

2020
ANNUAL
REPORT



THSRC Milestones

Date of Incorporation: **May 1998**

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

Operation Stage: **Started in January 2007**

Capitalization: **NT\$56.28 billion**

Key Operating Statistics for 2020

Number of Train Services: **53,076**

Punctuality (defined as arrival within five minutes of scheduled time): **99.71%**

Annual Ridership: **57.24 million passengers**

Annual Revenues: **NT\$39.14 billion**

Loading Factor: **56.94%**

Passenger Kilometers: **9,912 million km**

Total Route Length: **350 km**

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

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

Number of Seats Per Train: **989** (923 in standard and 66 in business class carriages)

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

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

Note:

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

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

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



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Letter to Shareholders





Chairman

Y. C. Chiang

Business Report and Future Prospects

Taiwan High Speed Rail Corporation (THSRC) has been in commercial operation since 2007. Over the years, HSR has become the transportation backbone of Taiwan's western corridor. Passenger volumes have continued to increase year over year, but total ridership decreased in 2020 due to the impacts of the COVID-19 pandemic. Shortly after the outbreak of the global pandemic and tightening of domestic border controls, we implemented various preventive measures to ensure the safety and well-being of our customers and employees during this extraordinary period.

We continue to deliver on our commitment to provide excellent service, comfortable travel, and customer satisfaction, adhering to the principle of "To be the platform for advancement and enjoyment" for every action we take.

1. Business Report for 2020

(1) Operational Performance

1) Rail Operations

In 2020, THSRC celebrated its 14th year of operations. Due to the COVID-19 pandemic, a total of 53,076 train services were provided during the course of the year, a decrease of 651 train services compared to 53,727 trains in 2019. Daily maximum train services reached 166 north- and south-bound trains and this number was increased to 210 train services per day during consecutive holidays to successfully fulfill passengers' needs. Our loading factor was 56.94% (down by 11.09% compared to 68.03% in 2019) and passenger volume decreased to 57.24 million, down by 10.17 million (15.09%) compared to 67.41 million in 2019. Our total passenger-kilometers were 9,912 million km, down by 17.36% compared to 11,994 million km in 2019. Average daily ridership was 156 thousand passengers, a decrease of 29 thousand passengers compared to 185 thousand passengers in 2019.



President

In terms of operational safety, no accidents or injuries occurred in 2020. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.71%, higher than our target of 99.50%, and our average reliability rate (excluding delays due to force majeure) was 100%, exceeding our target of 99.60%.

Operational Statistics

Indicators	2019	2020	Change
1.Train Services	53,727	53,076	-1.21%
2.Ridership (in millions)	6,741	5,724	-15.09%
3.Seat-Kilometers (in millions)	17,630	17,407	-1.26%
4.Passenger-Kilometers (in millions)	11,994	9,912	-17.36%
5.Punctuality Rate (as % of trains arriving within five minutes of scheduled time)	99.88%	99.71%	-0.17%
6.Loading Factor (Passenger-km/Seat-km)	68.03%	56.94%	-11.09%

2) Marketing and Passenger Services

Products, services, and activities launched in 2020:

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

- (a) Required passengers to wear masks and measure body temperatures at HSR stations.
- (b) Enhanced cleaning and disinfection measures on trains and at HSR stations.

- (c) Implemented "Social Distancing Seating" measures for ticket bookings and seat allocations.
 - (d) Adjusted train schedules in response to the pandemic and required seat reservations for all holiday train runs to reduce risk of infection.
 - (e) Adjusted regulations regarding eating and drinking on trains according to epidemic conditions and required passengers to wear face masks at all times, except when eating or drinking in train compartments.
- B. In response to the government's anti-epidemic campaigns, THSRC launched a series of promotions based on diverse needs to satisfy different customer segments, e.g. free coupon with T Holiday package, 40% discount on hotel packages, 35% discount on travel packages, 35% discount on period tickets, and discounts for college students, to increase ridership and achieve revenue targets.
- C. Introduced Artificial Intelligent Customer Service (AICS) to provide passengers with a faster and more direct communication channel.
- D. Added CCTV surveillance systems and luggage placement areas in train compartments to ensure travel safety and quality.
- E. Installed new Passenger Information Display System (PIDS) at Banqiao, Taoyuan, and Hsinchu HSR stations to provide passengers with better information. The remaining original eight HSR stations will gradually be upgraded with the new system.
- F. Installed new elevators at Taoyuan HSR station to improve service quality, and a new elevator at Banqiao HSR station is scheduled to commence operations in 2021.

(2) Budget Implementation

In 2020, our estimated operating revenue was NT\$48.03 billion, but actual operating revenue was NT\$39.14 billion due to the impact of the COVID-19 pandemic. Our budget achievement rate was 81.5% and our actual net income was NT\$5.84 billion.

(3) Revenue, Expenditure, and Profitability Analysis

In 2020, our revenue was NT\$39.14 billion and income before tax was NT\$5.42 billion, down by 17.6% and 30.3% compared to 2019 due to the impact of COVID-19 pandemic. Net income reached NT\$5.84 billion due to the recognition of income tax benefits.

While the global pandemic in 2020 had its effects on daily life in Taiwan, normalcy resumed during the second half of the year after the domestic epidemic was properly controlled, and THSRC ridership and revenue has steadily increased since June 2020. Apart from maintaining punctuality and service quality, THSRC also continues to provide passengers with heartwarming and safe travel experiences while working to minimizing pandemic impacts on operations.

Financial Data

Unit: NT\$ in billions

Indicators	2019	2020
Operating Revenue	47.51	39.14
Gross Profit	21.74	13.04
Operating Income	20.51	11.81
Income Before Income Tax	7.78	5.42
Income Tax Benefit	0.23	0.42
Net Income	8.01	5.84

(4) Research and Development

Main research and development activities in 2020 were as follows:

1) Civil Facilities:

- A. Establishment of artificial intelligence drone service platform for HSR viaduct inspections.
- B. Relevant research on seismic displacement after damper was placed on viaducts in the Tainan section.

2) Signaling and Communications:

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

3) Rolling Stock:

- A. Addition of CCTV surveillance system and luggage placement area in train compartments.
- B. Establishment of bogie running surveillance test system.

4) Information Technology:

- A. Development of Crew Utilization Plan System (CUPS).
- B. Implementation of Artificial Intelligent Customer Service (AICS).
- C. Replacement of L2 Switch for the station payment flow network Electronic Data Capture (EDC) system.
- D. Optimized software architecture of Ticket Window Equipment.

5) Localization of Maintenance Materials and Equipment:

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

A. Signaling and Communication

Mistake-proofing aluminum sheet for relay.

B. Rolling Stock

- (a) Cooling fins for converter of the train air conditioning system.
- (b) Vending machines on trains.
- (c) Lavatory water heater system.
- (d) Internal/external Passenger Information Display.

C. Track and Power Systems

- (a) Automatic vibration measurement system for rolling stock.
- (b) Substation B&C battery.
- (c) 8R-N base plates & supplementary materials (including SMC-N insulated baseplate pad).

6) Electronic Service Center:

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

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

- A. Intelligent rail scooter (phase 2).
- B. Rail lubricator instrument.
- C. Analysis of aging OCS composite insulator and polluted mainline area.
- D. Alternative wayside direct line telephone PCB.

- E. Test system for tachogenerator motor of rolling stock.
- F. Diesel locomotive.
- G. Test system for lightning arrester of rolling stock.

2. Business Plan for 2021

(1) Management Guidelines

With 2021 filled with uncertainties due to the ongoing COVID-19 pandemic, we plan to integrate innovative technology and applications that increase operational and management efficiency to ensure our service quality. In addition, we also plan to increase train services during off-peak hours, improve convenience of ticketing services, and strengthen digital customer services to enhance revenue management.

We will continue to offer a series of promotions in accordance with policies set in 2020 and in response to border controls, collaborating with other industries to supply domestic travel packages that ensure our operational performance.

(2) Expected Sales Volumes

Due to steady domestic economic growth following the pandemic, increasing convenience of digital ticket purchase services, and promotion of membership services and travel products, we estimate that the annual ridership volume for 2021 will exceed 65.78 million passengers.

(3) Major Production and Marketing Initiatives

Major Initiatives for 2021:

- 1) Implementation of preventive measures to ensure passengers safety in response to the ongoing COVID-19 pandemic.
- 2) Facilitation of timely train service adjustments and adaptability of seating supply and demand, as well as improvement of revenue management efficiency to increase the output value of seats and fulfillment of revenue targets.
- 3) Development of diversified products based on diverse needs to satisfy different customer segments and promotions based on epidemic conditions to achieve sales potential, build the HSR tourism brand, and ensure fulfillment of revenue targets.
- 4) Promotion of the "Journey with THSR, Discover Taiwan" with brand through T Holidays and combo tickets for hotels, transportation, and events that increase sales and attract passengers.
- 5) Continued promotion of the TGo membership program to build TGo membership economy, encourage cross-industry cooperation, and increase ticket and non-ticket revenues.
- 6) We continue to enhance our ticketing services through our online-offline integration strategy, and work with different industries to increase ticket utilization and enhance ticketing convenience. Additionally, we continue to 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. In order to strengthen accessibility service for ticket purchase, we plan to add voice-activated functions on T Express to increase convenience of ticketing services.

3. Future strategies

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

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

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

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

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

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

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

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

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

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

Domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 27, 2020, predict that Taiwan's export capabilities will rise in 2021 due to increasing demand for technology applications, restructuring of global supply chains, and expansion of Taiwan's production lines, as well as continuing development of competitively advantageous advanced manufacturing processes for semiconductors. In terms of private consumption, with the domestic epidemic properly controlled, the number of domestic consumers have increased and economic stimulus measures have been introduced. Therefore, we believe that growth in domestic consumption will offset negative impacts and the expected economic growth rate for 2021 is estimated to be 3.83%. Despite these changes in our external economic environment, we will continue to formulate suitable operational strategies to achieve our business targets.

In terms of the legal environment, 24 laws and regulations relating to our operating activities were amended this year, including several landmark actions, such as the "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens," which was established in response to the COVID-19 pandemic. The "Railway Act" was amended to add an article stating that in case of serious operational accidents or delays, railway institutions shall notify the Taiwan Transportation Safety Board; moreover, railway institutions shall effectively train and administrate employees so that they possess railway expertise and abilities of safety operation, response to maintaining safety, and assistance in sanitation and disease prevention. These amendments indicate that our government and legislature 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, capability, and safety of railway transport.

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. The aforementioned amendments had no significant impacts to our business operations. In future, as rail transportation networks continue to expand, we anticipate that legal measures will become more comprehensive 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 in 2021, THSRC is facing challenges from the COVID-19 pandemic, decreasing birth rates, and aging populations, which are slowing passenger growth. In addition, challenges such as abnormal climate changes and aging operation equipment are causing maintenance costs to increase.

We will continue to focus on developing smart transportation, increasing safety and efficiencies of emergency responses, establishing local maintenance capabilities, developing localization materials, and formulating other strategic plans. Additionally, we will continue to enhance our strengths through industry cooperation and integrate local cultures to provide our passengers with better and safety transportation quality and establish a foundation for long-term sustainability. With 4T-Transportation, Technology, Taiwan, and Touch as our core strategy, we not only promise to provide a safe, comfortable, and convenient journey, but also strive to realize our vision "To be the platform for advancement and enjoyment."



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Company Profile

1. Business Strategy and Vision

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

**Our Vision & Mission--
"To be the platform for advancement and enjoyment"**

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

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



Our Values



Discipline

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



Integrity

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



Efficiency

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



Innovation

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



Sensibility

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

Our Attributes

Real

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

Progressive

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

Passionate

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

Premium

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

2. Historical Milestones

Incorporated on May 11, 1998

Development Stage

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

Construction Stage

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

Operation Stage

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

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

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

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

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

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

January 2021	The Ministry of Transportation and Communications (MOTC) "Transport Data eXchange (TDX)" platform awarded THSRC with "Merit Award in Parking Category" and "Excellence Award in Rail/Air Transport Category."
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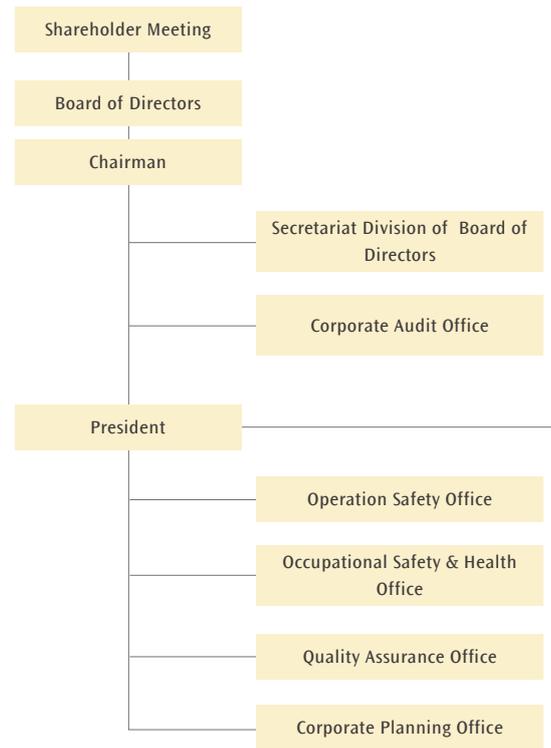
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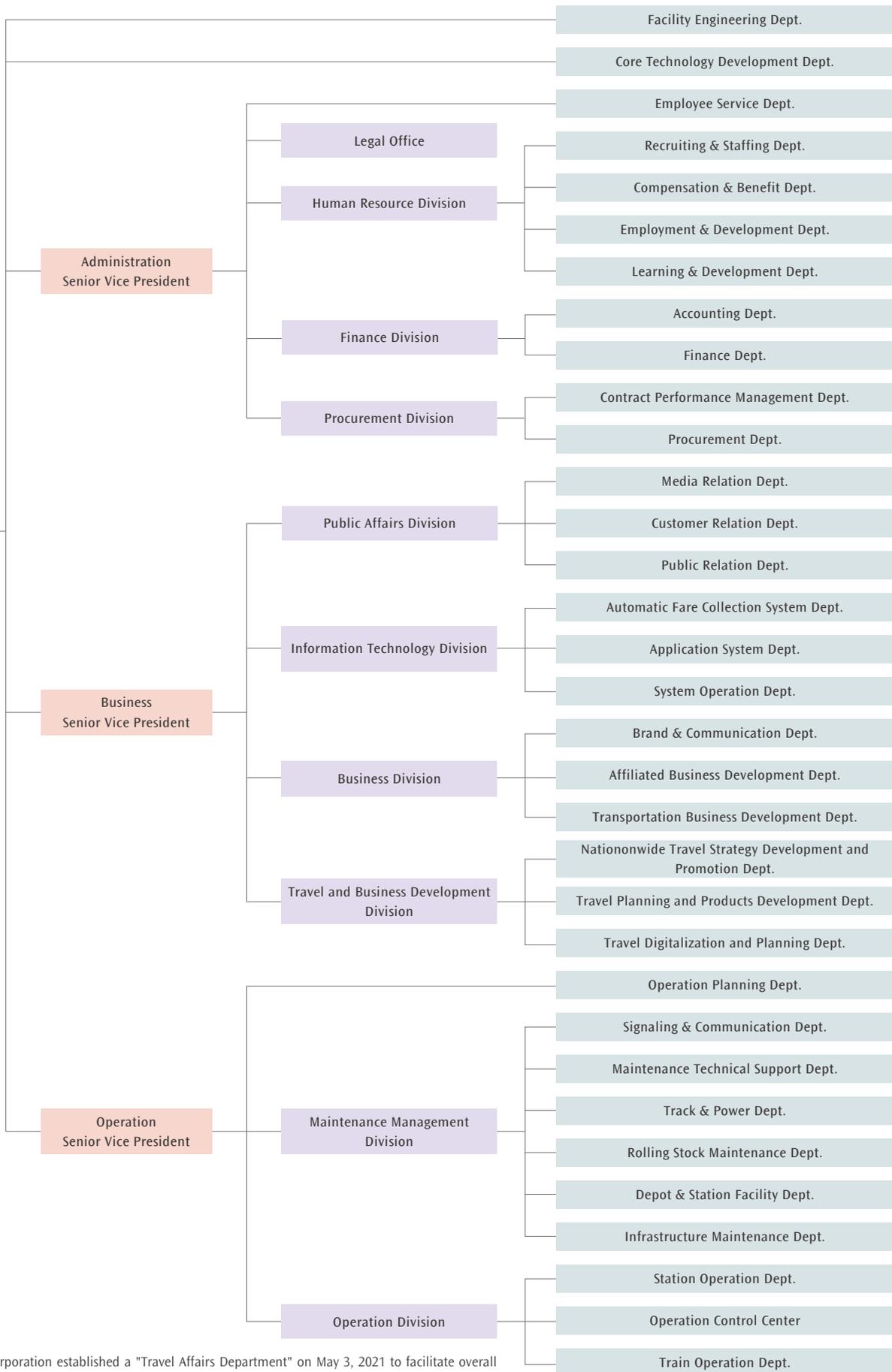
Corporate Structure



1. Organizational Structure

(1) Corporation Organizational Structure





Note: The Corporation established a "Travel Affairs Department" on May 3, 2021 to facilitate overall promotion of travel products and services.

(2) Business Operations of Major Departments

Main duties of functional committees overseen by the Board of Directors

1) Corporate Governance & Nomination Committee

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

2) Audit Committee

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

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

Main operational scope and duties of each department/unit

1) Secretariat Division of the Board of Directors

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

2) Corporate Audit Office

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

3) Corporate Planning Office

Formulates THSRC business model and analyzes integration and comprehensive procedures for internal management matters under the three major aspects of business planning management, operation planning management, and project affairs coordination and control.

4) Legal Office

Provides legal advice and legal counseling for all types of Corporation business; records, classifies, stores, disseminates, and updates relevant legal documents; assists in the planning, promotion, and execution of corporate governance systems and corporate governance evaluations; handles application, maintenance, protection, and authorized use of intellectual property rights; reviews formulation and

revision of Corporation contracts and contract templates; establishes and promotes legal compliance system; plans and coordinates the handling of engineering, operation, and asset insurance, claims, or third-party claims cases; provides counseling on matters relating to Corporation insurance; and reviews insurance contract clauses and insurance policies.

5) Quality Assurance Office

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

6) Operation Safety Committee

Ensures the safety of passengers and high-speed railway systems, information security, and protection of personal information. Responsible for keeping pace with internal and external issues and risks relating to operations, planning and promoting policies and strategies relating to safety procedures, obtaining and coordinating relevant operational resources, supervising safety performance and achievement of targets, reviewing responses to and investigations into abnormal events, and following up on corrective measures and improvements to "personnel, procedures, and equipment."

7) Occupational Safety and Health Committee

Provides recommendations for occupational safety and health policies and self-management plans; safety and health management plans, measures, and reports; and occupational hazard investigation reports. Convenes at least once every three months and compiles records in accordance with relevant laws and regulations.

8) Occupational Safety and Health Office

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

9) Operation Safety Office

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

10) Finance Division

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

11) Human Resource Division

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

12) Information Technology Division

The Information Division is responsible for the planning, development, operation and maintenance of the Corporation's overall information system, including formulation of information development strategies, planning of information system architecture, evaluation and introduction of application systems, maintenance and management of automatic fare collection system, maintenance

and operation of computer room host equipment, education and training for information promotion, management of information security, and execution of various information management procedures.

13) Business Division

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

14) Travel and Business Development Division

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

15) Public Affairs Division

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

16) Operation Division

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

17) Maintenance Management Division

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

18) Procurement Division

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

19) Employee Service Department

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

20) Core Technology Development Department

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

21) Facility Engineering Department

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

22) Operation Planning Department

Responsible for the strategic evaluation of transportation, maintenance, engineering, and technology related departments; formulation of operational plans; cost and asset management; maintenance management; and planning and management for professional training.

2. Board of Directors

(1) Directors

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	China Aviation Development Foundation	—	2020/05/21	2023/05/20	2006/01/20	260,040	4.62	260,040	4.62	0	0
	R.O.C.	Representative: Yao-Chung Chiang	Male	2020/05/21	2023/05/20	2016/10/18	0	0	0	0	0	0
Director	R.O.C.	Representative: Lee-Ching Ko	Female	2020/05/21	2023/05/20	2001/07/13	0	0	0	0	0	0

Thousands of shares; % (as of 2021/03/29)

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
				Title	Name	Relation	
0	0	—	—	None	None	None	
0	0	Ph. D. in Engineering Mechanics, University of Wisconsin, Madison M.S. in Mechanical Engineering, National Cheng Kung University <ul style="list-style-type: none"> • Independent Director, Chin Fong Machine Industrial Co., Ltd. • Independent Director, TYNSOLAR Corporation. • Chairman, China Steel Chemical Corporation • Chairman, Kaohsiung Rapid Transit Corporation • Chairman, China Steel Corporation. • Chairman, China Airlines • Deputy Minister, Public Construction Committee, Executive Yuan. • Director-General, Department of Rapid Transit System, Taipei City Government. • Technical Supervisor, Researcher, National Chung-Shan Institute of Science and Technology 	<ul style="list-style-type: none"> • Director, China Aviation Development Foundation • Independent Director, Radiant Opto-Electronics Corporation • Independent Director, TYNTEK Corporation 	None	None	None	
0	0	Second Vice Group Chairman of Evergreen Group	<ul style="list-style-type: none"> • Chairman, Evergreen International Corporation • Chairman, Evergreen (Shanghai) Hotel Limited • Director, Evergreen Marine Corp. (Taiwan) Ltd. • Director, EVA Airways Corporation • Director, Evergreen International Storage & Transport Corporation • Director, Evergreen Steel Corporation. • Director, Evergreen Security Corporation • Director, Shun An Enterprise Corporation • Director, Chang Yang Development Co., Ltd. • Director, Evergreen Marine (Singapore) Pte. Ltd. • Director, Greencompass Marine S.A. • Director, Gaining Enterprise S.A. • Director and Manager, Evergreen International S.A. • Supervisor, Ever Reward Logistics Corporation • Supervisor, Evergreen Air Cargo Services Corporation • Supervisor, Evergreen Airline Services Corporation • Supervisor, Hsin Yung Enterprise Corporation • Supervisor, Ever Ecove Corporation 	None	None	None	

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Director	R.O.C.	Ministry of Transportation and Communications, R.O.C.	—	2020/05/21	2023/05/20	2017/05/24	2,420,000	43.00	2,420,000	43.00	0	0
	R.O.C.	Wen-Jong Chi	Male	2021/04/26	2023/05/20	2021/04/26	0	0	0	0	0	0
	R.O.C.	Former Representative: Kwo-Tsai Wang (Note 1)	Male	2020/5/21	2023/05/20	2020/05/21	0	0	0	0	0	0
	R.O.C.	Representative: Yueh-Hsiang Chen	Female	2020/7/23	2023/05/20	2020/07/23	0	0	0	0	0	0
	R.O.C.	Former Representative: Min-Ching Liu (Note 2)	Female	2020/05/21	2020/07/23	2017/09/21	0	0	0	0	0	0
	R.O.C.											

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
				Title	Name	Relation	
Shares	%						
0	0	—	—	None	None	None	
0	0	M.S. in Institute of Traffic and Transportation, National Chiao Tung University. B.M. in Department of Traffic and Transportation Engineering, National Chiao Tung University. <ul style="list-style-type: none"> • Director General, Institute of Transportation, MOTC • Director General, Maritime and Port Bureau, MOTC • Director, Department of Navigation and Aviation, MOTC • Director, Department of Railways and Highways, MOTC • Director, Transportation Bureau, Taichung City Government • Director General, Transportation Bureau, Taichung City Government • Deputy Chief Engineer, Taiwan Area National Freeway Bureau, MOTC • Director, Taiwan Area National Freeway Bureau, MOTC • Chief Engineer, Taipei City Traffic Engineering Office 	<ul style="list-style-type: none"> • Administrative Deputy Minister, Ministry of Transportation and Communications • Chairman, Vehicle Safety Certification Center. • Director, Taiwan-Hong Kong Economic and Cultural Co-operation Council. 	None	None	None	
0	0	Ph.D. in Institute of Traffic and Transportation, National Chiao Tung University <ul style="list-style-type: none"> • Political Deputy Minister, Ministry of Transportation and Communications • Acting Minister, Ministry of Transportation and Communications • Chairman, China Aviation Development Foundation • Chairman, The Grand Hotel • Acting Chairman, Taiwan International Ports Corporation, Ltd. • Acting Chairman, Chunghwa Post Co., Ltd. • Chairman, iPASS Corporation • President, Intelligent Transportation Society of Taiwan • Advisor and Director of Taipei Contact Division, Kaohsiung City Government • Director-General, Transportation Bureau, Kaohsiung City Government • President, Chairman, THI Consultants Inc. 	<ul style="list-style-type: none"> • Minister, Ministry of Transportation and Communications 	None	None	None	
0	0	M.S. in Technology Management, Chung Hua University B.S. in Accounting, Fu Jen Catholic University <ul style="list-style-type: none"> • Director, Accounting Office, Control Yuan, R.O.C. • Director, Accounting and Statistics Office, Public Construction Commission, Executive Yuan • Senior Specialist, Directorate General of Budget, Accounting and Statistics, Executive Yuan • Director, Department of Budget, Accounting and Statistics, Hsinchu City Government 	<ul style="list-style-type: none"> • Deputy Director, Department of Accounting, Ministry of Transportation and Communications, R.O.C. 	None	None	None	
0	0	M.B.A, Emporia State University, USA <ul style="list-style-type: none"> • Deputy Director, Department of Accounting, Ministry of Transportation and Communications, R.O.C. • Deputy Director, Ministry of Health and Welfare • Director, Comptroller Office of Ministry of National Defense, R.O.C. • Director of Accounting, Public Construction Commission, Executive Yuan • Senior Specialist, Directorate General of Budget, Accounting and Statistics, Executive Yuan • Accounting Director, Freeway Bureau of MOTC • Section Chief, Department of Accounting, Ministry of Transportation and Communications, R.O.C. 	<ul style="list-style-type: none"> • Director, Department of Accounting, Ministry of Culture, R.O.C. 	None	None	None	

Corporate Structure

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Director	R.O.C.	China Steel Corporation	—	2020/05/21	2023/05/20	2009/11/10	242,148	4.30	242,148	4.30	0	0
	R.O.C.	Representative: Chao-Tung Wong	Male	2020/05/21	2023/05/20	2018/03/31	0	0	0	0	0	0
Director	R.O.C.	Taiwan Sugar Corporation	—	2020/05/21	2023/05/20	2000/06/27	200,000	3.55	200,000	3.55	0	0
	R.O.C.	Representative: Chao-Yih Chen	Male	2020/05/21	2023/05/20	2013/05/30	0	0	0	0	0	0
Director	R.O.C.	TECO Electric & Machinery Co., Ltd.	—	2020/05/21	2023/05/20	1998/04/13	190,060	3.38	190,060	3.38	0	0
	R.O.C.	Representative: Mao-Hsiung Huang	Male	2020/05/21	2023/05/20	2011/03/14	0	0	0	0	0	0
Director	R.O.C.	Management Committee of National Development Fund, Executive Yuan	—	2020/05/21	2023/05/20	2009/11/10	120,000	2.13	120,000	2.13	0	0
	R.O.C.	Representative: Shien-Quey Kao	Female	2020/05/21	2023/05/20	2016/10/14	0	0	0	0	0	0
Director	R.O.C.	Taipei Fubon Commercial Bank Co., Ltd.	—	2020/05/21	2023/05/20	1998/04/13	20,277	0.36	20,277	0.36	0	0
	R.O.C.	Representative: Kuo-Chih Liu	Male	2020/05/21	2023/05/20	2010/05/24	45	0	45	0	0	0

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
				Title	Name	Relation	
0	0	—	—	None	None	None	
0	0	Ph.D. in Resources Engineering, National Cheng Kung University • President, Vice President, China Steel Corporation	• Chairman, China Steel Corporation • Executive Director, Industrial Technology Research Institute • Chairman, China Prosperity Development Corporation • Director, China Ecotek Corporation • Director, China Steel Chemical Corporation • Director, Chung Hung Steel Corporation • Director, Dragon Steel Corporation	None	None	None	
0	0	—	—	None	None	None	
0	0	Ph. D., Institute of Agricultural Chemistry, National Taiwan University. • Chairman, Automotive Research & Testing Center • Professor Emeritus, China University of Science and Technology. • Chairman, Taiwan Sugar Corporation • Chief Executive Officer of the Sinotech Engineering Consultants, Inc. • Director, Technical Department, MOEA • Executive Secretary, Energy Commission, MOEA • Director General of the Department of Investment Services (DOIS), MOEA. • Director General of the Industrial Development Bureau (IBD), MOEA. • Vice Chairperson of the State-owned Enterprise Commission, MOEA. • Director, Department Development Department, Council for Economic Planning And Development, Executive Yuan	• Chairman, Taiwan Sugar Corporation • Director, Industrial Technology Research Institute • Director, Central Bank of the Republic of China (Taiwan)	None	None	None	
0	0	—	—	None	None	None	
0	0	MBA, The Wharton School, University of Pennsylvania Bachelor of Economics, Keio University	• Chairman, Century Development Corporation • Director, TECO Electric & Machinery Co., Ltd. • Director, An-Shin Food Services Co., Ltd • Honorary Chairman, Chinese National Association of Industry & Commerce, Taiwan	None	None	None	
0	0	—	—	None	None	None	
0	0	M.S. in Economics, National Taiwan University Bachelor's Degree in Economics, National Taiwan University. • Secretary General, National Development Council, Executive Yuan. • Secretary General, Council for Economic Planning and Development, Executive Yuan. • Director, Department of Economics Research, CEPD. • Deputy Director, Department of Overall Planning, CEPD.	• Deputy Minister, National Development Council, Executive Yuan	None	None	None	
0	0	—	—	None	None	None	
0	0	Ph.D. in Physics, Massachusetts Institute of Technology • Chairman, Fubon Land • Chairman, Fubon Real Estate Management • President, Taiwan High Speed Rail Corporation • President, Taiwan Aerospace Corp.	• Director, Wealth Media Co., Ltd.	None	None	None	

Corporate Structure

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Independent Director	R.O.C.	Kenneth Huang-Chuan Chiu	Male	2020/05/21	2023/05/20	2017/05/24	0	0	0	0	0	0
Independent Director	R.O.C.	Duei Tsai	Male	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0
Independent Director	R.O.C.	Pai-Ta Shih	Male	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0
Independent Director	R.O.C.	Yung-Cheng(Rex) Lai	Male	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0

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

Note 2: Representative of institutional director Ministry of Transportation and Communication, R.O.C. Ms. Ming-Ching Liu, was elected on 2020/05/21 ; the representative was changed to Ms. Yueh-Hsiang Chen on 2020/07/23, and Ms. Ming-Ching Liu was relieved of office on the same day.

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

(2) Major Shareholders of Institutional Shareholders

List of major shareholders of institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
China Aviation Development Foundation	A non-corporate organization. In February 1988, all 27 shareholders of the Company (Note 5) donated shares held and 100% of shareholder equity to set up this Foundation, which was reported to the Ministry of Transportation and Communications on March 2 of the same year. Its establishment was approved on July 6 of the same year.
Ministry of Transportation and Communications, R.O.C.	Governmental institute
China Steel Corporation	Ministry of Economic Affairs (20.00%), Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. (4.22%), Transglory Investment Corporation (1.63%), JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.33%), Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.06%), Norges Bank (1.04%), Winning Investment Corporation (1.02%), New Labor Pension Fund (0.96%), Public Service Pension Fund Management Board (0.91%), Labor Insurance Fund (0.81%)
Taiwan Sugar Corporation	Ministry of Economic Affairs (86.15%), Northern Region Branch, National Property Administration, MOF (9.92%), First Commercial Bank (0.75%), Chang Hwa Commercial Bank (0.41%), Bank of Taiwan (0.36%), Taiwan Business Bank Co., Ltd. (0.30%), Hua Nan Commercial Bank (0.14%), Central Investment Co. (0.14%), Mega International Commercial Bank Co., Ltd. (0.13%), Land Bank of Taiwan (0.08%), Taiwan Cooperative Commercial Bank (0.08%)
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (9.70%), Jia Yuan Investment Co., Ltd. (6.34%), Creative Sensor Inc. (3.62%), Silchester International Investors International Value Equity Trust (2.28%), WGI Emerging Markets Smaller Companies Fund, LLC (1.76%), Tong Kuang Investment Co., Ltd. (1.50%), Silchester International Investors International Value Equity Group Trust (1.27%), Norges Bank Investment Management under the custody of Citibank (Taiwan) Limited (1.26%), Kuang Yuan Industrial Co., Ltd. (1.25%)
Management Committee of National Development Fund, Executive Yuan	Governmental institute
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)

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

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

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

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2021, while some is sourced from the Commerce Industrial Services Portal or shareholder websites.

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

Major shareholders of the Corporation's major institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
China Steel Corporation	Ministry of Economic Affairs (Governmental institute) Transglory Investment Corporation (China Steel Express Corporation (49.89%), Chung Hung Steel Corporation (40.91%), China Steel Chemical Corporation (9.20%)) Winning Investment Corporation (Gains Investment Corporation (49.00%), Maruichi Steel Tube Ltd. (42.00%), Transglory Investment Corporation (9.00%))

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
Ministry of Economic Affairs	Governmental institute
Northern Region Branch, National Property Administration, MOF	Governmental institute
First Commercial Bank	First Financial Holding Co. Ltd. (100%)
Chang Hwa Commercial Bank	Taishin Financial Holding Co., Ltd (22.55%), Ministry of Finance (12.19%), Chunghwa Post Co., Ltd. (6.00%), First Commercial Bank (3.86%), Excel Chemical Corporation (2.85%), National Development Fund, Executive Yuan (2.75%), Taiwan Tobacco & Liquor Co., Ltd (2.32%), Mega International Commercial Bank Co., Ltd., Head Office, Treasury Department (2.17%), Taiwan Cooperative Bank, Ltd. (1.45%), Hua Nan Commercial Bank, Ltd. (1.45%)
Bank of Taiwan	Taiwan Financial Holdings Co., Ltd (100%)
Taiwan Sugar Corporation	Bank of Taiwan (16.21%), Management Committee of National Development Fund, Executive Yuan (5.87%), Land Bank of Taiwan (2.29%), Ministry of Finance (2.08%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds (1.22%), Norges Bank - internal - NBIM PF EQ INTERNAL CFD (0.91%), Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds (0.90%), BES Engineering Corporation (0.87%), iShares MSCI Taiwan ETF (0.63%), California Public Employees' Retirement System - Emerging Markets Small Cap Index Fund (0.59%)
Hua Nan Commercial Bank	Hua Nan Financial Holding Co Ltd. (100%)
Central Investment Co.	Kuomintang (100%)
Mega International Commercial Bank Co., Ltd.	Mega Financial Holding Co Ltd. (100%)
Land Bank of Taiwan	Ministry of Finance (100%)
Taiwan Cooperative Commercial Bank	Taiwan Cooperative Financial Holding Co., Ltd. (100%)
PJ Asset Management Co., Ltd.	Ho Yang Management Consulting Co. (94.95%), Other (5.05%)
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of Standard Chartered (7.20%), Winbond Electronics Corporation (6.47%), Chin-Xin Investment Co., Ltd (6.41%), TECO Electric & Machinery Co., Ltd. (5.98%), Huali Investment Corp. (2.91%), Rong Jiang Co., Ltd. (2.86%), Patricia Chiao (2.72%), Yu-Heng Chiao (1.78%), Pictet Bank Investment Account under the trust of HSBC (1.63%), Norges Bank Investment Fund under the custody of Citibank Taiwan Limited (1.63%)
Jia Yuan Investment Co., Ltd.	He Yuan International Investment Co., Ltd. (100%)
TECO Electric & Machinery Co., Ltd.	TECO Image Systems Co. Ltd. (17.26%), TECO Capital Investment Co., Ltd. (6.23%), Hermes Invested Master Fund North America (Cayman Islands) Managed by Bank of Taiwan in Trust (5.01%), TECO International Investment Co., Ltd. (3.41%), Koryo Co., Ltd. Trust Property Account Managed by Yuanta Bank in Trust (2.98%), Fidelity Funds Investment Account Managed by Standard Chartered Bank in Trust (2.45%), TECO Electric & Machinery Co., Ltd. (1.68%), Fidelity Funds - Asia Focus Fund Investment Account Managed by JPMorgan Chase Bank in Trust (1.51%), A-Chung Hou (1.29%), DFA Emerging Market Core Securities Investment Account Managed by Citibank in Trust (0.90%)
Creative Sensor Inc.	
Tong Kuang Investment Co., Ltd.	Kuang Yuan Industrial Co., Ltd. (39.28%), Huo-Huei Lin Huang (35.01%), Bright Lane Investments, Ltd. (12.73%), Tong Ho Global Investment Co., Ltd (6.00%), Other (6.98%)
Kuang Yuan Industrial Co., Ltd.	Tong Kuang Investment Co., Ltd. (33.86%), Huo-Huei Lin Huang (51.58%), Bright Lane Investments, Ltd. (10.00%), Tong Ho Global Investment Co., Ltd (0.74%), Other (3.82%)
Taipei Fubon Commercial Bank Co., Ltd.	Taipei City Government (13.11%), Ming Dong Co., Ltd. (8.45%), Dao Ying Co., Ltd. (7.73%), Richard M. Tsai (3.20%), Daniel M. Tsai (3.01%), Hung Fu Investment Co., Ltd. (2.57%), New Labor Pension Fund (1.48%), Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore) (1.46%), Chung Shing Development Co., Ltd. (1.42%), Shin Kong Life Insurance Co., Ltd. (1.39%)

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

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

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

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2021, while some is sourced from the Commerce Industrial Services Portal or shareholder websites.

(3) Independence Analysis of Directors

Director qualifications

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience		
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company
Yao-Chung Chiang			V
Wen-Jong Chi			V
Yueh-Hsiang Chen			V
Lee-Ching Ko			V
Chao-Tung Wong			V
Chao-Yih Chen	V	V	V
Mao-Hsiung Huang			V
Shien-Quey Kao			V
Kuo-Chih Liu			V
Kenneth Huang-Chuan Chiu		V	V
Duei Tsai	V		V
Pai-Ta Shih	V		V
Yung-Cheng (Rex) Lai	V		V

Note: A check mark is placed in the box for directors who fulfill the following conditions during and two years prior to their time in office.

- (1) Is not hired by the Corporation or any of its affiliates.
- (2) Is not a director or supervisor of the Corporation or any of its affiliates. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (3) Is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Corporation or ranking in the top ten in shareholdings.
- (4) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managers not conforming to subparagraph (1) above, or of any persons not conforming to subparagraphs (2) and (3) above.
- (5) Is not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of total number of issued shares or ranks among the top five in shareholdings, or a director, supervisor, or employee of an institutional shareholder who has been appointed as a director or supervisor representative at the Corporation under paragraphs 1 and 2, Article 27 of the Company Act. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (6) Is not a director, supervisor, or employee of other companies controlled by Corporation directors or persons with more than half of voting rights at the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (7) Is not a director, supervisor, or employee of other companies or institutions of the Corporation's chairperson, president, or persons with equivalent duties, or spouses thereof. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (8) Is not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (9) Is not a professional individual, or an owner, partner, director, supervisor, or manager, or spouses thereof, of a sole proprietorship, partnership, company, or institution which provides audit services to the Corporation or its affiliates; or has in the past two years provided commercial, legal, financial, accounting, or related services not exceeding total compensation of NT\$ 500,000 to the Corporation or its affiliates. The same does not apply, however, for members of remuneration committees, public tender offer review committees, or special committees for mergers/consolidations and acquisitions exercising their duties in accordance with the laws and regulations of the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Has no spousal relationship and are not relatives within the second degree of kinship of other Corporation directors.
- (11) Has not violated any regulations in Article 30 of the Company Act.
- (12) Has not been elected as a government, juristic person, or their representatives in accordance with Article 27 of the Company Act.

Independent Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
1	2	3	4	5	6	7	8	9	10	11	12	
V	V	V	V		V	V	V	V	V	V		2
V	V	V	V		V	V	V	V	V	V		-
V	V	V	V		V	V	V	V	V	V		-
V	V	V	V		V	V	V		V	V		-
V	V	V	V		V	V	V		V	V		-
V	V	V	V		V	V	V		V	V		-
V	V	V	V	V	V	V	V	V	V	V		-
V	V	V	V	V	V	V	V	V	V	V	V	3
V	V	V	V	V	V	V	V	V	V	V	V	2
V	V	V	V	V	V	V	V	V	V	V	V	1
V	V	V	V	V	V	V	V	V	V	V	V	-

3. Management Team

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

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
President	R.O.C.	James Jeng	Male	2014/03/14	21	0	0	0	0	0
Administration Senior Vice President	R.O.C.	Barret Wang	Male	2006/12/01	12	0	3	0	0	0
Business Senior Vice President and Head of Business Division/ Spokesperson	R.O.C.	Johnson Sun	Male	2017/02/15	0	0	0	0	0	0
Operation Senior Vice President	R.O.C.	James Shi	Male	2007/01/02	21	0	0	0	0	0
Vice President, Finance Division	R.O.C.	Allen Wang	Male	2020/01/15	0	0	0	0	0	0
Vice President, Corporate Planning Office	R.O.C.	Rae Chung	Female	2005/06/06	0	0	0	0	0	0
Vice President, Operation Division	R.O.C.	Andy Lu	Male	2006/12/01	0	0	0	0	0	0
Vice President, Procurement Division Human Resources Division	R.O.C.	Tim Fu	Male	2014/01/01	25	0	0	0	0	0
Vice President, Information Technology Division	R.O.C.	Calvin Yen	Male	2016/04/01	7	0	0	0	0	0
Assistant Vice President, Employee Service Department	R.O.C.	Shirley Lai	Female	2003/09/16	0	0	0	0	0	0
Assistant Vice President, Quality Assurance Office	R.O.C.	Max Liu	Male	2008/06/16	12	0	0	0	0	0
Assistant Vice President, Accounting Department of Finance Division	R.O.C.	Griffin Huang	Male	2017/10/19	0	0	0	0	0	0

Unit: Thousands of shares; % (as of 2021/03/29)

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Ph.D. in Transportation Management, National Chiao Tung University. M.S. in Ocean Systems Management, Massachusetts Institute of Technology, USA. Master of Engineering in Transportation, National Chiao Tung University, Taiwan • Chairman/Vice Chairman/President, EVA Airways Corporation • Chairman/President/Vice President, UNI Airways Corporation • Vice Chairman, Italia Marittima S.p.A, a wholly-owned subsidiary of Evergreen Group. • Executive Vice President, Evergreen Marine Corporation.	None	None	None	None	
Bachelor of Law, National Taiwan University. Attorney-at-Law, Chun He Law Firm.	None	None	None	None	
B.A. in Navigation, China College of Marine Technology and Commerce. • General Manager, Taiwan Airport Service Co., Ltd. • General Manager, Osaka Branch, China Airlines Co., Ltd.	None	None	None	None	
M.S. in Electrical Engineering, Northeastern University, Boston Massachusetts, USA. • Director of Affiliated Business Development Department, Taipei Rapid Transit Corp. • Deputy Director of Maintenance Department, Taipei Rapid Transit Corp. • Assistant Vice President, Head of Maintenance Sub-Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Head of Operation Division, Taiwan High Speed Rail Corporation. • Vice President, Head of Maintenance Management Division, Taiwan High Speed Rail Corporation	None	None	None	None	
EMBA, National Taiwan University. EMBA, National Chengchi University. • MSc., International Banking and Financial Studies, University of Southampton, UK. • CFO, IME Group Beijing. • Vice President, IBF Securities Co., Ltd. • Associate Director, Standard Chartered Bank Beijing Branch.	None	None	None	None	
B.A. in Economics, Tamkang University. • Marketing Manager, New Zealand Milk Products (Far East) Ltd., Taiwan Branch.	None	None	None	None	
Executive MBA, College of Management, National Sun-Yat-Sen University. Executive MBA (Asia-Pacific), the Chinese University of Hong Kong. • Assistant Manager, EVA Airways Corporation. • Assistant Vice President, Operation Sub-Division, Taiwan High Speed Rail Corporation. • Assistant Vice President, Head of Maintenance Management Division, Taiwan High Speed Rail Corporation.	None	None	None	None	
B.S. in Computer Science, Tamkang University. • Manager, Pfizer Inc. • Assistant Vice President, Corporate Audit Office, Taiwan High Speed Rail Corporation. • Assistant Vice President, Procurement Division, Taiwan High Speed Rail Corporation.	None	None	None	None	
B.S. in Computer Science, Tamkang University. • Project Engineer, EVA Air. • Manager of Information Office, Ever Rich Group Corp. • Manager of Warehouse Management Department, Ever Rich Group Corp. • Project Manager, NCR Corp. • Assistant Vice President, Information Technology Division, Taiwan High Speed Rail Corporation.	None	None	None	None	
Master of Management, University of Southern Queensland, Australia. • Supervisor, Independent Director, Excelsior Medical Co., Ltd. • Certified Public Accountant, Deloitte Taiwan.	None	None	None	None	
B.E. in Mechanical Engineering, National Chiao Tung University. EMBA, National Chengchi University. • Special Assistant to the Chairman, DJ Auto Components Corporation (an investee company of Germany-based Hella KGaA Hueck & Co.) • Director, International High-Speed Rail Association (IHRA).	None	None	None	None	
Master of Business Administration, National Taipei University. • Senior Manager, Deloitte Taiwan.	None	None	None	None	

Corporate Structure

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Assistant Vice President, Public Affairs Office	R.O.C.	Elaine Tsou	Female	2016/07/15	14	0	0	0	0	0
Assistant Vice President, Human Resources Division	R.O.C.	Felix Hsu	Male	2019/12/02	0	0	0	0	0	0
Assistant Vice President, Affiliated Business Development Department of Business Division	R.O.C.	Simon Chen	Male	2008/09/01	15	0	0	0	0	0
Assistant Vice President, Transportation Business Development Department of Business Division	R.O.C.	Wilson Ting	Male	2008/02/25	0	0	0	0	0	0
Assistant Vice President, Train Operation Department of Operation Division	R.O.C.	Paul Hwang	Male	2006/11/06	0	0	0	0	0	0
Assistant Vice President, Operation Control Center of Operation Division	R.O.C.	Alpha Lin	Male	2006/11/06	0	0	0	0	0	0
Assistant Vice President, Station Operation Department of Operation Division	R.O.C.	Paul Yang	Male	2016/04/01	14	0	0	0	0	0
Assistant Vice President, Maintenance Management Division	R.O.C.	Bob Chen	Male	2014/01/01	0	0	0	0	0	0
Assistant Vice President, Signaling & Communication Department of Maintenance Management Division	R.O.C.	Eric Cheng	Male	2006/11/06	11	0	0	0	0	0
Assistant Vice President, Rolling Stock Maintenance Department of Maintenance Management Division	R.O.C.	Vincent Huang	Male	2016/04/01	42	0	0	0	0	0
Assistant Vice President, Core Technology Development Department	R.O.C.	Sheng-Hsin Yu	Male	2015/01/01	6	0	0	0	0	0
Assistant Vice President, Core Technology Development Department	R.O.C.	Gavin Tsou	Male	2006/05/15	0	0	0	0	0	0
Assistant Vice President, Facility Engineering Department	R.O.C.	Tom Tsai	Male	2016/04/01	61	0	40	0	0	0
Assistant Vice President, Affiliated Business Development Department of Business Division	R.O.C.	Beatrice Tsai	Female	2020/06/01	0	0	0	0	0	0
Assistant Vice President, Operation Safety Office	R.O.C.	Paul Hsu	Male	2020/11/16	0	0	0	0	0	0
Assistant Vice President, Legal Office	R.O.C.	Mandy Ko	Female	2021/04/01	1	0	0	0	0	0

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
B.A. in Mass Communication, Fu Jen Catholic University. • Assistant Vice President, Public Affairs Department, Wei Chuan Foods Corporation. • Manager, Public Affairs Department, KFC of Yum Brands Inc.	None	None	None	None	
EMBA Master of Biotechnology, School of Management, Taipei Medical University. • Executive Assistant Vice President, Kingmaker (Vietnam) Footwear Co., Ltd. • Assistant Vice President, Wei Chuan Foods Corporation • Senior Manager, HongDa International Electronics Co., Ltd.	None	None	None	None	
Ph.D., Division of Transportation Engineering, Institute of Civil Engineering, National Taiwan University.	None	None	None	None	
Master of Science in Finance, Golden Gate University. • Sales / Channel Management Director, Far EasTone Telecommunications Co., Ltd.	None	None	None	None	
M.S. Transportation and Communication Management Science, National Cheng Kung University. • Vice President of Figaro Philippine Holdings Inc. • Director of Training Center, Deputy Director of OCC, Taipei Rapid Transit Corp. • Engineer/Junior Engineer, Department of Rapid Transit Systems, Taipei City Government, R.O.C.	None	None	None	None	
Master of Systems Analysis Group, Institute of Management Science, Tamkang University. • Director of OCC and Director of Train Operation Center, Taipei Rapid Transit Corp.	None	None	None	None	
Electronic Computer Science, Tamkang University. • Programmer of Panasonic Taiwan. • Deputy Engineer of Chang-Lung Information. • Engineer of EVA Air. • Senior Manager, Station Operation Department, Taiwan High Speed Rail Corporation.	None	None	None	None	
Executive MBA, National Sun-Yat-Sen University. Section Chief, EVA Air.	None	None	None	None	
Master's Degree in Department of Electrical Engineering, National Taiwan University of Science and Technology. • Electrical Engineering Plant Director & Power Supply Plant Director, Taipei Rapid Transit Corp.	None	None	None	None	
MBA, National Sun Yat-Sen University. Mechanical Department, St. John's and St. Mary's Institute of Technology. • Deputy Section Chief, Evergreen Steel Corp. • Section Chief, Evergreen Steel Corp. (Malaysia). • Section Chief, Evergreen Steel Corp. • Assistant Manager, Manager, Senior Manager, Taiwan High Speed Rail Corp.	None	None	None	None	
Master of Electrical Engineering, University of Memphis, USA. • Electronics Engineering Plant Director, Taipei Rapid Transit Corp.	None	None	None	None	
B.A. in Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology • Electronics Engineering Plant Director, Taipei Rapid Transit Corp	None	None	None	None	
Master of Culture Planning Institute, Chinese Culture University. Department of Architecture, Tamkang University. • Manager, Kangshe Construction Corp.	None	None	None	None	
Master of Science, Applied Chemistry National Chiao Tung University CTO, AFE-Solutions Corporation, HK • Director, SYSTEX Corporation	None	None	None	None	
MD, Department of Civil Engineering, National Chung Hsing University. • Assistant Researcher, National Disaster Prevention and Technology Center. • Disaster Response Team Head of the Taipei City Government. • MRT Planner, Taipei Rapid Transit Corporation.	None	None	None	None	
Master of Law INSTITUTE of Chinese Culture University • Manager of EASYCARD Co., Ltd.	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Senior Manager, Corporate Audit Office	R.O.C.	Roger Chu	Male	2017/02/15	1	0	0	0	0	0
Senior Manager, Occupational Safety & Health Office	R.O.C.	Chris Lee	Male	2016/02/15	1	0	0	0	0	0

4. Remuneration to Directors and Department Heads

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

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

Title	Name	Remuneration							
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
China Aviation Development Foundation		0	0	0	0	6,176	6,176	0	0
Chairman Representative: Yao-Chung Chiang		8,368	8,368	0	0	0	0	602	602
Director Representative: Lee-Ching Ko		0	0	0	0	0	0	56	56
Director Former Representative: Huang-Liang Tsai		0	0	0	0	0	0	80	80
Ministry of Transportation and Communications, R.O.C.		0	0	0	0	4,986	4,986	106	106
Director Representative: Yueh-Hsiang Chen		0	0	0	0	0	0	42	42
Director Former Representative: Kwo-Tsai Wang		0	0	0	0	0	0	41	41
Director Former Representative: Min-Ching Liu		0	0	0	0	0	0	60	60
China Steel Corporation		0	0	0	0	3,088	3,088	88	88
Director Representative: Chao-Tung Wong		0	0	0	0	0	0	0	0
Director Former Representative: Shyi-Chin Wang		0	0	0	0	0	0	0	0

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
B.A. in Accounting, National Chengchi University. • Audit Manager, Deloitte Taiwan. • Assistant Vice President, Accounting Department, New Century InfoComm Tech Co., Ltd. • Assistant Vice President, Worldwide Semiconductor Manufacturing Co., Ltd. (WSMC).	None	None	None	None	
Ph.D., Program of Technology Management, Chung Hua University M.Sc. in Construction Management at USC, USA. M.Sc. in Environmental Engineering at National Taiwan University R.O.C. • Engineer Director, Senior Engineer, and Director Engineer, Taiwan High Speed Rail Corporation. • Commissioner, Fubon Land Inc. • Engineer, Kajima Eng. & Construction Inc. in USA. • Deputy Engineer, Taiwan Building and Urban Developing Bureau.	None	None	None	None	

Unit: NT\$ thousands (as of 2020/12/31)

Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company
		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements	
						Cash	Stock	Cash	Stock			
0.11	0.11	0	0	0	0	0	0	0	0	0.11	0.11	None
0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.09	0.09	0	0	0	0	0	0	0	0	0.09	0.09	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.05	0.05	0	0	0	0	0	0	0	0	0.05	0.05	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None

Title	Name	Remuneration							
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
Taiwan Sugar Corporation		0	0	0	0	3,088	3,088	144	144
Director Representative: Chao-Yih Chen		0	0	0	0	0	0	0	0
Director Former Representative: Tao-I Kwan		0	0	0	0	0	0	0	0
TECO Electric & Machinery Co., Ltd.		0	0	0	0	3,088	3,088	0	0
Director Representative: Mao-Hsiung Huang		0	0	0	0	0	0	208	208
Management Committee of National Development Fund, Executive Yuan		0	0	0	0	3,088	3,088	67	67
Director Representative: Shien-Quey Kao		0	0	0	0	0	0	101	101
Taipei Fubon Commercial Bank Co., Ltd.		0	0	0	0	3,088	3,088	0	0
Director Representative: Kuo-Chih Liu		0	0	0	0	0	0	208	208
Former Director Evergreen Steel Corporation		0	0	0	0	1,189	1,189	0	0
Former Director Representative: Lee-Ching Ko		0	0	0	0	0	0	24	24
Independent Director Kenneth Huang-Chuan Chiu		720	720	0	0	0	0	400	400
Independent Director Duei Tsai		175	175	0	0	0	0	248	248
Independent Director Pai-Ta Shih		441	441	0	0	0	0	248	248
Independent Director Yung-Cheng (Rex) Lai		441	441	0	0	0	0	240	240
Former Independent Director Kung-Wha Ding		281	281	0	0	0	0	152	152
Former Independent Director David Da-Wei Poo		281	281	0	0	0	0	192	192

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

According to Article 2-07 of the Corporation's "Guidelines for Corporate Governance," the remuneration paid to Directors for their services as Directors, including Board meeting attendance fees, salary and pay, and profit-sharing compensation paid to Directors as set out in the Articles of Incorporation, shall be discussed and determined by the Board separately for each Director, in accordance with laws and regulations, the Articles of Incorporation, and these Guidelines, with consideration to the level of involvement and value of the contribution of each Director, and taking into reference the usual pay level in the industry domestically and abroad. Remuneration for independent directors is determined according to the reasonable compensation is provided in consideration of the Corporation's overall business performance, future industrial risks, and development trends and in reference to the Corporation's "Regulation of Self-Evaluation of Director of Directors," Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors; our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current corporate governance trends so as to balance sustainable operations and risk management. The Corporation's independent directors are not entitled to profit shares.

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

Note 1: Includes expenses for company cars, but not driver remuneration of NT\$ 782 thousand.

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

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

Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than a Corporation Subsidiary or from Parent Company
		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation		All companies included in financial statements		The Corporation	All companies included in financial statements	
						Cash	Stock	Cash	Stock			
0.06	0.06	0	0	0	0	0	0	0	0	0.06	0.06	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.05	0.05	0	0	0	0	0	0	0	0	0.05	0.05	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.05	0.05	0	0	0	0	0	0	0	0	0.05	0.05	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.05	0.05	0	0	0	0	0	0	0	0	0.05	0.05	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None

2) Remuneration of President and vice presidents

Title	Name	Base Compensation (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Allowances (C) (Note 4)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
President	James Jeng						
Senior Vice President	Barret Wang						
Senior Vice President	Johnson Sun						
Senior Vice President	James Shi						
Vice President	Allen Wang						
Vice President	Rae Chung	Total amount 28,965	Total amount 28,965	Total amount 942	Total amount 942	Total amount 16,053	Total amount 16,053
Vice President	Andy Lu						
Vice President	Tim Fu						
Vice President	Calvin Yen						
Former Executive Vice President	John Chen						
Former Vice President	Eleanore New						

Note 1: The number of people with decision-making management authority and people who were appointed to ranks of vice president and above following Board approval was 11; of these, 5 were changed during the year (Vice President Eleanore New retired on 2020/01/15, and Vice President Allen Wang took office on 2020/01/15; Executive Vice President John Chen retired on 2020/07/15 and Vice President James Shi was promoted to Senior Vice President on 2020/09/17; and Assistant Vice President Calvin Yen was promoted to Vice President and took office on 2020/11/16).

Note 2: Remuneration (A) includes basic salaries and food allowances. The amount of employee compensation and bonuses for 2020 are disclosed as estimated figures.

Note 3: Actual amounts of retirement pay for 2020 came to a total of NT\$0 and retirement pensions expenses came to NT\$942,000, making a total of NT\$942,000.

Note 4: The remuneration, retirement pay, bonuses and special disbursements in this table are disclosed in accordance with regulations regarding information to be disclosed in annual reports. Special leave liability and non-business travel of NT\$ 2,609 thousand is not included. Includes expenses for company cars, but not the relevant remuneration paid to drivers of NT\$1,274 thousand.

Note 5: Article 35-1 of the Articles of Incorporation states that "If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to Directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation." Employee compensation for 2020 was calculated based on profits for the year (pre-tax profits minus profits prior to distribution of employee and director compensation), and were estimated to be 2% of NT\$5,558,268,000 (no accumulated losses to be offset). This proposal will be carried out in accordance with regulations following approval from the 2021 shareholders' meeting.

Unit: NT\$ thousands (as of 2020/12/31)

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

Total amount 1,888	0	Total amount 1,888	0	0.82	0.82	None
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3) Remuneration range table

Unit: NT\$

Range of Remuneration	Names of President and Vice Presidents	
	The Corporation	All companies included in financial statements
Lower than 1,000,000	Eleanore New	Eleanore New
1,000,000 (Included) ~ 2,000,000 (Not included)	-	-
2,000,000 (Included) ~ 3,500,000 (Not included)	John Chen	John Chen
3,500,000 (Included) ~ 5,000,000 (Not included)	Rae Chung, Andy Lu, James Shi, Tim Fu, Allen Wang, Calvin Yen	Rae Chung, Andy Lu, James Shi, Tim Fu, Allen Wang, Calvin Yen
5,000,000 (Included) ~ 10,000,000 (Not included)	James Jeng, Barret Wang, Johnson Sun	James Jeng, Barret Wang, Johnson Sun
10,000,000 (Included) ~ 15,000,000 (Not included)	-	-
15,000,000 (Included) ~ 30,000,000 (Not included)	-	-
30,000,000 (Included) ~ 50,000,000 (Not included)	-	-
50,000,000 (Included) ~ 100,000,000 (Not included)	-	-
Above 100,000,000	-	-
Total	11	11

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

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

Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
	President	James Jeng				
	Senior Vice President	Barret Wang				
	Senior Vice President	Johnson Sun				
	Senior Vice President	James Shi				
	Vice President	Allen Wang				
	Vice President	Rae Chung				
	Vice President	Andy Lu				
	Vice President	Tim Fu				
	Vice President	Calvin Yen				
	Former Executive Vice President	John Chen				
	Former Vice President	Eleanore New				
	Assistant Vice President	Shirley Lai				
	Assistant Vice President	Max Liu				
	Assistant Vice President	Griffin Huang				
Managers	Assistant Vice President	Elaine Tsou	0	Total amount 4,215	Total amount 4,215	0.07
	Assistant Vice President	Felix Hsu				
	Assistant Vice President	Simon Chen				
	Assistant Vice President	Wilson Ting				
	Assistant Vice President	Paul Hwang				
	Assistant Vice President	Alpha Lin				
	Assistant Vice President	Paul Yang				
	Assistant Vice President	Bob Chen				
	Assistant Vice President	Eric Cheng				
	Assistant Vice President	Vincent Huang				
	Assistant Vice President	Sheng-Hsin Yu				
	Assistant Vice President	Gavin Tsou				
	Assistant Vice President	Tom Tsai				
	Assistant Vice President	Beatrice Tsai				
	Assistant Vice President	Paul Hsu				

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

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

Unit: NT\$ thousands		
Item	2019	2020
Total remuneration paid to directors	54,321	41,805
Ratio of total remuneration paid to directors (Note 1)	0.68%	0.72%
Total remuneration paid to managers ranked above vice president (Note 2)	48,126	47,848
Ratio of total remuneration paid to managers ranked above vice president (Note 1)	0.60%	0.82%

Note 1: Information for 2019 was calculated based on after-tax profits of NT\$ 8,007,033 thousand, and information for 2020 was calculated based on aftertax profits of NT\$ 5,843,037 thousand.

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

2) Remuneration policies, standards, and packages

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

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

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

3) Procedures for determining remuneration

For regularly evaluate the remuneration of directors and managerial officers, the performance evaluations of Corporation directors and managers refer to our "Regulation of Self-Evaluation of Board of Directors" and our "Performance Appraisal Regulation" (applicable to managers and employees). Evaluation items for director performance include: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations engagement and communication, director knowledge and continued training, and internal control. Evaluation items for annual performance of managers and employees adhere to performance indicators for their main work duties and include evaluations of management capabilities and core capabilities. Manager assessment items include: the knowledge, techniques and behavioral items required for managers, planning and organizational capabilities, mentoring abilities, customer-oriented improvement capabilities, continuous improvement capabilities, performance improvement capabilities, and safety awareness. Employee assessment items include: the knowledge, techniques and behavioral items required by employees, problem analysis and resolution capabilities, work management capabilities, proactive capabilities, adaptive capabilities, and capability to pursue excellence. Additionally, the remuneration of the Corporation's Chairman and President is determined in reference to the "Reference Table of Remuneration Standards for Heads of Public Institutes under the

Ministry of Transportation and Communications" and is submitted to the Board for approval. In order to fully reflect achievement of operational performance indicators, performance assessments for the Chairman are based on annual Corporation performance relating to operations, governance, and finances, and include four assessment items: net income before tax, credit ratings or Taiwan ratings, customer satisfaction, and corporate governance evaluations. Performance assessment items for the President include: management of operational safety, supervision of financial plan execution, revenue management, promotion of autonomous maintenance capabilities, strengthening of internal controls, and implementation and management of quality assurance. Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors, and takes into account the Corporation's overall business performance, future industrial risks, and development trends, as well as individual performance achievement rates and level of contribution to the Corporation. Our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current corporate governance trends so as to balance sustainable operations and risk management.

