

2022  
ANNUAL  
REPORT



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Note: Following approval granted by the Board of Directors on December 14, 2022, the CPAs were changed to Chih Fan Yu and Chien Hung Chou from PwC Taiwan. Please refer to the information on CPA changes in Chapter Four of this annual report.

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

## THSRC Milestones

Date of Incorporation: **May 1998**

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

Operation Stage: **Started in January 2007**

Capitalization: **NT\$56.28 billion**

## Key Operating Statistics for 2022

Number of Train Services: **54,054**

Punctuality (defined as arrival within five minutes of scheduled time): **99.47%**

Annual Ridership: **54.16 million passengers**

Annual Revenues: **NT\$37.13 billion**

Loading Factor: **53.31%**

Passenger Kilometers: **9,338 million km**

Total Route Length: **350 km**

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

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

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

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

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

Note:

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

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

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



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# 1

## Letter to Shareholders





Chairman

*Y. C. Chiang*

## **Business Report and Future Prospects**

Since the outbreak of the COVID-19 in early 2020, passenger volumes have declined in recent years. With the slowdown of the epidemic, various control measures have been relaxed, and ridership recovered slowly since July 2022. As one of the main transportation means in Taiwan's western corridor, Taiwan High Speed Rail Corporation (THSRC) has continuously implemented various preventive measures to ensure the safety and well-being of our customers and employees during this difficult time.

Looking ahead to the future, we hope the global pandemic will come to an end soon for normalcy to resume. We will continue to deliver on our commitment to provide excellent service, comfortable travel, and customer satisfaction, adhering to the principle of "To be the Platform for Advancement and Enjoyment" for every action we take.

### **1. Business Report for 2022**

#### **(1) Operational Performance**

##### **1) Rail Operations**

Due to the impact of the epidemic during the first half of 2022, ridership remained low. However, with epidemic slowing and control measures relaxing, ridership gradually recovered since July. A total of 54,054 train services were provided during the course of the year, an increase of 7,262 train services compared to 46,792 trains in 2021. Our loading factor was 53.31% (up by 3.43% compared to 49.88% in 2021) and passenger volume increased to 54.16 million, up by 10.70 million compared to 43.46 million in 2021. Our total passenger-kilometers were 9,388 million km, up by 23.38% compared to 7,569 million km in 2021. Average daily ridership was 148,389 passengers, an increase of 29,322 passengers compared to 119,067 passengers in 2021.



President

In terms of operational safety, no accidents or injuries occurred in 2022. Our average punctuality rate (arrival within five minutes of scheduled time) was 99.47%, higher compared to 2021, and our average reliability rate (excluding delays due to force majeure) was 99.99%.

#### Operational Statistics

Indicators	2021	2022	Change
1. Train Services	46,792	54,054	+15.52%
2. Ridership (in millions)	43.46	54.16	+24.62%
3. Seat-Kilometers (in millions)	15,175	17,517	+15.43%
4. Passenger-Kilometers (in millions)	7,569	9,338	+23.38%
5. Punctuality Rate (as % of trains arriving within five minutes of scheduled time)	99.00%	99.47%	+0.47%
6. Loading Factor (Passenger-km/Seat-km)	49.88%	53.31%	+3.43%

#### 2) Marketing and Passenger Services

Products and services launched in 2022:

##### A. Epidemic Prevention Measures

THSRC has implemented the following preventive measures in response to the COVID-19 pandemic:

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

- (c) 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. Product Promotions

- (a) We launched a series of promotions to welcome the new post-pandemic lifestyle.
- (b) We launched the T Holiday and combo tickets for hotels, transportation, and various travel commodities, based on different customer characteristics to satisfy different customer segments.
- (c) We launched the regular promotions such as Early Bird Discount, College Student Discount, Credit Card Discount and Periodic / Multi-Ride Ticket, to meet different customer needs.

C. Service Diversification

- (a) We continued to recruit TGo members through exclusive member benefits and various activities for members to redeem TGo points for rewards, in order to increase numbers and contributions from TGo members.
- (b) We continued to launch cumulative rewards activities to encourage corporate members to increase ridership.
- (c) THSRC is the first public transportation company to launch the voice booking service on the "T Express" app.
- (d) With increasingly aging population, we continue to improve each HSR station facilities, by adding movable barrier-free ramps at taxi area and barrier-free extension on bus platforms, and replacing hydraulic elevators, etc.
- (e) Reducing plastic of service products.

**(2) Budget Implementation**

In 2022, our estimated operating revenue was NT\$45.64 billion, but due to the continuous impact of the COVID-19 pandemic, actual operating revenue was NT\$37.13 billion. Our budget achievement rate was 81.4% and our actual net income was NT\$3.77 billion.

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

Our revenue was NT\$37.13 billion, up by 22.8% compared to 2021 and net income before tax was NT\$4.27 billion in 2022. An injection of stabilization fund NT\$0.399 billion was included in net income before tax.

Due to the increase of domestic COVID-19 cases in the second quarter of 2022, ridership declined sharply. However, as normalcy returned, ridership and revenue showed an upward trend during the third quarter.

Financial Data

Unit: NT\$ in billions

Indicators	2021	2022
Operating Revenue	30.23	37.13
Gross Profit	4.53	11.24
Operating Income	3.32	9.92
Income Before Income Tax	4.27	4.27
Income Tax Expense	0.65	0.49
Net Income	3.61	3.77

**(4) Research and Development**

Main research and development activities in 2022 were as follows:

1) Civil Facilities:

- A. Establishment of artificial intelligence drone for HSR viaduct inspections.
- B. Update and upgrade of slope real-time monitoring system.

- C. Conducting research on amplification of seismic responses at viaducts in the Chiayi section.
  - D. Research on the reduction of seismic displacement after implementation of dampers on viaducts in the Tainan area (including construction improvements and analysis of quantitative feedback).
  - E. Rectification of differential vertical settlements between adjacent piers using pot bearings.
- 2) Operation and Maintenance System:
- A. Increased bandwidth of free Wi-Fi services at HSR stations and on trains.
  - B. Development of Intelligent Passenger Information System (PIS).
  - C. Addition of CCTV surveillance system in front of THSR trains.
  - D. Development of Railway Turnout Monitoring System (TMS).
  - E. Development of Bogie Running Tester (BRT).
- 3) Information Systems:
- A. Development of Advanced Open Reservation System (AORS) Phase 2.
  - B. Optimization of AI voice booking service on T Express.
  - C. Development of THSRC Digital Cloud Platform Service.
  - D. Establishment of Malware Scan Kiosk.
- 4) Information Technology:
- Localization of maintenance materials and equipment and continue to collaborate with major industries, academic units, and research institutions to develop related materials and equipment, including to cooperate with Taiwan Rolling Stock Co., Ltd. to design of the "HSR Diesel-Hydraulic Locomotive."

## 2. Business Plan for 2023

### (1) Business Strategy

THSRC will continue to adhere to the vision of "To be the Platform for Advancement and Enjoyment" in 2023 and implement ESG and strengthen corporate governance. In addition, THSRC strives to provide a safe, high-quality, and innovative transportation service to promote Taiwan towards a better life, as well as implement major plans based on the following "six strategies directions:"

- 1) To reduce risk of disaster in response to external environment change.
- 2) To increase digital optimization and achieve digital transformation.
- 3) To improve service and operational management in response to population and technological change.
- 4) To create demand and increase revenue in the post-pandemic era.
- 5) To strengthen supply chain management and establish partnership.
- 6) To implement energy saving and carbon reduction, as well as to fulfill social responsibilities.

### (2) Main Strategies and major projects on 4T

#### 1) Transportation

Continue to improve operational safety, actively face the impact of climate change on transportation, establish relevant early warning mechanisms. In addition, in response to the characteristics of passenger demand and the competition of smart vehicle, we are optimizing the quality of software and hardware services of travel services, enhancing the competitiveness of high-speed rail, and providing a sense of security for passengers. Major implementation items include:

- A. To implement the slope safety assessment, as well as to carry out the upgrade and update of automatic slope monitoring system, in response to the threat of extreme weather.
- B. To assess the impact of the Chekulín Fault on the structural safety of viaducts and adopt drones for inspection and survey civil structures to strengthen disaster tolerance and early warning capabilities.
- C. To improve and optimize service facilities at HSR stations and on trains.
- D. To promote and develop T-MaaS for improving the convenience and experience of passengers.

## 2) Technology

Actively innovate and enhance technical capabilities, adopt new technologies and promote intelligent transportation, continue to improve operations, services, safety, and the efficiency and quality of emergency response, as well as adopt big data and digitalization to optimize customer experience and create a more convenient life. Major implementation items include:

- A. To develop Advanced Open Reservation System (AORS).
- B. To establish new AFCS cloud-based equipment at HSR stations and to digitalize Multi-Ride, Periodic Ticket, and E-Coupon Systems.
- C. To implement mobile payment function for fare adjustment and cart sales on trains.
- D. To implement the expansion plan of Data Transmission System (DTS) and Fiber Optic System (FOC) for optimizing the software and hardware of management information and travel services.

## 3) Taiwan

To promote local economic growth through collaboration with local enterprises or institutions. Major implementation items include:

- A. To promote the localization of the rail industry, such as OCS maintenance vehicle and foster the development capabilities of local rail industry.
- B. To promote local culture and activities, as well as to develop national tourism for invigorating local economy.
- C. To promote green procurement, such as plastic reduction for on-board service products, thermal paper magnetic tickets, etc. to achieve sustainable development and fulfill corporate social responsibility.
- D. To revitalize affiliated businesses and strengthen the cooperation with local brands and social enterprises.

## 4) Touch

Continue to cultivate talents, promote employee development, establish a sustainable supply chain management mechanism, and implement energy conservation and carbon reduction measures to create positive environment benefits. Major implementation items include:

- A. To manage database of potential upper management talents and develop key position plans to enhance the competitiveness and output value of employees.
- B. To establish a sustainable supply chain management mechanism and collaborate with suppliers to create value for society and the environment.
- C. To improve energy efficiency, THSRC installed battery energy storage equipment in Yanchao Main Workshop, electrical storage equipment in BSS, and solar power equipment in the parking lots of HSR stations.
- D. To issue green lending of financial product for enhancing the competitiveness of environmental protection.

### (3) Ridership Forecast

The global economy is slowly recovering from the pandemic, yet the impact is expected to last until 2024. Due to steady domestic economic growth after the pandemic, increasing convenience of digital ticket purchase services, promotion of membership services and improvement of travel products, we estimate that the annual ridership volume for 2023 will exceed 64.61 million passengers.

### 3. Future Outlook

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

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

According to domestic economic forecasts released by the Directorate-General of Budget, Accounting and Statistics on November 29, 2022, cross-border travel is expected to rise with the easing of pandemic conditions; recovery of consumption volumes; and resumption of shopping, travel, and dining activities. Economic growth for 2023 is estimated to be 2.75%. Faced with challenges in external economic environments, the Corporation will continue to respond to market changes, formulate the best business strategies, and work to achieve all business goals.

In terms of the legal environment, the Ministry of Transportation and Communications recently amended Railway Act and a number of sub laws. In 2022, the "Railway Act", "Railway Operating Regulations", and "State-owned and Private Railway Train Driver Certification Management Rules" have been revised successfully, and led to a positive effect on ensuring the safety of railway operations and protecting the rights and interests of passengers. THSRC is optimistic about the outcomes and abides by relevant laws and regulations, and will adjust the company's internal by-laws accordingly to ensure regulatory compliance.

THSRC regularly identifies applicable laws and complies with relevant regulations where necessary. We have an effective grasp on and appropriate response measures to changes in legal environments. Throughout the year 2022, all the relevant law amendments had no significant impacts to our business operations. We will continue to stay abreast of legislative updates, refine our operations, strengthen our corporate governance, integrate legal compliance into our corporate culture, and adhere to the highest safety standards 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 condition in 2022, the world's major economies have raised interest rate to curb inflation. Challenges from ongoing stalemate in the Russia-Ukraine war and the US-China technology war are affecting global economic growth. Global forecasting institutions predicted that the global economic and trade growth rate in 2023 are expected to be lower than that in 2022. The slowdown of global economy will impact Taiwan's import, export, and investment performance. Fortunately, with local epidemic slowing and government control measures relaxing, domestic consumption and related industries have been improved to support Taiwan economy in 2023. 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 transportation quality.



# 2 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 -- "To be the Platform for Advancement and Enjoyment"

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



## 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.

### 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.

### 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.

### 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.	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.
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.	March 2016	Shareholders, at an extraordinary general meeting, approved plans formulated by the THSRC Board for an initial public offering (IPO).
January 2013	THSRC held groundbreaking ceremonies for new stations in Yunlin, Miaoli, and Changhua.	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.
October 2013	THSRC raised passenger fares using a formula approved by the MOTC.	May 2016	THSRC and the International High-Speed Railway Association (IHRA) held their 5th annual meeting in Taipei.
November 2013	THSRC received the R.O.C. Enterprise Environmental Protection Award from the Environmental Protection Administration for the third consecutive year.	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.
December 2013	THSRC and the JR Kyushu Railway Company hosted a work practices exchange for train attendants to observe and learn different service cultures.	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.
April 2014	THSRC won first place in the Ground Transportation category of Commonwealth Magazine's Golden Service Awards.	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.
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.	November 2016	THSRC received a Silver Award from the 2016 Enterprise Project Management Benchmarking Awards for its three new stations.
January 2015	THSRC received a carbon footprint certificate for high-speed rail service from the Environmental Protection Administration, Executive Yuan.	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.
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.	April 2017	An E-Ticket Reader was established for multiple ticket types.
September 2015	THSRC established a Muslim prayer room at Taichung HSR Station in order to better cater to the needs of Muslim passengers.	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.

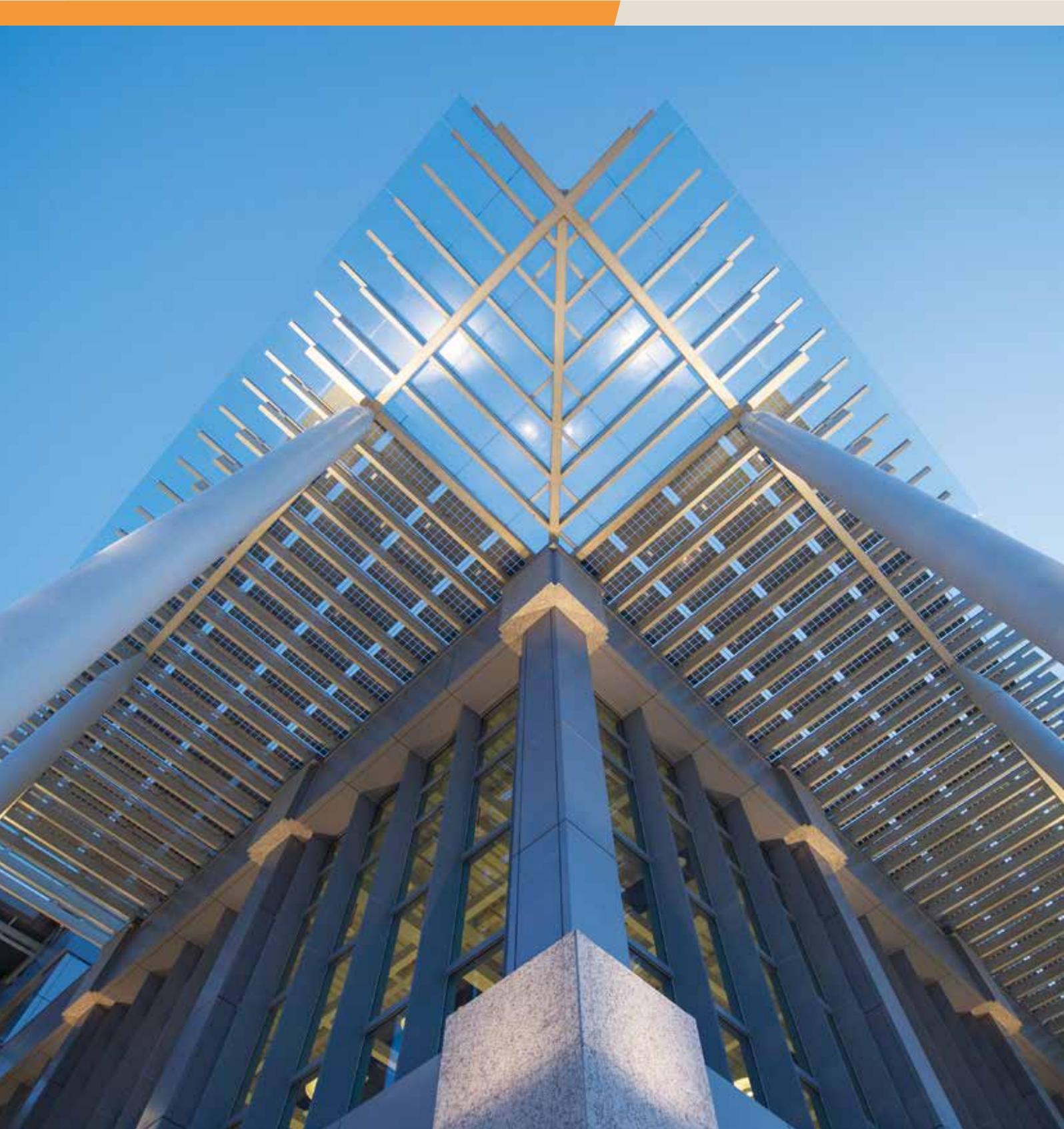
August 2017	The iTaiwan free Wi-Fi network was made available along HSR line. THSRC hosted the "Business Opportunity Seminar for Taiwan Track Industry Localization" at Yanchao Main Workshop.	March 2019	THSRC launched ticket pick-up services for senior/disabled concession tickets on the mobile ticketing app and from automatic ticketing machines. THSRC launched smart online ticketing services on Facebook Messenger.
October 2017	THSRC won the first Transportation Award of Service hosted by Next Magazine. THSRC launched the "TGo" and THSRC App.	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.
November 2017	THSRC won Global Views Magazine's 15th Five-Star Service Award.	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.
December 2017	THSRC won the Ministry of Culture's 13th Art & Business Award.	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.
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."	January 2020	THSRC carried its 600 millionth passenger.
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.	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.
July 2018	THSRC carried its 500 millionth passenger.	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.
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.		

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.	January 2021	The "2021 High Speed Educational Endowment Program" in collaboration with the "Down Syndrome Foundation R.O.C." has officially launched. The THSRC e-Procurement, as part of the Procurement Management System (PMS), was introduced and launched for vendors to access online bidding.
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.	April 2021	In accordance with the humanitarian assistance and corporate social responsibility, THSRC donated an amount of NTD 5 million to victims and families of the 0402 Taroko Train Accident. The Taiwan Ratings Corporation (Taiwan Ratings) has raised THSRC credit rating to the highest level of twAAA, while the outlook on the long term rating maintained "stable." THSRC received top 5% ranking in the Corporate Governance Evaluation hosted by TWSE for the fourth consecutive year, and was also ranked in top 10% of publicly listed "non-financial or electronic companies with market values of NTD 10 billion and above" for three consecutive years.
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).	June 2021	Continued to be selected as a constituent of the "FTSE4Good TIP Taiwan ESG Index," and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Mark" from now until December 19, 2021.
September 2020	Participated in 1111 Job Bank's 2020 Most Touching Work Contribution Awards and took first place in the "Transportation and Logistics Category."	July 2021	Continued to be selected as a constituent of the "TWSE RA Taiwan Employment Creation 99 Index." "The Integrated Information Platform for Cloud Smart Power System Maintenance" received a bronze award from the 2021 Future Commerce Awards in the category of Best Management Innovation hosted by Business Next Magazine.
October 2020	Won "Outstanding Enterprise Category" at the National Brand Yushan Awards.	August 2021	THSRC has issued a Sustainability Bond for the first time to raise an amount of NTD 1 billion, with a maturity of 3 years and a fixed annual interest rate of 0.3 percent. It is also the first domestic transportation service provider to issue a Sustainability Bond.
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.	October 2021	THSRC won the 18th National Brand Yushan Award in the following categories: Outstanding Enterprise, Best Popular Brand, and Best Product, as well as received the first prize in Outstanding Enterprise Category.
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).		

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

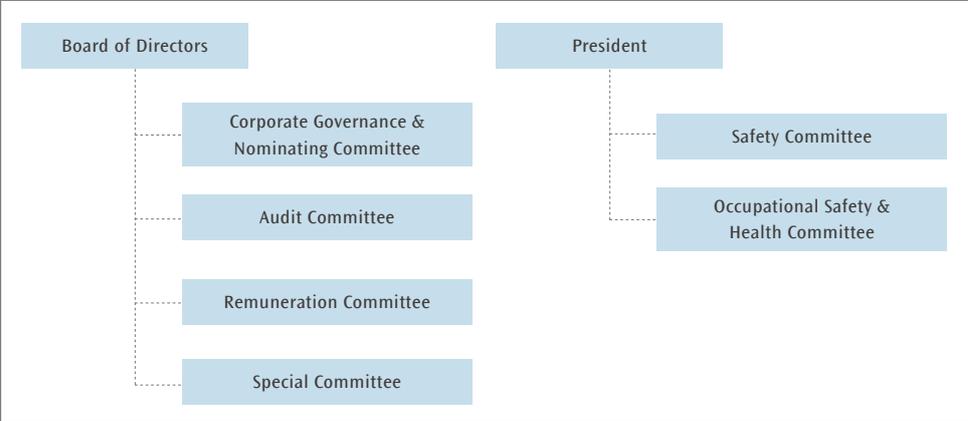
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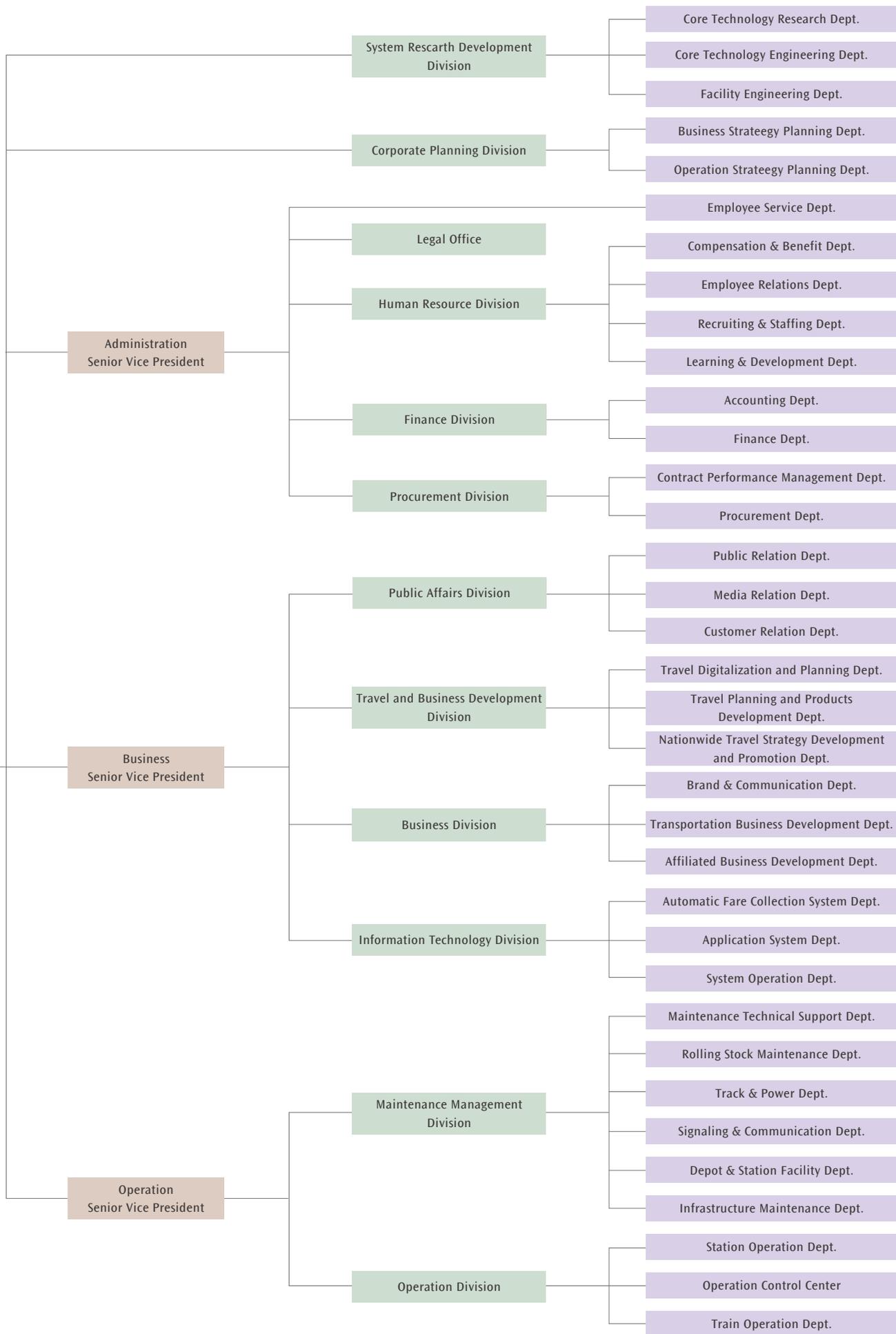
## Corporate Structure



# 1. Organizational Structure

## (1) Corporation Organizational Structure





## (2) Business Operations of Major Departments

Main duties of functional committees overseen by the Board of Directors

### 1) Corporate Governance & Nomination Committee

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

### 2) Audit Committee

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

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

Main operational scope and duties of each department/unit

1) Corporate Audit Office

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

2) Secretariat Division of the Board of Directors

Established under the Board of Directors, the Secretariat Division 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.

3) Corporate Planning Division

Responsible for the overall operation of the company, corporate governance (including corporate social responsibilities and risk management), international affairs, service needs, important projects, formulation and implementation of industry-academia collaborations, as well as compilation, monitoring, and analysis of business performance, project management, and cost-benefits.

### 4) 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.

### 5) Operation Safety Office

Responsible for formulating the Corporation's safety management system, management policies and management systems for personal information, safety policies, and safety objectives, and assessing the effectiveness of safety management procedures 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.

### 6) 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, configuration management, system assurance, and internal control.

### 7) Operation Division

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

### 8) Maintenance Management Division

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

### 9) System Research Development Division

Responsible for researching and developing core electromechanical system technologies, planning and implementing system upgrades, and formulating, designing, monitoring, improving, and implementing facility construction plans.

