation of the collateral.

The Corporation shall also prepare an assessment report based on the review results, stating the reason for and circumstances of loan eligibility and the maximum amount, term, and conditions of the loan, and submit the assessment report to the Board for passage by resolution. The funds may be disbursed only after approval by the Board.

For loaning of funds between the Corporation and any of its subsidiaries or between any of the Corporation's subsidiaries, the Chairman of the Board may be authorized to disburse loaned funds to a single recipient in installments or provide a revolving credit line available for a single recipient to draw down, subject to a certain amount approved by the Board and within a period of no more than 1 year.

6.2.2 The opinions of each Independent Director shall be given full consideration in matters related to the Corporation's loaning of funds to others, and each Independent Director's reason for assent or dissent shall be recorded in the Board meeting minutes.

## 6.3 Creation of security interests

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If collateral is required for a loan case, the borrower shall provide the collateral and complete the pledge or mortgage creation procedure to secure the Corporation's rights as a creditor. The provided collateral, except for land and securities, shall be insured by fire and other relevant insurance, for an amount, in principle, of not less than the value of the collateral. Each insurance policy shall name the Corporation as the beneficiary of the policy. The description, quantity, storage place, insurance terms and conditions, insurance endorsements, and other relevant matters with respect to the insured subject matter as stated in the policy shall correspond to the original terms and conditions on which the Corporation grants the loan. The person handling the loan case shall keep track of when the insurance period expires and before expiration shall notify the borrower to renew the policy.

## 6.4 Disbursement of funds

The funds may be disbursed for a loan case only after the loan has been approved and the borrower has signed a contract and delivered the corresponding negotiable instrument (or instrument for repayment by installment) or completed registration of the mortgage (or pledge) of the collateral, and all of the procedures have been checked and found to be correctly performed.

## 6.5 Maintenance of creditor's rights

After a loan has been disbursed, the financial, business, and credit conditions of the borrower and the guarantor shall be monitored on a regular ongoing basis. If collateral has been provided, it shall be monitored for any changes in the collateral value. By 2 months before the loan term expires, the Corporation shall notify the borrower to repay the principal and interest or extend the loan term before or at expiration. If repayment or extension is not made by the due date, the Corporation shall immediately investigate the reason and, according to the type of collateral provided, formulate a plan to address the issue, submit the plan to the Chairman for approval/decision, and on that basis make the corresponding disposition with respect to the creditor's rights, so as to safeguard the Corporation's rights and interests. The Corporation shall also submit the matter to the next Board meeting for retroactive recognition.

## 6.6 Custody of collateral

### 6.6.1 If the loan collateral provided by a borrower is securities, the provided securities

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collateral shall be handled in accordance with the Corporation's Rules Governing Securities (THSRC-BE2-000-008).

6.6.2 If the loan collateral provided by a borrower is not securities, the borrower shall be solely responsible for keeping custody of the collateral; nevertheless, the borrower shall still provide a collateral certificate as evidence, to be kept in custody in accordance with the preceding paragraph by mutatis mutandis application.

6.7 Public announcement and reporting procedures

6.7.1 The Corporation shall publicly announce and report the previous month's balance of loans of funds made by the Corporation and its subsidiaries by the 10th day of each month.

6.7.2 If the Corporation's balance of loans of funds reaches one of the following levels, it shall publicly announce and report the event within 2 days from the date of occurrence:

a) The balance of loans of funds made by the Corporation and its subsidiaries to others reaches 20 percent or more of the Corporation's net worth as stated in its latest financial statements.

b) The balance of loans of funds made by the Corporation and its subsidiaries to a single business entity reaches 10 percent or more of the Corporation's net worth as stated in its latest financial statements.

c) The amount of any new additional loans of funds made by the Corporation or any of its subsidiaries reaches NT\$10 million or more and also reaches 2 percent or more of the Corporation's net worth as stated in its latest financial statements.

The Corporation shall publicly announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to publicly announce and report under subparagraph c) of the preceding paragraph.

6.7.3 Any public announcement or reporting required above or otherwise by applicable provisions shall be handled in a timely manner in accordance with applicable

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requirements of the competent authority and the Corporation's Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System (THSRC-BQ2-000-001).

## 6.8 Supplementary provisions

6.8.1 All matters not covered by these Operational Procedures shall be handled in accordance with other applicable rules.