Results of performance self-assessments for the Corporation's Board of Directors, Board members, and functional committees in 2020 all significantly exceeded standards. Operations in 2020 were affected by the COVID-19 pandemic, but we were active in implementing advanced measures and in executing cost-saving measures, and therefore our profits in the third quarter were better than expected. Additionally, results of performance assessments for managers in 2020 showed that all managers either met or exceeded set targets, indicating that our evaluation results for annual business performance indicators have reached the highest standards. Compensation for the Corporation's directors and managers fully consider the professional capabilities of these individuals and Corporation operations and finances, and are linked to overall Corporation operational performance, individual performance targets, and evaluation results.

4) Linkage to operating performance and future risk exposure

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

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

Manager performance targets are all integrated with "risk management" to ensure that possible risks within the scope of job duties can be managed and prevented, and results of actual performance evaluations are linked to relevant human resources and remuneration policies. Corporation management undertake major decisions after careful consideration of all risk factors, and results of relevant decisions are reflected in Corporation profitability, which are in turn linked to remuneration and risk management performance of managers.

5. Human Resources

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

Year		2019 (Until 2019/12/31)	2020 (Until 2020/12/31)	2021 As of 2021/03/31
Employee Numbers	General Staff	4,515	4,630	4,687
	Compulsory Employment	78	62	33
	Expats	3	3	3
	Total	4,596	4,695	4,723
Average Age		37.7	38.3	38.9
Average Seniority		9.0	9.6	9.7
Education Distribution Ratios (%)	Doctorate	0.3	0.3	0.3
	Master	12.8	13.0	13.0
	Undergraduate	80.7	82.3	82.5
	High School	5.8	4.0	3.9
	Below High School	0.4	0.4	0.3

(2) Employee Benefits and Rights

1) Employee benefits

A. Friendly environment and establishing a win-win solution

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

We are attentive to the work-life balance of employees and encourage our employees to participate in activities that enhance their mental and physical health in their free time. Our "HSR tournament" contains a series of softball, basketball, badminton competitions, and is an important annual event for THSRC. In order to curb the spread of the coronavirus, the "HSR Tournament" was suspended in 2020, but we launched online activities such as the "Summer Marathon" and "iEpidemic Prevention" events to encourage our employees to exercise, strengthen their immune systems, and avoid getting sick.

In 2020, a total of 113 clubs were registered with the employee welfare committee, including the archery club, the fishing club, and the diving club. Exercise-type clubs made up 57% of all clubs, and in 2020 the Corporation once again received the Corporate Exercise certificate given out by the Sports Department of the Ministry of Education.

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

THSRC Employee Benefits and Work Support Items

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

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

2) Education, training, and retirement systems:

A. Education and training:

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

B. Implementation of retirement plan system:

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

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

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

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

(c) Pension distribution table

Pension Plan	Defined benefit plan	Defined contribution plan
Applicable Law	Labor Standards Act	Labor Pension Act
Pension Contributions	We contribute 2% of employee salaries into pension funds each month	We contribute 6% of employee salaries into pension funds each month
	We contributed a total of NT\$ 15,874 thousand to pension funds in 2020	We contributed a total of NT\$ 190,370 thousand to pension funds in 2020

Retirement conditions:

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

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

(b) Forced retirement:

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

(c) Pension payments and standards:

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

(3) Labor-Management Negotiations

1) Labor-management negotiations:

- A. In order to enhance labor relations, the Corporation management holds monthly discussions with labor unions and works with various departments to handle and respond to issues.
- B. The Corporation and the THSRC Labor Union have held 18 collective agreement and negotiations meetings since June 3, 2019. The two parties negotiated the general terms of the collective agreement as well as the organization, operation, and facilities of the union. The Corporation will continue to seek consensus and balance the interests of both parties under principles of fairness and reasonableness, and in consideration of the interests of all stakeholders.

2) Legal compliance:

A. Convening of labor-management conferences:

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

B. Establishment of the grievance appeals system:

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

C. Sexual harassment prevention and appeals system:

We established and implemented our "Sexual Harassment Prevention and Handling Regulations" on May 14, 2015 in accordance with the Act of Gender Equality in Employment and Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace to ensure physical and mental safety of all employees in the workplace, strengthen prevention of sexual harassment incidents, and disseminate related information. Revisions were made to our "Sexual Harassment Prevention and Handling Regulations" on December 16, 2019. We promote relevant information through the training program for new employees and the E-learning platform and also display our appeals hotline and fax number on our corporate website, stations, and workplaces to effectively prevent external and internal incidences of sexual harassment.

D. Promotion of work equality:

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

E. Healthcare management:

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

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

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

A. The Labor Bureau of the Taipei City Government conducted a labor inspection of HSR Taipei Station on August 10, August 19 in 2020, and March 4, March 17 in 2021, and discovered that the station master's delay in approving colleague applications for overtime pay exceeded agreed issuance dates of overtime pay under law, resulting in failures to pay overtime for vacations and national holidays. The Labor Bureau of the Taipei City Government determined that the company's violation of the previous matters was not intentional, but constituted negligence which caused violations of Paragraph 2, Article 24 and Article 39 of the Labor Standards Law. In accordance with Arbitration Letter No.10960673901 dated October 22, 2020, and Arbitration Letter No.11060038061 dated March 31, 2021, THSRC incurred a penalty of NT\$220,000.

THSRC has requested unit supervisors to be attentive of schedules for overtime application approval to avoid recurrence of similar situations and penalties.

B. The Corporation reached an agreement with the THSRC Labor Union on January 21, 2016 on overtime payments and confirmed calculation of payments in July 2016. Appropriate measures were implemented based on the content of this agreement and the decision of the administrative court. As of December 31, 2018, the Corporation has placed NT\$ 283,279 thousand in debt reserves. The aforementioned decision of the administrative court refers to the appeal filed in November 2015 by the Corporation against the Taipei City Government's claim of failure to provide overtime payments and vacation days according to law. The Taipei High Administrative Court dismissed the Corporation's case on June 7, 2018, and the Corporation filed an additional appeal on July 6, 2018. The Supreme Administrative Court issued a judgment on October 17, 2019, abolished the original judgment, and sent it back to the Taipei High Administrative Court for trial. On December 23, 2020, the Taipei High Administrative Court revoked "the appeal decision and the original sanctions concerning the plaintiff's violation of Article 24 of the Labor Standards Law of NT\$150,000." On January 15, 2021, THSRC filed an appeal against the original decision pronounced by the Taipei City Government, which stated that THSRC had violated Article 37 of the Labor Standards Law.



4

Corporate Governance

1. Corporate Governance Status

(1) Status of Board Operations

The Board of Directors convened 14 times in 2020. Board operations are as detailed below:

1) Director attendance records for meetings of the 8th Board in 2020

Title	Name	Actual Attendances	By Proxy	Required Attendances	Actual Attendance Rate (%)	Remarks
Chairman	China Aviation Development Foundation Representative: Yao-Chung Chiang	5	0	5	100	
Director	Ministry of Transportation and Communications Representative: Min-Ching Liu	5	0	5	100	
Director	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	5	0	5	100	
Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	5	0	5	100	
Director	China Aviation Development Foundation Representative: Huang-Liang Tsai	5	0	5	100	
Director	China Steel Corporation Representative: Shyi-Chin Wang	3	2	5	60	
Director	Taiwan Sugar Corporation Representative: Tao-I Kwan	3	1	4	75	Took office on 2020/2/14
Former Director	Taiwan Sugar Corporation Representative: Chao-Yih Chen	1	0	1	100	Left office on 2020/2/14; resumed office on 2020/5/21
Director	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	5	0	5	100	
Director	Evergreen Steel Corporation Representative: Lee-Ching Ko	3	2	5	60	
Independent Director	Kung-Waha Ding	5	0	5	100	
Independent Director	Kenneth Huang-Chuan Chiu	5	0	5	100	
Independent Director	Da-Wei (David) Poo	5	0	5	100	
Average actual director attendance rates of the 8th Board in 2020 (%) (Total actual attendances/Total required attendances)		55	5	60	92	

Attendances of Independent Directors at Board Meetings of the 8th Board of Directors in 2020: (⊙: Attended in person; ☆: Proxy attendance; △: Did not attend)

Name/Date Session (Term-Sitting)	2020/1/15 (8-34)	2020/2/19 (8-35)	2020/3/18 (8-36)	2020/4/8 (8-37)	2020/5/6 (8-38)
Kung-Wha Ding	⊙	⊙	⊙	⊙	⊙
Kenneth Huang-Chuan Chiu	⊙	⊙	⊙	⊙	⊙
Da-Wei (David) Poo	⊙	⊙	⊙	⊙	⊙

2) Director attendance records for meetings of the 9th Board in 2020

Title	Name	Actual Attendances	By Proxy	Required Attendances	Actual Attendance Rate (%)	Remarks
Chairman	China Aviation Development Foundation Representative: Yao-Chung Chiang	9	0	9	100	
Director	Ministry of Transportation and Communications Representative: Yueh-Hsiang Chen	5	0	5	100	Took office on 2020/7/23
Former Director	Ministry of Transportation and Communications Representative: Kwo-Tsai Wang	7	2	9	78	Left office on 2021/4/16
Former Director	Ministry of Transportation and Communications Representative: Min-Ching Liu	4	0	4	100	Left office on 2020/7/23
Director	China Aviation Development Foundation Representative: Lee-Ching Ko	7	2	9	78	
Director	China Steel Corporation Representative: Chao-Tung Wong	6	3	9	67	
Director	Taiwan Sugar Corporation Representative: Chao-Yih Chen	9	0	9	100	
Director	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	9	0	9	100	
Director	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	7	2	9	78	
Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	9	0	9	100	
Independent Director	Kenneth Huang-Chuan Chiu	9	0	9	100	
Independent Director	Duei Tsai	9	0	9	100	
Independent Director	Pai-Ta Shih	9	0	9	100	
Independent Director	Yung-Cheng (Rex) Lai	9	0	9	100	
Average actual director attendance rates of the 9th Board in 2020 (%) (Total actual attendances/Total required attendances)		108	9	117	92	

Attendances of Independent Directors at Board Meetings of the 9th Board of Directors in 2020: (⊙): Attended in person; ☆: Proxy attendance; △: Did not attend)

Name/Date Session (Term-Sitting)	2020/5/21 (9-1)	2020/6/3 (9-2)	2020/6/17 (9-3)	2020/7/15 (9-4)	2020/8/5 (9-5)	2020/9/16 (9-6)	2020/10/14 (9-7)	2020/11/4 (9-8)	2020/12/16 (9-9)
Kenneth Huang-Chuan Chiu	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Duei Tsai	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Pai-Ta Shih	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Yung-Cheng (Rex) Lai	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

3) Combined average actual director attendance rates of the 8th and 9th Board were 92% in 2020.

Other matters required to be recorded:

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

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

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2020/1/15	8-34	Procurement strategy suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/2/19	8-35	Proposal for approval to sign "Fifth Amendment of the NT\$382 billion Syndicated Loan Agreement with respect to Taiwan North-South High Speed Rail Construction and Operation Project"	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/3/18	8-36	Procurement strategy and bid selection suggestions for HSR meal boxes (Contract number: PCDD-19-1413)	Approved.	Approved by the Board.	Apart from the Chairman and directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/3/18	8-36	Proposal for approval to sign "First Amended Agreement to Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/3/18	8-36	Formulation of proposal regarding "Revisions to the Corporation's 'Operational Procedures for Loaning Funds to Others'" for submission and discussion at shareholders' general meeting on May 21, 2020	Approved.	Approved by the Board.	Approved by all directors in attendance.
2020/3/18	8-36	Formulation of proposal regarding "Revisions to the Corporation's 'Operational Procedures for Endorsements and Guarantees'" for submission and discussion at shareholders' general meeting on May 21, 2020	Approved.	Approved by the Board.	Approved by all directors in attendance.

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2020/5/6	8-38	Formulation of plans for issuance of unsecured ordinary corporate bonds	Approved.	Approved by the Board.	Approved by all directors in attendance.
2020/5/6	8-38	Procurement and bid selection suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot (Contract number: C2-19-003)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/6/17	9-3	Extension or transfer of letters of credit that expired during the second half of 2020	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/7/15	9-4	Procurement and re-bidding strategy suggestions for construction of Yanchao Main Workshop automated painting shop equipment	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/7/15	9-4	Procurement strategy suggestions for THSRC headquarters office and parking lease agreement	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/8/5	9-5	Suggestions for official appointment granted to acting head of Finance Division	Approved.	Approved by the Board.	Approved by all directors in attendance.
2020/8/5	9-5	Revisions to the Corporation's "Internal Control System"	Approved.	Approved by the Board.	Approved by all directors in attendance.
2020/10/14	9-7	Procurement and bid selection suggestions for "Phase 3 Nangang Software Park Office Building Lease from 2021 to 2023" contract (Contract number: PCDD-20-0945) and "Phase 3 Nangang Software Park Parking Space Lease from 2021 to 2023" contract (Contract number: PCDD-20-0946)	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/11/4	9-8	Collaboration plans for THSRC and China Airlines joint tickets	Approved.	Approved by the Board.	Apart from the Chairman and directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/11/4	9-8	Procurement strategy suggestions for ATP6 electrical substation core system power equipment control and relay panel (CRP) research and development project	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Independent Director Comments	The Corporation's Responses to Independent Director Opinions	Resolutions
2020/12/16	9-9	Extension of quota for derivative assets that expired during the first half of 2021	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/12/16	9-9	Extension or transfer of letters of credit that expired during the first half of 2021	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

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

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

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2020/1/15	8-34	Procurement strategy suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot	Director Min-Ching Liu	CECI Engineering Consultants, Inc. Taiwan, one of the potential bidders for this project, is a 100% reinvested company of China Engineering Consultants, Inc., a company established by the Executive Yuan Ministry of Transportation and Communications. The Ministry of Transportation and Communications has a director representative serving on the THSRC Board, necessitating recusal of voting rights to avoid conflicts of interest. Director Min-Ching Liu absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/2/19	8-35	Proposal for approval to sign "Fifth Amendment of the NT\$382 billion Syndicated Loan Agreement with respect to Taiwan North-South High Speed Rail Construction and Operation Project"	Independent Director Kung-Wha Ding and Director Shien-Quey Kao	Hua Nan Commercial Bank, one of the banks involved in this project, is a subsidiary of Mega Financial Holding Co Ltd., and the spouse of THSRC Independent Director Kung-Wha Ding is the general manager of Hua Nan Financial Holdings; additionally, the Executive Yuan Management Committee of National Development Fund has director representatives at Mega Financial Holding Co Ltd. (the parent company of Mega International Commercial Bank) and Chang Hwa Bank, and Director Shien-Quey Kao serves as the director representative of the Executive Yuan Management Committee of National Development Fund on the THSRC Board, necessitating recusal of voting rights to avoid conflicts of interest. Independent Director Kung-Wha Ding and Director Shien-Quey Kao absented from the proceedings and were recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2020/3/18	8-36	Procurement strategy and bid selection suggestions for HSR meal boxes (Contract number: PCDD-19-1413)	Chairman Yao-Chung Chiang and directors Huang-Liang Tsai, Shien-Quey Kao, Min-Ching Liu, and Lee-Ching Ko	More than 50% of company shares at Kaohsiung Airport Catering Services Ltd., the company that was awarded this contract, are held by China Airlines. Many directors at China Airlines are representatives of the China Aviation Development Foundation, and THSRC Chairman Yao-Chung Chiang and Director Huang-Liang Tsai also serve as representatives of the China Aviation Development Foundation. THSRC Director Shien-Quey Kao is a representative of the Management Committee of National Development Fund (Executive Yuan), which holds 9.5% of China Airlines shares and THSRC Director Min-Ching Liu serves as a representative of the Ministry of Transportation and Communications, the government entity which funded the establishment of and has substantial influence over the China Aviation Development Foundation. Some directors and supervisors at Kaohsiung Airport Catering Services are representatives of Uni Air and Evergreen International Corporation, two companies which together hold more than 40% of shares in Kaohsiung Airport Catering Services Ltd. Additionally, the two companies belong to the same corporate group as THSRC Director Lee-Ching Ko, who serves as a representative of Evergreen Steel, necessitating recusal of voting rights to avoid conflicts of interest. Chairman Yao-Chung Chiang and directors Huang-Liang Tsai, Shien-Quey Kao, Min-Ching Liu, and Lee-Ching Ko absented from the proceedings and were recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Kung-Wha Ding to serve as deputy chair for the meeting.	Apart from the Chairman and directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/3/18	8-36	Proposal for approval to sign "First Amended Agreement to Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	Director Min-Ching Liu	The Ministry of Transportation and Communications, the counterparty to this transaction, has a director representative serving at THSRC, necessitating recusal of voting rights to avoid conflicts of interest. Director Min-Ching Liu absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2020/4/8	8-37	Submission of "Removal of non-competition restrictions for the Corporation's 9th Board" proposal for discussion at the shareholders' general meeting on May 21, 2020	Chairman Yao-Chung Chiang; directors Min-Ching Liu, Lee-Ching Ko, Mao-Hsiung Huang, Kuo-Chih Liu; and Independent Director Kenneth Huang-Chuan Chiu	Chairman Yao-Chung Chiang; directors Min-Ching Liu, Lee-Ching Ko, Mao-Hsiung Huang, Kuo-Chih Liu; and Independent Director Kenneth Huang-Chuan Chiu did not participate in discussions and voting procedures on behalf of themselves or the government and legal entities they represent regarding removal of non-competition restrictions. Additionally, directors Shyi-Chin Wang and Tao-I Kwan did not attend this board meeting and did not appoint proxies to participate in discussions and voting procedures on behalf of the legal entities they represent regarding removal of non-competition restrictions.	Apart from the Chairman and directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/5/6	8-38	Procurement and bid selection suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot (Contract number: C2-19-003)	Director Min-Ching Liu	CECI Engineering Consultants, Inc. Taiwan, the company that was awarded this contract, is a 100% reinvested company of China Engineering Consultants, Inc., a company established by the Executive Yuan Ministry of Transportation and Communications. The Ministry of Transportation and Communications has a director representative serving on the THSRC Board, necessitating recusal of voting rights to avoid conflicts of interest. Director Min-Ching Liu absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/5/21	9-1	Proposal for approval to sign THSRC "Industry-academia collaboration agreement" and "Academic rebate agreement"	Independent directors Pai-Ta Shih and Yung-Cheng (Rex) Lai	According to the stipulations of the "Regulations Governing Concurrent Positions for Full-Time Faculty of Public Schools" issued by the Ministry of Education, following election of independent directors at shareholders' meetings, companies are required to sign industry-academia collaboration and academic rebate agreements with the schools where said independent directors are employed. As independent directors Pai-Ta Shih and Yung-Cheng (Rex) Lai are currently full-time professors at National Taiwan University, this proposal was handled in accordance with National Taiwan University's Regulations for Collecting and Distributing Academic Rebates from For-Profit Institutes or Organizations where Full-Time Faculty hold Full-Time or Concurrent Positions," necessitating recusal of voting rights to avoid conflicts of interest. Independent directors Pai-Ta Shih and Yung-Cheng (Rex) Lai absented from the proceedings and were recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2020/6/17	9-3	Extension or transfer of letters of credit that expired during the second half of 2020	Director Shien-Quey Kao	The Executive Yuan Management Committee of National Development Fund, which is represented by THSRC Director Shien-Quey Kao, is a director of Chang Hwa Bank, the bank involved in this proposal, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/6/17	9-3	Suggestions regarding remuneration adjustments for directors on the 9th Board of Directors	Independent directors Kenneth Huang-Chuan Chiu, Duei Tsai, Pai-Ta Shih, and Yung-Cheng (Rex) Lai	The four independent directors recused themselves and did not participate in discussions and voting procedures when reviewing fixed remuneration for independent directors.	Apart from independent directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/7/15	9-4	Suggestions regarding individual remuneration adjustments for independent directors on the 9th Board of Directors	Independent Director Duei Tsai	This remuneration adjustment proposal involved the personal interests of a director. Independent Director Duei Tsai absented from the proceedings and was recused during the reading and review of this proposal.	Apart from independent directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2020/7/15	9-4	Procurement and re-bidding strategy suggestions for construction of Yanchao Main Workshop automated painting shop equipment	Directors Chao-Tung Wong and Chao-Yih Chen	THSRC directors Chao-Tung Wong and Chao-Yih Chen are the managing director and director of the Industrial Technology Research Institute, necessitating recusal of voting rights to avoid conflicts of interest. Directors Chao-Tung Wong and Chao-Yih Chen absented from the proceedings and were recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/7/15	9-4	Procurement strategy suggestions for THSRC headquarters office and parking lease agreement	Director Mao-Hsiung Huang	THSRC Director Mao-Hsiung Huang is the chairman of Century Development Corporation, the counterparty to this transaction, necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/8/5	9-5	Suggestions for strengthening links between non-fixed remuneration and operational performance for THSRC chairman and president	Chairman Yao-Chung Chiang	This proposal involved the personal interests of a director. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Duei Tsai to serve as deputy chair for the meeting.	The managerial department was instructed to reference opinions proposed by attending directors, discuss and revise the standards for payment of performance bonuses, and then submit said standards to the Remuneration Committee and the Board for review.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2020/9/16	9-6	Suggestions for strengthening links between non-fixed remuneration and operational performance for THSRC chairman and president	Chairman Yao-Chung Chiang	This proposal involved the personal interests of a director. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Duei Tsai to serve as deputy chair for the meeting.	Apart from the Chairman who recused himself from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/10/14	9-7	Procurement and bid selection suggestions for "Phase 3 Nangang Software Park Office Building Lease from 2021 to 2023" contract (Contract number: PCDD-20-0945) and "Phase 3 Nangang Software Park Parking Space Lease from 2021 to 2023" contract (Contract number: PCDD-20-0946)	Director Mao-Hsiung Huang	THSRC Director Mao-Hsiung Huang is the chairman of Century Development Corporation, the counterparty to this transaction, necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/11/4	9-8	Collaboration plans for THSRC and China Airlines joint tickets	Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Kwo-Tsai Wang, Yueh-Hsiang Chen, and Shien-Quey Kao	More than half of the directors at China Airlines, the counterparty to the transactions under this proposal, represent the China Aviation Development Foundation, a government-related entity overseen by the Executive Yuan (Ministry of Transportation and Communications). THSRC Chairman Yao-Chung Chiang and Director Lee-Ching Ko are representatives of the China Aviation Development Foundation, Director Kwo-Tsai Wang is the chairman of the China Aviation Development Foundation, Director Yueh-Hsiang Chen is a representative of the Ministry of Transportation and Communications (a government entity), and Director Shien-Quey Kao is a representative of the Executive Yuan Management Committee of National Development Fund, which has appointed a director representative at China Airlines, necessitating recusal of voting rights to avoid conflicts of interest. Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Kwo-Tsai Wang, Yueh-Hsiang Chen, and Shien-Quey Kao absented from the proceedings and were recused during the reading and review of this proposal. Chairman Chiang appointed Independent Director Duei Tsai to serve as deputy chair for the meeting.	Apart from the Chairman and directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2020/11/4	9-8	Procurement strategy suggestions for ATP6 electrical substation core system power equipment control and relay panel (CRP) research and development project	Director Chao-Tung Wong	InfoChamp Systems Corporation, one of the potential bidders for this project, is a 100% reinvested company of China Steel Corporation, which is represented by THSRC Director Chao-Tung Wong, necessitating recusal of voting rights to avoid conflicts of interest. Director Chao-Tung Wong absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/12/16	9-9	Extension of quota for derivative assets that expired during the first half of 2021	Director Shien-Quey Kao	The Executive Yuan Management Committee of National Development Fund, which is represented by THSRC Director Shien-Quey Kao, has appointed director representatives at Mega Financial Holding Co Ltd., the parent company of Mega International Commercial Bank (the bank involved in this proposal), necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/12/16	9-9	Extension or transfer of letters of credit that expired during the first half of 2021	Director Shien-Quey Kao	The Executive Yuan Management Committee of National Development Fund, which is represented by THSRC Director Shien-Quey Kao, has appointed director representatives at Mega Financial Holding Co Ltd., the parent company of Mega International Commercial Bank (the bank involved in this proposal), necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the reading and review of this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

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

Implementation Status of Board Evaluations:

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

Evaluation Cycle	Evaluation Duration	Scope of Evaluation	Method of Evaluation	Content of Evaluation
1. Internal Board performance evaluations: implemented every year.	January 1, 2020 to December 31, 2020	Included performance evaluations of the Board, individual directors, and functional committees.	Internal self-evaluations were conducted on the Board, Board directors, and members of functional committees.	<p>Assessment items for Board performance evaluations included 25 indicators across five main aspects: participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control.</p> <p>Assessment items for Board director performance evaluations included 25 indicators across six main aspects: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations and communication, director knowledge and continued training, and internal control.</p> <p>Assessment items for functional committee member performance evaluations included 25 indicators across five main aspects: participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.</p>
2. External Board performance evaluations: one evaluation is conducted every three years by external professional institutes or external teams composed of experts and scholars.	March 1, 2018 to February 28, 2019.	Included performance evaluations of the Board, individual directors, and functional committees.	The evaluations for 2019 were conducted by the Taiwan Corporate Governance Association, which conducted reviews of the relevant documents submitted by THSRC for evaluations, and also commissioned experts to conduct on-site evaluations and interviews with the Corporation's Chairman, President, independent directors, corporate governance officers, head of corporate planning office, and accountants.	External Board performance evaluations included eight main aspects: Board composition, Board guidance, Board authority, Board supervision, Board communication, internal control and risk management, self-discipline of the Board, and others (Board meetings, support systems, and so on). Experts conducting the evaluations referenced information provided by THSRC and publicly available information regarding implementation for each indicator and carried out on-site interviews before submitting evaluation reports.

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

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

- (2) The Corporation has taken out a total of NT\$ 0.9 billion in D&O liability insurance for directors and important managerial officers to help reduce risk of legal liability and to enhance corporate governance capabilities.
- (3) In 2020, in order to strengthen our corporate governance system, the functional committees of the Corporation pre-assessed proposals to establish or revise basic and management bylaws relating to corporate governance, and submitted these to the Board for approval; the corporate bylaws concerned included the "Rules of Procedure for Shareholders' Meetings," "Rules of Procedure for Board of Directors Meetings," "Charter of the Corporate Governance & Nominating Committee," "Charter of the Audit Committee," "Charter of the Remuneration Committee," "Charter of the Special Committee," "Standardized Operating Procedure for Handling Directors' Requests," "Ethical Corporate Management Best Practice Principles," "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior," "THSRC Organizational Regulation," "Internal Control System," "Regulations of Responsibility & Authority," and "General Delegation of Responsibility and Authority."
- (4) Our corporate governance information is disclosed on the Market Observation Post System in accordance with relevant regulations, and we have also established corporate social responsibility, investor relations, and corporate governance sections on our corporate website to provide detailed and timely disclosures of information that are of concern to our stakeholders. Additionally, we regularly review our "Regulations of Disclosure Information," "Guidelines for Disclosure of Material Information and Major News Submitted to Directors," "Regulation for Posting Information on 'Market Observation Post System,'" and "Media Management Procedure" and other regulations relating to information disclosures, and make timely adjustments based on the latest laws and regulations and our actual operations.
- (5) Since going public, THSRC has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for three consecutive years (from 2017 to 2019). Additionally, we were awarded a "Platinum" certification by the Taiwan Corporate Governance Association under the CG6012 (2019) Corporate Governance System Assessment on July 28, 2020, the certification period being from July 9, 2020 to July 8, 2022.

(2) Operational Status of Audit Committee

- 1) The Corporation's Audit Committee was established on March 18, 2016 to replace our supervisor system, and the committee is composed of the independent directors on our Board of Directors. The number of committee members cannot be fewer than three, and at least one of them has to have professional expertise in accounting or finance. Following election of Board members by the shareholders' general meeting on May 24, 2017, the 8th committee members served until May 23, 2020; there were three members on the committee and Independent Director Kung-Wha Ding was elected as convener. Additionally, following election of Board members by the shareholders' general meeting on May 21, 2020, the 9th committee members will serve until May 20, 2023; there are four members on the committee and Independent Director Duei Tsai was elected as convener by all committee members. The committee operates according to the "Charter of the Audit Committee" and convenes at least once every quarter.
- 2) The main duties of the committee and focuses for 2020 included review and supervision of financial reports, risk management items, and financial proposals, as well as the auditing of: financial reports; accounting and internal control systems; transactions of major assets or derivatives; offering and issuance of securities; appointment, dismissal, or compensation of Certified Public Accountants (CPAs); matters involving director conflicts of interest; and appointment and dismissal of chief financial officer, chief accountant, or chief internal auditor. (Please refer to Chapter Three of this report for details regarding the main duties of the Audit Committee).
 - A. Review financial reports: The Corporation's business reports, annual financial reports, and surplus distribution proposals all have to be reviewed by the Audit Committee before submission to the Board for approval and the shareholders' general meeting for recognition. The Corporation's 2020 financial report was submitted to the 9th Board at the 9th Audit Committee Meeting held on February 23, 2021, was approved by the 9th Board at the 11th Board Meeting on February 24, 2021, and will be submitted to the 2021 shareholders' general meeting for recognition. Additionally, all quarterly financial reports also have to be discussed and approved by the Audit Committee before submission to the Board.

B. Assess efficiency of internal control system: The self-assessment results for the Corporation's internal control system are completed by all units through cyclical procedures and submitted to the Audit Committee for confirmation of internal control systems, which includes understanding of operational performance, efficiency, and goal attainment rates; reliability, timeliness, transparency, and legal compliance of reporting measures; and efficient implementation to ensure that relevant goals are met. Results of self-assessments for our internal control system in 2020 were submitted to the 9th Board at the 9th Audit Committee Meeting held on February 23, 2021, and were approved by the 9th Board at the 11th Board Meeting on February 24, 2021.

C. Appoint and evaluate CPAs: The Audit Committee periodically assesses the professionalism, independence, and audit fees of CPAs at the end of each year. CPA assessment results for 2020 were approved by the 9th Board at the 9th Audit Committee Meeting held on February 23, 2021 and the 9th Board at the 11th Board Meeting on February 24, 2021, confirming that accountants Mei-Yen Chiang and Kwan-Chung Lai of Deloitte & Touche both fulfilled assessment standards for independence and competency.

3) The Audit Committee convened 12 times in 2020, and the operational status of the committee was as follows:

A. Operational Status of 8th Audit Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Kung-Wha Ding	5	0	5	100	
Independent Director	Kenneth Huang-Chuan Chiu	5	0	5	100	
Independent Director	Da-Wei (David) Poo	5	0	5	100	
Average actual attendances of 8th Audit Committee members in 2020 (%) (Total actual attendances/Total required attendances)		15	0	15	100	

B. Operational Status of 9th Audit Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Duei Tsai	7	0	7	100	
Independent Director	Kenneth Huang-Chuan Chiu	7	0	7	100	
Independent Director	Pai-Ta Shih	7	0	7	100	
Independent Director	Yung-Cheng (Rex) Lai	7	0	7	100	
Average actual attendances of 9th Audit Committee members in 2020 (%) (Total actual attendances/Total required attendances)		28	0	28	100	

C. Combined average 8th and 9th Audit Committee member attendance rates were 100% in 2020.

Other matters required to be recorded:

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

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

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

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2020/1/15 (8-34)	Procurement strategy suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot	2020/1/14 (8-32)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/2/19 (8-35)	Formulation of 2019 financial report	2020/2/17 (8-33)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	
2020/2/19 (8-35)	Proposal for approval to sign "Fifth Amendment of the NT\$382 billion Syndicated Loan Agreement with respect to Taiwan North-South High Speed Rail Construction and Operation Project"	2020/2/17 (8-33)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/2/19 (8-35)	Self-assessment results of internal control system for 2019	2020/2/17 (8-33)	Approved by all committee members in attendance; the managerial department was instructed to further analyze reasons behind and improvement plans for previous assessment items with higher amounts of feedback.	Handled in accordance with Audit Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.	√	

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2020/3/18 (8-36)	Procurement strategy and bid selection suggestions for HSR meal boxes (Contract number: PCDD-19-1413)	2020/3/13 (8-34)	Approved by all committee members in attendance.	Approved by the Board.	Apart from the Chairman and directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/3/18 (8-36)	Proposal for approval to sign "First Amended Agreement to Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	2020/3/13 (8-34)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/3/18 (8-36)	Formulation of proposal regarding "Revisions to the Corporation's 'Operational Procedures for Loaning Funds to Others'" for submission and discussion at shareholders' general meeting on May 21, 2020	2020/3/13 (8-34)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2020/3/18 (8-36)	Formulation of proposal regarding "Revisions to the Corporation's 'Operational Procedures for Endorsements and Guarantees'" for submission and discussion at shareholders' general meeting on May 21, 2020	2020/3/13 (8-34)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	
2020/5/6 (8-38)	Formulation of plans for issuance of unsecured ordinary corporate bonds	2020/5/4 (8-36)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	
2020/5/6 (8-38)	Procurement and bid selection suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot (Contract number: C2-19-003)	2020/5/4 (8-36)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/6/17 (9-3)	Extension or transfer of letters of credit that expired during the second half of 2020	2020/6/16 (9-1)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2020/7/15 (9-4)	Procurement and re-bidding strategy suggestions for construction of Yanchao Main Workshop automated painting shop equipment	2020/7/14 (9-2)	Approved by all committee members in attendance; the managerial department was instructed to provide risk assessments and response measures for this proposal before submission to the Board for review.	Handled in accordance with Audit Committee resolutions and submitted to the Board for approval.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/7/15 (9-4)	Procurement strategy suggestions for THSRC headquarters office and parking lease agreement	2020/7/14 (9-2)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/8/5 (9-5)	2020 Q2 Financial Report	2020/8/3 (9-3)	Approved by all committee members in attendance; the managerial department was instructed to provide supplementary explanations regarding financial report current financial asset accounts, approval procedures, and compliance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies before submission to the Board for review.	Handled in accordance with Audit Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.	√	

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2020/8/5 (9-5)	Suggestions for official appointment granted to acting head of Finance Division	2020/8/3 (9-3)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	
2020/8/5 (9-5)	Revisions to the Corporation's "Internal Control System"	2020/8/3 (9-3)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	
2020/10/14 (9-7)	Procurement and bid selection suggestions for "Phase 3 Nangang Software Park Office Building Lease from 2021 to 2023" contract (Contract number: PCDD-20-0945) and "Phase 3 Nangang Software Park Parking Space Lease from 2021 to 2023" contract (Contract number: PCDD-20-0946)	2020/10/13 (9-5)	Approved by committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/11/4 (9-8)	Collaboration plans for THSRC and China Airlines joint tickets	2020/11/2 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Apart from the Chairman and directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2020/11/4 (9-8)	Procurement strategy suggestions for ATP6 electrical substation core system power equipment control and relay panel (CRP) research and development project	2020/11/2 (9-6)	Approved by all committee members in attendance; the managerial department was instructed to reference opinions proposed by attending committee members and compile clear and comprehensive information that could be summarized and reported to the Board.	Handled in accordance with Audit Committee resolutions and submitted to the Board for approval.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/12/16 (9-9)	Extension of quota for derivative assets that expired during the first half of 2021	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	
2020/12/16 (9-9)	Extension or transfer of letters of credit that expired during the first half of 2021	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	

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

Board Meeting Date Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date Session (Term-Sitting)	Independent Director Name	Reasons for Recusal and Participation in Voting Procedures	Audit Committee Meeting and Board Resolutions
2020/2/19 (8-35)	Proposal for approval to sign "Fifth Amendment of the NT\$382 billion Syndicated Loan Agreement with respect to Taiwan North-South High Speed Rail Construction and Operation Project"	2020/2/17 (8-33)	Independent Director Kung-Wha Ding	Hua Nan Commercial Bank, one of the banks involved in this proposal, is a subsidiary of Hua Nan Financial Holdings. The spouse of THSRC Independent Director Kung-Wha Ding is the general manager of Hua Nan Financial Holdings, necessitating recusal of voting rights to avoid conflicts of interest. Independent Director Kung-Wha Ding absented from the proceedings and was recused during the reading and review of this proposal.	1. Audit Committee: Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal. 2. Board: Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

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

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

- 1) The independent directors communicated well with chief internal auditor; a list of reported items for 2020 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2020/2/17	Audit Committee Meeting (8-33)	2019 Q4 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2020/5/4	Audit Committee Meeting (8-36)	2020 Q1 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2020/8/3	Audit Committee Meeting (9-3)	2020 Q2 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2020/10/13	Audit report (Independent report made by chief internal auditor to independent directors)	Audit plans for 2021	Acknowledged by independent directors.	No objections from independent directors.
2020/10/13	Audit Committee Meeting (9-5)	Formulation of 2021 audit report for auditing office	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/11/2	Audit Committee Meeting (9-6)	2020 Q3 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

2) The independent directors communicated well with CPAs; a list of reported items for 2020 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2020/2/17	Audit Committee Meeting (8-33)	1.2019 financial report 2.Important communications with governance units 3.Key audit items 4.Queries regarding amounts set aside as legal reserve as per Article 237 of the Company Act 5.Self-compiled issues in financial report	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/5/4	Audit Committee Meeting (8-36)	1.2020 Q1 financial report highlights 2.Explanation of new disclosures in 2020 Q1 financial report 3.Evaluation of impacts on 2020 Q1 financial report from the COVID-19 pandemic	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/8/3	Audit Committee Meeting (9-3)	1.2020 Q2 financial report highlights 2.Explanation of new disclosures in 2020 Q2 financial report 3.Explanation of revisions made to IAS 1	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/11/2	Audit Committee Meeting (9-6)	1.2020 Q3 financial report highlights 2.Audit plans and key audit items for 2020 financial reports 3.Communication on Audit Committee member queries	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/11/2	CPA audit report (Independent report made by CPAs to independent directors)	Report of audits on financial statements and audit plans	Acknowledged by independent directors.	No objections from independent directors.

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

1) Remuneration Committee Members

Term	Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independent Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks	
			An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
8th Term	Independent Director (Convener)	Kenneth Huang-Chuan Chiu		v	v	v	v	v	v	v	v	v	v	v	v	v	3	
	Independent Director	Kung-Wha Ding	v		v	v	v	v	v	v	v	v	v	v	v	v	0	
	Independent Director	Da-Wei (David) Poo			v	v	v	v	v	v	v	v	v	v	v	v	0	
9th Term	Independent Director (Convener)	Kenneth Huang-Chuan Chiu		v	v	v	v	v	v	v	v	v	v	v	v	v	3	
	Independent Director	Duei Tsai	v		v	v	v	v	v	v	v	v	v	v	v	v	2	
	Independent Director	Pai-Ta Shih	v		v	v	v	v	v	v	v	v	v	v	v	v	0	

Note: A check mark is placed in the box for those directors who fulfill the following conditions during and up to two years prior to their time in office.

- (1) Is not hired by the Corporation or its affiliates.
- (2) Is not a director or supervisor of the Corporation or any of its affiliates. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (3) Is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Corporation or ranking in the top ten in shareholdings.
- (4) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managers not conforming to subparagraph (1) above, or of any persons not conforming to subparagraphs (2) and (3) above.
- (5) Is not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of total number of issued shares or ranks among the top five in shareholdings, or a director, supervisor, or employee of an institutional shareholder who has been appointed as a director or supervisor representative at the Corporation under paragraphs 1 and 2, Article 27 of the Company Act. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (6) Is not a director, supervisor, or employee of other companies controlled by Corporation directors or persons with more than half of voting rights at the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (7) Is not a director, supervisor, or employee of other companies or institutions of the Corporation's chairperson, president, or persons with equivalent duties, or spouses thereof. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (8) Is not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (The same does not apply, however, for specific companies or institutions that hold more than 20% and less than 50% of issued Corporation shares, or in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)
- (9) Is not a professional individual, or an owner, partner, director, supervisor, or manager, or spouses thereof, of a sole proprietorship, partnership, company, or institution which provides audit services to the Corporation or its affiliates; or has in the past two years provided commercial, legal, financial, accounting, or related services not exceeding total compensation of NT\$ 500,000 to the Corporation or its affiliates. The same does not apply, however, for members of remuneration committees, public tender offer review committees, or special committees for mergers/consolidations and acquisitions exercising their duties in accordance with the laws and regulations of the Securities and Exchange Act and the Business Mergers and Acquisitions Act.
- (10) Has not violated any regulations in Article 30 of the Company Act.

2) Operational Status of Remuneration Committee

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

B. The main duties of the committee and focuses for 2020 included formulating and regularly reviewing policies, systems, standards, and structure of evaluations on director and manager performance, salaries, and compensation, as well as regular assessment and formulation of director and manager salaries and compensation. (Please refer to Chapter Three of this report for details regarding the main duties of the Remuneration Committee).

C. The Remuneration Committee convened 12 times in 2020, and the operational status of the committee was as follows:

(a) Operational Status of 8th Remuneration Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Kenneth Huang-Chuan Chiu	4	0	4	100	
Independent Director	Kung-Wha Ding	4	0	4	100	
Independent Director	Da-Wei (David) Poo	4	0	4	100	
Average actual attendances of 8th Remuneration Committee members in 2020 (%)		12	0	12	100	
(Total actual attendances/Total required attendances)						

(b) Operational Status of 9th Remuneration Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Kenneth Huang-Chuan Chiu	8	0	8	100	
Independent Director	Duei Tsai	8	0	8	100	
Independent Director	Pai-Ta Shih	8	0	8	100	
Average actual attendances of 9th Remuneration Committee members in 2020 (%)		24	0	24	100	
(Total actual attendances/Total required attendances)						

(c) Combined average 8th and 9th Remuneration Committee member attendance rates were 100% in 2020.

Other matters required to be recorded:

1. Matters discussed and resolved during Remuneration Committee meetings in 2020, and the Corporation's responses to Remuneration Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Meeting Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2020/1/15 (8-34)	Report on self-evaluations of Board performance for 2019 (Note 1)	2020/1/14 (8-29)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/1/15 (8-34)	Distribution suggestions for 2019 employee compensation and bonuses (Note 1)	2020/1/14 (8-29)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/1/15 (8-34)	Distribution suggestions for 2019 director remuneration (Note 1)	2020/1/14 (8-29)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/1/15 (8-34)	Implementation status of Remuneration Committee in 2019	2020/1/14 (8-29)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Actual distributions of director remuneration and employee compensation in 2019 (Note 1)	2020/2/17 (8-30)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Results of manager performance audits for 2019 (Note 1)	2020/2/17 (8-30)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Suggestions regarding performance goals for new managers in 2020 (Note 1)	2020/2/17 (8-30)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/5/6 (8-38)	Suggestions regarding annual performance bonuses for 2019 (Note 1)	2020/5/4 (8-32)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
-	Nomination of Remuneration Committee convener for the 9th Board	2020/6/16 (9-1)	All attending committee members nominated Independent Director Kenneth Huang-Chuan Chiu as the Remuneration Committee convener for the 9th Board.	-	-
2020/6/17 (9-3)	Review report of compensation competitiveness (including manager compensation) for 2020 (Note 1)	2020/6/16 (9-1)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Meeting Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2020/6/17 (9-3)	Proposal of suggestions regarding remuneration adjustments for directors on the 9th Board of Directors	2020/6/16 (9-1)	The item of fixed remuneration of independent directors contained within this proposal involved conflicts of interest for the independent directors who are committee members. The item was submitted without discussion to the Board for review. The remainder of the proposal was approved and submitted to the Board for review.	Approved by the Board.	Apart from independent directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/6/17 (9-3)	Retirement of Operation Division manager and appointment as President's Office consultant	2020/6/17 (9-2)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/7/15 (9-4)	Suggestions regarding individual remuneration adjustments for independent directors on the 9th Board of Directors	2020/7/14 (9-3)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/8/5 (9-5)	Revival of 2020 salary adjustment plans	2020/8/3 (9-4)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/8/5 (9-5)	Suggestions for strengthening links between non-fixed remuneration and operational performance for THSRC chairman and president	2020/8/3 (9-4)	Approved by all Remuneration Committee members in attendance; the managerial department was instructed to reference opinions proposed by attending committee members and include supplementary explanations for submission to the Board for review.	Handled in accordance with Remuneration Committee resolutions and submitted to the Board for approval.	The managerial department was instructed to formulate revised standards for payment of performance bonuses for submission to the Remuneration Committee and Board for review.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Meeting Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2020/8/5 (9-5)	Suggestions for official appointment granted to acting head of Finance Division	2020/8/3 (9-4)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Suggestions for strengthening links between non-fixed remuneration and operational performance for THSRC chairman and president	2020/9/15 (9-5)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Suggestions regarding distribution of "special autumn festival bonuses" for 2020	2020/9/15 (9-5)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Revision of the Corporation's consultant appointment guidelines	2020/9/15 (9-5)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Renewal of President's Office consultant contract	2020/9/15 (9-5)	Approved by committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/10/14 (9-7)	Recommendation that overtime pay rates for "national holidays" in 2021 should continue to comply with overtime pay rates for "rest days"	2020/10/13 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/10/14 (9-7)	Suggestions regarding distribution of Chinese New Year subsidies for 2021	2020/10/13 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/10/14 (9-7)	Formulation of Remuneration Committee work plans for 2021	2020/10/13 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/11/4 (9-8)	Suggestions regarding performance goals for managers in 2021 (Note 1)	2020/11/2 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/11/4 (9-8)	Suggestions regarding promotion of Head of Information Technology Division and Head of Operation Safety Office	2020/11/2 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Suggestions regarding additional year-end bonuses for 2020	2020/12/15 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Continued appointment of Corporation President's Office senior consultant contract	2020/12/15 (9-8)	Attending committee members recommended that the managerial department revise the content of this proposal in accordance with prior Board resolutions and submit the revised proposal to the Board for review.	Handled in accordance with the resolutions of the Remuneration Committee.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Meeting Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2020/12/16 (9-9)	Continued appointment of Corporation Core Technology Development Department consultant	2020/12/15 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Appointment of acting Head of Maintenance Management Division and acting Head of Legal Office	2020/12/15 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Revisions to the Corporation's "Charter of the Remuneration Committee"	2020/12/15 (9-8)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

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

- If the Board declines to adopt, or modifies, a recommendation of the Remuneration Committee, the date of said Board meeting, session number, proposal content, Board resolutions, and the Corporation's responses to Remuneration Committee opinions should be recorded (if the remuneration passed by the Board exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified):

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Meeting Date Session (Term-Sitting)	The Circumstances and Cause for the Difference Between Board Resolutions and Remuneration Committee Suggestions	The Corporation's Responses to Remuneration Committee Opinions
2020/8/5 (9-5)	Suggestions for strengthening links between non-fixed remuneration and operational performance for THSRC chairman and president	2020/8/3 (9-4)	1.Difference: The Remuneration Committee approved the original proposal, but the Board instructed the managerial department to formulate revised standards for payment of performance bonuses for submission to the Remuneration Committee and Board for review. 2.Cause: Following discussion of this proposal, the Board instructed the managerial department to formulate revised standards for payment of performance bonuses. This resolution did not exceed the suggestions made by the Remuneration Committee.	Handled in accordance with the resolutions of the Board.

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

(4) Operational Status of Corporate Governance & Nomination Committee

- The Corporation's Corporate Governance & Nomination Committee is composed of five to seven committee members, and more than half of committee members should be composed of independent directors. Following election of Board members by the shareholders' general meeting on May 24, 2017, the 8th committee members served until May 23, 2020. There were five committee members, three of which were independent directors, and Chairman Yao-Chung Chiang was elected as convener by all committee members. Additionally, following election of Board members by the shareholders' general meeting on May 21, 2020, the 9th committee members will serve until May 20, 2023; there are five members on the committee, three of which were independent directors, and Chairman Yao-Chung Chiang was elected as convener by all committee members. The committee operates according to the "Charter of the Corporate Governance & Nominating Committee" and convenes at least four times every year.

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

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

- 3) The main duties of the committee and focuses for 2020 included: review diverse background and independent standards including professional knowhow, technical knowledge, expertise, and gender of independent directors, non-independent directors, and managers; plan composition of the Board and functional committees; review succession plans for directors and managers; conduct performance evaluations of the Board, committees, directors, and managers; nominate independent directors and non-independent directors; research and analyze corporate governance systems; and review effectiveness of corporate governance systems and implementation of information disclosures. (Please refer to Chapter Three of this report for details regarding the main duties of the Corporate Governance & Nomination Committee).

- 4) The Corporate Governance & Nominating Committee convened 12 times in 2020, and the operational status of the committee was as follows:

A. Operational Status of 8th Corporate Governance & Nominating Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Chairman (Convener)	Yao-Chung Chiang	5	0	5	100	
Independent Director	Kung-Wha Ding	5	0	5	100	
Independent Director	Kenneth Huang-Chuan Chiu	5	0	5	100	
Independent Director	Da-Wei (David) Poo	5	0	5	100	
Director	Kuo-Chih Liu	5	0	5	100	
Average actual attendances of 8th Corporate Governance & Nomination Committee members in 2020 (%) (Total actual attendances/Total required attendances)		25	0	25	100	

B. Operational Status of 9th Corporate Governance & Nominating Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Chairman (Convener)	Yao-Chung Chiang	7	0	7	100	
Independent Director	Kenneth Huang-Chuan Chiu	7	0	7	100	
Independent Director	Pai-Ta Shih	7	0	7	100	
Independent Director	Yung-Cheng (Rex) Lai	7	0	7	100	
Director	Kuo-Chih Liu	7	0	7	100	
Average actual attendances of 9th Corporate Governance & Nomination Committee members in 2020 (%) (Total actual attendances/Total required attendances)		35	0	35	100	

C. Combined average 8th and 9th Corporate Governance & Nominating Committee member attendance rates were 100% in 2020.

Other matters required to be recorded:

1. Matters discussed and resolved during Corporate Governance & Nominating Committee meetings in 2020, and the Corporation's responses to Corporate Governance & Nominating Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolutions	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2020/1/15 (8-34)	Implementation status of Corporate Governance & Nominating Committee in 2019	2020/1/14 (8-27)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/1/15 (8-34)	Evaluation and suggestions regarding Board and Committee performance in 2019	2020/1/14 (8-27)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Results of manager performance audits for 2019	2020/2/17 (8-28)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Suggestions regarding performance goals for new managers in 2020	2020/2/17 (8-28)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Report of implementation status of corporate governance	2020/2/17 (8-28)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Discussion of director (and independent director) seats for the 9th Board	2020/2/17 (8-28)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/2/19 (8-35)	Suggestions for Special Committee member composition as THSRC Institutional Director Taiwan Sugar Corporation appointed a new director representative, resulting in Director Chao-Yih Chen leaving office and resigning as a member of the Special Committee.	2020/2/17 (8-28)	All attending committee members nominated Director Tao-I Kwan as a Special Committee member, with term of office set to conclude at the end of the 8th Board's term.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/3/18 (8-36)	Board nominations for the four independent directors and nine non-independent directors of the 9th Board	2020/3/18 (8-29)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolutions	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2020/3/18 (8-36)	Formulation of proposal regarding "Revisions to the Corporation's 'Ethical Corporate Management Best Practice Principles' and establishment of the Corporation's 'Procedures for Ethical Management and Guidelines for Conduct' and 'Declaration of Compliance with Ethical Management Policies'" for submission and discussion at shareholders' general meeting on May 21, 2020	2020/3/18 (8-29)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/3/18 (8-36)	Formulation of proposal regarding "Revisions to the Corporation's 'Rules of Procedure for Shareholders' Meetings'" for submission and discussion at shareholders' general meeting on May 21, 2020	2020/3/18 (8-29)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/4/8 (8-37)	Submission of "Removal of non-competition restrictions for the Corporation's 9th Board" proposal for discussion at the shareholders' general meeting on May 21, 2020	2020/4/8 (8-30)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/5/6 (8-38)	Revisions to the Corporation's "General Delegation of Responsibility and Authority"	2020/5/4 (8-31)	The stipulations regarding responsibilities and authority for donated items were not revised. The remainder of the proposal was approved and submitted to the Board for review.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
	Nomination of Corporate Governance & Nominating Committee convener for the 9th Board	2020/6/3 (9-1)	All attending committee members nominated Chairman Yao-Chung Chiang as the Corporate Governance & Nominating Committee convener for the 9th Board.	-	-
2020/6/3 (9-2)	Suggestions for Remuneration Committee and Special Committee members for the 9th Board	2020/6/3 (9-1)	All attending committee members provided suggestions regarding Remuneration Committee and Special Committee members for the 9th Board.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolutions	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2020/6/17 (9-3)	Retirement of Operation Division manager and appointment as President's Office consultant	2020/6/17 (9-2)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/8/5 (9-5)	Suggestions for official appointment granted to acting head of Finance Division	2020/8/3 (9-3)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/8/5 (9-5)	Suggestions for Special Committee member composition as THSRC Institutional Director Ministry of Transportation and Communications appointed a new director representative, resulting in Director Min-Ching Liu leaving office and resigning as a member of the Special Committee.	2020/8/3 (9-3)	All attending committee members nominated Director Yueh-Hsiang Chen as a Special Committee member, with term of office set to conclude at the end of the 9th Board's term.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/9/16 (9-6)	Suggestions for simplifying Board submission procedures for procurement contract proposals (as opposed to previous review-and-approval procedures for proposals)	2020/9/15 (9-4)	Approved by all committee members in attendance. Additionally, for sensitive procurement proposals that fall outside the scope for Board review, the managerial department can consider submitting procurement strategy suggestions prior to bidding procedures for discussion by the Board.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/9/16 (9-6)	Suggestions for renewal of director (supervisor) and officer liability insurance	2020/9/15 (9-4)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Revisions to the Corporation's "Regulations of Responsibility & Authority"	2020/9/15 (9-4)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Revision of the Corporation's consultant appointment guidelines	2020/9/15 (9-4)	Attending committee members suggested revising meeting agenda descriptions before submission to the Board for review.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/9/16 (9-6)	Renewal of President's Office consultant contract	2020/9/15 (9-4)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Appointment of acting Operation Senior Vice President	2020/9/15 (9-4)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolutions	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2020/10/14 (9-7)	Formulation of Corporate Governance & Nominating Committee work plans for 2021	2020/10/13 (9-5)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/11/4 (9-8)	Suggestions regarding performance goals for managers in 2021	2020/11/2 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/11/4 (9-8)	Suggestions regarding promotion of Head of Information Technology Division and Head of Operation Safety Office	2020/11/2 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Structure," and suggestions regarding manpower adjustment	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Continued appointment of Corporation President's Office senior consultant contract	2020/12/15 (9-7)	Attending committee members recommended that the managerial department revise the content of this proposal and submit the revised proposal to the Board for review.	Handled in accordance with Corporate Governance & Nominating Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/12/16 (9-9)	Continued appointment of Corporation Core Technology Development Department consultant	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Suggestions for official appointment granted to acting Operation Senior Vice President	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Appointment of acting Head of Maintenance Management Division and acting Head of Legal Office	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Appointment adjustment of Head of Human Resource Division	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Revisions to the Corporation's "Rules of Procedure for Board of Directors Meetings"	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolutions	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2020/12/16 (9-9)	Revisions to the Corporation's "Charter of the Corporate Governance & Nominating Committee," "Charter of the Audit Committee," "Charter of the Remuneration Committee," and "Charter of the Special Committee"	2020/12/15 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

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

(5) Operational Status of Special Committee

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

A. Operational Status of 8th Special Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Da-Wei (David) Poo	5	0	5	100	
Director	Min-Ching Liu	5	0	5	100	
Director	Mao-Hsiung Huang	5	0	5	100	
Director	Huang-Liang Tsai	5	0	5	100	
Director	Shyi-Chin Wang	2	3	5	40	
Director	Tao-I Kwan	1	2	3	33	Elected to office on 2020/2/19
Former Director	Chao-Yih Chen	1	0	1	100	Left office on 2020/2/14
Director	Shien-Quey Kao	5	0	5	100	
Average actual attendances of 8th Special Committee members in 2020 (%)		29	5	34	85	
(Total actual attendances/Total required attendances)						

B. Operational Status of 9th Special Committee in 2020:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Director (Convener)	Mao-Hsiung Huang	7	0	7	100	
Independent Director	Duei Tsai	7	0	7	100	
Independent Director	Yung-Cheng (Rex) Lai	7	0	7	100	
Director	Yueh-Hsiang Chen	4	0	4	100	Elected to office on 2020/8/5
Former Director	Min-Ching Liu	2	0	2	100	Left office on 2020/7/23
Director	Chao-Yih Chen	3	4	7	43	
Director	Shien-Quey Kao	4	3	7	57	
Average actual attendances of 9th Special Committee members in 2020 (%)		34	7	41	83	
(Total actual attendances/Total required attendances)						

C. Combined average 8th and 9th Special Committee member attendance rates were 84% in 2020.

Other matters required to be recorded:

1. Matters discussed and resolved during Special Committee meetings in 2020, and the Corporation's responses to Special Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolutions	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2020/1/15 (8-34)	Procurement strategy suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot	2020/1/10 (8-32)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/2/19 (8-35)	Procurement and bid selection suggestions for contract from 2022 to 2027 regarding HSR passenger credit card ticketing payment acquisition services (Contract number: 01-19-017)	2020/2/15 (8-33)	Approved by all committee members in attendance; the managerial department was instructed to provide written explanations to the Special Committee prior to the Board Meeting, and then submit the proposal to the Board for review.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolutions	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2020/2/19 (8-35)	Suggestions for platform gate installation at all HSR stations and improvements for existing platform gates at HSR Taipei Station	2020/2/15 (8-33)	Approved by all committee members in attendance; the managerial department was instructed to formulate better designs and corresponding plans for implementation of subsequent procurement strategies.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/3/18 (8-36)	Procurement and bid selection suggestions for contract from 2020 to 2023 for HSR security personnel services (Contract number: S1-19-050 to S1-19-057)	2020/3/13 (8-34)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/3/18 (8-36)	Procurement contract for KHI supply of rolling stock PM maintenance materials from 2021 to 2022 (Contract number: PCDD-21-0001)	2020/3/13 (8-34)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/3/18 (8-36)	Bidding strategies for "THSRC media lease contract"	2020/3/13 (8-34)	Attending committee members instructed the managerial department to revise the content of this proposal in accordance with opinions of attending committee members and submit the revised proposal to the Board for review.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/4/8 (8-37)	Procurement contract for inertial track geometry inspection vehicles (Contract number: E5-19-001)	2020/4/6 (8-35)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/4/8 (8-37)	Procurement strategy suggestions for HSR shuttle bus affiliated marketing services from 2020 to 2021	2020/4/6 (8-35)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/5/6 (8-38)	Suggestions for temporary solutions relating to bidding strategies for THSRC media outsourcing contract	2020/5/4 (8-36)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/5/6 (8-38)	Suggestions for supplementary agreement of HSR station parking lot outsourcing management contract	2020/5/4 (8-36)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolutions	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2020/5/6 (8-38)	Procurement and bid selection suggestions for upgrading of mainframe for Traffic Control System (TCS) Package 2 (Contract numbers: E221 and E223 to E225)	2020/5/4 (8-36)	All attending committee members approved contracts E221, E223, and E224, but instructed the managerial department to negotiate a reasonable price for contract E225, then resubmit the proposal to the Special Committee and the Board for review.	Handled in accordance with the resolutions of the Special Committee.	All attending directors approved contracts E221, E223, and E224, but instructed the managerial department to negotiate a reasonable price for contract E225, then resubmit the proposal to the Special Committee and the Board for review.
2020/5/6 (8-38)	Procurement and bid selection suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot (Contract number: C2-19-003)	2020/5/4 (8-36)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/6/17 (9-3)	Procurement contract for HSR shuttle bus affiliated marketing services from 2020 to 2021 (Contract numbers: S1-20-016 to S1-20-024)	2020/6/15 (9-1)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/6/17 (9-3)	Procurement and bid selection suggestions for upgrading of mainframe for Traffic Control System (TCS) Package 2 (Contract number: E225)	2020/6/15 (9-1)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/7/15 (9-4)	Procurement contract for OCC Radio Mobile Switching Office equipment upgrade (Contract number: E251)	2020/7/13 (9-2)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/7/15 (9-4)	Procurement strategy suggestions for "Replacement of existing turnout control boxes with THSRC self-developed turnout control boxes"	2020/7/13 (9-2)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/7/15 (9-4)	Procurement strategy suggestions for supplementary agreement of second (Contract number: E4-18-005) tender bids for Passenger Information System (PIS) replacement project	2020/7/13 (9-2)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolutions	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2020/7/15 (9-4)	Procurement and re-bidding strategy suggestions for construction of Yanchao Main Workshop automated painting shop equipment	2020/7/13 (9-2)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/7/15 (9-4)	Procurement strategy suggestions for THSRC headquarters office and parking lease agreement	2020/7/13 (9-2)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/8/5 (9-5)	Procurement contract for "THSRC media outsourcing contract" (Contract number: 01-20-007(EU))	2020/7/31 (9-3)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/9/16 (9-6)	Suggestions for simplifying Board submission procedures for procurement contract proposals (as opposed to previous review-and-approval procedures for proposals)	2020/9/11 (9-4)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/10/14 (9-7)	Procurement and bid selection suggestions for "Phase 3 Nangang Software Park Office Building Lease from 2021 to 2023" contract (Contract number: PCDD-20-0945) and "Phase 3 Nangang Software Park Parking Space Lease from 2021 to 2023" contract (Contract number: PCDD-20-0946)	2020/10/12 (9-5)	Apart from committee members who recused themselves from participating in discussions and voting according to legal requirements, the remaining committee members in attendance approved the proposal.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2020/11/4 (9-8)	Procurement strategy suggestions for ATP6 electrical substation core system power equipment control and relay panel (CRP) research and development project	2020/10/30 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolutions	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2020/11/4 (9-8)	Procurement strategy suggestions for new-generation network architecture designs and solutions	2020/10/30 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/11/4 (9-8)	Suggestions for supplementary agreement of "HSR security personnel services (on trains) contract from 2020 to 2023" (Contract number: S1-19-051)	2020/10/30 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/11/4 (9-8)	Suggestions for supplementary agreement of "Rail grinding car supply contract" (Contract number: E5-18-001)	2020/10/30 (9-6)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.
2020/12/16 (9-9)	Procurement strategy suggestions for "THSRC self-developed turnout monitoring system replacement contract"	2020/12/11 (9-7)	Attending committee members instructed the managerial department to assess the feasibility of shortening construction periods required for this contract.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/12/16 (9-9)	Procurement strategy suggestions for HSR station cleaning and greenery maintenance services contract from 2021 to 2024	2020/12/11 (9-7)	Attending committee members instructed the managerial department to further analyze and review this proposal before submission to the Board for review.	Handled in accordance with Special Committee resolutions and submitted to the Board for approval.	Approved by all directors in attendance.
2020/12/16 (9-9)	Revisions to the Corporation's "Charter of the Special Committee"	2020/12/11 (9-7)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.