### 10) Business Division

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

### 11) Travel and Business Development Division

Mainly responsible for planning 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.

### 12) Information Technology Division

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) Public Affairs Division

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

14) Human Resources Division

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

15) 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.

16) 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.

17) 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.

18) Employee Service Department

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

## 2. Board of Directors

### (1) Directors

Title	Nationality/ Place of Incorporation	Name	Gender /Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Chairman	R.O.C.	China Aviation Development Foundation	—	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/ 71-80	2020/05/21	2023/05/20	2016/10/18	0	0	0	0	0	0
Director	R.O.C.	Representative: Lee-Ching Ko	Female/ 71-80	2020/05/21	2023/05/20	2001/07/13	0	0	0	0	0	0
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.	Representative: Wen-Jong Chi	Male/ 61-70	2021/04/26	2023/05/20	2021/04/26	0	0	0	0	0	0
	R.O.C.	Representative: Chin-Hong Pan	Male/ 51-60	2021/07/19	2023/05/20	2021/07/19	0	0	0	0	0	0
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/ 61-70	2020/05/21	2023/05/20	2018/03/31	0	0	0	0	0	0

Thousands of shares; % (as of 2023/03/27)

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"> <li>• Independent Director, Tyntek Corporation</li> <li>• Chairman, China Steel Chemical Corporation</li> <li>• Chairman, Kaohsiung Rapid Transit Corporation</li> <li>• Chairman, China Steel Corporation</li> <li>• Chairman, China Airlines</li> <li>• Deputy Minister, Public Construction Committee, Executive Yuan</li> <li>• Director-General, Department of Rapid Transit System, Taipei City Government</li> <li>• Technical Supervisor, Researcher, National Chung-Shan Institute of Science and Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Director, China Aviation Development Foundation</li> <li>• Independent Director, Radiant Opto-Electronics Corporation</li> </ul>	None	None	None	
0	0	<ul style="list-style-type: none"> <li>• Second Vice Group Chairman of Evergreen Group</li> </ul>	<ul style="list-style-type: none"> <li>• Director, Evergreen Marine Corp. (Taiwan) Ltd</li> <li>• Director, Evergreen International Storage &amp; Transport Corporation</li> <li>• Director, Evergreen Steel Corporation</li> </ul>	None	None	None	
0	0	—	—	None	None	None	
0	0	M.S. in Institute of Traffic and Transportation, National Chiao Tung University. B.S. in Department of Traffic and Transportation Engineering, National Chiao Tung University. <ul style="list-style-type: none"> <li>• Director General, Institute of Transportation, MOTC</li> <li>• Director General, Maritime and Port Bureau, MOTC</li> <li>• Director, Department of Navigation and Aviation, MOTC</li> <li>• Director, Department of Railways and Highways, MOTC</li> <li>• Director, Transportation Bureau, Taichung City Government</li> <li>• Director General, Transportation Bureau, Taichung City Government</li> <li>• Deputy Chief Engineer, Taiwan Area National Freeway Bureau, MOTC</li> <li>• Director, Taiwan Area National Freeway Bureau, MOTC</li> <li>• Chief Engineer, Taipei City Traffic Engineering Office</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative Deputy Minister, Ministry of Transportation and Communications</li> <li>• Chairman, Vehicle Safety Certification Center</li> <li>• Director, Taiwan-Hong Kong Economic and Cultural Co-operation Council</li> </ul>	None	None	None	
0	0	B.A. in Department of Accounting, Chung Hsing University <ul style="list-style-type: none"> <li>• Director, Budget, Accounting and Statistics Department, Yilan County</li> <li>• Section Chief, Specialist, Chief, Directorate General of Budget, Accounting and Statistics, Executive Yuan</li> </ul>	<ul style="list-style-type: none"> <li>• Deputy Director, Department of Accounting, Ministry of Transportation and Communications</li> </ul>	None	None	None	
0	0	—	—	None	None	None	
0	0	Ph.D. in Resources Engineering, National Cheng Kung University <ul style="list-style-type: none"> <li>• President, Vice President, China Steel Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, China Steel Corporation</li> <li>• Executive Director, Industrial Technology Research Institute</li> <li>• Director, China Prosperity Development Corporation</li> <li>• Director, China Ecotek Corporation</li> <li>• Director, China Steel Chemical Corporation</li> <li>• Director, Chung Hung Steel Corporation</li> <li>• Director, Dragon Steel Corporation</li> </ul>	None	None	None	

## Corporate Structure

Title	Nationality/ Place of Incorporation	Name	Gender /Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Director	R.O.C.	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/ 61-70	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/ 81-90	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/ 61-70	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: Chu-Min Hong	Male/ 61-70	2023/03/14	2023/05/20	2023/03/14	0	0	0	0	0	0
	R.O.C.	Former Representative: Kuo-Chih Liu (Note)	Male/ 71-80	2020/05/21	2023/03/14	2010/05/24	45	0	45	0	0	0
Independent Director	R.O.C.	Kenneth Huang-Chuan Chiu	Male/ 61-70	2020/05/21	2023/05/20	2017/05/24	0	0	0	0	0	0

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
Shares	%			Title	Name	Relation	
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. • Vice Chairperson of the State-owned Enterprise Commission, Director General of the Industrial Development Bureau, Director General of the Department of Investment Services, Executive Secretary of the Bureau of Energy, Director General of the Department of Industrial Technology, Ministry of Economic Affairs • Vice Director, Department of Sectoral Planning, 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, 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	MBA, Royal Roads University • President, Xiamen Bank Co., Ltd. • President, Taiwan Sport Lottery Co., Ltd. • Senior Vice President, Fubon Financial Holding Co. • President, Fubon Asset Management Co., Ltd.	• Chairman, Fubon Asset Management Co., Ltd. • Chairman, JihSun International Commercial Bank Co., Ltd. • Director, Xiamen Bank Co., Ltd. • Managing Director, Taipei Fubon Commercial Bank Co., Ltd. • Director, Fubon Charity Foundation • Director, CITIC FuTong Financial Leasing Co., Ltd.	None	None	None	
0	0	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	
0	0	LL.M, University of Cambridge LL.B, National Taiwan University • Managing Partner, Kew & Lord • Partner, Taiwan Commercial Law Offices • Attorney, Baker & McKenzie • Attorney, Huang & Associates	• Independent Director, ShunSin Technology Holdings Limited • Director, Ju-Kao Engineering Co., Ltd. • Independent Director, ChungHwa Precision Test Tech. Co., Ltd. • Independent Director, Lungteh Shipbuilding Co., Ltd.	None	None	None	

## Corporate Structure

Title	Nationality/ Place of Incorporation	Name	Gender /Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding	
							Shares	%	Shares	%	Shares	%
Independent Director	R.O.C	Duei Tsai	Male/ 71-80	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0
Independent Director	R.O.C	Pai-Ta Shih	Male/ 51-60	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/ 41-50	2020/05/21	2023/05/20	2020/05/21	0	0	0	0	0	0

Note: Representative of institutional director Taipei Fubon Commercial Bank Co., Ltd., Mr. Kuo-Chih Liu, was elected on 2020/05/21; the representative was changed to Mr. Chu-Min Hong on 2023/03/14, and Mr. Kuo-Chih 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	Ph.D. from the Graduate Institute of Electrical Engineering, National Taiwan University <ul style="list-style-type: none"> <li>• Adjunct Professor, Department of Electronics Engineering, National Taiwan University of Technology</li> <li>• Minister, Ministry of Transportation and Communications</li> <li>• Political Deputy Minister, Public Construction Commission, Executive Yuan</li> <li>• Political Deputy Minister, Ministry of Transportation and Communications</li> <li>• Administrative Deputy Minister, Ministry of Transportation and Communications</li> <li>• Technical Supervisor, Ministry of Transportation and Communications</li> <li>• Director General, Civil Aeronautics Administration, Ministry of Transportation and Communications</li> <li>• Deputy Director General, Directorate General of Telecommunications, MOTC</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director, Compal Electronics, Inc.</li> <li>• Independent Director, TTY Biopharm Company Limited</li> <li>• Independent Director for Public Welfare, Starlux Airlines. Co., Ltd.</li> </ul>	None	None	None	
0	0	Ph.D. in Economics, University of Texas at Austin <ul style="list-style-type: none"> <li>• Independent Director, Edison Opto Corp.</li> <li>• Independent Director, Nan Shan Life Insurance Co., Ltd.</li> <li>• Independent Director, Twoway Communications, Inc.</li> <li>• Associate Professor, Department of Finance, National Taiwan University</li> <li>• Assistant Professor, Associate Professor, Department of Economics, National Dong Hwa University</li> </ul>	<ul style="list-style-type: none"> <li>• Professor, Department of Finance, National Taiwan University</li> <li>• Director, Digital Finance and Industry Development Research Center, College of Management, National Taiwan University</li> <li>• Independent Director, Horizon Fixture Group Co., Ltd. Taiwan Branch (Cayman).Independent</li> <li>• Director, Horizon Fixture Group Co., Ltd. Taiwan Branch (Cayman).</li> <li>• Independent Director, Skytech Inc.</li> <li>• Advisory Committee Member, Taiwan, Insurance Guaranty Fund</li> <li>• Director, Taiwan Risk and Insurance Association</li> </ul>	None	None	None	
0	0	Ph.D., Railroad Engineering Program, University of Illinois at Urbana-Champaign <ul style="list-style-type: none"> <li>• Associate Professor, Assistant Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University</li> <li>• Chairman, Railroad Operating Technologies Committee, Transportation Research Board (TRB), USA</li> <li>• Committee Member, Academic Committee, Railway Engineering Society of Taiwan (RESOT), Taiwan</li> <li>• Committee Member, Review Committee for Technical Standards of High-Speed Rail Rolling Stock, Ministry of Transportation and Communication</li> <li>• Committee Member, Executive Yuan Investigative Team for 1021 Puyuma Incident</li> <li>• Committee Member, Railway Accident Investigation Team, MOTC, Taiwan</li> <li>• Board Member, Railway Operational Safety Board, Taiwan Railways Administration (TRA), Taiwan</li> <li>• Visiting Professor, Faculty of Societal Safety Science, Kansai University, Japan</li> <li>• Visiting Professor, Research Institute for Sustainable Urban Development (RISUD), Hong Kong Polytechnic University (PolyU), Hong Kong</li> <li>• Visiting Scholar, TOMII Lab, Chiba Institute of Technology, Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Professor, Railway Technology Research Center, National Taiwan University</li> <li>• Professor, Division of Transportation Engineering, Department of Civil Engineering, National Taiwan University</li> <li>• Director, Railway Technology Research and Certification Center</li> <li>• Co-Chair, SIG A3 Rail Transport, World Conference on Transport Research Society (WCTRS)</li> <li>• Associate Editor, Transportation Research Record (TRR)</li> <li>• Associate Editor, Journal of Rail Transport Planning &amp; Management (JRTPM)</li> <li>• Board Member, International Association of Railway Operations Research (IAROR)</li> <li>• Director, Railway Engineering Society of Taiwan (RESOT), Taiwan</li> <li>• Executive Supervisor, Chinese Institute of Transportation, Taiwan</li> <li>• Committee Member, Review Committee for Mass Rapid Transit System Construction and Peripheral Land Development Plans, Ministry of Transportation and Communication (MOTC), Taiwan</li> <li>• Committee Member, Safety Management Committee, Taiwan Railways Administration (TRA), Taiwan</li> </ul>	None	None	None	

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

List of major shareholders of institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
China Aviation Development Foundation	A non-corporate organization. In February 1988, all 27 shareholders of the Corporation donated shares held and 100% of shareholder equity to set up this Foundation, which was reported to the Ministry of Transportation and Communications on March 2 of the same year. Its establishment was approved on July 6 (Note 5).
Ministry of Transportation and Communications, R.O.C.	Governmental institute
China Steel Corporation	Ministry of Economic Affairs (20%), Employee's Stock Trust of China Steel Corporation under the custody of Mega International Commercial Bank Co., Ltd. (2.24%), Transglory Investment Corporation (1.63%), Fubon Life Insurance Co. Ltd. (1.58%), Labor Retirement Fund (1.12%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.09%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.03%), Winning Investment Corporation (1.01%), New Labor Pension Fund (0.96%), Polaris Taiwan Dividend + ETF (0.93%)
Taiwan Sugar Corporation	Ministry of Economic Affairs (86.15%), Northern Region Branch, National Property Administration, MOF (9.92%), First Commercial Bank (0.75%), Chang Hwa Commercial Bank (0.41%), Bank of Taiwan (0.36%), Taiwan Business Bank Co., Ltd. (0.30%), Hua Nan Commercial Bank (0.14%), Central Investment Co. (0.14%), Mega International Commercial Bank Co., Ltd. (0.13%), Land Bank of Taiwan (0.08%), Taiwan Cooperative Commercial Bank (0.08%)
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (10.81%), Jaryuan Investment Co. Ltd (6.34%), Creative Sensor Co., Ltd. (2.87%), He Yuan International Investment Co., Ltd. (2.36%), Tong Kuang Investment Co., Ltd. (1.50%), Norges Bank Investment Fund under the custody of Citibank (1.45%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.30%), Kuan Yuan Industrial Co., Ltd. (1.25%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.21%)
Management Committee of National Development Fund, Executive Yuan	Governmental institute
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)

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

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

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

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2023, while some are sourced from the Commerce Industrial Services Portal or shareholder websites.

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

Major shareholders of the Corporation's major institutional shareholders

Name of institutional shareholders (Note 1)	Major shareholders (Note 2)
Ministry of Economic Affairs	Governmental institute
China Steel Corporation	China Steel Express Corporation (49.89%), Chung Hung Steel Corporation (40.91%), China Steel Chemical Corporation (9.20%)
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Winning Investment Corporation	Gains Investment Corporation (49%), Maruichi Steel Tube Ltd. (42%), Transglory Investment Corporation (9%)

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 (20.57%), Ministry of Finance (12.19%), Chunghwa Post Co., Ltd. (6.00%), First Commercial Bank (3.86%), National Development Fund, Executive Yuan (2.75%), Excel Chemical Corporation (2.60%), Taiwan Tobacco & Liquor Co., Ltd (1.77%), Taiwan Cooperative Bank, Ltd. (1.45%), Hua Nan Commercial Bank, Ltd. (1.45%), New Labor Pension Fund (1.33%)
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%), Taiwan Business Bank Trust Account for Employee Stock Ownership of Taiwan Business Bank (0.97%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (0.93%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.87%), HSBC Bank Custodian Morgan Stanley International Limited Account (0.87%), BES Engineering (0.86%), Norges Bank Investment Fund under the custody of Citibank (0.80%)
Taiwan Business Bank Co., Ltd.	
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. (100%)
Walsin Lihwa Corporation	Winbond Electronics Corporation (6.63%), Chin-Xin Investment Co., Ltd. (6.63%), LGT Bank (Singapore) Investment Fund under the custody of Business Department, Standard Chartered Bank (Taiwan) Ltd. (6.38%), TECO Electric and Machinery Co., Ltd. (5.64%), Rong Jiang Co., Ltd. (4.92%), Patricia Chiao (2.92%), Huali Investment Corp. (2.87%), Yu-Heng Chiao (1.75%), Bai-Yun Hung (1.39%), Yu Lun Chiao (1.38%)
Jaryuan Investment Co. Ltd.	He Yuan International Investment Co., Ltd. (99.89%), Chang Wei Management Consulting (0.11%)
TECO Electric & Machinery Co., Ltd.	TECO Image Systems Co. Ltd. (19.39%), Universal Cement Corporation (8.83%), Tien Da Investment Co., Ltd. (8.26%), Yurui Co., Ltd. (6.05%), Huan Ni Investment Co., Ltd. (6.04%), TECO Capital Investment Co., Ltd. (5.31%), Creative Sensor Inc. (treasury stock 5.19%), Koryo Co., Ltd. (3.82%), TECO International Investment Co., Ltd. (3.56%), TECO Electric & Machinery Co., Ltd. (1.43%)
Creative Sensor Co., Ltd.	
He Yuan International Investment Co., Ltd.	Shu-Chiung Tseng (98%), Shu Chen Pai (2%)
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. (34.46%), Huo-Huei Lin Huang (51.58%), Bright Lane Investments, Ltd. (10.00%), Tong Ho Global Investment Co., Ltd (0.74%), Other (3.22%)
Taipei Fubon Commercial Bank Co., Ltd.	Taipei City Government (13.07%), Ming Dong Co., Ltd. (8.34%), Dao Ying Co., Ltd. (7.62%), Richard M. Tsai (3.15%), Daniel M. Tsai (2.98%), Hung Fu Investment Co., Ltd. (2.59%), New Labor Pension Fund (2.28%), Chung Shing Development Co., Ltd. (1.40%), Hope Fine Investments Ltd. (1.19%), Tsai Yang Shiang-Shun (1.12%)
Fubon Financial Holding Co., Ltd.	

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

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

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

Note 4: Data is mostly sourced from information provided by institutional shareholders in March 2023, while some is sourced from the Commerce Industrial Services Portal or shareholder websites.

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

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

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

Criteria Name	Professional qualifications and experience	Independence status (Note 2)	Concurrent independent director position at other public companies
Independent Director Yung-Cheng (Rex) Lai	1. Area of expertise: Civil engineering, transportation 2. Experience: (1) Relevant industry experience in transportation (2) Professor at Railway Technology Research Center, National Taiwan University 3. No violations of Article 30 of the Company Act	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	0
Director Wen-Jong Chi	1. Area of expertise: Transportation 2. Experience: Relevant industry experience in transportation 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0
Director Chin-Hong Pan	1. Area of expertise: Accounting 2. Experience: (1) Position at Directorate General of Budget, Accounting and Statistics, Executive Yuan (2) Director of Yilan County Budget, Accounting and Statistics Department 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0
Director Lee-Ching Ko	1. Area of expertise: Business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (shipping and engineering) 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0
Director Chao-Tung Wong	1. Area of expertise: Resource engineering, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (steel and engineering) 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0
Director Chao-Yih Chen	1. Area of expertise: Agricultural chemistry, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (4) An instructor or higher position in a department related to the business needs of the Corporation in a public or private junior college, college, or university 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0
Director Mao-Hsiung Huang	1. Area of expertise: Business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0

Criteria Name	Professional qualifications and experience	Independence status (Note 2)	Concurrent independent director position at other public companies
Director Shien-Quey Kao	1. Area of expertise: Economics 2. Experience: (1) Position at Council for Economic Planning and Development, Executive Yuan (2) Position at National Development Council 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0
Director Chu-Min Hong	1. Area of expertise: Business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (transportation and construction) 3. No violations of Article 30 of the Company Act	Director spouses and relatives within second degree of kinship do not serve as directors, or employees of the Corporation or its affiliated companies.	0

## 2) Diversification and Independence of the Board of Directors:

### A. Diversification of the Board of Directors:

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

- (a) Composition of Board members shall be diverse, and appropriate diversification standards shall be set according to Corporation operations, mode of operation, and development needs, including but not limited to the following:
- I. Basic qualifications and values: gender, age, nationality, and culture.
  - II. Level of contribution to businesses or in other professional areas.
  - III. Personality, professional expertise and skills. Professional expertise and skills include professional backgrounds (such as in finance, accounting, legal practice, marketing, technology, business management, and so on), as well as professional skills and industry experience.
  - IV. Willingness and time to participate in corporate affairs.
  - V. Concurrent director and managerial officer positions held at other companies.
- (b) THSRC has established a Corporate Governance & Nominating Committee which is responsible for reviewing the diversified standards of professional knowledge, techniques, experience, and gender distribution required by directors to ensure that the Board possesses appropriate professional knowledge and expertise. The Committee is also responsible for conducting regular evaluations of Board performance, reviewing director training plans, and reviewing manager succession plans.
- (c) Composition of the Corporation's 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.
- (d) 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, of our 4 independent directors, Independent Director Kenneth Huang-Chuan Chiu is a partner at Kew & Lord, Independent Director Duei Tsai served as the Minister of Transportation and Communications, Independent Director 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 9 non-independent directors, directors Chin-Hong Pan and Shien-Quey Kao both have finance and accounting expertise; Director Wen-Jong Chi is currently the Administrative Deputy Minister of Transportation and Communications; and Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Chao-Tung Wong, Chao-Yih Chen, Mao-Hsiung Huang, and Chu-Min Hong 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.

Expertise	Related to the Corporation	Number of directors
Board/committee leadership	Lead the board and functional committees in formulating important corporate strategies and supervise business implementations	8
Relevant industry experience	Supervise the Corporation's operational maintenance, financial planning, and project management	7
Legal expertise	Supervision, consulting, and operational experience in respective areas of expertise	1
Accounting expertise	Supervision, consulting, and operational experience in respective areas of expertise	2

- (e) The Corporation sets the 4Ts (Transportation, Technology, Taiwan, and Touch) as our main developmental goal and selects directors based on their management experience and expertise. Our current directors possess knowledge on corporate governance, the latest industrial insights, and expertise in business, finance, accounting, and corporate matters, fulfilling the goals set out by our 4Ts.
- (f) The Corporation strives to maintain gender equality in the composition of Board members. Our goal is to increase our ratio of female directors to 1/3 (33%). Currently, we have 85% (11) male directors and 15% (2) female directors. In future, we hope to add other female directors to achieve our goal.
- (g) Currently, one of our four independent directors was reelected following a full term and the remaining three are all newly appointed independent directors. We currently have 13 Board members, of which 23% (3) are under 60 years old, 15% (2) are between 60 to 65 years old, and 62% (8) are over 65 years old.

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

The Corporation's 9th Board is composed of 13 directors, 4 of which are independent directors, accounting for approximately 31% of Board members.

All Corporation directors are elected following nomination, with nomination, election, and other compliance matters adhering fully to the relevant regulations of securities authorities. Members of the Corporation's 9th Board were submitted to the Board for discussion and approval by the Corporate Governance & Nominating Committee in accordance with the aforementioned regulations. Documentation relevant to nomination matters were submitted to the Corporation during the announced period for accepting nominations. Directors were elected from the list of nominees at the Shareholders General Meeting held on May 21, 2020. Documentation provided by Board members during the nomination process confirmed there were no violations of paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, and none of the directors/independent directors had spousal relations or were relatives within second degree of kinship.

### 3. Management Team

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

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
President	R.O.C.	James Jeng	Male	2014/03/14	21	0	0	0	0	0
Administration Senior Vice President	R.O.C.	Barret Wang	Male	2006/12/01	12	0	3	0	0	0
Operation Senior Vice President	R.O.C.	Andy Lu	Male	2006/12/01	0	0	0	0	0	0
Vice President, Finance Division	R.O.C.	Allen Wang	Male	2020/01/15	0	0	0	0	0	0
Vice President, Corporate Planning Division/ Spokesperson	R.O.C.	Rae Chung	Female	2005/06/06	0	0	0	0	0	0
Vice President, Business Division	R.O.C.	Simon Chen	Male	2008/09/01	15	0	0	0	0	0
Vice President, 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
Vice President, Travel and Business Development Division	R.O.C.	Todd Hsiao	Male	2021/06/01	0	0	0	0	0	0
Vice President, Maintenance Management Division	R.O.C.	Bob Chen	Male	2014/01/01	0	0	0	0	0	0
Vice President, Public Affairs Office	R.O.C.	Elaine Tsou	Female	2016/07/15	14	0	0	0	0	0

Unit: Thousands of shares; % (as of 2023/03/27)

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	
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	
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	
Ph.D., Division of Transportation Engineering, Institute of Civil Engineering, National Taiwan University.	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	
Kaohsiung City Sanmin Family Business Vocational School/Tourism Division. • Vice President/Chief Strategy Officer, ezTravel Co., Ltd. • Assistant Vice President, StarTravel Canxing Travel Agency. • Consultant, HH Travel Agency. • Vice President, National Federation of Tourism Associations, Domestic Tourism Committee. • Vice Chairman, Research and Development Committee of Travel Industry Quality Assurance Association. • Deputy Chairman, National Tourism Committee, Taipei Travel Business Association.	None	None	None	None	
Executive MBA, National Sun-Yat-Sen University. • Section Chief, EVA Air.	None	None	None	None	
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	

## Corporate Structure

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	%	Shares	%	Shares	%
Vice President, System Research Development Division	R.O.C.	Eric Cheng	Male	2006/11/06	11	0	0	0	0	0
Vice President, Operation Division and Operation Control Center	R.O.C.	Paul Yang	Male	2016/04/01	14	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, Finance Division	R.O.C.	Griffin Huang	Male	2017/10/19	0	0	0	0	0	0
Assistant Vice President, Affiliated Business Development Department, Business Division	R.O.C.	Wilson Ting	Male	2008/02/25	0	0	0	0	0	0
Assistant Vice President, Train Operation Department, Operation Division	R.O.C.	Paul Hwang	Male	2006/11/06	0	0	0	0	0	0
Assistant Vice President, Station Operation Department, Operation Division	R.O.C.	Alpha Lin	Male	2006/11/06	0	0	0	0	0	0
Assistant Vice President, Maintenance Management Division	R.O.C.	Vincent Huang	Male	2016/04/01	42	0	0	0	0	0
Assistant Vice President, Track & Power Department, Maintenance Management Division	R.O.C.	Marion Chi	Male	2021/10/16	1	0	0	0	0	0
Assistant Vice President, Rolling Stock Maintenance Department, Maintenance Management Division	R.O.C.	Edward Chen	Male	2021/10/16	3	0	0	0	0	0
Assistant Vice President, Core Technology Engineering Department, System Research Development Division	R.O.C.	Sheng-Hsin Yu	Male	2015/01/01	6	0	0	0	0	0
Assistant Vice President, Facility Engineering Department, System Research Development Division	R.O.C.	Tom Tsai	Male	2016/04/01	61	0	40	0	0	0
Assistant Vice President, Core Technology Research Department, System Research Development Division	R.O.C.	Jason Chen	Male	2022/10/03	0	0	0	0	0	0