6.8.2 The operational procedures of the Corporation's subsidiaries for loaning funds to others shall comply with the provisions of the Corporation. A subsidiary that is not a public company shall, by the 5th day of each month, report relevant loan information to the Corporation including the amount, recipient, and term, provided that if one of the levels set out in 6.7.2 is reached by the subsidiary, it shall immediately notify the Corporation so that the Corporation can duly proceed with public announcement and reporting.

## 6.8.3 Internal audit

The internal audit personnel shall at least quarterly audit the operational procedures for loaning funds and the execution of the operations, and prepare written records accordingly. If any material violation is found, it shall immediately be reported in writing to all Supervisors.

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

6.8.5 The accounting unit shall evaluate the status of loans of funds and set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in the Corporation's financial reports and provide the attesting CPAs (external auditor) with relevant materials for the performance of necessary audit procedures.

# Appendix VI

- 6.8.6 After passage by the Board, these Operational Procedures shall be sent to all Supervisors and submitted to a shareholders' meeting for approval. When a Director expresses dissent and such dissent is on record or in a written statement, the Corporation shall forward the materials containing the Director's dissent to all Supervisors and submit the matter to the shareholders' meeting for discussion. The same procedures shall also apply to any amendments to these Operational Procedures.
- 6.8.7 When these Operational Procedures are submitted to and discussed at a Board meeting pursuant to the preceding article, the opinions of each Director shall be given full consideration. If the Corporation has established the position of Independent Director, each Independent Director's explicit opinion of assent or dissent and reasons for objection shall be recorded in the Board meeting minutes.
- 6.8.8 If the Corporation has set up an Audit Committee in accordance with the Securities and Exchange Act, all powers of Supervisors described in these Operational Procedures shall be exercised by the Audit Committee in accordance with law.
- 7.0 Records
- a) Shareholders' meeting minutes (retention period: permanently)
  - b) Board meeting minutes (retention period: permanently)
  - c) Internal request and approval documents (retention period: permanently)
  - d) Case assessment reports for loaning of funds to others (retention period: permanently)
  - e) Seal request forms (retention period: as provided in the Rules Governing Official Documents and Files)
  - f) Loan contracts (retention period: permanently)
  - g) Mortgage creation contracts (retention period: during the loan term)
  - h) Certificates of encumbrance (retention period: during the loan term)

# Appendix VI

- i) Insurance policies (retention period: during the loan term)
- j) Securities (retention period: during the loan term)
- k) Creation-of-pledge notices (retention period: during the loan term)
- l) Release-of-pledge notices (retention period: during the loan term)
- m) Promissory notes (retention period: during the loan term)
- n) Log book for loaning of funds to others (retention period: permanently)
- o) Securities deposit slips (retention period: as provided in the Rules Governing Securities)
- p) Securities withdrawal slips (retention period: as provided in the Rules Governing Securities)
- q) Reporting lists of public announcements and reporting over the Market Observation Post System (retention period: as provided in the Directions for the Handling of Public Announcements and Reporting over the Market Observation Post System)
- r) Audit reports (retention period: as provided in the Internal Audit Standards)

## 8.0 Attachments

None



# Appendix VII

Taiwan High Speed Rail Corporation Shareholding of All Directors		
All directors	Minimum required shareholding (number of common shares)	Shareholding as of March 23, 2020 (number of common shares)
Director	120,000,000	3,468,526,178
Title	Name	Shareholding as of March 23, 2020 (number of common shares)
Director	China Aviation Development Foundation	260,040,000
	Representative: Yao-Chung Chiang	
Director	China Aviation Development Foundation	260,040,000
	Representative: Huang-Liang Tsai	
Director	Ministry of Transportation and Communications, R.O.C.	2,420,000,000
	Representative: Min-Ching Liu	
Director	TECO Electric & Machinery Co., Ltd.	190,060,578
	Representative: Mao-Hsiung Huang	
Director	Taipei Fubon Commercial Bank Co., Ltd.	20,277,600
	Representative: Kuo-Chih Liu	
Director	China Steel Corporation	242,148,000
	Representative: Shyi-Chin Wang	
Director	Discharged from office	—
Director	Taiwan Sugar Corporation	200,000,000
	Representative: Tao-I Kwan	
Director	Management Committee of National Development Fund, Executive Yuan	120,000,000
	Representative: Shien-Quey Kao	
Director	Evergreen Steel Corporation	16,000,000
	Representative: Lee-Ching Ko	
Independent Director	Kung-Wha Ding	—
Independent Director	Kenneth Huang-Chuan Chiu	—
Independent Director	David Da-Wei Poo	—
Shares held by all directors		3,468,526,178