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

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

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		<p>■ The Corporation has established "Guidelines for Corporate Governance" which are disclosed on the "Investor Relations" and the "Corporate Governance" sections of our corporate website, as well as on the Market Observation Post System. Revisions to our "Guidelines for Corporate Governance" were approved at the 23rd meeting of the 8th Board (convened on February 20, 2019) and a shareholders' general meeting (convened on May 30, 2019).</p>	None.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		<p>■ The Corporation has a shareholder services unit that is responsible for providing shareholder services, handling shareholder recommendations, and responding to shareholder queries, while our legal unit handles shareholder disputes and litigation matters. All related matters are handled according to our operating procedures. All related matters are handled according to our operating procedures.</p>	None.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		<p>■ The Corporation regularly maintains a list of its major shareholders as well as the ultimate owners of those shares. At present, most of our major shareholders are board members or financial institutions, and the list of major shareholders and ultimate owners can be viewed at any time to ensure the stability of the Corporation's operating policies.</p>	None.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		<p>■ The Corporation currently has no affiliated businesses. Additionally, to avoid conflicts of interest, the Corporation has established "Regulation of Related Party Transaction" and our Audit Committee is responsible for auditing transactions of related parties and other avoidances of conflicts of interest.</p>	None.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		<p>■ The Corporation has established "Regulations for Management of the Prevention of Insider Trading" which stipulate that corporate insiders and quasi-insiders must abide by the provisions of the Securities and Exchange Act, and any trade of securities conducted using undisclosed information is prohibited. Additionally, Article 11 of our "Code of Ethical Conduct" and Subparagraph (d), Paragraph 3, Article 6.1.2 of our "Code of Conduct" also contains stipulations inhibiting insider trading.</p>	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>■ Article 14, Chapter 2 of the Corporation's "Charter of the Corporate Governance & Nominating Committee" (Structural Composition of the Board and its Committees and Performance Assessments) stipulates a diversification policy for board member composition and overall capabilities of board members. Article 17 of the Charter also stipulates succession plans for directors.</p> <p>■ The Corporation's diversification policy for board member composition states that appropriate diversification standards for the Board should be set according to operations, mode of operation, and development needs, including but not limited to the following:</p> <ol style="list-style-type: none"> 1. Basic qualifications and values: gender, age, nationality, and culture. 2. Level of contribution to businesses or in other professional areas. 3. Personality, professional expertise and skills. Professional expertise and skills include professional backgrounds (such as in finance, accounting, legal practice, marketing, technology, business management, and so on), as well as professional skills and industry experience. 4. Willingness and time to participate in corporate affairs. 5. Concurrent director and manager positions held at other companies. <p>■ Overall, the Board as a whole should possess the following capabilities:</p> <ol style="list-style-type: none"> 1. Operational insight capabilities. 2. Accounting and financial analysis capabilities. 3. Management capabilities. 4. Crisis management capabilities. 5. Industry knowledge. 6. International outlook. 7. Leadership and decision-making ability. <p>■ THSRC has established a Corporate Governance & Nominating Committee which is responsible for reviewing the diversified standards of professional knowledge, techniques, experience, and gender distribution required by directors to ensure that the Board possesses appropriate professional knowledge and expertise. The committee is also responsible for conducting regular evaluations of Board performance, reviewing director training plans, and reviewing manager succession plans.</p> <p>■ Composition of the Corporation's 9th Board complies with our "Articles of Incorporation"; nominated candidates are selected, nominated, and elected through the rigorous processes stipulated in the Corporation's "Charter of the Corporate Governance & Nominating Committee" and "Rules for the Election of Directors," thus ensuring diversification and independence of board members.</p> <p>■ The Board is currently composed of 13 directors, including 4 independent directors and 9 non-independent directors. Our current directors are all industrial or academic experts, with management experience in listed companies or in government institutes. Apart from possessing leadership and decision-making capabilities, crisis management capabilities, and an international outlook, our four independent directors also have expertise in legal affairs, finance and accounting, industrial knowledge, and operational insights: Independent Director Kenneth Huang-Chuan Chiu is a partner at Kew & Lord, Independent Director Duei Tsai served as the Minister of Transportation and Communications, Independent Director Pai-Ta Shih is a full-time professor at the National Taiwan University Department of Finance, and Independent Director Yung-Cheng (Rex) Lai is a professor at the National Taiwan University Railway Technology Research Center. Additionally, of the other nine non-independent directors, directors Yueh-Hsiang Chen and Shien-Quey Kao both have finance and accounting expertise; Director Kwo-Tsai Wang is currently the Deputy Minister of Transportation and Communications and the Chairman of China Aviation Development Foundation; and Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Chao-Tung Wong, Chao-Yih Chen, Mao-Hsiung Huang, and Kuo-Chih Liu all have significant management experience as a chairperson or president of listed companies in industries spanning from technology, construction, automobiles, steel, airlines, manufacturing, and services; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight.</p>	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>■ The Corporation sets the 4Ts (Transport, Technology, Taiwan, and Taiwan) as our main developmental goal and selects directors based on their management experience and expertise. Our current directors possess knowledge on corporate governance, the latest industrial insights, and expertise in business, finance, accounting, and corporate matters, fulfilling the goals set out by our 4Ts.</p> <p>■ The Corporation strives to maintain gender equality in the composition of Board members. Our goal is to increase our ratio of female directors to 1/3 (33%). Currently, we have 77% (10) male directors and 23% (3) female directors. In future, we hope to add other female directors to achieve our goal.</p> <p>■ Currently, one of our four independent directors was reelected following a full term (approximately four years) and the remaining three are all newly appointed independent directors who have served for approximately one year. We currently have 13 Board members, of which 15% (2) are under 60 years old, 23% (3) are between 60 to 65 years old, and 62% (8) are over 65 years old.</p> <p>■ Board members are all active in attending Board meetings, with average attendance rates for 2019 and 2020 reaching 92%, showing that our Board is indeed exercising its supervisory duties.</p> <p>■ Overall, our Board possesses capabilities aligned with the Corporation's future development, and our policy of board diversification has been well implemented. (See Note 1 for details on the implementation status of our board diversification policy.) Additionally, the "Corporate Governance Implementation Status" subsection under the "Corporate Governance" section of our corporate website has also disclosed details of our board diversification policy and implementation status.</p>	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		<p>■ The Corporation has established a Remuneration Committee and Audit Committee in accordance with law, and we have also voluntarily established other functional committees including our Corporate Governance & Nomination Committee and Special Committee in consideration of corporate matters and development. The Audit Committee and Remuneration Committee are convened by independent directors. The Audit Committee and Remuneration Committee are composed of independent directors, while more than half of the members in the Corporate Governance & Nomination Committee are independent directors. All functional committees are well operated, exercise sound supervisory duties, and strengthen the functions of the Board.</p>	None.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? And have the results of performance assessments been submitted to the Board and used as a reference for the remuneration and continued nomination of individual directors?	✓		<p>■ On March 21, 2017, the Corporation's "Regulation of Self-Evaluation of the Board of Directors" was passed at the 27th meeting of the 7th Board. The Corporation's Corporate Governance & Nomination Committee serves as the implementation unit for these evaluations, and the Secretariat Division of the Board of Directors assists the Corporate Governance & Nomination Committee in collecting information on Board activities at the end of each year for internal self-assessments of Board performance. Self-assessments on Board operations, Board members, and all functional committees (including the Corporate Governance & Nominating Committee, Audit Committee, Remuneration Committee, and Special Committee) are conducted via surveys. Survey results are organized and submitted to the Board as a basis for review and improvement. Additionally, assessment results on the Board and its functional committees serve as a reference for selecting or nominating directors (and independent directors), while assessment results on individual directors may be used in future as a reference when setting salaries and remuneration. Furthermore, the aforementioned Corporation bylaw stipulates that an external assessment should take place at least once every three years.</p> <p>■ Assessment indicators for the Corporation's Board includes the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in corporate operations. 2. Enhancement of Board decision-making quality. 3. Board composition and structure. 4. Director elections and continued training. 5. Internal control. 	None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>■ Assessment indicators of the Corporation's directors includes the following six aspects:</p> <ol style="list-style-type: none"> 1. Understanding of corporate goals and tasks. 2. Recognition of director responsibilities. 3. Participation in corporate operations. 4. Internal relations and communication. 5. Director knowledge and continued training. 6. Internal control. <p>■ Self-assessment indicators for functional committee members include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in corporate operations. 2. Recognition of functional committee responsibilities. 3. Enhancement of functional committee decision-making quality. 4. Composition of functional committees and election of committee members. 5. Internal control. <p>■ The Corporation completed all self-assessments of the Board, Board members, and functional committee members for 2020 in January 2021. The full score for assessments was 100. The Board and Board members received self-assessment scores of 97.31 and 98.34 (the scores were 96.41 and 95.74 in 2019). Additionally, overall self-assessment scores for functional committee members were as follows: 98.6 for the Corporate Governance & Nominating Committee, 98.5 for the Audit Committee, 98.67 for the Remuneration Committee, and 96.66 for the Special Committee (the scores were 99.40 for the Corporate Governance & Nominating Committee, 99.67 for the Audit Committee, 99.34 for the Remuneration Committee, and 94.57 for the Special Committee in 2019). Assessment results were the same as for the previous year: "Significantly exceeded standards."</p> <p>■ The aforementioned assessment results were submitted to the 9th Remuneration Committee meeting of the 9th Board on January 19, 2021 and the 8th Corporate Governance & Nomination Committee meeting of the 9th Board on January 19, 2021, and were reported at the 10th meeting of the 9th Board on January 20, 2021. Suggestions for improvement and future strengthening were as follows:</p> <ol style="list-style-type: none"> 1. Board of Directors: <ol style="list-style-type: none"> (1) "Participation in corporate operations": Strengthen risk assessments for important proposals to provide a reference for the Board when making decisions. (2) "Enhancement of Board decision-making quality": Strengthen follow-up of Board meeting resolutions and implementation of director suggestions and opinions. (3) "Director knowledge and continued training": Enrich materials provided to new directors so as to help them understand Corporation operations and environments. (4) "Internal control": Strengthen proposals for internal control systems and risk management so as to help directors evaluate and supervise the implementation of relevant operations. 2. Board members: <ol style="list-style-type: none"> (1) "Understanding of corporate goals and tasks": Strengthen mid- to long-term plans and report major changes to the Board where appropriate so as to help directors fully understand relevant matters and build consensus within the Board. 3. Functional committees: <ol style="list-style-type: none"> (1) "Participation in corporate operations": Strengthen timeliness, relevance, and comprehensiveness of answers provided by our management team when interacting with directors so as to ensure that director suggestions and questions are appropriately handled. (2) "Enhancement of functional committee decision-making quality": Improve the quality of meeting materials provided to the Board so that directors can better understand proposals, strengthen risk assessments for important proposals to provide a reference for functional committees when making decisions, and regularly review proposals submitted to functional committees and appropriateness of meeting frequencies. 	

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>■ According to the stipulations of our "Regulation of Self-Evaluation of the Board of Directors," an evaluation of Board performance should be conducted by external units at least once every three years. The Corporation commissioned the "Taiwan Corporate Governance Association" to evaluate Board effectiveness and performance. The most recent external evaluation of Board performance was completed in February 2019. The Taiwan Corporate Governance Association and evaluating experts were independent units that had no business dealings with the Corporation; a report on Board performance was issued on April 19, 2019. The aforementioned results of external evaluations were submitted to the 27th meeting of the 8th Board on June 19, 2019. Implementation details were as follows:</p> <ol style="list-style-type: none"> 1. Evaluation duration: March 1, 2018 to February 28, 2019. 2. Evaluation method: The Taiwan Corporate Governance Association conducted reviews of the relevant documents submitted by the Corporation for evaluations, and also commissioned three experts to conduct on-site evaluations and interviews with the Corporation's Chairman, President, independent directors, corporate governance officer, head of corporate planning office, and accountants on March 28, 2019. 3. Evaluation standards: Standards included the eight aspects of board composition, board guidance, board authority, board supervision, board communication, internal control and risk management, self-discipline of the board, and others (board meetings, support systems, and so on). Experts conducting the evaluations referenced information provided by the Corporation and publicly available information regarding implementation for each indicator and carried out on-site interviews before submitting evaluation reports. 4. Overall evaluation results: <ol style="list-style-type: none"> (1) The Corporation formed an appropriate Board based on the needs of our business development and changes in shareholding structure. Our directors have expertise in law, finance, rail transport, and business management, and Board members all prioritize the interests of the Corporation, helping us to realize our operating advantages as a publicly owned private enterprise. (2) The Corporation has kept abreast of the times and established functional committees to fulfill our needs at different stages and to help our Board overcome difficult challenges relating to procurement, finance, and other issues. Our Chairman encourages directors to raise different perspectives regarding various issues, thus creating an open atmosphere for discussion. (3) The Corporation upholds a mission and vision "To be the platform for advancement and enjoyment, and to become one of the top ten brands in Taiwan." Additionally, we have established mid- and long-term strategy plans in response to international and domestic economic trends and conditions in the transportation market, and have submitted these plans to our Board and Audit Committee for review so that the Board can fully exercise their authority. (4) The Corporation has established the "Law Compliance Management Regulation." We make quarterly reviews of changes in applicable laws and regulations, and assess response mechanisms and subsequent revisions in accordance with these changes, and we also periodically compile information on legal compliance systems and implementation status, which are then presented to the Audit Committee and the Board. Our emphasis on legal compliance is clear for all to see. 5. Implementation of evaluation recommendations and improvement items: <ol style="list-style-type: none"> (1) It was recommended that our Corporate Governance & Nominating Committee formulate training and succession plans for Board directors and senior managers according to the Corporation's mid- to long-term development strategies. The implementation status of these plans should be periodically submitted to the Board for review so that the Board can fully understand succession strategies and achieve the goal of sustainable operations. ---The Corporation has since formulated succession plans for Board directors and senior managers, and submitted these to the Board for approval.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>(2) Currently, performance assessments for audit managers are approved by our Chairman before submission to the Board for approval. It was recommended that this mechanism be revised so that our Chairman provides preliminary assessments which are then submitted to the Audit Committee for review before submission to the Board for official approval. ---Audit manager performance targets for 2020 and results of performance assessments for 2019 have been submitted to our Audit Committee for review and to our Board for official approval.</p> <p>(3) The Corporation's "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" stipulates that the audit department is responsible for investigating grievance reports. It was recommended that we establish communication channels that allow for direct contact with our independent directors so that they can realize their supervisory responsibilities. --- The Corporation has established a mailbox to contact our Audit Committee on the Stakeholder section of our external website, creating a communication channel for stakeholders to directly contact the Audit Committee.</p> <p>(4) It was recommended that the Corporation compile existing operational procedures relating to operational risks, information security, environmental hazards, and financial risks into a comprehensive set of risk management procedures which can be submitted to the Board for review. Implementation status on risk management should be periodically reported to the Audit Committee and the Board by the management team so that Board members can be regularly updated on the Corporation's risk management status. ---The Corporation has formulated relevant regulations governing risk management which have been reviewed and approved by the Board. Additionally, the Corporation has also established a mechanism for periodic reporting of risk management implementation to the Audit Committee and to the Board.</p> <p>■ The Corporation has disclosed our "Regulation of Self-Evaluation of the Board of Directors" on the Market Observation Post System and on our corporate website. Results of performance evaluations for the Board have also been disclosed on the "Corporate Governance Implementation Status" page under the "Corporate Governance" section of our corporate website.</p>	
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>■ According to Article 5-3-06 of the Corporation's Guidelines for Corporate Governance, the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and these assessments shall be submitted to the Board. CPA assessment results for 2020 were approved by the 9th Board at the 9th Audit Committee meeting held on February 23, 2021 and the 11th Board meeting held on February 24, 2021, confirming that accountants Mei-Yen Chiang and Kwan-Chung Lai of Deloitte & Touche both fulfilled the assessment standards for independence and competency (Note 2). A letter of declaration was provided by Deloitte and Touche (Note 3).</p>	None.
4. Does the company set up an appropriate number of suitable personnel responsible for corporate governance matters and appoint a corporate governance manager responsible for corporate governance matters (including but not limited to providing information for directors to perform their functions, assisting directors with legal compliance, handling work related to meetings of the board of directors and the shareholders' meetings in accordance with law, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>■ The Corporation established the Secretariat Division under the Board of Directors as the unit responsible for corporate governance, and set up an appropriate number of qualified corporate governance personnel according to Article 3-08 of the Corporation's Guidelines for Corporate Governance. The qualifications and duties of the Board Secretariat manager complies with the criteria for corporate governance officers. On March 20, 2019, Board Secretariat Secretary Senior Vice President Barret Wang was appointed the Corporation's corporate governance officer at the 24th meeting of the 8th Board to protect shareholder rights and strengthen Board functions as he possesses legal qualifications and served in managerial capacities for more than three years, handling the legal, shareholding, and corporate governance affairs of listed companies. The main duties of the corporate governance officer are to handle Board and shareholder meeting matters in accordance with law, prepare meeting handbooks for Board and shareholder meetings, assist directors in taking office and continued training, provide directors with information necessary for implementation of business matters, and assist directors in complying with laws and regulations. The implementation status of corporate governance within the Corporation was reported at the 11th meeting of the 9th Board on February 24, 2021, and will be periodically reported to the Board every year. Main implementations for 2020 included:</p>	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons																												
	Yes	No	Abstract Illustration																													
			<p>(1) Assisting the Board or its committees with drawing up annual work plans and meeting agendas, and collecting, researching, analyzing, or providing related materials.</p> <p>(2) Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or its committees, for reference by the Board and its committees during deliberations.</p> <p>(3) Ensuring that the operations of the Corporation's shareholders' meetings, Board meetings, and committees do not violate laws or regulations, the Corporation's Articles of Incorporation, shareholders' meeting resolutions, and the Corporation's Guidelines for Corporate Governance.</p> <p>(4) Assisting with deliberation, supervision, or other processes relating to the planning and review of systems for liaison and interaction between the Corporation and shareholders, employees, consumers, stakeholders, and the general public.</p> <p>(5) Assisting with the general administrative affairs of shareholders' meetings and the calling of, notices for, holding of, and record-keeping for Board meetings and committee meetings.</p> <p>(6) Ensuring that Board members have timely knowledge of material information by notifying Board members upon publication of such information.</p> <p>(7) Formulating Board meeting agendas and notifying directors seven days in advance of meetings, convening meetings and providing meeting information, providing prior reminders of conflicts of interest, and compiling Board meeting handbooks within 20 days of meetings.</p> <p>(8) Organizing at least six hours of director training courses within the corporate offices and assisting directors in organizing other training plans and courses.</p> <p>(9) Assessing and taking out appropriate D&O liability insurance for directors, supervisors, and managers.</p> <p>(10) Conducting performance assessments in accordance with the Corporation's Regulation of Self-Evaluation of the Board of Directors.</p> <p>■ Training undertaken by the Corporation's corporate governance officers in 2020 were as follows:</p> <table border="1"> <thead> <tr> <th>Training Date</th> <th>Hosting Organization</th> <th>Course Title</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2020/2/7</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate governance personnel views on corporate governance and board operations</td> <td>3</td> </tr> <tr> <td>2020/2/18</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate governance personnel roles under corporate governance strategic blueprints</td> <td>3</td> </tr> <tr> <td>2020/3/6</td> <td>Taiwan Corporate Governance Association</td> <td>Shareholder meeting organization and case studies</td> <td>3</td> </tr> <tr> <td>2020/4/8</td> <td>Securities and Futures Institute</td> <td>Director responsibilities and risk management under latest Corporate Governance Roadmap</td> <td>3</td> </tr> <tr> <td>2020/7/10</td> <td>Taiwan Corporate Governance Association</td> <td>To give or not to give? A discussion of director information rights</td> <td>3</td> </tr> <tr> <td>2020/8/5</td> <td>Securities and Futures Institute</td> <td>A discussion of intellectual property management from the perspective of the board</td> <td>3</td> </tr> </tbody> </table> <p>Accumulated training hours in 2020: 18 hours</p> <p>■ The Corporation has established a shareholder services unit under the Finance Department; this unit is responsible for providing shareholder services, handling matters relating to shareholders' meetings, making changes to Corporation registration details, and publishing information on shareholder matters in accordance with law.</p>	Training Date	Hosting Organization	Course Title	Training Hours	2020/2/7	Taiwan Corporate Governance Association	Corporate governance personnel views on corporate governance and board operations	3	2020/2/18	Taiwan Corporate Governance Association	Corporate governance personnel roles under corporate governance strategic blueprints	3	2020/3/6	Taiwan Corporate Governance Association	Shareholder meeting organization and case studies	3	2020/4/8	Securities and Futures Institute	Director responsibilities and risk management under latest Corporate Governance Roadmap	3	2020/7/10	Taiwan Corporate Governance Association	To give or not to give? A discussion of director information rights	3	2020/8/5	Securities and Futures Institute	A discussion of intellectual property management from the perspective of the board	3	
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Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>■ A "Stakeholders Communications" sub-section has been established under the "Corporate Social Responsibility" section of our corporate website to uphold the rights of stakeholders by periodically assessing stakeholder categories, establishing designated units and communication channels for stakeholders, using appropriate communication measures to understand the reasonable expectations and needs of stakeholders, and providing fitting responses to major CSR issues of concern. Communication with stakeholders and handling of major disputes for 2020 were reported to the Corporation's 3rd meeting of the 9th Board on June 17, 2020, and will continue to be reported to the Board on an annual basis.</p> <p>■ For more comprehensive information on stakeholders, please refer to the "Stakeholders Communications" sub-section in the "Corporate Social Responsibility" section of our corporate website and the "Material Issues and Stakeholders" section in our CSR report.</p>	None.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		<p>■ The Corporation has appointed Fubon Securities Transfer Agency Department as our professional shareholder service agency.</p>	None.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		<p>■ The Corporation's corporate website has an "Investor Relations" section and a "Corporate Governance" section which both disclose information regarding the Corporation's finances, business matters, and corporate governance. This information is updated periodically and in a timely manner.</p>	None.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		<p>■ When disclosing information, the Corporation not only publishes the information on our annual reports and prospectuses in accordance with law, but also publicly discloses and files the information to websites designated by governing authorities and on our corporate website. Additionally, information is also disclosed in the following ways:</p> <p>(1) The Corporation has established an English language website (https://en.thsrc.com.tw/) to disclose important information on the Corporation's finances, business matters, and corporate governance.</p> <p>(2) The Corporation has implemented a spokesperson system.</p> <p>(3) The Corporation's Investor Conference notices and related information are disclosed on our corporate website.</p>	None.
(3) Did the company publicly disclose and file its financial report within two months of the end of the fiscal year and publicly disclose and file financial reports for the first, second, and third quarters and monthly operational status reports prior to the time limits set by regulations?	✓		<p>■ The Corporation publicly disclosed and filed our financial report for 2020 on February 24, 2021, and our financial reports for the first, second, and third quarters of 2020 and monthly operational status reports for the same year were publicly disclosed and filed prior to the time limits set by regulations.</p>	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<ul style="list-style-type: none"> ■ Since going public, the Corporation has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for three consecutive years (from 2017 to 2019). ■ The Corporation was awarded a "Platinum" certification by the Taiwan Corporate Governance Association under the CG6012 (2019) Corporate Governance System Assessment on July 28, 2020, the certification period being from July 9, 2020 to July 8, 2022. The Corporation previously participated in the CG6011 (2017) Corporate Governance System Assessment and was awarded an "Excellent" certification. ■ The Corporation continued to be included in the "FTSE4Good TIP Taiwan ESG Index" and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index exclusive label" from December 21, 2020 to June 20, 2021, highlighting this recognition of our sustainability actions relating to E (Environment), S (Society), and G (Corporate Governance). ■ The Corporation participated in the "2020 13th TCSA Award" hosted by the Taiwan Institute for Sustainable Energy and received the "Top Ten Most Prestigious Sustainability Awards (Service Industry Category)" and the "Platinum Corporate Sustainability Report Award" in November 2020. ■ The Corporation was awarded first place in Outstanding Enterprises by the 17th National Brand Yushan Awards in October 2020. ■ The Corporation's "Charter of the Corporate Governance & Nominating Committee" stipulates succession plans for Board of Director members. In order to pass on the professionalism and experiences of our Board members, the Corporation has organized plans for director successors through a variety of appropriate methods and has placed a list of director candidates in our talent pool database; nominees are submitted to the Board for review when appropriate and serve as a reference for the Board to nominate director candidates. For more information, please refer to the "Succession Plan for Board of Director Members" page under "Board of Directors" sub-section in the "Corporate Governance" section of our corporate website. Additionally, the Corporation plans annual training courses for directors in accordance with changes in external and internal environmental conditions and development needs to enhance the professional knowledge of new and returning directors and strengthen Board capabilities. ■ The Corporation has also established succession plans for senior management in accordance with the "Succession Plan for Senior Management" passed by the 33rd meeting of the 8th Board on December 18, 2019, which is implemented through five stages (identification of key skills, availability of current talent, development of successors, evaluation of successors, and approval of management personnel), the purpose being to ensure sustainable management and growth, and establish a succession system for important management personnel to pass on the professionalism and experiences of important management personnel. In order to cultivate successors, the Corporation will conduct evaluations of management skills for all department managers, and will conduct management training courses once evaluations have concluded. Depending on availability of important management positions, operational goals, and organizational needs, these will be submitted to the Board for review following approval from the Chairman. For more information, please refer to the "Succession Plan for Senior Management" page under "Corporation Governance and Organizational Structure" sub-section in the "Corporate Governance" section of our corporate website. 	None.

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>■ The Corporation's Guidelines for Corporate Governance stipulate that the Corporation shall devote attention to public policy, economic development, consumer rights and interests, community concerns, environmental protection and sanitation, public safety, and other public interest issues, to enhance the Corporation's image, and to faithfully fulfill its social responsibilities. The Corporation participates in social contribution through a number of measures, for example through subsidies to preserve jacanas and other wildlife, providing care to communities alongside the HSR line, and support of other environmental hygiene and public policies.</p> <p>■ The Corporation has established "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct," "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior," "Regulations for Management of the Prevention of Insider Trading," "Reward and Discipline Regulation," "Grievance Regulation," and "Procurement Staff Ethical Regulation," which not only govern the ethical standards and codes of conduct for Corporation personnel when carrying out their duties, but also ensure that the corporate activities of the Corporation do not interfere with social contributions, thus maintaining the rights of the Corporation and our shareholders, fulfilling our corporate social responsibilities, and helping our stakeholders to understand relevant regulations.</p> <p>■ The Corporation has established an Occupational Safety and Health Policy and is committed to compliance with government health and safety laws, regulations, and procedures to ensure the safety of passengers, employees, and other members of the public. We periodically conduct employee health checks, promote health-enhancing activities, and implement health management every year to enhance the physical and mental health of employees.</p> <p>■ The Corporation has established a Safety Policy, relevant procedures, and implementation results, which are regularly reviewed each year to further our goal of continued improvements to safety. All employees have to undergo training in accordance with our safety regulations and operating procedures so that they can continue to present and be equipped with attention to and recognition of safety measures when carrying out daily tasks. Our contractors are carefully selected, supervised, and managed to ensure that their operations fulfill the Corporation's safety goals.</p> <p>■ The Corporation is committed to appropriate utilization of internationally recognized risk assessments and safety management methods in our safety management system to actualize control and minimize hazards. We are committed to maintaining the highest quality control standards and are active in exercising safety management policies as we strive to implement various health and safety measures.</p> <p>■ The Corporation has established a Supply Chain Management Policy which states that when collaborating with suppliers, we should gradually integrate environmental, social, and corporate governance needs into our supplier regulations in hopes of creating a more sustainable collaboration with our suppliers. Our management policies are disclosed on our corporate website.</p> <p>■ Since 2004, the Corporation has complied with the "Guidelines for Corporate Governance" approved by the shareholders' meeting and taken out liability insurance for all directors, supervisors, and managers with respect to their liability under the law for their actions when exercising their duties. D&O liability insurance policies for 2020 and 2021 were approved by the 30th meeting of the 8th Board on September 18, 2019 and the 6th meeting of the 9th Board on September 16, 2020. Insurance application procedures have since been completed, and the total insurance amount came to NT\$ 0.9 billion. Additionally, the insurance amount for environmental pollution defense costs came to NT\$ 3 million.</p> <p>■ The continued education of all current Corporation directors complies with the number of training hours stipulated by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. In 2020, Corporation directors underwent a total of 121 hours of training as detailed in Note 4.</p>

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

The Corporation was ranked among the top 5% listed companies in the 6th Corporate Governance Evaluations (2019). We list improvements to unachieved evaluation items below:

Item	Evaluation Indicators	Improvements
2.6	Did the company's board members include at least one female director? [If directors of each gender accounted for at least one-fourth of all of the directors, and furthermore there is at least one female independent director among the directors, one additional point will be added to the total score.]	The Corporation's 9th Board currently includes three female directors but no female independent directors. In future, we will seek to increase the number of female directors so as to achieve gender equality and raise the ratio of female directors and independent directors.
2.7	Did the company voluntarily appoint more independent directors than is required by laws? (More than four independent directors) [If the company's independent directors reached one-half or more of all of the directors, one additional point will be added to the total score.]	The Corporation's 9th Board has four independent directors, which complies with the requirements of this indicators, but does not fulfill the criteria for additional points.
2.21	Has the company appointed a company secretary and disclosed on the company's website and in its annual report the scope of the company secretary's authority, the key tasks carried out by the company secretary that fiscal year, and the status of the company secretary's continuing education? [If the post of company secretary is filled by a person not serving in any other position in the company, one additional point will be added to the total score.]	The Corporation has appointed the Head of Secretariat Division under the Board of Directors as our corporate governance officer. The corporate governance officer holds other concurrent positions within the Corporation, and therefore does not fulfill the criteria for additional points.
3.5	Was the annual financial report in English filed to the MOPS by 7 days before the AGM? [If the company voluntarily prepared and filed an English version of the financial report, one additional point will be added to the total score.]	As a company with more than NT\$ 10 billion of paid-in capital, the Corporation is required to disclose English versions of financial reports, and therefore does not fulfill the criteria for additional points.
3.8	Did the company voluntarily disclose its financial forecast quarterly, without having any corrections ordered by the competent authority or having any demerits imposed by the TWSE or TPEX?	The Corporation currently has no plans to publish financial forecast reports for the fourth quarter, and will discuss the necessity of disclosing financial forecast reports when appropriate.
3.15	Did the company voluntarily disclose in the annual report the amount and nature of any non-audit fees paid to the external auditor and its affiliates in addition to audit fees?	The Corporation has already disclosed the amount and nature of non-audit fees paid to external auditors in our annual report for 2019. However, as the amount of non-audit fees was more than 1/4 of audit fees, this did not constitute a voluntary disclosure, and therefore does not fulfill the criteria for additional points.
3.21	Did the company's annual report disclose the individual remuneration details of the general manager (chief executive officer) and assistant general manager(s)?	The Corporation temporarily maintains summary disclosures for remuneration of our president and managers ranking above vice president.
4.4	Did the company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the company? [If the company voluntarily prepared and published reports such as its corporate social responsibility report to disclose non-financial information of the company, one additional point will be added to the total score.]	As a company with more than NT\$5 billion of paid-in capital, the Corporation is required to prepare and publish corporate social responsibility reports, and therefore does not fulfill the criteria for additional points.
4.7	Did the company sign a collective agreement with the labor union in accordance with the Collective Agreement Act?	The Corporation is currently in discussion to sign agreements with our labor union.
4.13	Was the company ISO 14001 or ISO50001 certified or accredited with similar environmental or energy management system certification?	The Corporation obtained ISO 14001 verification on September 25, 2020, valid from September 25, 2020 to September 24, 2023.

Note 1: Implementation of board diversification policy

Director Name	Core Diversification Items		Professional Background and Capabilities						
	Nationality	Gender	Finance and Accounting	Legal Practice	Marketing, Technology	Operational Management	Leadership and Decision-Making	Industrial Knowledge and Operational Judgment	Crisis Management and International Outlook
Yao-Chung Chiang	R.O.C.	M			✓	✓	✓	✓	✓
Kenneth Huang-Chuan Chiu	R.O.C.	M		✓			✓		✓
Duei Tsai	R.O.C.	M					✓	✓	✓
Pai-Ta Shih	R.O.C.	M	✓				✓	✓	✓
Yung-Cheng (Rex) Lai	R.O.C.	M					✓	✓	✓
Wen-Jong Chi	R.O.C.	M					✓	✓	✓
Yueh-Hsiang Chen	R.O.C.	F	✓				✓		✓
Lee-Ching Ko	R.O.C.	F			✓	✓	✓	✓	✓
Chao-Tung Wong	R.O.C.	M			✓	✓	✓	✓	✓
Chao-Yih Chen	R.O.C.	M			✓	✓	✓	✓	✓
Mao-Hsiung Huang	R.O.C.	M			✓	✓	✓	✓	✓
Shien-Quey Kao	R.O.C.	F	✓				✓		✓
Kuo-Chih Liu	R.O.C.	M			✓	✓	✓	✓	✓

Note 2: Independence assessment indicators of CPA

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 any single client, including the Corporation.	Yes	Yes
6	CPA and members of the audit team are not currently serving as Corporation directors, managers, or in positions that have major impact on Corporation audits, and have not done so over the past 2 years.	Yes	Yes
7	Non-audit services provided by CPA to the Corporation have no direct impact on the major items of audit services provided.	Yes	Yes
8	CPA does not promote or sell shares or other securities issued by the Corporation.	Yes	Yes
9	CPA is not representing the Corporation in litigation 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
14	CPA is not involved in decision-making managerial duties at the Corporation.	Yes	Yes

Note 3: Letter of declaration from Deloitte & Touche

Date: December 31,2020

Recipient : Taiwan High Speed Rail Corporation

Subject : With respect to the audit of the Corporation's financial statements for the year ended in 2020, our audit team confirms that we have complied with the following requirements without impairing auditor independence, in compliance with "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10, Integrity, Objectivity and Independence" of the National Federation of CPA Associations of the R.O.C.

Gentlemen :

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



Deloitte & Touche

Taipei, Taiwan

Republic of China

Note 4: Director training programs in 2020

Director Name	Date of Attendance	Course	Training Time (Hours)
Yao-Chung Chiang	2020/12/28	Outlook on sustainable corporate development: From 2050 vision to 2020 actions	3
	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
	2020/07/08	Corporate governance advancements in Taiwan	3
	2020/06/08	How directors and supervisors oversee companies, detect and prevent fraud, and establish whistleblower mechanisms to strengthen corporate governance	1
	2020/04/08	Director responsibilities and risk management under latest corporate governance strategies	3
Kenneth Huang-Chuan Chiu	2020/10/23	Corporate governance and regulations relating to securities	3
	2020/08/04	Strategies and management of corporate upgrading and transformation	3
	2020/04/22	5G key technologies and opportunities for application	3
Duei Tsai	2020/10/21	Ethical management and ISO37001	3
	2020/10/16	2020 Corporate governance and corporate ethics promotion conference for directors and supervisors	3
	2020/09/30	A discussion of shareholder activism and management disputes	3
Pai-Ta Shih	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
	2020/12/22	Insurance industry response strategies for IFRS17 transitions	3
	2020/11/10	Analysis of anti-corruption case studies in the private sector	1
	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
Yung-Cheng (Rex) Lai	2020/06/23	Analysis of Treating Customer Fairly Principle	1
	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
Yueh-Hsiang Chen	2020/08/25-2020/08/26	Practical seminar for directors and supervisors (including independent directors) and corporate governance officers	12
	2020/07/28-2020/07/29	Practical seminar for directors and supervisors (including independent directors) and corporate governance officers	12
Kwo-Tsai Wang (Former Director)	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
	2020/12/28	Outlook on sustainable corporate development: From 2050 vision to 2020 actions	3
	2020/07/08	Corporate governance advancements in Taiwan	3
Min-Ching Liu (Former Director)	2020/06/08	How directors and supervisors oversee companies, detect and prevent fraud, and establish whistleblower mechanisms to strengthen corporate governance	1
	2020/04/08	Director responsibilities and risk management under latest corporate governance strategies	3
Lee-Ching Ko	2020/10/07	Corporate governance blueprint 3.0 and director responsibilities	3
	2020/07/31	New theories of corporate governance by the board: Advanced measures and implementations of information and network security	3
Chao-Tung Wong	2020/11/06	Case studies of insider trading and legal liabilities	3
	2020/08/03	Climate change and TCFD (Task Force on Climate-related Financial Disclosures)	3
Chao-Yih Chen	2020/09/21	Forum on "Corporate governance 3.0 and blueprint for sustainable development" in public companies	3
	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
Mao-Hsiung Huang	2020/12/22	Trends in corporate governance	3
	2020/08/14	Post-COVID-19 macroeconomic analysis and global impacts and responses to Sino-US tech war	3
	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
Shien-Quey Kao	2020/12/08	Trends and challenges in information security governance	3
	2020/11/26	Artificial intelligence and technology laws	3
Kuo-Chih Liu	2020/12/17	Corporate governance and legal compliance	3
	2020/08/05	A discussion of intellectual property management from the perspective of the board	3
Huang-Liang Tsai (Former Director)	2020/04/08	Director responsibilities and risk management under latest corporate governance strategies	3
Director training hours for 2020			121

(7) Corporate Social Responsibility and Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
1. Does the company conduct risk assessment on environmental, social, and corporate governance issues, related to the company's operations and establish related risk management policies or strategies?	✓		<p>■ In order to build a complete risk management system; strengthen effectiveness of corporate governance; ensure comprehensiveness, effectiveness, and reasonableness of risk management, as well as effectively evaluate and oversee risk-bearing capabilities of the Corporation to determine risk response strategies and implementation of risk management procedures, the Corporation's "Risk Management Regulation" and related "Risk Management Policies" were established following approval of the 27th meeting of the 8th Board on June 19, 2019 to provide reasonable assurance of the Corporation's mid- to long-term strategic plans and achievement of targets.</p> <p>■ The Corporation has inventoried and identified, in a proactive and cost-effective manner, possible risks that may impact operations and profits due to Corporation business and operational activities, the main considerations being business environments, operations, finances, hazardous incidents, and other aspects. We have also reviewed comprehensiveness of corporate risk management procedures and effectiveness of risk management controls, and conducted risk evaluations of major environmental, social, and corporate governance issues relating to operations; these evaluations are used to establish implementation systems and identify main risk categories (Note 1). For more information regarding these risks and relevant response measures, please refer to the following table (Note 2).</p> <p>■ The Corporation's various committees (such as the Audit Committee, Safety Committee, Information Security Committee, Corporate Social Responsibility Team under the Corporate Governance Promotion Committee, and so on) all participated in establishing the aforementioned risk management measures, issues, evaluations, and polices, and are assisting in promotion thereof.</p> <p>■ Implementation status</p> <p>The Corporation began actively promoting risk management procedures in 2018 and reports on implementations to the Board once every year. Main implementations in recent years include:</p> <p>•2018</p> <p>Risk management report was acknowledged by the Board at the 21st meeting of the 8th Board on December 13, 2018.</p> <p>•2019</p> <p>1. Established Risk Management Regulation and risk management policies in 2019.</p> <p>2. Annual risk management report (including risk management implementations and progress report) was acknowledged by the Board at the 30th meeting of the 8th Board on September 18, 2019.</p> <p>•2020</p> <p>1. Presented annual risk management report (including risk management implementations and progress report) to the Board at the 6th meeting of the 9th Board on September 16, 2020, encompassing the Corporation's risk categories, important items for risk management, and risk assessments. Units responsible for management of different risk categories have all adopted appropriate response measures and made suitable records of risk management procedures and implementation results.</p> <p>2. To strengthen risk management mechanisms, risk management courses have been organized for relevant personnel. A total of 383 personnel underwent 1,245 hours of training to strengthen their corporate risk management awareness and understanding.</p>	None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No		
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		<p>■ The Corporation established a "Corporate Governance Promotion Committee" which is overseen by our Chairman and chaired by our President. Executives from our managerial departments serve as committee members and meetings are convened every two months or as needed to discuss specific topics. The Committee drafts optimization strategies for corporate governance systems and functions, formulates measures to strengthen corporate governance, and reviews corporate social responsibility policies to provide a reference for decision-makers within the Corporation. Additionally, the Committee makes annual reports of overall corporate governance promotion and implementation status to the Board, and conducts risk evaluations and management work of environmental, social, and corporate governance issues relating to operations by principle of materiality every year.</p> <p>■ The Corporate Governance Planning Team, Corporate Social Responsibility Team, and Ethical Management Team have been established under the Corporate Governance Promotion Committee, and committee structure and implementation status were reported to the 3rd meeting of the 9th Board on June 17, 2020. The main annual work plans and duties of the Corporate Governance Promotion Committee are as follows:</p> <ol style="list-style-type: none"> 1. Review appropriateness and effectiveness of the Corporation's organizational efficiency and ensure consistency with management duties. 2. Review effectiveness of internal risk management, audits, and control procedures, and implement control measures for potential risks. 3. Review operational procedures for Corporation information and disclosures to ensure the accuracy and transparency of information disclosed to the public. 4. Review legal compliance of operational processes and implement control strategies. 5. Formulate and review the Corporation's implementation of corporate social responsibility, ethical management policies, guidelines, and specific promotion plans. 6. Formulate plans for activities to enhance investor relations. 7. Track the Corporation's preparations for and implementation of corporate governance evaluations. 8. Track Board resolutions relating to corporate governance. 9. Formulate plans for other major corporate governance strategies. <p>Details on the operational status of the Corporate Governance Promotion Committee can be found on our corporate website in the "Corporation Governance and Organizational Structure" sub-section under our "Corporate Governance" section.</p> <p>■ The Corporation fulfills corporate social responsibilities in accordance with our "Corporate Social Responsibility Best Practice Principles" approved by the Board of Directors in March 2016, and is active in promotion of corporate governance, social welfare, and environmental sustainability, concepts which are integrated in our operational strategies and management goals. Additionally, the Corporate Social Responsibility Team of the Corporate Governance Promotion Committee is convened by the vice president of our Corporate Planning Office, and composed of representatives from all departments; the team is responsible for planning and promoting activities relating to corporate social responsibility, compiling annual corporate social responsibility reports, and convening every quarter to discuss matters of corporate social responsibility promotion. The team is also responsible for making annual reports to the Board about the results of specific performance and promotion of our corporate social responsibilities. A report on specific implementation and promotion performance of corporate social responsibilities for 2020 was presented to the 3rd meeting of the 9th Board on June 17 2020. The main annual work plans and duties of the Corporate Social Responsibility team include:</p> <ol style="list-style-type: none"> 1. Coordinating the Corporation's recent developments and goals in corporate sustainability. 2. Formulating future long-term strategies and guidelines for corporate social responsibility promotion. 3. Overseeing internal units responsible for planning and proposing annual corporate social responsibility strategies and plans in their specific area of business. 4. Coordinating various departments in implementing corporate social responsibility activities and projects. 5. Reviewing and finalizing CSR report. 6. Other tasks relating to review or compilation of corporate social responsibility matters. <p>Details on the operational status of the Corporate Social Responsibility Team can be found on our corporate website in the "Corporation Governance and Organizational Structure" sub-section under the "Corporate Governance" section.</p> <p>■ The Corporation's Corporate Planning Office is also responsible for planning and promoting concepts relating to corporate social responsibility to all entry-level personnel along the HSR line.</p>	

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>■ The Corporation strives to fulfill our corporate social responsibilities and demonstrate a sincere desire to serve; our mission is to build closer relationships with passengers and local communities, and become a platform for life improvement. We also actively ensure that the sustainable management measures of our core business comply with UN SDGs so that we can keep pace with international trends.</p> <p>■ The Corporation's CSR report for 2019 was published in June 2020. For more information on the Corporation's specific implementation plans and results of corporate social responsibility, please refer to item 7 below (Other important information to facilitate better understanding of the Corporation's corporate social responsibility practices). Details have also been disclosed on the "Sustainable Development" sub-section under our "Corporate Social Responsibility" section of our corporate website.</p>	
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		<p>■ The Corporation has established an environmental management system in accordance with ISO14001, and the Environmental Management Manual lays out specific implementations for all environmental management requirements. The Corporation passed ISO 14001 environmental management system verification and obtained a certificate (validity period from September 25, 2020 to September 24, 2023) in 2020.</p>	None.
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		<p>■ The Corporation has established an environmental management objectives and strategies for continual reduction of energy and water usage based on principles of safety, comfort, environmental protection, energy saving and carbon reduction, and conducts periodical reviews of these environmental objectives. We also apply appropriate measures to protect the environment from possible negative impacts.</p>	None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No		
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take action on climate-related issues?	✓		<p>■ The Corporation actively faces the impacts of climate change. With regard to the "Adaptation Strategy to Climate Change in Taiwan" proposed by the National Development Council, we continue to assist the Institute of Transportation, Ministry of Transportation and Communications (MOTC) in conducting research related to climate change adaptation, participate in the development of the railway and highway climate change adaptation information platform and the expansion of its functions, and strengthen the analytical functions regarding vulnerability and risk of the information platform, with a view to supporting decision-making analysis of climate change by railway and highway competent authorities. Furthermore, the Corporation has also signed the "Memorandum of Cooperation on Cross-border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities through mutual cooperation, while serving as an important reference for the Corporation to make traffic dispersion decisions and assess track safety during disasters.</p> <p>■ Since 2013, the Corporation has cooperated with the government to promote renewable energy policies by leasing out rooftop areas of Wuri and Zuoying maintenance depots and the Yanchao Main Workshop to energy suppliers for the installation of solar power equipment with a total power generation capacity of 5,359 kW. We sequentially set up solar power generation systems at Liujia depot, Wuri depot, Zuoying depot, Taoyuan Station, Chiayi Station, and Tainan Station to utilize upper areas of depot flood basins, station rooftops, and outdoor parking lots. Total power generation capacity was approximately 3,811 kW. The Corporation also established connections with Taiwan Power Company's power generation equipment in 2020.</p> <p>■ Additionally, we installed solar panels on the rooftops and as sun and rain shelters at Miaoli, Changhua, and Yunlin stations with a total power generation capacity of 258 kW to generate electricity for use at these stations. In 2018, THSRC also applied for and obtained Renewable Electricity Certificates for the solar energy generated at these three stations.</p> <p>■ The main risks brought about by climate change include severe weather phenomenon such as extreme high temperatures; rising sea levels; increased rainfall, rainfall intensity, typhoons, cyclones, and lightning, which have increased in frequency and intensity, enhancing vulnerability levels of the railway industry and impacting our operations. At present (in 2018~2022), our adaptive actions toward climate change impact include:</p> <ol style="list-style-type: none"> 1. Establish trackside slope safety warning systems. 2. Strengthen safety measures at trackside slopes near tunnel openings. 3. Scour risk assessments and design of safety measures for HSR viaducts. <p>■ For information on the potential risks, opportunities, and corresponding measures of climate change for the Corporation now and in the future, please see Note 3. More details are disclosed on the "Disaster Prevention " page of "Intelligent Transportation " sub-section under our "Corporate Social Responsibility" section of our corporate website.</p>	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons												
	Yes	No	Abstract Illustration													
(4) Does the company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	✓		<p>■ The Corporation continues to promote its four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer of peak power demands, and reasonable power usage), and has established energy-saving goals for each station (reduction of at least 0.86% average annual power consumption per passenger). The Corporation's water resource management policy includes water conservation, water reduction, and water recycling measures, and set an annual water-saving goal of at least 3.42% reduction of "water consumption per passenger." Additionally, in order to quantify carbon emissions trends and current conditions associated with the Corporation's overall energy consumption, we have established a "passenger-kilometer emissions" indicator, and aim to reduce our carbon emissions by at least 1.5% every year.</p> <p>■ Passenger volumes decreased in 2020 due to impacts from the coronavirus (COVID-19) pandemic, and annual energy-saving targets for 2020 were adjusted following approval from the Chairman. Target achievement rates for 2020 were as follows: "station energy-saving rate": 8.94% (>0.86%); "station water-saving rate": 5.34% (>3.42%); and "carbon emissions rate": 11.18% (>1.50%).</p> <p>■ The Corporation calculates greenhouse gas emissions, water usage, and total weight of solid waste every year, and discloses these in our annual "Corporate Social Responsibility Report." Statistical data for the past two years (2019~2020) are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Item/ Greenhouse Gas Emissions (ton CO₂e)</th> <th>Water Usage (m³)</th> <th>Solid Waste (ton)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>319,844.04</td> <td>723,602</td> <td>7,235.92</td> </tr> <tr> <td>2020</td> <td>312,636.50</td> <td>688,002</td> <td>9,321.92</td> </tr> </tbody> </table> <p>Additionally, the Corporation voluntarily conducted greenhouse gas (GHG) surveys and external verifications for all 12 stations in 2016~2019, and obtained an ISO14064 Verification Opinion Statement. (Survey and verification of station GHG emissions for 2020 are scheduled to be completed by December 2021).</p>	Year	Item/ Greenhouse Gas Emissions (ton CO ₂ e)	Water Usage (m ³)	Solid Waste (ton)	2019	319,844.04	723,602	7,235.92	2020	312,636.50	688,002	9,321.92	None.
Year	Item/ Greenhouse Gas Emissions (ton CO ₂ e)	Water Usage (m ³)	Solid Waste (ton)													
2019	319,844.04	723,602	7,235.92													
2020	312,636.50	688,002	9,321.92													
4. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		<p>■ Article 18, Chapter 4 (Maintaining social welfare) in the Corporation's "Corporate Social Responsibility Best Practice Principles" stipulates compliance with the International Bill of Human Rights in gender equality, right to work, and prohibition of discrimination, and establishment of relevant management policies and procedures.</p> <p>■ The Corporation complies with the spirit of the International Bill of Human Rights and established a "Human Rights Policy" in 2018, which is disclosed on our corporate website and in Chapter 4 of this report. We adhere to the principles and spirit underlying the UN's Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the UN Global Compact, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, including freedom of association, care for vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, elimination of employment discrimination, and confirm that our human resource utilization policies do not discriminate on the basis of gender, race, social class, age, marriage status, religion, and political affiliation. The Corporation has established various regulations for corporate governance, environmental protection, public affairs, procurement and human resources.</p> <p>■ We have also built sound management systems in compliance with the Personal Information Protection Act to protect the privacy of our employees, passengers, and all stakeholders. We have specific regulations relating to human rights policies to serve as a basis for identifying important human rights issues and to promote risk-reducing measures. The Corporation's "Supply Chain Management Policy" stipulates that in addition to procurement quality, costs, delivery date, and services, the Corporation should also take issues such as reasonable profits, social responsibility, labor safety, human rights, and environmental protection into consideration when making management and implementation decisions. When inviting bids, the Corporation stipulates that companies submitting bids should not discriminate on the basis of gender, discriminate against indigenous people or vulnerable groups, and should not use child labor. We actively contribute to society and participate in local activities to the best of our limited abilities, in hopes of maintaining sustainable interactions with our collaborating organizations to implement social care and strengthening of local culture. The Corporation has provided effective and appropriate grievance mechanisms for matters that infringe upon labor rights to ensure the equality and transparency of grievance regulation. Relevant human rights concerns and specific management plans and actions are detailed in Chapter 7 of this annual report. Additional information is disclosed on the "Human Rights Policy" and "Implementation of Mitigation Measures for Human Rights Risks" pages under "Policy" sub-section in the "About Us" section of our corporate website.</p>	None.												

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No		
(2) Does the company declare reasonable employee welfare measures (including remuneration, vacations, and other benefits) and appropriately reflect business performance and results on employee remuneration?	✓		<p>■ The Corporation has established a "Welfare Regulation," and not only provides employee vacation days, insurance, funeral subsidies, and health checks according to these regulations, but also works actively to establish a friendly work environment with catering, relocation subsidies, shuttle buses, uniform cleaning services, and even employee counseling, healthcare assistance, employee ride discounts, and employee benefits so that employees can enjoy their work. Additionally, we annually assess and compare related information to gain a better understanding of employee welfare to provide comprehensive benefits. For more information on employee benefits, please refer to Chapter Three of this annual report. In response to the increasingly worsening COVID-19 pandemic in 2020, the Corporation provided group insurance policies for specific time periods to protect our colleagues and ensure that they could work without fear during the pandemic.</p> <p>■ The Corporation has established a "Retirement Regulation" and deposits pension funds for employees under prior pension plans according to law. A Pension Reserves Supervisory Committee was established and convenes every quarter to review pension reserves and other matters stipulated by law. We place deposits in individual labor insurance accounts established by the Bureau of Labor Insurance according to law so that employees under (new) pension plans of the Labor Pension Act can be protected after retirement. For more information on retirement systems and implementation status, please refer to Chapter Three of this annual report.</p> <p>■ Our "Charter of Remuneration Committee" stipulates periodic review of director and manager performance, as well as remuneration policies, systems, standards, and structures, and regular reviews of general compensation levels in the industry. To ensure competitiveness and motivation, employee remuneration is determined by the Corporation's financial conditions, business performance, and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to our "Articles of Incorporation," if the Corporation is profitable in a given year, it shall allocate not less than 1% of the net profit as profit-sharing compensation to employees.</p> <p>■ Our "Remuneration Management Regulations" serves as a basis for determining employee remuneration levels, and we regularly review pay levels and remuneration policies, setting out salary allowances and bonuses according to our "Salary Payment Regulation" to provide allowances and reward employees for their hard work. Year-end bonuses and performance bonuses are distributed based on the Corporation's annual business performance, financial conditions, operating conditions, and individual work performance, and we have established remuneration adjustment policies to enhance Remuneration levels for 2020 have been adjusted according to employee performance, with overall adjustment rates (including structural adjustments) set at around 3.42% to achieve our goal of incentivizing employees.</p>	None.

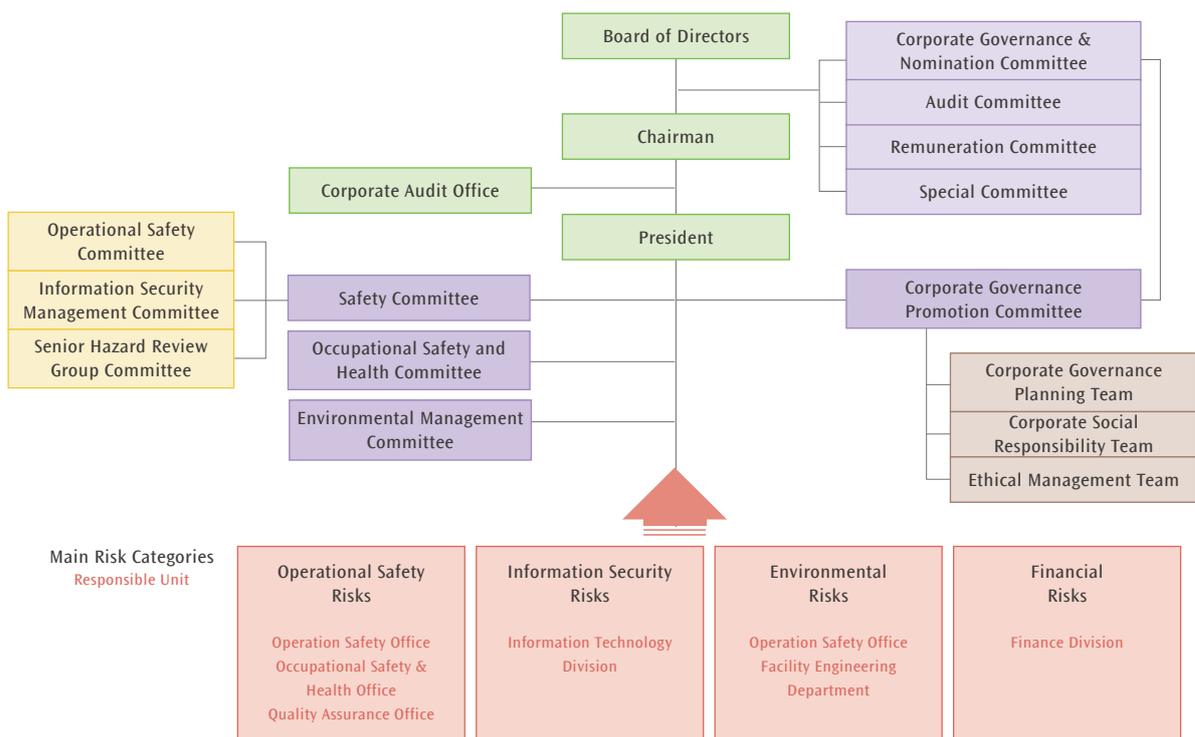
Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons	
	Yes	No		Abstract Illustration
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<ul style="list-style-type: none"> ■ To provide employees with safe and healthy work environments, the Corporation conducted environment monitoring at corporate headquarters, the OMC building, 12 HSR stations, and 4 maintenance depots. ■ Every year, the Corporation establishes Annual Health and Safety Education Training Plan which includes relevant EHS training courses; training completion rates exceeded 100%. Additionally, the Corporation hosts a number of promotional activities on health and safety standards, operational procedures, and regulations for new recruits and existing personnel to enhance their awareness and capabilities. A total of 576 activities were hosted in 2020. ■ We established "The Prevent Plan for Wrongful Physical or Mental Harm during the Execution of Job Duties" in accordance with the Occupational Safety and Health Act and guided implementation in all departments to ensure occupational health and safety. ■ The Corporation implemented annual occupational health and safety audits to assess whether audited units had fulfilled their responsibilities and were operating in accordance with relevant regulations. We conducted 11 audits in 2020. ■ The Corporation has established "Employee Safety and Health Work Instructions," "Occupational Safety and Health Management Plan," "Railway Operation Safety Rulebook," "THSRC Operation Regulation," "THSRC Operation Rules," and "Operation Control Center/Station Control Room/Depot Control Room Working Manual" to serve as a reference for operational and safety management. These procedures are updated at least every three years in accordance with stipulated regulations. ■ The Corporation established an incentive program to encourage our colleagues to report false alarms and violations occupational health and safety, thus enhancing awareness of occupational health and safety. ■ The Corporation hosted a number of traffic safety management events, for example traffic safety lectures; traffic safety quizzes; safe-driving promotional training for Yamaha and KYMCO motorcycles; and the Hsinchu, Taichung, Kaohsiung shuttle bus program. ■ The Corporation provides health checks for train personnel and regular staff members beyond those mandated by regulations. Employees aged above 45 under annual health checks, while those under 45 undergo health checks every two years. Additional health items were provided to senior staff (those above 45 years old who have worked at the Corporation for more than 10 years) beginning in 2018. In 2020, annual health check attendance for train personnel was 100%, and above 95% for regular employees. ■ We established an online occupational health check reservation system to maximize service accessibility. Occupational health physicians provided hazard assessments, health consultations, home and work injury care, assessments for returning workers and worker fitness for 147 on-site sessions, ensuring comprehensive healthcare benefits for employees. ■ THSRC corporate headquarters, OMC building, 12 HSR stations, and 4 maintenance depots are all equipped with the health rooms with nurses to provide employees, passengers, and contractors with health care resources for emergency injury care. We also stipulated the relevant work safety rules, and implemented the countermeasures for the personal safety and working environment of employees. ■ Every two years, we implement programs relating to prevention of hazards related to human factors, prevention of disorders brought on by abnormal workloads, maternal health protection, and so on. We also conduct health management surveys to analyze employee health risks and provide timely interventions and special preventive measures for preventive care and management. ■ In terms of preventive care for mental health, we have established hotlines and dedicated emails to provide multiple communication channels and care for our employees. ■ Conducted safety management audits and investigations of operational incidents to maintain HSR operational safety. ■ Provided training associated with identification of hazardous items and safety response measures for a total of 102 frontline personnel. ■ Conducted evaluations of security contractors and periodic audits of access management at all stations/depots/workshops along the HSR line. ■ Organized a variety of emergency drills and training sessions to help employees familiarize themselves with necessary response procedures and skills. ■ Organized training for HSR on-site emergency response commanders and engineers to help employees develop skills to coordinate with response command personnel. ■ Organized 6 personal information awareness training sessions for new employees; a total of 4,609 employees participated in annual retraining sessions. ■ The Corporation established and has maintained an occupational health and safety management system since its Construction Stage. THSRC successfully passed LRQA audits in July 2017 and completed TOSHMS (Taiwan Occupational Safety and Health Management System) CNS 15506 and OHSAS (Occupational Health and Safety Assessment Series) 18001 verifications. In June 2020, THSRC passed BSI (British Standards Institution) audits and completed transfer verifications for (TOSHMS) CNS 45001 and ISO 45001. The Corporation's current (TOSHMS) CNS 45001 and ISO 45001 certificates are valid from July 19, 2020 to July 18, 2023. 	None.

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
		<p>■ The Corporation's occupational health and safety management system verification scope encompasses all sites under HSR management along Taiwan's western corridor, including train stations, maintenance depots, trackside equipment, and offices, making THSRC the biggest verified occupational safety and health business unit in Taiwan.</p> <p>■ For more information on working environments, operational safety training, and drill activities, please refer to Chapter Six of this report.</p>	
(4) Does the company provide its employees with career development and training sessions?	✓	<p>■ The Corporation established a training program based on the two major themes of safety and service, which encompasses the three aspects of core competence, professional competence, management competence. This HSR-centric training provides employees with a comprehensive training program.</p>	None.
(5) Does the company's products and services adhere to related laws and regulations and international standards for customer health and safety, customer privacy, marketing, and labeling, and has the company established policies and appeal procedures to protect consumer interests?	✓	<p>■ Customer health and safety, customer privacy, marketing, and labeling of all Corporation products and services adhere to the Railway Act and relevant regulations and are regulated by Passenger Transportation Contract, which are disclosed on our corporate website and stations for consumer reference. Customers can also contact us through our official website or call the THSRC customer service hotline at 4066-3000 for any further assistance, and we will handle customers suggestions effectively and efficiently.</p>	None.
(6) Does the company establish a supplier chain management policy that requires suppliers to follow and implement related issues on environmental protection, occupational safety and health, or labor rights?	✓	<p>■ The Corporation has established a Supply Chain Management Policy and disclosed related requirements and implementation results of environmental, social, safety, and health issues.</p> <p>■ More details can be found in the "Supply Chain Management" sub-section of the "Corporate Social Responsibility" section on our corporate website.</p>	None.
5. Does the company comply with international standards or guidelines for preparing corporate social responsibility or non-financial related reports? Have the previous released reports been verified by third-party certification entity with assurance or opinion statements?	✓	<p>■ The Corporation's CSR report follows the core requirements of the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) developed by the Global Sustainability Standards Board (GSSB), the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies," and the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies."</p> <p>■ Our CSR report has been verified by the British Standards Institute (BSI), a third-party certification entity, which ensures that our report meets the Core option of the GRI Standards, and complies with the AA1000AS with 2018 Addendum Type 2 high-level assurance. The Independent Assurance Statement issued by BSI has also been included in the appendix to our CSR report.</p>	None.
6. If the company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: The business operations of THSRC follow the Corporate Social Responsibility Best Practice Principle.			