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Master's Degree in Department of Electrical Engineering, National Taiwan University of Science and Technology. <ul style="list-style-type: none"> <li>Electrical Engineering Plant Director &amp; Power Supply Plant Director, Taipei Rapid Transit Corp.</li> <li>Assistant Vice President, Track &amp; Power Department of Maintenance Management Division.</li> <li>Assistant Vice President, Signaling and Communications Department of Maintenance Management Division.</li> </ul>	None	None	None	None	
Electronic Computer Science, Tamkang University. <ul style="list-style-type: none"> <li>Assistant Vice President, Station Operation Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Train Operation Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Operation Control Center Operation Division, Taiwan High Speed Rail Corporation.</li> </ul>	None	None	None	None	
B.E. in Mechanical Engineering, National Chiao Tung University. EMBA, National Chengchi University. <ul style="list-style-type: none"> <li>Special Assistant to the Chairman, DJ Auto Components Corporation (an investee company of Germany-based Hella KGaA Hueck &amp; Co.)</li> <li>Director, International High-Speed Rail Association (IHRA).</li> </ul>	None	None	None	None	
Master of Business Administration, National Taipei University. <ul style="list-style-type: none"> <li>Senior Manager, Deloitte Taiwan.</li> </ul>	None	None	None	None	
Master of Science in Finance, Golden Gate University. <ul style="list-style-type: none"> <li>Sales / Channel Management Director, Far EasTone Telecommunications Co., Ltd.</li> </ul>	None	None	None	None	
M.S. Transportation and Communication Management Science, National Cheng Kung University. <ul style="list-style-type: none"> <li>Vice President of Figaro Philippine Holdings Inc.</li> <li>Director of Training Center, Deputy Director of OCC, Taipei Rapid Transit Corp.</li> <li>Engineer/Junior Engineer, Department of Rapid Transit Systems, Taipei City Government, R.O.C.</li> </ul>	None	None	None	None	
Master of Systems Analysis Group, Institute of Management Science, Tamkang University. <ul style="list-style-type: none"> <li>Director of OCC and Director of Train Operation Center, Taipei Rapid Transit Corp.</li> </ul>	None	None	None	None	
MBA, National Sun Yat-Sen University. Mechanical Department, St. John's and St. Mary's Institute of Technology. <ul style="list-style-type: none"> <li>Deputy Section Chief, Evergreen Steel Corp.</li> <li>Section Chief, Evergreen Steel Corp. (Malaysia).</li> <li>Section Chief, Evergreen Steel Corp.</li> <li>Assistant Manager, Manager, Senior Manager, Taiwan High Speed Rail Corp.</li> </ul>	None	None	None	None	
Department of Civil Engineering, National Cheng Kung University. <ul style="list-style-type: none"> <li>Chief of Civil Engineering Works, Taipei Rapid Transit Corp.</li> <li>Deputy Manager/Manager/Senior Manager, Taiwan High Speed Rail Corporation.</li> </ul>	None	None	None	None	
Department of Social Work, Tunghai University. <ul style="list-style-type: none"> <li>Assistant Deputy Section Chief, Evergreen Airlines Co., Ltd.</li> <li>Station Master of Taipei/Zuoying/Taoyuan Stations, Taiwan High Speed Rail Corporation.</li> <li>Manager of Station Operation Department, Operation Division, Taiwan High Speed Rail Corporation.</li> <li>Senior Manager of Operation Planning Department, Taiwan High Speed Rail Corporation.</li> <li>Assistant Vice President, Depot &amp; Station Facility Department, Maintenance Management Division</li> </ul>	None	None	None	None	
Master of Electrical Engineering, University of Memphis, USA. <ul style="list-style-type: none"> <li>Electronics Engineering Plant Director, Taipei Rapid Transit Corp.</li> </ul>	None	None	None	None	
Master of Culture Planning Institute, Chinese Culture University. Department of Architecture, Tamkang University. <ul style="list-style-type: none"> <li>Manager, Kangshe Construction Corp.</li> </ul>	None	None	None	None	
MS, Institute of Computer Engineering, University of Massachusetts, USA. <ul style="list-style-type: none"> <li>R&amp;D Senior Director, Thales System, USA.</li> <li>Senior Director of Abu Dhabi Satellite Control Systems Program.</li> <li>Head of R&amp;D Systems, Boeing, USA.</li> <li>R&amp;D Engineering Senior Director, ADC Telecomm, USA.</li> <li>R&amp;D Program Manager, Motorola System, USA.</li> </ul>	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, System Operation Department, Information Technology Division	R.O.C.	Beatrice Tsai	Female	2020/06/01	0	0	0	0	0	0
Assistant Vice President, Operation Safety Office	R.O.C.	Paul Hsu	Male	2020/11/16	0	0	0	0	0	0
Assistant Vice President, Legal Office	R.O.C.	Mandy Ko	Female	2021/04/01	1	0	0	0	0	0
Assistant Vice President, Travel Planning and Products Development Department, Travel and Business Development Division	R.O.C.	Athena Pao	Female	2021/05/01	16	0	0	0	0	0
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.	Vincent Ku	Male	2022/12/01	0	0	0	0	0	0

Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
		Title	Name	Relation	
Master of Science, Applied Chemistry, National Chiao Tung University • CTO, AFE-Solutions Corporation, HK • Director, SYSTEX Corporation	None	None	None	None	
Master's degree from Department of Civil Engineering, National Chung Hsing University. • Assistant Researcher, National Disaster Prevention and Technology Center. • Disaster Response Team Head, Taipei City Government. • MRT Planner, Taipei Rapid Transit Corporation.	None	None	None	None	
Master's degree from Institute of Law, Chinese Culture University • Manager of Easycard Co., Ltd.	None	None	None	None	
EMBA, National Chiao Tung University Department of Business Administration, National Chung Hsing University • Senior Manager of Customer Relations Department, Taiwan High Speed Rail Corporation. • Manager of Ticketing Section, Taiwan High Speed Rail Corporation. • Assistant Deputy Section Chief of Evergreen Airlines Co., Ltd.	None	None	None	None	
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, Accounting Department, Worldwide Semiconductor Manufacturing Co., Ltd. (WSMC).	None	None	None	None	
Master's degree from Graduate Institute of National Development and Mainland China Studies, Chinese Culture University. College of Management, Fu Jen Catholic University. • Senior Manager of Operation Planning Department, Taiwan High Speed Rail Corporation. • Station Master of Tainan/Nangang/Taichung Stations, Taiwan High Speed Rail Corporation. • Assistant Deputy Section Chief, EVA Airways	None	None	None	None	

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

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

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

Title	Name	Remuneration							
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D) (Note 1)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
China Aviation Development Foundation		0	0	0	0	4,861	4,861	0	0
Chairman Representative: Yao-Chung Chiang		6,605	6,605	0	0	0	0	481	481
Director Representative: Lee-Ching Ko		0	0	0	0	0	0	96	96
Ministry of Transportation and Communications, R.O.C.		0	0	0	0	4,861	4,861	68	68
Director Representative: Wen-Jong Chi		0	0	0	0	0	0	96	96
Director Representative: Chin-Hong Pan		0	0	0	0	0	0	101	101
China Steel Corporation		0	0	0	0	2,431	2,431	88	88
Director Representative: Chao-Tung Wong		0	0	0	0	0	0	0	0
Taiwan Sugar Corporation		0	0	0	0	2,431	2,431	136	136
Director Representative: Chao-Yih Chen		0	0	0	0	0	0	0	0
TECO Electric & Machinery Co., Ltd.		0	0	0	0	2,431	2,431	0	0
Director Representative: Mao-Hsiung, Huang		0	0	0	0	0	0	160	160
Management Committee of National Development Fund, Executive Yuan		0	0	0	0	2,431	2,431	30	30
Director Representative: Shien-Quey Kao		0	0	0	0	0	0	90	90

Unit: NT\$ thousands (as of 2022/12/31)

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			
4,861 0.13	4,861 0.13	0	0	0	0	0	0	0	0	4,861 0.13	4,861 0.13	None
7,086 0.19	7,086 0.19	0	0	0	0	0	0	0	0	7,086 0.19	7,086 0.19	None
96 0.00	96 0.00	0	0	0	0	0	0	0	0	96 0.00	96 0.00	None
4,929 0.13	4,929 0.13	0	0	0	0	0	0	0	0	4,929 0.13	4,929 0.13	None
96 0.00	96 0.00	0	0	0	0	0	0	0	0	96 0.00	96 0.00	None
101 0.00	101 0.00	0	0	0	0	0	0	0	0	101 0.00	101 0.00	None
2,519 0.07	2,519 0.07	0	0	0	0	0	0	0	0	2,519 0.07	2,519 0.07	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
2,567 0.07	2,567 0.07	0	0	0	0	0	0	0	0	2,567 0.07	2,567 0.07	None
0 0.00	0 0.00	0	0	0	0	0	0	0	0	0 0.00	0 0.00	None
2,431 0.06	2,431 0.06	0	0	0	0	0	0	0	0	2,431 0.06	2,431 0.06	None
160 0.00	160 0.00	0	0	0	0	0	0	0	0	160 0.00	160 0.00	None
2,461 0.07	2,461 0.07	0	0	0	0	0	0	0	0	2,461 0.07	2,461 0.07	None
90 0.00	90 0.00	0	0	0	0	0	0	0	0	90 0.00	90 0.00	None

## Corporate Structure

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
Taipei Fubon Commercial Bank Co., Ltd.		0	0	0	0	2,431	2,431	0	0
Director Former Representative: Kuo-Chih Liu		0	0	0	0	0	0	184	184
Independent Director Kenneth Huang-Chuan Chiu		720	720	0	0	0	0	376	376
Independent Director Duei Tsai		303	303	0	0	0	0	352	352
Independent Director Pai-Ta Shih		720	720	0	0	0	0	376	376
Independent Director Yung-Cheng (Rex) Lai		720	720	0	0	0	0	360	360

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 adheres to MOTC remuneration standards for privatized state-owned enterprises and is based on overall operational performance, future industrial risks, and development trends and in reference to the Corporation's "Regulation of Self-Evaluation of the Board of Directors." Relevant performance evaluations and rationality of compensation are reviewed by the Remuneration Committee and the Board of Directors; our compensation system is adjusted according to business operations and related laws and regulations when appropriate, and also considers current corporate governance trends so as to balance sustainable operations and risk management. The Corporation's independent directors are not entitled to profit shares.

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

Note 1: Includes expenses for meeting attendances and company cars, but not driver remuneration of NT\$ 762 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			
2,431 0.06	2,431 0.06	0	0	0	0	0	0	0	0	2,431 0.06	2,431 0.06	None
184 0.00	184 0.00	0	0	0	0	0	0	0	0	184 0.00	184 0.00	None
1,096 0.03	1,096 0.03	0	0	0	0	0	0	0	0	1,096 0.03	1,096 0.03	None
655 0.02	655 0.02	0	0	0	0	0	0	0	0	655 0.02	655 0.02	None
1,096 0.03	1,096 0.03	0	0	0	0	0	0	0	0	1,096 0.03	1,096 0.03	None
1,080 0.03	1,080 0.03	0	0	0	0	0	0	0	0	1,080 0.03	1,080 0.03	None

## 2) Remuneration of President and Vice Presidents

Title	Name	Base Compensation (A) (Note 2)		Severance Pay (B) (Note 3)		Bonuses and Allowances (C) (Note 4)	
		The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements	The Corporation	All companies included in financial statements
President	James Jeng						
Senior Vice President	Barret Wang						
Senior Vice President	Andy Lu						
Vice President	Allen Wang						
Vice President	Rae Chung						
Vice President	Tim Fu						
Vice President	Calvin Yen	Total amount 33,353	Total amount 33,353	Total amount 1,120	Total amount 1,120	Total amount 17,333	Total amount 17,333
Vice President	Todd Hsiao						
Vice President	Bob Chen						
Vice President	Elaine Tsou						
Vice President	Simon Chen						
Former Senior Vice President	Johnson Sun						
Former Senior Vice President	James Shi						

Note 1: The number of people with decision-making management authority and people who were appointed to ranks of vice president and above following Board approval was 13; of these, 4 were changed during the year (Senior Vice President Johnson Sun retired on 2022/1/15, Simon Chen was promoted to Vice President on 2022/5/5, Senior Vice President James Shi retired on 2022/7/15, and Vice President Andy Lu was promoted to Senior Vice President on 2022/7/15).

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

Note 3: Actual amounts of retirement pay for 2022 came to a total of NT\$ 0 and retirement pension expenses came to NT\$ 1,120 thousand, making a total of NT\$ 1,120 thousand.

Note 4: The amount of performance bonuses for 2022 are disclosed as estimated figures. The bonuses and special disbursements in this table do not include special leave liability and non-business travel amounting to NT\$ 3,416 thousand, but do include expenses for company cars, excluding relevant remuneration paid to drivers amounting to NT\$ 911 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 2022 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\$ 4,375,000 thousand (no accumulated losses to be offset). This proposal will be carried out in accordance with regulations following approval from the shareholders' meeting.

Unit: NT\$ thousands (as of 2022/12/31)

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 1,324	0	Total amount 1,324	0	53,130 1.41	53,130 1.41	None
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## Corporate Structure

### 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	Johnson Sun	Johnson Sun
1,000,000 (Included) ~ 2,000,000 (Not included)		
2,000,000 (Included) ~ 3,500,000 (Not included)	James Shi	James Shi
3,500,000 (Included) ~ 5,000,000 (Not included)	Rae Chung, Tim Fu, Allen Wang , Calvin Yen, Bob Chen, Todd Hsiao, Elaine Tsou, Simon Chen	Rae Chung, Tim Fu, Allen Wang , Calvin Yen, Bob Chen, Todd Hsiao, Elaine Tsou, Simon Chen
5,000,000 (Included) ~ 10,000,000 (Not included)	James Jeng, Barret Wang, Andy Lu	James Jeng, Barret Wang, Andy Lu
10,000,000 (Included) ~ 15,000,000 (Not included)	-	-
15,000,000 (Included) ~ 30,000,000 (Not included)	-	-
30,000,000 (Included) ~ 50,000,000 (Not included)	-	-
50,000,000 (Included) ~ 100,000,000 (Not included)	-	-
Above 100,000,000	-	-
Total	13	13

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

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

Unit: NT\$ thousands (as of 2022/12/31)

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	James Jeng				
	Senior Vice President	Barret Wang				
	Senior Vice President	Andy Lu				
	Vice President	Allen Wang				
	Vice President	Rae Chung				
	Vice President	Tim Fu				
	Vice President	Calvin Yen				
	Vice President	Bob Chen				
	Vice President	Elaine Tsou				
	Vice President	Todd Hsiao				
	Vice President	Eric Cheng				
	Vice President	Simon Chen				
	Vice President	Paul Yang				
	Assistant Vice President	Max Liu				
	Assistant Vice President	Griffin Huang				
	Assistant Vice President	Jason Chen				
	Assistant Vice President	Wilson Ting				
	Assistant Vice President	Paul Huang				
	Assistant Vice President	Alpha Lin				
	Assistant Vice President	Vincent Huang				
	Assistant Vice President	Sheng-Hsin Yu				
	Assistant Vice President	Tom Tsai				
	Assistant Vice President	Beatrice Tsai				
	Assistant Vice President	Paul Hsu				
	Assistant Vice President	Mandy Ko				
	Assistant Vice President	Athena Pao				
	Assistant Vice President	Marion Chi				
	Assistant Vice President	Edward Chen				
	Principal Specialist	Shirley Lai				
	Former Senior Vice President	Johnson Sun				
Former Senior Vice President	James Shi					
Former Assistant Vice President	Gavin Tsou					
			0	Total amount 3,111	Total amount 3,111	0.08

Note: The aforementioned employee compensation for 2022 are estimated figures.

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

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

Unit: NT\$ thousands

Item	2021	2022
Total remuneration paid to directors	34,158	33,937
Ratio of total remuneration paid to directors (Note 1)	0.95%	0.90%
Total remuneration paid to managers ranked above vice president (Note 2)	51,671	53,130
Ratio of total remuneration paid to managers ranked above vice president (Note 1)	1.43%	1.41%

Note 1: Information for 2021 was calculated based on after-tax profits of NT\$ 3,610,922 thousand, and information for 2022 was calculated based on after-tax profits of NT\$ 3,769,337 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 contribution and hard work. Bonus levels are based on the Corporation's annual business performance, financial status, operating conditions, and individual work performance. Remuneration as defined by the Charter of Remuneration Committee includes cash remuneration, stock options, dividends, retirement or redundancy benefits, allowances, and other substantial incentives; the scope of remuneration is consistent with that set out for director and manager remuneration in our publicly issued annual report.

3) Procedures for determining remuneration

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

of Public Institutes under the Ministry of Transportation and Communications" and is submitted to the Board for approval. In order to fully reflect achievement of operational performance indicators, performance assessments for the Chairman are based on annual Corporation performance relating to operations, governance, and finances, and include four assessment items: net income before tax, credit ratings or Taiwan ratings, customer satisfaction, and corporate governance evaluations. Performance assessment items for the President 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. Performance self-evaluations of the Board, Board members, and functional committee members for 2022 all significantly exceeded standards. Although COVID-19 impacted passenger traffic and revenue in the first half of 2022, restrictions were gradually lifted in the second half of the year. The Corporation not only maintained high pandemic prevention standards, but also actively launched a series of travel revitalization programs to boost steady growth of operations. Passenger volumes for December 2022 were the highest on record since we commenced operations. Manager performance evaluations for 2022 showed that all managers reached or exceeded predetermined target requirements, and the Corporation received "Excellent" ratings on evaluations relating to annual operating targets. Remuneration for directors and managers fully considered their professional capabilities, as well as the Corporation's operational and financial conditions, overall corporate operational performance, management of individual performance goals, and evaluation results.

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

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

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

Manager performance 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	2021 (As of 2021/12/31)	2022 (As of 2022/12/31)	2023 As of 2023/03/31	
Employee Numbers	General Staff	4,632	4,624	4,587
	Domestic contractors	33	52	51
	Expats	3	2	1
	Total	4,668	4,678	4,639
Average Age	38.1	39.5	40.1	
Average Seniority	10.4	11.2	11.4	
Education Distribution Ratios (%)	Doctorate	0.3	0.3	0.3
	Master	13.2	13.1	13.1
	Undergraduate	82.4	82.4	82.4
	High School	3.8	3.9	3.9
	Below High School	0.3	0.3	0.3

### (2) Employee Benefits and Rights

#### 1) Employee benefits

Friendly environment and establishing a win-win solution

Apart from employee labor and health insurance, vacation days, retirement, injury compensation, health checks, and other benefits stipulated by law, we believe that only happy employees can provide quality passenger services, and therefore we are committed to establishing a friendly work environment and competitive salaries and benefits. Due to the COVID-19 pandemic in 2020, we included new items in 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 emphasize work-life balance in our employees and encourage our colleagues to engage in activities that are beneficial for their physical and mental health. In 2022, we hosted a series of online Summer Marathon activities which attracted more than 6000 participants. We also hosted a mini-soccer parent-child event taught by professional coaches to enhance parent-child relationships in our employees. We further hosted table tennis, slow-pitch softball, and badminton competitions, which were received with enthusiasm by our athletic colleagues. All events attracted many participants. We hope these events can encourage our employees to exercise, thus relieving mental stress accumulated during the pandemic, boosting their immunity, and preventing illness.

In 2022, a total of 113 clubs were registered with the employee welfare committee, including the walking club, softball club, table tennis clubs, and many others. Exercise-type clubs make up 60% of all clubs. The corporate sports certification mark issued by the Sports Department of the Ministry of Education in 2021 continues to be valid.

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

THSRC Employee Benefits and Work Support Items

<b>Work-Life Balance</b>	Club activity subsidies, travel activity subsidies, annual promotional tickets, sports events, art appreciation activities
<b>Childcare Support</b>	Parental leave without pay, registered contract childcare facilities, employee lactation room facilities
<b>Daily Support</b>	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
<b>Work Assistance</b>	Counseling, healthcare assistance, relocation subsidies, travel insurance, catering
<b>Work Assistance</b>	Spring party activities; commendation of senior staff; parent days; gym and entertainment facilities; library services; quality merchant discount deals with recreation, dining, travel, lodging, and bulk purchasing of consumer product 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\$ 15,137 thousand to pension funds in 2022	We contributed a total of NT\$ 201,476 thousand to pension funds in 2022

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

(b) Forced retirement:

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

(c) Pension payments and standards:

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

### (3) Labor-Management Negotiations

1) Labor-management negotiations:

- A. In order to enhance labor relations, the Corporation management holds monthly discussions with labor unions and works with various departments to handle and respond to issues.
- B. The Corporation has conducted more than 20 group negotiations of labor-management agreements with the THSRC Labor Union since June 3, 2019 where both parties discussed agreement principles, labor organizations, mode of operation, and facilities. A consensus and balance between the interests of both parties were reached under principles of fairness and reasonableness, and in consideration of the interests of all stakeholders. To enhance labor-management relationships, an agreement was officially signed on March 31, 2022, and will be valid for three years after the effective date.

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 representatives 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. These Regulations were revised on April 29, 2022, and we will continue to make amendments based on updates to laws and regulations to ensure physical and mental safety of all employees in the workplace, strengthen prevention of sexual harassment incidents, and disseminate related information. We promote relevant information through the training program for new employees and 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 staff 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:

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

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



# 4 Corporate Governance



## 1. Corporate Governance Status

### (1) Status of Board Operations

1) The 9th Board of Directors convened 12 times in 2022. Board operations are as detailed below:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Actual Attendance Rate (%)	Remarks
Chairman	China Aviation Development Foundation Representative: Yao-Chung Chiang	12	0	12	100	
Director	Ministry of Transportation and Communications Representative: Wen-Jong Chi	12	0	12	100	
Director	Ministry of Transportation and Communications Representative: Chin-Hong Pan	12	0	12	100	
Director	China Aviation Development Foundation Representative: Lee-Ching Ko	12	0	12	100	
Director	China Steel Corporation Representative: Chao-Tung Wong	11	1	12	92	
Director	Taiwan Sugar Corporation Representative: Chao-Yih Chen	11	1	12	92	
Director	TECO Electric & Machinery Co., Ltd. Representative: Mao-Hsiung Huang	12	0	12	100	
Director	Management Committee of National Development Fund, Executive Yuan Representative: Shien-Quey Kao	10	2	12	83	
Former Director	Taipei Fubon Commercial Bank Co., Ltd. Representative: Kuo-Chih Liu	12	0	12	100	
Independent Director	Kenneth Huang-Chuan Chiu	12	0	12	100	
Independent Director	Duei Tsai	12	0	12	100	
Independent Director	Pai-Ta Shih	12	0	12	100	
Independent Director	Yung-Cheng (Rex) Lai	12	0	12	100	
Average actual director attendance rates of the 9th Board in 2022 (%) (Total actual attendances/Total required attendances)		152	4	156	97	

Attendances of Independent Directors at Board Meetings of the 9th Board of Directors in 2022:

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

Name/Date Session (Term-Sitting)	2022/1/19 (9-22)	2022/2/23 (9-23)	2022/3/16 (9-24)	2022/4/13 (9-25)	2022/5/4 (9-26)	2022/6/15 (9-27)	2022/7/13 (9-28)	2022/8/3 (9-29)	2022/9/14 (9-30)	2022/10/12 (9-31)	2022/11/2 (9-32)	2022/12/14 (9-33)
Kenneth Huang-Chuan Chiu	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Duei Tsai	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Pai-Ta Shih	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Yung-Cheng (Rex) Lai	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

2) Combined average actual director attendance rate of the 9th Board was 97% in 2022.

