



## Charter of the Audit Committee

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

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# Taiwan High Speed Rail Corporation

## Charter of the Audit Committee

### Article 1 Basis for Adoption

To ensure the soundness of the Corporation's governance system and strengthen the ability of the Board of Directors ("Board") to provide fair presentation of financial statements, appoint (dismiss) and assess the independence and performance of certified public accountants (CPAs), effectively implement internal controls, ensure compliance with relevant laws and regulations, and offer professional supervision of risk management, this Charter (hereinafter referred to as "Charter") of the Audit Committee (hereinafter referred to as "Committee") is adopted pursuant to Article 14-4 of the Securities and Exchange Act, Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, Article 27 of the Corporation's Articles of Incorporation, and Article 5-3-04 of the Corporation's Guidelines for Corporate Governance.

### Article 2 Scope of Application

Matters concerning Committee composition, member numbers, term of office, powers, rules of procedure for meetings, and resources to be provided by the Corporation when the Committee implements its duties shall be handled in accordance with this Charter, except where otherwise provided by laws and regulations or the Corporation's Articles of Incorporation and Guidelines for Corporate Governance.

### Article 3 Main Committee Tasks

Committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed below; they shall be accountable to the Board and shall submit their proposals to be resolved by the Board.

1. Adopt or amend the internal control systems pursuant to Article 14-1 of the Securities and Exchange Act.
2. Evaluate the effectiveness of the Corporation's internal control system.
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.
4. Review matters that may involve the personal interest of directors.
5. Review material asset and derivatives transactions.
6. Review material monetary loans or endorsement, or provision of guarantees.
7. Review the public offering, issuance, or private placement of equity-type securities.
8. Evaluate the appointment, dismissal, or compensation of attesting CPAs.
9. Evaluate the appointment and dismissal of the Corporation's chief financial officer, chief accountant, or chief internal auditor.
10. Review annual and semi-annual financial reports.
11. Review financial reports for the first and third quarters.
12. Review the Corporation's accounting system and financial condition.
13. Evaluate the Corporation's risk management policies and risk measurement standards.
14. Review the procedures for material financial and operational acts.

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15. Evaluate, examine, and monitor any existing or potential risks to the Corporation.
16. Examine the Corporation's compliance with laws, regulations and rules.
17. Review the Corporation's capital, financing, and credit plans.
18. Assess the Corporation's tax planning and compliance with tax laws and regulations.
19. Other major matters as required by the competent authority.
20. Other duties as required by the Corporation's Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.

The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee, and shall be submitted to the Board for a resolution.

Any matter in Paragraph 1, with the exception of Subparagraph 10, that has not been approved by one half or more of the entire membership of this Committee may be adopted with the approval of two-thirds or more of the entire Board.

Powers conferred by the Securities and Exchange Act, the Company Act, and any other law to be exercised by supervisors, excepting those set forth in Paragraph 4 of Article 14-4 of the Securities and Exchange Act, shall be exercised by this Committee.

The provisions of Paragraph 4, Article 14-4 of the Securities and Exchange Act, in regard to the Company Act as concerns the actions of supervisors or their role as representatives of a company, apply mutatis mutandis to the independent director members of the Committee.

**Article 4 Committee Structure**

The Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, at least one of whom shall have accounting or financial expertise.

The operations of the Committee and appointment and changes in Committee members shall be publicly announced and filed on the websites for information disclosure designated by the authorities within the time limits set by related laws and regulations.

**Article 5 Term of Office for Committee Members**

The term of Committee members (independent directors) shall be the same as that of the board by whom they were appointed.

When a member of the Committee is dismissed for any reason, resulting in there being fewer than the number of members stated in the previous article, the vacancies shall be filled by election at the next shareholders' meeting. When all members of the Committee are dismissed, the Corporation shall call a special shareholders meeting to elect new Committee members within 60 days.

**Article 6 Convener**

The Committee shall call one member selected by the members from among themselves to serve as convener for the purposes of overseeing meeting matters.

Committee meetings shall be called by the convener, who shall serve as the meeting chair. When the Committee convener is dismissed for any reason, the Committee shall immediately select another convener according to the procedures stipulated in the preceding paragraph, and shall submit the results to the Board.