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	

7. Other important information to facilitate better understanding of the company's corporate social responsibility practices:
- (1) THSRC participated in the "2020 Taiwan Corporate Sustainability Awards (TCSA)" and won the "Top 10 Domestic Companies Sustainability Model Awards (Service Industry)" and the "Premium Corporate Sustainability Report Awards" from the Taiwan Institute for Sustainable Energy (TAISE).
 - (2) To implement environmental protection and energy-saving policies, THSRC buildings are designed with sustainable environment concepts encompassing "ecosystem, energy-saving, waste-saving, and health." HSR Miaoli, Changhua, and Yunlin stations are equipped with solar power facilities which generate power for station usage, and have applied for Renewable Electricity Certificates (RECs). These three stations respectively received Diamond Level, Gold Level and Gold Level Green Building Certificates from the MOI and Green Building Certification plaques.
 - (3) In 2020, we applied to the Environmental Protection Agency to extend the 5-year validity period of the "High-speed Rail Transportation Service Carbon Footprint Label" (from December 17, 2020 to December 16, 2025), and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32 gCO₂e per passenger per kilometer (per passenger-kilometer), and our commitment to reduce carbon emissions by more than 3% within 3 years (carbon reduction of 4.92%) was awarded again the "Carbon Footprint Reduce Label" (Certificate label No. R2014910001).
 - (4) On October 6, 2017, THSRC received the ISO14064 certification issued by the third party verification unit for all HSR station GHG emissions in 2016. On December 26, 2018, THSRC received ISO14064 certification for all HSR station GHG emissions in 2017. On November 22, 2019, THSRC received ISO14064 certification for all HSR station GHG emissions in 2018. On September 14, 2020, THSRC received ISO14064 certification for all HSR station GHG emissions in 2019.
 - (5) The solar power facilities of Miaoli, Changhua, and Yunlin stations generated 202.6 MWh in 2020, and 202 RECs were obtained.
 - (6) Since its initiation in 2010, the High-Speed Educational Endowment Program has accumulated 148 million NTD over 12 years and is estimated to have helped more than 27,000 disadvantaged schoolchildren achieve their dreams of learning.
 - (7) The THSRC Smiling Train Program project was initiated in 2009 and collaborates with local educational and charitable institutes to help the disadvantaged fulfill their dreams of taking a ride on the punctual and convenient high-speed rail. A total of 803 disadvantaged groups and 143,181 people have participated in this program over the course of 13 years.
 - (8) The THSRC Winter Outreach Blood Drive was initiated in 2012 and helps hospitals all over Taiwan store sufficient amounts of blood for use in time of medical emergency. THSRC hosted 12 blood drives in 2020 and has collected 13,767 bags of blood over the course of 9 years.
 - (9) The THSR ART Together Program was initiated in 2015, connecting HSR stations to local communities through art performances. Over the course of 5 years, 573 groups and 17,052 people have performed at 9 stations (Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying), winning great praise from the general public and HSR passengers.
 - (10) The THSR Museum was inaugurated on January 5, 2017 and displays cultural assets to illustrate the 3 spatial revolutions in the history of Taiwan's railway industry, the subsequent development of high-speed rail policies, BOT vendor selection and negotiation, the founding of THSRC, and the process of THSR construction and operation, allowing visitors to learn about THSRC's path through history. As of year-end 2020, a total of 373 groups, 33,810 people have visited the museum.
 - (11) For more information on our corporate social responsibilities, please refer to the "Corporate Social Responsibility" section on our corporate website.

Note 1: Implementation structure for risk management



Note 2: Main risk categories and response measures and actions

Material Issues	Main Risk Categories	Risk Assessments	Risk Management Strategies and Related Response Measures
Environmental	Environmental Risks	Assess various environmental risks (such as global warming, extreme weather conditions, earthquakes, land subsidence, and formation of new fault lines) can cause revisions in laws and regulations, system damages, regional power cuts, and water shortages, which may affect service quality and increase maintenance and operation costs.	<ol style="list-style-type: none"> 1. Established environmental policies and implemented management according to our environment management manual. We have applied for ISO14001 certification and are seeking to establish environment management systems that adhere to these standards. 2. Identified climate change risks and estimated future mid-to long-term climate change risks to formulate plans and strategies for saving energy. We also collaborated with professional institutions to analyze and formulate response strategies to climate change, effectively decreasing possible impacts to our operations from climate change. 3. Collaborated with professional institutions to establish an early-warning system for earthquakes. 4. Conducted assessments on land subsidence, new fault lines, flood prevention, and earthquake prevention capabilities to formulate improvement measures. 5. Gained a full understanding of environmental hazards through DWS hazard warning systems, and conducted annual hazard prevention audits and regular and irregular drills.
Social	Operational Safety Risks	Assess HSR systems that may be affected by internal and external factors such as malfunctions of facilities and equipment, human error, intentional sabotage, or other external factors, which may affect train safety; cause injury to our employees, passengers, contractors, or the general public; or cause delay or cessation of rail operations.	<ol style="list-style-type: none"> 1. Established our safety and health, corporate quality, and configuration management policies, and implemented management according to our operational safety plan, occupational safety and health management manual, corporate quality manual, high-speed rail system configuration management manual, corporate RAMS manual, management plan for rail security, and assurance plan for corporate safety. 2. Established an Operational Safety Committee which convenes every quarter, and also an Occupational Safety and Health Committee which convenes every quarter. 3. Implemented internal audits and safety inspections of rail operation safety, occupational safety and health, quality management, configuration management, and system assurance. 4. Implemented rail safety training, education and training for occupational safety and health, hazard management training, and hazard prevention and response drills and training.
Corporate Governance	Information Security Risks	THSRC is a Critical Information Infrastructure provider, and also a Level-A Cyber Security Responsibility Unit. Assess all HSR information systems and take into account various aspects including confidentiality, comprehensiveness, accessibility, and legal compliance.	<ol style="list-style-type: none"> 1. Formulated information security policy and software intellectual property rights protection policy, and implemented management according to information security management manual. 2. Established Information Security Committee and convened information security review meetings once every six months. 3. Established management procedures and systems according to international ISO27001 information security system. 4. Implemented internal information security audits, drills and evaluations, information security inspections, penetration testing, defense-in-depth mechanisms, and education and training in accordance with requirements for Level-A Cyber Security Responsibility Units.
	Financial Risks	Assess changes in domestic and overseas economic and financial conditions that may impact our income, maintenance and operation costs, interest rates, and exchange rates, which in turn may affect our profitability and cash flows.	<ol style="list-style-type: none"> 1. Adhered to "International Financial Reporting Standards (IFRS)," "International Accounting Standards (IAS)," and government regulations. 2. Underwent annual financial audits by competent authorities. 3. Our managerial departments underwent monthly budgeting and accounting reviews and presented these to the Board every six months. 4. Periodically issue quarterly and annual financial reports. 5. Our Board conducted reviews of important financial activities in accordance with relevant regulations and internal control systems.

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

Current and potential future climate change risks, opportunities, and corresponding measures of the Corporation				
Climate risks	Potential financial impacts	Climate opportunities	Potential financial impacts	Corresponding measures in 2020
(1) Extreme high temperatures. (2) Increased rainfall volumes and intensity. (3) Typhoons, cyclone, lightning. (4) Unstable water and power supply. (5) Impacts to HSR operations.	(1) Occurrence of extreme weather events increase damages and impacts to railway equipment, raising maintenance costs. (2) Impacts to operations reduce revenues. (3) Power usage increases with rising temperatures, raising operational costs and carbon emissions.	(1) THSRC signed the "Memorandum of Cooperation on Cross-border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities. (2) Collaborated with power companies to set up leased solar power generation systems at our maintenance bases and stations. (3) Set up self-use solar power generation systems at Miaoli, Changhua, and Yunlin stations, and applied for renewable energy certificates.	(1) Strengthen climate response capabilities, reducing operational interruptions and possible losses. (2) Save energy and reduce carbon emissions to reduce costs. (3) Increase usage of renewable energy.	(1) Establish trackside slope safety warning systems. (2) Strengthen safety measures at trackside slopes near tunnel openings. (3) Scour risk assessments and design of safety measures for HSR viaducts. (4) Complete establishment of parking spaces at Zuoying depot and Chiayi Station, as well as leased rooftop solar power generator systems at Taoyuan Station.

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

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of Ethical Corporate Management Policies and Programs (1) Does the company establish ethical corporate management policies and procedures, approved by the Board, in its guidelines and external documents, as well as commitment from its Board and senior management to implement the policies?	✓		<ul style="list-style-type: none"> ■ The Corporation adheres to the five core values of Discipline, Integrity, Efficiency, Innovation, and Sensibility, and has established ethical policies and a corporate culture of ethical management based on our operational principles of Honesty, Transparency, and Responsibility. We have also established our Code of Ethical Conduct; Ethical Corporate Management Best Practice Principles; Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior; Regulations for Management of the Prevention of Insider Trading; Reward and Discipline Regulation; Grievance Regulation; and Procurement Staff Ethical Regulation for our employees to abide by. ■ The Corporation established the "Ethical Corporate Management Best Practice Principles" following approval at the 11th meeting of the 7th Board on June 19, 2016, and these Principles were revised following approval at the 36th meeting of the 8th Board on March 18, 2020 to stipulate that directors and managers shall exercise due care of good administrators when carrying out business duties, rigorously execute their duties, and implement the commitments of ethical management policies. ■ Additionally, the Corporation's "Procedures for Ethical Corporate Management and Guidelines for Conduct" were established following approval at the 36th meeting of the 8th Board on March 18, 2020, and contain specific stipulations regarding compliance with ethical management policy items by Corporation personnel. 	None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(2) Does the company establish assessment mechanisms against risks from unethical conduct, periodically analyze and assess operational activities with high potential for unethical conduct, and use these to establish solutions for prevention of unethical behaviors that at least encompass the preventive measures stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		<ul style="list-style-type: none"> ■ In addition to our "Code of Ethical Conduct" and "Code of Conduct," we have also established "Ethical Corporate Management Best Practice Principles" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" to provide clear and detailed guidelines for operating procedures, behaviors, education and training, disciplinary violations, and appeals systems. The formulation and implementation of integrity management policies are overseen by our audit department, which periodically reports to the Board. ■ The Corporation has also established "Procedures for Ethical Corporate Management and Guidelines for Conduct" to serve as our policy for guiding ethical management, stating in clear detail specific ethical management measures and preventive measures for unethical conduct. 	None.
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and commitment to implement the policies, and periodically assess said policies?	✓		<ul style="list-style-type: none"> ■ The Corporation has also established "Procedures for Ethical Corporate Management and Guidelines for Conduct" to serve as our policy for guiding ethical management, stipulating operational procedures, codes of conduct, disciplinary actions for violations, and appeals systems, and we periodically review and revise whether preventive measures are operating effectively. ■ The Corporation has established "Procurement Regulation" containing articles relating to business confidentiality and conflicts of interests in procurement staff, and employees that exhibit dishonest behaviors are subject to disciplinary actions under the "Rules Governing Rewards and Disciplinary Action" depending on severity of the cases. ■ The Corporation's "Code of Ethical Conduct," "Code of Conduct," and "Work Rules" contain stipulations relating to business confidentiality and conflicts of interests in staff conduct, and employees that conduct dishonest behaviors are subject to disciplinary actions under the "Reward and Discipline Regulation" depending on severity of the cases. 	None.
2. Fulfillment of Operations Integrity Policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		<ul style="list-style-type: none"> ■ The Corporation has established an assessment system for suppliers and business partners. During contract negotiation, the rights and obligations of both parties are well documented, and confidentiality clauses are contained in all contracts. 	None.

Evaluation Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish an exclusively (or concurrently) dedicated unit in charge of corporate integrity and to be supervised by the Board, which regularly (at least once a year) reports implementation status to the Board?	✓		<p>■ In order to fulfill our supervisory obligations of ethical management, the Corporation has established a Corporate Governance Nomination Committee, an Audit Committee, and a Remuneration Committee to supervise compliance with ethical management. Additionally, the Ethical Management Team, which is established under the "Corporate Governance Promotion Committee," is convened by the vice president of the Corporate Planning Office and composed of representatives from the Legal Office, the Audit Office, the Human Resources Division, the Secretariat Division of the Board of Directors, and the Corporate Planning Office. The Ethical Management Team is responsible for reviewing and improving ethical management policies and implementing measures, assessing ethical management developments both domestically and overseas, convening quarterly to discuss implementation of ethical management, and making annual reports on specific performance and promotion measures of ethical management to the Board. The specific performance and promotion measures of ethical management for 2020 were reported at the 3rd meeting of the 9th Board on June 17, 2020. The main annual work plans and duties of the Ethical Management Team are as follows:</p> <ol style="list-style-type: none"> 1. Integrate ethical values into the Corporation's operational strategies and establish measures to ensure ethical management in accordance with laws and regulations. 2. Establish programs containing standard operating procedures and behavioral guidelines for work duties to prevent unethical behavior. 3. Plan internal organization, preparation, and job duties for mutual supervision and balance of operational activities at high risk of unethical behavior. 4. Promote and coordinate ethical management policies and training. 5. Plan systems for reporting ethical violations to ensure effective implementation. 6. Assist the Board and management in reviewing and assessing effective operation of ethical management measures, and periodically assess and report on adherence of relevant processes. <p>■ Implementations of the Ethical Management Team for 2020 included the following:</p> <ol style="list-style-type: none"> 1. Review of systems and establishment of preventive measures for ethical management in accordance with laws and regulations. 2. Revised the Corporation's "Ethical Corporate Management Best Practice Principles" and formulated the "Procedures for Ethical Corporate Management and Guidelines for Conduct" and "Ethical Management Policy Statement." 3. Established programs for prevention of unethical behaviors, including associated standard operating procedures and codes of conduct. 4. Promoted and ensured implementation of the "Ethical Corporate Management Best Practice Principles" according to the duties of each unit. 5. Conduct periodic reviews of legal compliance in internal audits, accounting procedures, and internal controls. Additionally, all units conduct monthly surveys of regulatory changes and have established relevant management systems. The Legal Office hosts quarterly meeting for legal compliance representatives to discuss implementations and promote important regulations. <p>■ The Corporation has implemented ethical corporate management policies in accordance with corporate governance, business strategies, and operating procedures. Ethical management training, attendees, and training hours for 2020, as well as specific implementations of ethical management were as follows:</p>	None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			<p>1.Nine Board members received communications and training in anti-corruption policies, accounting for 69% of current Board members.</p> <p>2.Additionally, 203 new recruiting employees received communications and training in anti-corruption policies, accounting for 4.3% of total employees.</p> <p>3.In 2020, we hosted ethical management training programs for all employees for a total of 4,818 participants and ran for a total of 2,409 hours.</p> <p>4.Seven Board members received insider trading prevention training, accounting for 54% of current Board members.</p> <p>5.In 2020, we hosted training courses for prevention of insider trading for all employees for a total of 4,818 participants and ran for a total of 2,409 hours.</p> <p>6.A total of 63 internal staff and new recruits attended insider trading prevention promotions which ran for a total of 31.5 hours.</p> <p>7.The Corporation upholds principles of ethical management and initiated the "Promotion Plan for Legal Compliance" in 2016 for comprehensive management of compliance with regulating authorities and Corporation regulations laid out in the Corporation Charter. Additionally, relevant regulations and rulings of regulating authorities are reviewed and presented every quarter, and legal compliance meetings are held to ensure that Corporation employees adhere to relevant regulations.</p> <p>8.Confidentiality of tender information, protection of intellectual property rights, and commitment of corporate social responsibility are enclosed on tender instructions and affidavits, and prevention of unjust enrichment and conflicts of interests are stated in the main body of the contract.</p> <p>9.We established an Audit Committee mailbox in the "Stakeholders" section of our corporate website to serve as a direct communication channel between stakeholders and the Audit Committee.</p> <p>10.We established internal and external whistle-blowing channels (including phone, fax, and mailbox channels) and set up a dedicated team for reviewing and investigating reported cases, and tracking management mechanisms.</p> <p>■ Detailed information on the Ethical Management Team can be found under the "Corporation Governance and Organizational Structure" sub-section of the Corporate Governance section, and the "Ethical Governance" page under the "Sustainable Development" sub-section in the "Corporate Social Responsibility" section of our corporate website.</p>	
(3) Does the company establish and implement policies to prevent conflicts of interest and provide appropriate communication channels?	✓		<p>■ The Corporation's regulations stipulate that managers of all levels are responsible for assisting the Corporation President in promoting ethical management policies. All conflicts of interest should be reported to department heads. The Corporation has also established "Grievance Regulation" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" to provide timely and appropriate channels for making statements and reports to prevent conflicts of interest.</p>	None.
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, with internal audit units formulating audit plans based on risk assessments of unethical conduct which are used to review compliance with measures for preventing unethical conduct, or which are audited by CPAs?	✓		<p>■ In order to implement ethical management, regulation compliance at the Corporation is periodically reviewed by internal auditing, accounting, and internal control systems.</p> <p>■ The Corporation implements internal control mechanisms on an annual basis. The Quality Assurance Office acts as a secretariat unit in executing internal control systems and self-inspection of administrative procedures. Each office carries out self-inspections that are reviewed by the Audit Office. Finally, CPAs are responsible for issuing review reports on internal control systems.</p> <p>■ The accounting system at THSRC has been effectively implemented for many years. Every year, certified accountants conduct an audit and issue an audit report.</p> <p>■ The Corporation's "Ethical Corporate Management Best Practice Principles" stipulate that internal audit units should formulate audit plans based on risk assessments of unethical conduct which can be used to review compliance with measures for preventing unethical conduct, and which may be audited by CPAs. Assistance may be obtained from professionals when necessary.</p>	None.

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		<ul style="list-style-type: none"> ■ The Corporation's Ethical Corporate Management Best Practice Principles stipulate that the Corporation should host periodic training and promotion activities for Board directors, managers, employees, and fiduciaries to help them understand the Corporation's determination in implementing ethical management, related policies, prevention solutions, and consequences of ethical violations 	None.
3. Operation of the Integrity Channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		<ul style="list-style-type: none"> ■ The Corporation has established our "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior." Related matters are handled by dedicated units and service hotlines have been set up to handle feedback in accordance with established processes. 	None.
(2) Does the company establish standard operating procedures and subsequent procedures of following investigations and relevant confidential mechanism?	✓		<ul style="list-style-type: none"> ■ The Corporation's "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" have clear stipulations on the appeals process and reviewing units, and commit to confidentiality for appeal makers and related evidence. 	None.
(3) Does the company provide proper whistleblower protection?	✓		<ul style="list-style-type: none"> ■ The Corporation's "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" clearly stipulate that if reported persons threaten or retaliate against whistleblowers, the Corporation will take disciplinary action according to relevant regulations. 	None.
4. Enhancing Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		<ul style="list-style-type: none"> ■ The Corporation's "Ethical Corporate Management Best Practice Principles" and relevant standards are publicly available for review on our internal and external websites. When revisions are made, these are announced to all staff members and information on our website is simultaneously updated. ■ The Corporation has established a "Regulations of Disclosure Information" and "Regulation for Posting Information on the 'Market Observation Post System,'" allowing us to fulfill our responsibilities and obligations of information disclosures and disclose important information in a timely manner. Additionally, voluntary disclosures are posted to the Market Observation Post System and our corporate website to strengthen information transparency and enhance timeliness, symmetry, and fairness of information disclosures. 	None.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation?				None.
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). To implement the basics of ethical corporate management policies, the Corporation operates under the Corporation Act, Securities and Exchange Act, Business Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.				

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

The Corporation's "Guidelines for Corporate Governance" is our principle rule of corporate governance which refers the OECD Principles of Corporate Governance; the S&P Corporate Governance Score-Criteria, Methodology and Definitions; the NYSE Listed Company Manual Sec303A; the Infosys Corporate Governance Report, corporate governance guidelines of established domestic and overseas companies; national laws and regulations; regulations set out by the Taiwan Stock Exchange Corporation; and the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies. In order to keep pace with regulation changes and adhere to the promotion schedule and goals of our Corporate Governance Blueprint (2018-2020), we revised 17 articles in our Guidelines for Corporate Governance in May 2019, and these were approved by our 2019 shareholders' general meeting.

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

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

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

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

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

安全衛生政策 Safety and Health Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

董事長：
Chairman

江耀宗

日期：2020/11/09

Date

資訊安全政策 Information Security Policy

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

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

本公司應採取以下措施：

THSRC should adopt the following actions：

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

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

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

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

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

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

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

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

董事長：
Chairman

江耀宗

日期：2020/05/27
Date

環境政策 Environmental Policy

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

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

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

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

董事長：
Chairman

江耀宗

日期：
Date

2019.08.21

風險管理政策 Risk Management Policy

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

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

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

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

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

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

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

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

董事長：
Chairman

江耀宗

日期：
Date

2019. 07. 02

人權政策

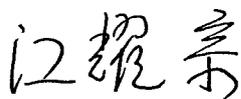
本公司恪遵國內勞動暨相關法規，支持並遵循聯合國《世界人權宣言》、《商業與人權指導原則》、《全球盟約》與國際勞工組織《工作基本原則與權利宣言》等國際人權公約所揭櫫之原則與精神，包括結社自由、關懷弱勢族群、禁用童工、消除各種形式之強迫勞動、消除僱傭與就業歧視等，杜絕任何侵犯及違反人權的行為，有尊嚴的對待現職所有員工，特制定本政策及相關執行方針：

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

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

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

董事長：
Chairman



日期：
Date

2018/5/18

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

供應鏈管理政策 Supply Chain Management Policy

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

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

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

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

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

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

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

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

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

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

董事長：
Chairman



日期：
Date

2017. 9. 21

公司品質政策 Corporate Quality Policy

本公司承諾遵守品質管理系統的要求，全面落實並持續改進其有效性。

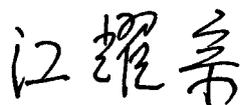
安全、可靠、效率與顧客滿意為本公司的品質目標。為達成此品質目標，本公司確保於各相關單位與層級建立主要績效指標，並定期檢討。

本公司將每年審議品質政策之持續適用性。

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

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

The Quality Policy is reviewed annually for continuing suitability.



董事長 Chairman

日期 Date: **2017.1.4**

2. Implementation Status of Internal Control System

(1) Internal Control System Letter of Declaration

Taiwan High Speed Rail Corporation
Statement of Internal Control System

Date: Feb 24, 2021

Based on the findings of a self-assessment, Taiwan High Speed Rail Corporation (THSRC) states the following with regard to its internal control system during the period from January 1, 2020 to December 31, 2020:

1. THSRC is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. THSRC has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability, timeliness, and transparency of reporting in compliance with the relevant specifications, and (3) compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how carefully designed, an effective internal control system can only provide reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes in environment or circumstances. Nevertheless the internal control system of THSRC contains self-monitoring mechanisms, and THSRC takes corrective actions whenever a deficiency is identified or an enhancement is necessary.
3. THSRC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") of the Republic of China. The Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several elements. Please refer to the Regulations for details.
4. THSRC has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, THSRC believes that during the period from January 1, 2020 to December 31, 2020, the design and operation of its internal control system have reasonably achieved the objectives mentioned in item 1 above, including monitoring of operational effectiveness and efficiency, and reliability, timeliness, and transparency of reporting in compliance with the relevant specifications, and compliance with applicable laws and regulations.
6. This Statement is an integral part of THSRC's Annual Report for the period from January 1, 2020 to December 31, 2020, and Prospectus, and is a public document. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors at the meeting held on Feb 24, 2021, with the contents of this Statement affirmed by all the 13 members present in the meeting.

Taiwan High Speed Rail Corporation

Chairman of the Board of Directors:



President:



Notice to Readers

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

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

3. Important Governance Information for 2020 and as of Publication Date of This Annual Report

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

Discipline has always been a core value for the Corporation. In 2020 and up to the publication date of this report, various disciplinary actions were taken against employees for violations of operational procedures in accordance with our Reward and Discipline Regulation. Memorandums announcing said violations were issued to all staff members for reference purposes and were supplemented with education, training, and case sharing to correct behaviors and promote accurate concepts. No material adverse impacts on corporate operations occurred as a result of the aforementioned violations. Relevant behaviors have all been improved, and all regulations and manuals are regularly reviewed and amended to fulfill our operational needs.

In 2020 and up to the publication date of this report, the Corporation incurred two administrative penalties due to late payments of overtime pay for vacation days and national holidays, resulting in violation of Paragraph 2, Article 24 and Article 39 of the Labor Standards Act, and incurring NT\$ 220,000 fine from the Taipei City Government Department of Labor. Managers of responsible units were also required to be attentive of approval schedules for overtime procedures to prevent similar incidents from occurring. The incident did not have any material impact on overall operations, stockholders' equity or prices of securities.

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

1) Important resolutions of Shareholders' Meetings and implementation status in 2020:

Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposals of the 2019 Annual Business Report and financial statements of the Corporation.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 96.33%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions.

Proposal No. 2: Proposed by the Board

Proposal: Proposals of 2019 profit distribution of the Corporation.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 96.39%. The proposal was approved.

Implementation status: Cash dividends per share were NT\$ 1.2101, the ex-dividend date was set as July 14, 2020, and cash dividend distribution date was set as August 12, 2020.

Discussion

Proposal No. 1: Proposed by the Board

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

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 96.09%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions. Revisions were posted to the Market Observation Post System and our corporate website on May 22, 2020.

Proposal No. 2: Proposed by the Board

Proposal: Revision of "Operational Procedures for Endorsements and Guarantees"

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 96.09%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions. Revisions were posted to the Market Observation Post System and our corporate website on May 25, 2020.

Proposal No. 3: Proposed by the Board

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

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 96.09%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions. Revisions were posted to the Market Observation Post System and our corporate website on May 25, 2020.

Election Matters

Election of the 9th term board of directors' office of the Corporation.

Voting results:

Elected non-independent directors:

Shareholder Account No.	Shareholder Name	Received Votes (Including Electronic Votes)
51400	China Aviation Development Foundation Representative: Yao-Chung Chiang	7,194,202,942 (Including 6,073,800,442 electronic votes)
92268	Ministry of Transportation and Communications Representative: Kwo-Tsai Wang	6,465,141,460 (Including 5,638,103,420 electronic votes)
92268	Ministry of Transportation and Communications Representative: Min-Ching Liu	6,339,699,036 (Including 5,697,549,036 electronic votes)
51400	China Aviation Development Foundation Representative: Lee-Ching Ko	6,188,505,166 (Including 5,897,248,166 electronic votes)
43831	China Steel Corporation Representative: Chao-Tung Wong	5,967,065,801 (Including 4,215,272,772 electronic votes)
5762	Taiwan Sugar Corporation Representative: Chao-Yih Chen	5,869,968,488 (Including 3,269,931,488 electronic votes)
11	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	5,717,389,251 (Including 5,717,344,251 electronic votes)
38578	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	5,616,031,858 (Including 5,156,168,858 electronic votes)
6	Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	5,509,255,598 (Including 4,564,033,798 electronic votes)

Elected independent directors:

ID Number	Name	Received Votes (Including Electronic Votes)
E1005XXXX	Kenneth Huang-Chuan Chiu	1,408,207,209 (Including 1,408,141,209 electronic votes)
L1009XXXX	Duei Tsai	1,334,524,343 (Including 1,334,481,343 electronic votes)
U1201XXXX	Pai-Ta Shih	1,275,302,511 (Including 1,275,240,511 electronic votes)
M1215XXXX	Yung-Cheng (Rex) Lai	1,237,521,762 (Including 1,237,485,762 electronic votes)

Implementation status: Approved and registered by the Ministry of Economic Affairs under Official Letter No. 10901094230 on June 10, 2020. The listed of elected directors was also disclosed on the Market Observation Post System.

Other Discussion Items

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

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

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

2) Important Board resolutions for January 2020-April 2021

Date	Session (Term-Sitting)	Important Resolutions
2020/1/15	8-34	<ol style="list-style-type: none"> Distribution suggestions for 2019 employee compensation and bonuses Distribution suggestions for 2019 director remuneration Procurement strategy suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot Donation and sponsorship plan for 2020 First stage of equipment upgrading and asset changes for Traffic Control System (TCS) at traffic control center Implementation status of Corporate Governance & Nomination Committee, Audit Committee, and Remuneration Committee in 2019 Formulation of suggestions for assessing implementation status of board and functional committees in 2019
2020/2/19	8-35	<ol style="list-style-type: none"> Formulation of 2019 financial report 2019 CPA audits Non-audit services plans for 2020 and follow-up of contracted and invoiced non-audit services Procurement and bid selection suggestions for contract from 2022 to 2027 regarding HSR passenger credit card ticketing payment acquisition services (Contract number: 01-19-017) Results of manager performance audits for 2019 Suggestions regarding performance goals for new managers in 2020 Self-assessment results of internal control system for 2019 Formulation of 2019 Business Report Report of implementation status of corporate governance Discussion of director (and independent director) seats for the 9th Board Formulation of 2020 shareholder's general meeting date, venue, and main topics Suggestions for Special Committee member composition as THSRC Institutional Director Taiwan Sugar Corporation appointed a new director representative, resulting in Director Chao-Yih Chen leaving office and resigning as a member of the Special Committee.

Date	Session (Term-Sitting)	Important Resolutions
2020/3/18	8-36	<ol style="list-style-type: none"> 1. Procurement and bid selection suggestions for contract from 2020 to 2023 for HSR security personnel services (Contract number: S1-19-050 to S1-19-057) 2. Procurement contract for KHI supply of rolling stock PM maintenance materials from 2021 to 2022 (Contract number: PCDD-21-0001) 3. Procurement and bid selection suggestions for rolling stock PM maintenance materials supplied by the National Chung-Shan Institute of Science and Technology (Contract number: PCDD-20-0012 and PCDD-20-0013) 4. Procurement strategy and bid selection suggestions for HSR meal boxes (Contract number: PCDD-19-1413) 5. Proposal for approval to sign "First Amended Agreement to Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities" 6. Board nominations for the four independent directors and nine non-independent directors of the 9th Board 7. Suggestions regarding distributable surpluses for 2019 8. Formulation of proposal regarding "Revisions to the Corporation's 'Operational Procedures for Loaning Funds to Others'" for submission and discussion at shareholders' general meeting on May 21, 2020 9. Formulation of proposal regarding "Revisions to the Corporation's 'Operational Procedures for Endorsements and Guarantees'" for submission and discussion at shareholders' general meeting on May 21, 2020 10. Formulation of proposal regarding "Revisions to the Corporation's 'Ethical Corporate Management Best Practice Principles' and establishment of the Corporation's 'Procedures for Ethical Management and Guidelines for Conduct' and 'Declaration of Compliance with Ethical Management Policies'" for submission and discussion at shareholders' general meeting on May 21, 2020 11. Formulation of proposal regarding "Revisions to the Corporation's 'Rules of Procedure for Shareholders' Meetings'" for submission and discussion at shareholders' general meeting on May 21, 2020
2020/4/8	8-37	<ol style="list-style-type: none"> 1. Procurement contract for inertial track geometry inspection vehicles (Contract number: E5-19-001) 2. Procurement strategy suggestions for HSR shuttle bus affiliated marketing services from 2020 to 2021 3. Submitted HSR Financial Resolution Plan 2019 implementation status table to MOTC 4. Suggestions regarding revisions to distributable surpluses for 2019 5. Submission of "Removal of non-competition restrictions for the Corporation's 9th Board" proposal for discussion at the shareholders' general meeting on May 21, 2020 6. Revisions to the Corporation's "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior"
2020/5/6	8-38	<ol style="list-style-type: none"> 1. Implementation of 2019 discount fare marketing campaigns 2. Suggestions regarding annual performance bonuses for 2019 3. Revisions to the Corporation's "General Delegation of Responsibility and Authority" 4. Formulation of plans for issuance of unsecured ordinary corporate bonds 5. Revisions to the Corporation's "Assets for Operation and Equipment Management Regulation" 6. Suggestions for temporary solutions relating to bidding strategies for THSRC media outsourcing contract 7. Suggestions for supplementary agreement of HSR station parking lot outsourcing management contract 8. Procurement and bid selection suggestions for upgrading of mainframe for Traffic Control System (TCS) Package 2 (Contract numbers: E221 and E223 to E225) 9. Procurement and bid selection suggestions for civil engineering design and construction supervisory consultant services for second rolling stock inspection and maintenance shop at Zuoying depot (Contract number: C2-19-003)
2020/5/21	9-1	<ol style="list-style-type: none"> 1. Chairman election by the 9th Board of Directors 2. Nomination of committee members for the 9th Corporate Governance & Nominating Committee 3. Proposal for approval to sign THSRC "Industry-academia collaboration agreement" and "Academic rebate agreement"
2020/6/3	9-2	Suggestions for Remuneration Committee and Special Committee members for the 9th Board
2020/6/17	9-3	<ol style="list-style-type: none"> 1. Procurement contract for HSR shuttle bus affiliated marketing services from 2020 to 2021 (Contract numbers: S1-20-016 to S1-20-024) 2. Procurement and bid selection suggestions for upgrading of mainframe for Traffic Control System (TCS) Package 2 (Contract number: E225) 3. Extension of quota for derivative assets that expired during the second half of 2020 4. Extension or transfer of letters of credit that expired during the second half of 2020 5. Establishment of 2019 surplus distribution ex-dividend date and cash dividend distribution date. 6. Retirement of Operation Division manager and appointment as President's Office consultant 7. Suggestions regarding remuneration adjustments for directors on the 9th Board of Directors

Date	Session (Term-Sitting)	Important Resolutions
2020/7/15	9-4	<ol style="list-style-type: none"> 1. Procurement contract for OCC Radio Mobile Switching Office equipment upgrade (Contract number: E251) 2. Procurement strategy suggestions for "Replacement of existing turnout control boxes with THSRC self-developed turnout control boxes" 3. Procurement strategy suggestions for supplementary agreement of second (Contract number: E4-18-005) tender bids for Passenger Information System (PIS) replacement project 4. Procurement and re-bidding strategy suggestions for construction of Yanchao Main Workshop automated painting shop equipment 5. Procurement strategy suggestions for THSRC headquarters office and parking lease agreement 6. Suggestions regarding individual remuneration adjustments for independent directors on the 9th Board of Directors
2020/8/5	9-5	<ol style="list-style-type: none"> 1. Procurement contract for "THSRC media outsourcing contract" (Contract number: 01-20-007(EU)) 2. Revival of 2020 salary adjustment plans 3. Suggestions for strengthening links between non-fixed remuneration and operational performance for THSRC chairman and president 4. Suggestions for official appointment granted to acting head of Finance Division 5. 2020 Q2 Financial Report 6. Revisions to the Corporation's "Internal Control System" 7. Suggestions for Special Committee member composition as THSRC Institutional Director Ministry of Transportation and Communications appointed a new director representative, resulting in Director Min-Ching Liu leaving office and resigning as a member of the Special Committee.
2020/9/16	9-6	<ol style="list-style-type: none"> 1. Suggestions for simplifying Board submission procedures for procurement contract proposals (as opposed to previous review-and-approval procedures for proposals) 2. Suggestions for renewal of director (supervisor) and officer liability insurance 3. Suggestions for strengthening links between non-fixed remuneration and operational performance for THSRC chairman and president 4. Suggestions regarding distribution of "special autumn festival bonuses" for 2020 5. Revisions to the Corporation's "Regulations of Responsibility & Authority" 6. Revision of the Corporation's consultant appointment guidelines 7. Renewal of President's Office consultant contract 8. Appointment of acting Operation Senior Vice President
2020/10/14	9-7	<ol style="list-style-type: none"> 1. Provision of HSR employee discount tickets in 2021 2. Recommendation that overtime pay rates for "national holidays" in 2021 should continue to comply with overtime pay rates for "rest days" 3. Suggestions regarding distribution of Chinese New Year subsidies for 2021 4. Procurement and bid selection suggestions for "Phase 3 Nangang Software Park Office Building Lease from 2021 to 2023" contract (Contract number: PCDD-20-0945) and "Phase 3 Nangang Software Park Parking Space Lease from 2021 to 2023" contract (Contract number: PCDD-20-0946) 5. Formulation of 2021 audit report for auditing office 6. Formulation of Corporate Governance & Nominating Committee, Audit Committee, and Remuneration Committee work plans for 2021
2020/11/4	9-8	<ol style="list-style-type: none"> 1. Formulation of the Corporation's budget for 2021 2. Revisions to the Corporation's "Accounting System" 3. Collaboration plans for THSRC and China Airlines joint tickets 4. Procurement strategy suggestions for ATP6 electrical substation core system power equipment control and relay panel (CRP) research and development project 5. Procurement strategy suggestions for new-generation network architecture designs and solutions 6. Suggestions for supplementary agreement of "HSR security personnel services (on trains) contract from 2020 to 2023" (Contract number: S1-19-051) 7. Suggestions for supplementary agreement of "Rail grinding car supply contract" (Contract number: E5-18-001) 8. Suggestions regarding performance goals for managers in 2021 9. Suggestions regarding promotion of Head of Information Technology Division and Head of Operation Safety Office

Date	Session (Term-Sitting)	Important Resolutions
2020/12/15	9-9	<ol style="list-style-type: none"> 1. Renewal of operating insurance for 2021 2. Extension of quota for derivative assets that expired during the first half of 2021 3. Extension or transfer of letters of credit that expired during the first half of 2021 4. Submitted budget figures and financial modules for 2021 to MOTC 5. Formulation of the Corporation's "Report on subscriptions for corporate bonds" 6. Suggestions regarding additional year-end bonuses for 2020 7. Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Structure," and suggestions regarding manpower adjustment 8. Continued appointment of Corporation President's Office senior consultant contract 9. Continued appointment of Corporation Core Technology Development Department consultant 10. Suggestions for official appointment granted to acting Operation Senior Vice President 11. Appointment of acting Head of Maintenance Management Division and acting Head of Legal Office 12. Adjustment of Head of Human Resource Division 13. Procurement strategy suggestions for "THSRC self-developed turnout monitoring system replacement contract" 14. Procurement strategy suggestions for HSR station cleaning and greenery maintenance services contract from 2021 to 2024 15. Revisions to the Corporation's "Rules of Procedure for Board of Directors Meetings" 16. Revisions to the Corporation's "Charter of the Corporate Governance & Nominating Committee," "Charter of the Audit Committee," "Charter of the Remuneration Committee," and "Charter of the Special Committee"
2021/1/20	9-10	<ol style="list-style-type: none"> 1. Addition of usance letters of credit and increased quota for derivative assets 2. Distribution suggestions for 2020 employee compensation and bonuses 3. Distribution suggestions for 2020 director remuneration 4. Procurement procedures and bid review results for HSR trainset retendering (Contract number: E321) 5. Suggestions for expansion of HSR meal box procurement agreement (Contract number: PCDD-19-1413) 6. Procurement and bid selection suggestions for "Construction of Yanchao Main Workshop automated painting shop equipment consulting services contract" (Contract number: C2-19-002) and "Construction of Yanchao Main Workshop automated painting shop equipment contract" (Contract number: T2-20-009) 7. Donation and sponsorship plan for 2021 8. Revisions to the Corporation's "Regulations for Management of the Prevention of Insider Trading" 9. Implementation status of Corporate Governance & Nomination Committee, Audit Committee, and Remuneration Committee in 2020 10. Formulation of suggestions for assessing implementation status of board and functional committees in 2020
2021/2/24	9-11	<ol style="list-style-type: none"> 1. 2020 financial report 2. 2020 CPA audits 3. Non-audit services plans for 2021 and follow-up of contracted and invoiced non-audit services. 4. Submitted applications for import duty guarantees to be submitted to the Ministry of Finance Customs Administration Kaohsiung Customs due to the Corporation's need for post-release duty payments when handling imported cargo 5. Procurement strategy suggestions for localization of "Second overhaul and maintenance following 3,000 uses of electricity system generator circuit-breakers (GCB) and maintenance of electricity system high and low voltage GIS equipment for 2021-2023" (Contract number: M4-20-014) 6. Procurement and bid selection suggestions for "Research and development of ATP6 electrical substation control & relay panel" (Contract number: E4-20-005) 7. Procurement and bid selection suggestions for "Upgrading of core system power equipment control and relay panel (CRP)" (Contract number: E241) 8. Procurement strategy suggestions for train cleaning services contract for HSR Nangang Station, Zuoying Station, and Taichung Station from 2021 to 2024 9. Third supplementary agreement of train cleaning services contract for HSR Nangang Station, Zuoying Station, and Taichung Station from 2019 to 2021 10. Suggestions relating to results of manager performance audits for 2020 11. Suggestions regarding performance goals for new managers, dismissal of part-time workers, and optimization of manager performance management procedures in 2021 12. Revision of the Corporation's "consultant appointment guidelines" 13. Revisions to the Corporation's "General/Specific Delegation of Responsibility and Authority" 14. Self-assessment results of internal control system for 2020 15. 2020 Business Report 16. Revisions to the Corporation's "Corporate Social Responsibility Best Practice Principles" 17. Report of implementation status of corporate governance 18. Formulation of 2021 shareholder's general meeting date, venue, and main topics

Date	Session (Term-Sitting)	Important Resolutions
2021/3/17	9-12	1. Suggestions regarding distributable surpluses for 2020 2. Procurement strategy suggestions for HSR shuttle bus affiliated marketing services from 2021 to 2022 3. Formulation of proposal submission to shareholders' general meeting on May 27, 2021 "Revisions to the Corporation's 'Guidelines for Corporate Governance'" for discussion 4. Formulation of proposal submission to shareholders' general meeting on May 27, 2021 "Revisions to the Corporation's 'Rules of Procedure for Shareholders' Meetings'" for discussion 5. Formulation of proposal submission to shareholders' general meeting on May 27, 2021 "Revisions to the Corporation's 'Rules for the Election of Directors'" for discussion 6. Revisions to the Corporation's "Regulations of Disclosure Information"
2021/4/14	9-13	1. The Corporation's donations to the TRA Taroko Express incident on April 2, 2021 2. Submission of HSR Financial Resolution Plan 2020 implementation status table to MOTC 3. The Corporation's plans to utilize working capital for advanced settlement of syndicated loan principal payments 4. Formulation of plans for issuance of unsecured corporate bonds 5. Formulation of plans for issuance of unsecured commercial papers 6. Bid solicitation strategies for "Operation and management of HSR station parking lots" 7. Revisions to the Corporation's "THSRC Organizational Regulation" and "Organization Structure"

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

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

Title	Name	Date Effective	Date of Termination	Reasons for Resignation or Dismissal
Head of Finance	Eleanore New	2006/06/01	2020/01/15	Retired

4. Information on CPA Professional Fees

(1) Audit Fees

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Mei-Yen Chiang Kwan-Chung Lai	2020.01.01~2020.12.31	

Fee Range	Fee Items	Audit Fee	Non-Audit Fee	Total
1 Lower than NT\$ 2,000,000				
2 NT\$2,000,000 (Included) ~ NT\$4,000,000			V	
3 NT\$4,000,000 (Included) ~ NT\$6,000,000		V		
4 NT\$6,000,000 (Included) ~ NT\$8,000,000				
5 NT\$8,000,000 (Included) ~ NT\$10,000,000				V
6 Above NT\$10,000,000				

- (2) If Non-Audit Fees Paid to the Certified Public Accountant, the Accounting Firm of the Certified Public Accountant, and/or Any Affiliated Enterprise of Such Accounting Firm Surpass One Quarter of Audit Fees Paid Thereto, the Amounts of Both Audit and Non-Audit Fees as Well as Details of Non-Audit Services Should be Disclosed:

Unit: NT\$ in thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Period Covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resources	Others	Subtotal		
Deloitte & Touche	Mei-Yen Chiang Kwan-Chung Lai	4,477	-	-	-	3,675	3,675	2020.01.01 ~2020.12.31	Other non-audit fees included ISO 27001 implementation and third-party validation services, financial advisory services and accounting consulting services.

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

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

5. Replacement of CPA: None

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

7. Information on Share Transfers and Pledge Changes

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

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

Unit: thousand shares

Title	Name	2020		As of 2021/03/31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
-	-	-	-	-	-

- (2) Shares Trading with Related Parties

Unit: thousand shares

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

Note: Not applicable as no shares were traded with related parties.

- (3) Shares Pledge with Related Parties: None

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

Information Relating to Relationships Between Any of the Top Ten Shareholders

Unit: thousand shares, % (as of 2021/03/29)

Name (Note1)	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ministry of Transportation and Communications, R.O.C.	2,420,000	43.00	0	0	0	0	None	None	Corporation institutional director.
Wen-Jong Chi	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Yueh-Hsiang Chen	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
China Aviation Development Foundation	260,040	4.62	0	0	0	0	None	None	Corporation institutional director.
Yao-Chung Chiang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Lee-Ching Ko	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
China Steel Corporation	242,148	4.30	0	0	0	0	None	None	Corporation institutional director.
Chao-Tung Wong	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Taiwan Sugar Corporation	200,000	3.55	0	0	0	0	None	None	Corporation institutional director.
Chao-Yih Chen	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
TECO Electric & Machinery Co., Ltd.	190,060	3.38	0	0	0	0	None	None	Corporation institutional director.
Mao-Hsiung Huang	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
Cathay Life Insurance Co.,Ltd.	163,809	2.91	0	0	0	0	None	None	Corporation institutional shareholder.
Tiao-Kuei Huang	0	0	0	0	0	0	None	None	Chairman of Cathay Life Insurance Co.,Ltd.

Name (Note1)	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Management Committee of National Development Fund, Executive Yuan	120,000	2.13	0	0	0	0	None	None	Corporation institutional director.
Shien-Quey Kao	0	0	0	0	0	0	None	None	Representative of Corporation institutional director.
CMC Magnetics Corporation	78,882	1.40	0	0	0	0	None	None	Corporation institutional shareholder.
Ming-Sen Wong	0	0	0	0	0	0	None	None	Chairman of CMC Magnetics Corporation
Taiwan Shinkansen Corporation	73,200	1.30	0	0	0	0	None	None	Corporation institutional shareholder.
Shimizu Yasushi	0	0	0	0	0	0	None	None	President of Taiwan Shinkansen Corporation
Mega International Commercial Bank Co., Ltd.	71,100	1.26	0	0	0	0	None	None	Corporation institutional shareholder.
Chao-Shun Chang	0	0	0	0	0	0	None	None	Chairman of Mega International Commercial Bank Co., Ltd.

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

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

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



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Financing Information



1. Capital and Share Information

(1) Sources of Capital

Year/ Month	Issue Price	Authorized Capital		Paid-Up Capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousand)	Shares (thousand shares)	Amount (NT\$ thousand)	Capital Source (NT\$ thousand)	Collateral of assets other than cash provided for shares	Other
1998/5	10	5,000,000	50,000,000	1,250,000	12,500,000	Founding capital stock 12,500,000	-	-
1999/4	10	5,000,000	50,000,000	2,000,000	20,000,000	Cash capital increase 7,500,000	-	-
1999/8	10	5,000,000	50,000,000	2,017,350	20,173,500	Surplus to capital increase 173,500	-	-
2000/5	10	5,000,000	50,000,000	3,017,350	30,173,500	Cash capital increase 10,000,000	-	-
2000/7	10	5,000,000	50,000,000	4,072,100	40,721,000	Cash capital increase 10,547,500	-	-
2001/9	10	5,000,000	50,000,000	4,999,900	49,999,000	Cash capital increase 9,278,000	-	Note 2
2003/1	10	10,000,000	100,000,000	7,689,900	76,899,000	Cash capital increase 26,900,000 (Series A Registered Preferred Stock)	-	-
2003/9	10	10,000,000	100,000,000	7,824,149.5	78,241,495	Cash capital increase 1,342,495 (Series B Registered Preferred Stock)	-	-
2004/1	9.3	10,000,000	100,000,000	7,985,449.5	79,854,495	Cash capital increase 1,613,000 (Type 1 Series C Registered Preferred Stock)	-	-
2004/2	9.3	10,000,000	100,000,000	8,136,849.5	81,368,495	Cash capital increase 1,514,000 (Type 2 Series C Registered Preferred Stock)	-	-
2004/3	9.3	10,000,000	100,000,000	8,211,449.5	82,114,495	Cash capital increase 746,000 (Type 3 Series C Registered Preferred Stock)	-	-
2004/4	9.3	10,000,000	100,000,000	8,319,069.5	83,190,695	Cash capital increase 1,076,200 (Type 4 Series C Registered Preferred Stock)	-	-
2004/8	9.3	10,000,000	100,000,000	8,956,146.5	89,561,465	Cash capital increase 6,370,770 (Type 5 Series C Registered Preferred Stock)	-	-
2004/9	9.3	10,000,000	100,000,000	9,020,646.5	90,206,465	Cash capital increase 645,000 (Type 6 Series C Registered Preferred Stock)	-	-

Year/ Month	Issue Price	Authorized Capital		Paid-Up Capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousand)	Shares (thousand shares)	Amount (NT\$ thousand)	Capital Source (NT\$ thousand)	Collateral of assets other than cash provided for shares	Other
2004/11	9.3	10,000,000	100,000,000	9,057,656.5	90,576,565	Cash capital increase 370,100 (Type 7 Series C Registered Preferred Stock)	-	-
2005/4	9.3	11,500,000	115,000,000	9,703,556.5	97,035,565	Cash capital increase 6,459,000 (Type 8 Series C Registered Preferred Stock)	-	-
2005/9	9.3	12,000,000	120,000,000	10,510,056.5	105,100,565	Cash capital increase 8,065,000 (Type 9 Series C Registered Preferred Stock)	-	-
2008/4	10	12,000,000	120,000,000	10,510,089.8	105,100,898	332.85 First investor application of conversion for convertible unsecured overseas corporate bonds in 2007	-	-
2008/6	10	12,000,000	120,000,000	10,532,224	105,322,243	221,345 First investor application of conversion for convertible unsecured overseas corporate bonds in 2007	-	-
2015/8	10 9.3	12,000,000	120,000,000	6,513,232	65,132,326	Capital reduction (40,189,917) (Withdrawal of preferred shares)	-	-
2015/10	10	12,000,000	120,000,000	2,605,293	26,052,930	Capital reduction (39,079,396) (Withdrawal of common stock)	-	Note 3
2015/11	10	12,000,000	120,000,000	5,605,293	56,052,930	Cash capital increase 30,000,000 (Privately placed common stock)	-	-
2016/10	10	12,000,000	120,000,000	5,628,293	56,282,930	Cash capital increase 230,000	-	Note 4

Note:1. The Corporation completed effective registration as a public company under reissued Securities & Futures Institute (90) Tai Tsai Cheng (1) No. 120792 decree.

2. Effective date and decree of 2001/9 cash capital increase: 2001/7/6 Tai Tsai Cheng (1) No. 144286.

3. Effective date and decree of 2015/10 common stock capital reduction: 2015/10/2 Financial-Supervisory-Securities-Fa No. 1040039751.

4. Effective date and decree of 2016/10 cash capital increase: 2016/9/12 Tai-Zheng-Shang-Yi-Zi No. 1051804339.

5. Current issued stocks in circulation are: 5,628,293,058 shares of common stock, including 2,628,293,058 shares of publicly issued common stock and 3,000,000,000 shares of privately placed common stock.

(2) Share Types

Unit: thousand shares (As of 2021/3/29)

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

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

Information for Shelf Registration: Not applicable.

(3) Shareholding Structure

Common shares

Units: people, thousand shares, % (As of 2021/3/29)

Shareholders Quantity	Government Agencies	Public Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	1	16	377	131,042	648	132,086
Shareholding	2,540,000	200,000	520,142	943,908	850,753	573,490	5,628,293
Shares ratio	45.13	3.55	9.24	16.77	15.12	10.19	100.00

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

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

(4) Distribution of Shares

Common shares

 Units: people, shares (face value of each share being NT\$10)
(As of 2021/3/29)

Share Breakdown			Number of Shareholders	Shareholding	Shareholding Ratio (%)
1	to	999	21,009	3,982,574	0.071%
1,000	to	5,000	80,661	181,681,010	3.228%
5,001	to	10,000	15,656	125,343,305	2.227%
10,001	to	15,000	4,651	59,499,372	1.057%
15,001	to	20,000	3,428	64,002,253	1.137%
20,001	to	30,000	2,267	58,467,356	1.039%
30,001	to	50,000	2,108	84,697,244	1.505%
50,001	to	100,000	1,262	91,797,980	1.631%
100,001	to	200,000	506	72,589,065	1.290%
200,001	to	400,000	225	63,805,921	1.134%
400,001	to	600,000	83	41,192,507	0.732%
600,001	to	800,000	51	35,648,368	0.633%
800,001	to	1,000,000	35	32,134,422	0.571%
1,000,001	to	1,200,000	21	23,233,883	0.413%
1,200,001	to	1,400,000	13	17,093,648	0.304%
1,400,001	to	1,600,000	13	19,209,400	0.341%
1,600,001	to	1,800,000	9	15,344,948	0.272%
1,800,001	to	2,000,000	8	15,622,228	0.277%
Over 2,000,001			80	4,622,947,574	82.138%
Total			132,086	5,628,293,058	100.000%

(5) List of Major Shareholders

Unit: thousand shares (As of 2021/3/29)

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

Note1: Shareholders holding more than 5% of shares.

Note2: For more information on the top ten shareholders by shareholding ratio, shareholding, and shareholding ratio, please refer to Chapter 4 (Corporate Governance) of this report.

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

Unit: NT\$/thousand shares

Item	Year	2019	2020	2021/1/1-2021/3/31
Market Price per Share				
Highest Market Price		47.00	39.95	31.45
Lowest Market Price		29.85	25.95	28.80
Average Market Price		37.45	33.30	30.25
Net Worth per Share				
Before distribution		12.63	12.45	-
After distribution		11.42	(Note 1)	-
Earnings per Share				
Weighted Average Shares (thousand shares)		5,628,293	5,628,293	-
Earnings per Share		1.42	1.04	-
Dividends per Share				
Cash Dividends		1.2101	1.05(Note 1)	-
Stock Dividends		-	-	-
• Dividends from Retained Earnings		-	-	-
• Dividends from Capital Surplus		-	-	-
Accumulated Undistributed Dividends		-	-	-
Return on Investment				
Price/Earnings Ratio (Note 2)		26.37	32.02	-
Price/Dividend Ratio (Note 3)		30.95	31.71 (Note 1)	-
Cash Dividend Yield (Note 4)		3.23%	3.15% (Note 1)	-

Note 1: The amount of dividends for 2020 is currently pending stockholders' approval.

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

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

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

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

1) Dividend Policy in Articles of Incorporation

If the final annual accounts of the Corporation show a net profit for a given year, the profit-sharing compensation to employees and Directors shall first be allocated from the net profit pursuant to Article 35-1. If the Board of Directors then resolves to make distributions, it shall prepare an earnings distribution proposal, including therein the amount of any accumulated undistributed earnings and the amount equaling to the remainder of the net profit for the given year after further deduction for the payment of all taxes required by

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

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

2) Implementation Status

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

The proposed distribution of cash dividends is NT\$ 1.05 per share to a total of NT\$ 5,909,708 thousand. An ex-dividend date will be set following approval by the shareholders' general meetings.

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

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

(9) Employee Compensation and Director Remuneration

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

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

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

A. In 2020, 2% of net profit was set as employee compensation, amounting to NT\$111,165 thousand in cash; 0.5% of net profit was set as director remuneration, amounting to NT\$27,791 thousand in cash.

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

3) Board resolutions on employee and director compensation distributions:

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

On January 20 and February 24, 2021, the Board approved a resolution for employee compensation of NT\$ 111,165 thousand and director remuneration of NT\$ 27,791 thousand, payable in cash, for the year ended December 31, 2020.

There was no difference between such amounts and the respective amounts recognized in the financial statements for the year ended December 31, 2020.

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

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

4) Information on 2019 distribution of compensation for employees and directors (with an indication of the number of shares, monetary amount, and stock price of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated:

Employee compensation of NT\$ 159,489 thousand and director remuneration of NT\$ 39,872 thousand for 2019 was distributed in 2020 in cash. There was no discrepancy between said amounts and respective amounts recognized in the financial statements for 2019.

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

2. Information on Corporate Debts

(1) Unpaid domestic corporate bonds:

Issuance of Corporate Bonds

Issuance	1st unsecured corporate bond for 2019
Issuing Date	2019/11/14
Denomination	NT\$ 10 million
Issuance and Transaction Location	Not Applicable
Offering Price	Par
Total Amount	NT\$ 8 billion
Coupon Rate	Fixed Rate: 1.60%
Maturity	30 years maturity: 2049/11/14
Guarantor	None
Trustee	Taishin International Bank
Underwriter	Yuanta Securities
Legal Counsel	LCS & PARTNERS
Auditor	Deloitte & Touche
Repayment	Bullet
Outstanding	NT\$ 8 billion
Redemption or Early Repayment Clause	None
Covenants	None
Credit Rating	Taiwan Ratings Corp. Date: 2019/10/7 Rating: twAA+ (Issuer rating)
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or other securities None
	Conversion Right None
Dilution Effect and Other Adverse Effects on Existing Shareholders	None
Custodian	None

Issuance	1st unsecured corporate bond for 2020	
Issuing Date	2020/7/1	
Denomination	NT\$10 million	
Issuance and Transaction Location	Not Applicable	
Offering Price	Par	
Total Amount	NT\$10.5 billion	
Coupon Rate	Fixed Rate: 1.30%	
Maturity	30 years maturity: 2050/7/1	
Guarantor	None	
Trustee	Taishin International Bank	
Underwriter	Yuanta Securities	
Legal Counsel	LCS & PARTNERS	
Auditor	Deloitte & Touche	
Repayment	Bullet	
Outstanding	NT\$10.5 billion	
Redemption or Early Repayment Clause	None	
Covenants	None	
Credit Rating	Taiwan Ratings Corp. Date: 2019/10/7 Rating: twAA+ (Issuer rating)	
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or other securities	None
	Conversion Right	None
Dilution Effect and Other Adverse Effects on Existing Shareholders	None	
Custodian	None	

(2) Current corporate bonds: None.

3. Information on Preferred Stock

(1) Preferred stock in circulation: None.

(2) Current preferred stock: None.

4. Information on Overseas Depository Receipts: None.

5. Information on Employee Stock Option Certificates: None.

6. Information on Restricted Stock Awards: None.

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

8. Implementation of Capital Utilization Plans

Up until the quarter prior to the publication of this annual report, the Corporation has not completed previous issuance or private placement of securities, or had any project completed in the last three years where project benefits have not become apparent.



6

Operational Overview

1. Operations Scope and Review of Current Operations

(1) Business Scope

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

1) High-speed rail operations

THSRC operations adhere to the principle of providing passengers with safe and speedy transportation. After more than 10 years of effort, we have now become the transportation backbone of Taiwan's western corridor. THSRC provides intercity high-speed rail services via 12 stations: Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying, and we are constantly enhancing passenger services through service planning, promotional activities, and multiple ticket-purchase channels to expand market share. In 2020, due to the COVID-19 pandemic, our passenger volumes declined by 15.09% compared to 2019. The total passenger volumes in 2020 reached 57.24 million.

2) Operation of affiliated business services

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

(2) Results of Operations

1) Operational overview

A. Passenger service

In 2020, THSRC carried over 57.24 million passengers, a decrease of 15.09% over the prior year, making for a total of 9,912 million passenger-kilometers. We ran a total of 53,076 trains, a decrease of 1.21% over the prior year, resulting in a total of 17,407 million seat-kilometers. We ran up to 166 north- and south-bound trains daily depending on peak or off-peak days of the week and provided maximum traffic volumes amounting to as many as 210 daily runs on one consecutive holiday. Our loading factor was 56.94%, a decrease of 11.09% over the prior year, and punctuality was 99.71%, a decrease of 0.17% over the prior year.