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
2022/2/23	9-23	Suggestions for HSR station shopping mall lease contract with restaurants affiliated with the TECO Group	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.
2022/3/16	9-24	Procurement and bid selection suggestions for HSR meal boxes	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/4/13	9-25	Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/6/15	9-27	Extension or transfer of letters of credit that expired during the second half of 2022	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.
2022/6/15	9-27	Suggestions for contract supplements and project schedule extensions for "Construction of Yanchao Main Workshop automated painting plant equipment contract" and "Construction of Yanchao Main Workshop automated painting plant equipment supervisory consulting services contract"	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.
2022/8/3	9-29	Revisions to the Corporation's "Internal Control System" and "Regulations Governing Self-Evaluations of Internal Control System"	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.
2022/8/3	9-29	Procurement and bid selection suggestions for the Corporation's data transmission system (DTS) and fiber optic cable (FOC) system expansions	Approved.	Approved by the Board.	Approved by all directors in attendance.
2022/9/14	9-30	Suggestions for renewal of director and officer liability insurance	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/11/2	9-32	Joint ticket collaboration project between THSRC and China Airlines	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
2022/12/14	9-33	Renewal of operating insurance for 2023	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/12/14	9-33	Extension of quota for derivative assets that expired during the first half of 2023	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/12/14	9-33	Extension or transfer of letters of credit that expired during the first half of 2023	Approved.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

(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
2022/2/23	9-23	Suggestions for HSR station shopping mall lease contract with restaurants affiliated with the TECO Group	Director Mao-Hsiung Huang	TECO Electric & Machinery Co. Ltd. is a legal entity represented by Director Mao-Hsiung Huang, and other companies awarded this contract belong to the same business group as TECO Electric & Machinery Co., Ltd., making this proposal a transaction between related parties and necessitating recusal of voting rights to avoid conflicts of interest. Director Mao-Hsiung Huang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/3/16	9-24	Chairman self-evaluation results for 2021	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/3/16	9-24	Procurement and bid selection suggestions for HSR meal boxes	Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Wen-Jong Chi, Chin-Hong Pan, and Shien-Quey Kao	Chairman Yao-Chung Chiang and Director Lee-Ching Ko are representatives of China Aviation Development Foundation; directors Wen-Jong Chi and Chin-Hong Pan are representatives of the Ministry of Transportation and Communications; and the Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, has appointed a representative director at China Airlines, necessitating recusal of voting rights to avoid conflicts of interest. Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Wen-Jong Chi, Chin-Hong Pan, and Shien-Quey Kao absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	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
2022/4/13	9-25	Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	Directors Wen-Jong Chi and Chin-Hong Pan	The Ministry of Transportation and Communications, which is the counterparty to this proposal, has appointed representative directors at THSRC, necessitating recusal of voting rights to avoid conflicts of interest. In accordance with the regulations set out by the Corporation's "Charter of the Audit Committee," this proposal was submitted to the Audit Committee for prior review before submission to the Board for deliberation. Directors Wen-Jong Chi and Chin-Hong Pan absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/4/13	9-25	Chairman and president salary adjustments	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/6/15	9-27	Suggestions regarding distributions of chairman and president bonuses for 2021	Chairman Yao-Chung Chiang	This proposal involved director conflicts of interest, necessitating recusal of voting rights. Chairman Yao-Chung Chiang absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/6/15	9-27	Suggestions for contract supplements and project schedule extensions for "Construction of Yanchao Main Workshop automated painting plant equipment contract" and "Construction of Yanchao Main Workshop automated painting plant equipment supervisory consulting services contract"	Directors Chao-Tung Wong and Chao-Yih Chen	The two contracts in this proposal are sub-item procurements under contracts originally approved by the Board (Construction of Yanchao Main Workshop automated painting plant equipment supervisory consulting services contract, Contract No. C2-19-002; and Construction of Yanchao Main Workshop automated painting plant equipment contract, Contract No. T2-20-009), with estimated total additional costs exceeding more than NT\$ 5 million. The Executive Yuan Ministry of Transportation and Communications holds more than 43% of common shares issued by THSRC. THSRC is therefore classified as a government-related entity significantly influenced by the central government under International Accounting Standards (IAS) 24, and is a related party to other government-related entities controlled by the Executive Yuan. The Industrial Technology Research Institute (ITRI) is a foundation established by the Ministry of Economic Affairs and is also a government-related entity controlled by the Executive Yuan. THSRC and ITRI are related parties, making this proposal a transaction between related parties with estimated additional costs exceeding NT\$ 5 million. In accordance with the regulations of the Corporation's "Charter of the Special Committee," "Charter of the Audit Committee," and "Distribution Table of Responsibility & Authority," the proposal was submitted to the Special Committee and Audit Committee for prior review before submission to the Board for deliberation. Directors Chao-Tung Wong and Chao-Yih Chen respectively serve as the managing director and director of ITRI, 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 discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

Date	Session (Term-Sitting)	Agenda Content	Names of Directors with Potential Conflicts of Interest	Reasons for Recusal and Participation in Voting Procedures	Resolutions
2022/6/15	9-27	Extension or transfer of letters of credit that expired during the second half of 2022	Director Shien-Quey Kao	The Executive Yuan Ministry of Transportation and Communications holds more than 43% of common shares issued by THSRC. THSRC is therefore classified as a government-related entity significantly influenced by the central government under International Accounting Standards (IAS) 24, and is a related party to other government-related entities controlled by the Executive Yuan. The Bank of Taiwan and eight syndicated loan banks disclosed in the Corporation's financial reports are government-related entities controlled by the Executive Yuan. Therefore, THSRC is a related party of Hua Nan Commercial Bank, Taiwan Business Bank, and Chang Hwa Bank. Additionally, the Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, is also represented by a director at Chang Hwa Bank, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/8/3	9-29	Procurement and bid selection suggestions for the Corporation's data transmission system (DTS) and fiber optic cable (FOC) system expansions	Directors Wen-Jong Chi and Chin-Hong Pan	The Ministry of Transportation and Communications, which is represented by directors Wen-Jong Chi and Chin-Hong Pan, is also represented by a director at Chunghwa Telecom. Additionally, Independent Director Kenneth Huang-Chuan Chiu is also an independent director of Chunghwa Precision Test Tech, which belongs to the same business group as Chunghwa Telecom, necessitating recusal of voting rights to avoid conflicts of interest. Directors Wen-Jong Chi and Chin-Hong Pan, and Independent Director Kenneth Huang-Chuan Chiu absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/9/14	9-30	Suggestions for renewal of director and officer liability insurance	Director Kuo-Chih Liu	Fubon Insurance Co., Ltd., one of the potential underwriters for this proposal, belongs to the same business group as Taipei Fubon Commercial Bank Co., Ltd., a legal entity represented by Director Kuo-Chih Liu, necessitating recusal of voting rights to avoid conflicts of interest. Director Kuo-Chih Liu absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/11/2	9-32	Joint ticket collaboration project between THSRC and China Airlines	Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Wen-Jong Chi, Chin-Hong Pan, and Shien-Quey Kao	Chairman Yao-Chung Chiang and Director Lee-Ching Ko are representatives of China Aviation Development Foundation; directors Wen-Jong Chi and Chin-Hong Pan are representatives of the Ministry of Transportation and Communications; and the Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, has appointed a representative director at China Airlines, necessitating recusal of voting rights to avoid conflicts of interest. Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Wen-Jong Chi, Chin-Hong Pan, and Shien-Quey Kao absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	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
2022/12/14	9-33	Renewal of operating insurance for 2023	Directors Kuo-Chih Liu and Shien-Quey Kao	Fubon Insurance Co., Ltd., one of the reinsurance companies awarded this contract, belongs to the same business group as Taipei Fubon Commercial Bank Co., Ltd., a legal entity represented by Director Kuo-Chih Liu. Additionally, the Executive Yuan Management Committee of National Development Fund, a legal entity represented by Director Shien-Quey Kao, has appointed a director representative who serves on the board of Mega Financial Holding Co Ltd., the parent company of Chung Kuo Insurance Co., Ltd., another reinsurance company awarded this contract. Therefore, this proposal necessitates recusal of voting rights to avoid conflicts of interest. Directors Kuo-Chih Liu and Shien-Quey Kao absented from the proceedings and were recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/12/14	9-33	Extension of quota for derivative assets that expired during the first half of 2023	Director Shien-Quey Kao	The Executive Yuan Ministry of Transportation and Communications holds more than 43% of common shares issued by THSRC. THSRC is therefore classified as a government-related entity significantly influenced by the central government under International Accounting Standards (IAS) 24, and is a related party to other government-related entities controlled by the Executive Yuan. The Corporation's financial reports have disclosed that Mega International Commercial Bank (hereinafter Mega Bank) is a government-related entity controlled by the Executive Yuan. Therefore, THSRC is a related party of Mega Bank. Additionally, the Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, is also represented by a director at Mega Financial Holding Co Ltd., the parent company of Mega Bank, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.
2022/12/14	9-33	Extension or transfer of letters of credit that expired during the first half of 2023	Director Shien-Quey Kao	The Executive Yuan Ministry of Transportation and Communications holds more than 43% of common shares issued by THSRC. THSRC is therefore classified as a government-related entity significantly influenced by the central government under International Accounting Standards (IAS) 24, and is a related party to other government-related entities controlled by the Executive Yuan. The Corporation's financial reports have disclosed that Mega International Commercial Bank (hereinafter Mega Bank) is a government-related entity controlled by the Executive Yuan. Therefore, THSRC is a related party of Mega Bank. Additionally, the Executive Yuan Management Committee of National Development Fund, which is represented by Director Shien-Quey Kao, is also represented by a director at Mega Financial Holding Co Ltd., the parent company of Mega Bank, necessitating recusal of voting rights to avoid conflicts of interest. Director Shien-Quey Kao absented from the proceedings and was recused during the discussion and voting procedures for this proposal.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.

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:

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

Evaluation Cycle	Evaluation Duration	Scope of Evaluation	Method of Evaluation	Content of Evaluation
Internal Board performance evaluations: implemented once every year.	January 1, 2022 to December 31, 2022	Includes performance evaluations of the Board, individual directors, and functional committees.	Internal self-evaluations were conducted on the Board, Board directors, and members of functional committees.	Assessment items for Board performance evaluations included 25 indicators across five main aspects: participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control. Assessment items for Board director performance evaluations included 25 indicators across six main aspects: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations and communication, director knowledge and continued training, and internal control. Assessment items for functional committee member performance evaluations included 25 indicators across five main aspects: participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.

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

- (1) In consideration of appropriate Board scale, representation of shareholder interests, business nature of BOT projects, and corporate development, as well as implementation of Board diversification policies, shareholder structure, and meeting efficiency, the number of directors serving on the 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 & Nominating 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 & Nominating Committee are independent directors. The composition of these committees, their duties, and implementation status are disclosed in this annual report and on the Corporation website. All functional committees have a duty of pre-assessment and help to enhance meeting efficiency and quality. Independent directors exercise their independence and professionalism by sharing their professional opinions during meetings.
- (2) The Corporation has taken out a total of NT\$ 0.9 billion in D&O liability insurance for directors and important managerial officers to help reduce risk of legal liability and to enhance corporate governance capabilities.
- (3) In 2022, 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 "Articles of Incorporation," "Guidelines for Corporate Governance," "Rules of Procedure for Shareholders' Meetings," "Corporate Social Responsibility Best Practice Principles" (which has been renamed the "Sustainable Development Best Practice Principles"), "THSRC Organizational Regulation," and "Rules of Procedure for Board of Directors Meetings."

- (4) Our corporate governance information is disclosed on the Market Observation Post System in accordance with relevant regulations, and we have also established ESG, investor relations, and corporate governance sections on our corporate website to provide detailed and timely disclosures of information that are of concern to our stakeholders. Additionally, we regularly review our "Regulations of Disclosure Information," "Guidelines for Disclosure of Material Information and Major News Submitted to Directors," "Regulation for Posting Information on 'Market Observation Post System,'" and "Media Management Procedure" and other regulations relating to information disclosures, and make timely adjustments based on the latest laws and regulations and our actual operations.
- (5) Since going public, THSRC has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for five consecutive years (from 2017 to 2021). Additionally, we were awarded an "Platinum" certification by the Taiwan Corporate Governance Association under the CG6013 (2021) Corporate Governance System Assessment on August 26, 2022, the certification period being from August 26, 2022 to August 25, 2024.

## (2) Operational Status of Audit Committee

- 1) The Corporation's Audit Committee was established on March 18, 2016 to replace our supervisor system, and the committee is composed of the independent directors on our Board of Directors. The number of committee members cannot be fewer than three, and at least one of them has to have professional expertise in accounting or finance. Additionally, following election of Board members by the shareholders' general meeting on May 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 2022 included review and supervision of financial reports, risk management items, and financial proposals, as well as the auditing of: financial reports; accounting and internal control systems; transactions of major assets or derivatives; offering and issuance of securities; appointment, dismissal, or compensation of Certified Public Accountants (CPAs); matters involving director conflicts of interest; and appointment, dismissal and performance of financial, accounting, or internal audit directors. (Please refer to Chapter Three of this report for details regarding the main duties of the Audit Committee).
- A. Review financial reports: The Corporation's business reports, annual financial reports, and surplus distribution proposals all have to be reviewed by the Audit Committee before submission to the Board for approval and the shareholders' general meeting for recognition. The Corporation's 2022 financial report was submitted to the 9th Board at the 33th Audit Committee Meeting held on February 20, 2023, was approved by the 9th Board at the 35th Board Meeting on February 22, 2023, and will be submitted to the 2023 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 2022 were submitted to the 9th Board at the 33th Audit Committee Meeting held on February 20, 2023, and were approved by the 9th Board at the 35th Board Meeting on February 22, 2023.
- 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 2022 were approved by the 9th Board at the 33th Audit Committee Meeting held on February 20, 2023 and the 9th Board at the 35th Board Meeting on February 22, 2023, confirming that accountants Jui-Hsuan Ho and Kuo-Tyan Hong of Deloitte & Touche both fulfilled assessment standards for independence and competency.

3) The Audit Committee convened 12 times in 2022, and the operational status of the committee was as follows:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Duei Tsai	12	0	12	100	
Independent Director	Kenneth Huang-Chuan Chiu	12	0	12	100	
Independent Director	Pai-Ta Shih	12	0	12	100	
Independent Director	Yung-Cheng (Rex) Lai	12	0	12	100	
Average actual attendances of 9th Audit Committee members in 2022 (%) (Total actual attendances/Total required attendances)		48	0	48	100	

4) Combined average 9th Audit Committee member attendance rate was 100% in 2022.

Other matters required to be recorded:

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

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

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2022/2/23 (9-23)	Suggestions for HSR station shopping mall lease contract with restaurants affiliated with the TECO Group	2022/2/21 (9-21)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2022/2/23 (9-23)	2021 financial report	2022/2/21 (9-21)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2022/2/23 (9-23)	Self-assessment results of internal control system for 2021	2022/2/21 (9-21)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2022/2/23 (9-23)	Changed CPA starting from the first quarter of 2022 in accordance with internal adjustments at Deloitte & Touche	2022/2/21 (9-21)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2022/3/16 (9-24)	Procurement and bid selection suggestions for HSR meal boxes	2022/3/15 (9-22)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2022/4/13 (9-25)	Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities"	2022/4/11 (9-23)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2022/6/15 (9-27)	Extension or transfer of letters of credit that expired during the second half of 2022	2022/6/13 (9-25)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2022/6/15 (9-27)	Extension of quota for derivative assets that expired during the second half of 2022	2022/6/13 (9-25)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2022/8/3 (9-29)	Revisions to the Corporation's "Internal Control System" and "Regulations Governing Self-Evaluations of Internal Control System"	2022/8/2 (9-27)	Approved by all committee members in attendance.	Approved by the Board.	Approved by all directors in attendance.	√	None
2022/8/3 (9-29)	Procurement and bid selection suggestions for the Corporation's data transmission system (DTS) and fiber optic cable (FOC) system expansions	2022/8/2 (9-27)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None

Board Meeting Date & Session (Term-Sitting)	Agenda Content	Audit Committee Meeting Date & Session (Term-Sitting)	Audit Committee Resolutions	The Corporation's Responses to Audit Committee Opinions	Board Resolutions	Items listed according to Article 14-5 of the Securities and Exchange Act	Items not approved by the Audit Committee, but approved by more than two-thirds of directors
2022/11/2 (9-32)	Joint ticket collaboration project between THSRC and China Airlines	2022/11/1 (9-30)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2022/12/13 (9-33)	Extension of quota for derivative assets that expired during the first half of 2023	2022/12/12 (9-31)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None
2022/12/13 (9-33)	Extension or transfer of letters of credit that expired during the first half of 2023	2022/12/12 (9-31)	Approved by all committee members in attendance.	Approved by the Board.	Apart from directors who recused themselves from participating in discussions and voting according to legal requirements, the remaining directors in attendance approved the proposal.	√	None

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

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

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
2022/8/3 (9-29)	Procurement and bid selection suggestions for the Corporation's data transmission system (DTS) and fiber optic cable (FOC) system expansions	2022/8/2 (9-27)	Independent Director Kenneth Huang-Chuan Chiu	Independent Director Kenneth Huang-Chuan Chiu is also an independent director of Chunghwa Precision Test Tech, which belongs to the same business group as Chunghwa Telecom. Independent Director Kenneth Huang-Chuan Chiu absented from the proceedings and was recused during deliberation procedures for this proposal.	Following discussion by all committee members in attendance, the proposal was approved and submitted to the Board for deliberation; the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending committee members.

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

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

1) The independent directors communicated well with the chief internal auditor; a list of reported items for 2022 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2022/2/21	Audit Committee Meeting (9-21)	2021 Q4 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2022/4/29	Audit Committee Meeting (9-24)	2022 Q1 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2022/8/2	Audit Committee Meeting (9-27)	2022 Q2 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2022/10/7	Audit report (Independent report made by chief internal auditor to independent directors)	Audit plans for 2023	Acknowledged by independent directors.	No objections from independent directors.
2022/10/7	Audit Committee Meeting (9-29)	Formulation of 2023 audit report for auditing office	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2022/11/1	Audit Committee Meeting (9-30)	2022 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 2022 is summarized below:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2022/2/21	Audit Committee Meeting (9-21)	1. Summary of audits on financial report for 2021 2. Statement of Independence 3. Key audit items 4. Other disclosures for 2021	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2022/4/29	Audit Committee Meeting (9-24)	1. Summary of audits on financial report for first quarter of 2022 2. Statement of Independence	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2022/8/2	Audit Committee Meeting (9-27)	1. Summary of audits on financial report for second quarter of 2022 2. Statement of Independence	Approved after discussion 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
2022/11/1	Audit Committee Meeting (9-30)	1. Summary of audits on financial report for third quarter of 2022 2. Statement of Independence 3. Explanation of new disclosures in financial report for third quarter of 2022 4. Audit plans and key audit items for 2022 financial report	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2022/11/1	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

2022/12/31

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

Title	Name	Criteria	Independence status	Number of other public companies in which the individual is concurrently serving as an remuneration committee member
		Professional qualifications and experience		
Independent Director	Pai-Ta Shih	1. Area of expertise: Economics, finance 2. Experience: (1) Board member of other public companies (2) Professor at Department of Finance, National Taiwan University 3. No violations of Article 30 of the Company Act.	1. The independent director, their spouse, and relatives within second degree of kinship do not serve as directors, supervisors, or employees of the Corporation or its affiliated companies. 2. The independent director, their spouse, and relatives within second degree of kinship do not hold Corporation shares in their own or nominee accounts. 3. The independent director does not serve as a director, supervisor, or employee at companies which have a special relationship with the Corporation. 4. The independent director has not provided business, legal, financial, accounting, or other services to the Corporation over the past two years.	1

## 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 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 2022 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 11 times in 2022, and the operational status of the committee was as follows:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Independent Director (Convener)	Kenneth Huang-Chuan Chiu	11	0	11	100	
Independent Director	Duei Tsai	11	0	11	100	
Independent Director	Pai-Ta Shih	11	0	11	100	
Average actual attendances of 9th Remuneration Committee members in 2022 (%) (Total actual attendances/Total required attendances)		33	0	33	100	

3) Combined average 9th Remuneration Committee member attendance rate was 100% in 2022.

Other matters required to be recorded:

1. Matters discussed and resolved during Remuneration Committee meetings in 2022, and the Corporation's responses to Remuneration Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2022/1/19 (9-22)	Report on self-evaluations of Board performance for 2021 (Note)	2022/1/17 (9-21)	Acknowledged by all committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2022/1/19 (9-22)	Report on survey of remuneration for senior managers in external markets	2022/1/17 (9-21)	Acknowledged by all committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2022/1/19 (9-22)	Distribution suggestions for 2021 employee compensation and bonuses (Note)	2022/1/17 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved and the managerial department was requested to handle the proposal in accordance with the suggestions provided by attending directors.
2022/1/19 (9-22)	Remuneration for important Corporation Business Division executive hired as President's Office senior consultant following retirement	2022/1/17 (9-21)	The proposal was withdrawn by the managerial department and held for resubmission to the Committee and the Board at an appropriate time.	The proposal was withdrawn by the managerial department.	The Board agreed to allow the managerial department to withdraw the proposal and hold it for resubmission to the Committee and the Board at an appropriate time.
2022/1/19 (9-22)	Distribution suggestions for 2021 director remuneration (Note)	2022/1/17 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved. Directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of contents and the meeting minutes.
2022/1/19 (9-22)	Implementation status of Remuneration Committee in 2021 (Note)	2022/1/17 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/2/23 (9-23)	Actual distributions of director remuneration and employee compensation in 2021 (Note)	2022/2/21 (9-22)	Acknowledged by all committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2022/2/23 (9-23)	Suggestions regarding distribution of epidemic prevention bonuses for 2021	2022/2/21 (9-22)	The proposal was approved and submitted to the Board for deliberation. The managerial department was requested to respond to the suggestions provided by committee member Pai-Ta Shih at the Board meeting (the managerial department was requested to strengthen communication with the labor union regarding care of entry-level employees provided by previous bonuses issued by the Corporation and the bonuses listed in this proposal. Additionally, future distributions of employee remuneration and performance bonuses should consider both stability and incentivization to avoid unnecessary conflicts).	Approved by the Board.	The proposal was approved.
2022/3/16 (9-24)	Chairman self-evaluation results for 2021 (Note)	2022/3/15 (9-23)	The proposal was approved and submitted to the Board for review and approval.	Reviewed and approved by the Board.	Reviewed and approved by the Board.
2022/3/16 (9-24)	Suggestions on president performance evaluation results for 2021 (Note)	2022/3/15 (9-23)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/3/16 (9-24)	Results of manager performance audits for 2021 (Note)	2022/3/15 (9-23)	The proposal was approved and submitted to the Board for deliberation. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending committee members (formulation and evaluation of future performance should be appropriately linked to the Corporation's core values).	Approved by the Board.	The proposal was approved.
2022/4/13 (9-25)	Continued appointment of Corporation Core Technology Development Department foreign personnel and associated remuneration	2022/4/11 (9-24)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/4/13 (9-25)	Chairman and president salary adjustments	2022/4/11 (9-24)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2022/5/4 (9-26)	Additional allowance for appointed acting manager of Occupational Health and Safety Office	2022/4/29 (9-25)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/5/4 (9-26)	Salary adjustments for appointed and promoted Business Division manager	2022/4/29 (9-25)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/6/15 (9-27)	Review report of compensation competitiveness (including manager compensation) for 2022 (Note)	2022/6/13 (9-26)	Acknowledged by all committee members in attendance.	Approved by the Board.	Acknowledged by all attending directors. The proposing unit was asked to handle the proposal in accordance with the suggestions provided by attending directors.
2022/6/15 (9-27)	Suggestions regarding distribution of manager performance bonuses for 2021 (Note)	2022/6/13 (9-26)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/7/13 (9-28)	Salary adjustment for appointed and promoted managers due to organizational adjustments and retirement of Business Division senior vice president	2022/7/11 (9-27)	The portion of the proposal related to salary adjustments for appointed and promoted managers due to retirement of the Business Division senior vice president was approved and submitted to the Board for deliberation. The proposing unit was requested to revise the remainder of the proposal in accordance with the suggestions provided by attending committee members and draft a new proposal for deliberation by the Board.	The proposal was deferred. The proposing unit was requested to revise the proposal in accordance with the suggestions provided by attending committee members and draft a new proposal for deliberation by the Board. The proposing unit was requested to handle the proposal in accordance with suggestions provided by attending directors.	This proposal was deferred in accordance with the resolutions provided by the Corporate Governance & Nominating Committee. The proposing unit was requested to revise the proposal in accordance with the suggestions provided by attending directors and draft a new proposal for deliberation by the Board. The proposing unit was requested to handle the proposal in accordance with suggestions provided by attending directors.
2022/9/14 (9-30)	Additional allowance for appointed System Research Development Division acting manager and salary adjustment suggestions for officially appointed and promoted manager	2022/9/13 (9-28)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/10/12 (9-31)	President salary adjustments	2022/10/7 (9-29)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/10/12 (9-31)	Additional allowance for appointed Operation Division acting manager and salary adjustment suggestions for officially appointed and promoted manager	2022/10/7 (9-29)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The portion of the proposal regarding the acting manager of the Operation Division was approved. Official appointment and promotion matters following expiration of appointment period should be submitted to the Board under another proposal for deliberation.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Remuneration Committee Resolutions	The Corporation's Responses to Remuneration Committee Opinions	Board Resolutions
2022/10/12 (9-31)	Remuneration Committee work plans for 2023 (Note)	2022/10/7 (9-29)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/11/2 (9-32)	Continued appointment of Corporation System Research Development Division consultant and associated remuneration	2022/11/1 (9-30)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending directors.
2022/11/2 (9-32)	Salary adjustment suggestions for acting manager of Occupational Health and Safety Office following official appointment	2022/11/1 (9-30)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/12/14 (9-33)	Suggestions regarding year-end bonuses for 2022 (Note)	2022/12/12 (9-31)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/12/14 (9-33)	Salary adjustments for appointed and promoted Business Division senior vice president	2022/12/12 (9-31)	The proposal was approved and submitted to the Board for deliberation.	The proposal was withdrawn by the proposing unit.	Attending directors allowed the proposal to be withdrawn by the proposing unit without any dissenting opinions.
2022/12/14 (9-33)	Continued appointment of President's Office senior consultant and remuneration suggestions	2022/12/12 (9-31)	The proposal was approved and submitted to the Board for deliberation.	The proposal was withdrawn by the proposing unit.	Attending directors allowed the proposal to be withdrawn by the proposing unit without any dissenting opinions.
2022/12/14 (9-33)	Suggestions regarding performance goals for managers in 2023 (Note)	2022/12/12 (9-31)	The proposal was approved and submitted to the Board for deliberation. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending committee members. The proposing unit was also requested to respond to the suggestions provided by committee member Pai-Ta Shih during the Board meeting.	Approved by the Board.	The proposal was approved.

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

2. If the Board declines to adopt, or modifies, a recommendation of the Remuneration Committee, the date of said Board meeting, session number, proposal content, Board resolutions, and the Corporation's responses to Remuneration Committee opinions should be recorded:

Board Meeting Date Session (Term- Sitting)	Agenda Content	Remuneration Committee Date Session (Term-Sitting)	Disparities Between Board Resolutions and Remuneration Committee Suggestions and Reasons for Said Disparity	The Corporation's Responses to Remuneration Committee Opinions
2022/12/14 (9-33)	Salary adjustments for appointed and promoted Business Division senior vice president	2022/12/12 (9-31)	The proposing unit withdrew this proposal during Board deliberations.	Formulation of proposal content in accordance with Remuneration Committee suggestions.
2022/12/14 (9-33)	Continued appointment of President's Office senior consultant and remuneration suggestions	2022/12/12 (9-31)	The proposing unit withdrew this proposal during Board deliberations.	Formulation of proposal content in accordance with Remuneration Committee suggestions.

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

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

- 1) The Corporation's Corporate Governance & Nominating Committee is composed of five to seven committee members, and more than half of committee members should be composed of independent directors. Additionally, following election of Board members by the shareholders' general meeting on May 21, 2020, the 9th committee members will serve until May 20, 2023; there are five members on the committee, four of which are independent directors, and Chairman Yao-Chung Chiang was elected as convener by all committee members. The committee operates according to the "Charter of the Corporate Governance & Nominating Committee" and convenes at least four times every year.
- 2) More than half of Corporate Governance & Nominating Committee members are independent directors. Of the five committee members, excepting the four independent directors who respectively possess expertise in legal affairs, finance and accounting, industrial knowledge, and operational insights, Chairman Yao-Chung Chiang has significant management experience as a chairperson or president of publicly listed companies, possesses professional corporate governance and management capabilities, has sufficient experience to assess the professional criteria necessary for directors and managers, and is capable of planning and reviewing implementation of corporate governance, thereby meeting the professional requirements for this committee.

Title	Name	Area of Expertise
Chairman (Convener)	Yao-Chung Chiang	Corporate governance, operational management
Independent Director	Kenneth Huang-Chuan Chiu	Law
Independent Director	Pai-Ta Shih	Finance
Independent Director	Yung-Cheng (Rex) Lai	Industry knowledge
Independent Director	Duei Tsai	Industry knowledge, corporate governance, operational management
Former Director	Kuo-Chih Liu	Corporate governance, operational management

- 3) The main duties of the committee and focuses for 2022 included: Review diverse background and independent standards including professional knowhow, technical knowledge, expertise, and gender of independent directors, non-independent directors, and managers; plan composition of the Board and functional committees; review succession plans for directors and managers; conduct performance evaluations of the Board, committees, directors, and managers; nominate independent directors and non-independent directors; research and analyze corporate governance systems; and review effectiveness of corporate governance systems and implementation of information disclosures. (Please refer to Chapter Three of this report for details regarding the main duties of the Corporate Governance & Nominating Committee).