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The convener of this Committee shall represent the Committee to the public.

When the convener is on leave or for any reason unable to exercise the powers of chairperson, the convener shall appoint an acting meeting chair in writing. If no such designation is made, Committee members shall select a member from among themselves to serve as acting meeting chair.

**Article 7 Meeting Procedures**

The designated unit responsible for handling Committee meeting affairs shall be the Secretariat Division of the Board of Directors (hereinafter abbreviated as the Secretariat Division).

The Committee shall convene at least once quarterly. Matters relating to meeting convening, attendance, resolutions, and records shall adhere to the Corporation's Rules of Procedure for Board of Directors Meetings, except where otherwise provided by Board or Committee resolutions or this Charter.

A Committee member shall explain the material aspects of the interest he or she has when he or she or related persons are an interested party with respect to a given agenda item. When such a relationship is likely to prejudice the interests of the Corporation, said member shall not attend the discussion and voting and shall recuse himself or herself therefrom. Also, they shall not exercise the voting right for and on behalf of another Committee member.

The Secretariat Division shall stay abreast of any matters presenting conflicts of interest for Committee members, and shall remind them of such.

Resolutions at meetings of the Committee shall be adopted with the approval of one half or more of the entire membership. When a matter comes to a vote at a Committee meeting, if upon inquiry by the meeting chair no member voices an objection, the matter will be deemed approved, with the same effect as approval by vote. The result of a vote shall be made known immediately and recorded in writing.

The term "entire membership", as used herein, shall be counted as the number of Committee members actually in office at the given time.

When the Committee convener or Committee members are unable to exercise their duties due to absence, recusal, or other reasons, resulting in failure to convene a meeting or inability to reach a resolution under the stipulations of the preceding paragraph, the Corporation Chairperson shall adopt the following response measures based on suggestions provided by the Committee convener or Committee members:

1. Submit the matter under review to the Board.
2. Invite Committee members to provide individually or jointly prepared written recommendations for submission to the Board.

The Committee may request the managers of relevant departments, internal audit officers, CPAs, attorneys, or other personnel of the Corporation to attend the meeting as non-voting participants and provide pertinent and necessary information, provided that they shall leave the meeting when deliberation or voting takes place.

If for a legitimate reason it is impossible to hold a meeting of the Committee, matters on the meeting agenda shall be adopted with the consent of two-thirds or more of the entire Board. Nevertheless, a written opinion indicating approval or disapproval shall be obtained from each independent director member with respect to the matters under

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Subparagraph 10, Paragraph 1 of Article 3 of this Charter.

**Article 8 Meeting Minutes**

Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:

1. The session, time, and place of the meeting.
2. The name of the meeting chair.
3. Attendance by Committee members, including the names and the number of members present, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: For each proposal, the method of resolution and the result; a summary of the comments of the Committee members and experts and other persons present at the meeting; name of Committee members who are interested parties as referred to in Paragraph 3 of Article 7, explanation of the material aspects of the interest held by the Committee member, the reason why said member should or should not recuse himself or herself, and recusal status; and any objections or reservations expressed.
8. Extraordinary motions: The name of the mover; the method of resolution and the result; a summary of the comments of any Committee member, expert, or other persons; the name of any Committee member that is an interested party as referred to in Paragraph 3 of Article 7, explanation of the material aspects of the interest held by the Committee member, the reason why said member should or should not recuse himself or herself, and recusal status; and any objections or reservations expressed.
9. Other matters required to be recorded.

If Committee members express objections or reservations on the record or by written statement regarding Committee resolutions, said opinions shall be recorded in the meeting minutes of the Committee, and shall be publicly announced and filed on the websites for information disclosure designated by the authorities within the time limits set by related laws and regulations.

Matters that should have been submitted to the Committee for review but were not submitted, and matters that were not approved by the Committee but were approved by more than two-thirds of all board directors, shall be recorded in the minutes of the relevant board meeting, and shall be publicly announced and filed on the websites for information disclosure designated by the authorities within the time limits set by related laws and regulations.

The Committee attendance book constitutes part of the minutes for each meeting, and the same shall be applied mutatis mutandis to video and audio recordings of Committee meetings if said meetings were convened via videoconferencing; these shall be properly kept for the duration of the existence of the Corporation.