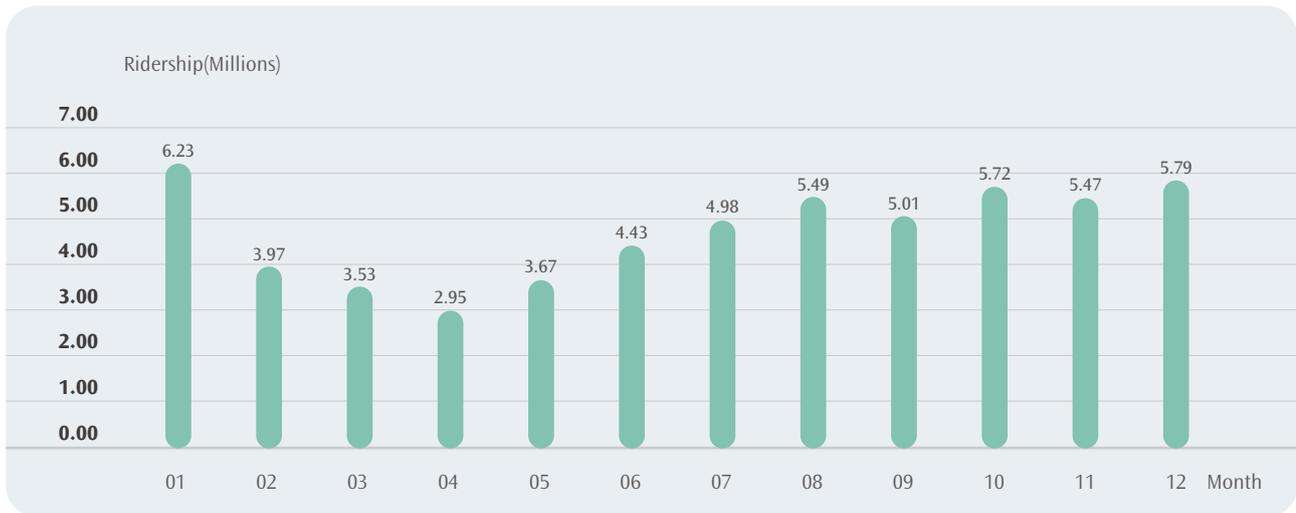
Measures of Operation Performance, 2019-2020

	2019	2020
1. Train Services	53,727	53,076
2. Ridership (in millions)	67.41	57.24
3. Seat-kilometers (in millions)	17,630	17,407
4. Passenger-kilometers (in millions)	11,994	9,912
5. Punctuality (as % of trains arriving within five minutes of scheduled time)	99.88%	99.71%
6. Loading factor (passenger-km/seat-km)	68.03%	56.94%

HSR Operational Growth Index 2016~2020



Monthly Ridership in 2020



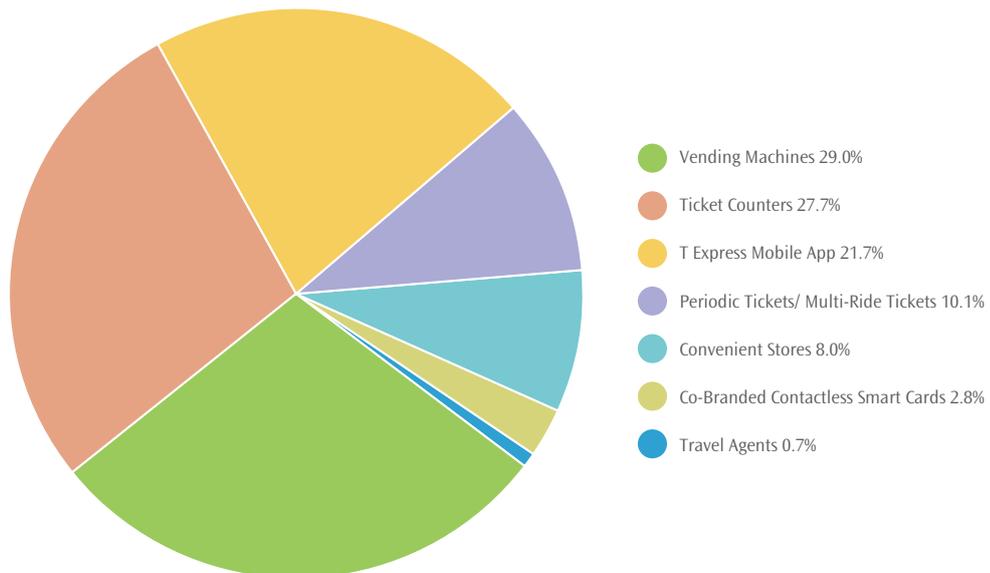
Monthly passenger kilometers, seat kilometers, and loading factor in 2020



B. Multiple booking and ticketing options

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

Booking and Ticket Purchase by Channels in 2020



C. Maintenance

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

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

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

Monthly trainset availability in 2020



D. Operational safety

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

(a) Safety management system

The Corporation has built upon a foundation of risk management to establish a safety management system which adheres to domestic and international best practices and standards. The system is used to identify and manage potential risks of the HSR system and rail personnel, thus ensuring continued safety and excellence of our operations, repairs, and services. This safety management system encompasses 12 safety management elements which can be systemically implemented to effectively promote the Corporation's safety policies. This system has also integrated PDCA (Plan-Do-Check-Act) cycle principles for efficient achievement of organizational policy targets.

The Corporation's Chairman signed our new "Safety and Hygiene Policy" on November 9, 2020 to showcase our commitment to safety management, strategies for implementation, and our plans for achieving safety targets. To implement our safety management system, all units formulated safety plans and associated mechanisms in accordance with our 12 safety management elements as well as their own missions, operational characteristics, and scope of duties. The managers of each unit review and

confirm that the activities and operations of said unit adhere to the Corporation's Safety and Hygiene Policy. The Corporation has also established safety committees with different functions at different levels to provide a platform for managers and employees to jointly participate in reviews of safety performance, safety management implementations, and related improvement measures, thereby ensuring rail safety while protecting the safety of our employees, passengers, and the general public.

(b) Train operation and passenger safety

Up until December 31, 2020, there has been no record of passenger casualties caused by railway operation accidents since THSRC commenced operations. We are constantly seeking to improve and enhance passenger services through equipment updates and strive to prevent accidents such as falls or collisions from occurring at stations or on trains due to personal carelessness.

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

(c) Safety audits and hazard management

In order to review whether relevant operational safety implementations are consistent with announced and written procedures, the Operation Safety Office of THSRC conducted 4 audits of railway operation safety in internal operation and maintenance units in 2020. Audits covered train operation and dispatch, passenger services, facility maintenance, disaster prevention preparation, and so on. Improvements were already made to all relevant audit findings prior to publication of audit reports.

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

(d) HSR line security

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

We continually reviewed our safety and security procedures in response to the many domestic and overseas incidents and events that have occurred in the past, such as the fatal stabbing of a police officer by a TRA passenger that occurred at Chiayi Station in 2019, the assault of a train conductor whilst checking tickets on board a train in 2020, in-station protests, or major annual activities. We collaborated with the police to assess the number of surveillance cameras at all stations, as well as installation locations and camera angles. We also introduced smart surveillance cameras at several stations, the mainline areas along the high-speed railway and in maintenance facility rooms; increased the number of on-train security personnel; and established a tripartite security intelligence and information exchange platform with the Railway Bureau (MOTC) and the Railway Police Bureau.

Every year, in order to obtain the latest and most critical information on infrastructure protection and preventive measures for new threats and attacks, the Corporation dispatches staff members to participate in drills, lectures, seminars, and symposiums organized by government and academic units such as the Executive Yuan's Office of Homeland Security, the Ministry of Transportation, and the Railway Bureau. The Corporation subsequently formulated response and notification procedures in accordance with governmental assistance and suggestions for protection, working with government units to establish joint

prevention systems that ensure adequate protections for critical infrastructures and operational units while facilitating timely responses to maintain our operational capabilities.

(e) Disaster response preparations

At the end of each year, THSRC reviews operational responses and evacuation work for various emergency domestic and foreign railway events and begins planning for major events and activities likely to occur in the following year. We planned and promoted various disaster prevention training and rescue drills in collaboration with local police and firefighters, as well as environmental protection, medical, and special external supporting units so that they could all familiarize themselves with our "HSR overall disaster prevention and contingency plan" (including joint disaster relief operation procedures and response command mechanisms for various types of major disaster events), develop a tacit understanding, enhance on-site rescue competency, and work together to prepare for disaster prevention and damage control.

To instill command and response capabilities in our staff, we held an internal refresher training course for site commanders and incident engineers in 2020. A total of 395 staff members participated in this training. Additionally, three seminars for Emergency service providers (firefighters; police; medical units; environmental protection units; North, Central, South District medical response centers; EPA Toxic and Chemical Substances Bureau; and incident specialist teams from the North, Central, South Districts) were held on November 19, November 25, and December 8. A total of 120 people participated in these seminars, which familiarized potential instructors from each supporting unit with priority disaster relief work for HSR.

Furthermore, to familiarize staff with emergency escape exits and emergency routes along the high-speed railway, we requested that each station invite ESP and emergency shuttle bus transport operators to jointly survey the 184 emergency escape exits along HSR line every year. Survey work for 2020 was completed from August to September, and we also examined the emergency routes and available parking spaces for large-scale rescue vehicles; this information was used as a basis for revising the emergency maps which were subsequently provided to relevant ESP.

In 2020, we completed 78 disaster prevention drills exercises at various stations, depots, and on the mainline, as shown in the following table. We also conducted two joint training events as described below.

Number of disaster prevention drills in 2020

Location	Station/Depot Area	Mainline Area	HQ & OMC Buildings	No-Warning Response Test	Other	Total
Frequency	59	7	5	5	2	78

- I. We held an "emergency drill for passenger injuries resulting from indiscriminate killings on trains" on the evening of September 17 at the Hsinchu elevated section, teaching attendees how to use safety defensive equipment recently installed on trains to ensure passenger safety. Additionally, railway police now patrol in pairs and carry personal equipment such as stun guns and pepper spray. In accordance with these new regulations, we strengthened our collaboration with the railway police and identified the mechanisms of the THSRC Care and Support Team (CST). In addition to mobilizing THSRC staffs to participate in the drill, we also mobilized the Hsinchu County Fire Department, the Hsinchu County Police Department, the Hsinchu County Health Bureau (Chang Gung Memorial Hospital, the designated response hospital for the region), and the Railway Police. More than 200 people participated in this drill.
- II. We held an "emergency drill for serious safety incidents and fires at Tainan station" on the evening of November 12 to simulate station fire response procedures, emergency response, passenger evacuation, and rescue and recovery. In addition to mobilizing relevant THSRC staffs to participate in this drill, we also invited the Railway Bureau, Railway Police, the Tainan City ESP (Police Department, Fire Department, Environmental Protection, Health Bureau), Tainan Municipal Hospital, National Cheng Kung University Hospital, and the Criminal Investigation Corps. More than 200 people are participated in this drill.

E. Training

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

The participation of first-time or recurrent training courses in 2020 was as follows: 5,834 attendances for employees and external partners, who received general training on High Speed Rail Operations Regulations (HSROR); 12,652 attendances in 593 sessions for controller, train, and station staff; and 12,281 attendances in 964 sessions for staff responsible for maintenance of rolling stock, signaling and communications, power, overhead catenary systems (OCS), and tracks. There were a total of 1,557 training classes and 24,933 attendances.



Supervisor, instructor, and trainee group photo at the Train Driver (G26) Professional Training Certificate Award Ceremony

(2) Marketing Events

1) Plans for product events

A. Our TGo membership program was launched in October 2017 and the number of members exceeded 1.61 million persons by December 2020. We continue to increase member retention, activity participation, and other sources of income; we not only implemented exclusive member offers, provided discount programs for designated trains, and organized bonus points promotion programs on designated dates, but also participated in cross-branded point exchange and affiliate programs as well as THSRC's member TGo 365 point redeem programs, using a variety of marketing activities to boost membership numbers and member contributions.

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

C. In accordance with the "Epidemic New Life Movement," a revitalization plan was launched in June 2020 for different customer groups, with promotions including student tickets, periodic tickets, and multi-ride tickets to motivate travel, achieving ridership growth and increase in revenues.

D. We continue to promote a variety of integrated T Holiday packages, hotel packages, tour packages, transportation packages, event packages and other discounts and promotions. Additionally, we also reviewed and made adjustments to our multiple programs to increase traveling ridership and enhance overall revenue.

2) Plans for service improvement

- A. Our "AI customer service (AICS)" was launched at the end of 2020. AICS integrated data analysis methods, natural language processing, machine learning, and other technologies to offer 24/7 service for all our passengers, answering frequently asked questions, as well as providing personalized services and inquiry services.
- B. Free wireless internet access was made available in all HSR public service areas via the iTaiwan Wi-Fi network.
- C. We cooperated with "Hami Book City" to provide "Fixed-Point Mobilized Reading" service at all HSR stations and on all trains, so that passengers can enjoy the fun of reading while taking HSR.

(3) Five Years in Review

This section provides a review of THSRC operations and performance for the past five years, from 2016 to 2020:

- Provided a total of 262,097 train services
- Average reliability rate: 100%
- Achieved a total of 55.06 billion passenger-kilometers and 85.84 billion seat-kilometers. Average loading factor: 64.13%.
- Average punctuality rate: 99.63%.



Key Operating Statistics, 2016-2020

Year/Key Performance Indicator	Total Ridership (in Millions)	Train Services per Year	Loading Factor (Passenger-Kilometers/Seat-Kilometers)	Punctuality (as % of Trains Arriving Within Five Minutes of Scheduled Time)	Passenger-Kilometers (in Millions)	Seat-Kilometers (in Millions)
2016	56.59	51,106	63.52%	99.43%	10,488	16,513
2017	60.57	51,751	65.16%	99.72%	11,103	17,040
2018	63.96	52,437	67.01%	99.43%	11,559	17,250
2019	67.41	53,727	68.03%	99.88%	11,994	17,630
2020	57.24	53,076	56.94%	99.71%	9,912	17,407

Total Ridership, 2016-2020

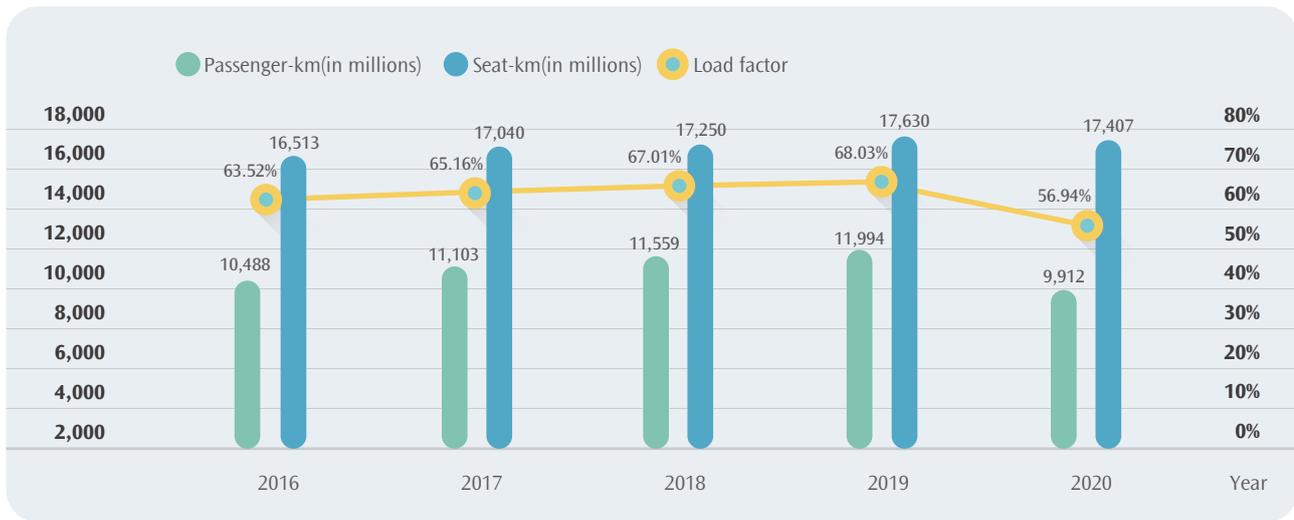


Punctuality, 2016-2020

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



Passenger-Kilometers and Seat-Kilometers for 2016-2020



2. Industrial Overview & Development

(1) Operational Overview

1) Current industry conditions and development

Intercity travel service providers in Taiwan mainly include THSRC, TRA, and freeway buses. In 2020, passenger volumes decreased in THSRC, TRA, and freeway buses due to the COVID-19 pandemic.

Passenger index for main public transportation



Domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 27, 2020, predict that Taiwan's export capabilities will rise in 2021 due to increasing demand for technology applications, restructuring of global supply chains, and expansion of Taiwan's production lines, as well as continuing development of competitively advantageous advanced manufacturing processes for semiconductors. In terms of private consumption, with the domestic epidemic properly controlled, the number of domestic consumers have increased and economic stimulus measures have been introduced. Therefore, we believe that growth in domestic consumption will offset negative impacts and the expected economic growth rate for 2021 is estimated to be 3.83%. Despite these changes in our external economic environment, we will continue to formulate suitable operational strategies to achieve our business targets.

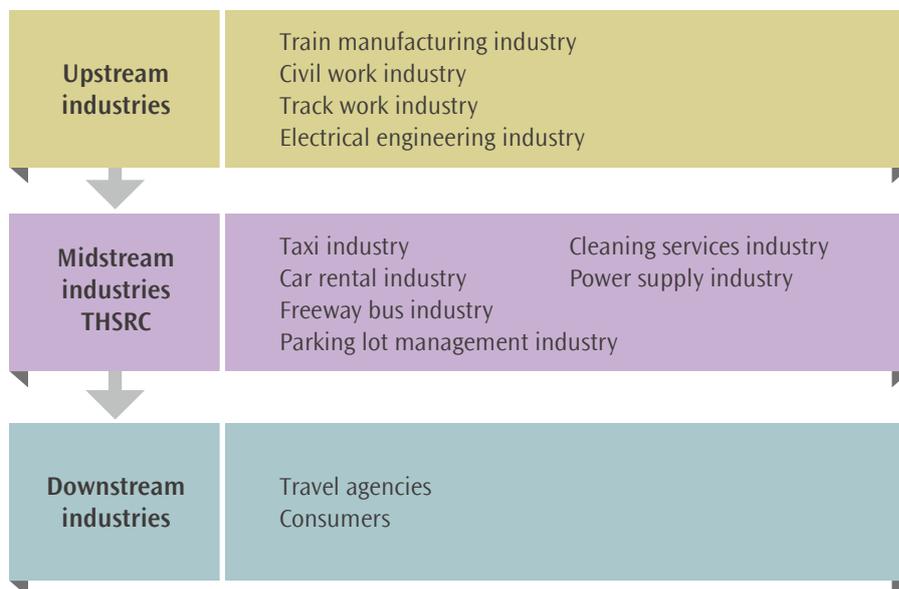
Looking at overall operational conditions, THSRC will face challenges from the COVID-19 pandemic in the short term, as well as economic depression, decreasing birth rates, and aging populations in the mid to long term. In addition, challenges such as abnormal climate changes and aging operation equipment will cause maintenance costs to increase. However, we will continue to focus on developing smart transportation, increasing safety and efficiencies of emergency responses, establishing local maintenance capabilities, developing localization materials, and formulating other strategic plans. Additionally, we will continue to enhance our strengths through industry cooperation and integrate local cultures to provide our passengers with better and safety transportation quality and establish a foundation for long-term sustainability.

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

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

2) Industry supply chain

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



3) Development of various products

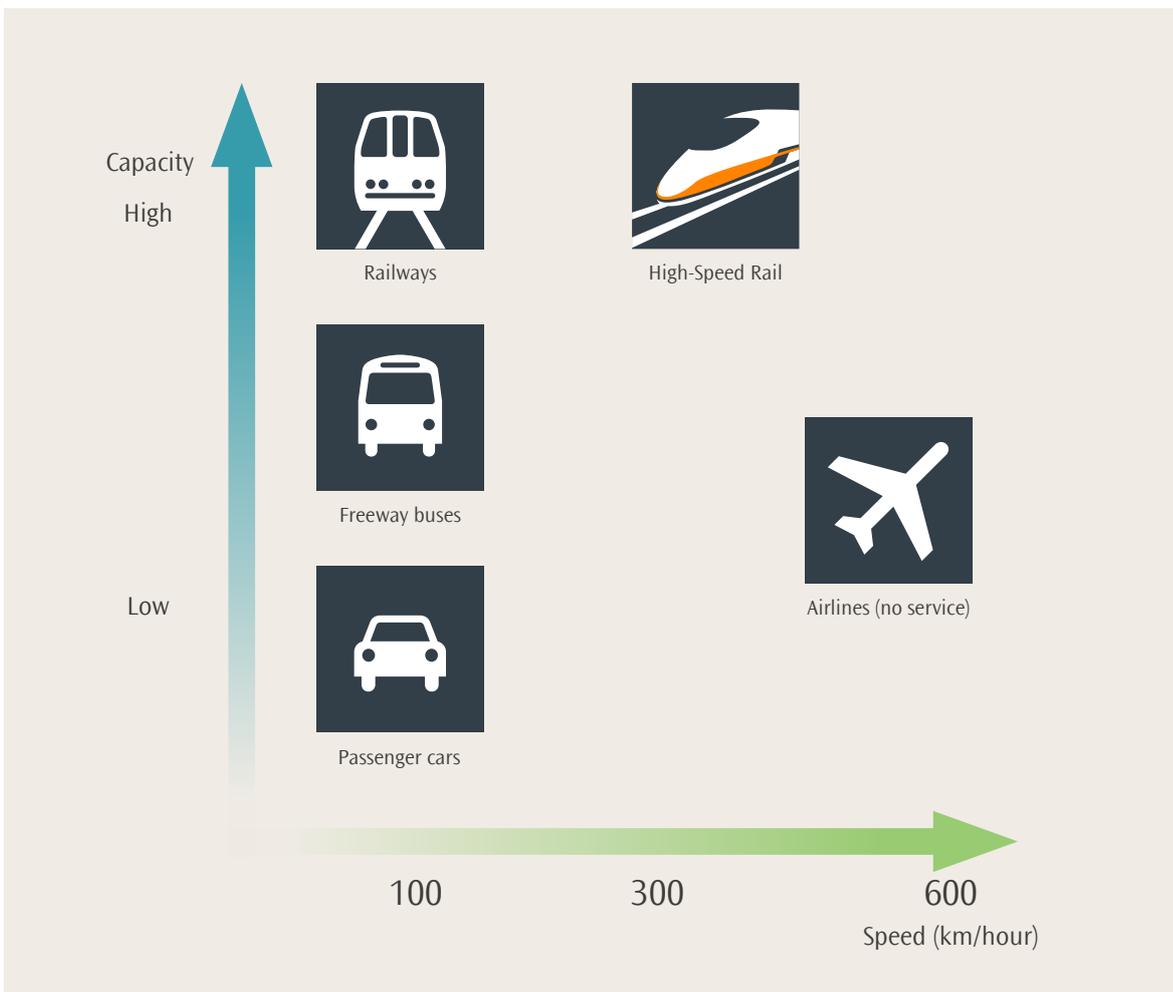
In response to growing passenger demand, clear disparities in ridership during peak and off-peak times, continued growth in the elderly population, advances in mobile and digital technologies, and to enhance customer relations, we have developed the following strategic plan for our products.

- A. Continued provision of varied travel packages, services, and promotions to satisfy needs of different customer segments.
- B. Differentiation of promotions for peak and off-peak times to enhance overall revenue.
- C. Establishment of digitalized sales platforms, introducing the automated ID automotive validation ticketing service for seniors and passengers with disabilities, providing interactive native language processing (NLP) ticketing systems, and expanding mobile electronic payments to increase convenience of ticketing services.
- D. Use of gradual promotions and diversified redemption programs to enhance TGo membership economy.

4) Competitive status

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

Market advantages of each transportation type



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

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

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

- A. Provision of varied products and diverse marketing activities such as periodic tickets, college student discounts, early bird discounts, and so on, targeting specific consumers and specific trains to enhance competitiveness in mid-length travel markets and price-sensitive consumer segments.
- B. Maintain suitable frequency of services, optimization of ticketing channels, and shuttle services to enhance convenience.
- C. Integrate shuttle transport services and form travel ecosystems through alliances to provide HSR vacation packages, assisting passengers in solving the two big issues of transport and accommodation, enhancing product scope, revitalizing varied travel experiences, and developing new markets.
- D. Develop membership economy systems to enhance customer loyalty and increase marginal revenue gains from members.

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

Weekday market share



Holiday market share



(2) Market Analysis

1) Market scope and market share

According to statistical data from the MOTC, average passenger volumes in 2020 for on-road public transportation was close to 5.542 million passengers (including 2.657 million intercity bus passengers, 1.895 million MRT passengers, 0.278 million freeway bus passengers, 0.556 million TRA passengers, and 0.156 million HSR passengers), a decrease of 17% from 6.675 million passengers in 2019. After deducting passenger volumes for intercity bus and MRT systems, HSR accounted for 16% of passenger volume in 2020, the same as in 2019. In terms of private transport, an average of 14.694 million cars travel through freeway pay-as-you-go toll systems every day, an increase of 2.18% from 14.381 million in 2019.

2) Future demand and supply and market growth

We estimate a passenger volume target of 65.78 million in 2021 (14.9% growth compared to 2020) based on domestic and overseas economic environments, growth in THSRC capacity, and promotion of products and services.

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

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

(4) Main Purpose of Products and Production Process

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

(5) Main Supply Conditions for Raw Materials

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

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

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

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

The Corporation provides railroad transportation service to the public rather than specific sales targets. Total ridership declined in 2020 due to the COVID-19 pandemic.

(7) Production in the Last Two Years

	Seat-Kilometers (Million)	Passenger-Kilometers (Million)	Loading Factor (%)	Total Ridership (Thousand)
2019	17,630	11,994	68.03%	67,411
2020	17,407	9,912	56.94%	57,239

(8) Sales in the Last Two Years

Sales/ Year	2019			2020		
	Quantity (Million Passenger-Kilometers)	Amount (NT\$ Thousands)	Rate (%)	Quantity (Million Passenger-Kilometers Million)	Amount (NT\$ Thousands)	Rate (%)
Railroad Transportation	11,994	46,107,656	97.05	9,912	37,903,849	96.85
Goods	—	210,947	0.45	—	132,516	0.34
Rental & Others	—	1,188,787	2.50	—	1,100,840	2.81
Total	11,994	47,507,390	100.00	9,912	39,137,205	100.00

3. Analysis of Macroeconomic Environments

According to domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on November 27, 2020, rising domestic production capacity spurred by continuing investment of dominant semiconductor manufacturing and reshoring companies will support Taiwan's export and investment growth. In terms of domestic demand, effective control of the COVID-19 epidemic and government-issued stimulus vouchers have increased domestic consumption, offsetting some of the negative effects of the pandemic. The economic growth rate in 2021 is predicted to be 3.83%. Despite these challenges, we will continue to launch new products and provide high-quality services to achieve ridership and revenue growth targets.

4. Long- and Short-Term Business Development Plans

(1) Short-Term Business Development Plans

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

Transportation

- A. To strengthen station and train operational facilities, and improve service quality through addition or improvement of various station equipment or systems.
- B. To improve operational process and ensure maximum transportation capacity.
- C. To provide a variety of products that increase ridership during off-peak hours and optimize related application systems.
- D. To strengthen maintenance and ensure system stability, safety, and reliability, and establish autonomous maintenance capabilities.

Technology

- A. To digitize ticket channels and develop mobile/e-payment channels and electronic tickets.
- B. To utilize big data in the promotion of membership economy and expand membership benefits.
- C. To utilize information technology that strengthens operational services and efficiency.

Taiwan

- A. To enhance local development capabilities and increase the percentage of local equipment and materials.
- B. To promote localization of railway industry and explore potential suppliers and alternative materials.
- C. To integrate technical railway resources, evaluate possibilities for re-investment or technical exportation, and form strategic alliances with transportation operators.

Touch

- A. To build a corporate governance culture that fulfills corporate social responsibilities, participate in corporate governance evaluations, continue to promote railway culture, and care about underprivileged groups.
 - B. To promote environmental protection, energy efficiency, and carbon reduction, and to implement energy conservation programs and environmental protection measures.
 - C. To promote talent development, strengthen employee training, and implement a job rotation system.
- 3) Facilitation of timely train service adjustments to maintain adaptability of seating supply and demand in response to growth in passenger numbers. We will improve the efficiency of revenue management to enhance overall revenue.
 - 4) We continue to develop diversified products based on different customer characteristics to meet customer needs. In addition to normal products, we launched projects based on seasonality, festivals, topics, and current events to attract more passengers and build the THSR brand image.
 - 5) We promote the "Journey with THSR, Discover Taiwan" brand through a variety of integrated T Holiday packages and bundle tickets combining hotel stays and different kinds of transportation to attract more passengers.
 - 6) Enhance TGo membership system and related services through data analysis and provision of customer-based recommendations to increase purchase frequency, customer loyalty, ridership, and quality of customer relationships. Furthermore, we will build TGo point cross-industry alliances and develop TGo membership reward programs to expand benefits for members and increase ticket and non-ticket revenues.
 - 7) THSRC plans to utilize passenger flows to develop an affiliate business with shops, parking lots, advertising, and other businesses. We will also continue to develop retail products and expand sales channels to enrich passenger experiences and increase non-ticket revenues.
 - 8) 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. For elderly and disabled passengers, we plan to provide a mobile interactive ticketing system which uses Natural Language Processing (NLP) to increase convenience of ticketing services.
 - 9) We continue to collaborate with the famous Japanese illustrator Kanahei and release limited editions of our highly popular "Piske and Usagi" themed products.

(2) Long-Term Business Development Plans

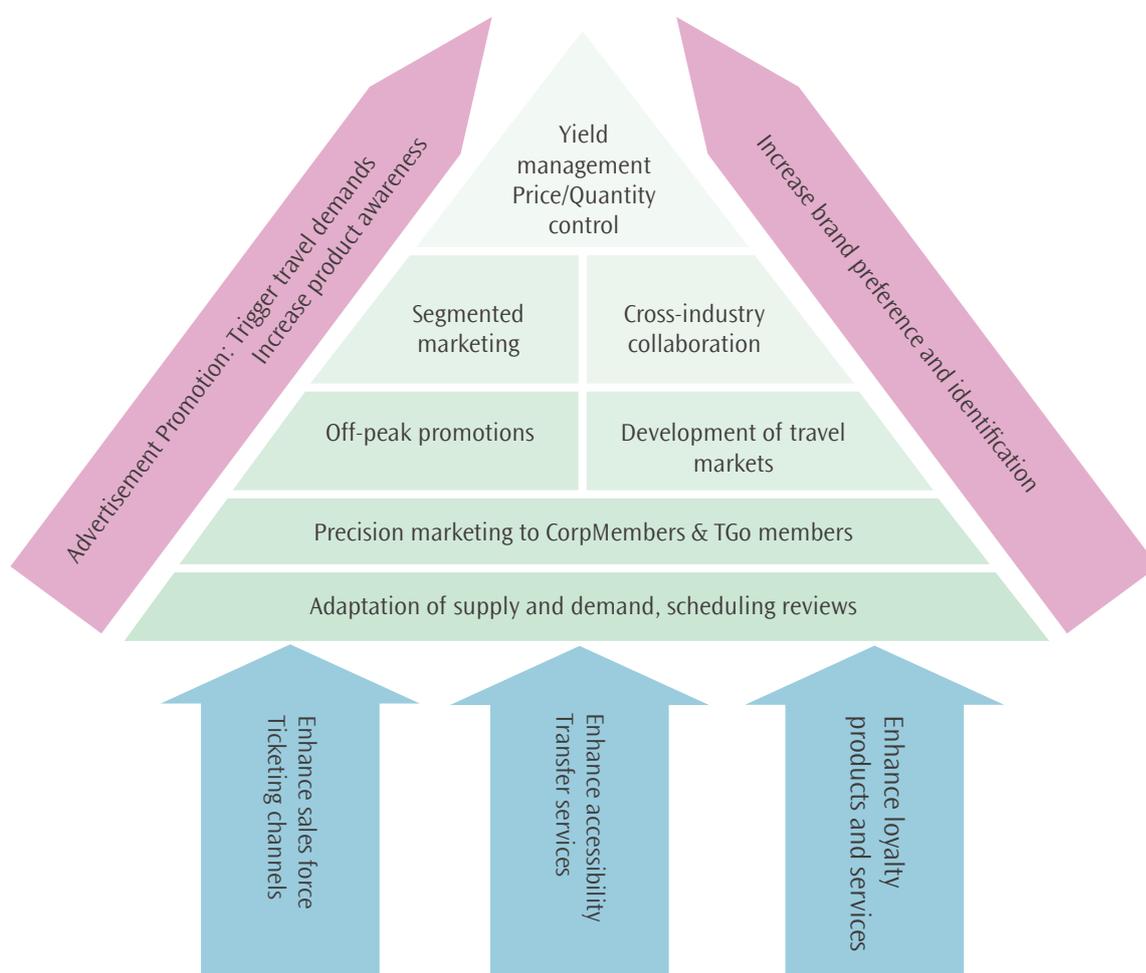
1) Enhance corporate brand image

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

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

2) Strengthen revenue growth

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



5. Important Contracts

Contract Type	Contracting Party	Signing Date	Summary	Restrictive Covenants
Taiwan North-South High Speed Rail Construction and Operation Contract	Ministry of Transportation and Communication R.O.C.	1998/07/23	35-year high-speed rail Build- Operate- Transfer (BOT) contract from Taipei (Xizhi) to Kaohsiung (Zuoying) with Ministry of Transportation and Communication, and Union Passenger Terminal contracts with Taiwan Railway Administration and Mass Rapid Transit.	THSRC assets and equipment obtained for the construction and operation of the high-speed rail cannot be transferred, leased or reallocated without approval from the Ministry of Transportation and Communication.
Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement	Ministry of Transportation and Communications and Bank of Taiwan	2010/01/08	In order to protect the rights of the financing institutions, this agreement is signed in accordance with the provisions of the Taiwan North-South High-Speed Rail Construction and Operation Agreement.	There are certain restrictions on the Corporation's assets and equipment quality and the change of Syndicated Loan Agreement.
Taiwan North-South High Speed Rail Construction and Operation Project NT\$382 billion Syndicated Loan Agreement	8 Syndicated loan banks, including Bank of Taiwan	2010/01/08	In order to reduce the financial risks of the Corporation, the leading bank was appointed to form a bank syndicate to provide a syndicated loan of no more than NT\$382 billion. The lending banks shall provide credit to the Corporation within the scope of their individual credit lines in accordance with the provisions of the Syndicated Loan Agreement.	There are certain restrictions on the Corporation's assets and equipment quality, and its increase in debt and principal interest coverage.
Construction of HSR Changhua Station No. S260	Joint venture between TECO Corporation and Century Development Corporation	2013/01/08	Construction of HSR Changhua Station	Confidentiality
Core System for PLS (Provided Later Stations) No. E203	Toshiba Digital Media Network Taiwan Corporation	2014/02/20	Integration and installation of PLS core system	Confidentiality
Credit card payment service for passenger tickets (2017~2022) No. 01-15-012	Taishin International Commercial Bank Co., Ltd.	2015/07/28	Credit card payment service for passenger tickets	Confidentiality
Upgrade of TCS and Related Subsystems, Package 1-OCC: SCADA, MMIS(O), CFS, CEDS, TIS and CN No. E211	Toshiba Electronic Components Taiwan Corporation	2017/05/18	Upgrading of core IT equipment for TCS and Related Subsystems First stage-OCC: SCADA, MMIS(O), CFS, CEDS, TIS and CN	Confidentiality
Upgrade of TCS and Related Subsystems, Package 1-OCC: Signaling and PMC (Supply Contract) No. E213	Mitsubishi Heavy Industries, Ltd.	2017/05/18	Upgrading of core IT equipment for TCS and Related Subsystems First stage-OCC: Signaling and PMC (Supply Contract)	Confidentiality
Upgrade of TCS and Related Subsystems, Package 1-OCC: Signaling and PMC (Installation Contract) No. E214	Mitsubishi Heavy Industries, Ltd.	2017/05/18	Upgrading of core IT equipment for TCS and Related Subsystems First stage-OCC: Signaling and PMC (Installation Contract)	Confidentiality

Contract Type	Contracting Party	Signing Date	Summary	Restrictive Covenants
Upgrade of TCS and Related Subsystems, Package 1-OCC: TCS and UC No. E215	Taiwan Hitachi Asia Pacific Co., Ltd.	2017/05/18	Upgrading of core IT equipment for TCS and Related Subsystems First stage-OCC: TCS and UC	Confidentiality
Modification of THSRC AFCS software system and maintenance contract. No. M7-17-007	IBM Co.	2017/06/12	AFCS software system maintenance	Confidentiality
Supply and Manufacturing of Maintenance Vehicles No. E5-18-003	China Steel Co.	2018/08/10	Manufacturing and supply of Maintenance Vehicles	Confidentiality
Bogie Running Tester Manufacture and Supply Contract No. L1-18-039	Industrial Technology Research Institute (ITRI)	2019/03/29	Manufacture and supply of bogie running testers which help THSRC technicians in judging the condition of the bogie during operations and in early detection of potential hazard factors.	Confidentiality
Upgrade of TCS and Related Subsystems Package 3 FTC-OCC: ARS/ TD Contract No. E231	Taiwan Hitachi Asia Pacific Co., Ltd.	2019/04/23	Upgrades to Taiwan High Speed Rail OCC traffic control system main computer, including software porting and modification and hardware upgrades.	Confidentiality
Manufacturing and Supply of Three Diesel Shunters Contract No. E2-18-022	Taiwan Rolling Stock Co., Ltd. (TRS)	2019/07/03	Manufacturing and supply of three diesel shunters.	Confidentiality
700T 7GI Spare Parts Contract No. PCDD-19-0749	Toshiba Electronic Components Taiwan Corporation	2019/07/26	7GI turnover equipment and repairable parts for 700T trainsets.	Confidentiality
Credit card payment service for passenger tickets (2022~2027) No. O1-19-017	Taishin International Commercial Bank Co., Ltd.	2020/03/26	Credit card payment service for passenger tickets	Confidentiality
Insurance broker contract	Marsh Ltd., Taiwan Branch	2020/09/23	Insurance broker service for MOIP	Confidentiality
Insurance contract	Fubon Insurance Company Ltd.; ShinKong Insurance Company Ltd.; Cathay Century Insurance Company Ltd.; Chung Kuo Insurance Company Ltd.; Taiwan Fire & Marine Insurance Company Ltd.	2020/12/10	Master Operational Insurance Program (MOIP)	Confidentiality

6. Status of Technological Research and Development

Research and development for 2020 were as follows:

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Communication System Research	Localization of Tel IP Server for Direct Line Telephone system	Localization to replace foreign products.	Maintains system function while reducing maintenance costs.	Development has been completed and product is gradually being put into use.
	R&D on Intelligent Passenger Information System (PIS)	To strengthen the real-time passenger information and corporate operation efficiency of our Passenger Information System (PIS) and to remove R&D dependence on overseas companies, we developed new PIS products with creative technologies. The 1st phase aimed to upgrade the control server and software. The 2nd phase replaced existing display units in lobbies and platforms. The 3rd phase aims to add new display units on platforms beside carriage doors for stations north of Taichung (included). The 4th phase aims to add new display units on platforms beside carriage doors for stations south of Taichung.	This project, when completed, will enhance passenger riding experience and corporate operation efficiency with new technologies & products.	The 1st and 2nd phases were started on 2018/12/27. R&D was completed in 2019, and construction began in 2020. Construction has since been completed at Taoyuan Station, Banqiao Station, and Hsinchu Station. The 3rd and 4th phases were started on 2019/12/11. Our goal is to complete PIS/PIDS deployment for all original 8 stations by the end of 2021, and complete deployment for all 12 stations by the end of 2024.
Electronic Service Center (ESC)	Diagnostic system of TDS-Slave Clock	Ensure the quality of repair service for TDS-Slave Clock	Maintains system function while reducing maintenance costs.	A prototype has been developed and testing.
	Diagnostic system of Train Vestibule Sliding Door Unit	Ensure the quality of repair service for Train Vestibule Sliding Door Unit	Maintains system function while reducing maintenance costs.	A prototype has been developed and testing.
	Diagnostic system of BBS PCU	Ensure the quality of repair service for BBS PCU	Maintains system function while reducing maintenance costs.	A prototype has been developed and testing.
Signaling System Research	Research of new type detection slides for point machines	Cooperated with an academic institute to develop a new type detection slides for point machines.	Maintains system function while reducing maintenance costs.	Development has been completed and domestic companies have commenced mass production.
	R&D on Railway Turnout Controller	We conducted R&D on alternative PLC turnout controllers using new technologies, using high reliability PLC modules to replace traditional relay modules and fulfill sequential control functions.	This will reduce the number of relays and also enhance the reliability of existing turnout controllers, decreasing reduce impacts to customer service.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment has been confirmed to be reliable. We extended mass production of this prototype controller to the whole running line by awarding the contract E4-20-003 "Turnout Controller Replacement Project" at the end of 2020. This five-year contract for the replacement of 142 sets of present turnout controllers across the entire line is expected to be completed in 2025.
	R&D on Railway Turnout Monitoring System (TMS)	In order to improve the early warning capability for detecting turnout failures, we implemented R&D for newer technology products to build a turnout monitoring system to replace the original monitoring system built by foreign companies. We used a new type of industrial controller to replace old PCB modules so as to increase environmental resistance and stability.	Monitor value changes for turnout sensors for analysis and predictions to perform maintenance and adjustments in advance of potential abnormalities, thus preventing turnouts from breaking down during service hours.	In 2016, a prototype was developed and tested and installed on the main line. After 4 years of successful reliability testing, we plan to replace the existing system by modifying 82 sets of TMS under the "Turnout Monitoring System Replacement Project" contract starting from 2021. It is expected that replacements will be completed in 2025.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Rolling Stock System	Trainset EMI improvement project.	Used insulating materials to coat interference source.	Reduction of train ATC BPU (protection control unit) control system failure events caused by EMI problems.	EMI improvements were implemented on 30 E101 trains in October 2019, and we are planning subsequent implementation on E301 trains. We will continue working with NCSIST on EMI attenuation detection and monitoring for E101 trains to schedule future replacement and maintenance.
	CCTV surveillance system	Installation and configuration of CCTV surveillance systems at both ends of all train carriages.	Improve passenger service satisfaction.	Progress in 2020 has reached 98.8%.
	Train Speedometer Tester	Develop a measurement system to capture speedometer signals and perform data analysis.	Improve maintenance efficiency, reduce costs, and expand local supplier sources.	The project was completed on 2020/11/17 by ITRI.
	Lightning arrester test system	Develop a measurement system to output high voltage and constant current, thus confirming that the arrester can withstand high voltage surges.	Improve maintenance efficiency, reduce costs, and expand local supplier sources.	The project was completed on 2020/7/7 by ITRI.
Track & Power system	Collaboration with NCSIST on development of automatic measurement system for rolling stock vibrations	Rolling stock automatic vibration measurement and report system	Measurement data can automatically be delivered via internet to offices for real-time monitoring of track alignment conditions	Progress in 2020: (1)Integration testing, system optimization, and submission of as-built documents. (2)The project was completed at the end of March, with a warranty period of 1 year.
	Localization of OCS maintenance vehicles	8 MV type vehicles and 2 sets of CS vehicles (4 vehicles)	Consolidate existing Japanese/German vehicles from 6 to 2 vehicles, avoiding multiple vehicle investment and improving maintenance efficiency and personnel safety.	Progress in 2020: Assembly of 2 MV and 1 set (2) of CS vehicles. We completed assembly of booms, generators, cabs (cabins), driving consoles, and couplings, and we expect to be delivered in June 2021.
	Intelligent Rail Scooter (phase 2)	Commissioned ITRI to replace 16 old four-seater, engine-powered rail scooters.	A total of 38 rail scooters were required for the main line according to our "Improvement actions for inspections and patrols after disasters." A total of 22 scooters were dispatched in Phase 1, and we plan to replace the remaining 16 units (old four-seater, engine-powered rail scooters) in Phase 2.	Contract period from 2020/2/1 to 2021/1/31, to replace 16 old four-seat engine-powered rail scooters.
	Localization of main transformer cooling fan motors	The technologies to develop materials and perform replacement work were entrusted to an external firm.	Cooling fan motors of the main transformers at substations must be replaced every 6 years. As the original manufacturers were requesting high costs, we began promoting localization to reduce costs.	A total of 82 cooling fan motors were replaced for BSS1~7 during December 2019 to February 2020.
	Rail Lubricator Instrument Development	The project was developed by an academic institute.	To improve weather resistance of the H-type tread lubricators and lower I-type gauge-side lubricator shut-down risks due to parts shortages, and to introduce localized development.	(1)The contract period was from 2018/11/15 to 2020/11/14. (2)The project was completed as scheduled, and progress in 2020 included: equipment installation and testing, spare parts delivery, as-built documents submission, and MS4 acceptance.
	OCS Composite Insulator Aging and Mainline Polluted Area Investigations	Research and investigations were carried out by an academic institute.	This project intends to study the life cycles of composite insulators along the THSR line, develop a system to record inspection data, establish a model to predict aging level, and rationalize maintenance schedules.	(1)The contract period is from 2020/9/15 to 2022/9/14. (2)Progress in 2020: Completed Phase 1 of initial analysis and planning report for composite insulator aging (MS1).

Category	R&D project	R&D project content	Benefits of R&D	R&D results
System Research & Development	Developing Crew Utilization Plan System (CUPS)	The original CUPS has been used since 2007. Its functionalities are no longer sufficient for current operation requirements and system maintenance and modification costs are expensive. Furthermore, the system is highly reliant on manual processing. In order to effectively improve the efficiency of rostering processes and to reduce the errors of manual operations, THSRC began developing a new CUPS in 2018 to replace the old rostering system. Our new CUPS service, which utilizes optimization software, replaced our existing Excel rostering system in December 2020.	<ol style="list-style-type: none"> (1)Improve automation and reduce occurrence of manual errors. (2)Amend the defects of the existing manual rostering system and reduce rostering processing times. 	<ol style="list-style-type: none"> (1)Generate Train Crew Utilization Paths. (2)Generate Train Crew Utilization Path Order. (3)Generate and publish Train Crew Rosters. (4)Generate Train Crew Duty Tags.
	Implementation of Artificial Intelligent Customer Service (AICS)	Rapid advances in Internet and mobile communications have increased self-service functions and social media usage, leading to more diversification in customer service needs. THSRC hopes to provide call center personnel and passengers with direct and rapid consultation channels to improve overall service efficiency through use of artificial intelligence. AICS implementation started in September 2019, and the service was officially launched on December 26, 2020.	<ol style="list-style-type: none"> (1)Common and highly repetitive questions are answered by robots who provide passengers with 24-hour, year-round consultation services, as well as personalized service application and inquiry services. (2)Shorten online waiting time for passengers. (3)Provide direct and quick consultation channels for call center personnel and passengers to improve overall service efficiency. 	<ol style="list-style-type: none"> (1)Utilized Natural Language Processing technology to parse passenger questions, identify passenger question topics, and use a knowledge base of more than 3,000 common questions to select appropriate answers for passenger questions. (2)Identified the intent of passenger questions, compile applications for individual passenger needs in a question-and-answer format, and connect existing THSR services with personalized passenger needs. (3)Introduced STT (Speech to Text) and TTS (Text to Speech) speech recognition technologies, combined frequently asked questions and personalized service application functionalities, making it possible to access services through oral and aural functions. (4)Combined intelligent technologies with live chat online services. Customer service staff help to handle complex passenger needs, while the system constantly provides suggestions to improve service efficiency.
	Replacement and upgrading of L2 Switches for the Electronic Data Capture (EDC) system of station payment flow networks	Architecture design plans were completed in March 2020, and the fiber interface card replacement of the station's payment flow network equipment was completed in December 2020.	<ol style="list-style-type: none"> (1)Time for checking and repairing network obstacles was shortened from 3 to 0.5 hours. (2)Provided stable ticketing service quality for credit card transactions, and strengthening passenger trust in THSRC. 	<ol style="list-style-type: none"> (1)Equipment abnormalities can be directly monitored to avoid prolonged inspection and repair times. (2)Reduce equipment maintenance times. (3)Enhance stability of station ticketing services and corporate image.
	Ticket Window Equipment application architecture enhancements	THSRC developed new-generation Ticket Window Equipment applications which are fully compatible with our current AFCS (Automatic Fare Collection System).	<ol style="list-style-type: none"> (1)The system design integrated original stable modules with more flexibility to effectively reduce enhancement and maintenance costs. (2)The aim of this project is committed to protecting the rights of investors and shareholders while improving passenger service satisfaction. 	<ol style="list-style-type: none"> (1)Developed and integrated system in Taiwan, with 100% grasp of core technologies. (2)New human-machine interface provides more convenient user operation and reduces human error. (3)Multi-processing mechanisms provide flexibility for future hardware module upgrading. (4)Provide new functions for better customer service. (5)Enhance the depth of information security defenses.



7

Value Propositions

Environmental

1. Establishing a Sustainable Environment

In order to implement comprehensive environmental protection throughout construction to operation processes, THSRC continues to promote multiple aspects of environmental care (including the establishment of an environmental management system, and the formulation of environmental policies, the establishment of an environmental management organization, the evaluation of related goals and implementation strategies). We encourage environmental actions such as environmental management, energy saving, waste reduction, green construction, ecological conservation, environmental education, and green procurement, and we strive to adapt to the impacts of climate change. Furthermore, in 2019, we established our Environmental Management Committee, which is responsible for supervising the implementation and periodic review of environmental objectives, and communicating environmental management system related affairs. Our environmental management system obtained 14001:2015 verification in 2020, making us the first rail company in Taiwan to obtain this verification.

(1) Green Buildings

THSRC strives to integrate the four pillars of "ecology, energy saving, waste reduction, and health" with the nine indicators of green buildings as we build new sustainable green buildings that can become potential landmarks.

HSR Miaoli, Changhua, and Yunlin stations were designed in accordance with the "Green Chapter of the Building Construction Regulations" and the "Green Building Evaluation Manual," and in 2013 received Green Building Candidate Certificates. Green designs were implemented during construction, and we applied for the Green Building Certificate in 2016 after completion of construction. The Green Building Certificate is valid for 5 years, and we plan to implement renewal processes in March 2021.

Miaoli station applied for 7 indicators, including biodiversity, greenery, soil water content, energy saving, CO₂ emission reduction, water resources, and sewage and garbage improvement, and was awarded a Diamond level certificate from the Ministry of the Interior (MOI). Changhua and Yunlin stations applied for 6 indicators, including greenery, soil water content, energy saving, indoor environment, water resources, and sewage and garbage improvement. Both stations were awarded a Gold level certificate from the MOI.



(2) Energy Saving and Carbon Reduction

1) Energy Management

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

Energy Management	Indicator	Annual average electricity conservation rate per passenger served		
	Target	>0.86%		
Performance item	2018	2019	2020	
Total Depots & Stations of electricity consumption (10 MWh)	9,970.198	9,890.733	9,616.699	
Average electricity consumption per passenger served (kWh)	1.559	1.467	1.680	
Electricity savings (MJ)	20,011.766	2,860.740	9,865.251	

2) High-Speed Rail Carbon Footprint

In 2020, we petitioned the Environmental Protection Agency to extend the 5-year validity period of our "Carbon Footprint Label Certificate of High Speed Rail Transportation Services" (from December 17, 2020 to December 16, 2025), and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32g CO₂e per passenger per kilometer (per passenger-kilometer), and we received another "Carbon Footprint Reduction Label" (Certificate label No. R2014910001) due to our achievement of reducing carbon emissions by more than 3% (4.92%) within 3 years. A comparison with other transportation vehicles indicates that this emission level is one-third that of cars, one-half of buses, and one-eighth of national airlines. In 2020, THSRC passenger traffic volume was 9,912 million passenger-kilometers, 822,701 tons of carbon emissions lower than that of small vehicles with similar passenger-transport volume. This reduction level is equivalent to the carbon absorption level of 2,115 Daan Forest Parks.



3) CO₂ or other Greenhouse Gas Emissions

We continue to promote our four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage), set a power saving target to reduce at least 0.86% of "averaged electricity consumption per passenger" each year, and also established an index of the "carbon emissions per Passenger-Kilometer" for the purpose of quantifying the tendency and status of carbon emissions generated by overall energy consumption. The target of carbon reduction is set to exceed 1.5% annually. In 2020, the Corporation's greenhouse gas emissions were 312,636.50 tons of CO₂e, with 99% coming from purchased electricity.

We voluntarily conducted greenhouse gas (GHG) inventory for our 12 stations in 2017~2019 and obtained an ISO14064 Verification Opinion Statement issued by a third party. The relevant verification information is as follows:

Year	Scope 1: Direct greenhouse gas emissions (the source of emissions from the usage of diesel, gasoline and refrigerant) (CO ₂ e tons)	Scope 2: Indirect greenhouse gas emissions from energy purchased and consumed (the source of emissions from the purchased electricity) (CO ₂ e tons)	Verification Unit
2017	1,435.9965	50,533.9868	DNV GL Business Assurance Co., Ltd.
2018	1,754.6352	50,119.8128	DNV GL Business Assurance Co., Ltd.
2019	1,132.1510	47,738.7367	SGS Taiwan Ltd..

Carbon-reducing efficiency of electronic documentation system:

- Signing rates for documents in the electronic documentation exchange system was more than 99%.
- The number of electronic documents in 2020 was 46,473, saving 557,676 pieces of paper, conserving 67 trees, and reducing 804 kgs of carbon emissions.



 Greenhouse Gas Management	Indicator	Annual average carbon reduction rate per passenger-kilometer		
	Target	>1.5%		
	Performance item	2018	2019	2020
Total emissions (metric tons CO ₂ e)	328,689.25	319,844.04	312,636.50	
Average carbon dioxide emissions per passenger-kilometer (g CO ₂ /passenger-kilometer)	28.436	26.666	31.541	

(3) Adaptation to Climate Change Impact

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

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

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

(4) Water Resources Management

We implemented water conservation, water reduction and water recycling as our water resources management policy, and set an annual water-saving goal to reduce at least 3.42% of "water consumption per passenger." We established sewage treatment plants at each maintenance depot and station, and test and report regularly on the quality of discharged water every month to ensure that it meets standards for discharged water and can be recycled for sprinkling. We also track the implementation status of water-saving measures through quarterly review meetings to check water usage volumes, analyze reasons for increments or decrements in water consumption, and promote water saving measures to reduce our water usage. Additionally, our water supply is completely sourced from tap water and uses no groundwater. The Corporation's total tap water consumption was 688,002 m³ (including total Depots & Stations of water consumption) in 2020. Recovered rainwater and waste water is used for plant irrigation to reduce tap water usage. At depots, rainwater and discharged waste water is first discharged to a retention pond prior to usage. The station buildings at Miaoli, Changhua, and Yunlin stations are specially equipped with underground water storage tanks to store rainwater and waste water for reuse.

 Water Resource Management	Indicator	Annual average water conservation rate per passenger served		
	Target	>3.42%		
	Performance item	2018	2019	2020
Total Depots & Stations of water consumption (cubic meter)	703,600	718,890	682,713	
Average water consumption per passenger served (cubic meter)	0.0110	0.0107	0.0119	

(5) Air Pollution Prevention and Control

We set up facilities for air pollution control at our train painting station located in the Yanchao Main Workshop. These facilities include pulse-jet bag filter, activated carbon filter, and catalyst incinerator, and help to treat the dust and volatile organic compounds (VOCs) generated from painting cars. We obtained a permit for stationary pollution source installation on October 19, 2017 and an operation permit on January 31, 2019.

(6) Waste Management

Our waste management policy promotes the concepts of recovery and recycling, reduces waste at the source, and strengthens waste separation and recycling. Most waste generated from our operations, including passenger waste, is industrial waste which we entrust to qualified disposal companies for transport to incinerators. Furthermore, we promote waste recycling (including waste paper, waste plastic, scrap iron, waste wood, scrap copper, aluminum scrap, waste lighting sources, waste lead storage batteries, and waste glass containers) at stations and through workshops, which has effectively reduced our waste volume. Our total waste disposal volume was 9,321.92 tons in 2020, including 4,034.78 tons of recycled waste.

(7) Noise Prevention and Control

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

(8) Information on Environmental Expenses

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

- 1) No losses or penalties occurred as a result of environment pollution during 2020 or up to the printing date of this report.
- 2) Major capital of environmental protection estimated for the next three years:

Unit: NT\$ thousands

Item	Year	2020	2021	2022	2023
Monitoring of Environmental Quality		2,730	2,730	2,730	2,730
Research for Environmental Impact		5,458	3,486	3,486	2,340
Environmental Pollution Prevention		62,509	90,159	83,104	78,104
Total		70,697	96,375	89,320	83,174

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

Unit: NT\$ thousands

Item	Year	Amounts	Use and Benefits
Recovery of artificial Jacana habitat	2018~2020	3,429	Compliance with the commitments set in the THSRC EIA Report and highlighting our concern for ecological conservation.
Noise prevention project (including noise improvement of surrounding residential buildings)	2018~2020	2,468	Implementation of noise prevention and control according to EIA reports and regulations.
Measurement of noise and vibration in the sensitive areas along HSR	2018~2020	6,287	Compliance with commitments set in THSRC EIA Report and analysis of noise prevention and control measures to be taken pre- and post-development.
Environmental monitoring in Miaoli, Changhua, Yunlin , and Nangang Stations during the operation stages	2018~2020	1,819	Compliance with commitments set in THSRC EIA Report and analysis of measures to be taken pre- and post-development.
Treatment of the waste and waste water generated from HSR stations, workshops and relevant operations and maintenance	2018~2020	176,714	Treatment of the waste and waste water from stations and workshops in accordance with relevant regulations.
Verification of Carbon Footprint for High Speed Rail Transportation Services, and GHG survey on overall 12 stations	2018~2020	5,331	Obtained EPA Carbon Footprint Label Certificate of High Speed Rail Transportation Services, and ISO14064 Verification Opinion Statement issued by a third party.
Establishment of ISO14001 Environmental Management System with continuous improvement and consultation	2018~2020	3,147	Making the ISO14001 Environmental Management System run more effectively and . ensuring normal operation and maintenance.
Total		199,195	



2. Quality Services

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

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

Train stopping patterns

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

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

(2) Multiple Convenient Ticket Booking and Purchasing Channels

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

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

(3) Convenient Station Services

- 1) Modernized and artfully designed stations and enthusiastic station service personnel provide a wide range of services and amenities to ensure ease of travel, including ticket counters and automated ticket vending machines, passenger information systems, information desks, guidance for elderly and disabled passengers travelling alone, disabled facilities, nursery rooms, drinking fountains, convenience stores, and restaurants. Wi-Fi is also available in all stations so passengers can quickly retrieve any information they need.
- 2) HSR station shuttle services include: buses, taxis, rental cars, drop-off and pick-up zones, and parking lots. Nine of our stations (Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Tainan, and Zuoying) are connected to other rail (TRA or subway) services.
- 3) In order to provide our passengers with convenient access to and from our stations, the Corporation works with express bus companies to provide free shuttle bus services under joint marketing campaigns. In 2020, we offered 329,838 free shuttle bus trips to 3,500,487 passengers. The following is a summary of bus routes operated in 2020:

Distribution of HSR Shuttle Bus Routes

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

(4) Comfortable Train Travel

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

Train attendants

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

The train master

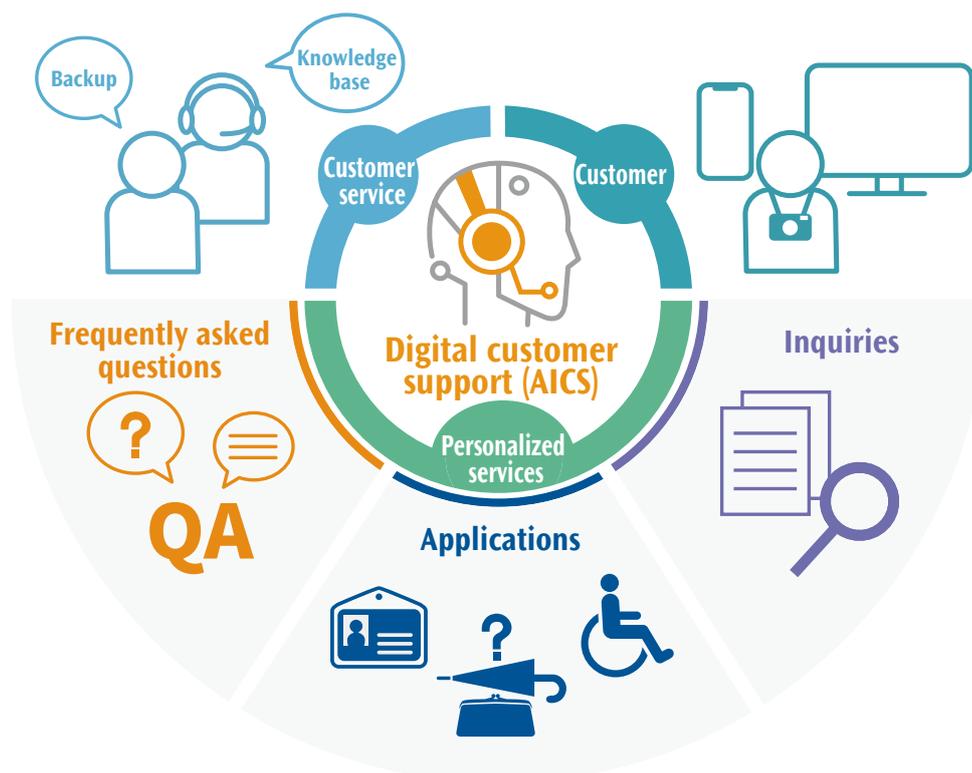
The train master is not only responsible for driving the train when necessary and inspection of operational safety equipment, but also conducts ticket inspections and fare charges. For passengers who have boarded the wrong train or who have changed their plans at short notice, the train master provides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

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

(5) Real-Time Customer Support

The THSRC customer service center provides Chinese, Taiwanese, and English customer phone support, wheelchair-accessible seating reservations, passenger guidance, and lost & found services from 06:00 to 24:00.

THSRC continuously enhances its tangible and intangible facilities to facilitate smooth communications and better alignment with passenger needs. We launched our digital customer support services in December 2020 to assist passengers with frequently asked questions, provide personalized service applications and inquiry services, and extend our service hours (24 hours a day, all year round).



(6) Maintenance of Passenger Relations

1) Innovative, Digital, and Real-Time Communication

We have installed passenger information displays in lobbies and waiting areas at HSR stations to announce timely operational information, notices, and precautions, as well as promotional videos for HSR services. We have also set up our own Facebook Page to provide the latest product, service, and brand information. In 2020, THSRC's Facebook Page cumulatively garnered 419,000 fans and garnered a total of 33,000 new fans within the year. Posts on the THSRC Facebook Page reached 37.52 million people and generated 1.18 million interactions.

With regard to the enhancement of digital communications, THSRC not only offers professional personalized ticketing services through the T Express App, but has also launched the Taiwan High Speed Rail App, which mainly focuses on multi-functional travel services and provides customers with more comprehensive digital services. As of December 2020, the Taiwan High Speed Rail app has been downloaded more than 950,000 times, accumulating more than 730,000 TGo members.

2) Current Feedback Collection Channels and Customer Service Processes

Passengers who wish to convey their expectations, feedback, and suggestions to THSRC can do so by utilizing a diverse range of customer feedback platforms, including customer suggestion forms, the email address listed on our corporate website, our digital customer support services, station and train staff, our customer service hotline, and other channels.

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

Additionally, THSRC regularly commissions external institutes to conduct HSR customer service satisfaction surveys to identify items that should be refined and improved. We establish a virtuous cycle which continually improves and enhances our service quality by adjusting our service strategies and setting annual quality targets. In 2020, our customer service center handled a total of 22,000 customer service cases and 650,000 customer phone inquiries, mainly relating to ticketing services, TGo membership, and promotions.