4) The Corporate Governance & Nominating Committee convened 12 times in 2022, and the operational status of the committee was as follows:

Title	Name	Professional qualifications and experience	Actual Attendances	By Proxy	Required Attendances	Actual Attendances (%)	Remarks
Convener	Yao-Chung Chiang	1. Area of expertise: Mechanical engineering, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience in transportation 3. No violations of Article 30 of the Company Act.	12	0	12	100	
Member	Kenneth Huang-Chuan Chiu	1. Area of expertise: Law 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Experience in other industries 3. No violations of Article 30 of the Company Act.	12	0	12	100	
Member	Pai-Ta Shih	1. Area of expertise: Economics, finance 2. Experience: (1) Board member of other public companies (2) Professor at Department of Finance, National Taiwan University 3. No violations of Article 30 of the Company Act.	12	0	12	100	
Member	Yung-Cheng (Rex) Lai	1. Area of expertise: Civil engineering, transportation 2. Experience: (1) Relevant industry experience in transportation (2) Professor at Railway Technology Research Center, National Taiwan University 3. No violations of Article 30 of the Company Act.	12	0	12	100	
Former Member	Kuo-Chih Liu	1. Area of expertise: Physics, business management 2. Experience: (1) Board member of other public companies (2) Board/committee leadership experience (3) Relevant industry experience (transportation and construction) 3. No violations of Article 30 of the Company Act.	11	1	12	91	
Average actual attendances of 9th Corporate Governance & Nominating Committee in 2022 (%) (Total actual attendances/Total required attendances)			59	1	60	98	

5) Combined average 9th Corporate Governance & Nominating Committee member attendance rate was 98% in 2022.

Other matters required to be recorded:

1. Matters discussed and resolved during Corporate Governance & Nominating Committee meetings in 2022, and the Corporation's responses to Corporate Governance & Nominating Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2022/1/19 (9-22)	Report on self-evaluations of Board performance for 2021	2022/1/17 (9-19)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/1/19 (9-22)	Implementation status of Audit and Committee and Remuneration Committee in 2021	2022/1/17 (9-19)	Acknowledged by committee members in attendance.	Approved by the Board.	The proposal was approved.
2022/1/19 (9-22)	Stabilization mechanism expenditure disputes in construction and operation contract submitted to the HSR Coordination Committee	2022/1/17 (9-19)	Acknowledged by all attending committee members. The managerial department was requested to handle the proposal in accordance with the suggestions provided by attending committee members.	Approved by the Board.	The proposal was acknowledged. The managerial department was requested to handle the proposal in accordance with the suggestions provided by attending directors. Additionally, directors Wen-Jong Chi, Chin-Hong Pan, and Chao-Tung Wong expressed dissenting opinions; full details can be found in the summary of contents and the meeting minutes.
2022/1/19 (9-22)	Hiring of important Corporation business executive as President's Office senior consultant following retirement	2022/1/17 (9-19)	The Board agreed to allow the managerial department to withdraw the proposal and hold it for resubmission to the Committee and the Board at an appropriate time.	The proposal was withdrawn by the managerial department.	The Board agreed to allow the managerial department to withdraw the proposal and hold it for resubmission to the Committee and the Board at an appropriate time.
2022/1/19 (9-22)	Implementation status of Corporate Governance & Nominating Committee in 2021	2022/1/17 (9-19)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/1/19 (9-22)	Evaluation and suggestions regarding Board and Committee performance in 2021	2022/1/17 (9-19)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/2/23 (9-23)	Report of corporate governance implementation status	2022/2/21 (9-20)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/3/16 (9-24)	Report on review of Corporation bylaws and whether they fully protect shareholder interests	2022/3/15 (9-21)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by all directors in attendance.
2022/3/16 (9-24)	Chairman self-evaluation results for 2021	2022/3/15 (9-21)	The proposal was approved and submitted to the Board for review and approval.	Reviewed and approved by the Board.	Reviewed and approved by the Board.
2022/3/16 (9-24)	Suggestions on president performance evaluation results for 2021	2022/3/15 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2022/3/16 (9-24)	Results of manager performance audits for 2021	2022/3/15 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/3/16 (9-24)	Submission of revisions to the Corporation's "Articles of Incorporation" for discussion at the shareholders general meeting on May 26, 2022	2022/3/15 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/3/16 (9-24)	Submission of revisions to the Corporation's "Guidelines for Corporate Governance" for discussion at the shareholders general meeting on May 26, 2022	2022/3/15 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/3/16 (9-24)	Submission of revisions to the Corporation's "Rules of Procedure for Shareholders' Meetings" for discussion at the shareholders general meeting on May 26, 2022	2022/3/15 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/3/16 (9-24)	Revisions to the Corporation's "Corporate Social Responsibility Best Practice Principles," which was renamed the "Sustainable Development Best Practice Principles"	2022/3/15 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/4/13 (9-25)	Continued appointment of Corporation Core Technology Development Department foreign personnel	2022/4/11 (9-22)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/5/4 (9-26)	Adjustment of Occupational Health and Safety Office manager and appointment of acting manager	2022/4/29 (9-23)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/5/4 (9-26)	Suggestions for appointment and promotion of Business Division manager	2022/4/29 (9-23)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/6/15 (9-27)	Report on operation and implementation status of corporate governance systems, sustainable development, and ethical management in 2022	2022/6/13 (9-24)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/6/15 (9-27)	Report of Travel and Business Development Division business performance for 2022	2022/6/13 (9-24)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/6/15 (9-27)	Report of schedules and plans for greenhouse gas inventory and verification	2022/6/13 (9-24)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2022/7/13 (9-28)	Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Chart"	2022/7/11 (9-25)	The proposal was deferred. The proposing unit was requested to revise the proposal in accordance with the suggestions provided by attending committee members and draft a new proposal for deliberation by the Board.	This proposal was deferred in accordance with the resolutions of the Corporate Governance & Nominating Committee.	This proposal was deferred in accordance with the resolutions of the Corporate Governance & Nominating Committee. The proposing unit was requested to revise the proposal in accordance with the suggestions provided by attending directors and draft a new proposal for deliberation by the Board. The proposing unit was requested to handle the proposal in accordance with suggestions provided by attending directors.
2022/7/13 (9-28)	Appointment and promotion of managers due to organizational adjustments and retirement of Business Division senior vice president	2022/7/11 (9-25)	The portion of the proposal related to appointment and promotion of managers due to retirement of the Business Division senior vice president was approved and submitted to the Board for deliberation. The proposing unit was requested to revise the remainder of the proposal in accordance with the suggestions provided by attending committee members and draft a new proposal for deliberation by the Board.	This proposal was handled in accordance with the resolutions of the Corporate Governance & Nominating Committee.	The portion of the proposal related to appointment and promotion of managers due to retirement of the Business Division senior vice president was approved. The proposing unit was requested to revise the remainder of the proposal in accordance with the suggestions provided by attending directors, and draft a new proposal for deliberation by the Board.
2022/8/3 (9-29)	Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Chart" and suggestions on personnel budget adjustments	2022/8/2 (9-26)	The proposal was approved and submitted to the Board for deliberation. The proposing unit was requested to provide supplementary explanations to the Board in accordance with the suggestions provided by attending committee members.	The proposal was approved by the Board. The proposing unit has provided supplementary explanations to the Board in accordance with the suggestions provided by attending committee members.	The proposal was approved.
2022/9/14 (9-30)	Report on review and implementation of information disclosure system	2022/9/13 (9-27)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/9/14 (9-30)	Progress report for greenhouse gas inventory and verification	2022/9/13 (9-27)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by attending directors. The directors requested that the managerial department continue assessment and handling of this proposal in accordance with relevant measures for the 2050 Net Zero goal.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2022/9/14 (9-30)	Suggestions for renewal of director and officer liability insurance	2022/9/13 (9-27)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/9/14 (9-30)	Suggestions for appointment of System Research Development Division manager	2022/9/13 (9-27)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/9/14 (9-30)	Revisions to the Corporation's "Rules of Procedure for Board of Directors Meetings"	2022/9/13 (9-27)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/10/12 (9-31)	Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Chart"	2022/10/7 (9-28)	The proposal was approved and submitted to the Board for deliberation.	This proposal was deferred.	This proposal was deferred and held for resubmission to the Board at an appropriate time.
2022/10/12 (9-31)	Suggestions for appointment of Operation Division manager	2022/10/7 (9-28)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The portion of the proposal regarding the acting manager of the Operation Division was approved. Official appointment and promotion matters following expiration of appointed period should be submitted to the Board under another proposal for deliberation.
2022/10/12 (9-31)	Corporate Governance & Nominating Committee work plans for 2023	2022/10/7 (9-28)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/11/2 (9-32)	Continued appointment of Corporation System Research Development Division consultant	2022/11/1 (9-29)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending directors.
2022/11/2 (9-32)	Suggestions for official appointment of Occupational Health and Safety Office manager	2022/11/1 (9-29)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/12/14 (9-33)	Report on corporate governance self-evaluation procedures for 2022	2022/12/12 (9-30)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/12/14 (9-33)	Progress report for greenhouse gas inventory and verification	2022/12/12 (9-30)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/12/14 (9-33)	Report of subsequent events following verification of S270 HSR Yunlin Station construction procedures	2022/12/12 (9-30)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/12/14 (9-33)	Report of Travel and Business Development Division business performance for 2022	2022/12/12 (9-30)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Corporate Governance & Nominating Committee Resolution	The Corporation's Responses to Corporate Governance & Nominating Committee Opinions	Board Resolutions
2022/12/14 (9-33)	Suggestions for appointment and promotion of Business Division senior vice president	2022/12/12 (9-30)	The proposal was approved and submitted to the Board for deliberation.	The proposal was withdrawn by the proposing unit.	The proposal was withdrawn by the proposing unit.
2022/12/14 (9-33)	Continued appointment of President's Office senior consultant	2022/12/12 (9-30)	The proposal was approved and submitted to the Board for deliberation.	The proposal was withdrawn by the proposing unit.	The proposal was withdrawn by the proposing unit.
2022/12/14 (9-33)	Suggestions regarding performance goals for managers in 2023	2022/12/12 (9-30)	The proposal was approved following revisions based on the President's responses to attending committee members and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.

2. If the Board declines to adopt, or modifies, a recommendation of the Corporate Governance & Nominating Committee, the date of said Board meeting, session number, proposal content, Board resolutions, and the Corporation's responses to Corporate Governance & Nominating Committee opinions should be recorded:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Corporate Governance & Nominating Committee Meeting Date Session (Term-Sitting)	Disparities Between Board Resolutions and Remuneration Committee Suggestions and Reasons for Said Disparity	The Corporation's Responses to Remuneration Committee Opinions
2022/12/14 (9-33)	Suggestions for appointment and promotion of Business Division senior vice president	2022/12/12 (9-30)	The proposing unit withdrew this proposal during Board deliberations.	Formulation of proposal content in accordance with Corporate Governance & Nominating Committee suggestions.
2022/12/14 (9-33)	Continued appointment of President's Office senior consultant	2022/12/12 (9-30)	The proposing unit withdrew this proposal during Board deliberations.	Formulation of proposal content in accordance with Corporate Governance & Nominating Committee suggestions.

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 21, 2020, the 9th committee members served until May 20, 2023. There were six committee members, and all committee members elected Director Mao-Hsiung Huang as convener. The committee operates according to the "Charter of the Special Committee."
- 2) The main duties of the committee and focuses for 2022 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 9 times in 2022, and the operational status of the committee was as follows:

Title	Name	Actual Attendances	By Proxy	Required Attendances	Attendance Rate (%)	Remarks
Director (Convener)	Mao-Hsiung Huang	8	1	9	88	
Independent Director	Duei Tsai	9	0	9	100	
Independent Director	Yung-Cheng (Rex) Lai	9	0	9	100	
Director	Chin-Hong Pan	9	0	9	100	
Director	Chao-Yih Chen	6	3	9	66	
Director	Shien-Quey Kao	6	3	9	66	
Average actual attendances of 9th Special Committee members in 2022 (%) (Total actual attendances/Total required attendances)		47	7	54	87	

4) Combined average 9th Special Committee member attendance rate 87% in 2022.

Other matters required to be recorded:

1. Matters discussed and resolved during Special Committee meetings in 2022, and the Corporation's responses to Special Committee opinions:

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2022/1/19 (9-22)	Disputes regarding recognition of self-defined base rate adjustment factor C2 by concessionary company in construction and operation contract submitted to the HSR Coordination Committee	2022/1/14 (9-18)	Acknowledged by attending committee members. The proposing unit was requested to provide supplementary explanations and report to the Board in accordance with the suggestions provided by attending committee members, including responses to the suggestions provided by Director Chin-Hong Pan and preferential measure calculations associated with the C2 factor. Director Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of contents and the meeting minutes.	Approved by the Board.	Acknowledged by attending directors. The managerial department was requested to handle the proposal in accordance with attending director suggestions. Additionally, directors Wen-Jong Chi, Chin-Hong Pan, and Chao-Tung Wong expressed dissenting opinions; full details can be found in the summary of contents and the meeting minutes.
2022/1/19 (9-22)	Stabilization mechanism expenditure disputes in construction and operation contract submitted to the HSR Coordination Committee	2022/1/14 (9-18)	Acknowledged by attending committee members. The proposing unit was requested to provide supplementary explanations of the stabilization mechanism under the construction and operation contract during discussion in the Legislative Yuan to clarify the spirit behind the establishment of said mechanism, and report the same to the Board. Director Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of contents and the meeting minutes.	Approved by the Board.	Acknowledged by attending directors. The managerial department was requested to handle the proposal in accordance with attending director suggestions. Additionally, directors Wen-Jong Chi and Chin-Hong Pan expressed dissenting opinions; full details can be found in the summary of contents and the meeting minutes.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2022/2/23 (9-23)	Procurement strategy suggestions for periodic maintenance (PM) materials for rolling stock repairs from 2023 to 2024	2022/2/18 (9-19)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/2/23 (9-23)	Suggestions for HSR station shopping mall lease contract with restaurants affiliated with the TECO Group	2022/2/18 (9-19)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/2/23 (9-23)	Procurement strategy suggestions for the Corporation's data transmission system (DTS) and fiber optic cable (FOC) system expansions	2022/2/18 (9-19)	The proposal was approved and submitted to the Board for deliberation. The managerial department was requested to discuss the feasibility of including external experts in the selection committee for this proposal in accordance with the suggestions provided by attending committee members.	The proposal was approved by the Board, and the feasibility of including external experts in the selection committee for this proposal in accordance with suggestions provided by the Special Committee following prior review was discussed.	The proposal was approved. The managerial department was requested to handle the proposal in accordance with the suggestions provided by attending directors regarding "inclusion of external experts in the selection committee for this proposal" and "discussion of possible market opportunities after completion of this proposal."
2022/2/23 (9-23)	Procurement strategy suggestions for rebidding procedures related to new HSR trainset (Contract No. E321)	2022/2/18 (9-19)	The proposal was submitted to the Board for deliberation. The managerial department was requested to respond to and clarify the suggestions provided by attending committee members at the Board meeting.	The proposal was approved by the Board, and responses and clarifications of attending committee member suggestions were provided in accordance with Special Committee suggestions following prior review.	The proposal was approved and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending directors.
2022/3/16 (9-24)	Bid solicitation strategies for THSRC media management contract	2022/3/11 (9-20)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/4/13 (9-25)	Procurement strategy suggestions for HSR shuttle bus affiliated marketing services from the second half of 2022 to the first half of 2023	2022/4/8 (9-21)	The proposal was approved and submitted to the Board for deliberation.	Approved by the Board.	The proposal was approved.
2022/4/13 (9-25)	First supplemental agreement for train cleaning services contract at HSR Nangang, Zuoying, and Taichung stations from 2021 to 2024	2022/4/8 (9-21)	The proposal was approved and submitted to the Board for deliberation. In accordance with the suggestions of attending committee members, the managerial department was requested to list the additional costs and average monthly costs for two periods (August 2021 to April 2022 and April 2022 to December 31, 2022) on the presentation for this proposal.	The proposal was approved by the Board. In accordance with the suggestions of the Special Committee following prior review, the additional costs and average monthly costs for two periods (August 2021 to April 2022 and April 2022 to December 31, 2022) were listed on the presentation for this proposal.	The proposal was approved and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending directors.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2022/4/13 (9-25)	Procurement strategy suggestions for mid-term maintenance of automatic train control (ATC) system and electronic interlocking (EI) equipment	2022/4/8 (9-21)	The proposal was approved and submitted to the Board for deliberation. The managerial department was requested to handle the proposal in accordance with the suggestions provided by attending committee members.	Approved by the Board.	The proposal was approved and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending directors.
2022/6/15 (9-27)	Suggestions for contract supplements and project schedule extensions for "Construction of Yanchao Main Workshop automated painting plant equipment contract" and "Construction of Yanchao Main Workshop automated painting plant equipment supervisory consulting services contract"	2022/6/10 (9-22)	The proposing unit was requested to provide supplemental explanations to the Board for deliberation in accordance with attending committee member suggestions.	Approved by the Board.	The proposal was approved and the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending directors.
2022/8/3 (9-29)	Procurement strategy suggestions for train and factory cleaning services contract at HSR Wuri and Zuoying maintenance depots from 2023 to 2025	2022/7/29 (9-23)	The proposal was revised and supplementary content was provided to the Board for deliberation in accordance with attending committee member suggestions. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending committee members.	The proposal was approved by the Board. The proposal was revised and supplementary content was provided to the Board for deliberation in accordance with Special Committee suggestions following prior review.	The proposal was approved.
2022/9/14 (9-30)	Procurement strategy suggestions for maintenance contract of civil facilities along the HSR line from 2023 to 2024	2022/9/12 (9-24)	The proposal was approved and submitted to the Board for deliberation. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending committee members.	Approved by the Board.	The proposal was approved.
2022/10/12 (9-31)	Strategic suggestions regarding procurement and replacement of spare parts and asset adjustments under equipment renewal project (9GI) for 700T trainset MHI automatic train control (ATC) system	2022/10/7 (9-25)	The proposal was approved and submitted to the Board for deliberation. Convener Mao-Hsiung Huang was requested to provide assistance to the proposing unit regarding subsequent negotiations of reasonable pricing with Mitsubishi Heavy Industries Engineering, Ltd. Additionally, the proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending committee members.	Approved by the Board.	The procurement strategies of this proposal were approved. Director Mao-Hsiung Huang was requested to provide assistance regarding subsequent negotiations of reasonable pricing with the original manufacturer or other Japanese railway operators. The proposal and subsequent bidding matters will be submitted to the Board for deliberation after Director Mao-Hsiung Huang confirms reasonable pricing for this proposal.

Board Meeting Date Session (Term-Sitting)	Agenda Content	Special Committee Meeting Date Session (Term-Sitting)	Special Committee Resolution	The Corporation's Responses to Special Committee Opinions	Board Resolutions
2022/12/14 (9-33)	Progress report of phase II core function transfers for new generation ticketing service system construction project	2022/12/12 (9-26)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/12/14 (9-33)	Report of subsequent events following verification of S270 HSR Yunlin Station construction procedures	2022/12/12 (9-26)	Acknowledged by committee members in attendance.	Approved by the Board.	Acknowledged by directors in attendance.
2022/12/14 (9-33)	Procurement strategy suggestions for HSR security services contract from 2023 to 2026	2022/12/12 (9-26)	The proposal was approved and submitted to the Board for deliberation. The proposing unit was requested to handle the proposal in accordance with the suggestions provided by attending committee members.	Approved by the Board.	The proposal was approved.

- 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.
- Other instances where committee members expressed objections or reservations on record or through written opinions regarding Special Committee proposals: None.

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

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		■The Corporation has established the "Guidelines for Corporate Governance" which are disclosed on the "Investor Relations" and the "Corporate Governance" sections of our corporate website, as well as on the Market Observation Post System. Revisions to our "Guidelines for Corporate Governance" were approved at the 24th meeting of the 9th Board (convened on March 16, 2022) and a shareholders general meeting (convened on May 26, 2022).	■None.
2. Shareholding Structure and Shareholders' Rights (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		■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.	■None.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		<p>■The Corporation regularly maintains a list of its major shareholders as well as the ultimate owners of those shares. At present, most of our major shareholders are board members or financial institutions, and the list of major shareholders and ultimate owners can be viewed at any time to ensure the stability of the Corporation's operating policies.</p>	■None.
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		<p>■The Corporation currently has no affiliated businesses. Additionally, to avoid conflicts of interest, the Corporation has established the "Regulation of Related Party Transaction" and our Audit Committee is responsible for auditing transactions of related parties and other avoidances of conflicts of interest.</p>	■None.
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		<p>■The Corporation has established the "Regulations for Management of the Prevention of Insider Trading," which stipulate that corporate insiders, quasi-insiders, and tippees must abide by the provisions of the Securities and Exchange Act, and any trade of securities conducted using undisclosed information is prohibited. Article 12 of these Regulations were amended in 2022 to stipulate that insiders shall not trade Corporation stocks during closed periods (30 days prior to release of annual financial reports and 15 days prior to the release of quarterly financial reports). Additionally, Article 11 of our "Code of Ethical Conduct" and Subparagraph (d), Paragraph 3, Article 6.1.2 of our "Code of Conduct" also contain stipulations inhibiting insider trading.</p>	■None.
<p>3. Composition and responsibilities of the board of directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p>	✓		<p>■Article 14, Chapter 2 of the Corporation's "Charter of the Corporate Governance &amp; Nominating Committee" (Structural Composition of the Board and its Committees and Performance Assessments) stipulates a diversification policy for board member composition and overall capabilities of board members. Article 17 of the Charter also stipulates succession plans for directors.</p> <p>■The Corporation's diversification policy for board member composition states that appropriate diversification standards for the Board should be set according to operations, mode of operation, and development needs, including but not limited to the following:</p> <ol style="list-style-type: none"> <li>1. Basic qualifications and values: Gender, age, nationality, and culture.</li> <li>2. Level of contribution to businesses or in other professional areas.</li> <li>3. Personality, professional expertise, and skills. Professional expertise and skills include professional backgrounds (such as in finance, accounting, legal practice, marketing, technology, business management, and so on), as well as professional skills and industry experience.</li> <li>4. Willingness and time to participate in corporate affairs.</li> <li>5. Concurrent director and manager positions held at other companies.</li> </ol> <p>■Overall, the Board as a whole should possess the following capabilities:</p> <ol style="list-style-type: none"> <li>1. Operational insight capabilities.</li> <li>2. Accounting and financial analysis capabilities.</li> <li>3. Management capabilities.</li> <li>4. Crisis management capabilities.</li> <li>5. Industry knowledge.</li> <li>6. International outlook.</li> <li>7. Leadership and decision-making ability.</li> </ol> <p>■The Corporation has established a Corporate Governance &amp; Nominating Committee which is responsible for reviewing the diversified standards of professional knowledge, technical expertise, experience, and gender distribution required by directors to ensure that the Board possesses appropriate professional knowledge and expertise. The Committee is also responsible for conducting regular evaluations of Board performance, reviewing director training plans, and reviewing manager succession plans.</p> <p>■Composition of the Corporation's 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 &amp; Nominating Committee" and "Rules for the Election of Directors," thus ensuring diversification and independence of board members.</p>	■None.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>■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 &amp; Lord, Independent Director Dwei 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 Chin-Hong Pan and Shien-Quey Kao both have finance and accounting expertise; Director Wen-Jong Chi is currently the Administrative Deputy Minister of Transportation and Communications; and Chairman Yao-Chung Chiang and directors Lee-Ching Ko, Chao-Tung Wong, Chao-Yih Chen, Mao-Hsiung Huang, and Chu-Min Hong 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. 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 85% (11) male directors and 15% (2) 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 six years) and the remaining three took office in 2020 and have served for approximately three years. We currently have 13 Board members, of which 23% (3) are under 60 years old, 15% (2) 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, and the average actual attendance rate for 2022 was 97%, while the average actual attendance rate for 2021 was 96%, showing that our Board is indeed exercising its supervisory duties.</p> <p>■Overall, our Board possesses capabilities aligned with the Corporation's future development, and our policy of board diversification has been well implemented. (For details on the implementation status of our board diversification policy, please refer to Note 1 and Chapter 3 (3) Professional Expertise, Diversification Policy, and Independence Analysis of the Board of Directors.) Additionally, the "Corporate Governance Implementation Status" subsection under the "Corporate Governance" section of our corporate website has also disclosed details of our board diversification policy and implementation status.</p>	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	✓		<p>■The Corporation has established a Remuneration Committee and Audit Committee in accordance with law, and we have also voluntarily established other functional committees including our Corporate Governance &amp; Nominating Committee and Special Committee in consideration of corporate matters and development. The Audit Committee and Remuneration Committee are convened by independent directors. The Audit Committee and Remuneration Committee are composed of independent directors, while more than half of the members in the Corporate Governance &amp; Nominating Committee are independent directors. All functional committees are well operated, exercise sound supervisory duties, and strengthen the functions of the Board.</p>	■None.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	✓		<p>■ On March 21, 2017, the Corporation's "Regulation of Self-Evaluation of the Board of Directors" was passed at the 27th meeting of the 7th Board and amendments were approved at the 18th meeting of the 9th Board on September 15, 2021. The Corporation's Corporate Governance &amp; Nominating Committee serves as the implementation unit for these evaluations, and the Secretariat Division of the Board of Directors assists the Corporate Governance &amp; Nominating Committee in collecting information on Board activities at the end of each year for internal self-assessments of Board performance. Self-assessments on Board operations, Board members, and all functional committees (including the Corporate Governance &amp; Nominating Committee, Audit Committee, Remuneration Committee, and Special Committee) are conducted via surveys. Survey results are organized and submitted to the Board as a basis for review and improvement. Additionally, assessment results on the Board and its functional committees serve as a reference for selecting or nominating directors (and independent directors), while assessment results on individual directors may be used in future as a reference when setting salaries and remuneration. Furthermore, the aforementioned Corporation bylaw stipulates that an external assessment should take place at least once every three years.</p> <p>■ Assessment indicators for the Corporation's Board includes the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in corporate operations.</li> <li>2. Enhancement of Board decision-making quality.</li> <li>3. Board composition and structure.</li> <li>4. Director elections and continued training.</li> <li>5. Internal control.</li> </ol> <p>■ Assessment indicators of the Corporation's directors includes the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Understanding of corporate goals and tasks.</li> <li>2. Recognition of director responsibilities.</li> <li>3. Participation in corporate operations.</li> <li>4. Internal relations and communication.</li> <li>5. Director knowledge and continued training.</li> <li>6. Internal control.</li> </ol> <p>■ Self-assessment indicators for functional committee members include the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in corporate operations.</li> <li>2. Recognition of functional committee responsibilities.</li> <li>3. Enhancement of functional committee decision-making quality.</li> <li>4. Composition of functional committees and election of committee members.</li> <li>5. Internal control.</li> </ol> <p>■ The Corporation completed all self-assessments of the Board, Board members, and functional committee members for 2022 in January 2023. The full score for assessments was 100. The Board and Board members received self-assessment scores of 97.31 and 97.77 (the scores were 97.85 and 97.84 in 2021). Additionally, overall self-assessment scores for functional committee members were as follows: 98.2 for the Corporate Governance &amp; Nominating Committee, 99.75 for the Audit Committee, 99.33 for the Remuneration Committee, and 97.32 for the Special Committee (the scores were 97 for the Corporate Governance &amp; Nominating Committee, 99.75 for the Audit Committee, 96.67 for the Remuneration Committee, and 96.51 for the Special Committee in 2021). Assessment results were the same as for the previous year: "Significantly exceeded standards."</p> <p>■ The aforementioned assessment results were submitted to the 32th Remuneration Committee meeting of the 9th Board on January 16, 2023 and the 31th Corporate Governance &amp; Nominating Committee meeting of the 9th Board on January 16, 2023, and were reported at the 34th meeting of the 9th Board on January 18, 2023. Suggestions for improvement and areas that required continued strengthening were as follows:</p>	■ None.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>1. Board of Directors:</p> <p>(1) "Enhancement of Board decision-making quality": Strengthen completeness and accuracy of meeting materials provided to the Board so that directors can better understand proposal content and board meetings can run smoothly.</p> <p>(2) "Director elections and continued training": The Corporation's "Charter of the Corporate Governance &amp; Nominating Committee" stipulates that the composition of Board members shall be diverse, and appropriate diversification standards and director capabilities shall be set according to Corporation operations, modes of operation, and development needs.</p> <p>(3) "Internal control": Strengthen corporate plans for major strategies and risk management so as to help directors evaluate and supervise the implementation of relevant operations.</p> <p>2. Board members:</p> <p>(1) "Participation in corporate operations": Strengthen proposals for internal control systems and risk management so as to help directors evaluate and supervise the implementation of relevant operations.</p> <p>(2) "Internal relations and communication": Strengthen timeliness, relevance, and comprehensiveness of answers provided by management team when interacting with directors so as to ensure that director suggestions and questions are appropriately handled.</p> <p>(3) "Director knowledge and continued training": Continue to organize training for our directors on a variety of subjects every year.</p> <p>3. Functional committees:</p> <p>(1) "Participation in corporate operations": Strengthen timeliness, relevance, and comprehensiveness of answers provided by management team when interacting with directors so as to ensure that director suggestions and questions are appropriately handled.</p> <p>(2) "Recognition of functional committee responsibilities": Strengthen risk assessment of important proposals to provide a decision-making reference for functional committees.</p> <p>(3) "Enhancement of functional committee decision-making quality": Improve the quality of meeting materials provided to the Board so that directors can better understand proposals and strengthen management and tracking for implementation of committee resolutions and committee member suggestions, as well as regularly review proposals submitted to functional committees and appropriateness of meeting frequencies.</p> <p>■ According to the stipulations of our "Regulation of Self-Evaluation of the Board of Directors," an evaluation of Board performance should be conducted by external units at least once every three years. The Corporation commissioned the "Taiwan Corporate Governance Association" to evaluate Board effectiveness and performance, and the most recent external evaluation of Board performance was completed in February 2022. The Taiwan Corporate Governance Association and evaluating experts were independent units that had no business dealings with the Corporation; a report on Board performance was issued on February 22, 2022. Results of the aforementioned external evaluation were reported to the 27th meeting of the 9th Board on June 15, 2022. Implementation details were as follows:</p> <p>1. Evaluation duration: January 1, 2021 to December 31, 2021.</p> <p>2. Evaluation method: The Taiwan Corporate Governance Association conducted reviews of the relevant documents submitted by the Corporation for evaluations, and also commissioned two experts to conduct on-site evaluations and interviews with the Corporation's Chairman, President, independent directors, corporate governance officer, head of Corporate Planning Department, and accountants on February 16, 2022.</p> <p>3. Evaluation standards: Standards included the eight aspects of board composition, board guidance, board authority, board supervision, board communication, internal control and risk management, self-discipline of the board, and others (board meetings, support systems, and so on). The experts conducting the evaluations referenced information provided by the Corporation and publicly available information regarding implementation for each indicator and carried out on-site interviews before submitting evaluation reports.</p>	