The minutes of a Committee meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each Committee member within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation. The meeting minutes may be produced and distributed in electronic form.

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Any and all meetings of the Audit Committee shall be audio-recorded or videotaped from beginning to adjournment of the meeting as evidence and the files shall be kept for at least 5 years.

The files may be stored in electronic form.

If any litigation arises with respect to a resolution of a Committee meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

**Article 9 Annual Work Plans and Implementation Items of this Committee**

The Committee convener shall confer with the Corporation Chairperson and the convener of the Corporate Governance & Nominating Committee prior to the start of the year, and results of said conference shall be submitted to the Secretariat Division for scheduling of annual working plans for this Committee.

The annual work plans referred to in the preceding paragraph shall be submitted to the Board for approval, upon which the Secretariat Division shall notify all Committee members and other required non-voting participants to schedule all necessary attendances in advance.

The execution of tasks relating to resolutions adopted by the Committee may be delegated to the convener or other Committee members for follow-up, with a written report to be presented to this Committee during the implementation period. When necessary, the matter shall be presented for ratification or reported at the next meeting of this Committee.

All matters not covered by this Charter shall be handled in accordance with relevant laws and regulations or other Corporation bylaws.

**Article 10 Resources Provided by the Corporation for Implementation of Committee Duties**

The Committee may retain the services of an attorney, CPAs, or other professionals to provide advice with respect to matters conducive to implementation of Committee tasks. The costs of these services shall be borne by the Corporation.

**Article 11 Management Reports for Newly Appointed Members and Training Duty of Members**

Management shall provide detailed presentations or written materials explaining the duties of this Committee to newly appointed Committee members. Said materials shall include explanation of Committee structure, personnel, regulations relating to operational procedures, current operational status, risk management, internal controls, and legal and ethical compliance.

Committee members shall participate in annual training plans designated by the Committee convener. Types of training may include but are not limited to internal or external presentations, seminars, or lectures, which shall encompass Committee duties, accounting principles, auditing guidelines, risk management, internal control systems, and legal and ethical compliance mechanisms.

**Article 12 Duty of Management to Provide Information**

Management shall proactively provide necessary and sufficient information to the Committee under any of the following circumstances:

1. Provision of annual work plans as stipulated by Article 9 of this Charter.
2. Where necessary for meeting proposals put forth by management.
3. Where necessary due to sudden major events relating to Committee duties.

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4. Where necessary due to updates made to information previously provided to the Committee.

The Committee may, via the Secretariat Division, require management to provide necessary and sufficient information conducive to the implementation of Committee tasks, and may confer with related personnel to better understand the operations of the Corporation.

Except where disclosure is required by law and regulations or Corporation bylaws, Committee members, non-voting participants, and other personnel participating in review tasks shall bear a duty of confidentiality toward the information obtained as a result of participation in meeting proceedings or deliberations.

**Article 13 Duty of Due Diligence and Care by Management and the Trust in Good Faith by the Committees**

When management prepares any proposal that is to be submitted to the Committee, it shall, based on objective and professional due diligence and care and subjective good faith conviction and after thorough and prudent evaluation, submit concrete and specific recommendations, and specify the method and basis of the evaluation, the reasons for the recommendations, and other matters meriting attention. If the content of a proposal involves any economic interests connected with major shareholders, directors, managerial officers, or departmental employees, or the family members of any of the above, or any other stakeholders, the specifics thereof shall be stated along with the proposal.

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

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

When reviewing management proposals in accordance with the procedures of this Charter, the Committee shall adopt an attitude of trust in good faith toward the professional insights of management and the authenticity and comprehensiveness of their evaluations, judgment, and information provided. The scope of the Committee’s review responsibilities shall be limited to the proposals and recommendations submitted by management and materials provided for perusal.

**Article 14 Adoption and Amendment of this Charter**

This Charter, and any amendments hereto, shall be drafted by the Committee; shall take effect following approval by the Corporate Governance & Nominating Committee and the Board; and shall be publicly announced and filed on the websites for information



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disclosure designated by the authorities within the time limits set by related laws and regulations.