3. Friendly Work Environment

(1) Talent Development

1) Labor conditions

A. Talent retention and appropriate placement:

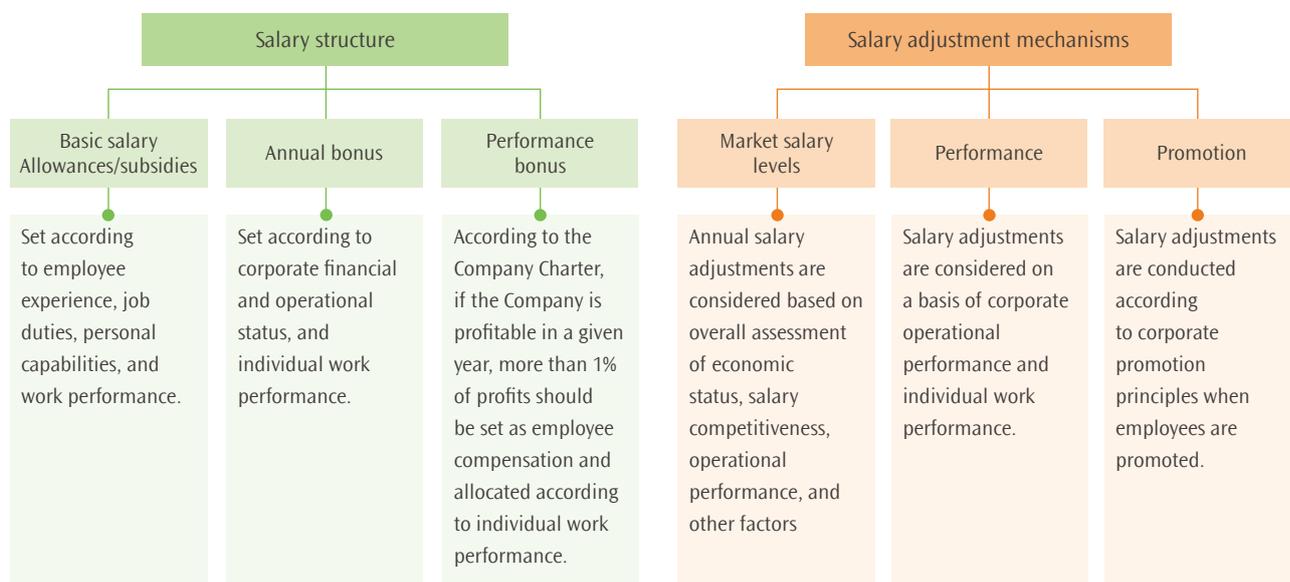
THSRC provides career advancement opportunities for talented employees based on organizational needs and individual development to enhance professionalism and achieve our target of incentivizing and retaining talent. Qualified employees that meet company requirements and wish to hold managerial positions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

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

B. Competitive remuneration:

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

Salary structure and salary adjustment mechanisms



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

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

2) Learning and development

We implement the Managerial Assessment of Proficiency for each manager to find out the gap of managerial proficiency while establishing the talent development plan and thus make the available resources more focusing on the high potential persons.

We also establish the career path for specific positions to develop the professional talents through the exchanging or rotation of different jobs. Additionally, we establish the knowledge management mechanism as well using the list of company's knowledge management as a blueprint, and classify knowledge documents into then following types: integrated materials, LFE learning from experience, maintenance database, operation database and general knowledge, to keep and maintain the necessary knowledge for achieving the targets of operation and maintenance, and facilitate the experience sharing on operation, maintenance, construction and service of the company.

(2) Concern for Human Rights

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

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Freedom of Association	Employees	We ensure employees have freedom to form associations for various purposes, and to participate or refrain from participating in association composition and related affairs.	<ol style="list-style-type: none"> We support freedom of association for our employees, who have currently established more than one hundred different clubs. We protect our employees' right to organize. Currently, two labor unions (a corporate union and an industry union) have been formed within the Corporation. The Corporation periodically convenes meetings with these unions to build harmonious and strong labor-management relationships. 	<ol style="list-style-type: none"> Article 22 of the International Covenant on Civil and Political Rights Article 8 of the International Covenant on Economic, Social and Cultural Rights International Labour Convention No. 87: Freedom of Association and Protection of the Right to Organize Convention

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Care for Disadvantaged Groups	Employees/ Employee Family Members/ Passengers/ Community Residents	We focus on public policy and various charities, and participate in the community development and education activities of civic organizations, charitable organizations, and local governmental institutes.	<ol style="list-style-type: none"> 1. We hire disabled and indigenous individuals in accordance with law, and provide group insurance, compensation payments, and relief payments for hospitalization, medical care, and major hazards. 2. We provide passenger guidance services as well as accessible seating, elevators, parking spaces, and toilets as part of our commitment to offer a friendly and accessible environment for our passengers, and we have formulated a comprehensive service program. 3. Our "High-Speed Educational Endowment Program" provides educational opportunities for economically disadvantaged groups; our "THSRC Smiling Train Program" works with various educational and charitable institutes to help disadvantaged groups obtain free or discounted HSR tickets; and our "Winter Outreach Blood Drive" helps to relieve blood shortages during the winter season. 	Article 9 of the Convention on the Rights of Persons with Disabilities: Accessibility
Prohibition of Child Labor	Legal hiring and employment procedures No employment of child labor	We do not employ any child laborers younger than 15 years of age.	To protect children's right to education, we filter out child laborers under 15 years of age when assessing job candidates. The Corporation does not currently employ any child laborers.	Article 10 of the International Covenant on Economic, Social and Cultural Rights
Eradication of Forced Labor	Employees	We prohibit use of any form of forced labor through abuse, intimidation, detainment, or other illegal means.	<ol style="list-style-type: none"> 1. We do not retain personal identification documents of personnel reporting for work and also do not require prior payment of any fees. 2. All wages are paid in full, save where otherwise provided by law (legally withheld funds, health insurance and labor pension co-payments, employee welfare funds, union fees, and so on). 3. Employees provide their services voluntarily. 	<ol style="list-style-type: none"> 1. Article 8 of the International Covenant on Civil and Political Rights 2. International Labour Convention No. 100: Equal Remuneration Convention
Eradication of Hiring and Employment Discrimination	Employees/Job Candidates	We avoid discrimination and differential treatment in all forms to realize diversity and enhance equality in the workplace.	<ol style="list-style-type: none"> 1. The Corporation does not discriminate in any way during the hiring process. 2. We provide employee lactation rooms to support breastfeeding policies. 	<ol style="list-style-type: none"> 1. Article 7 of the International Covenant on Economic, Social and Cultural Rights 2. International Labour Convention No. 111: Discrimination (Employment and Occupation) Convention 3. International Labour Convention No. 183: Maternity Protection Convention

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Abolish Violations of Human Rights	Employees	We ensure that individual employees have appropriate channels for clarification and grievance reporting when their legitimate rights and interests are infringed upon, and make sure that they are not subject to any form of adverse treatment.	<ol style="list-style-type: none"> 1. We have formulated preventive measures and grievance reporting procedures for sexual harassment and publicly disclosed these within the workplace; additionally, our two-tiered grievance processing mechanism solidifies our internal grievance system and ensures that the problems of each employee are appropriately handled. 2. Our appraisals and penalties for violations or noncompliance of laws, regulations, and internal Corporation rules are handled in accordance with regulations governing rewards and disciplinary actions. 3. We provided training for protection of human rights (406 hours on legal compliance, 753 hours on prevention of workplace bullying, 11,622 hours on occupational safety, 2,409 hours on ethics and morals, and 2,409 hours on prevention of insider trading); the total number of training hours for 2020 was 20,008 hours. 	Article 2 of the International Covenant on Civil and Political Rights
Friendly Workplace	Employees/ Employee Family Members	We help our employees to find a balance between work-life conflicts so as to build a friendly workplace and enhance employee loyalty.	<ol style="list-style-type: none"> 1. We disclosed remuneration information for full-time non-managerial employees: average remuneration for 2019 was NT\$922,000, a 3.83% increase over the previous year. We annually review the competitiveness of our remuneration so that our employees can receive reasonable compensation. 2. We provide employees with appropriate leisure spaces and facilities such as softball fields, basketball courts, badminton courts, gym equipment, and so on. We host a variety of sports competitions and invite family members of employees to participate. 3. Our "HSR Family Day Activity" gives employee family members a chance to visit our maintenance depots and other places of work, providing a fun experience within the workplace and bringing our employees together. 4. Each department hosts birthday celebrations and dinner parties to enhance employee relationships. 5. We have established mechanisms to protect the physical and mental health of our employees and to build a healthy and friendly work environment. 	Article 11 of the International Covenant on Economic, Social and Cultural Rights

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Safe Work Environment	Employees	We protect employee safety and strive to prevent workplace hazards from occurring.	<ol style="list-style-type: none"> 1. We formulated and executed annual programs for occupational health and safety management reviews and rewards, including our "Rewards Program for Occupational Health and Safety Management" and our "Rewards Program for Reporting Near Misses of Occupational Health and Safety Hazards." 2. We organized safety promotion activities including safety culture assessments, check-ups of employee scooters, free shuttle buses for areas with high traffic hazard risks, and traffic safety lectures. In order to reduce traffic hazards, we submitted proposals for improvements, hosted safety awareness competitions, and created promotional materials. 3. We obtained certification of our occupational health and safety management systems and follow-up procedures; impartial reviews from third parties allow the Corporation's occupational health and safety management system to operate sustainably and continue to improve, allowing us to achieve our ultimate target of zero hazards and zero accidents. 	<ol style="list-style-type: none"> 1. Article 7 of the International Covenant on Economic, Social and Cultural Rights 2. International Labour Convention No. 155: Occupational Safety and Health Convention 3. International Labour Convention No. 161: Occupational Health Services Convention 4. International Labour Conventions No. 187: Promotional Framework for Occupational Safety and Health Convention
Promotion of Employee Health	Employees	Enhance employee health.	<ol style="list-style-type: none"> 1. We continue to evaluate employee health check items. The frequency and number of items included in our employee health checks exceed that required by law. Starting from 2018, we also added advanced microscopy and imaging inspection items for senior employees (those above 45 years of age and who have worked at the Corporation for more than 10 years), and provided flexible health check programs according to individual needs. 2. We advanced our employee health management system. Apart from evaluations by medical personnel, health check results were compiled and analyzed by a personalized "EHM Employee Health Management Platform," and analysis results were used to plan and manage various health promotion activities suitable for our employees. 3. Every year, we host health promotion activities such as lectures on healthy diets, weight loss, and smoking cessation; influenza vaccines; and health and physical fitness inspection activities. 	Article 25 of the Universal Declaration of Human Rights

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Supply Chain Management	Suppliers	To achieve our target for sustainable operations, we continue to communicate with different partners in our supply chain regarding establishment of comprehensive management measures for human rights issues (such as prohibited use of child labor, compliance with legal work hours, equality in hiring procedures, and freedom of association).	<ol style="list-style-type: none"> Our tender notices stipulate that we oppose all discriminatory behaviors (include discrimination towards women, indigenous people, and disadvantaged groups). Major violators of this policy, if discovered, are blacklisted. When submitting bids, suppliers have to submit Corporate Social Responsibility Commitment Declarations, and ensure adherence with relevant labor laws and internationally accepted labor rights. 	

Training for protection of human rights:

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

Item	2016	2017	2018	2019	2020
Attendees	1,689	16,041	13,354	14,153	18,782
Total training time (hours)	4,180	36,651	17,719	18,569	20,008

(3) Occupational Safety and Health

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

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

In 2020, THSRC continued promotion of the Ministry of Labor's Operation Directions for the Performance Recognition of the Occupational Safety and Health Management Systems of Business Entities to ensure that the Corporation's occupational safety and health management measures can operate efficiently in line with international safety and health voluntary management standards, and help to protect worker safety and health.

4. Mutually Beneficial Society

(1) Social Contributions

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

1) High-Speed Educational Endowment Program

The THSRC "High-Speed Educational Endowment Program," which has been hosted consecutively for 12 years, was once again initiated on New Year's Day of 2020. In order to help disabled and disadvantaged children bridge learning gaps, THSRC Chairman Yao-Chung Chiang and Down Syndrome Foundation Chairman Cheng-Hsia Lin jointly hosted the "2021 High-Speed Educational Endowment Program" press conference on December 17, 2020 at HSR Nangang Station, and also collaborated with Goodwill Ambassador Pink Yang in inviting HSR passengers and the general public to understand the importance of early intervention for developmentally delayed children. Donations collected on HSR trains and in stations were used to spread warmth and care to disadvantaged children in need of care.

THSRC has hosted the "High-Speed Educational Endowment Program" annually since 2010. Over the years, we have raised more than NT\$148 million and helped with the learning and growth of more than 27,000 disadvantaged schoolchildren. We hope passengers can continue to show love for others; every single donation is used to provide hope and new opportunities that can help developmentally delayed children and Down syndrome patients change their lives.



2) THSRC Smiling Train Program

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

As of 2020, a total of 803 disadvantaged groups and 143,181 individuals have participated in the THSRC Smiling Train Program program. THSRC will continue to promote the THSRC Smiling Train Program in hopes of offering love, care, and encouragement to those in need, providing them with opportunities to travel around Taiwan and enjoy the beautiful sights.

Free HSR tickets sponsored for Keelung TFCF Youths



HSR Nangang Station sponsored round-trip Nangang-Zuoying HSR tickets to youths cared for and supported by the Keelung TFCF (Taiwan Fund for Children and Families) Center. Accompanied by social workers, photographers, and guides, these youths traveled to the Shikeng hot spring area in Kaohsiung via the HSR for three days and two nights of heavy-duty hiking and forest photography. The trip helped these youths enjoy the outdoors and challenge their psychical limits. Despite the COVID-19 pandemic, the TFCF teachers and students still decided to continue with their planned trip, although they took precautions by wearing masks throughout the journey and adopting thorough preventive measures, allowing each child the chance to enjoy a happy and healthy trip that created unforgettable memories.

HSR Trips for Yufeng Aboriginal Schoolchildren



Located in Jianshi Township at Hsinchu County, Yufeng Elementary School is a school composed entirely of aboriginal students from the Atayal tribe. Many students hail from agricultural backgrounds, and the ratio of students from skipped-generation, single-parent, or disadvantaged families are as high as 90%. Due to their families' lack of economic resources, this group of aboriginal children had few opportunities to travel, but THSRC-sponsored tickets helped them achieve their dream of taking the HSR to the Jianan region for a three-day cultural visit. The children were so delighted that they performed Kavalan dances and Atayal songs in the station lobby before their trip to express their sincere gratitude.

HSR trips sponsored for Nantou Holy Rosary Special Needs Center



A total of 18 families with developmentally challenged members who supported by the Holy Rosary Special Needs Center in Zhushan Township, Nantou County, traveled to Taoyuan on the HSR with the help of THSRC. These developmentally challenged individuals mostly hailed from low-income, skipped-generation, single-parent, or other types of economically disadvantaged families; some of these individuals had never had traveled on the HSR before. We hope our HSR ticket donations helped us fulfill our corporate social responsibilities and gave these developmentally challenged individuals a chance to experience the convenience and speed of the HSR, expand their horizons, and bring more beautiful memories to their lives.

HSR Tainan Station sponsored HSR trips for Anping Rehabilitation Center

To provide mentally challenged patients a chance to broaden their horizons and experience the comfort and convenience of the HSR, HSR Tainan Station organized a day trip to Hsinchu for residents of the Anping Rehabilitation Center, fulfilling a dream they had long cherished. In order to express their gratitude, these residents arrived at Tainan Station well before their trip to present THSRC with a meticulously crafted certificate of appreciation, and also performed songs ("Friends" and "The Most Dazzling Folk Style") and accompanying dances which they had practiced for a long time. This day trip marked the residents' first HSR journey and gave them an opportunity to see the world, understand social etiquette and social norms, learn about HSR's convenient and excellent services, and create different life experiences.



3) Annual THSRC Winter Outreach Blood Drive

THSRC launched the Winter Outreach Blood Drive initiative in 2012 and has consecutively hosted this annual blood drive at 11 HSR stations and corporation headquarters ever since. This initiative always attracts enthusiastic participation from THSRC staff and the general public. This year, our blood drive attracted 2,522 participants and successfully raised 3,699 bags of donated blood, providing supplies for those in need.



4) THSRC Arts and Culture Feast

THSRC is highly active in local development and continued fulfillment of corporate social responsibilities. We responded to the government's "Epidemic New Life Movement" initiative by hosting a large-scale performance of "Wu Song Fights the Tiger" in collaboration with the Paper Windmill Arts and Educational Foundation as part of the THSRC Charitable Arts and Culture Feast; this performance was held at the HSR Taichung Station "HSR Station Zone" on the evening of Father's Day in 2020, and reflected on the significance of human life, animals, and nature through children's theater. The event attracted more than 6,000 participants.



5) Internal T Living Online Events

In 2020, due to the COVID-19 pandemic, the government called on the general public to stay at home and avoid gatherings in public spaces. To encourage our colleagues to exercise, maintain their health, and bring creativity and fun to their home lives, we organized several internal T Living online events, including "Epidemic Prevention & Exercise," "Home & Cooking," and "Summer Marathon Diet Challenge." Through internal online exchanges, our colleagues were able to share their personal exercise progress and cuisine creations. The "Epidemic Prevention & Exercise" event attracted 284 posts and the "Home & Cooking" event attracted 265 posts, which respectively garnered 520,000 and 410,000 views. These events not only successfully brought our colleagues together during the pandemic, but also triggered lively internal discussions.

(2) Environmental Protection

"Explore Green Lifestyles" corporate environmental education experience course: online interactive course/offline 5 senses camp

THSRC actively implements the 4Ts that make up our sustainable care strategy as we fulfill our corporate social responsibilities. We continued to implement the environmental education concepts from our "Explore the Beauty of Taiwan" event from 2019, and invited the Society of Wilderness to assist our staff in exploring low-carbon lifestyles and implementing green measures in the fourth quarter of 2020. (The Society of Wilderness has long promoted environmental education and was responsible for turning off the lights in HSR stations for Earth Day.)

We organized an online interactive course ("Green and energy-efficient lifestyle") which attracted 4,230 participants (90% of our staff) and facilitated enthusiastic sharing of personal energy-saving tips from our colleagues. Our offline experience camp attracted 1,246 participants. The "Have you eaten? Green meals on the dining table" course allowed our colleagues to discuss the carbon footprints of different foods while



enjoying stainless steel bento box meals made using local ingredients. Our "Go! Animal adventure" course allowed our colleagues and their families to explore a simulated seaside foraging habitat of the world's largest seabird (the albatross), encouraging all participants to be an example for others and embrace the green movement.

Pheasant-Tailed Jacana Preservation

In 1998, the pheasant-tailed jacana, a Level 2 protected species also known as the "water chestnut bird" and the "ripple fairy," faced a survival crisis as HSR's mainline passed through their habitat in Hulubei of Guantian District in Tainan. In order to conserve the pheasant-tailed jacana, THSRC worked with relevant units and, starting from 2000, invested more than NT\$50 million to build the first artificial habitat recovery ground in Guantian under a three-way collaboration project involving the government, construction units, and civil organizations. Many volunteers have participated in the processes of habitat assessment, land rental, and construction, and many professionals and academics have also been involved in this work, causing the number of jacanas to rise from 9 in 2000 to 1,723 in 2020. The area of the jacana habitat was gradually increased; in 2007, we renamed the recovered habitat Jacana Park and opened it to the public. More than 230,000 visitors have been recorded to date. To strengthen the educational value of this park, we created tour devices, galleries, and interactive displays to present the results of our native species restoration efforts and help the public better understand wildlife conservation. This project has also drawn the attention of international environmental units and conservation activists, serving as one of the few successful cases where economic development and conservation were able to coexist.



(3) Exchanges and Events

HSR Camps

THSR is responsible for providing transportation along Taiwan's western corridor, connecting major cities at speeds of up to 300 kilometers per hour and providing safe, comfortable, convenient, and high-quality travel for passengers. As passenger numbers continued to rise, THSRC launched a railway camp during the winter and summer vacations starting in 2008 as part of its corporate social responsibilities. The camps provide a variety of courses for students of different ages, and include visits to our Operational Control Center, Maintenance Base, and the THSR Museum. Detailed briefings and tours provided participants with moving descriptions

of THSRC's history, maintenance procedures, and operations. This fun and comprehensive learning journey firmly embedded knowledge of the railroad industry and THSRC culture into the hearts of participants of all different ages.

We made some adjustments to our HSR camp activities in 2020 due to COVID-19 conditions. During the summer and winter vacations, we hosted 1 round of activities for a total of 4 elementary school/junior high school/high school/college groups. Almost 2,000 people signed up for the camp waiting lists, and 221 students participated in the 2020 HSR summer and winter vacation camps.



THSR ART Together Program

THSRC launched the "THSR ART Together Program" in 2015, providing free space in part of HSR stations for group performances as well as individual singing, dancing, or musical performances. In 2017 and 2019, THSRC was respectively awarded the "13th Arts and Business Awards (Cultural Development)" and the "14th Arts and Business Awards (Permanent Awards Category)" by the Ministry of Culture. As of year-end 2020, 573 groups and 17,052 individuals have performed at 9 HSR stations (Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying). THSRC hopes that the "THSR ART Together Program" can allow passengers to appreciate the beauty of the arts while traveling with the HSR.



Preserving Railway Culture - THSR Museum

The THSR Museum opened its doors in 2017. Planned and established around the rich cultural railway assets taken from the planning, construction, and operational stages of the HSR, the collection at the Museum looks back on the three revolutions of Taiwan's railroad industry, moving sequentially through policy planning for the HSR, BOT contractor selection and contract negotiation, founding of THSRC and its five original shareholders, as well as the construction and operational stages of the HSR. The display and introduction of these items help the general public easily understand our history, and serve as an important platform for THSRC external communications. In 2020, we suspended our railway culture lectures due to the COVID-19 pandemic. From July to December, we replaced these lectures with in-depth guided tours that promoted national tourism and railway culture to 44 groups and 1,961 participants. In total, 373 groups and 33,810 participants visited the THSR Museum in 2020.

2020 Taipei Marathon

The Taipei Marathon is the only IAAF bronze label international marathon event in Taiwan. Although the event was affected by the COVID-19 pandemic in 2020, it still attracted 28,000 participants from 12 countries. Taiwan was one of the few countries able to complete this event as planned under the theme of "Dare to Breathe," encouraging participants to run without fear and set aside their pandemic worries. This was the first time that THSRC formed a team to join this international marathon event, the largest in Taiwan. We encourage our colleagues to establish good exercise habits and adhere to national sports policies promoted by the government. We also hosted a "Like us on Facebook to receive a gift" event themed around Kanahei's Small Animals at the marathon finish line, generating lively interactions with marathon participants.



(4) Technical Exchanges and Visitations

Group Field Visits

THSRC continues to maintain good relations with its peers in the transportation and rail industries; we were involved in 18 public associations in 2020. We ensure continued updating and innovation of our services and operational strategies through academic and experience exchanges with academic societies. THSRC has accumulated many achievements and experiences through continued and steady learning. Starting from 2006, we opened our doors to groups from government units, rail transportation peers, and industry-academia collaboration projects in order to allow industrial, governmental, and academic representatives and transportation companies from countries all around the world a chance to obtain a more complete understanding of THSRC's spirit and operations. We have organized tours of HSR stations, as well as our Maintenance Base and Operations Building. Visitors have included a state legislature visiting group from northeast America, as well as groups from the Academy for the Judiciary, the Taoyuan Metro Company, the System Operation Control Division of China Airlines, and the Japan Railway (JR) Companies (West Japan, East Japan, and Hokkaido). Due to the COVID-19 pandemic, we only welcomed 9 groups and 280 visitors in 2020. Notable visitors included groups from the Shinkansen Engineering Company, Northern Region Branch Office, Freeway Bureau, MOTC and the Ministry of Justice Investigation Bureau (Taoyuan City Field Division).



5. Effectiveness of Corporate Governance System

(1) Preliminary Review by Functional Committees

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

(2) Independence and Professionalism of Independent Directors

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

(3) Management Implementation

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

(4) Strengthen Information Disclosure

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

Since going public, the Corporation has participated in the 4th to 6th TWSE Corporate Governance Evaluations (for 2017 to 2019) and was consecutively ranked among the top 5% of publicly listed companies. In order to enhance our corporate governance, we participated in the Taiwan Corporate Governance Association CG6011 corporate governance evaluations (for 2017) and received an "Excellent" certification in 2018. In 2020, we participated in the CG6012 corporate governance evaluations (for 2019), and received a "Premium" certification. We were also awarded first place in Outstanding Enterprises by the 17th National Brand Yushan Awards in 2020. In future, we will focus on the ongoing influence of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, and embrace corporate governance evaluations in order to build a sound corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

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

(5) Fulfill corporate social responsibilities and implement sustainable operations

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

In 2017, we drafted a strategic roadmap using our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our sustainable management strategy. We reviewed our strategic roadmap in 2019 in accordance with our operational strategies and future prospects to strengthen the consistency between our goals and our core operations.

THSRC participated in the "2020 Taiwan Corporate Sustainability Awards" hosted by the Taiwan Institute for Sustainable Energy and received the highest honor for comprehensive performance, the "The Most Prestigious Sustainability Awards –Top Ten Domestic Companies (Service Industry Category)"; and the highest award for corporate sustainability reports, the "Platinum Corporate Sustainability Report Award." The awards were presented by President Tsai Ing-wen, and Chairman Yao-Chung Chiang received the awards on behalf of THSRC.

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



The President received awardee representatives of the National Brand Yushan Awards; the THSRC Chairman made a speech on behalf of all winning corporations.





8

Financial Overview

1. Five-Year Financial Summary

(1) Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years				
		2016	2017	2018	2019	2020
Current Assets		28,728,282	20,090,816	22,796,549	42,710,136	38,621,107
Property, Plant and Equipment		65,305	107,354	98,085	125,047	109,729
Operating Concession Asset		426,020,379	413,166,373	401,168,964	390,113,063	378,291,412
Other Assets		6,393,406	6,695,914	8,993,471	10,111,356	10,544,722
Total Assets		461,207,372	440,060,457	433,057,069	443,059,602	427,566,970
Current Liabilities	Before Distribution	19,815,494	6,549,408	13,814,046	13,278,906	7,067,221
	After Distribution	23,192,470	10,770,628	20,117,734	20,089,703	(Note 1)
Non-Current Liabilities		380,328,197	370,492,700	349,830,010	358,703,427	350,413,093
Total Liabilities	Before Distribution	400,143,691	377,042,108	363,644,056	371,982,333	357,480,314
	After Distribution	403,520,667	381,263,328	369,947,744	378,793,130	(Note 1)
Capital Stock		56,282,930	56,282,930	56,282,930	56,282,930	56,282,930
Capital Surplus		172,981	172,981	172,981	172,981	172,981
Retained Earnings	Before Distribution	4,607,077	6,561,953	12,957,102	14,621,358	13,630,745
	After Distribution	1,230,101	2,340,733	6,653,414	7,810,561	(Note 1)
Other Equity		693	485	-	-	-
Total Equity	Before Distribution	61,063,681	63,018,349	69,413,013	71,077,269	70,086,656
	After Distribution	57,686,705	58,797,129	63,109,325	64,266,472	(Note 1)

Note 1: Pending shareholders' approval.

(2) Condensed Statement of Comprehensive Income

Unit: NT\$ thousands
Except Basic Earnings Per Share

Item	Financial Summary for The Last Five Years				
	2016	2017	2018	2019	2020
Operating Revenue	40,610,906	43,435,042	45,415,007	47,507,390	39,137,205
Gross Profit	14,637,733	18,821,397	20,333,613	21,744,703	13,042,151
Income from Operations	13,699,496	17,754,984	19,144,964	20,511,953	11,806,685
Non-Operating Income and Expenses	(8,701,921)	(11,276,484)	(11,833,141)	(12,736,845)	(6,387,374)
Income Before Income Tax	4,997,575	6,478,500	7,311,823	7,775,108	5,419,311
Net Income	4,149,098	5,339,905	10,696,381	8,007,033	5,843,037
Other Comprehensive Income	(47,679)	(8,261)	(80,497)	(39,089)	(22,853)
Total Comprehensive Income for the Year	4,101,419	5,331,644	10,615,884	7,967,944	5,820,184
Basic Earnings Per Share (NT\$)	0.74	0.95	1.90	1.42	1.04

(3) Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	Name of CPA	Audit Opinion
2016	Deloitte & Touche	Jui-Hsuan Ho and Kwan-Chung Lai	Unmodified Opinion
2017	Deloitte & Touche	Jui-Hsuan Ho and Kwan-Chung Lai	Unmodified Opinion
2018	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion
2019	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion
2020	Deloitte & Touche	Mei-Yen Chiang and Kwan-Chung Lai	Unmodified Opinion

2. Five-Year Financial Analysis

Item (Note)	Year	Financial Analysis for the Last Five Years				
		2016	2017	2018	2019	2020
Financial Structure (%)	Debt ratio	86.76	85.68	83.97	83.96	83.61
	Ratio of long-term capital to property, plant and equipment	675,892.93	403,814.53	427,428.27	343,695.33	383,216.61
	Ratio of long-term capital to operating concession asset	103.61	104.92	104.51	110.17	111.16
Solvency	Current ratio (%)	144.98	306.76	165.02	321.64	546.48
	Quick ratio (%)	130.55	263.76	143.81	296.44	498.03
	Times interest earned (times)	1.60	1.87	2.10	2.20	1.92
Operating Performance	Accounts receivable turnover (times)	106.84	96.81	106.50	113.29	142.01
	Average collection days	3.41	3.77	3.42	3.22	2.57
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Property, plant and equipment turnover (times)	596.20	503.13	442.13	425.82	333.40
	Operating concession assets turnover (times)	0.09	0.10	0.11	0.12	0.10
	Total asset turnover (times)	0.08	0.10	0.10	0.11	0.09
Profitability	Return on total assets (%)	2.29	2.55	4.25	3.35	2.81
	Return on total equity (%)	6.84	8.61	16.15	11.40	8.28
	Pre-tax income to paid-in capital ratio (%)	8.88	11.51	12.99	13.81	9.63
	Profit ratio (%)	10.22	12.29	23.55	16.85	14.93
	Earning per share (NT\$)	0.74	0.95	1.90	1.42	1.04
Cash Flow (%)	Cash flow ratio	29.93	329.89	189.78	214.98	(21.67)
	Cash flow adequacy ratio	310.89	338.04	345.23	320.17	229.34
	Cash flow reinvestment ratio	19.66	111.18	185.72	68.81	(24.23)
Leverage	Operating leverage ratio	2.73	2.25	2.18	2.13	2.99
	Financial leverage ratio	2.57	1.73	1.53	1.46	2.01

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

1. The increase in current ratio and quick ratio were mainly due to decrease of current liabilities in 2020.
2. The increase in accounts receivable turnover and decrease in average collection days were mainly due to decrease of average accounts receivable balance in 2020.
3. The decrease in property, plant and equipment turnover and profitability and the increase in leverage were mainly due to decrease of net sales in 2020.
4. The decrease in cash flow ratios were mainly due to the net operating activities cash outflow in 2020.

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

1. Financial structure
 - (1) Debt ratio = Total liabilities / Total assets
 - (2) Ratio of long-term capital to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment
 - (3) Ratio of long-term capital to operating concession assets = (Total equity + non-current liabilities) / Net operating concession assets
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities
 - (2) Quick ratio = (Current assets - inventory - prepaid expenses) / Current liabilities
 - (3) Times interest earned = Net income before tax and interest expenses / Interest expenses
3. Operating performance
 - (1) Accounts receivable turnover = Net sales / Average account receivable balance
 - (2) Average collection days = 365 / Receivable turnover
 - (3) Inventory turnover = Cost of goods sold / Average inventory
 - (4) Accounts payable turnover = Cost of goods sold / Average account payable balance
 - (5) Average days in sales = 365 / Inventory turnover
 - (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment
 - (7) Operating concession asset turnover = Net sales / Average net operating concession assets
 - (8) Total asset turnover = Net sales / Average total assets
4. Profitability
 - (1) Return on total assets = [Net income after tax + interest expense * (1 - interest rate)] / Average total assets
 - (2) Return on total equity = Net income after tax / Average stockholders' equity
 - (3) Profit ratio = Net income / Net sales
 - (4) Earnings per share = (Net income - preferred stock dividends) / Weighted average number of stocks outstanding
5. Cash flow
 - (1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends
 - (3) Cash flow reinvestment ratio = (Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other non-current assets + working capital)
6. Leverage
 - (1) Operating leverage ratio = (Operating revenue - variable costs and expenses) / Operating income
 - (2) Financial leverage ratio = Operating income / (Operating income - interest expenses)

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

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2020 Business Report and Financial Statements. The CPA of Deloitte & Touche, Mei-Yen Chiang and Kwan-Chung Lai, were retained to audit the Financial Statements of Taiwan High Speed Rail Corporation and have issued an audit report relating to the Financial Statements. The Business Report and Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan High Speed Rail Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai



February.24.2021

Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2020 proposal for allocation of profits, and the proposal has been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan High Speed Rail Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai



March.17.2021

4. Financial Statements and Independent Auditors' Report in the Most Recent Year

(1) Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditor Reports

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan High Speed Rail Corporation

Opinion

We have audited the accompanying financial statements of Taiwan High Speed Rail Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis of Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. 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 2020 financial statements are as follows:

Provision for Stabilization Reserve

Refer to Note 4.o. 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.

According to the Taiwan North-South High Speed Rail Construction and Operation Agreement ("C&O Agreement"), which was amended on July 27, 2015, the Corporation established the financial stabilization mechanism ("FSM") in 2016 in order to serve the purpose of returning the major portion of the excess earnings, which is defined under the C&O Agreement, to the ROC government. Started in 2017, the Corporation reports the status of the implementation of the aforementioned FSM to the Ministry of Transportation and Communications ("MOTC"), including the provision, contribution, and accumulated balance of the stabilization reserve in accordance with the C&O Agreement. Because 1) the provision for the stabilization reserve is related to the profitability of the remaining concession period under the C&O Agreement, 2) the reserve amount

is material and can vary significantly, depending on the expiration or termination of the C&O Agreement, and 3) the implementation of the FSM involves critical accounting judgments and estimates, the recognition of provision for stabilization reserve is deemed a key audit matter. Since earnings to be made in the remaining concession period, which will end in the year 2068 or any year where the C&O Agreement might be early terminated, cannot be reliably estimated, the stabilization reserve, totaling NT\$10,885,959 thousand as of December 31, 2020, was provided based on the earnings achieved in 2020 and on the requirements as stipulated in the C&O Agreement.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2020 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.

Handwritten signature of Casey K.C. Lai in black ink.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2021

Notice to Readers

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

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

TAIWAN HIGH SPEED RAIL CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31			
	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 651,769	-	\$ 16,271,676	4
Financial assets at fair value through profit or loss (Note 7)	15,218,000	4	330,443	-
Notes and accounts receivable (Note 21)	218,092	-	333,092	-
Current tax assets (Note 4)	-	-	166,783	-
Inventories (Note 8)	2,068,950	1	2,056,045	1
Other financial assets (Notes 9 and 28)	19,086,463	4	22,207,764	5
Other current assets (Notes 13 and 27)	1,377,833	-	1,344,333	-
Total current assets	38,621,107	9	42,710,136	10
NON-CURRENT ASSETS				
Property, plant and equipment (Note 10)	109,729	-	125,047	-
Right-of-use assets (Notes 11 and 27)	712,169	-	628,988	-
Operating concession assets (Notes 12 and 27)	378,291,412	88	390,113,063	88
Computer software, net (Note 12)	83,252	-	54,413	-
Deferred tax assets (Notes 4 and 23)	7,673,251	2	7,316,212	2
Other financial assets (Notes 9 and 28)	2,070,857	1	2,102,503	-
Other non-current assets (Note 13)	5,193	-	9,240	-
Total non-current assets	388,945,863	91	400,349,466	90
TOTAL	\$ 427,566,970	100	\$ 443,059,602	100

LIABILITIES AND EQUITY	December 31			
	2020		2019	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 57,091	-	\$ 64,980	-
Accounts payable (Note 27)	274,778	-	256,338	-
Operating concession liabilities (Notes 16 and 27)	541,931	-	777,511	-
Other payables (Notes 14 and 18)	3,262,861	1	3,197,362	1
Payable for construction (Note 27)	823,666	-	942,141	-
Current tax liabilities (Note 4)	104,256	-	194,722	-
Provisions (Notes 17 and 27)	1,169,238	1	6,367,937	2
Other current liabilities (Notes 11, 18, 21 and 27)	833,400	-	1,477,915	-
Total current liabilities	7,067,221	2	13,278,906	3
NON-CURRENT LIABILITIES				
Bonds payable (Note 15)	18,478,720	4	7,990,329	2
Long-term debt (Notes 14 and 27)	257,607,483	60	276,100,317	62
Provisions (Notes 17 and 27)	10,000,000	3	10,000,000	2
Lease liabilities (Notes 11 and 27)	522,976	-	447,175	-
Long-term interest payable (Note 14)	7,383,683	2	8,450,080	2
Operating concession liabilities (Notes 16 and 27)	55,869,665	13	55,263,201	13
Other non-current liabilities (Notes 18 and 19)	550,566	-	452,325	-
Total non-current liabilities	350,413,093	82	358,703,427	81
Total liabilities	357,480,314	84	371,982,333	84
EQUITY (Note 20)				
Capital stock				
Common stock	56,282,930	13	56,282,930	13
Capital surplus	172,981	-	172,981	-
Retained earnings				
Legal reserve	3,270,422	1	2,469,719	-
Unappropriated earnings	10,360,323	2	12,151,639	3
Total retained earnings	13,630,745	3	14,621,358	3
Total equity	70,086,656	16	71,077,269	16
TOTAL	\$ 427,566,970	100	\$ 443,059,602	100

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

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 27)	\$ 39,137,205	100	\$ 47,507,390	100
OPERATING COSTS (Notes 22 and 27)	(26,095,054)	(67)	(25,762,687)	(54)
GROSS PROFIT	13,042,151	33	21,744,703	46
OPERATING EXPENSES (Note 22)	(1,235,466)	(3)	(1,232,750)	(3)
INCOME FROM OPERATIONS	11,806,685	30	20,511,953	43
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	134,848	-	162,700	-
Interest expense (Notes 14, 22 and 27)	(5,919,211)	(15)	(6,454,624)	(13)
Stabilization reserve expense (Note 17)	(885,959)	(2)	(6,523,761)	(14)
Other gains and losses (Notes 22 and 27)	282,948	1	78,840	-
Total non-operating income and expenses	(6,387,374)	(16)	(12,736,845)	(27)
INCOME BEFORE INCOME TAX	5,419,311	14	7,775,108	16
INCOME TAX BENEFIT (Note 23)	423,726	1	231,925	1
NET INCOME	5,843,037	15	8,007,033	17
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(28,566)	-	(48,861)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	5,713	-	9,772	-
Other comprehensive loss for the year, net of income tax	(22,853)	-	(39,089)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 5,820,184	15	\$ 7,967,944	17

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	\$	1.04	\$	1.42

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

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	<u>Capital Stock</u>	
	<u>Common Stock</u>	<u>Capital Surplus</u>
BALANCE AT JANUARY 1, 2020	\$ 56,282,930	\$ 172,981
Appropriations of 2019 earnings		
Legal reserve	-	-
Cash dividends to stockholders - NT\$1.2101 per share	-	-
	-	-
Net income for the year ended December 31, 2020	-	-
Other comprehensive loss for the year ended December 31, 2020	-	-
Total comprehensive income for the year ended December 31, 2020	-	-
BALANCE AT DECEMBER 31, 2020	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>
BALANCE AT JANUARY 1, 2019	\$ 56,282,930	\$ 172,981
Appropriations of 2018 earnings		
Legal reserve	-	-
Cash dividends to stockholders - NT\$1.12 per share	-	-
	-	-
Net income for the year ended December 31, 2019	-	-
Other comprehensive loss for the year ended December 31, 2019	-	-
Total comprehensive income for the year ended December 31, 2019	-	-
BALANCE AT DECEMBER 31, 2019	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>

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

Retained Earnings			
Legal Reserve	Unappropriated Earnings	Total	Total Equity
\$ 2,469,719	\$ 12,151,639	\$ 14,621,358	\$ 71,077,269
800,703	(800,703)	-	-
-	(6,810,797)	(6,810,797)	(6,810,797)
800,703	(7,611,500)	(6,810,797)	(6,810,797)
-	5,843,037	5,843,037	5,843,037
-	(22,853)	(22,853)	(22,853)
-	5,820,184	5,820,184	5,820,184
<u>\$ 3,270,422</u>	<u>\$ 10,360,323</u>	<u>\$ 13,630,745</u>	<u>\$ 70,086,656</u>
\$ 1,400,081	\$ 11,557,021	\$ 12,957,102	\$ 69,413,013
1,069,638	(1,069,638)	-	-
-	(6,303,688)	(6,303,688)	(6,303,688)
1,069,638	(7,373,326)	(6,303,688)	(6,303,688)
-	8,007,033	8,007,033	8,007,033
-	(39,089)	(39,089)	(39,089)
-	7,967,944	7,967,944	7,967,944
<u>\$ 2,469,719</u>	<u>\$ 12,151,639</u>	<u>\$ 14,621,358</u>	<u>\$ 71,077,269</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,419,311	\$ 7,775,108
Adjustments for:		
Depreciation	212,319	202,294
Amortization	13,963,256	13,798,850
Write-downs (reversal) of inventories	(23,026)	22,650
Interest expense	5,919,211	6,454,624
Interest income	(134,848)	(162,700)
Loss on foreign currency exchange, net	509	11,878
Stabilization reserve expenses	885,959	6,523,761
Others	14,704	(2,700)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(14,887,557)	(2,997)
Notes and accounts receivable	115,000	172,473
Inventories	10,121	(49,770)
Other current assets	(58,816)	(403,292)
Other non-current assets	(376)	2,571
Accounts payable	17,728	(16,575)
Other payables	86,930	150,065
Provisions	(6,084,658)	-
Other current liabilities	(658,161)	625,036
Other non-current liabilities	2,074	(5,618)
Cash generated from operations	4,799,680	35,095,658
Interest received	160,259	149,679
Interest paid	(5,862,879)	(5,772,857)
Interest paid with respect to operating concession liabilities	(777,511)	(731,182)
Income tax refunded (paid)	148,717	(194,844)
Net cash (used in) generated from operating activities	(1,531,734)	28,546,454

**For the Years Ended
December 31**

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other financial assets	\$ 3,155,976	\$ (10,366,158)
Acquisition of property, plant and equipment	(30,066)	(67,192)
Proceeds from disposal of property, plant and equipment	-	1
Acquisition of intangible assets	(2,312,760)	(2,328,694)
Proceeds from disposal of intangible assets	8,165	1,266
	<u>821,315</u>	<u>(12,760,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short-term borrowings	(9,122)	(79,700)
Proceeds from issuance of bonds	10,500,000	8,000,000
Repayment of long-term debt	(18,500,000)	-
Repayment of long-term bills payable	-	(8,000,000)
Repayment of the principal portion of lease liabilities	(157,180)	(148,863)
Increase in other non-current liabilities	67,624	70,231
Cash dividends	(6,810,797)	(6,303,688)
	<u>(14,909,475)</u>	<u>(6,462,020)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(13)</u>	<u>169</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(15,619,907)</u>	<u>9,323,826</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,271,676</u>	<u>6,947,850</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 651,769</u>	<u>\$ 16,271,676</u>

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

TAIWAN HIGH SPEED RAIL CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. GENERAL

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 24, 2021.

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

- a. **Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).**

Effective Date Announced by IASB	New IFRSs
January 1, 2020	Amendments to IFRS 3 “Definition of a Business”
January 1, 2020	Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”
January 1, 2020	Amendments to IAS 1 and IAS 8 “Definition of Material”
June 1, 2020	Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies:

Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Corporation elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessors as a direct consequence of the Covid-19. In Note 4, it states the related accounting policies. Before the application of the amendment, the Corporation was required to determine whether the abovementioned rent concessions are lease modifications and, if yes, accounting for lease modifications will apply.

The Corporation applied the amendment since January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2021

Effective Date Announced by IASB	New IFRSs
Effective immediately upon promulgation by the IASB January 1, 2021	Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

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

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

Effective Date Announced by IASB (Note 1)	New IFRSs
January 1, 2022 (Note 2)	“Annual Improvements to IFRS Standards 2018-2020”
January 1, 2022 (Note 3)	Amendments to IFRS 3 “Reference to the Conceptual Framework”
January 1, 2022 (Note 4)	Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
January 1, 2022 (Note 5)	Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”
January 1, 2023	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
January 1, 2023 (Note 6)	Amendments to IAS 1 “Disclosure of Accounting Policies”
January 1, 2023 (Note 7)	Amendments to IAS 8 “Definition of Accounting Estimates”
January 1, 2023	IFRS 17 “Insurance Contracts”
January 1, 2023	Amendments to IFRS 17
To be determined by IASB	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

d. Foreign currencies

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

e. Cash equivalents

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

f. Financial assets at fair value through profit or loss

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

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

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

g. Equity instruments

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

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

h. Impairment of accounts receivable

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

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

i. Inventories

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

j. Property, plant and equipment

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

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

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

k. Intangible assets

1) Operating concession assets

The Corporation was granted authority to construct and operate the HSR and relevant ancillary facilities under the C&O Agreement and therefore the Corporation's operation is under the scope of IFRIC 12 "Service Concession Arrangements". According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities, thus profit sharing payments are considered as an acquisition cost of the concession. The minimum commitment to profit sharing payments was discounted and recognized as intangible assets - operating concession assets with corresponding operating concession liabilities.

The Fourth Amendment of the C&O Agreement was effective on October 30, 2015. The construction and operation concession period of the HSR was extended from 35 years to 70 years until the year 2068. Receivable due from shortfall charges with respect to statutory concession tickets is considered as cost of the extension of concession period and recognized as operating concession assets - period extension cost.

The cost less residual value of the operating concession assets are amortized on a straight-line basis over the estimated useful lives which range as follows: Land improvements - 15 to 61.5 years; buildings - 10 to 61.5 years; machinery and equipment - 2 to 35 years; transportation equipment - 3 to 35 years; other equipment - 5 years; profit sharing payments - 61.5 years; period extension cost (shortfall charge with respect to statutory concession tickets) - 52.75 years (the remaining concession period started from October 2015).

Operating concession assets are measured initially at cost model and then amortized during the concession period. Major additions, replacement and improvements are capitalized, while maintenance and repairs are expensed currently. On de-recognition of operating concession assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

2) Computer software

Computer software is amortized on a straight-line basis over 5 years.

i. Operating concession liabilities

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities; thus, profit sharing payments are considered as an acquisition cost of the concession. The acquisition cost is recognized as operating concession assets (an intangible asset described in item j.1) above) with corresponding operating concession liabilities. The liability was measured at the discounted amount of the profit sharing payments at the date of HSR commercial operation. Subsequent interest is computed by using the effective interest method.

The Fourth Amendment of the C&O Agreement and the SZD Termination Agreement were effective on October 30, 2015. As the value of returned superficies is allowed to offset profit sharing payable each year, it is recognized as a deduction of the operating concession liabilities (value of returned superficies for offset of profit sharing payable).

m. Impairment of assets

The Corporation estimates the recoverable amount of an asset at the balance sheet date if there was an indication that it might be impaired.

Recoverable amount is the higher of value in use and fair value less costs to sell. When the carrying amount of an asset exceeds its value in use, the Corporation further estimates its fair value less costs to sell. If the carrying amount of an asset exceeds its fair value less costs to sell, an impairment loss will be recognized as the excess of the carrying amount over the higher of value in use or fair value less costs to sell.

When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years.

n. Hedge accounting

Hedging financial instruments are measured at fair value. Related gains and losses are recognized in profit or loss in current year.

o. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

p. Revenue recognition

Passenger fares received or receivable are recognized as revenue when transport services are provided. Amounts received for passenger tickets sold but not used are recorded as contract liabilities.

Sales of tickets that grant reward credits to customers under the Corporation's reward scheme are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the tickets sold and the reward credits granted. The transaction price of the reward credits is allocated to the contract's performance obligations based on the relatively separate sales price. Such consideration is not recognized as revenue at the time of the initial sale transaction but is recognized as contract liabilities; revenue is recognized when the reward credits are redeemed and the Corporation's obligations have been fulfilled.

q. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Corporation allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any re-measurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

The Corporation negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Corporation elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Corporation recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liabilities.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than the borrowing costs described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

t. Retirement benefit costs

Payments of contributions to a defined contribution plan are recognized as an expense when employees have rendered service entitling them to the contributions. Defined benefit costs under a defined benefit plan are recognized based on actuarial calculations.

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Current tax payable depends on the current taxable income. Taxable income is different from the net income before tax on the statement of comprehensive income for the reason that certain revenue and expenses are taxable or deductible items in other period, or not taxable or deductible items pursuant to related Income Tax Act. The Corporation's current tax liabilities are calculated by the legislated tax rate on the balance sheet date.

Pursuant to the Income Tax Act, an additional tax at 5% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and personnel training expenditures to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Controversial overtime payments

As of December 31, 2020 and 2019, provisions for controversial overtime payments recognized by the Corporation were both \$283,279 thousand. The estimated provision could differ from the actual amount payable, which is subject to the result of the administrative judgment or the agreement to be settled with the employees. Refer to Note 17 for further information.

b. Stabilization reserve

As of December 31, 2020 and 2019, the Corporation recognized a provision for stabilization reserve for \$10,885,959 thousand and \$16,084,658 thousand, respectively, in accordance with the stabilization mechanism under the C&O Agreement. The actual payment for the stabilization reserve may change and is subject to the profitability for the remaining concession period, which ends in the year 2068 or earlier if so terminated. Refer to Note 17 and Note 29.a.3) for further information.

c. Income taxes

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets includes consideration of future revenue growth, amount of tax credits that can be utilized and feasible tax planning strategies.

As of December 31, 2020 and 2019, the carrying amounts of deferred tax assets in relation to deductible temporary differences were \$7,673,251 thousand and \$7,316,212 thousand, respectively. As of December 31, 2020 and 2019, the deductible temporary tax differences of \$171,614 thousand and \$1,181,032 thousand, respectively, were not recognized as deferred tax assets according to the assessment of the realizability of deferred tax assets. Refer to Note 23.d. for further information.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 105,723	\$ 88,890
Checking accounts	1	10
Demand deposits	74,045	481,618
Time deposits	-	8,158
Repurchase agreement collateralized by government bonds	472,000	15,693,000
	<u>\$ 651,769</u>	<u>\$ 16,271,676</u>

The interest rate intervals of cash and cash equivalents at the end of the reporting periods were as follows:

	December 31	
	2020	2019
Demand deposits	0.001%-0.05%	0.001%-0.33%
Time deposits	-	0.62%
Repurchase agreement collateralized by government bonds	0.23%-0.30%	0.50%-0.56%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Open-end money market funds	\$ 15,218,000	\$ 330,443

The financial assets at FVTPL are mandatorily classified as FVTPL.

8. INVENTORIES

	December 31	
	2020	2019
Spare parts and supplies	\$ 2,054,835	\$ 2,044,649
Merchandise	14,115	11,396
	<u>\$ 2,068,950</u>	<u>\$ 2,056,045</u>

As of December 31, 2020 and 2019, allowance for inventory valuation losses amounted to \$619,822 thousand and \$642,848 thousand, respectively.

9. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Repurchase agreement collateralized by government bonds	\$ 12,496,000	\$ 20,433,000
Time deposits	8,634,730	3,848,118
Demand deposits	21,259	24,901
Other performance guarantee	5,331	4,248
	<u>\$ 21,157,320</u>	<u>\$ 24,310,267</u>
Current	\$ 19,086,463	\$ 22,207,764
Non-current	2,070,857	2,102,503
	<u>\$ 21,157,320</u>	<u>\$ 24,310,267</u>

a. The interest rate intervals of other financial assets at the end of the reporting periods were as follows:

	December 31	
	2020	2019
Repurchase agreement collateralized by government bonds	0.20%-0.30%	0.53%-0.58%
Time deposits	0.07%-1.025%	0.15%-2.65%
Demand deposits	0.01%-0.04%	0.03%-0.08%

b. Refer to Note 28 for the information of other financial assets pledged as collateral.

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Land	\$ 28	\$ 28
Machinery and equipment	61,153	69,091
Transportation equipment	-	-
Office equipment	15,013	11,846
Leasehold improvements	278	710
Other equipment	33,257	43,372
	<u>\$ 109,729</u>	<u>\$ 125,047</u>

	<u>Land</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Leasehold Improvements</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 28	\$ 317,209	\$ 87	\$ 119,610	\$ 80,528	\$ 266,001	\$ 783,463
Additions	-	19,667	-	5,684	-	4,715	30,066
Disposals	-	(10,009)	-	(3,309)	-	(110)	(13,428)
Transfer	-	309	-	1,999	-	242	2,550
Balance at December 31, 2020	<u>28</u>	<u>327,176</u>	<u>87</u>	<u>123,984</u>	<u>80,528</u>	<u>270,848</u>	<u>802,651</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	-	248,118	87	107,764	79,818	222,629	658,416
Depreciation	-	27,914	-	4,516	432	15,072	47,934
Disposals	-	(10,009)	-	(3,309)	-	(110)	(13,428)
Balance at December 31, 2020	<u>-</u>	<u>266,023</u>	<u>87</u>	<u>108,971</u>	<u>80,250</u>	<u>237,591</u>	<u>692,922</u>
	<u>\$ 28</u>	<u>\$ 61,153</u>	<u>\$ -</u>	<u>\$ 15,013</u>	<u>\$ 278</u>	<u>\$ 33,257</u>	<u>\$ 109,729</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 28	\$ 275,437	\$ 155	\$ 121,048	\$ 80,448	\$ 252,813	\$ 729,929
Additions	-	47,573	-	4,449	80	15,090	67,192
Disposals	-	(5,801)	(68)	(5,579)	-	(1,902)	(13,350)
Transfer	-	-	-	(308)	-	-	(308)
Balance at December 31, 2019	<u>28</u>	<u>317,209</u>	<u>87</u>	<u>119,610</u>	<u>80,528</u>	<u>266,001</u>	<u>783,463</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	-	231,151	155	109,613	79,395	211,530	631,844
Depreciation	-	22,743	-	4,038	423	13,001	40,205
Disposals	-	(5,776)	(68)	(5,579)	-	(1,902)	(13,325)
Transfer	-	-	-	(308)	-	-	(308)
Balance at December 31, 2019	<u>-</u>	<u>248,118</u>	<u>87</u>	<u>107,764</u>	<u>79,818</u>	<u>222,629</u>	<u>658,416</u>
	<u>\$ 28</u>	<u>\$ 69,091</u>	<u>\$ -</u>	<u>\$ 11,846</u>	<u>\$ 710</u>	<u>\$ 43,372</u>	<u>\$ 125,047</u>

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 254,865	\$ 497,473	\$ 37,254	\$ 1,485	\$ 791,077
Additions	183,102	-	64,500	-	247,602
Deduction	(84)	(500)	(29,977)	(1,485)	(32,046)
Balance at December 31, 2020	<u>437,883</u>	<u>496,973</u>	<u>71,777</u>	<u>-</u>	<u>1,006,633</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ 81,897	\$ 61,881	\$ 17,321	\$ 990	\$ 162,089
Depreciation	83,301	61,581	19,030	473	164,385
Deduction	(70)	(500)	(29,977)	(1,463)	(32,010)
Balance at December 31, 2020	<u>165,128</u>	<u>122,962</u>	<u>6,374</u>	<u>-</u>	<u>294,464</u>
	<u>\$ 272,755</u>	<u>\$ 374,011</u>	<u>\$ 65,403</u>	<u>\$ -</u>	<u>\$ 712,169</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 251,857	\$ 497,473	\$ 30,659	\$ 1,433	\$ 781,422
Additions	3,008	-	6,595	52	9,655
Balance at December 31, 2019	<u>254,865</u>	<u>497,473</u>	<u>37,254</u>	<u>1,485</u>	<u>791,077</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	-	-	-	-	-
Depreciation	81,897	61,881	17,321	990	162,089
Balance at December 31, 2019	<u>81,897</u>	<u>61,881</u>	<u>17,321</u>	<u>990</u>	<u>162,089</u>
	<u>\$ 172,968</u>	<u>\$ 435,592</u>	<u>\$ 19,933</u>	<u>\$ 495</u>	<u>\$ 628,988</u>

b. Lease liabilities

	<u>Lease Term</u>	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
Buildings	2-10 years	\$ 269,501	\$ 169,049
Machinery and equipment	2-9 years	354,897	410,876
Transportation equipment	3-5 years	65,454	19,983
Other equipment	1.5-3 years	-	497
		<u>689,852</u>	<u>600,405</u>
Less: Recognized as current lease liabilities		<u>(166,876)</u>	<u>(153,230)</u>
Lease liabilities - non-current		<u>\$ 522,976</u>	<u>\$ 447,175</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	0.54%-0.87%	0.66%-0.87%
Machinery and equipment	0.87%	0.59%-0.87%
Transportation equipment	0.54%-0.73%	0.59%-0.73%
Other equipment	-	0.59%

c. Material lease terms

The Corporation leased an office building from Century Development Corporation with the lease term from January 2018 to December 2020 and renewed the lease contract to December 2023 after the lease term expires.

The Corporation leased a parking lot for rental business in Zuoying Station from Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC with the lease term from January 2017 to January 2027.

The Corporation leased a host of automatic ticketing system for operating from IBM Taiwan Corporation with the lease term from February 2018 to January 2027.

d. Other lease information

	2020	2019
Expenses relating to short-term leases	\$ 3,255	\$ 4,060
Expenses relating to low-value asset leases	\$ 516	\$ 277
Total cash outflows for leases	\$ (165,564)	\$ (158,791)

The Corporation's lease of certain space which qualifies as short-term leases of certain office equipment and other equipment qualify as low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

12. INTANGIBLE ASSETS

	December 31	
	2020	2019
Operating concession assets	\$ 378,291,412	\$ 390,113,063
Computer software, net	83,252	54,413
	\$ 378,374,664	\$ 390,167,476

a. Movements of the intangible assets

	Operating Concession Assets					Computer Software, Net	Total
	Operating Assets	Profit Sharing Payments	Period Extension Cost	Construction in Progress	Total		
<u>Cost</u>							
Balance at January 1, 2020	\$ 476,122,275	\$ 69,972,043	\$ 12,701,819	\$ 739,116	\$ 559,535,253	\$ 446,577	\$ 559,981,830
Additions	300,220	-	-	1,862,942	2,163,162	29,854	2,193,016
Disposals	(3,022,428)	-	-	-	(3,022,428)	-	(3,022,428)
Transfer	998,092	-	-	(1,032,270)	(34,178)	26,741	(7,437)
Balance at December 31, 2020	474,398,159	69,972,043	12,701,819	1,569,788	558,641,809	503,172	559,144,981
<u>Accumulated amortization</u>							
Balance at January 1, 2020	151,660,749	16,738,071	1,023,370	-	169,422,190	392,164	169,814,354
Amortization	12,592,676	1,097,607	240,794	-	13,931,077	27,756	13,958,833
Disposals	(3,002,870)	-	-	-	(3,002,870)	-	(3,002,870)
Balance at December 31, 2020	161,250,555	17,835,678	1,264,164	-	180,350,397	419,920	180,770,317
	<u>\$ 313,147,604</u>	<u>\$ 52,136,365</u>	<u>\$ 11,437,655</u>	<u>\$ 1,569,788</u>	<u>\$ 378,291,412</u>	<u>\$ 83,252</u>	<u>\$ 378,374,664</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 473,162,271	\$ 69,972,043	\$ 12,701,819	\$ 1,355,857	\$ 557,191,990	\$ 428,411	\$ 557,620,401
Additions	328,170	-	-	2,393,311	2,721,481	16,706	2,738,187
Disposals	(379,352)	-	-	-	(379,352)	-	(379,352)
Transfer	3,011,186	-	-	(3,010,052)	1,134	1,460	2,594
Balance at December 31, 2019	476,122,275	69,972,043	12,701,819	739,116	559,535,253	446,577	559,981,830
<u>Accumulated amortization</u>							
Balance at January 1, 2019	139,599,984	15,640,464	782,578	-	156,023,026	374,166	156,397,192
Amortization	12,437,907	1,097,607	240,792	-	13,776,306	17,998	13,794,304
Disposals	(377,450)	-	-	-	(377,450)	-	(377,450)
Transfer	308	-	-	-	308	-	308
Balance at December 31, 2019	151,660,749	16,738,071	1,023,370	-	169,422,190	392,164	169,814,354
	<u>\$ 324,461,526</u>	<u>\$ 53,233,972</u>	<u>\$ 11,678,449</u>	<u>\$ 739,116</u>	<u>\$ 390,113,063</u>	<u>\$ 54,413</u>	<u>\$ 390,167,476</u>

b. Operating assets and construction in progress are as follows:

	December 31	
	2020	2019
<u>Operating assets, net</u>		
Land improvements	\$ 161,599,299	\$ 165,016,977
Buildings	27,092,694	27,558,084
Machinery and equipment	25,756,415	27,012,524
Transportation equipment	98,673,349	104,848,364
Other equipment	25,847	25,577
	<u>\$ 313,147,604</u>	<u>\$ 324,461,526</u>
<u>Construction in progress</u>		
Prepayments for equipment	\$ 1,569,788	\$ 739,116

c. Operating concession - rental

According to the HSR Right-of-Way Map and the HSR Overpass/Underpass Superficies Space Map appended to the C&O Agreement, the Corporation acquired superficieses from the MOTC on the land of transportation infrastructure and pays the rental every year, including routes, maintenance bases, and stations. The rental is governed by the Public-owned Land Rent Preferential Treatment Scheme under the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, and is subject to the changes in the future reported price of public-owned land and usage of such public-owned land and other relevant factors. The Corporation prepays the rental for the following year by the end of each year, and if the reported price of public-owned land is adjusted, the discrepancies due to that should be paid off in the same year. As of December 31, 2020, the superficieses encompasses northern area to southern area of Taiwan, from Land Lot No. 1042-0001 of Tongxing Section, Xizhi District, New Taipei City located on the north to Land Lot No. 0419-0002 of Subsection 6, Hsinchuang Section, Zuoying District, Kaohsiung City located on the south. The term of such acquired superficieses is from the date of their registration to the date of expiration or termination of the C&O Agreement.