Evaluation Item	Implementation Status		Summary Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			<p>4. Overall evaluation results:</p> <p>(1) The Corporation has achieved remarkable progress in ESG (Environment, Social, and corporate Governance) promotions. We have been ranked among the top 5% of companies by the TWSE Corporate Governance Evaluations for four consecutive years, continue to be a constituent of the FTSE4Good Index Series and FTSE4Good TIP Taiwan ESG Index, and have received the TCSA "Top Ten Sustainable Model Businesses" award.</p> <p>(2) The Corporation commissioned an external professional independent organization to conduct Board performance evaluations for the first time in 2019, and have prioritized relevant suggestions for strengthening corporate governance. The results of the subsequent (second) independent evaluation showed that our Board is active in implementing corporate governance systems and enhancing Board efficiency, and strives to seek out opportunities for improvement through independent and objective reviews.</p> <p>(3) The Corporation has established a "Corporate Governance Promotion Committee" which is chaired by the President and is composed of senior executives from managerial departments. The Corporate Governance Planning Team, Corporate Social Responsibility Team, and Ethical Management Team, which have been established under the Committee, are responsible for implementing related issues and report on overall corporate governance promotions and implementation results to the Board each year to strengthen corporate governance measures and legal compliance. The Corporation is fully committed to improving corporate governance and sustainable operations.</p> <p>(4) The Corporation has formulated "Risk Management Policies" and identified the four material risk categories of "Operational Safety, Information Security, Environmental Safety, and Financial Risks." These risks are supervised by the President, and various standard operating procedures are managed by responsible units. The management team regularly reports risk management implementations to the Audit Committee and the Board, and uses comprehensive response strategies and management mechanisms to enable the Board to efficiently supervise management of corporate risks.</p> <p>5. Implementation of evaluation recommendations and improvement items:</p> <p>(1) The Corporation should reference the requirements of the "Corporate Governance 3.0 Blueprint for Sustainable Development" issued by the Financial Supervisory Commission. Composition of the next Board should not only consider the needs of corporate operations and developments, but also the diversity of Board members. The number of independent directors should exceed one-third of Board members to enhance overall independence and professional expertise of the Board. ---The Corporation amended the Articles of Incorporation in 2022 and stipulated that the number of independent directors shall be no less than one-third of Board members.</p> <p>(2) The Corporation's bylaws, which have been disclosed on the THSRC corporate website, contain clear stipulations regarding the Board and all functional committees. The Corporation should regularly review functional committee charters and make amendments based on practical needs and the latest revisions to related laws. For instance, the responsibilities of the Audit Committee, as set out in the Charter of the Audit Committee, can include review of business reports, surplus appropriation statements, and changes to accounting policies. ---The Corporation will review organizational charters and make appropriate amendments.</p> <p>(3) The Corporation has established the "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" and relevant incidents are handled by the Audit Office. The whistleblower mechanism emphasizes direct connections with the Board (and particularly independent directors), and therefore the Corporation is recommended to establish independent and trustworthy communication channels in addition to existing mechanisms to allow employees, suppliers, and other stakeholders a channel for direct or simultaneous reporting to independent directors and the Audit Committee, thereby strengthening the independence of the grievance reporting system. ---The Corporation has set up a mailbox to the Audit Committee in the Stakeholder section of the THSRC external website to establish a direct communication channel between stakeholders and the Audit Committee.</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>■The Corporation has disclosed our "Regulation of Self-Evaluation of the Board of Directors" on the Market Observation Post System and on our corporate website. Results of performance evaluations for the Board have also been disclosed on the "Corporate Governance Implementation Status" page in the "Corporate Governance" section of our corporate website.</p>	
<p>(4) Does the Company regularly evaluate its external auditors' independence? Evaluation Item 2.17: Did the board regularly (at least once a year) refer to the Audit Quality Indicators (AQIs) to review the independence and suitability of the external auditors and fully and accurately disclose the assessment procedures in the annual report?</p>	✓		<p>■Handled in accordance with Article 5-3-06 of the Corporation's Guidelines for Corporate Governance (which states that "the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and report the results to the Board") and Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" (which was amended on December 23, 2022 to state that "TWSE/TPEX Listed Companies should regularly (at least once a year) refer to the Audit Quality Indicators (AQIs) to review the independence and suitability of CPAs").</p> <p>■The Corporation's Audit Committee annually assesses the independence and competency of CPAs, requires CPAs to provide "Statements of Independence," and conducts assessments based on the assessment standards for independence and competency (Note 2) and Audit Quality Indicators. All audit and non-audit services provided by CPAs must be reviewed in advance by the Audit Committee, and there must be no instances where CPAs remain unchanged for 7 years or where a CPA was reassigned to the Corporation within 2 years, to ensure CPA independence in both form and substance. Additionally, the AQIs are referenced to ensure that CPAs possess audit expertise, training hours, professional support, and audit investments superior to average industry standards. CPAs must not have any external inspection deficits and penalties. The accounting firm should also continue to integrate digital audit tools to enhance audit quality.</p> <p>■Results of CPA service evaluations for 2022 were approved by the 9th Board at the 33th Audit Committee meeting held on February 20, 2023 and the 35th Board meeting held on February 22, 2023. Jui-Hsuan Ho and Kuo-Tyan Hong of Deloitte &amp; Touche both fulfilled the assessment standards for independence and competence, and a letter of declaration was provided by Deloitte and Touche (Note 3).</p>	<p>■None.</p>
<p>4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?</p>	✓		<p>■The Corporation established the Secretariat Division under the Board of Directors as the unit responsible for corporate governance, and set up an appropriate number of qualified corporate governance personnel according to Article 3-08 of the Corporation's Guidelines for Corporate Governance. The qualifications and duties of the Board Secretariat manager complies with the criteria for corporate governance officers. On March 20, 2019, Board Secretariat Secretary Senior Vice President Barret Wang was appointed to be the Corporation's corporate governance officer at the 24th meeting of the 8th Board to protect shareholder rights and strengthen Board functions as he possesses legal qualifications and served in managerial capacities for more than three years, handling the legal, shareholding, and corporate governance affairs of listed companies. The main duties of the corporate governance officer are to handle Board and shareholder meeting matters in accordance with law, prepare meeting handbooks for Board and shareholder meetings, assist directors in taking office and continued training, provide directors with information necessary for implementation of business matters, and assist directors in complying with laws and regulations. The implementation status of corporate governance within the Corporation was reported at the 35th meeting of the 9th Board on February 22, 2023, and will be periodically reported to the Board every year. Main implementations for 2022 included:</p> <p>(1) Assisting the Board or its committees with drawing up annual work plans and meeting agendas, and collecting, researching, analyzing, or providing related materials.</p> <p>(2) Providing analysis and opinions on the legality, appropriateness, and feasibility of proposals to be deliberated by the Board or its committees, for reference by the Board and its committees during deliberations.</p> <p>(3) Ensuring that the operations of the Corporation's shareholders' meetings, Board meetings, and committees do not violate laws or regulations, the Corporation's Articles of Incorporation, shareholders' meeting resolutions, and the Corporation's Guidelines for Corporate Governance.</p>	<p>■None.</p>

Evaluation Item	Implementation Status		Summary Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons																																
	Yes	No																																		
			<p>(4) Assisting with deliberation, supervision, or other processes relating to the planning and review of systems for liaison and interaction between the Corporation and shareholders, employees, consumers, stakeholders, and the general public.</p> <p>(5) Assisting with the general administrative affairs of shareholders' meetings and the calling of, notices for, holding of, and record-keeping for Board meetings and committee meetings.</p> <p>(6) Ensuring that Board members have timely knowledge of material information by notifying Board members upon publication of such information.</p> <p>(7) Formulating Board meeting agendas and notifying directors seven days in advance of meetings, convening meetings and providing meeting information, providing prior reminders of conflicts of interest, and compiling Board meeting handbooks within 20 days of meetings.</p> <p>(8) Assisting directors in organizing other training plans and courses.</p> <p>(9) Assessing and taking out appropriate D&amp;O liability insurance for directors, supervisors, and managers.</p> <p>(10) Conducting performance assessments in accordance with the Corporation's Regulation of Self-Evaluation of the Board of Directors.</p> <p>■ Training undertaken by the Corporation's corporate governance officers in 2021 were as follows:</p> <table border="1"> <thead> <tr> <th>Training Date</th> <th>Hosting Organization</th> <th>Course</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2022/3/10</td> <td>Securities and Futures Institute</td> <td>Recognition of Global Risks: Opportunities and Challenges in the Next Decade</td> <td>3</td> </tr> <tr> <td>2022/4/13</td> <td>Securities and Futures Institute</td> <td>External Innovations and Sustainable Operations</td> <td>3</td> </tr> <tr> <td>2022/8/3</td> <td>Securities and Futures Institute</td> <td>Legality of Information Security Laws Applied to Ransomware Threats</td> <td>3</td> </tr> <tr> <td>2022/10/5</td> <td>Securities and Futures Institute</td> <td>Future Developments in the Metaverse and Cryptocurrency Blockchains</td> <td>3</td> </tr> <tr> <td>2022/10/21</td> <td>Securities and Futures Institute</td> <td>2022 Annual Conference to Promote Prevention of Insider Trading</td> <td>3</td> </tr> <tr> <td>2022/11/3</td> <td>Taiwan Corporate Governance Association</td> <td>Seminar on ESG Trends and Risk Management</td> <td>3</td> </tr> <tr> <td colspan="4">Accumulated training hours in 2022: 18 hours</td> </tr> </tbody> </table> <p>■ Review the qualifications of independent directors during nomination, election, and tenure periods with regard to relevant regulations, and report the same to the Board: The Board Secretariat reviewed the Board-nominated candidates for the 5 independent directors and 10 non-independent directors of the 10th Board, and ensured that their qualifications adhere to relevant regulations. The results were reported to the 9th Board at the 36th meeting held on March 15, 2023.</p> <p>■ Director changes were handled by the Board Secretariat in accordance with related regulations.</p> <p>■ The Corporation has established a shareholder services unit under the Finance Department; this unit is responsible for providing shareholder services, handling matters relating to shareholders' meetings, making changes to Corporation registration details, and publishing information on shareholder matters in accordance with law.</p>	Training Date	Hosting Organization	Course	Training Hours	2022/3/10	Securities and Futures Institute	Recognition of Global Risks: Opportunities and Challenges in the Next Decade	3	2022/4/13	Securities and Futures Institute	External Innovations and Sustainable Operations	3	2022/8/3	Securities and Futures Institute	Legality of Information Security Laws Applied to Ransomware Threats	3	2022/10/5	Securities and Futures Institute	Future Developments in the Metaverse and Cryptocurrency Blockchains	3	2022/10/21	Securities and Futures Institute	2022 Annual Conference to Promote Prevention of Insider Trading	3	2022/11/3	Taiwan Corporate Governance Association	Seminar on ESG Trends and Risk Management	3	Accumulated training hours in 2022: 18 hours				
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Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	✓		<p>■A "Stakeholders Communications" sub-section has been established under the "ESG" section of our corporate website to uphold the rights of stakeholders 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 2022 were reported to the Corporation's 27th meeting of the 9th Board on June 15, 2022, 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 and Material Topics" sub-section in the "ESG" section of our corporate website and the "Material Issues and Stakeholders" section in our Sustainability Report.</p>	■None.
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		■The Corporation has appointed Fubon Securities Transfer Agency Department as our professional shareholder service agency.	■None.
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		■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.	■None.
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		<p>■When disclosing information, the Corporation not only publishes the information on our annual reports and prospectuses in accordance with law, but also publicly discloses and files the information to websites designated by governing authorities and on our corporate website. Additionally, information is also disclosed in the following ways:</p> <p>1.The Corporation has established an English language website (<a href="https://en.thsrc.com.tw/">https://en.thsrc.com.tw/</a>) to disclose important information on the Corporation's finances, business matters, and corporate governance.</p> <p>2.The Corporation has implemented a spokesperson system.</p> <p>3.The Corporation's Investor Conference notices and related information are disclosed on our corporate website.</p>	■None.
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	✓		■The Corporation publicly disclosed and filed our financial report for 2022 on February 23, 2023, and our financial reports for the first, second, and third quarters of 2022 and monthly operational status reports for the same year were publicly disclosed and filed prior to the time limits set by regulations.	■None.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		<p>■ Since going public, the Corporation has been ranked among the top 5% of publicly listed companies by the TWSE Corporate Governance Evaluations for five consecutive years (from 2017 to 2021).</p> <p>■ 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.</p> <p>■ Additionally, the Corporation was awarded a "Platinum" certification by the Taiwan Corporate Governance Association under the CG6013 (2021) Corporate Governance System Assessment on August 26, 2022, the certification period being from August 26, 2022 to August 25, 2024.</p> <p>■ The Corporation continued to be selected as a constituent of the FTSE4Good TIP Taiwan ESG Index in December 2022 and was granted the right to use the "FTSE4Good TIP Taiwan ESG Index Exclusive Label" from December 19, 2022 to June 16, 2023, demonstrating external recognition of our developments in E (Environment), S (Social), and G (Corporate Governance) sustainability.</p> <p>■ In October 2022, the Corporation received the Outstanding Enterprises award, first place in Most Popular Brand, and first place in Best Product at the 19th National Brand Yushan Awards.</p> <p>■ In January 2023, the Corporation received the Corporate Knights Global 100 Most Sustainable Companies for the first time, ranking ninth globally and first in the Asian-Pacific region.</p> <p>■ In 2021, the Corporation began implementing the Taiwan Intellectual Property Management System and obtained TIPS Level A verification (effective until December 31, 2022). In order to maintain the validity of this qualification, we reapplied and successfully passed TIPS Level A verification in September 2022. This qualification is now valid until December 31, 2024.</p> <p>■ The Corporation's "Charter of the Corporate Governance &amp; Nominating Committee" stipulates succession plans for Board of Director members. In order to pass on the professionalism and experiences of our Board members, the Corporation has organized plans for director successors through a variety of appropriate methods and has placed a list of director candidates in our talent pool database; nominees are submitted to the Board for review when appropriate and serve as a reference for the Board to nominate director candidates. For more information, please refer to the "Succession Plan for Board of Director Members" page under the "Board of Directors" sub-section in the "Corporate Governance" section of our corporate website. Additionally, the Corporation plans annual training courses for directors in accordance with changes in external and internal environmental conditions and development needs to enhance the professional knowledge of new and returning directors and strengthen Board capabilities.</p> <p>■ The Corporation has also established succession plans for senior management in accordance with the "Succession Plan for Senior Management" passed by the 33rd meeting of the 8th Board on December 18, 2019, which is implemented through five stages (identification of key skills, availability of current talent, development of successors, evaluation of successors, and approval of management personnel), the purpose being to ensure sustainable management and growth, and establish a succession system for important management personnel to pass on the professionalism and experiences of important management personnel. In order to cultivate successors, the Corporation will conduct evaluations of management skills for all department managers, and will conduct management training courses once evaluations have concluded. Depending on availability of important management positions, operational goals, and organizational needs, these will be submitted to the Board for review following approval from the Chairman. For more information, please refer to the "Succession System for Important Management Personnel" page under "Corporate Governance Structure and Organization Chart" in the "Corporate Governance" section of our corporate website.</p>	■ None.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>■The Corporation's Guidelines for Corporate Governance stipulate that the Corporation shall devote attention to public policy, economic development, consumer rights and interests, community concerns, environmental protection and sanitation, public safety, and other public interest issues, to enhance the Corporation's image, and to faithfully fulfill its social responsibilities. The Corporation participates in social contributions through a number of measures, for example through subsidies to preserve jacanas and other wildlife, providing care to communities alongside the HSR line, and support of other environmental hygiene and public policies.</p> <p>■The Corporation has established "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct," "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior," "Regulations for Management of the Prevention of Insider Trading," "Reward and Discipline Regulation," "Grievance Regulation," and "Procurement Staff Ethical Regulation," which not only govern the ethical standards and codes of conduct for Corporation personnel when carrying out their duties, but also ensure that the corporate activities of the Corporation do not interfere with social contributions, thus maintaining the rights of the Corporation and our shareholders, fulfilling our corporate social responsibilities, and helping our stakeholders to understand relevant regulations.</p> <p>■The Corporation has established an Occupational Safety and Health Policy and is committed to compliance with government health and safety laws, regulations, and procedures to ensure the safety of passengers, employees, and other members of the public. We periodically conduct employee health checks, promote health-enhancing activities, and implement health management every year to enhance the physical and mental health of employees.</p> <p>■The Corporation has established a Safety Policy, relevant procedures, and implementation results, which are regularly reviewed each year to further our goal of continued improvements to safety. All employees have to undergo training in accordance with our safety regulations and operating procedures so that they can continue to display and be equipped with attention to and recognition of safety measures when carrying out daily tasks. Our contractors are carefully selected, supervised, and managed to ensure that their operations fulfill the Corporation's safety goals.</p> <p>■The Corporation is committed to appropriate utilization of internationally recognized risk assessments and safety management methods in our safety management system to actualize control and minimize hazards. We are committed to maintaining the highest quality control standards and are active in exercising safety management policies as we strive to implement various health and safety measures.</p> <p>■The Corporation has established a Supply Chain Management Policy which states that when collaborating with suppliers, we should gradually integrate environmental, social, and corporate governance needs into our supplier regulations in hopes of creating a more sustainable collaboration with our suppliers. Our management policies are disclosed on our corporate website.</p> <p>■Since 2004, the Corporation has complied with the "Guidelines for Corporate Governance" approved by the shareholders' meeting and taken out liability insurance for all directors, supervisors, and managers with respect to their liability under the law for their actions when exercising their duties. D&amp;O liability insurance policies for 2022 and 2023 were approved by the 18th meeting of the 9th Board on September 15, 2021 and the 30th meeting of the 9th Board on September 14, 2022. 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 2022, Corporation directors underwent a total of 113 hours of training as detailed in Note 4.</p>	

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

The Corporation was ranked among the top 5% listed companies in the 8th Corporate Governance Evaluations (2021). 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-third of all of the directors, one additional point will be added to the total score.]	The Corporation currently has two female directors, fewer than one-third of board members, which is the criteria for additional points. In future, we will increase the number of female directors so as to achieve gender equality and raise the ratio of female directors.
2.7	Did the company's independent directors reach one-half or more of all of the directors?	The Corporation's 9th Board has four independent directors, which complies with the requirements of this indicator, but does not fulfill the criteria for additional points. The Corporation's Articles of Incorporation were amended by the Board on May 26, 2022. Starting with the 10th Board, the number of independent directors shall be no less than three and no less than one-third the number of directors.
2.21	Has the company appointed a company secretary and disclosed on the company's website and in its annual report the scope of the company secretary's authority and the status of the company secretary's continuing education? [If the post of company secretary is filled by a person not serving in any other position in the company, one additional point will be added to the total score.]	The Corporation has appointed the Head of Secretariat Division under the Board of Directors to serve as the corporate governance officer. The corporate governance officer holds other concurrent positions within the Corporation, and therefore does not fulfill the criteria for additional points.
3.8	Did the company voluntarily disclose its financial forecast quarterly, without having any corrections ordered by the competent authority or having any demerits imposed by the TWSE or TPEX?	The Corporation currently has no plans to publish quarterly financial forecast reports, and will discuss the necessity of disclosing financial forecast reports when appropriate.
3.21	Did the company voluntarily disclose in the annual report the individual remuneration details of the general manager (chief executive officer) and assistant general manager(s)?	The Corporation temporarily maintains summary disclosures for remuneration of our president and managers ranking above vice president.

Note 1: Implementation of board diversification policy

Director Name	Core Diversification Items	Composition					Professional Background and Capabilities						
		Nationality	Gender	Corporation Employee	Independent Director Time in Office		Finance and Accounting	Legal Affairs	Marketing, Technology	Operational Management	Leadership and Decision-Making	Industrial Knowledge and Operational Judgment	Crisis Management and International Outlook
					Fewer than three years	Three to nine years							
Yao-Chung Chiang		R.O.C.	M	None				✓	✓	✓	✓	✓	
Kenneth Huang-Chuan Chiu		R.O.C.	M	None	✓		✓			✓		✓	
Duei Tsai		R.O.C.	M	None	✓					✓	✓	✓	
Pai-Ta Shih		R.O.C.	M	None	✓	✓				✓	✓	✓	
Yung-Cheng (Rex) Lai		R.O.C.	M	None	✓					✓	✓	✓	
Wen-Jong Chi		R.O.C.	M	None				✓	✓	✓	✓	✓	
Chin-Hong Pan		R.O.C.	M	None		✓				✓		✓	
Lee-Ching Ko		R.O.C.	F	None				✓	✓	✓	✓	✓	
Chao-Tung Wong		R.O.C.	M	None				✓	✓	✓	✓	✓	
Chao-Yih Chen		R.O.C.	M	None				✓	✓	✓	✓	✓	
Mao-Hsiung Huang		R.O.C.	M	None				✓	✓	✓	✓	✓	
Shien-Quey Kao		R.O.C.	F	None		✓				✓		✓	
Chu-Min Hong		R.O.C.	M	None		✓		✓	✓	✓	✓	✓	

## Corporate Governance

Note 2: Independence assessment indicators of CPA

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

Note 3: Letter of declaration from Deloitte & Touche

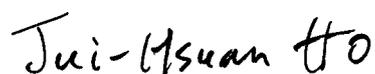
Date: January 11, 2023

Recipient : Taiwan High Speed Rail Corporation

Subject: With respect to the audit of the Corporation's financial statements for the year ended December 31, 2022, 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.