13. OTHER ASSETS

	December 31	
	2020	2019
<u>Other current assets</u>		
Prepayments	\$ 1,355,197	\$ 1,290,402
Others	22,636	53,931
	<u>\$ 1,377,833</u>	<u>\$ 1,344,333</u>
<u>Other non-current assets</u>		
Others	\$ 5,193	\$ 9,240

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Japanese yen (“JPY”) letters of credit	\$ 57,091	\$ 64,980

The range of interest rates at the end of the reporting periods was as follows:

	December 31	
	2020	2019
JPY letters of credit	0.63%-0.85%	0.62%-0.74%

b. Long-term debt

	December 31	
	2020	2019
Syndicated loan		
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	\$ 112,200,000	\$ 120,000,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	145,505,117	156,205,117
	257,705,117	276,205,117
Less: Unamortized cost of long-term debt	(97,634)	(104,800)
	<u>\$ 257,607,483</u>	<u>\$ 276,100,317</u>

The Corporation entered into the Taiwan North-South High Speed Rail Construction and Operation Tripartite Agreement (the “Tripartite Agreement”) with the MOTC and Bank of Taiwan on January 8, 2010, and the NT\$382 billion Syndicated Loan Agreement with respect to Taiwan North-South High Speed Rail Construction and Operation Project (the “Syndicated Loan Agreement”) with a group of eight syndicated banks. The syndicated banks of the Syndicated Loan Agreement consist of Bank of Taiwan, Mega International Commercial Bank, Taiwan Cooperative Bank, Land Bank of Taiwan, First Commercial Bank, Taiwan Business Bank, Chang Hwa Commercial Bank, and Hua Nan Commercial Bank. The significant terms are as follows:

- 1) The syndicated loan includes Tranches A1, A2, A3, B, C and D with different credit facilities. Tranches A1, A2, C and D are credit facilities, Tranche A3 is corporate bond guarantee facility, and Tranche B is performance guarantee facility. Tranche A3, C and D were fully redeemed and cannot be issued afterwards.
- 2) The Corporation provided assets (refer to assets to be transferred to the MOTC under the C&O Agreement) as collateral for the syndicated loan (the Corporation’s assets are not required to be registered with the syndicated banks for creating rights attached to the Corporation’s such assets). When the value of the collateral is less than the balance of the outstanding syndicated loan, the Corporation shall negotiate with Bank of Taiwan and the MOTC for solutions. However, if an agreement cannot be reached within 45 days after the date of the negotiation notice issued by Bank of Taiwan, the Corporation should redeem the difference immediately. The aforementioned collateral is inspected in May and November every year. The re-assessment mechanism for collateral value is inactive when Tranche B Facility is not utilized.
- 3) According to the Syndicated Loan Agreement, the Corporation opened capital account and reserve account at Bank of Taiwan for deposits and financial instruments. The Corporation is free to use the capital account; however, the reserve account is restricted and pledged as collateral to Bank of Taiwan, and is recorded as other financial assets. Refer to Notes 9 and 28 for further information.

4) The repayment schedule and interest rates of the Syndicated Loan Agreement are as follows:

a) Repayment schedule

	<u>Repayment Schedule</u>	<u>Ratio of Repayment</u>	<u>Repayment schedule after Early Repayment</u>	<u>Number of Semi-annual Installment Repayment after Early Repayment</u>
Tranche A1 Facility	May 4, 2021- November 4, 2040	1.5% per installment	May 4, 2023- November 4, 2040	Installments 05-40
	May 4, 2041- November 4, 2049	2.0% per installment	May 4, 2041- May 4, 2049	Installments 41-57
	May 4, 2050	4.0% per installment		
Tranche A2 Facility	May 4, 2021- November 4, 2040	1.5% per installment	May 4, 2023.5.4- November 4, 2040	Installments 05-40
	May 4, 2041- November 4, 2049	2.0% per installment	May 4, 2041- May 4, 2048	Installments 41-55
	May 4, 2050	4.0% per installment		

On March 3, 2020, the Corporation made early repayment for \$8 billion and repaid interest differences for \$276,433 thousand due to early repayment of the loan.

On July 2, 2020, the Corporation made early repayment for \$10.5 billion and repaid interest differences for \$358,420 thousand due to early repayment of the loan.

b) Interest rates

The interest rates (including 5% VAT) of the Tranche A1 Facility and Tranche A2 Facility are determined as the reference rate (1-year time deposit floating rate of Chunghwa Post Co., Ltd.) plus spread as listed on the table below. Due to the step-up spread mechanism, the Corporation shall make up for the deficit of the interests below the agreed interest rate to the syndicated banks if early redemption occurs. As of December 31, 2020 and 2019, the reference rates were 0.81% and 1.06%, respectively.

<u>Syndicated Period</u>	<u>Markup Interest Rates</u>
May 4, 2010 - May 3, 2012	0.10%
May 4, 2012 - May 3, 2013	0.20%
May 4, 2013 - May 3, 2014	0.30%
May 4, 2014 - May 3, 2015	0.40%
May 4, 2015 - May 3, 2016	0.50%
May 4, 2016 - May 3, 2017	0.60%
May 4, 2017 - May 3, 2018	0.70%
May 4, 2018 - May 3, 2040	0.92%
May 4, 2040 - May 4, 2049	1.08%

5) The interest on Tranche A1 and A2 Facilities is calculated based on the Syndicated Loan Agreement. The Corporation computes interest expense by the effective interest method. Interest payment that is due longer than one year is recognized as long-term interest payable according to the agreement. The effective interest rates, accrued interest expense, and interest expense were summarized as follows:

a) Effective interest rates

	December 31	
	2020	2019
Tranche A1 Facility	1.66%	1.91%
Tranche A2 Facility	1.67%	1.92%

b) Accrued interest expense (included in other payables)

	December 31	
	2020	2019
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 173,538	\$ 212,417
Tranche A2 Facility	225,051	276,505
	<u>\$ 398,589</u>	<u>\$ 488,922</u>

c) Long-term interest payable

	December 31	
	2020	2019
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 3,408,809	\$ 3,870,760
Tranche A2 Facility	3,974,874	4,579,320
	<u>\$ 7,383,683</u>	<u>\$ 8,450,080</u>

d) Interest expense

	For the Year Ended December 31	
	2020	2019
<u>Syndicated loan</u>		
Interest expense	\$ 4,560,970	\$ 5,285,003

15. BONDS PAYABLE

	December 31	
	2020	2019
Domestic unsecured bond		
Issued 30-year bond on November 14, 2019, interest payable at 1.6% per annum	\$ 8,000,000	\$ 8,000,000
Issued 30-year bond on July 1, 2020, interest payable at 1.3% per annum	10,500,000	-
	18,500,000	8,000,000
Less: Unamortized issuance cost	(21,280)	(9,671)
	<u>\$ 18,478,720</u>	<u>\$ 7,990,329</u>

The trustee of the abovementioned corporate bonds' creditors is Taishin International Bank.

16. OPERATING CONCESSION LIABILITIES

	December 31	
	2020	2019
Operating concession liabilities	\$ 79,337,100	\$ 78,516,696
Value of returned superficies for offset of profit sharing payable	(22,925,504)	(22,475,984)
	<u>\$ 56,411,596</u>	<u>\$ 56,040,712</u>
Current	\$ 541,931	\$ 777,511
Non-current	55,869,665	55,263,201
	<u>\$ 56,411,596</u>	<u>\$ 56,040,712</u>

According to the C&O Agreement, the Corporation is required to share profit with the MOTC for the development and construction of HSR infrastructure and facilities. Refer to Note 29.a.2.) for further information. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. The information about the amortization expense of operating concession assets and the interest expense of operating concession liabilities during the concession period is summarized as follows:

Year	Amortization Expense	Interest Expense	Total
Up to December 31, 2020	\$ 17,835,678	\$ 21,521,600	\$ 39,357,278
2021 (estimate)	1,097,608	1,629,873	2,727,481
2022 (estimate)	1,097,608	1,662,470	2,760,078
2023 (estimate)	1,097,608	1,395,720	2,493,328
2024 (estimate)	1,097,608	1,423,634	2,521,242
2025-2033 (estimate)	9,878,473	10,394,660	20,273,133
2034-2068 (estimate)	37,867,460	-	37,867,460
	<u>\$ 69,972,043</u>	<u>\$ 38,027,957</u>	<u>\$ 108,000,000</u>

According to the Financial Resolution Plan, the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the Corporation used the appraised fair value of returned superficies of \$22,613,234 thousand to proportionally offset the operating concession liabilities (profit sharing payable), which is payable to the MOTC at the end of every five years. The estimated offset amount is \$29,784,855 thousand. Refer to Note 29 a. 2) for further details. The information on actual and estimated profit or loss recognized on the value of returned superficies for offset of profit sharing payable within the concession period is summarized as follows:

<u>Year</u>	<u>Other Gain</u>	<u>Deduction of Interest Expense</u>	<u>Total</u>
Up to December 31, 2020	\$ 22,613,234	\$ 2,315,791	\$ 24,929,025
2021 (estimate)	-	458,510	458,510
2022 (estimate)	-	467,680	467,680
2023 (estimate)	-	391,989	391,989
2024 (estimate)	-	399,829	399,829
2025-2033 (estimate)	-	3,137,822	3,137,822
	<u>\$ 22,613,234</u>	<u>\$ 7,171,621</u>	<u>\$ 29,784,855</u>

As of December 31, 2020, the Corporation's accumulated profit sharing payments paid to the MOTC amounted to \$10,153,022 thousand (or accumulated profit sharing payments for \$12,156,543 thousand less the deductible amount of returned superficies for \$2,003,521 thousand).

17. PROVISIONS

a. Provisions

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Provision for controversial overtime pay	\$ 283,279	\$ 283,279
Provision for stabilization reserve	885,959	6,084,658
	<u>\$ 1,169,238</u>	<u>\$ 6,367,937</u>
<u>Non-current</u>		
Provision for stabilization reserve	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>

b. Movements in provisions were as follows:

	<u>Balance at January 1, 2020</u>	<u>Addition</u>	<u>Usage</u>	<u>Balance at December 31, 2020</u>
<u>Current</u>				
Provision for controversial overtime pay	\$ 283,279	\$ -	\$ -	\$ 283,279
Provision for stabilization reserve	6,084,658	885,959	(6,084,658)	885,959
	<u>\$ 6,367,937</u>	<u>\$ 885,959</u>	<u>\$ (6,084,658)</u>	<u>\$ 1,169,238</u>
<u>Non-current</u>				
Stabilization reserve	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>
	<u>Balance at January 1, 2019</u>	<u>Addition</u>	<u>Balance at December 31, 2019</u>	
<u>Current</u>				
Provision for controversial overtime pay	\$ 283,279	\$ -	\$ -	\$ 283,279
Provision for stabilization reserve	-	6,084,658	-	6,084,658
	<u>\$ 283,279</u>	<u>\$ 6,084,658</u>	<u>\$ -</u>	<u>\$ 6,367,937</u>
<u>Non-current</u>				
Provision for stabilization reserve	\$ 9,560,897	\$ 439,103	\$ -	\$ 10,000,000
	<u>\$ 9,560,897</u>	<u>\$ 439,103</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>

1) Controversial overtime pay

Part of the Corporation's employees are required to work in shifts due to the nature of the Corporation's business. The national holidays are adjusted to regular holidays for employees who work in shifts and the combination of adjusted national holidays and regular holidays has been excluded in the calculation of regular working hours for the entire year. However, the Taiwan High Speed Rail Corporation Labor Union (the "THSRC Labor Union") claimed that overtime should be paid if employees working in shifts worked on national holidays. Concerning the controversy over the calculation of overtime hours in every two consecutive weeks, and the improvement of policy on recess during regular days and holidays, in January 2016, the THSRC Labor Union proclaimed that employees working in shifts should cease to work overtime on Chinese New Year Holidays. In order to uphold the rights of both the passengers and employees, the Corporation has reached an agreement regarding the aforementioned controversy with the THSRC Labor Union on January 21, 2016. The Corporation shall finish the calculation of overtime hours and overtime pay on the abovementioned adjusted national holidays and working hours of two consecutive weeks, and after confirmation of the calculated amount of overtime, the Corporation shall sign agreements with employees individually, and half of the overtime pay shall be paid as an incentive bonus. The Corporation and the THSRC Labor Union agreed to settle the litigation on the Taipei City Government Labor Sanction in the Taipei High Administrative Court. In the final judgment, if the Corporation loses the lawsuit, the abovementioned incentive bonus shall be considered as part of the overtime pay to the employees; if the Corporation wins the lawsuit, the abovementioned incentive bonus shall remain in its nature as incentive bonus and does not need to be returned to the Corporation. This administrative litigation was rejected by Taipei High Administrative Court in June 2018. After the Corporation lodged an appeal against the verdict, the Supreme Administrative Court has decided that the original judgment be remanded to the Taipei High Administrative Court in October 2019. In December 2020, the Taipei High Administrative Court reversed the original ruling regarding violation of Article 24 of the Labor Standards Act. As for the unfavorable ruling on the parts related to Article 37 of the Labor Standards Act, the Corporation has filed an appeal by the end of the statutory appealing period.

As of December 31, 2020, the Corporation evaluated the most likely result and recognized the provision for controversial overtime pay for \$283,279 thousand.

2) Stabilization reserve

Please refer to Note 29.a.3) regarding the recognition and use of provision for stabilization reserve. For the years ended December 31, 2020 and 2019, additional provision for the stabilization reserve expenses amounted to \$885,959 thousand and \$6,523,761 thousand, respectively. In August 2020, the Corporation contributed \$6,084,658 thousand to the Stabilization Mechanism Account in accordance with the C&O agreement, and was in compliance with MOTC's policies to utilize the funds. As of December 31, 2020, balance of the stabilization reserve account was \$10,885,959 thousand recognized and the Stabilization Mechanism Account has a zero balance.

18. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Other payables</u>		
Accrued expenses	\$ 2,500,143	\$ 2,362,196
Accrued interest expense	483,522	505,382
Business tax payable	243,108	304,910
Others	36,088	24,874
	<u>\$ 3,262,861</u>	<u>\$ 3,197,362</u>
<u>Other current liabilities</u>		
Contract liabilities (Note 21)	\$ 607,606	\$ 1,233,056
Lease liabilities (Note 11)	166,876	153,230
Receipts under custody	29,014	28,929
Rent received in advance	3,936	49,813
Others	25,968	12,887
	<u>\$ 833,400</u>	<u>\$ 1,477,915</u>
<u>Other non-current liabilities</u>		
Net defined benefit liability (Note 19)	\$ 281,448	\$ 256,562
Guarantee deposits received	257,469	189,868
Deferred revenue	11,649	5,895
	<u>\$ 550,566</u>	<u>\$ 452,325</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The Corporation also adopted a defined benefit plan under the Labor Standards Act (the “LSA”). Under the LSA, pension benefits are calculated based on the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committees’ name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Corporation is required to fund the difference in a one-time appropriation that shall be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Corporation has no right to influence the investment policy and strategy.

Through the defined benefit plans under the LSA, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be lower than the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the value on the plan’s debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The amounts included in the balance sheets in respect of the Corporation’s obligations under its defined benefit plan are as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ (887,099)	\$ (844,479)
Fair value of plan assets	605,651	587,917
Net defined benefit liability	<u>\$ (281,448)</u>	<u>\$ (256,562)</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	\$ (782,888)	\$ 572,190	\$ (210,698)
Current service cost	(13,714)	-	(13,714)
Net interest income (expense)	(10,827)	7,999	(2,828)
Recognized in profit or loss	(24,541)	7,999	(16,542)
Remeasurement			
Return on plan assets	-	17,845	17,845
Actuarial loss - experience adjustments	(42,224)	-	(42,224)
Actuarial loss - changes in financial assumptions	(24,482)	-	(24,482)
Recognized in other comprehensive income	(66,706)	17,845	(48,861)
Contributions from the employer	-	19,539	19,539
Benefits paid	29,656	(29,656)	-
Balance at December 31, 2019	(844,479)	587,917	(256,562)
Current service cost	(13,036)	-	(13,036)
Net interest income (expense)	(9,450)	6,612	(2,838)
Recognized in profit or loss	(22,486)	6,612	(15,874)
Remeasurement			
Return on plan assets	-	17,378	17,378
Actuarial loss - experience adjustments	(11,688)	-	(11,688)
Actuarial loss - changes in financial assumptions	(34,256)	-	(34,256)
Recognized in other comprehensive income	(45,944)	17,378	(28,566)
Contributions from the employer	-	19,554	19,554
Benefits paid	25,810	(25,810)	-
Balance at December 31, 2020	\$ (887,099)	\$ 605,651	\$ (281,448)

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	Measurement Date	
	December 31	
	2020	2019
Discount rate	0.8%	1.15%
Expected salary growth rate	2.25%	2.25%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as shown on the table below. The sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Discount rate		
Increase 0.5%	\$ (48,506)	\$ (47,993)
Decrease 0.5%	\$ 52,446	\$ 52,067
Expected salary growth rate		
Increase 0.5%	\$ 51,794	\$ 51,587
Decrease 0.5%	\$ (48,413)	\$ (48,047)

An analysis of the average duration of the defined benefit obligation was as follows:

	December 31	
	2020	2019
The expected contributions to the plan for the next year	\$ 33,931	\$ 45,398
The average duration of the defined benefit obligation	10.0 years	10.6 years

- c. Please refer to Note 22.a. for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income for the years ended December 31, 2020 and 2019.

20. EQUITY

a. Capital stock

	December 31	
	2020	2019
Number of shares authorized (in thousands)	12,000,000	12,000,000
Shares authorized	\$ 120,000,000	\$ 120,000,000
Number of shares issued and fully paid (in thousands)	5,628,293	5,628,293
Share capital issued and outstanding	\$ 56,282,930	\$ 56,282,930

A holder of issued common stock with par value of \$10 is entitled to vote and to receive dividends.

On November 26, 2015, the Corporation conducted capital injection and issued 3,000,000 thousand shares of common stock through a private placement at par value of \$10, or a total of \$30,000,000 thousand. The rights and obligations of the aforementioned privately placed common stock are the same as other common stock issued, except that such common stock has not yet been applied to be listed and traded on the Taiwan Stock Exchange.

b. Capital surplus

	December 31	
	2020	2019
Issuance of common stock	\$ 171,885	\$ 171,885
Forfeited employee share options	1,096	1,096
	<u>\$ 172,981</u>	<u>\$ 172,981</u>

The capital surplus generated from shares issued in excess of par may be used to offset an accumulated deficit, if any; in addition, when the Corporation has no accumulated deficit, such capital surplus may be transferred to share capital or distributed in cash. Capitalization of such capital surplus is limited to once a year and a certain prescribed percentage of the Corporation's paid-in capital. The capital surplus generated from forfeited employee share options may not be used for any purpose except for offsetting an accumulated deficit.

c. Legal reserve and appropriation of earnings

Under the dividend policy set forth in the Articles, after the resolution of the board of directors to distribute employees' compensation and remuneration to directors, and payments for all taxes and duties, 10% of the remaining after-tax profit is set aside as legal reserve. However, when the legal reserve equals the Corporation's paid-in capital, further appropriation of earnings to legal reserve will no longer be required. Furthermore, after reversal or appropriation of special reserve according to related regulations, the remainder together with any accumulated unappropriated earnings may be distributed to stockholders as proposed by the board of directors and ultimately resolved by the stockholders.

The Corporation's dividend policy takes into account current and future development projects, consideration of investment environment, demand for funds and situations of domestic and international competitions, and consideration of stockholders' benefits and other relevant factors to determine earnings distribution. The Corporation adopts a stable and balanced dividend policy. Distributable earnings shall be appropriated at the rate no less than 60% to stockholders as dividends; however, when accumulated unappropriated earnings are lower than 0.5% of paid-in capital, no appropriation shall be made. Dividends to be distributed shall be paid either in cash or in share, and cash dividends shall be no less than 50% of total dividends.

For the information on the appropriation policy, actual distributions of employees' compensation and remuneration to directors, refer to Note 22.a.

The appropriations of earnings for 2019 and 2018 approved in the stockholders' meetings on May 21, 2020 and May 30, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2019	For Fiscal Year 2018	For Fiscal Year 2019	For Fiscal Year 2018
Legal reserve	\$ 800,703	\$ 1,069,638		
Cash dividends	6,810,797	6,303,688	\$ 1.2101	\$ 1.1200
	<u>\$ 7,611,500</u>	<u>\$ 7,373,326</u>		

Information on the appropriations of earnings, which is resolved by the board of directors and stockholders, is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Railroad transportation revenue	\$ 37,903,849	\$ 46,107,656
Other operating revenue	1,233,356	1,399,734
	<u>\$ 39,137,205</u>	<u>\$ 47,507,390</u>

a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable	\$ 218,092	\$ 333,092	\$ 505,565
Contract liabilities			
Railroad transportation revenue	\$ 491,626	\$ 1,163,968	\$ 534,736
Customer loyalty program	107,989	62,629	120,467
Others	7,991	6,459	10,338
	<u>\$ 607,606</u>	<u>\$ 1,233,056</u>	<u>\$ 665,541</u>

The changes in the balances of contract liabilities primarily result from the timing difference between the Corporation's performance and the customer's payment.

Revenue of the current year recognized from the beginning balance of contract liability is as follows:

	For the Year Ended December 31	
	2020	2019
From the beginning balance of contract liability		
Railroad transportation revenue	\$ 1,156,393	\$ 529,513
Customer loyalty program	54,160	108,738
Others	6,179	10,336
	<u>\$ 1,216,732</u>	<u>\$ 648,587</u>

b. Revenue from contracts with customers

The Corporation is engaged only in the operation of HSR and related facilities. Consequently, there is no other reportable segment. Revenue is railroad transportation revenue.

c. Partially completed contracts

For the performance obligations that are not fully satisfied, the expected timings for recognition of revenue are as follows.

	<u>December 31, 2020</u>
Railroad transportation revenue	
In 2021	\$ 486,674
In 2022	<u>4,952</u>
	<u>491,626</u>
Customer loyalty program	
In 2021	96,738
In 2022	<u>11,251</u>
	<u>107,989</u>
Others	
In 2021	<u>7,991</u>
	<u>\$ 607,606</u>

22. INCOME BEFORE INCOME TAX

Income before income tax was as follows:

a. Employee benefit expense

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Post-employment benefits		
Defined contribution plan	\$ 190,370	\$ 188,484
Defined benefit plan	<u>15,874</u>	<u>16,542</u>
	<u>206,244</u>	<u>205,026</u>
Short-term employee benefits		
Payroll	4,392,124	4,256,287
Insurance	366,055	358,744
Others	<u>193,038</u>	<u>193,872</u>
	<u>4,951,217</u>	<u>4,808,903</u>
	<u>\$ 5,157,461</u>	<u>\$ 5,013,929</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 4,283,589	\$ 4,156,369
Operating expenses	<u>873,872</u>	<u>857,560</u>
	<u>\$ 5,157,461</u>	<u>\$ 5,013,929</u>

For the years ended December 31, 2020 and 2019, the professional service fee was \$2,138 thousand and \$5,677 thousand, respectively.

Under the Corporation's Articles of Incorporation, if there is any after-tax profit at the end of the year, the Corporation shall first make up for accumulated losses and then distribute employees' compensation and remuneration to directors at the rates not less than 1% and not higher than 1%, respectively, of remaining distributable profit. The employees' compensation and remuneration to directors of the Corporation were calculated based on income before income tax (net of the employees' compensation and remuneration to directors) according to the above policy. For the years ended December 31, 2020 and 2019, the estimated employees' compensation in cash was \$111,165 thousand and \$159,489 thousand, and the estimated remuneration to directors in cash was \$27,791 thousand and \$39,872 thousand, respectively.

Material differences between estimated amounts and the amounts resolved by the board of directors on or before the date the annual financial statements are approved are adjusted in the year the compensation and remuneration were recognized. If there is a change in the resolved amounts after the annual financial statements were approved, the differences are recorded as a change in accounting estimate and adjusted in the following year.

The board of directors had resolved the employees' compensation of \$111,165 thousand and the remuneration to directors of \$27,791 thousand for the year ended December 31, 2020 payable in cash on January 20, 2021 which were the same amounts recognized in the financial statements for the year ended December 31, 2020.

The board of directors had resolved the employees' compensation of \$159,489 thousand and the remuneration to directors of \$39,872 thousand for the year ended December 31, 2019 payable in cash on January 15, 2020 which were the same amounts recognized in the financial statements for the year ended December 31, 2019.

Information on the employees' compensation and remuneration to directors resolved by the board of directors and reported in the stockholders' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 47,934	\$ 40,205
Right-of-use assets	164,385	162,089
Intangible assets	13,958,833	13,794,304
Other non-current assets	4,423	4,546
	<u>\$ 14,175,575</u>	<u>\$ 14,001,144</u>
An analysis of depreciation by function		
Operating costs	\$ 187,110	\$ 179,923
Operating expenses	25,209	22,371
	<u>\$ 212,319</u>	<u>\$ 202,294</u>
An analysis of amortization by function		
Operating costs	\$ 13,957,127	\$ 13,794,118
Operating expenses	6,129	4,732
	<u>\$ 13,963,256</u>	<u>\$ 13,798,850</u>

c. Interest income

	For the Year Ended December 31	
	2020	2019
Interest income of repurchase agreement collateralized by government bonds	\$ 94,132	\$ 122,118
Interest income of bank deposits	40,682	40,550
Others	34	32
	<u>\$ 134,848</u>	<u>\$ 162,700</u>

d. Interest expense

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 4,567,779	\$ 5,292,487
Interest on operating concession liabilities	1,148,395	1,125,877
Interest on bonds payable	197,008	16,491
Interest on long-term bills payable	-	13,130
Others	6,029	6,639
	<u>\$ 5,919,211</u>	<u>\$ 6,454,624</u>

e. Other gains and losses

	For the Year Ended December 31	
	2020	2019
COVID-19 relief of bill payment assistance (Note)	\$ 190,095	\$ -
Liquidated damages and termination compensation	60,824	12,510
Gains on financial assets at FVTPL	30,111	1,832
Compensation gain	15,921	52,346
Government grants	11,274	3,554
Foreign exchange (loss) gain, net	(25,180)	4,816
Loss on disposal of intangible assets, net	(11,393)	(636)
Others	11,296	4,418
	<u>\$ 282,948</u>	<u>\$ 78,840</u>

Note: Mainly composed of the electricity payment reduction and other relief package that the Corporation applied to and obtained from the government.

23. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ (33,594)	\$ (104,333)
Income tax on unappropriated earnings	(17,822)	(162,152)
Adjustments for prior years	123,816	103
Deferred tax		
In respect of the current year	351,326	498,307
Income tax benefit	<u>\$ 423,726</u>	<u>\$ 231,925</u>

A reconciliation of income before income tax and income tax benefit was as follows:

	For the Year Ended December 31	
	2020	2019
Income tax expense calculated at the statutory rate	\$ (1,083,862)	\$ (1,555,021)
Nondeductible expenses in determining taxable income	(4,091)	(9,590)
Change in unrecognized deductible temporary differences	1,009,418	(1,181,032)
Income tax on unappropriated earnings	(17,822)	(162,152)
Income tax exemption effect	391,239	3,119,694
Adjustments for prior years	123,816	103
Others	5,028	19,923
Income tax benefit recognized in profit or loss	<u>\$ 423,726</u>	<u>\$ 231,925</u>

Under the amendment to the ROC Statute of Industrial Innovation in 2019, the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

According to Article 28 of the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, the Corporation applied for a five-year income tax exemption. On April 13, 2018, the Ministry of Finance approved the application for income tax exemption, and the qualified exemption income is railroad and freight transportation income according to Article 3, Section 1, Item 1 of the Regulations Governing Application of Profit-seeking Enterprise Income Tax Exemption to Private Institutions Participating in Transportation and Communication Infrastructure Projects. The Corporation chose to start and has started its consecutive five-year income tax exemption period from January 1, 2017 according to Article 28, Section 2 of the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plan	\$ 5,713	\$ 9,772

c. Deferred tax assets

For the year ended December 31, 2020

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Profit sharing payments	\$ 5,154,291	\$ 376,362	\$ -	\$ 5,530,653
Provisions	2,092,556	(30,322)	-	2,062,234
Deferred revenue	12,526	9,072	-	21,598
Defined benefit obligation	47,597	-	5,713	53,310
Others	9,242	(3,786)	-	5,456
	<u>\$ 7,316,212</u>	<u>\$ 351,326</u>	<u>\$ 5,713</u>	<u>\$ 7,673,251</u>

For the year ended December 31, 2019

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Profit sharing payments	\$ 4,774,930	\$ 379,361	\$ -	\$ 5,154,291
Provisions	1,968,835	123,721	-	2,092,556
Deferred revenue	24,094	(11,568)	-	12,526
Defined benefit obligation	37,825	-	9,772	47,597
Others	2,449	6,793	-	9,242
	<u>\$ 6,808,133</u>	<u>\$ 498,307</u>	<u>\$ 9,772</u>	<u>\$ 7,316,212</u>

d. Items for which no deferred tax assets have been recognized

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Deductible temporary differences		
Provision	<u>\$ 171,614</u>	<u>\$ 1,181,032</u>

e. Income tax assessments

The tax authorities have assessed the tax returns through 2017.

24. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share (NT\$)	\$ 1.04	\$ 1.42

The net income and weighted average number of common stock outstanding that were used in the computation of earnings per share were as follows:

	For the Year Ended December 31	
	2020	2019
Earnings attributable to common stockholders	\$ 5,843,037	\$ 8,007,033
Weighted average number of common stock in the computation of basic earnings per share (in thousands)	5,628,293	5,628,293

25. CAPITAL MANAGEMENT

The Corporation manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its needs, including working capital needs within 12 months, capital expenditure during the concession period, profit sharing payments, repayments of long-term and short-term debt, repayments of unsecured domestic bonds and other operating needs.

26. FINANCIAL INSTRUMENTS

a. Financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 15,218,000	\$ 330,443
Financial assets at amortized cost		
Other financial assets	21,157,320	24,310,267
Others (Note 1)	879,191	16,641,362

Financial liabilities

Financial liabilities at amortized cost (Note 2)	342,965,616	351,625,069
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Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable, and other receivables (included in other current assets).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, accounts payable, operating concession liabilities, other payables, payable for construction, bonds payable, long-term debt, long-term interest payable and guarantee deposits received (included in other non-current liabilities). However, short-term employee benefits payable and business tax payable were not included.

b. Fair value of financial instruments

1) Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 inputs are unobservable inputs for the asset or liability.

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Open-end money market funds	<u>\$ 15,218,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,218,000</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Open-end money market funds	<u>\$ 330,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,443</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

3) Valuation techniques and assumptions applied for measuring fair value

The fair values of financial assets and financial liabilities were determined. The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.

c. Financial risk management objectives and policies

The Corporation's major financial risk management goal is to manage risks that relate to operating activities. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. In order to lower relevant financial risks, the Corporation identifies and assesses the risks and takes actions to manage uncertainty of the market.

The board of directors in accordance with related regulations and internal controls, reviews the Corporation's important financial activities. The Corporation also established related financial transaction procedures in accordance with the Corporation's overall financial risk management and segregation of duties.

1) Market risk

a) Foreign currency risk

The Corporation's deposits, accounts payable and payable for construction denominated in foreign currencies exposed the Corporation to foreign currency risk. To control decline in value or fluctuations in future cash flows due to changes in exchange rates, the Corporation enters into forward exchange contracts to hedge foreign exchange risk. Hedging financial instruments can partially, but not entirely, reduce the impact arising from changes in foreign exchange rates.

The Corporation's foreign-currency financial assets and liabilities were as follows (in thousands of respective foreign currencies or New Taiwan dollars):

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,626	28.48	\$ 644,388
JPY	16	0.2764	4
<u>Financial liabilities</u>			
Monetary items			
JPY	874,469	0.2764	241,703
	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,319	30.106	\$ 671,940
JPY	4,931	0.2770	1,366
<u>Financial liabilities</u>			
Monetary items			
JPY	889,301	0.2770	246,337

The Corporation was mainly exposed to USD and JPY foreign currency exchange risks. The sensitivity analysis related to foreign currency exchange rate risk was mainly calculated for foreign currency monetary items at the balance sheet date. If the U.S. dollar weakened against the New Taiwan dollar by 1%, income before income tax would have decreased by \$6,444 thousand and \$6,719 thousand, respectively, for the years ended December 31, 2020 and 2019. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by \$2,417 thousand and \$2,450 thousand for the years ended December 31, 2020 and 2019, respectively.

The significant unrealized exchange gain and loss were as follows:

Foreign Currency	For the Year Ended December 31				
	2020			2019	
	Exchange Rate	Exchange (Loss) Gain, Net		Exchange Rate	Exchange (Loss) Gain, Net
USD	28.48	\$	3,123	30.106	\$ (20,788)
JPY	0.2764		(3,598)	0.2770	8,894

b) Interest rate risk

As of December 31, 2020 and 2019, the Corporation's syndicated loan with floating interest rates amounted to \$257,705,117 thousand and \$276,205,117 thousand. If the market interest rate increased by 1% and all other variables were held constant, the income before income tax of the Corporation would have decreased by \$2,577,051 thousand and \$2,762,051 thousand, for the years ended December 31, 2020 and 2019, respectively.

c) Other price risk

The investments in open-end money market funds (recorded as financial assets at FVTPL) exposed the Corporation to equity price risk. If the price of the funds decreased by 1%, income before income tax would have decreased by \$152,180 thousand and \$3,304 thousand for the years ended December 31, 2020 and 2019, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. Financial assets with positive fair values at the balance sheet date are evaluated for credit risk. At the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation only transacts with financial institutions and companies with good credit ratings. Therefore, no significant credit risk is anticipated.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of financing facilities and ensures compliance with loan covenants.

The following table details the Corporation's remaining contractual maturity for its long-term debt and interest on long-term debt (please refer to Note 14. b.), operating concession liabilities, lease liabilities and bonds payable based on the undiscounted cash flows (excluding non-hedging financial liabilities that are to be settled within one year from the balance sheet date):

December 31, 2020

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2021.1.1-2021.3.31	\$ -	\$ 1,338,263	\$ -	\$ 42,167	\$ -	\$ 1,380,430
2021.4.1-2021.12.31	-	4,014,788	541,931	125,333	264,500	4,946,552
2022	-	7,291,395	8,049,281	157,423	264,500	15,762,599
2023	9,058,460	7,982,218	116,525	149,576	264,500	17,571,279
2024	9,186,153	7,949,231	182,113	74,021	264,500	17,656,018
2025	9,186,153	7,721,809	142,002	73,278	264,500	17,387,742
2026-2033	73,489,228	52,942,424	59,030,271	81,954	2,116,000	187,659,877
2034-2050	156,785,123	44,000,844	-	-	22,868,500	223,654,467
	<u>\$ 257,705,117</u>	<u>\$ 133,240,972</u>	<u>\$ 68,062,123</u>	<u>\$ 703,752</u>	<u>\$ 26,307,000</u>	<u>\$ 486,018,964</u>

December 31, 2019

Repayment Period	Long-term Debt	Interest on Long-term Debt	Operating Concession Liabilities	Lease Liabilities	Principal and Interest on Bonds Payable	Total
2020.1.1-2020.3.31	\$ -	\$ 1,638,182	\$ -	\$ 40,536	\$ -	\$ 1,678,718
2020.4.1-2020.12.31	-	4,914,546	777,511	113,297	128,000	5,933,354
2021	9,186,153	9,039,422	731,700	84,745	128,000	19,170,020
2022	9,186,153	8,952,193	7,859,512	74,570	128,000	26,200,428
2023	9,186,153	8,620,899	116,525	74,449	128,000	18,126,026
2024	9,186,153	8,633,009	182,113	74,021	128,000	18,203,296
2025-2033	82,675,382	65,225,341	59,172,273	155,232	1,152,000	208,380,228
2034-2049	156,785,123	47,259,388	-	-	10,048,000	214,092,511
	<u>\$ 276,205,117</u>	<u>\$ 154,282,980</u>	<u>\$ 68,839,634</u>	<u>\$ 616,850</u>	<u>\$ 11,840,000</u>	<u>\$ 511,784,581</u>

27. TRANSACTIONS WITH RELATED PARTIES

The MOTC under the Executive Yuan owns 43% equity interests in the Corporation's outstanding common stock. Under IAS 24, the Corporation is a government-related entity, which is significantly influenced by the central government. The Corporation is a related party with the government-related entities (e.g., government-owned businesses) which are controlled by the Executive Yuan. However, the Corporation is not a related party with those government-related entities, which are only significantly influenced but not controlled by the Executive Yuan.

The Corporation is not required to disclose transactions and outstanding balances with the government-related entities. In addition to the C&O Agreement entered into with MOTC as stated in Note 29, the names of related parties, relationships, and the nature and amounts of the significant transactions were summarized as follows:

a. Name of related party and relationship

Related Party	Relationship with the Corporation
MOTC	An investor with significant influence over the Corporation
Bank of Taiwan and seven other syndicated banks	A government-related entity controlled by the central government
National Chung-Shan Institute of Science & Technology	A government-related entity controlled by the central government
China Steel Corporation	A legal entity as director of the Corporation
Century Development Corporation	An entity controlled by the legal entity as directors of the Corporation
InfoChamp Systems Corporation	An entity controlled by the legal entity as directors of the Corporation
Others	Individual and legal entity as directors of the Corporation, and individuals and entities controlled by the directors, key management personnel and their relatives, and related parties in substance

b. Operating revenue

The Corporation is mainly engaged in the operation of the North-South High Speed Railway. According to the fare rate standard, timing and procedures of fare adjustment as prescribed in the C&O Agreement and regulated by the MOTC, the Corporation's ticket price setting and adjustment shall be reported to the MOTC before they are announced and implemented. The transportation services and ticket prices provided to related parties were the same as those provided to general public passengers.

c. Operating costs

1) Profit sharing payments

According to the C&O Agreement, during the operating period, the Corporation shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as intangible assets - operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. Please refer to Note 16 and Note 29.a.2.) for further information.

2) Operating concession - rental

The transactions between the Corporation and the MOTC were as follows, and, as for the nature, refer to Note 12.c. for further details:

a) Rental expense

Related Party Name	For the Year Ended December 31	
	2020	2019
Railway Bureau, MOTC	\$ 779,030	\$ 786,036
Taiwan Railways Administration, MOTC	50,194	48,346
	\$ 829,224	\$ 834,382

b) Prepaid rentals (included in other current assets)

<u>Related Party Name</u>	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Railway Bureau, MOTC	\$ 777,492	\$ 785,906
Taiwan Railways Administration, MOTC	50,194	48,325
	<u>\$ 827,686</u>	<u>\$ 834,231</u>

3) Purchases of inventories

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
National Chung-Shan Institute of Science & Technology	\$ 101,454	\$ 65,209

Terms of the foregoing purchases with related parties were not significantly different from transactions with non-related parties.

d. Non-operating income and expenses

1) Interest expense

Refer to Note 16 for the interest expense recognized on the operating concession liabilities, and the deduction of interest expense recognized on the value of returned superficies for offset of profit sharing payable using the effective interest method due to termination of the SZD Agreement.

2) Performance delay income (included in other gain or loss)

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
InfoChamp Systems Corporation	\$ 6,526	\$ -

e. Payables to related parties

1) Accounts payable

<u>Related Party Name</u>	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
National Chung-Shan Institute of Science & Technology	\$ 11,917	\$ 2,456

2) Payable for construction

<u>Related Party Name</u>	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
InfoChamp Systems Corporation	\$ 2,804	\$ 160,932

f. Acquisition of intangible assets - operating concession assets

<u>Related Party Name</u>	<u>Purchase Price</u>	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
InfoChamp Systems Corporation	\$ 2,236	\$ 193,005

g. Intangible assets - construction in progress of the operating concession assets

Related Party Name	For the Year Ended December 31	
	2020	2019
China Steel Corporation	\$ 117,333	\$ 29,333
InfoChamp Systems Corporation	7,267	-
	<u>\$ 124,600</u>	<u>\$ 29,333</u>

h. Disposal of intangible assets - operating concession assets

Related Party Name	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
InfoChamp Systems Corporation	\$ 2,000	\$ -	\$ 528	\$ -

i. Lease arrangements

The transactions between the Corporation with Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC and Century Development Corporation were as follows:

Related Party Name	Acquisition of right-of-use assets	
	For the Year Ended December 31	
	2020	2019
Century Development Corporation	\$ 183,102	\$ -

Line Item	Related Party	December 31	
		2020	2019
Lease liabilities (Note 11)	Century Development Corporation	\$ 177,859	\$ 53,243
	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	80,284	93,000
		<u>\$ 258,143</u>	<u>\$ 146,243</u>

j. Long-term debt

The Corporation has entered into the Tripartite Agreement with the MOTC and Bank of Taiwan. In addition, the Corporation has entered into the Syndicated Loan Agreement with Bank of Taiwan and seven other syndicated banks. If an early termination of the C&O Agreement occurs, the MOTC shall assume the remaining obligations under Tranche A Facility of the Syndicated Loan Agreement. Please refer to Note 14. b. for further information on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

k. The Corporation was in compliance with MOTC's policies to utilize the funds of the Stabilization Mechanism Account. Please refer to Note 17.b.2) for further information.

I. Compensation of key management personnel

Compensation of key management personnel was as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 90,299	\$ 103,008
Post-employment benefits	942	878
	<u>\$ 91,241</u>	<u>\$ 103,886</u>

28. PLEDGED ASSETS

Pledged Assets	Pledged to Secure	December 31	
		2020	2019
Other financial assets - current:			
Repurchase agreement collateralized by government bonds	Syndicated loan	\$ 1,243,000	\$ 1,577,000
Time deposits	Trust deposit of unearned revenue	68,000	-
Time deposits	Guarantee for oil purchase	3,120	-
Time deposits	Guarantee for customs duties	-	22,442
Time deposits	Guarantee for office lease	-	16,278
Time deposits	Guarantee for project subsidy	-	10,520
Demand deposits	Trust deposit of unearned revenue	19,064	21,676
Demand deposits	Syndicated loan	2,195	1,224
Demand deposits	Project subsidy	-	2,001
		<u>1,335,379</u>	<u>1,651,141</u>
Other financial assets - non-current:			
Time deposits	Performance guarantee for the C&O Agreement	2,000,000	2,000,000
Time deposits	Guarantee for customs duties	42,045	20,000
Time deposits	Guarantee for office lease	16,278	-
Time deposits	Guarantee for parking lease	7,203	7,134
Time deposits	Trust deposit of unearned revenue	-	68,000
Time deposits	Guarantee for oil purchase	-	3,120
		<u>2,065,526</u>	<u>2,098,254</u>
		<u>\$ 3,400,905</u>	<u>\$ 3,749,395</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Construction and operation agreement

The significant provisions of the C&O Agreement were as follows:

- 1) The concession period, including the construction period and operating period, for the construction and operation of HSR is 70 years from the date of agreement, and can be extended pursuant to the C&O Agreement.
- 2) During the operating period, the Corporation shall make profit sharing payments at 10% of the net income before income tax to the MOTC each year for the development and construction of HSR infrastructure and facilities. However, if the accumulated amount of the profit sharing payments is less than the amount listed in the table below, the latter shall prevail.

As of the end of the fifth year of full operation	\$	2 billion
As of the end of the tenth year of full operation		10 billion
As of the end of the fifteenth year of full operation		25 billion
As of the end of the twentieth year of full operation		48 billion
As of the end of the twenty-fifth year of full operation		75 billion
As of July 23, 2033		108 billion

According to the SZD Termination Agreement, the Corporation and MOTC engaged impartial and professional appraisal firms to appraise the fair value of the superficieses returned to the MOTC for \$22,613,234 thousand. The value of the returned superficieses is allowed by the MOTC to offset the profit sharing payments for \$29,784,855 thousand at the end of every five years as follows:

As of the end of the tenth year of full operation	\$	2,003,521 thousand
As of the end of the fifteenth year of full operation		4,252,245 thousand
As of the end of the twentieth year of full operation		6,520,109 thousand
As of the end of the twenty-fifth year of full operation		7,654,041 thousand
As of July 23, 2033		9,354,939 thousand

Starting from 2013, the Corporation prepares its financial statements in accordance with IFRSs endorsed by the FSC. Refer to Note 16 for the recognition of profit sharing payments as operating concession liabilities.

- 3) The Corporation should establish a financial stabilization mechanism starting from 2016.
 - a) From 2016 to the year the stabilization reserve is calculated, if the annual average of net income (loss) and the effect of retrospective adjustments that resulted from the change in accounting policies exceed \$3.5 billion, the stabilization reserve should be provided as described below:
 - i. If the Corporation's EBT in the current year is higher than A1 but less than A2, the EBT is regarded as operation incentive and no stabilization reserve should be provided (refer to the note below for the definitions of EBT, A1, A2 and A3).
 - ii. If the Corporation's EBT in the current year is higher than A2 but less than A3, the stabilization reserve should be provided in the current year as follows:
 $(EBT - A2) \times 50\%$
 - iii. If the Corporation's EBT in the current year is higher than A3, the stabilization reserve should be provided in the current year as follows:
 $(A3 - A2) \times 50\% + (EBT - A3) \times 70\%$
 EBT = Income (loss) before income tax, net of the stabilization reserve and the compensation and remuneration set out in Article 235-1 of the Company Act.
 A1 = Net income of \$3.5 billion \div (1 - The statutory tax rate)
 A2 = Net income of \$4.0 billion \div (1 - The statutory tax rate)
 A3 = Net income of \$4.5 billion \div (1 - The statutory tax rate)

- b) If the Corporation's EBT in the current year is less than A1, the reversal of the accumulated stabilization reserve should be (A1 - EBT), but only to the extent of the accumulated stabilization reserve equals zero.
- c) The Corporation should open a "Taiwan High Speed Rail Stabilization Mechanism Account" (the "Stabilization Mechanism Account") at Bank of Taiwan.
 - i. If the accumulated stabilization reserve, net of the balance in the Stabilization Mechanism Account, exceeds \$10 billion at the end of any year, the Corporation shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account within one month from the date the MOTC confirms the execution report submitted by the Corporation. The stabilization reserve should also be provided in the same amount for the interest income generated from the Stabilization Mechanism Account.
 - ii. The MOTC may request the Corporation to use the funds of the Stabilization Mechanism Account under the following circumstances:
 - i) Fare discount or fare reduction,
 - ii) Construction of HSR infrastructure and facilities, and
 - iii) In compliance with the government's policies.
 - iii. The accumulated stabilization reserve shall be deducted by the same amount of funds used from the Stabilization Mechanism Account.
 - iv. Except for payment of tax levied on the Stabilization Mechanism Account, the Corporation cannot use the funds of the Stabilization Mechanism Account, unless the Corporation obtains the approval from the MOTC.
- d) Treatments of the stabilization reserve and the Stabilization Mechanism Account upon expiration or early termination of the concession period
 - i. If the accumulated stabilization reserve exceeds the balance of the Stabilization Mechanism Account at the end of the concession period, the Corporation shall contribute the excess amount (net of tax, if any) to the Stabilization Mechanism Account, and the remaining balance of the Stabilization Mechanism Account (net of tax, if any) shall be transferred to a specific account designated by the MOTC.
 - ii. If the C&O Agreement is terminated due to mutual agreement, force majeure or excluded events, the remaining balance of the Stabilization Mechanism Account (net of tax, if any) as of the termination date shall be transferred to a specific account designated by the MOTC, and the excess of the accumulated stabilization reserve over the balance of the Stabilization Mechanism Account shall be allocated to the Corporation.
 - iii. According to the C&O Agreement, if the termination is due to the reasons attributable to the Corporation, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the MOTC.
 - iv. According to the C&O Agreement, if the termination is due to government's policies, all of the accumulated stabilization reserve, including the balance of the Stabilization Mechanism Account, shall be allocated to the Corporation.

- e) Starting from 2017, the following year after the mechanism became effective, the Corporation shall submit to the MOTC an execution report audited by independent auditors, including provision, contribution, accumulated balance of the stabilization reserve, and the utilization and balance of the Stabilization Mechanism Account within one month from the date the stockholders approved the annual financial statements.

The Corporation complied with MOTC's policies to utilize the funds of the Stabilization Mechanism Account. Please refer to Note 17.b) for further information.

- 4) When the concession period expires, the assets which are purchased under the consent of the MOTC within five years before the concession period expires, and are not fully depreciated and remain usable for normal operations upon the expiry of the concession period, are transferred to MOTC with consideration. The transfer price is the undepreciated value of the assets determined based on the fixed percentage of declining method over the minimum useful lives prescribed by the Executive Yuan. Except for the assets mentioned above, the ownership and rights of all other assets shall be transferred to the MOTC or the third party designated by the MOTC without consideration.
- 5) When the C&O Agreement is terminated before the expiration of the concession period, the value of the operating assets and construction in progress should be appraised by impartial professional appraisal organizations with their actual costs, usage, value in use, remaining concession period, and related articles of the C&O Agreements taken into consideration.
- 6) The Corporation provided a \$5 billion performance bond as a guarantee for fulfillment of responsibilities of the HSR operations. The guarantee ends on the date six months after the expiry of concession period or early termination of the C&O Agreement. Starting from the date the Corporation commenced its commercial operations, if there is no breach of agreements, \$0.5 billion of the performance bond can be returned each year. However, the total returned amount could not exceed \$3 billion.

As of December 31, 2020 and 2019, the amount of the aforementioned performance bond remained unchanged at \$2 billion, and was recognized as other financial assets.

b. As of December 31, 2020, unused letters of credit amounted to JPY4,547,569 thousand and EUR9,083 thousand.

c. The residents of Chengbei, Tongxiao Township, Miaoli claimed that the Corporation did not install a complete set of facility for preventing noise and vibration. The residents asserted that they suffered from the noise and vibration intrusion for a long time, and damage were brought to the buildings and their health. Therefore, the residents claimed for the damage compensation. In June 2015, the Environmental Protection Administration Public Nuisance Arbitration Committee decided that the Corporation should compensate the residents of \$8,338 thousand. In July 2015, the Corporation disagreed with the ruling and filed an appeal to Taiwan Miaoli District Court. On November 23, 2018, Taiwan Miaoli District Court declared that the Corporation won the first instance, and the defendant has filed an appeal to the Taiwan High Court. The Taiwan High Court (the Taichung Branch Court) has dismissed the appeal on December 4, 2019, to which the residents further appealed to the court of third instance at first and then voluntarily dropped the case on August 27, 2020. On December 17, 2018, the residents filed a claim under the same reason, and requested for reducing the train noise and a payment of \$5,700 thousand, and later changed their claims by requesting the Corporation should build a noise barrier in accordance with their required standards. The Taiwan Miaoli District Court has decided in favor of the Corporation on December 12, 2019 to which the residents filed appeal to the court of second instance. In order close the dispute to end successfully, the parties signed an agreement on September 23, 2020 and thereafter the appeal was withdrawn by the residents on September 29, 2020. The Corporation will promote the installation of soundproof walls as soon as possible based on the consideration of its corporate social responsibility.

- d. In July 2019, the Corporation entered into an equipment procurement contract, and the total amounts of the contract (business tax included) were JPY2,626,531 thousand and NT\$120,955 thousand. As of December 31, 2020, payments for the contract amounted to JPY551,038 thousand and NT\$27,514 thousand were recognized as construction in progress of the operating concession assets under intangible assets.
- e. In August 2018, the Corporation entered into the “OCS Maintenance Vehicle Manufacturing and Supply Procurement Contract” with China Steel Corporation, and the contract value, including business tax, was \$1,232,000 thousand. As of December 31, 2020, payments for the contract amounted to \$117,333 thousand.
- f. In response to the aging equipment such as 700T train electronic control, the Corporation expects to update the equipment during the train maintenance period from 2021 to 2023 and purchase the relevant components. Therefore, the Corporation entered into a procurement contract “700T Spare Parts of 7GI” with Toshiba Electronic Components Taiwan Corporation, Ltd (subsidiary of Toshiba Corporation in Taiwan) in July 2019 and the total amounts of the contract (business tax and import tariffs excluded) were JPY11.6 billion. As of December 31, 2020, payments for the contract made were JPY1.16 billion.

30. OTHER ITEMS

Due to the impact of the Covid-19 pandemic, ridership from February to December 2020 declined resulting a decrease of approximately 8.370 billion (about 17.62%) for the year ended December 31 of 2020, in operating revenue as compared to the same period of prior year. In response to the impact of the epidemic, the Corporation continues to adjust its operating strategies, and has established a “Disease Control Response Group” to carry out various disease control initiatives, including implementing train schedule adjustments, manpower scheduling planning, business project execution inspection and other countermeasures relating to expense reduction plans without affecting safety and service quality.

In terms of financing strategy, the Corporation continues to optimize its long-term financial structure, strengthen its capital sources and issued 10.5 billion unsecured domestic bonds in July 2020 to make early repayments of long-term debt.

With the epidemic slowing in June 2020, ridership has gradually recovered. The Corporation has resumed 1016 train services weekly from August 1, 2020, and will continue to pay attention to the development of the epidemic and implement agile actions in time. Therefore, the Corporation assessed that the epidemic has no material impact on the impairment of its assets or its ability as a going concern after the aforementioned actions and subsequent operation recovery.

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Except for those separately disclosed in other notes, the Corporation had the following significant events after the reporting period:

- a. On January 20, 2021, the board of directors approved the procurement of “the Automated Construction Equipment of Paint Shop in Yanchao Main Workshop” and the total amount of the contract was \$741,395 thousand.
- b. On February 24, 2021, the board of directors approved the procurement of “Upgrade of CRP and Related Subsystems Tender Package 1” and the total amount of the contract was about JPY7,612,500 thousand.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

For the information on the Corporation's significant financial assets and liabilities denominated in foreign currencies, refer to Note 26.c.

33. SEPARATELY DISCLOSED ITEMS

Except for Tables 1, 2, and 3 as attached, there were no other significant transactions, information on investees and investments in mainland China required for disclosure. Information of major stockholder for Table 4 as attached.

34. SEGMENT INFORMATION

The Corporation is engaged only in the operation of HSR and related facilities. Consequently, there is no other reportable segment.

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Line Item
The Corporation	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss
	FSITC Money Market Fund	-	"
	Franklin Templeton Sinoam Money Market Fund	-	"
	Prudential Financial Money Market Fund	-	"
	Yuanta De-Li Money Market Fund	-	"
	Taishin 1699 Money Market Fund	-	"
	Jih Sun Money Market Fund	-	"
	Taishin Ta Chong Money Market Fund	-	"
	Shin Kong Chi-Shin Money-market Fund	-	"
	Hua Nan Phoenix Money Market Fund	-	"
	Central Government Bonds 2003-3	-	Cash and cash equivalents
	Issue Of NTD 4,000,000,000 0.92 Per Cent. Notes Due 19 November 2026 by Ørsted Wind Power TW Holding A/S Guaranteed by Ørsted A/S	-	"
	Central Government Bonds 2018-9	-	Other financial assets - current
	Central Government Bonds 2017-4	-	"
	Central Government Bonds 2016-11	-	"
	Central Government Bonds 2012-9	-	"
	Central Government Bonds 2011-9	-	"
	Central Government Bonds 2011-5	-	"
	Central Government Bonds 2004-9	-	"
	Central Government Bonds 2004-6	-	"
	Central Government Bonds 2003-3	-	"
	Central Government Bonds 2001-8	-	"
	Central Government Bonds 2001-4	-	"
	Central Government Bonds 2001-B 1st	-	"
	Second Issuance Of Unsecured Corporate Bonds Of Cathay FHC In 2020_Series C	-	"
	First Issuance Of Unsecured Corporate Bonds Of Cathay FHC In 2019_Series B	-	"
	Hon Hai Precision Industry Co., Ltd. 1ST Unsecured Corporate Bonds-B Issuance In 2018	-	"
	Taiwan Power Company 3RD Unsecured Bond-B Issue In 2019	-	"
	CTBC Financial Holding Co., Ltd. 2nd Unsecured Corporate Bonds-Tranche B Issue In 2020	-	"

TABLE 1

December 31, 2020				Note
Units/Face Value (In Thousands)	Carrying Amounts	Percentage of Ownership	Fair Value	
119,088	\$ 1,837,945	-	\$ 1,837,945	
9,126	1,641,386	-	1,641,386	
86,901	906,242	-	906,242	
53,195	848,715	-	848,715	
75,642	1,243,472	-	1,243,472	
298,317	4,070,801	-	4,070,801	
67,413	1,007,826	-	1,007,826	
57,708	826,402	-	826,402	
110,915	1,731,024	-	1,731,024	
67,387	1,104,187	-	1,104,187	
\$ 355,000	372,000	-	372,000	
100,000	100,000	-	100,000	
1,681,000	1,799,000	-	1,799,000	
569,000	605,000	-	605,000	
5,012,000	5,226,000	-	5,226,000	
1,012,000	1,063,000	-	1,063,000	
390,600	434,000	-	434,000	
408,600	454,000	-	454,000	
336,000	336,000	-	336,000	
891,000	891,000	-	891,000	
279,000	294,000	-	294,000	
110,000	110,000	-	110,000	
702,900	781,000	-	781,000	
83,700	93,000	-	93,000	
195,000	195,000	-	195,000	
10,000	10,000	-	10,000	
107,100	107,100	-	107,100	
80,800	80,800	-	80,800	
17,100	17,100	-	17,100	

TAIWAN HIGH SPEED RAIL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF

AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Line Item	Counterparty	Relationship	Beginning Balance	
					Units/Face Value (In Thousands)	Carrying Amount
The Corporation	FSITC Taiwan Money Market Fund	Financial assets at FVTPL	-	-	3,907	\$ 60,000
	FSITC Money Market Fund	"	-	-	-	-
	Franklin Templeton Sinoam Money Market Fund	"	-	-	9,671	100,000
	Prudential Financial Money Market Fund	"	-	-	3,968	63,000
	Yuanta De-Li Money Market Fund	"	-	-	6,538	107,000
	Taishin 1699 Money Market Fund	"	-	-	-	-
	CTBC Hua Win Money Market Fund	"	-	-	-	-
	Jih Sun Money Market Fund	"	-	-	-	-
	Taishin Ta Chong Money Market Fund	"	-	-	-	-
	Shin Kong Chi-Shin Money-market Fund	"	-	-	-	-
	Hua Nan Phoenix Money Market Fund				-	-
	Central Government Bonds 2019-9	Note	-	-	\$ -	-
	Central Government Bonds 2018-12	"	-	-	-	-
	Central Government Bonds 2018-3	"	-	-	-	-
	Central Government Bonds 2018-9	"	-	-	-	-
	Central Government Bonds 2017-9	"	-	-	1,230,000	1,308,000
	Central Government Bonds 2017-4	"	-	-	-	-
	Central Government Bonds 2016-11	"	-	-	5,297,000	5,649,000
	Central Government Bonds 2015-12	"	-	-	2,688,700	2,987,333
	Central Government Bonds 2013-10	"	-	-	-	-
	Central Government Bonds 2013-8	"	-	-	-	-
	Central Government Bonds 2013-6	"	-	-	-	-
	Central Government Bonds 2012-9	"	-	-	1,224,000	1,303,000
	Central Government Bonds 2012-5	"	-	-	-	-
	Central Government Bonds 2012-B 2nd	"	-	-	-	-
	Central Government Bonds 2011-9	"	-	-	252,200	278,000
	Central Government Bonds 2011-7	"	-	-	705,600	784,000
	Central Government Bonds 2011-5	"	-	-	819,900	911,000
	Central Government Bonds 2010-8	"	-	-	252,900	281,000
	Central Government Bonds 2010-7	"	-	-	877,500	975,000
	Central Government Bonds 2008-5	"	-	-	-	-
	Central Government Bonds 2005-8	"	-	-	954,900	1,061,000
	Central Government Bonds 2004-9	"	-	-	92,000	100,000
	Central Government Bonds 2004-6	"	-	-	2,145,500	2,383,889
	Central Government Bonds 2003-3	"	-	-	133,000	140,000
	Central Government Bonds 2002-7	"	-	-	1,609,200	1,788,000
	Central Government Bonds 2001-8	"	-	-	4,455,000	4,637,778
	Central Government Bonds 2001-4	"	-	-	699,800	758,000
	Central Government Bonds 2001-2	"	-	-	1,127,000	1,137,000
	Central Government Bonds 2001-B 1st	"	-	-	3,158,200	3,199,000
	Central Government Bonds 2000-13	"	-	-	1,285,500	1,325,000
	Central Government Bonds 2000-B 1st	"	-	-	4,326,400	4,622,000

Note: The above repurchase agreement collateralized by government bonds is included in cash and cash equivalents and other financial assets - current.