Description :

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 Corporation 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 Corporation 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 Corporation.
4. Our audit team members do not accept significant gifts and hospitality from the Corporation 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

## Corporate Governance

Note 4: Director training programs in 2022

Director Name	Date of Attendance	Course	Training Hours
Yao-Chung Chiang	2022/04/13	External Innovations and Sustainable Operations	3
	2022/07/05	2030/2050 Green Industrial Revolution	3
	2022/08/03	Legality of Information Security Laws Applied to Ransomware Threats	3
Kenneth Huang-Chuan Chiu	2022/04/13	External Innovations and Sustainable Operations	3
	2022/04/28	ESG Governance Aspects: From Knowing to Doing	3
	2022/05/06	Corporate Governance and Securities Regulations	3
	2022/07/27	Digital Technology Innovations and Competitive Advantages	3
	2022/09/16	Corporate Management Mentality from CSR to ESG	3
Duei Tsai	2022/04/13	External Innovations and Sustainable Operations	3
	2022/05/20	Impacts to and Responses of Capital Markets from Major ESG Trends	2
	2022/07/21	Corporate Governance and Securities Regulations	3
	2022/08/03	Legality of Information Security Laws Applied to Ransomware Threats	3
	2022/09/07	International Net Zero Trends and Zero-Carbon Transformation Actions in Taiwan	3
	2022/10/11	2022 Functions and Duties Reference Guidelines for Independent Directors and Audit Committees of Listed Companies Promotional Seminar for Directors and Supervisors	3
	2022/10/19	18th (2022) Corporate Governance Summit Conference	3
Pai-Ta Shih	2022/05/06	Recognition of Global Risks: Opportunities and Challenges in the Next Decade	3
	2022/09/16	False Financial Reports and Director Responsibility Seminar	3
	2022/12/06	Interpreting Financial Reports to Protect Corporate Operations	3
Yung-Cheng (Rex) Lai	2022/04/13	External Innovations and Sustainable Operations	3
	2022/12/20	Taking Precautions: The Importance of Corporate Risk Management	3
Wen-Jong Chi	2022/04/13	External Innovations and Sustainable Operations	3
	2022/08/03	Legality of Information Security Laws Applied to Ransomware Threats	3
Chin-Hong Pan	2022/04/13	External Innovations and Sustainable Operations	3
	2022/08/03	Legality of Information Security Laws Applied to Ransomware Threats	3
Lee-Ching Ko	2022/07/21	Net Zero Carbon Management Trends and Responses	3
	2022/10/05	Corporate Information Security Governance: Constructing Information Security Protection Strategies for Listed Companies	3
Chao-Tung Wong	2022/08/08	Corporate Sustainability Risks and Opportunities	3
	2022/11/08	Case Studies on Important Director and Supervisor Civil and Criminal Liabilities	3
Chao-Yih Chen	2022/08/03	Legality of Information Security Laws Applied to Ransomware Threats	3
	2022/10/19	2022 Promotional Seminar for Legal Compliance of Insider Stock Trading Laws	3
Mao-Hsiung Huang	2022/04/13	External Innovations and Sustainable Operations	3
	2022/08/03	Legality of Information Security Laws Applied to Ransomware Threats	3
	2022/08/15	Global Macroeconomic Trends and Outlooks for Second Half of 2022	3
Shien-Quey Kao	2022/09/13	International Net Zero Trends and Zero-Carbon Transformation Actions in Taiwan	3
	2022/11/15	Corporate Governance Evaluation Highlights for Directors and Supervisors	3
Kuo-Chih Liu (Former director)	2022/04/13	External Innovations and Sustainable Operations	3
	2022/08/03	Legality of Information Security Laws Applied to Ransomware Threats	3
Director training hours for 2022			113

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

Item	Implementation Status		Summary Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		<p>■ Following approval by the Board in September 2018, the Corporation established a Corporate Governance Promotion Committee. The Corporate Governance Planning Team, Sustainable Development Team, and Ethical Management Team have been established under the Corporate Governance Promotion Committee, which is overseen by the Board and our Chairman, and is chaired by our President. Executives from our managerial departments serve as committee members and meetings are convened every 2 months or as needed to discuss specific topics. The Committee drafts optimization strategies for corporate governance and sustainable development policies, systems, and functions; formulates measures to strengthen corporate governance; and reviews sustainable development policies to provide a reference for decision-makers within the Corporation. Additionally, the Committee makes annual reports of overall corporate governance and sustainable development promotion and implementation status to the Board, and conducts risk evaluations and management of environmental, social, and governance issues relating to operations by materiality principles every year. Details on the operational status of the Corporate Governance Promotion Committee can be found on our corporate website on the "Corporation Governance and Organizational Structure" page under our "Corporate Governance" section.</p> <p>■ The Corporation fulfills corporate social responsibilities in accordance with the "Corporate Social Responsibility Best Practice Principles" approved by the Board of Directors in March 2016, and is active in promotion of corporate governance, social welfare, and environmental sustainable development, concepts which are integrated in our operational strategies and management goals. The Board amended the "Corporate Social Responsibility Best Practice Principles" and renamed it the "Sustainable Development Best Practice Principles" in March 2022.</p> <p>■ The Sustainable Development Team of the Corporate Governance Promotion Committee is convened by the vice president of our Corporate Planning Department, and composed of representatives from all departments; the team is responsible for planning and promoting activities relating to sustainable development, compiling annual sustainable development reports, and convening every quarter to discuss promotion of sustainable development issues. The team is also responsible for making annual reports to the Board regarding specific performance and promotion of sustainable development issues. The main duties of the team include:</p> <ol style="list-style-type: none"> <li>1.Coordinating the Corporation's recent developments and goals in sustainable development.</li> <li>2.Formulating future long-term strategies and guidelines for sustainable development promotion.</li> <li>3.Overseeing internal units responsible for planning and proposing annual sustainable development strategies and plans in their specific area of business.</li> <li>4.Coordinating various departments in implementing sustainable development activities and projects.</li> <li>5.Reviewing and finalizing sustainable development report.</li> <li>6.Other tasks relating to review or compilation of sustainable development matters.</li> </ol> <p>■ Specific implementation results for 2022 included compliance with the UN SDGs; corresponding items of the Executive Yuan sustainable development goals; strategic themes, items, main implementations, stakeholder communications and materiality matrix analysis for various ESG aspects. An associated report was submitted to the 27th meeting of the 9th Board on June 15, 2022. The Board expressed support for current implementations and planned sustainable development promotions, and also provided suggestions on the "THSRC Greenhouse Gas Inventory and Verification Implementation Report." Details on the operational status of the Sustainable Development Team can be found on our corporate website in the "Corporation Governance and Organizational Structure" page under our "Corporate Governance" section.</p>	■ None.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>■ The Corporation strives to promote sustainable development and demonstrate a sincere desire to serve; our mission is to build closer relationships with passengers and local communities, and become a platform for life improvement. We also actively ensure that the sustainable management measures of our core business comply with UN SDGs so that we can keep pace with international trends.</p> <p>■ The Corporation's Sustainability Report for 2021 was published in June 2022. For more information on the Corporation's specific implementation plans and results of sustainable development, please refer to Item 7 below (Other important information to facilitate better understanding of the Corporation's promotion of sustainable development). Details have also been disclosed on our corporate website.</p>	
2.Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		<p>■ These disclosures encompass our sustainable development performance from January to December 2022, and risk assessment boundaries are set within the Corporation.</p> <p>■ In order to build a complete risk management system; strengthen effectiveness of corporate governance; ensure comprehensiveness, effectiveness, and reasonableness of risk management, as well as effectively evaluate and oversee risk-bearing capabilities of the Corporation to determine risk response strategies and implementation of risk management procedures, the Corporation's "Risk Management Regulation" and related "Risk Management Policies" were established at the 27th meeting of the 8th Board on June 19, 2019 to provide reasonable assurance of the Corporation's mid- to long-term strategic plans and achievement of targets.</p> <p>■ The Corporation has inventoried and identified, in a proactive and cost-effective manner, possible risks that may impact operations and profits due to Corporation business and operational activities, the main considerations being business environments, operations, finances, hazardous incidents, and other aspects. We have also reviewed comprehensiveness of corporate risk management procedures and effectiveness of risk management controls, and conducted risk evaluations of major environmental, social, and corporate governance issues relating to operations; these evaluations are used to establish implementation systems and identify main risk categories (Note 1). For more information regarding these risks and relevant response measures, please refer to the following table (Note 2).</p> <p>■ The Corporation's various committees (such as the Audit Committee, Safety Committee, Information Security Committee, Sustainable Development Team under the Corporate Governance Promotion Committee, and 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 The Corporation began actively promoting risk management procedures in 2018 and reports on implementations to the Board of Directors once every year. Main implementations in 2022 included: 1. Annual risk management report (including risk management implementation status and progress) was presented to the Audit Committee and the Board of Directors in September 2022. The report encompasses the Corporation's risk categories, important items for risk management, and risk assessments. Units responsible for management of different risk categories have all adopted appropriate response measures and made suitable records of risk management procedures and implementation results. 2. To strengthen implementation of risk management mechanisms, we arranged for relevant personnel to attend risk management classes. A total of 88 employees received 260 hours of training to build cultural awareness and recognition of operational risks.</p>	■ None.

Item	Implementation Status		Summary Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics?	✓		<p>■ The Corporation has established an environmental management system in accordance with the ISO14001 Environmental Management System, and our Environmental Management Manual lays out specific implementations for all environmental management requirements. We passed ISO14001:2015 environmental management system verification and obtained a certificate in 2020, which is valid from September 25, 2020 to September 24, 2023. The certificate is currently valid. By establishing an applicable environmental management system, we can strengthen our pollution risk prevention and resource conservation management capabilities, and increase our responses to internal (such as organizational changes) or external (such as climate change, stricter laws and regulations) environmental impacts.</p>	■ None.
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		<p>■ The Corporation has established environmental management objectives and strategies based on principles of safety, comfort, environmental protection, energy saving, and carbon reduction. We promote four main programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage) for continual reduction of energy and water usage as well as improvement of energy efficiency. We conduct periodical reviews of these environmental objectives and also apply appropriate measures to protect the environment from possible negative impacts.</p>	■ None.
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them? Evaluation item 4.18 Did the company disclose information about the company's governance, strategies, risk management, metrics, and targets for climate-related risks and opportunities in accordance with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendation framework?	✓		<p>■ The Corporation actively faces the impacts of climate change. The Sustainable Development Team established under the Corporate Governance Promotion Committee is chaired by our President, who is also responsible for convening meetings to assess potential risks and opportunities of climate change on current and future operations, review implementation of corresponding response measures, and discuss future plans. With regard to the "Adaptation Strategy to Climate Change in Taiwan" proposed by the National Development Council, we continue to assist the Institute of Transportation, Ministry of Transportation and Communications (MOTC) in conducting research related to climate change adaptation, participate in the development of the railway and highway climate change adaptation information platform and the expansion of its functions, and strengthen the analytical functions regarding vulnerability and risk of the information platform, with a view to supporting decision-making analysis of climate change by railway and highway competent authorities. Furthermore, the Corporation has also signed the "Memorandum of Cooperation on Cross-border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities through mutual cooperation, while serving as an important reference for the Corporation to make traffic dispersion decisions and assess track safety during disasters.</p> <p>■ Since 2013, the Corporation has cooperated with the government to promote renewable energy policies by leasing out the rooftop areas of Wuri and Zuoying maintenance depots and the Yanchao Main Workshop to energy suppliers for the installation of solar power equipment with a total power generation capacity of 5,359 kWh. Beginning in 2018, we sequentially realized solar power generation system plans at six locations (Wuri Depot, Zuoying Depot, Liujia Depot, Taoyuan Station, Chiayi Station, and Tainan Station) by utilizing depot flood basins, station outdoor parking spaces, and station roofs. The total power generation capacity is approximately 3,811 kWh, and the solar equipment began generating power in 2020.</p> <p>■ Additionally, we installed rooftop solar panels to serve as sun and rain shelters at Miaoli, Changhua, and Yunlin stations with a total power generation capacity of 258 kWh to generate electricity for use at these stations. In 2018, the Corporation also applied for and obtained Renewable Electricity Certificates for the solar energy generated at these three stations.</p> <p>■ The main risks brought about by climate change include severe weather phenomenon such as extreme high temperatures; 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.</p>	■ None.

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	Yes	No	Summary Description																															
			<p>■At present (2018~2022), our adaptive actions toward climate change impacts include the following three items, and progress reports are provided annually:</p> <ol style="list-style-type: none"> <li>1. Establishment of warning system for slope safety.</li> <li>2. Strengthening protection of tunnel portal slopes.</li> <li>3. Risk assessment and protection design for scoured cross-river bridges.</li> </ol> <p>■ For information on the potential risks, opportunities, and corresponding measures of climate change for the Corporation now and in the future, please see Note 3. More details are disclosed on the "Climate Change Adaptions" page under "Environmental Sustainability" of the "CSR" section of our corporate website.</p>																															
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		<p>■ The Corporation continues to promote its four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage) and has established energy-saving goals for each station (reduction of at least 0.86% in average annual power consumption per passenger). We implement water conservation, water reduction and water recycling as our water resources management policy, and set an annual water-saving goal at least 3.42% of "water consumption per passenger." Additionally, in order to quantify our carbon emissions from energy consumption, we have established a "passenger-kilometer emissions" indicator, and have set a "greenhouse gas reduction target" of at least 1.5% every year. Our waste management policy promotes reuse and recycling, continual source reduction, and strengthening of waste separation and recycling.</p> <p>■ Implementation results for the aforementioned targets in 2022 were as follows: Reduced "station power consumption" by 19.273% (&gt;0.86%); reduced "station water consumption" by 11.764% (&gt;3.42%); and reduced "carbon emissions" by 10.055% (&gt;1.50%).</p> <p>■ The Corporation calculates greenhouse gas emissions, water usage, and total weight of solid waste every year, and discloses these in our annual "Sustainability Report." Statistical data for the past two years (2021-2022) were as follows:</p> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Greenhouse Gas Emissions (ton CO<sub>2</sub>e)</th> <th>Scope 1 (ton CO<sub>2</sub>e)</th> <th>Scope 2 (ton CO<sub>2</sub>e)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>285,609.55</td> <td>1,091.79</td> <td>284,517.76</td> </tr> <tr> <td>2022</td> <td>316,942.85</td> <td>1,068.73</td> <td>315,874.11</td> </tr> </tbody> </table> <p>Note: Includes scope 1 and 2 emissions for the entire Corporation.</p> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Water Usage (m<sup>3</sup>)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>594,195</td> </tr> <tr> <td>2022</td> <td>653,423</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>Solid Waste (ton)</th> <th>Hazardous Waste (ton)</th> <th>Non-Hazardous Waste (ton)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>5,947.35</td> <td>0.2</td> <td>5,947.15</td> </tr> <tr> <td>2022</td> <td>6,306.73</td> <td>13.86</td> <td>6,292.87</td> </tr> </tbody> </table> <p>■The Corporation voluntarily conducted organizational greenhouse gas inventory and external verifications for all 12 stations from 2016 to 2021 based on ISO14064-1:2006 standards (2016 to 2020), ISO14064-1:2018 standards (2021), and the EPA Greenhouse Gas Inventory Guidelines, and has obtained an ISO14064-1 verification statement. (Corporation-wide greenhouse gas inventory and verification procedures for 2022 will be conducted in 2023, and we expect to obtain a verification statement before December.)</p>	Item/Year	Greenhouse Gas Emissions (ton CO <sub>2</sub> e)	Scope 1 (ton CO <sub>2</sub> e)	Scope 2 (ton CO <sub>2</sub> e)	2021	285,609.55	1,091.79	284,517.76	2022	316,942.85	1,068.73	315,874.11	Item/Year	Water Usage (m <sup>3</sup> )	2021	594,195	2022	653,423	Item/Year	Solid Waste (ton)	Hazardous Waste (ton)	Non-Hazardous Waste (ton)	2021	5,947.35	0.2	5,947.15	2022	6,306.73	13.86	6,292.87	■ None.
Item/Year	Greenhouse Gas Emissions (ton CO <sub>2</sub> e)	Scope 1 (ton CO <sub>2</sub> e)	Scope 2 (ton CO <sub>2</sub> e)																															
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	Yes	No		
<p>4. Social Issues</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>■ Article 18 in Chapter 4 (Maintaining social welfare) of the Corporation's "Sustainable Development Best Practice Principles" stipulates compliance with the International Bill of Human Rights in gender equality, right to work, and prohibition of discrimination, as well as establishment of relevant management policies and procedures.</p> <p>■ The Corporation complies with the spirit of the International Bill of Human Rights and established a "Human Rights Policy" corresponding to the characteristics of the rail transportation industry in 2018, which is disclosed on our corporate website and in Chapter Four of this Report. We adhere to local labor laws while also supporting and complying with the principles and spirit underlying the UN's Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, the UN Global Compact, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, including freedom of association, right to unionization and collective bargaining, care for vulnerable groups, prohibition of child labor, elimination of all forms of forced labor, elimination of employment discrimination, and elimination of all forms of discrimination towards women, while also confirming that our human resource utilization policies do not discriminate on the basis of gender, race, social class, age, marital status, and family conditions.</p> <p>■ The Corporation has established various regulations for corporate governance, environmental protection, public affairs, procurement and human resources. We have specific regulations relating to human rights policies to serve as a basis for identifying important human rights issues and to promote risk-reducing measures. The Corporation's "Supply Chain Management Policy" stipulates that in addition to procurement quality, costs, delivery date, and services, the Corporation should also consider factors such as reasonable profits, social responsibility, labor safety, human rights, and environmental protection when making management and implementation decisions. When inviting bids, the Corporation stipulates that companies submitting bids should not discriminate on the basis of gender, should not discriminate against indigenous people or vulnerable groups, and should not use child labor. We work with all collaborating partners in continuing to enhance and improve management of human rights issues so as to mitigate potential crises and impacts. We actively contribute to society and participate in local activities to the best of our limited abilities, in hopes of maintaining sustainable interactions with our collaborating organizations to implement social care and strengthening of local culture. The Corporation has provided effective and appropriate grievance mechanisms for matters that infringe upon labor rights to ensure the equality and transparency of grievance procedures. Relevant human rights concerns and specific management plans and actions are detailed in Chapter Seven of this Report. Additional information is disclosed on the "Human Rights Policy" and "Implementation of Mitigation Measures for Human Rights Risks" pages under the "Policy" sub-section in the "About Us" section of our corporate website.</p>	■ None.
<p>(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?</p>	✓		<p>■ The Corporation has established a "Welfare Regulation," and not only provides employee vacation days, insurance, funeral subsidies, and health checks according to these regulations, but also works actively to establish a friendly work environment with catering, relocation subsidies, shuttle buses, uniform cleaning services, and even employee counseling, healthcare assistance, employee ride discounts, and employee benefits so that employees can enjoy their work. Additionally, we annually assess and compare related market information to gain a better understanding of employee welfare to provide comprehensive benefits. For more information on employee benefits, please refer to Chapter Three of this Report. In response to the increasingly worsening COVID-19 pandemic which started in 2020, the Corporation provides group insurance policies for specific time periods to protect our colleagues and ensure that they can 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 Report.</p>	■ None.

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	Yes	No	Summary Description	
			<ul style="list-style-type: none"> <li>■ The Corporation offers two days off per week, national holidays, and other holidays as stipulated by central competent authorities. Employee annual leaves are granted pursuant to the Labor Standards Act.</li> <li>■ The Corporation actively complies with laws and regulations to achieve our goal of diversity in human resources by utilizing a variety of recruitment channels. We have also established a section for recruiting disabled personnel on our recruitment website and hire employees with disabilities for specific jobs.</li> <li>■ The Corporation hired 58 employees with disabilities in 2022, including 11 severely disabled employees, surpassing legal requirements. We also hired 50 employees with indigenous backgrounds in 2022.</li> <li>■ To help our employees maintain a work-life balance, the Corporation guarantees salaries and career development status of employees on leave without pay, regardless of gender, so that our employees can implement family planning and childcare without worry. Regardless of gender, all employees who apply for (childcare, injury, or military service) leave without pay can enjoy applicable salary adjustments and guaranteed labor conditions when they return to work.</li> <li>■ Our "Charter of the Remuneration Committee" stipulates periodic review of director and manager performance; remuneration policies, systems, standards, and structures; and general compensation levels in the industry. To ensure competitiveness and motivation, employee remuneration is determined by the Corporation's financial conditions, business performance and policies, as well as the work duties, work abilities, and performance of the positions held. In addition, according to our "Articles of Incorporation," if the Corporation is profitable in a given year, it shall allocate no less than 1% of net profits as profit-sharing compensation to employees.</li> <li>■ The Corporation is attentive of market remuneration standards, regularly reviews remuneration policies, and sets out salaries, allowances, and bonuses according to the "Salary Payment Regulation" to reward employees for their hard work. Year-end bonuses and performance bonuses are distributed based on the Corporation's annual business performance, financial conditions, operating conditions, and individual work performance, and we also have established remuneration adjustment policies to enhance employee remuneration and benefits. Annual salary adjustments have been implemented for 2022 to realize our goal of rewarding and caring for our employees; overall average adjustment rate was 2.5%.</li> </ul>	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		<p><u>Occupational health and safety policy</u></p> <ul style="list-style-type: none"> <li>■ The Corporation considers safety to be an important cornerstone that THSRC cannot operate without. All Corporation decisions and actions set safety as the highest guiding principle, and we strive to maintain active health and safety management. All employees continue to participate in and improve upon our goal of zero disasters and zero accidents.</li> <li>■ The Corporation strictly abides by all laws, regulations, and procedures. We have set clear stipulations of safety responsibilities for employees of all levels to ensure that our employees, customers, and HSR assets are maintained, managed, and well-protected. We appropriately utilize internationally recognized risk assessments in our health and safety management systems to control and minimize hazard risks within a reasonable scope, providing necessary training and health and safety information to all personnel so that they can safely implement all routine tasks, and also to ensure that they are equipped with safety awareness and understanding. We carefully select, monitor, and manage our contractors and suppliers to ensure that our operations, machinery, equipment, and materials adhere to law and our corporate safety requirements. We have established and maintain an excellent operating environment, and coordinate necessary external support systems to protect the health and safety of our employees, passengers, and the general public.</li> <li>■ We regularly review our health and safety policies, regulations, procedures, and implementation results to enhance management and achieve our goal of continued safety improvements.</li> </ul> <p><u>Monitoring of work environments</u></p> <ul style="list-style-type: none"> <li>■ We conduct periodic inspections of working environments at our headquarters, Taoyuan OMC Building, 12 stations, and 5 maintenance depots every six months to provide our employees with a healthy and safe work environment.</li> </ul> <p>Health and safety management regulations</p>	■ None.

Item	Implementation Status		Summary Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		

■ The Corporation has established the "Employee Safety and Health Work Instructions," "Occupational Safety and Health Management Plan," "Railway Operation Safety Rulebook," "THSRC Operation Regulation," "THSRC Operation Rules," and "OCC Working Manual/Station Control Room Working Manual/Maintenance Depot Working Manual" to serve as a basis for management of safe operations at THSRC. Our operating procedures are reviewed and updated at least once every three years in accordance with the aforementioned regulations.

Health and safety monitoring and guidance

■ The Corporation has formulated annual health and safety monitoring and guidance plans to provide suggestions and follow up on specific improvement items.

Health and safety monitoring and guidance in 2022	
Occupational health and safety office monitoring patrols	46 sessions
Maintenance and safety management division Health and safety guidance	707 sessions

Equipment safety management

■ The Corporation has classified all equipment and listed hazardous machinery and equipment in accordance with law. We conduct detailed inspections to ensure safe usage of all equipment. In 2022, we conducted regular inspections on our 33 pieces of hazardous machinery in accordance with the Regulations for Safety Inspection of Hazardous Machines and Equipment to ensure safe usage of all equipment.

Corporate verifications

■ 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 obtained both TOSHMS (Taiwan Occupational Safety and Health Management System) CNS 15506 and OHSAS (Occupational Health and Safety Assessment Series) 18001 verifications. In June 2020, THSRC passed BSI (British Standards Institution) reviews and completed transfer verifications for (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, and are both still valid.

■ 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.

Health and safety training

■ Every year, the Corporation establishes an Annual Health and Safety Education Training Plan which includes relevant health and safety 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.

■ The Corporation hosted a number of traffic safety management events, for example, traffic safety lectures and safe-driving promotional training for motorcycles. We also provide motorcycle checks for our employees and run free shuttle buses for our employees in Hsinchu, Taichung, and Kaohsiung.

THSRC occupational health and safety training and promotions over the past three years

Year	Number of trainees	Training hours
2020	2,814	7,342
2021	2,677	5,733
2022	4,534	13,602

Note: Starting in 2022, we began including trainee numbers and training hours for legally mandated external training for occupational health and safety certifications.