TABLE 2

Acquisition		Disposal				Gain on Valuation	Ending Balance	
Units/Face Value (In Thousands)	Carrying Amount	Units/Face Value (In Thousands)	Amount	Carrying Amount	Gain on Disposal		Units/Face Value (In Thousands)	Carrying Amount
115,181	\$ 1,774,000	-	\$ -	\$ -	\$ -	\$ 3,945	119,088	\$ 1,837,945
9,126	1,639,000	-	-	-	-	2,386	9,126	1,641,386
77,230	803,000	-	-	-	-	3,242	86,901	906,242
49,227	783,000	-	-	-	-	2,715	53,195	848,715
69,104	1,134,000	-	-	-	-	2,472	75,642	1,243,472
305,656	4,162,000	7,339	100,000	99,931	69	8,732	298,317	4,070,801
209,748	2,326,000	209,748	2,328,363	2,326,000	2,363	-	-	-
67,413	1,006,000	-	-	-	-	1,826	67,413	1,007,826
140,990	2,017,000	83,282	1,191,441	1,191,000	441	402	57,708	826,402
207,038	3,228,000	96,123	1,498,750	1,498,000	750	1,024	110,915	1,731,024
67,387	1,104,000	-	-	-	-	187	67,387	1,104,187
\$ 309,000	309,000	\$ 309,000	309,067	309,000	67	\$ -	-	-
300,000	302,000	300,000	302,136	302,000	136	-	-	-
700,000	700,000	700,000	700,268	700,000	268	-	-	-
1,981,000	2,099,000	300,000	300,075	300,000	75	-	1,681,000	1,799,000
769,000	811,000	1,999,000	2,121,672	2,119,000	2,672	-	-	-
13,292,400	14,198,000	12,723,400	13,600,809	13,593,000	7,809	-	569,000	605,000
12,265,200	12,942,300	12,550,200	13,381,672	13,365,300	16,372	-	5,012,000	5,226,000
10,343,200	10,953,778	13,031,900	13,953,011	13,941,111	11,900	-	-	-
1,050,000	1,166,556	1,050,000	1,168,291	1,166,556	1,735	-	-	-
315,000	350,000	315,000	350,397	350,000	397	-	-	-
400,100	444,444	400,100	444,509	444,444	65	-	-	-
3,212,000	3,459,333	3,424,000	3,704,841	3,699,333	5,508	-	1,012,000	1,063,000
1,733,000	1,805,556	1,733,000	1,806,313	1,805,556	757	-	-	-
578,300	642,444	578,300	643,264	642,444	820	-	-	-
390,600	434,000	252,200	278,329	278,000	329	-	390,600	434,000
1,750,000	1,944,333	2,455,600	2,731,630	2,728,333	3,297	-	-	-
408,600	454,000	819,900	912,223	911,000	1,223	-	408,600	454,000
1,269,700	1,410,778	1,522,600	1,694,856	1,691,778	3,078	-	-	-
-	-	877,500	976,160	975,000	1,160	-	-	-
420,800	467,556	420,800	468,136	467,556	580	-	-	-
1,329,000	1,476,444	2,283,900	2,540,197	2,537,444	2,753	-	-	-
1,424,000	1,435,000	1,180,000	1,200,034	1,199,000	1,034	-	336,000	336,000
963,000	971,000	2,217,500	2,466,741	2,463,889	2,852	-	891,000	891,000
3,194,500	3,376,000	2,693,500	2,852,164	2,850,000	2,164	-	634,000	666,000
855,900	951,000	2,465,100	2,742,557	2,739,000	3,557	-	-	-
4,858,000	5,035,778	9,203,000	9,573,289	9,563,556	9,733	-	110,000	110,000
1,080,900	1,201,000	1,077,800	1,179,331	1,178,000	1,331	-	702,900	781,000
-	-	1,127,000	1,138,488	1,137,000	1,488	-	-	-
7,177,200	7,245,444	10,251,700	10,361,514	10,351,444	10,070	-	83,700	93,000
286,200	318,000	1,571,700	1,644,685	1,643,000	1,685	-	-	-
301,000	301,000	4,627,400	4,928,901	4,923,000	5,901	-	-	-

TAIWAN HIGH SPEED RAIL CORPORATION

TABLE 3

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO
AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Accounts Payable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	National Chung-Shan Institute of Science and Technology	A government-related entity controlled by the central government	Purchase	\$ 101,454	6.82	60 days	-	-	\$ 11,917	4.34	

TAIWAN HIGH SPEED RAIL CORPORATION

TABLE 4

INFORMATION OF MAJOR STOCKHOLDERS

DECEMBER 31, 2020

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
MOTC	2,420,000,000	43

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

TAIWAN HIGH SPEED RAIL CORPORATION

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TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash		
Cash on hand		\$ 105,723
Checking accounts		1
Demand deposits	Interest rate: 0.001%-0.05%	74,045
Cash equivalents		
Repurchase agreement collateralized by government bonds	Can be redeemed between February and March 2021; interest rate: 0.23%-0.30%	472,000
		<u>\$ 651,769</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2020

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

Name of Funds	Units (In Thousands)	Acquisition Cost	Net Value (NT\$)	Total Amount
Open-end money market funds				
Taishin 1699 Money Market Fund	298,317	\$ 4,062,069	13.6459	\$ 4,070,801
FSITC Taiwan Money Market Fund	119,088	1,834,000	15.4335	1,837,945
Shin Kong Chi-Shin Money-market Fund	110,915	1,730,000	15.6068	1,731,024
FSITC Money Market Fund	9,126	1,639,000	179.8500	1,641,386
Yuanta De-Li Money Market Fund	75,642	1,241,000	16.4389	1,243,472
Hua Nan Phoenix Money Market Fund	67,387	1,104,000	16.3858	1,104,187
Jih Sun Money Market Fund	67,413	1,006,000	14.9500	1,007,826
Franklin Templeton Sinoam Money Market Fund	86,901	903,000	10.4284	906,242
Prudential Financial Money Market Fund	53,195	846,000	15.9549	848,715
Taishin Ta Chong Money Market Fund	57,708	826,000	14.3204	826,402
		<u>\$ 15,191,069</u>		<u>\$ 15,218,000</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Spare parts and supplies	\$ 2,674,630
Merchandise	14,142
	<u>2,688,772</u>
Less: Allowance for inventory valuation losses	<u>(619,822)</u>
	<u>\$ 2,068,950</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Type of Loans</u>	<u>Name of Creditors</u>	<u>Ending Balance</u>	<u>Credit Period</u>	<u>Interest Rate (%)</u>	<u>Loan Commitments</u>	<u>Collateral</u>
JPY letters of credit						
	Bank of Taiwan	\$ 27,355	2020.12.14-2021.3.29	0.63	\$ 1,425,400	None
	Mega International Commercial Bank	8,905	2020.12.18-2021.3.29	0.74	427,620	None
	Chang Hwa Commercial Bank	8,539	2020.12.29-2021.3.29	0.63	855,240	None
	Taichung Commercial Bank	5,399	2020.12.9-2021.3.15	0.63	142,540	None
	Taiwan Business Bank	4,877	2020.12.14-2021.3.18	0.63-0.85	456,128	None
	Cathay United Bank	<u>2,016</u>	2020.12.24-2021.3.24	0.70	<u>855,240</u>	None
		<u>\$ 57,091</u>			<u>\$ 4,162,168</u>	

Note: The credit line is recorded at the exchange rate of JPY1:0.2764 at December 31, 2020.

SCHEDULE 5

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Supplier Name</u>	<u>Amount</u>
Kawasaki Heavy Industries, Ltd.	\$ 25,546
Others (Note)	249,232
	<u>\$ 274,778</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

SCHEDULE 6

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF PAYABLE FOR CONSTRUCTION

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

<u>Supplier Name</u>	<u>Amount</u>
Industrial Technology Research Institute	\$ 162,425
Taiwan Shinkansen Corporation	69,838
Toshiba Electronic Components Taiwan Corporation	59,138
Panasonic Sales Taiwan Co., Ltd.	58,993
Others (Note)	473,272
	<u>\$ 823,666</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF OPERATING REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Quantity	Amount
Railroad transportation revenue	9,912 million passenger - kilometers;57.24 million passengers	\$ 37,903,849
Others		1,233,356
		<u>\$ 39,137,205</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Amount
Amortization expense	\$ 13,957,127
Employee benefit expense	4,283,589
Electricity fee	1,830,846
Spare parts and supplies	1,405,247
Repair and maintenance expense	1,234,663
Others	3,383,582
	<u>\$ 26,095,054</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Amount
Employee benefit expense	\$ 873,872
Professional service expense	88,385
Advertisement expense	55,184
Repair and maintenance expense	54,065
Others	163,960
	<u>\$ 1,235,466</u>

TAIWAN HIGH SPEED RAIL CORPORATION

STATEMENT OF SUMMARY OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION EXPENSE BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expense						
Payroll	\$ 3,663,463	\$ 687,314	\$ 4,350,777	\$ 3,549,937	\$ 652,553	\$ 4,202,490
Insurance	313,329	52,726	366,055	308,428	50,316	358,744
Pension	174,935	31,309	206,244	172,066	32,960	205,026
Remuneration to directors	-	41,347	41,347	-	53,797	53,797
Other personnel expense	131,862	61,176	193,038	125,938	67,934	193,872
	<u>\$ 4,283,589</u>	<u>\$ 873,872</u>	<u>\$ 5,157,461</u>	<u>\$ 4,156,369</u>	<u>\$ 857,560</u>	<u>\$ 5,013,929</u>
Depreciation expense	\$ 187,110	\$ 25,209	\$ 212,319	\$ 179,923	\$ 22,371	\$ 202,294
Amortization expense	\$ 13,957,127	\$ 6,129	\$ 13,963,256	\$ 13,794,118	\$ 4,732	\$ 13,798,850

Note 1: The number of employees for December 31, 2020 and 2019 was 4,671 and 4,608, respectively, while the number of non-employee directors was 13 and 12, respectively.

Note 2: The amount of average employee benefit expense for the years ended December 31, 2020 and 2019 was \$1,098 thousand and \$1,079 thousand, respectively. The amount of average payroll for the years ended December 31, 2020 and 2019 was \$934 thousand and \$914 thousand, respectively.

Note 3: The average payroll has increased by 2.19% in 2020 compared with 2019.

Note 4: The Corporation's audit committee consists of independent directors instead of the supervisors.

Note 5: The Corporation's remuneration policies:

Remuneration policy for the directors

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

Managerial officers and employees

In accordance with the Corporation's "Charter of Remuneration Committee," THSRC shall periodically review the performance of directors and managers, policies, systems, standards, structure and general compensation levels of the industry. To ensure there is a competitive and motivational remuneration scheme, employee compensation is determined by considering the factors such as corporate financial status, business performance, and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to Article 35-1 of the Corporation's Articles of Incorporation, "if the Corporation is profitable in a given year, it shall allocate not less than 1% of the net profit as profit sharing compensation to employees."

The Corporation has established "Regulations for Remuneration Management" as the basis of employees' salary assessment, and there is a regular review of the Corporation salary level and remuneration policies, setting out salary allowances and bonuses according to the Corporation "Remuneration Payment Procedures" to reward employees' contributive work. Bonus levels are based on the considerations of corporate financial status, operating conditions, and individuals' work performance. According to business performance, THSRC distributes year-end bonuses and performance bonuses as incentive, and has set salary adjustment policies to enhance employee compensation and welfare.

(2) Consolidated Financial Statements and Independent Auditors' Report: None.

5. In the Event That the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Said Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: None.

6. Review of Financial Conditions, Financial Performance, and Risk Management

(1) Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2020	2019	Difference	%
Current Assets		38,621,107	42,710,136	(4,089,029)	(9.57)
Property, Plant and Equipment		109,729	125,047	(15,318)	(12.25)
Operating Concession Asset		378,291,412	390,113,063	(11,821,651)	(3.03)
Other Assets		10,544,722	10,111,356	433,366	4.29
Total Assets		427,566,970	443,059,602	(15,492,632)	(3.50)
Current Liabilities		7,067,221	13,278,906	(6,211,685)	(46.78)
Non-Current Liabilities		350,413,093	358,703,427	(8,290,334)	(2.31)
Total Liabilities		357,480,314	371,982,333	(14,502,019)	(3.90)
Capital Stock		56,282,930	56,282,930	-	-
Capital Surplus		172,981	172,981	-	-
Retained Earnings		13,630,745	14,621,358	(990,613)	(6.78)
Total Equity		70,086,656	71,077,269	(990,613)	(1.39)

Analysis of differences over 20%:

The decrease in current liabilities was mainly due to the payment of provision for stabilization reserve.

(2) Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2020	2019	Difference	%
Operating Revenue		39,137,205	47,507,390	(8,370,185)	(17.62)
Operating Costs		26,095,054	25,762,687	332,367	1.29
Gross Profit		13,042,151	21,744,703	(8,702,552)	(40.02)
Operating Expenses		1,235,466	1,232,750	2,716	0.22
Income from Operations		11,806,685	20,511,953	(8,705,268)	(42.44)
Non-Operating Income and Expenses		(6,387,374)	(12,736,845)	6,349,471	49.85
Income Before Income Tax		5,419,311	7,775,108	(2,355,797)	(30.30)
Income Tax Benefit		423,726	231,925	191,801	82.70
Net Income		5,843,037	8,007,033	(2,163,996)	(27.03)
Other Comprehensive Income		(22,853)	(39,089)	16,236	41.54
Total Comprehensive Income for the Year		5,820,184	7,967,944	(2,147,760)	(26.96)

Analysis of differences over 20%:

1. The decrease in gross profit and income from operations were mainly due to the impact of the COVID-19 pandemic resulting a decrease in operating revenue.
2. The variation in non-operating income and expenses was mainly due to the decrease of stabilization reserve expense resulting from lower profit in 2020.
3. The increase in income tax benefit was mainly due to decrease in income and the application for income tax exemption in 2020.
4. The decrease in income before income tax, net income, and total comprehensive income were mainly due to the net impact of the decrease in operating revenue and non-operating expenses.
5. The variation in other comprehensive income was mainly due to the adjustment of remeasurement of defined benefit plans based on actuarial calculations in 2020.

(3) Analysis of Cash Flow

1) Cash flow analysis for the current year:

- A. Net cash used in operating activities was NT\$ 1,531,734 thousand, mainly from increase of the investments in open-end money market funds (recorded as financial assets at FVTPL).
- B. Net cash generated from investing activities was NT\$ 821,315 thousand, mainly from decrease of other financial assets and purchase of operating concession assets.
- C. Net cash used in financing activities was NT\$ 14,909,475 thousand, mainly from repayment of syndicated loan and cash dividend payments.

2) Improvement plan for insufficient liquidity: Not applicable.

3) Cash flow analysis for the coming year:

Unit: NT\$ thousands

Beginning Balance (1)	Estimated Net Cash Flow from Annual Operating Activities (2)	Estimated Annual Cash Outflow (3)	Estimated Cash Surplus (Insufficient) Amount (1)+(2)-(3)	Expected Remedies for Insufficient Cash	
				Investment Plan	Financial Plan
651,769	25,215,000	24,583,769	1,283,000	—	—

(4) The Impact of Recent Major Capital Expenditures on Financial Operations

1) The utilization of major capital expenditures and sources of funding

Unit: NT\$ thousands

Project	Actual or Expected Source of Funding	Actual or Expected Completion Date	Total Funds Required	Actual or Scheduled Use Of Funds		
				1997-2019	2020	2021
High-speed rail project	Private funds and bank loans	2006.12	485,793,316	476,734,556	2,312,760	6,746,000

Note: The high-speed rail corporation was completed and began officially operating in January 2007. Major capital expenditures for the year 2020 and 2021 were mainly equipment replacement and spare parts maintenance. The above capital expenditure does not include non-capitalization cost of during the construction period.

2) Expected benefits generated:

The Taiwan North-South High-Speed Railway commenced operations on January 5, 2007; the number of passengers broke the benchmark of 600 million on January 17, 2020, and the number of passengers continued to grow; as of December 31, 2020, a total of more than 653 million passenger travel services were provided. Also, we transported 57.23 million passengers in 2020, and an average of 156 thousand passengers travelled the western corridor of Taiwan via high-speed rail every day. The Corporation is market-oriented, and adopts marketing strategies to adjust train frequencies to promote revenue growth based on passengers' demand. We will also strive to implement various plans for cost reduction; moreover, in order to live up to the expectations of the public, the Corporation will continue improving operation quality to offer passengers with safe, reliable, comfortable, and convenient travel services.

In addition to providing fast and safe transportation services, the construction and operation of high-speed rail projects has external benefits such as saving time and costs, increasing government revenue, creating employment opportunities, integrating community development, and maintaining environmental resources.

(5) The Most Recent Annual Investment Policy, the Main Reason for Its Profit or Loss, the Improvement Plan and the Investment Plan for the Next Year: None.

7. Analysis of Risk Management

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1) Interest rates

The domestic interest rate market was affected by the coronavirus (COVID-19) pandemic in 2020, and the central bank interest rate was reduced by 0.25 percentage points starting from March 20, though the discount rate remained at 1.125% per annum following the reduction. THSRC is engaged in capital-intensive construction and operation of public infrastructure, and our operations are regulated by related concession contracts. Interest payments for bank loans in 2020 were NT\$ 4,567,779 thousand, accounting for 11.67% of the Corporation's operating revenue. Looking forward, the short-term interest rate of the NT dollar still remains at a relatively low level, which is conducive to reduction of interest burdens for financing loans. The Corporation also continues to decrease liabilities and interest expenses through various measures. In future, we will make timely adjustments to utilization of funds according to changes in interest rates.

2) Foreign exchange rates

The exchange rate of the NT dollar continued to appreciate due to factors such as US Federal Reserve Board (FED) cuts in interest rates, foreign capital inward remittances, and rise in domestic stock markets. It is expected that exchange rates for the NT dollar will continue to be influenced by the US dollar, the Korean won, and the Chinese RMB. In 2020, the Corporation's ratio for foreign currency exchange profit (loss) to operating revenue was -0.06%, indicating that exchange rate changes have little impact on our revenue and operations. In line with foreign currency payments required by various contracts, the Corporation uses forward exchange contracts to reduce exchange

rate risks. In future, we will continue to seek favorable opportunities to hedge against the impact of exchange rate changes.

3) Inflation

In terms of current inflation conditions, the Directorate-General of Budget, Accounting, and Statistics estimated that the annual growth rate of the consumer price index (CPI) in Taiwan for 2020 was -0.23%, and domestic prices for relevant products are holding stable. The Corporation's fares are adjusted in accordance with inflation rates, and therefore the impacts of inflation are low.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Corporation so far has not been involved in the lending of funds to others; our sole endorsement guarantee involves guarantees of customs duties handled by the Corporation itself, and our balance as of December 31, 2020 was NT\$ 62,000 thousand, while our balance as of March 31, 2021 was NT\$ 46,000 thousand.

The Corporation's transactions in derivative products adhere to our internal management regulations ("Handling Procedure to Engage in the Transaction of Derivative Products"), and are used for hedging purposes. We do not engage in speculative financial operations and each transaction is audited by certified public accountants. We will continue to deal in derivative products when it is appropriate to hedge risks.

(3) Future Research & Development Projects and Corresponding Budget

In future, we plan to continue investment in development of various systems. In terms of civil construction facilities projects, we cooperated with the ITRI to build a service platform for inspection of HSR viaducts using artificial intelligence drones. We hope these measures can help to provide a better understanding of drone technology and facilitate the use of drones in future inspection and maintenance of high-speed rail facilities and for disaster prevention and surveillance purposes. We placed dampers on viaducts in the Tainan section to prevent seismic displacement, and conducted research on amplification of seismic responses at viaducts in the Chiayi section to reduce lateral relative displacement between differing structural constructs on specific viaducts, prevent repeated earthquake damage, and ensure operational safety. We also selected viaduct positions with structural constructs that display differing vertical forces for installation of accelerometers to check validity of anti-lifting devices and serve as a basis for improvement.

Our developments in communication systems include localization of our TEL IP Server for Direct Line Telephone System, which we hope can help us to establish self-reliant maintenance capabilities and promote local industries.

For our rolling stock system, we are continuing to work in collaboration with national universities and local companies to develop maintenance equipment. Our localization of maintenance equipment not only reduces costs and single-sourcing risks, but also helps to improve inventory management efficiency, enhance timeliness of emergency component purchase, and facilitate technology transfers to local manufacturers.

For our track and power system, we are continuing to work with the NCSIST on the development of an automatic measurement system for rolling stock vibrations, and with the CSC on OCS maintenance vehicles manufactured locally in Taiwan.

As of 2021, estimated future R&D investments amount to NT\$ 4,105 million. Relevant R&D projects and investments are as follows:

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
	Use of artificial intelligence drones for inspection of HSR viaducts	Cooperated with ITRI on this project, which was implemented in three phases over three years.	Provide a better understanding of drone technology, which can be further applied to the inspection and maintenance of high-speed rail facilities and surveys for disaster prevention.	The second phase of this project (research and development) was implemented in 2019 and completed in 2020. The third phase will commence in 2021.	As of 2020: 3,352 2021: 1,117
Civil Construction Facilities Research	Relevant research on reduction of seismic displacement after implementation of dampers on viaducts in the Tainan section	Viscous dampers will be designed and implemented in three sections on viaducts to reduce lateral relative displacement between different structures.	Reduce lateral relative displacement between different structures of a specific bridge to avoid repeated earthquake damage to rail tracks and ensure operational safety.	The planning and design work of one section was completed in 2019. Construction of the section started in 2020, and we plan to complete the project in 2021.	2021: 8,000 2022: 60,000 2023: 18,000
	Research and surveillance on seismic and amplification responses on viaducts of the Chiayi section	Measured ground surface, bridge pier, and bridge deck vibrations to study amplification effects on the bridge in the event of an earthquake.	Selected a position where the bridge structure transmits differing vertical forces between piers and decks to install accelerometers for checking the validity and improvement basis of our anti-pulling device.	Installation of measuring instruments was completed in 2019, and a three-year automated measuring operation has since been started.	2019~2022: 4,142

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
	Localization of Tel IP Server for Direct Line Telephone System	Localization to replace products purchased from Germany.	Maintains system function while reducing maintenance costs.	Completed development of replacement system in 2020 and installed 6 sets. Installation will be completed in 2021.	953
Communication System Research	R&D on Intelligent Passenger Information System (PIS)	To strengthen the real-time passenger information and corporate operation efficiency of our Passenger Information System (PIS) and to remove R&D dependence on overseas companies, we developed new PIS products with creative technologies. The 1st phase aimed to upgrade the control server and software. The 2nd phase replaced existing display units in lobbies and platforms. The 3rd phase aims to add new display units on platforms beside carriage doors for stations north of Taichung (included). The 4th phase aims to add new display units on platforms beside carriage doors for stations south of Taichung.	This project, when completed, will enhance passenger riding experience and corporate operation efficiency with new technologies & products.	The 1st and 2nd phases were started on 2018/12/27. R&D was completed in 2019, and construction began in 2020. Construction has since been completed at Taoyuan Station, Banqiao Station, and Hsinchu Station. The 3rd and 4th phases were started on 2019/12/11. Our goal is to complete PIS/PIDS deployment for all original 8 stations by the end of 2021, and complete deployment for all 12 stations by the end of 2024.	(Not including the 4 new stations) 2021: 348,166 2022: 2,231 2023: 2,231 2024: 2,231

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
	R&D on Railway Turnout Controller	We conducted R&D on alternative PLC turnout controllers using new technologies, using high reliability PLC modules to replace traditional relay modules and fulfill sequential control functions.	This will reduce the number of relays and also enhance the reliability of existing turnout controllers, decreasing impacts to customer service.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment has been confirmed to be reliable. We extended mass production of this prototype controller to the whole running line by awarding the contract E4-20-003 "Turnout Controller Replacement Project" at the end of 2020. This five-year contract for the replacement of 142 sets of present turnout controllers across the entire line is expected to be completed in 2025.	2021: 53,809 2022: 107,618 2023: 107,618 2024: 107,618 2025: 161,432
Signaling System Research	R&D on Railway Turnout Monitoring System (TMS)	In order to improve the early warning capability for detecting turnout failures, we implemented R&D for newer technology products to build a turnout monitoring system to replace the original monitoring system built by foreign companies. We used a new type of industrial controller to replace old PCB modules so as to increase environmental resistance and stability.	Monitor value changes for turnout sensors for analysis and predictions to perform maintenance and adjustments in advance of potential abnormalities, thus preventing turnouts from breaking down during service hours.	In 2016, a prototype was developed and tested and installed on the main line. After 4 years of successful reliability testing, we plan to replace the existing system by modifying 82 sets of TMS under the "Turnout Monitoring System Replacement Project" contract starting from 2021. It is expected that replacements will be completed in 2025.	2021: 28,300 2022: 84,900 2023: 56,600 2024: 56,600 2025: 56,600

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
Rolling Stock Improvement	Luggage racks	Install luggage racks in the 3rd, 5th, 9th, and 11th carriages of each train by removing 3 passenger seats.	Improve passenger satisfaction.	In progress. Installation for all trains is scheduled to be completed in Q2 of 2021.	2021: 54,936
	Rolling Stock Intelligent Maintenance Information System	Cooperated with ITRI to develop a database system for RS maintenance.	Improve passenger satisfaction and reduce paper consumption.	In progress. Project is scheduled to be completed in Q2 of 2022.	2021: 7,204
	Wireless Train Axle Box Temperature Monitoring System	Develop and design wireless axle box temperature sensor and monitoring system.	Collecting trainset axle temperature measurement data and performing preventive maintenance an help to reduce operating delays caused by temperature sensor failures.	In discussion and development.	The project is in the discussion stage and no budget has yet been set.
	Wireless Train Bogie Vibration Monitoring System	Development and design of wireless bogie vibration sensor and monitoring system.	Collecting bogie vibration data can improve the accuracy of troubleshooting and train operation safety.	In discussion and development.	The project is in the discussion stage and no budget has yet been set.
	Investigation and improvement of traction motor insulation degradation	Use precision instruments to measure coil insulation conditions of the traction motor.	Improve the reliability of trainsets.	In discussion and development.	The project is in the discussion stage and no budget has yet been set.
Localization of Materials	Diesel locomotives	Commissioned from local manufacturers	Improvement of maintenance efficiency and shortening of repair/rescue time in the event of accidents.	In progress.	355,795
	Automatic painting equipment for Yanchao Maintenance Depot	Commissioned from local manufacturers	Increase revenue and train availability.	In progress.	733,237
	BRT (Bogie Running Tester)	Commissioned from local manufacturers	Improve maintenance efficiency.	In progress.	371,290

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
Track & Power System	Localization of OCS maintenance vehicles.	8 MV type vehicles and 2 sets of CS vehicles (4 vehicles)	Consolidate existing Japanese/German vehicles from 6 to 2 vehicles, avoiding multiple vehicle investment and improving maintenance efficiency and personnel safety.	Progress in 2020: Assembly of 2 MV and 1 set (2) of CS vehicles. We completed assembly of booms, generators, cabs (cabins), driving consoles, and couplings, and we expect 4 vehicles to be delivered in June 2021.	2018~2024: 1,232,000
	Intelligent Rail Scooter (phase 2)	Commissioned ITRI to replace 16 old four-seater, engine-powered rail scooters.	A total of 38 rail scooters were required for the main line according to our "Improvement actions for inspections and patrols after disasters." A total of 22 scooters were dispatched in Phase 1, and we plan to replace the remaining 16 units (old four-seater, engine-powered rail scooters) in Phase 2.	Contract period from 2020/2/1 to 2021/1/31, to replace 16 old four-seat engine-powered rail scooters.	Total contract amount: 18,359
	Localization of main transformer cooling fan motors	The technologies to develop materials and perform replacement work were entrusted to an external firm.	Cooling fan motors of the main transformers at substations must be replaced every 6 years. As the original manufacturers were requesting high costs, we began promoting localization to reduce costs.	A total of 82 cooling fan motors were replaced for BSS1~7 during December 2019 to February 2020.	Total amount for 6-year localization: 6,489
	OCS Composite Insulator Aging and Mainline Polluted Area Investigations	Research and investigations were carried out by an academic institute.	This project intends to study the life cycles of composite insulators along the THSR line, develop a system to record inspection data, establish a model to predict aging level, and rationalize maintenance schedules.	(1) The contract period is from 2020/9/15 to 2022/9/14. (2) Progress in 2020: Completed Phase 1 of initial analysis and planning report for composite insulator aging (MS1).	2020-2022: 11,374

Category	R&D project	R&D project content	Benefits of R&D	Current progresses	Expected Future Investments (NT\$ in Thousands)
System Research & Development	Phase 1 of Advanced Open Reservation System	The project was launched in April 2020, and implementation is expected to be completed in April 2021.	<ol style="list-style-type: none"> (1) Available seats and fare information is updated and provided for the large number of train and fare inquiries which occur irregularly during holiday periods. (2) Establish a new offline system outside the seat reservation system, which is available 24/7, and can provide train number and fare information for each booking channel. (3) Reduce the loading on the ticket reservation system and reduce setup time required for temporarily increased system resources. 	Project completion percentage (approximate): 79%; system integration tests and UAT are in progress and project progress is on schedule.	26,610
	Main Computer System External Interface Gateway of Automatic Fare Collection System	The project was launched in November 2020, and the implementation is expected to be completed in November 2021.	<ol style="list-style-type: none"> (1) Integrate AFCS back-end parameter control and service interface into a common service platform. (2) Connect AFCS back-end subsystem interfaces with the AFCS main reservation system and services, and merge these with the main computer system to provide modular service functions. (3) Users no longer need to adjust parameters from different subsystems, and the unified interface provided by the platform increases the reuse rate of modular services and reduces need for repetitive user tasks. 	Bidding is underway and project progress is on schedule.	10,019
	Automatic program deployment and verification (CI/CD)	The project was launched in September 2020, and the implementation is expected to be completed in June 2021.	<ol style="list-style-type: none"> (1) Improve work efficiency and accuracy, reducing continuous manpower growth despite increased demand. (2) Reduce proportion of system bugs. 	DEV/UAT has been delivered for CD, and the designs and flows are being discussed for CI/CD. Project progress is on schedule.	13,161
	Voice-activated ticket reservation mechanism of T Express	The project was launched in February 2020, and the implementation is expected to be completed in August 2021.	<ol style="list-style-type: none"> (1) Improve passenger ticket reservation experience. (2) Strengthen the corporate image of smart transportation. 	Confirming requirements. Project progress is on schedule.	1,940
	Mobile renewal service for periodic & multi-ride tickets	The project was launched in September 2020, and the implementation is expected to be completed in December 2021.	<ol style="list-style-type: none"> (1) Passengers no longer need to queue at station ticket windows for ticket renewals as they can apply for renewals using their mobile phones, which is an improvement for our passenger services. (2) Relieve ticket window staff workloads. 	Reviewing and confirming system architecture designs. Project progress is on schedule.	19,455

(4) Effects and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

In terms of major policy, the government is emphasizing the development of railway transportation and transportation safety in order to improve regional resource circulation efficiency and reduce regional gaps. The recent establishment and operation of the "Railway Bureau, MOTC," "Taiwan Transportation Safety Board," and "Railway Technology Research and Certification Center" have effectively concentrated authority, integrated resources, accelerated scientific and technological development, and promoted accident investigation and prevention; in addition, the continued implementation of 38 railway infrastructure plans stipulated in the 5 main schemes of the "Forward-Looking Railway Infrastructure Project," also have specific benefits on formulating the HSR and TRA railway transit network; strengthening transfer services and regional integration, improving traffic volume and transport capacity, and expanding limits of our operations. Thus, these major policies are all creating a favorable environment for our operations.

In terms of laws and regulations amendments this year relevant to our operating activity, the "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens" was established in response to the coronavirus (COVID-19) pandemic, and the Corporation has accordingly taken relevant epidemic prevention measures. Also, the "Railway Act" was amended to stipulate that railway institutions shall simultaneously report major traffic accidents or serious delays to the Taiwan Transportation Safety Board, and also effectively train and manage employees to ensure that they possess railway safety expertise and epidemic prevention skills. All of these amendments have had positive effects on improving the development of the railway industry and ensuring transportation safety.

All units should identify, comply, and conform to all relevant laws and regulations in compliance with our "Law Compliance Management Regulation," and continue to track policy trends. We are able to keep abreast of all major policies and statutory changes. Over the past year, all these changes have had no significant adverse impacts to our business operations.

(5) Effects and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

Technological Changes:

THSRC has integrated new technologies into various facets of passenger service since the commencement of operations. For example, the convenience store ticketing system launched in February 2010, the seat management information system launched in March 2011, and the T Express mobile ticketing app released in October of that same year. Moreover, in November 2017, T Express app added Apple Pay and Google Pay as payment options so customers could pay for tickets with in-app payments. Meanwhile, Apple Pay, Google Pay, and Samsung Pay have been accepted at THSR station ticket windows and ticket vending machines since August 2017. Further, in November 2018, the THSRC online booking system added "Taiwan Pay" as a payment method, enabling customers to pay with debit cards online. In July 2020, the "TGo 365 point redeem program" was added to member benefits, providing an O2O (online to off line) service that allowed TGo members to easily redeem points online and pick up hundreds of products offline. The launch of these services shows that THSRC not only adapts well to technological advancements, but also has the ability to use new technologies to create innovative value in passenger services. THSRC, a pioneer in the Taiwan rail industry and also a lifestyle service provider, will continue to utilize cloud management and transportation efficiency advances in technology, while expanding our 4T program (Transportation, Technology, Taiwan, and Touch) to provide better services to the public in the future.

Industrial Changes:

THSRC has completely revolutionized public transport in Taiwan's western corridor by providing passengers a better service of convenience, comfort, safety, high quality, efficiency, and punctuality. THSR now serves as the main form of transport for passengers travelling over long distances, and is used in combination with TRA, buses, taxis, or rental cars. THSRC has shortened the distance between the northern and southern regions, and continues to see steady increases in ridership. In the future, THSRC will continue to improve the systems and equipment to provide passengers with better service. In addition, THSRC will adhere to all safety regulations and procedures, and implement appropriate risk evaluation and safety management mechanisms to minimize potential passenger injuries or operational accidents.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Corporation's Response Measures:

THSRC's core business of transportation adheres to the highest standards of safety. We have established transparent channels for external communication through our corporate website, spokesperson, and public email address, and we periodically publish corporate social responsibility reports to maintain a good corporate image and convey important information to domestic and foreign mass media, consumers, our shareholders, governmental units, and other stakeholders. Additionally, we assimilate relevant information to fully understand potential crises and to fulfill our duties of prevention and warning. As of the publication of this annual report, there have been no incidents jeopardizing our corporate image.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

(8) Expected Benefits, Possible Risks and Response Measures for Plant Expansion:

1) Expected Benefits

- A. Based on current operating schedules, track layouts, and shunting limitations, the addition of Zuoying Depot's second vehicle maintenance plant is expected to increase maintenance capacity by a maximum of 9 trainsets. Our increased inspection and maintenance capacity will be sufficient to fulfill future maintenance requirements caused by fleet size expansions.
- B. Number of trainsets can satisfy the needs of consecutive holidays, and the entire fleet can be put into service if necessary.
- C. Simultaneous provision of train inspection tracks, repair tracks, and train stabling points, bringing more flexibility and multiple functions to trainset utilization.
 - (a) Satisfy fleet expansion needs in the future.
 - (b) Provide sufficient tracks for trainset refurbishments and other specific activities (such as trainset painting, material development and testing, and so on), shortening operational schedules.

2) Possible Risks and Response Measures

A. Possible risks:

The construction area is close to the high-speed rail and existing buildings, so it is necessary to ensure safety and prevent interference to train operations. The chosen locale for this plant is within the Zuoying Depot, close to the high-speed railway track, the first maintenance plant, the main warehouse, and the substation. An important challenge of this project is to ensure the safety of the train track, neighboring buildings, and construction sites during construction and excavation periods to avoid affecting HSR operations and maintenance.

B. Response Measures:

- (a) Properly plan construction flows and barrier facilities.
- (b) Strictly comply with the relevant regulations of the Occupational Safety and Health Management Measures for Railway Operation and Maintenance.
- (c) Diligently investigate the location and depth of existing pipelines.
- (d) Carefully formulate prevention measures for excavation in adjacent areas and set up a safety monitoring system to provide warnings.
- (e) Implement on-site construction safety policies.

(9) Risks and Countermeasures in the Concentration of Incoming Goods or Sales: None.

(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%:

Over the past year, there were no incidences where a major quantity of shares belonging to a director or shareholder holding more than a 10 percent stake in the Corporation was transferred.

(11) Expected Impacts, Possible Risks, and Response Measures for Changes in Management Rights:

Over the past year, there were no incidences relating to changes in management rights.

The Corporation has a stable equity structure, and has appointed a sufficient number of independent directors, adopted the candidate nomination system, implemented diversity of directors, and ensured effective functioning of the Board and all committees in accordance with laws and regulations, our Articles of Incorporation, Guidelines for Corporate Governance, and other relevant regulations. We have also implemented comprehensive internal control and risk management policies, which help establish a sound corporate governance system, and protect and promote shareholder participation. Therefore, we are able to avoid significant adverse impacts due to changes of Board members or operating rights.

(12) Litigious and Non-Litigious Matters. List Major Litigious, Non-Litigious or Administrative Disputes (That Have Been Concluded by Means of A Final and Unappealable Judgment, or are Still Under Litigation) That Involve the Company and/or Any Company Director, the General Manager, Any Person with Actual Responsibility for the Firm, Any Major Shareholder Holding A Stake of Greater Than 10 Percent, and/or Any Company or Companies Controlled by the Company; Where Such A Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company's Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute As of the Date of Publication of the Annual Report.

1) List of current open lawsuits, non-litigation disputes, or administrative proceedings:

No.	Year	Parties Involved	Case Summary	Case Status	Impact on Corporation Finances
1	2014	Plaintiff: THSRC Defendant: Wu and 26 others	Public nuisance dispute lawsuit with Wu and 54 other residents of Chengbei, Tongxiao Township, Miaoli. A public ruling by the EPA found that 26 people had been impacted from the period of February 2007 to August 2014 and ordered THSRC to pay compensation of NT\$ 8,338,000. THSRC disagreed with the ruling and filed an appeal of declaratory judgment counterclaim for invalidity on July 14, 2015.	<ol style="list-style-type: none"> 1. The Taiwan Miaoli District Court confirmed the invalidity of claims filed by local residents on November 19, 2018, finding in favor of THSRC and ruling that litigations costs should be borne by the defendants. 2. Defendants filed appeal on December 10, 2018. 3. The case was adjudicated by Taiwan High Court Taichung Branch Court under 2019 Zhong-Shang-Zi No. 9. 4. Taiwan High Court Taichung Branch Court dismissed the appeal on December 4, 2019 and ruled that the costs of the case shall be borne by the appellant. 5. The appellant filed an appeal within the statutory period. 6. The appellant withdrew the appeal on August 28, 2020. 7. The court verdict has been confirmed. 	None.

No.	Year	Parties Involved	Case Summary	Case Status	Impact on Corporation Finances
2	2015	Plaintiff: THSRC Defendant: Taipei City Government	The Taipei City Government found THSRC in violation of laws relating to overtime pay and vacation days and imposed a fine of NT\$ 300,000 (and order to publish names of disciplined persons) on March 3, 2015. THSRC disagreed with the ruling and filed an appeal which was later rejected. THSRC filed administrative proceedings in November 2015.	<ol style="list-style-type: none"> 1. Currently in trial at the Taipei High Administrative Court. 2. The Taipei High Administrative Court rejected plaintiff's appeal under 2016 Su-Zi No. 342 on June 7, 2018. 3. THSRC filed an appeal on July 6, 2018. 4. The Supreme Administrative Court reversed the decision by Taipei High Administrative Court on October 17, 2019 and remanded the case to the same court. 5. On December 23, 2020, the Taipei High Administrative Court revoked the previous decision regarding the plaintiff's violation of Article 24 of the Labor Standards Law and the penalty of NT\$150,000 under 2019 Su-Keng-Yi No.88, and confirmed that publishing the name of the plaintiff and the person in charge in accordance with Article 24 of the Labor Standards Law under the original penalty was illegal, while the remainder of the appeal was dismissed. The plaintiff was ordered to bear half of the litigation expenses of the first instance and remand for retrial, with remaining fees to be borne by the defendant. 6. THSRC filed an appeal on January 15, 2021. 	None.
3	2018	Plaintiff: Wu and 26 others Defendant: THSRC	Plaintiffs filed civil tort claims against THSRC for damages of NT\$ 5,700,000 due to infringements caused from the period of September 2014 to October 2018 based on the 2014 public nuisance dispute lawsuit filed against the residents of Chengbei, Tongxiao Township, Miaoli.	<ol style="list-style-type: none"> 1. The case was adjudicated by the Taiwan Miaoli District Court under 2018 Su-Zi No. 586. 2. The Taiwan Miaoli District Court dismissed the case on December 12, 2019. 3. The plaintiff filed an appeal within the statutory period. 4. The appellant withdrew the appeal on September 29, 2020. 5. The court verdict has been confirmed. 	None.

2) Concluded or ongoing major litigious, non-litigious, or administrative disputes that may have significant impact upon shareholder interests or share prices that involve Corporation directors, general managers, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Corporation that occurred over the past two years and up to the publication date of our prospectus:

Current list of major lawsuits, non-litigation disputes or administrative proceedings concerning juristic-person directors of THSRC (Source: taken from 2019 and 2020 Q2 financial reports of the relevant juristic-person directors).

Juristic-person director: Taiwan Sugar Corporation:

Parties involved	Case summary and amount under dispute	Case status
Taiwan Cooperative Bank	Taiwan Sugar Corporation was involved in a contractual dispute with Celerity Pacemaker Logistics Inc. (hereinafter "Celerity") and requested the return of fines, royalties, rent, default fines, and unjust enrichment equivalent to rent. Taiwan Sugar Corporation was awarded damages in March 2012 so sought to recover its claims from Celerity. The Taiwan Cooperative Bank filed a subrogation lawsuit against Taiwan Sugar Corporation for nonpayment of "system usage fees" to Celerity and requested return of NT\$ 114,027,000 in "system usage fees" from the period of June 2001 to April 2003 and NT\$ 7,500,000 in performance bonds.	<ol style="list-style-type: none"> 1. Following defeat in the court of second instance, Taiwan Sugar Corporation filed an appeal to the Supreme Court. On October 13, 2016, the Supreme Court reversed the previous ruling and remanded the case to the Taiwan High Court. 2. On May 2, 2017, the Taiwan High Court rejected Taiwan Sugar Corporation's appeal in a remanded trial and ruled that Celerity should pay NT\$ 590,400,054 to Taiwan Sugar Corporation. Simultaneously, Taiwan Sugar Corporation should pay NT\$ 121,527,053 to Celerity, of which annual interest rates of 5% would be calculated starting on January 19, 2004 for NT\$ 114,027,053, and starting on March 30, 2013 for the remaining NT\$ 750,000; payment would be collected by the Taiwan Cooperative Bank based on its subrogation right. Both parties filed an appeal to the Supreme Court. 3. The Supreme Court reversed and remanded the previous ruling on July 20, 2018. 4. On August 13, 2019, the Taiwan High Court dismissed the appeal and ruled that Celerity should pay NT\$ 590,400,054 to Taiwan Sugar Corporation. Simultaneously, Taiwan Sugar Corporation should pay NT\$121,527,053 to Celerity, of which annual interest rates of 5% would be calculated starting on January 19, 2004 for NT\$ 114,027,053, and starting on March 30, 2013 for the remaining NT\$ 750,000; payment would be collected by the Taiwan Cooperative Bank based on its subrogation right. The case is currently pending in the Supreme Court.

Parties involved	Case summary and amount under dispute	Case status
Department of Environmental Protection, New Taipei City Government	The Department of Environmental Protection, New Taipei City Government announced on September 11, 2013 that land held by a company acquired by Taiwan Sugar Corporation in 1984 (portions of said land were sold in 1989) constituted part of a soil pollution control zone. Taiwan Sugar Corporation was therefore identified as a "polluter" and was requested to propose follow-up measures.	On November 7, 2013, The EPA ordered Taiwan Sugar Corporation to comply with the proceedings announced by the Dept. of Environmental Protection, New Taipei City Government. Taiwan Sugar Corporation disagreed with the order and filed an appeal to the Supreme Court which was dismissed on December 11, 2014. Taiwan Sugar thereafter filed administrative proceedings on April 12, 2019 seeking to revoke the previous administrative action. The Taipei High Administrative Court dismissed the case on July 9, 2020, and Taiwan Sugar Corporation plans to file an appeal against this decision. Pollution investigation and evaluation plans must be reviewed and approved by the Department of Environmental Protection, New Taipei City Government, and pollution remediation plans must be submitted for approval based on investigation results. Therefore, as of June 30, 2020, it is not yet possible to estimate the costs of remediation.

Since the aforementioned juristic-person directors are financially independent from the Corporation, all the aforementioned litigation, non-litigation, or administrative disputes do not have significant impact on the Corporation's shareholder equity or share prices.

- 3) In the past two years and as of the publication date of our prospectus, were there any directors, supervisors, managers, and major shareholders holding more than 10% of shares in violation of the provisions in Article 157 of the Securities and Exchange Act, and if yes, the response measures taken by the company: None.

(13) Other Major Risks:

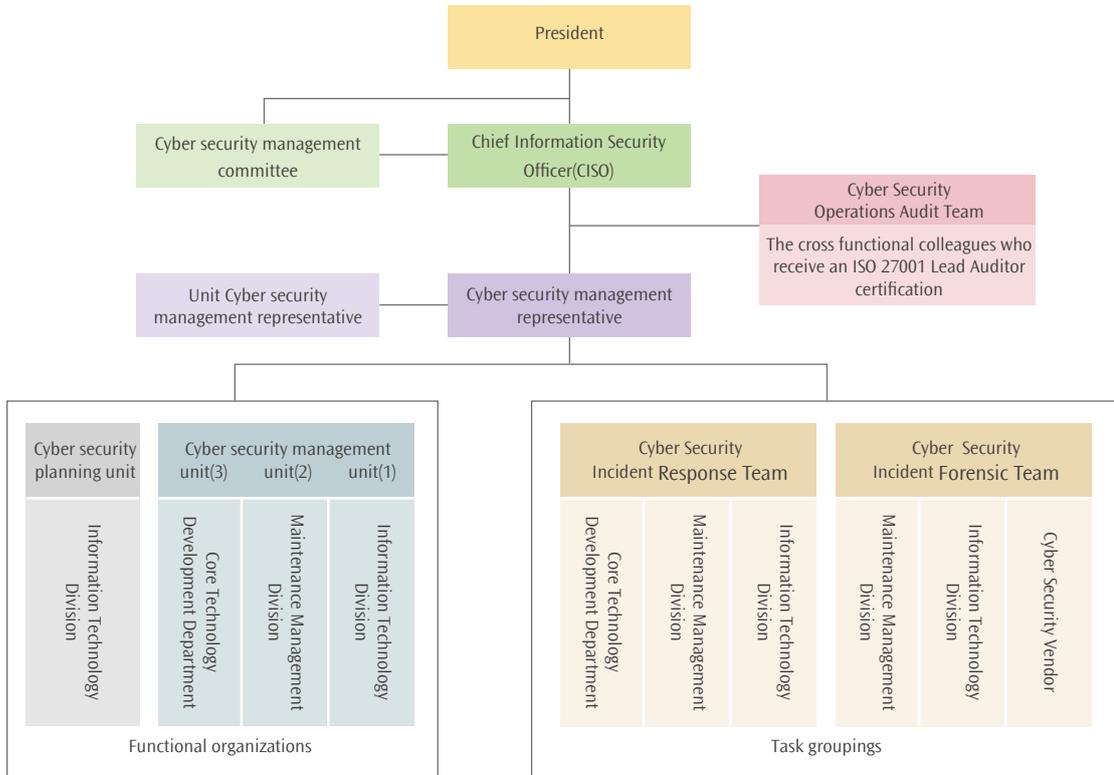
As of March 31, 2020, the COVID-19 (novel coronavirus) pandemic has caused a 18.38% decrease in our operating income for the first quarter of 2020 as compared with the previous year. Net income before tax for the first quarter decreased by 49.98% as compared with the previous year. In order to control the spread of COVID-19, the Corporation continues to deploy advanced prevention measures, details of which can be found on the "Government epidemic prevention measures" section on our corporate website (www.thsrc.com.tw).

8. Other Important Disclosure Items

(1) Management measures relating to information security implemented in 2020 were as follows:

- 1) Information Security Management System: In order to ensure information security is effectively implemented within daily operations, the Corporation established an "Information Security Management Committee" to review information security management strategies, missions, and operations, and comply with the requirements of the Cyber Security Management Act. The Committee is convened by the CISO (Chief Information Security Officer) who is joined by a Corporation Information Security Representative along with the heads of each department who act as Information Security Management Committee members. The Corporation Information Security Representative is responsible for managing and overseeing the planning, promotion, and implementation of information security operations, as well as compliance with the requirements of the Cyber Security Management Act. Implementation results for 2020 are as follows:
 - A. The head of Information Technology Division acts as the CISO and the chairman of information security management audit meetings. Regular meetings are held every 6 months to assess information security developments and strategies, ensuring that information security management systems can continue to operate in a stable manner, and the implementation performance is periodically reported to the Board of Director every year.
 - B. Each office and department unit assigns an information security representative, and the head of the System Operation Department in the Information Technology Division acts as the Information Security Management Representative. These representatives convened an "Information Security Representative Meeting" every quarter to report information security plans under development and implementation results, and to promote relevant information security policies and implementation highlights.
 - C. Relevant information security management report and implementation results were submitted to the 3th meeting of the 9th Board on June 17, 2020.

Information Security Management Structure



2) Information Security Policies: The Corporation periodically assesses its information security policies every year. Following approval from our Chairman on May 27, 2019, these policies were published on our corporate website. More details can be found in Chapter 4 of this report.

3) Specific Management Plans:

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



B. In 2020, the Corporation took out electronics equipment insurance policies for operational assets relating to maintenance of information systems and network equipment; security monitoring measures were also put in place to prevent incidents of theft and malicious destruction.

C. The Corporation is committed to deploy information security protection on information services such as network, personal computers, servers, and data as well as committed to prevent any malignant cyber attack or hacking. However, the Corporation can neither claim nor guarantee total invincibility against cyber attacks such as APT (Advanced Persistent Threat) attacks, DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks, and information theft that could result in disruption to information service systems. The Corporation also evaluates taking on cyber-insurance as an additional backing. In light of the fact that cyber-insurance is a new type of insurance policies, and in consideration of all issues relating to insurance scope, claim scope for damages, identification of damages, and qualification of identification institutes, the Corporation decides to respond to current information security challenges through annual external audit & internal audit, information security regulation review, and information security implementation procedure review. The following strategies have been adopted:

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

☑ Implementation of annual security checks, information and communication security health checks, and social engineering and information breach scenario exercise to strengthen employee awareness of information security crises and response capabilities, in hopes of efficiently preventing and detecting threats and halting proliferation at the first instance.

☑ Conducted quarterly information security training, monthly social engineering scenario exercises, and non-periodic promotional activities for information security targeted to all employees to strengthen employee awareness of information security crises and response capabilities.

☑ Established cybersecurity incident notification and response protocols to regulate incident notification to external and internal units, creation of incident response teams, assessment of incident impact scope, damage control, and post-incident investigation in the event of a cybersecurity incident, so as to minimize impact on service coverage and service time and prioritize passenger rights.

D. The Corporation passed the annual check for ISO27001 information security management systems in October 2020. Our previous ISO27001 certificate was valid through December 27, 2020, and our renewed ISO27001 certificate will be valid from December 28, 2020 to December 27, 2023.

(2) Intellectual Property Management Plan And Implementation Related to The Operational Goals In 2020:

1) Intellectual property management plan

The Corporation has formulated an intellectual property management plan which is linked with our operational strategies. We promote localized intellectual property development by setting policy objectives, establishing management systems, providing and maintaining resources, estimating risk and opportunities, and building mechanisms for continuous improvement. We aim to fulfill our corporate social responsibilities by sharing the fruits of our intellectual property.

A. Intellectual property development strategy:

We set "Transportation, Technology, Taiwan, and Touch (4T)" as our vision and strategic goals. In accordance with our "Taiwan" goal, we have implemented multiple business plans to promote localization of the railway industry, enhance local development, and augment local supply capabilities for equipment/materials, dedicating our efforts to research and development of facility construction, rolling stock systems, signaling and communication systems, and information technology systems. We have also established the "Railway Industries Localization Project Team" to promote local production of rolling stock, track and power, and signal and communication systems. We hope to inspire intellectual property achievements, which we will manage and protect as necessary, through the aforementioned processes.

B. Intellectual property related risks and countermeasures:

In the era of globalization and knowledge-based economy, we should focus on the utilization and value-adding effect of intellectual property, and deal with the risks and challenges that come along with it. The risks that we may face during the life cycle of intellectual property, in addition to the costs or damages incurred due to illegal infringement, also include the risk that internal and external stakeholders (such as internal officials, employees or external contractors, industry-academia cooperation institutions) are unable to fully recognize the importance, timeliness, and essential protection measures which should be adopted for intellectual property protection, which may mean that newly-produced intellectual property achievements may not be protected in a timely manner, and may further affect the competitiveness or operating performance of the Corporation.

C. Intellectual property management systems:

In order to prevent the risks mentioned above, the Corporation identifies opportunities or risks related to operational strategies and intellectual property management based on changes in internal and external environments, and formulates relevant response measures which include establishment of regulations, training, management of confidential information, inventory maintenance, and infringement protection, so as to effectively eliminate and reduce the risk of damage. Moving forward, we will continue to comply with the aforementioned strategic goals and regulations, develop an "Intellectual Property Management Plan," and report the content and implementation status of said plan to the Board at least once a year.

(a) Patent and trademark management

In accordance with the Corporation's "Regulations for Handling Matters of Intellectual Property" and related rules, our operational units continually evaluate and propose the needs and necessities of intellectual property rights, working with the internal legal department and external counsels to handle the application, maintenance, protection, and authorization of intellectual property rights.

(b) Trade secrets and copyright management

According to the Corporation's "Employees Employment Regulation," "Information Disclosure Management Regulations," and other related regulations, all employees bear the following obligations.

- I. Document management: Employees are required to enforce document confidentiality, including classification of confidentiality levels, labelling, control, and authorization, to ensure the confidentiality of undisclosed intellectual properties.
- II. Confidentiality: Employees are required to observe confidentiality regulations regarding technologies, manufacturing processes, designs, operational strategies, R&D designs or plans, and other undisclosed information that is conducive to the Corporation's competitive advantage. Vendors are also required to sign a confidentiality agreement when working with THSRC.

2) Intellectual property achievements and implementation status:

A. The Corporation continues to implement intellectual property management procedures. Our main implementations in recent years include:

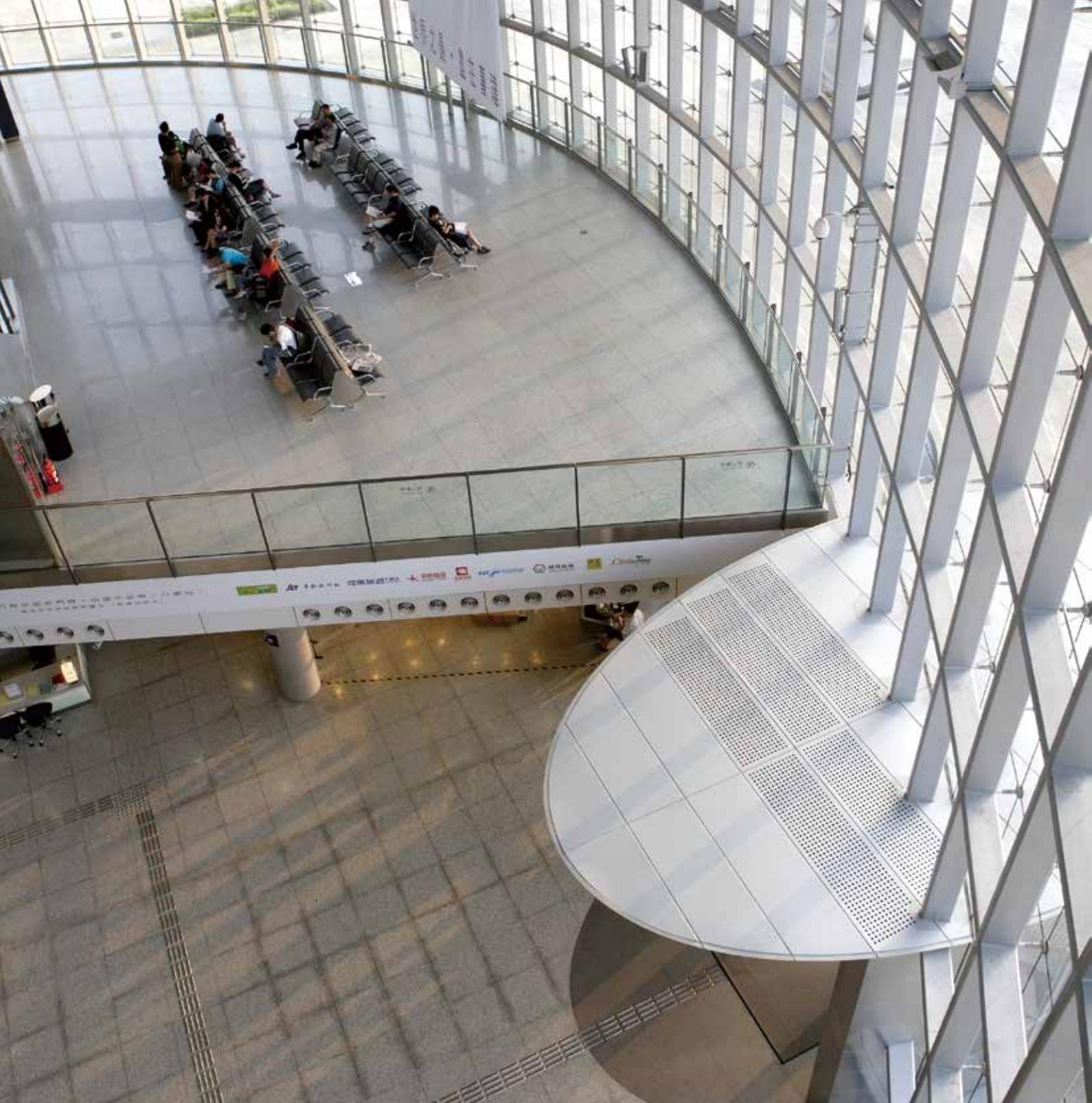
- (a) In 2019, we formulated the "Regulations for Handling Matters of Intellectual Property."
- (b) In 2020, employees handling intellectual property affairs in the internal legal department participated in an external "Intellectual Property and Compliance Course."
- (c) In 2020, the legal department held an online training course on "How to Protect Intellectual Property Rights," which was mandatory for all Corporation employees. A total of 4,735 people completed 2,285 hours of training.
- (d) In 2020, we established the Intellectual Property Management Task Force. The 2020 Annual Intellectual Property Management Plan and annual implementation status were formulated after three meetings and reported to the 8th meeting of the 9th Board on November 4, 2020.

B. Intellectual property achievements: (As of March 31, 2021)

Categories	Numbers
Patent	1. A total of 48 patents, including: <ul style="list-style-type: none"> (1) Invention patents: We already hold a total of 16 patents, including the "A turnout monitoring system and its method" and "Train seat query system" patents. (2) Utility model patents: We already hold a total of 26 patents, including the "Fire and smoke detector diagnosing device" and "Push notification device for railway information" patents. We obtained 6 patents in 2020, including the "Photography system for train power equipment" and "Mobile track image recording device" patents. 2. A total of 10 patents under review: <ul style="list-style-type: none"> (1) Invention patents: 7 (2) Utility model patents: 3
Trademark	1. We already hold a total of 165 trademarks. 2. A total of 1 trademark under review: After launching the "TGo 365 point redeem program" online, the Corporation submitted a trademark application for the "365 logo and image" in 2020.

Other intellectual property rights:

- Copyright: The Corporation attaches great importance to research and publication relating to our brand, marketing, program, and system development. We publish works, mainly articles and photographs, relating to THSRC on a monthly basis. In addition to preserving historical data, we have established the "Regulation of Product Authorization Procedure" and "THSRC Intellectual Properties Licensing Guideline (Video & Audio)" to regulate authorized use of our goods and videos. Furthermore, we have also established the "Procedure for Handling the External Invitation to Provide an Interview, a Speech, a Contribution, an Award, or a Contest," which allows Corporation employees to express their opinions on external visits, speeches, submissions, participation in awards or competitions, or other similar channels. These regulations and precautionary measures help us protect our intellectual property rights and reduce infringement risks.
- Trade secret: Our trade secrets are mainly produced by the Maintenance Management Division. In addition to prevention of theft and online leakage, we have stipulated related obligations to our "Code of Conduct and Work Rules" and provide training courses to ensure that employees fulfill their confidentiality obligations.



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Special Disclosures

1. Information on Affiliated Businesses: None.

2. Information on Private Placement of Securities in the most recent year and up to the Publication Date of this Annual Report

Project	Private placement in 2015 Issue date: November 26, 2015				
Private placement securities	Common shares				
Date and amount approved by the shareholders' meeting	September 10, 2015 / No more than 3,000,000 thousand shares				
Basis and rationality of price setting	<p>1. The Board of Directors of the Corporation set November 12, 2015 as the pricing date. According to the resolution of the shareholders' meeting held on September 10, 2015, the private placement price of common stock should not be less than 80% of the reference price.</p> <p>2. The reference price shall be determined by the higher of the following conditions: (a) The share price calculated as the sum of all transaction amounts of Corporation common shares in the Emerging Stock Computerized Price Negotiation and Click System in each business day for 30 business days prior to the price determination date, divided by the sum of the number of shares traded in each business day, after adjustments for any distribution of stock dividend, cash dividend, or capital reduction; (b) The net worth per share shown on the financial report audited and certified or reviewed by a certified public accountant (CPA) for the period closest to the price determination date.</p> <p>3. The privately placed common stock reference price is set at NT\$ 10.15, and the issue price is set at NT\$ 10, consistent with the resolution of the shareholders' temporary meeting stating that the private placement price shall not be lower than 80% of the reference price.</p>				
Selection of qualified persons	The persons or funds selected for this private placement fulfill the qualifications set out by the resolutions of the Legislation Yuan and Article 43-6. Paragraph 1 of the Securities and Exchange Act and Rule No. 091003455 of the Securities and Futures Bureau of Financial Supervisory Commission dated June 13, 2002.				
Necessity for private placement	The percentage of government holdings in the Corporation was increased in order to implement the "High-Speed Rail Financial Resolution Plan" and in accordance with relevant resolutions taken by the Legislative Yuan. Additionally, private placements are characterized by quick and convenient access, and Corporation common shares issued through private placement are not freely transferable within the first 3 years, ensuring a long-term equity relationship between the Corporation and government entities. The Corporation placed common shares with specific parties according to the provisions of Article 43-6 of the Securities and Exchange Act.				
Payment completion date	November 26, 2015				
Applicants	Private placement entity	Qualifications	Subscription quantity	Relationship with THSRC	Participation in Corporation's operations
	Ministry of Transportation and Communications, R.O.C.	Paragraph 1	2,420,000 thousand shares	THSRC director, Government-related entity	THSRC director, largest shareholder, and governing authority of THSRC
	China Aviation Development Foundation	Paragraph 3	260,000 thousand shares	THSRC director	THSRC director
	Mega International Commercial Bank	Paragraph 1	71,100 thousand shares	None	None
	First Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
	Hua Nan Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
	Taiwan Corporative Bank	Paragraph 1	53,300 thousand shares	None	None
	Chang Hwa Commercial Bank	Paragraph 1	44,500 thousand shares	None	None
Taiwan Business Bank	Paragraph 1	44,500 thousand shares	None	None	

Project		Private placement in 2015 Issue date: November 26, 2015
Actual subscription (or conversion) price	NT\$10 per share	
The difference between actual subscription (or conversion) price and reference price	The actual subscription price was \$10 per share, 98.25% of the reference price set at \$10.15.	
Impacts of private placement on shareholders' equity (for example, increase of cumulative losses)	A total of 3 billion privately placed common stock was issued, generating stock income of \$30 billion, and bringing paid-in capital to \$56,052,930,580, which will help the Corporation stabilize its operations and development, and bring positive benefits to shareholders' equity.	
Fund utilization of private placement and project implementation progress	Collected private equity funds were used to enrich working capital, purchase machinery and equipment, and implement preferred stock compensation schemes. In the second quarter of 2016, \$14.3 billion was used to enrich working capital, \$600 million was used to purchase machinery and equipment, and \$15.1 billion was used for preferred stock compensation programs.	
Private placement benefits	Enrich the Corporation's funds, improve the Corporation's financial structure, aid implementation of preferred stock compensation programs, and stabilize the Corporation's operations and development.	

3. Information on Shares Held or Sold by Subsidiaries in the most recent year and up to Publication Date of Annual Report: None

4. Other Supplementary Information Required: None.

5. Has the corporation experienced any events as described in Item 2, Paragraph 3, Article 36, of the Securities and Exchange Act that have had major impacts on shareholders' equity or share prices in the most recent year and up to the publication date of this Annual Report: None.

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Email: Spokesman_MBOX@thsrc.com.tw

THSRC Deputy Spokesperson: Elaine Tsou

Title: Assistant Vice President

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

Email: Spokesman_MBOX@thsrc.com.tw

Share Transfer Agent and Registrar

Company: Fubon Securities Transfer Agency Department

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Website: www.fubon.com.tw

Tel: +886-2-2361-1300

Auditors of Current Financial Report

Auditor Names: Mei-Yen Chiang, Kwan-Chung Lai

Company: Deloitte & Touche

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TAIWAN HIGH SPEED RAIL CORPORATION

CHAIRMAN



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



www.thsrc.com.tw