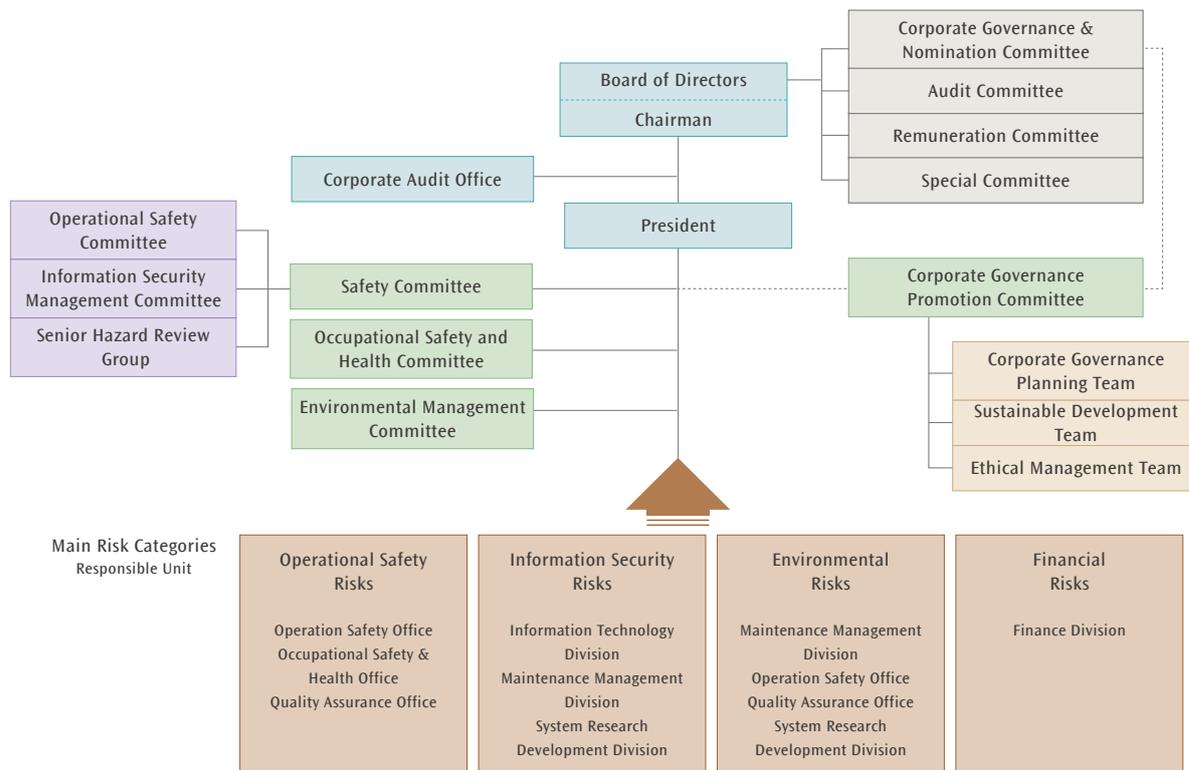
Item	Implementation Status		Summary Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			<p><u>Health checks, management, and promotion</u></p> <ul style="list-style-type: none"> <li>■ The Corporation provides health checks beyond those mandated by regulations. Employees aged above 45 years undergo annual health checks, while those under 45 years undergo health checks every two years. Train staff undergo annual health checks. Annual health checks for general and train personnel in 2022 were completed during March to October; the completion rate for train personnel was 100%.</li> <li>■ We established an online occupational health check reservation system to maximize service accessibility. Occupational health physicians provided hazard assessments, health consultations, home and work injury care, assessments for returning workers and worker fitness over 147 on-site sessions, ensuring comprehensive healthcare benefits for employees.</li> <li>■ THSRC corporate headquarters, the OMC building, and all maintenance depots are equipped with nursing stations, and all stations have health offices surpassing legal requirements which are equipped with nurses. The health offices provide employees and passengers with health care resources for emergency injury care, and also help to organize employee health promotion and management activities.</li> <li>■ Every year, we implement programs relating to prevention of human hazards, prevention of disorders brought on by abnormal workloads, and maternal health protection. We also conduct health management surveys to analyze employee health risks and provide timely interventions and special preventive measures for preventive care and management.</li> <li>■ The Corporation has formulated the Prevent Plan for Wrongful Physical or Mental Harm During the Execution of Job Duties in accordance with the Occupational Safety and Health Act to guide implementations of all units and to ensure work safety and physical health.</li> <li>■ In terms of preventive care for mental health, we have established hotlines and dedicated email inboxes to provide multiple communication channels and care for our employees.</li> </ul> <p><u>Investigation, handling, and statistical analysis of occupational disasters and near misses</u></p> <ul style="list-style-type: none"> <li>■ Occupational disasters inside our working environment included 12 occupational disasters, 94 days charged for disabling injuries, and a total injury index of 0.11; outside our working environment, we incurred 10 traffic-related occupational injuries, 146 days charged for disabling injuries, and a total injury index of 0.12. No occupational disease incidents were recorded.</li> <li>■ The Corporation provided substantial incentives and encouraged employees to propose management solutions for near misses under our Rewards Program for Reporting Near Misses of Occupational Health and Safety Hazards to enhance occupational health and safety awareness.</li> </ul> <p><u>Operation safety</u></p> <ul style="list-style-type: none"> <li>■ Refine operational safety management                             <ol style="list-style-type: none"> <li>1.Revisions made to the "Regulations for Train Operations" in 2022 stipulated that rail institutions should establish safety management systems. The Corporation referenced the latest regulations, safety guidelines from international transportation organizations, and safety management system implementations from domestic and overseas benchmark enterprises in the transportation industry. Following a review of previously implemented safety management systems, revisions were made to the Corporation's "Operational Safety Plan" for official implementation on January 1, 2023, serving as an important strategic guide for subsequent strengthening of safety management at the Corporation.</li> <li>2.In 2022, we conducted 6 planned rail operational safety audits; audit results and improvements were reported and tracked by the Operational Safety Committee.</li> </ol> </li> <li>■ Continue to enhance operational safety                             <ol style="list-style-type: none"> <li>1.To maintain safety of HSR operational systems, train reliability, and punctuality, we conducted investigations of all 27 abnormal operational incidents that occurred over the year; improvement measures for these incidents were reviewed and tracked at relevant meetings.</li> <li>2.The Corporation provides HSROR training to ensure that on-site personnel and contractors are fully aware of operational regulations for HSR restricted areas. In 2022, 100% of trainees completed training.</li> <li>3.The Corporation has established a variety of platforms to report security events and offers rewards to encourage reporting of near misses. A total of 43 incidents and notifications related to operational safety were reported over the year.</li> <li>4.We hosted Safety Month promotion activities in November 2022 and strengthened safety awareness and voluntary reporting capabilities in on-site personnel through relevant lectures and competitions.</li> </ol> </li> </ul>	

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	Yes	No		
			<p>■ Strengthen security operations</p> <p>1. In accordance with Article 56-4 of the Railway Act and to strengthen the security response, support, and handling capabilities of our station managers, supervisors, and operating personnel (including contractors), we organized 4 training sessions themed around identification of hazardous objects, security responses, and handling of security incidents (including lectures on key infrastructure) which were attended by 120 participants.</p> <p>2. We conducted 16 performance evaluations over the year in accordance with the security management system and "Security Management Plan" formulated by the Corporation. We conduct quarterly audits of access controls for all stations/ maintenance depots/workshop factories to ensure that HSR security and access controls are well-managed.</p> <p>3. The Corporation has formulated the "Plan Of Security Measures For The Personal Information File" to guide protection of personal information provided by passengers. We conducted 6 training sessions related to personal information awareness for new employees over the year, and 4,662 personnel also participated in annual refresher training programs for personal information, achieving a training completion rate of 100%. Additionally, we also organized 2 audits of personal information management procedures to ensure that management processes were thoroughly implemented.</p> <p>■ Continue to refine responses and preparations</p> <p>1. In 2022, we established 4 response centers due to natural disasters, but no employees or passengers were injured.</p> <p>2. The Corporation also conducted in-depth reviews of passenger shuttle services for the 0401 Southeast Cement Corporation industrial safety incident which caused suspension of operations at the Zuoying section. All 12 HSR stations have worked with local motor vehicles offices, police stations, transportation bureaus, and bus operators to review and formulate plans for future passenger shuttle services; these plans have been verified through drills and exercises.</p> <p>3. To strengthen the capabilities of first-line commanders, we held a seminar for new on-site commanders and emergency engineers this year, which was attended by 46 participants. We organized an online refresher course for on-site commanders which was completed by 338 participants. We also hosted an "Experience-Sharing Seminar for On-Site Commanders and Incident Handling" in September.</p> <p>4. This year, we invited external support units (including police, fire, environmental protection, and medical units) along the HSR line, as well as 94 people from supervising units such as the Executive Yuan Office of Disaster Management, Taiwan Transportation Safety Board, Ministry of Transportation and Communications, and Railway Bureau, to participate in lectures on HSR disaster prevention and relief mechanisms so they could familiarize themselves with evacuation and rescue procedures and relevant regulations.</p> <p>5. To strengthen response capabilities to various abnormal operational incidents, we conducted 98 disaster prevention drills and training exercises in our stations, maintenance depots, and tracks this year, including 1 joint drill which was conducted in tandem with external supporting units.</p> <p>■ For more information on work environments, operational safety training, and training activities related to operational safety, please refer to Chapter Six of this Report.</p>	
(4) Has the Company established effective career development training programs for employees?	✓		<p>■ The Corporation established a training program based on the two major themes of safety and service, which encompassed the three aspects of core competence, professional competence, and management competence. We also implemented cross-training for specific personnel and formulated manager learning passports to initiate our HSR-oriented training series which provides our employees with a comprehensive occupational training course that is beneficial for sustainable corporate development.</p>	■ None.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(5) Does the Company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		<p>■ The Corporation manages developmental processes for THSRC retail products and provides high-quality and safe products to consumers through establishment of internal review and external inspection management systems. We also clearly stipulate intellectual property ownership, invest in product liability insurance, strictly adhere to all governmental regulations, and also formulate internal operational procedures to ensure protection of customer health and safety.</p> <p>■ The Corporation has established the Plan of Security Measures for the Personal Information File, a Personal Information Protection Implementation Team, and personal information operation representatives. We fully respect customer privacy and protect the personal information of our customers through internal audits, external verifications, and training associated with personal information.</p> <p>■ Marketing and labeling of all Corporation products and services adhere to the Railway Act, relevant regulations, and international standards. We have also formulated our "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," and "Code of Conduct." Our Passenger Transportation Contract also contains clear stipulations which are disclosed on our corporate website and stations for consumer reference and protection of customer interests. Apart from the aforementioned channels, we have also established a THSRC customer service hotline at 4066-3000, digital customer services, a customer suggestion box, and internal handling procedures for transparent and effective handling of consumer suggestions.</p>	■ None.
(6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		<p>■ Development of local supply chains has become a recent focus and goal for THSRC to strengthen sustainable collaborative relations with our supplier partners. We procure local materials and identify local suppliers to enhance our financial benefits and cultivate local manufacturing capabilities of HSR materials and components in hopes of raising these capabilities to international quality levels.</p> <p>■ The Corporation has established a Supply Chain Management Policy and disclosed related requirements and implementation results of social, economic, and environmental issues. We also continue to communicate with our supplier partners and build comprehensive supplier management systems based on our review, management, and training mechanisms.</p> <p><u>Supplier reviews</u></p> <ul style="list-style-type: none"> <li>•Set different supplier eligibility criteria for different projects.</li> <li>•Suppliers and manufacturers for foods sold on trains are required to obtain ISO 22000 or HACCP certification.</li> <li>•Suppliers for localized rail procurement projects are required to obtain ISO9001 or other international quality certifications.</li> <li>•Suppliers of calibration and inspection services projects are required to hold TAF-verified ISO/IEC 17025 laboratory certification or TAF-verified ISO 17020 inspection agency certification.</li> </ul> <p><u>Supplier management and audits</u></p> <ul style="list-style-type: none"> <li>•We set different goals for our supplies and conduct both regular and irregular measurement and monitoring patrols and audits to implement internal health and safety management systems. We have also built comprehensive reporting systems for effective handling of occupational disasters and to reduce negative impacts.</li> <li>•We have completed establishment of digital "Contractor Health and Safety Management System" to control and check contractor entry and exit procedures during all operational procedures. We compile evaluations of overall contractor health and safety requirements based on project conditions to strengthen voluntary safety management and promotion of our business units and contractors, and use these as a basis for subsequent selection of contractors.</li> <li>•Starting in August 2019, we specifically required participants in our public bidding processes to guarantee compliance with our corporate social responsibility regulations, sign a corporate social responsibility statement, periodically convene project team meetings to review contractor-submitted self-evaluation charts, conduct spot inspections of written information, and conducted on-site surveys in 2022 to implement our corporate social responsibilities.</li> </ul> <p><u>Supplier training</u></p> <ul style="list-style-type: none"> <li>•Supplier personnel who enter restricted HSR areas are required to complete relevant training and obtain HSR operational safety certification and qualifications before commencing operations. Long-term supplier personnel are also required to complete refresher training and extend qualification validity in accordance with the HSR operational qualification regulations.</li> <li>•We have established a "Contractor Management Plan" which requires all supplier general personnel and temporary personnel (such as interns, work-study students, and volunteers) to undergo relevant health checks and occupational health and safety training.</li> </ul>	■ None.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
5. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	✓		<p>■ The Corporation's sustainable development report follows the Core requirements of the Global Reporting Initiative Sustainable development Reporting Standards (GRI Standards) developed by the Global Sustainable development Standards Board (GSSB), the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainable development Reports by TWSE Listed Companies, the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the Sustainable development Accounting Standards Board (SASB) Transportation Standard Index.</p> <p>■ Our sustainable development report has been verified by the British Standards Institute (BSI), a third-party certification entity, which ensures that our report meets the Core option of the GRI Standards, and complies with AA1000 Type II high-level assurance. The Independent Assurance Statement issued by BSI has been included in the appendix to this Report.</p>	■ None
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: None.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development:				
(1) To implement environmental protection and energy-saving policies, THSRC buildings are designed with sustainable environment concepts encompassing "ecosystem, energy-saving, waste health." HSR Miaoli, Changhua, and Yunlin stations are equipped with solar power facilities which generate power for station usage, and have applied for Renewable Electricity Certificates (RECs). These three stations respectively received Diamond Level, Gold Level and Gold Level Green Building Certificates from the MOI and Green Building Certification plaques.				
(2) In 2020, we applied to the Environmental Protection Agency to extend the 5-year validity period of the "High-Speed Rail Transportation Service Carbon Footprint Label" (from December 17, 2020 to December 16, 2025), and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32 gCO <sub>2</sub> e per passenger per kilometer (per passenger-kilometer), and our commitment to reduce carbon emissions by more than 3% within 3 years (carbon reduction of 4.92%) was awarded again the "Carbon Footprint Reduce Label" (Certificate label No. R2014910001).				
(3) On November 9, 2022, THSRC received the ISO14064-1 certification issued by a third-party verification unit for all HSR station GHG emissions in 2021.				
(4) The solar power facilities of Miaoli, Changhua, and Yunlin stations generated 138 RECs in 2022 (25 for Miaoli Station, 37 for Changhua Station, and 76 for Yunlin Station).				
(5) Since its initiation in 2010, the High-Speed Educational Endowment Program has accumulated 166 million NTD over 14 years and is estimated to have helped more than 30,000 disadvantaged schoolchildren achieve their dreams of learning.				
(6) The THSRC Smiling Train Program project was initiated in 2009 and collaborates with local educational and charitable institutes to help the disadvantaged fulfill their dreams of taking a ride on the punctual and convenient high-speed rail. As of 2022, a total of 816 disadvantaged groups and 145,479 people have participated in this program.				
(7) The THSRC Winter Outreach Blood Drive was initiated in 2012 and helps hospitals all over Taiwan store sufficient amounts of blood for use in medical emergencies. THSRC hosted 30 blood drives in 2022 for the 10th and 11th Winter Outreach Blood Drive events. A total of 8,976 bags were collected from 6,040 participants, setting a new record.				
(8) The THSR ART Together Program was initiated in 2015, connecting HSR stations to local communities through art performances. Over the course of 8 years, 588 groups and 17,397 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.				
(9) The THSR Museum was inaugurated on January 5, 2017 and displays cultural assets to illustrate the history of Taiwan's railway industry as well as THSRC's founding, construction, and operation, allowing visitors to learn about THSRC's path through history. In 2022, a total of 29,031 people visited the museum; cumulative visitors have now exceeded 175,000 people.				
(10) In 2020, THSRC began restoring 0 Series Shinkansen end cars to promote and revitalize global railway assets. THSRC plans to complete construction of an end car scenic park at HSR Tainan Station by 2023, where these restored 0 Series end cars can be displayed, showcasing their localization and new look.				
(11) In order to preserve important railway assets, THSRC initiated the "THSRC Historical Archive Project" during the Construction Stage. Following approval by the Board in 2021, expired MO-52787 track inspection vehicles and D29 trailers were gifted to the National Railway Museum; renovation completion and collection display is scheduled for 2023.				
(12) THSRC worked with domestic colleges and universities to promote a number of collaborative measures that shared our rich industrial expertise and comprehensive training resources for railway services, providing rail transportation career opportunities for young students. In 2022, THSRC worked with 27 colleges and universities to establish semester intern programs, providing 60 students with one-year station internships and 15 students with maintenance internships. (For more details, please refer to the "Talent Cultivation" page of the "Social Value" sub-section under the "Corporate Sustainable Development" section of our corporate website.)				
(13) The "THSRC Art Program" was jointly organized by THSRC and the National Culture and Arts Foundation and based around the concept of "Unexpected Artistic Encounters." Artists and their teams were invited to create art works starting in 2018, and we plan to invest more than NT\$ 30,000,000 to transform HSR sites into artistic venues, build stations and train carriages that bring the public closer to art, and create "unexpected artistic encounters" for the public in the HSR, which will amuse and surprise passengers while adding emotion and warmth to transportation.				

Note 1: Implementation structure for risk management.



Note 2: Main risk categories and response measures and actions

Material Issues	Main Risk Categories	Risk Assessments	Risk Management Strategies and Related Response Measures
Environmental	Environmental Risks	Assess various environmental risks (such as global warming, extreme weather conditions, earthquakes, land subsidence, and formation of new fault lines) which can cause revisions in laws and regulations, system damages, regional power cuts, and water shortages, which may affect service quality and increase maintenance and operation costs.	<ol style="list-style-type: none"> <li>1. Established environmental policies and implemented management according to our environment management manual. We have applied for ISO14001 certification and are seeking to establish environment management systems that adhere to these standards.</li> <li>2. Identified climate change risks and estimated future mid-to long-term climate change risks to formulate plans and strategies to save energy. We also collaborated with professional institutions to analyze and formulate response strategies to climate change, effectively decreasing possible impacts to our operations from climate change.</li> <li>3. Collaborated with professional institutions to establish an early-warning system for earthquakes.</li> <li>4. Conducted assessments on land subsidence, new fault lines, flood prevention, and earthquake prevention capabilities to formulate improvement measures.</li> <li>5. Gained a full understanding of environmental hazards through DWS hazard warning systems and conducted annual hazard prevention audits and regular and irregular drills.</li> </ol>
Social	Operational Safety Risks	Assess HSR systems that may be affected by internal and external factors such as malfunctions of facilities and equipment, human error, intentional sabotage, or other external factors, which may affect train safety; cause injury to our employees, passengers, contractors, or the general public; or cause delay or cessation of rail operations.	<ol style="list-style-type: none"> <li>1. Established our safety and health, corporate quality, and configuration management policies, and implemented management according to our operational safety plan, occupational safety and health management manual, corporate quality manual, high-speed rail system configuration management manual, corporate RAMS manual, management plan for rail security, and assurance plan for corporate safety.</li> <li>2. Established an Operational Safety Committee which convenes every quarter and also an Occupational Safety and Health Committee which convenes every quarter.</li> <li>3. Implemented internal audits and safety inspections of rail operation safety, occupational safety and health, quality management, configuration management, and system assurance.</li> <li>4. Implemented rail safety training, education and training for occupational safety and health, hazard management training, and hazard prevention and response drills and training.</li> </ol>

Material Issues	Main Risk Categories	Risk Assessments	Risk Management Strategies and Related Response Measures
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"> <li>1. Formulated Information Security Policy and Software Intellectual Property Rights Protection Policy, and implemented management according to information security management manual.</li> <li>2. Established Information Security Committee and convened information security review meetings once every six months.</li> <li>3. Established management procedures and systems according to international ISO27001 information security system.</li> <li>4. Implemented internal information security audits, drills and evaluations, information security inspections, penetration testing, defense-in-depth mechanisms, and education and training in accordance with requirements for Level-A Cyber Security Responsibility Units.</li> </ol>
	Financial Risks	Assess changes in domestic and overseas economic and financial conditions that may impact our income, maintenance and operation costs, interest rates, and exchange rates, which in turn may affect our profitability and cash flows.	<ol style="list-style-type: none"> <li>1. Adhered to "International Financial Reporting Standards (IFRS)," "International Accounting Standards (IAS)," and government regulations.</li> <li>2. Underwent annual financial audits by competent authorities.</li> <li>3. Our managerial departments underwent monthly budgeting and accounting reviews and presented these to the Board every six months.</li> <li>4. Periodically issued quarterly and annual financial reports.</li> <li>5. Our Board conducted reviews of important financial activities in accordance with relevant regulations and internal control systems.</li> </ol>

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

Current and future potential climate change risks, opportunities and corresponding measures of the Corporation				
Climatic Risks	Potential Financial Impacts	Climatic Opportunities	Potential Financial Impacts	Corresponding Measures in 2022
<ol style="list-style-type: none"> <li>(1) Extreme high temperatures</li> <li>(2) Increased rainfall and rainfall intensity</li> <li>(3) Typhoons, cyclones, and lightning</li> <li>(4) Unstable water and electricity supply</li> <li>(5) Operational impacts</li> </ol>	<ol style="list-style-type: none"> <li>(1) Severe weather can damage railway facilities and increase maintenance costs</li> <li>(2) Operational impacts cause decreases in revenue</li> <li>(3) Rising temperatures raise electricity consumption, operating costs and carbon emissions.</li> </ol>	<ol style="list-style-type: none"> <li>(1) THSRC signed the "Memorandum of Cooperation on Cross-Border Disaster Prevention" with the Central Weather Bureau, Ministry of Transportation and Communications (MOTC) to enhance meteorological interpretation capabilities.</li> <li>(2) Collaborated with power companies to set up leased solar power generation systems at our maintenance bases and stations.</li> <li>(3) Conducted evaluations for setting up self-use solar power generation systems at our maintenance bases and stations, and applied for renewable energy certificates.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Strengthen adaptability towards climate change to reduce the probabilities of operational interruptions and possible losses.</li> <li>(2) Energy savings, carbon reduction, and cost savings.</li> <li>(3) Increased use of renewable energy.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Established storm alert system which provides warnings and actionable information regarding landslides on slopes during rainfall events. The system underwent verifications in 2022.</li> <li>(2) Completed slope prevention maintenance construction at north and south sides of Baoshan Tunnel. The construction warranty period ended in 2022, and the slope continues to be stable with no anomalies.</li> <li>(3) Completed detailed designs for scour prevention at Chungang Creek Bridge and Houlong River Bridge in 2022 and submitted the same to maintenance units for implementation of annual maintenance work.</li> <li>(4) Planned to set up leased solar power generation systems at Miaoli, Changhua, and Yunlin stations.</li> </ol>

## (8) Climate Information of Listed Companies

Information on climate-related implementations

Item	Implementation Status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	Please refer to Section 1
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	Please refer to Section 2
3. Describe the financial impact of extreme weather events and transformative actions.	Please refer to Section 2
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Please refer to Section 3
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Please refer to Section 2
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	Not applicable.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Not applicable.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Please refer to Section 4
9. Greenhouse gas inventory and assurance status.	The Corporation only conducted station greenhouse gas inventory and verification procedures for 2021 in 2022 and does not possess Corporation-wide inventory data. We plan to conduct Corporation-wide greenhouse gas inventory and verification processes for 2022 in 2023.

### Section 1:

#### Governance

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

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

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

### Section 2:

#### Strategy

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

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

Notes:

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

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

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

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

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

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

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

### Section 3:

#### Risk management

##### Identification and assessment process for climate risks

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

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

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

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

### Section 4:

#### Indicators and targets

THSRC adheres to the United Nations Sustainable Development Goals. We have integrated ESG concepts into our operational strategies and formulated medium and long term goals based on our six sustainability strategies, including reduction goals and quantitative targets for greenhouse gases, water resources, and energy resources. We regularly track and review our progress on all indicators and conduct rolling adjustments of internal management policies each year after reviewing our results to mitigate climate change impacts through management of our targets.

Energy management (Note 1)	Indicator	Average annual electricity savings per passenger served (Note 2)		
	Target	>0.86%		
	Evaluation item	2020	2021	2022
	Total electricity consumption (10,000 kWh)	9,616.699	9,089.537	9,141.130
	Average electricity usage per passenger served (kWh)	1.680	2.091	1.688
	Electricity savings (million joules)	9,865.251	18,977.791	-1,857.3228
	Electricity saving rate (%)	8.938%	12.380%	19.273%
Water resource management (Note 1)	Indicator	Average annual water savings per passenger served (Note 3)		
	Target	>3.42%		
	Evaluation item	2020	2021	2022
	Total water consumption (cubic meter)	682,713	590,363	648,901
	Average water consumption per passenger served (cubic meter)	0.012	0.014	0.012
Water saving rate (%)	5.338%	17.170%	11.764%	
Greenhouse gas management (Note 1)	Indicator	Average annual carbon reductions per passenger served (Note 4)		
	Target	>1.50%		
	Evaluation item	2020	2021	2022
	Total emissions (tCO <sub>2</sub> e) (Note 5 and Note 6)	308,351.92	285,609.55	316,942.85
	Average grams CO <sub>2</sub> e reduction per passenger-kilometer (gCO <sub>2</sub> e/passenger-kilometer)	31.109	37.735	33.941
Carbon reduction rate (%)	11.181%	19.406%	10.055%	

## Notes:

- Electricity saving rate, water saving rate, and carbon reduction rates for 2019 were calculated using the previous year as a base year. Due to impacts on passenger volumes from the pandemic in 2020 to 2021, we were allowed to adjust base values. Therefore, the results for 2020 were compared with adjusted values (base electricity savings: 1.845 kWh per passenger served; base water savings: 0.013 cubic meters per passenger served; and base carbon reductions: 35.15 gCO<sub>2</sub>e per passenger-kilometer). The results for 2021 were compared with adjusted values (base electricity savings: 2.387 kWh per passenger served; base water savings: 0.0164 cubic meters per passenger served; and base carbon reductions: 46.18 gCO<sub>2</sub>e per passenger-kilometer). Decreases in electricity saving, water saving, and carbon reduction rates are denoted using "positive" values, while increases are denoted using "negative" values.
- The scope for all formulated indicators and targets includes all stations (including the Taoyuan OMC Building, but not shared public electricity consumption in commercial areas, parking lots, or areas shared with TRA in Nangang, Taipei, and Banqiao stations) and maintenance depots.
- The scope for all formulated indicators and targets includes all stations (including the Taoyuan OMC Building, but not shared public water consumption in commercial areas, parking lots, or areas shared with TRA in Nangang, Taipei, and Banqiao stations) and maintenance depots.
- The scope for all formulated indicators and targets includes electricity, gasoline, and diesel usage in all trains, stations (including shared public electricity consumption in areas shared with TRA in Nangang, Taipei, and Banqiao stations, and the Taoyuan OMC Building, but does not include commercial areas and parking lots), maintenance depots, and our corporate headquarters.
- Calculations for this year referenced electricity carbon emission factor values for 2021, and therefore the figures differ from those shown in our 2021 Annual Report.
- Emission factors for gasoline and diesel were taken from the EPA Emission Factors for Greenhouse Gas Inventories (version 6.0.4, released June 2019).

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

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

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
<p>2. Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p>	✓		<p>■ The Corporation has established an assessment system for suppliers and business partners. During contract negotiation, the rights and obligations of both parties are well documented, and confidentiality clauses are contained in all contracts.</p>	<p>■ None.</p>
<p>(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p>	✓		<p>■ In order to fulfill our supervisory obligations of ethical management, the Corporation has established a Corporate Governance &amp; Nominating Committee, an Audit Committee, and a Remuneration Committee to supervise compliance with ethical management. Additionally, the Ethical Management Team, which is established under the "Corporate Governance Promotion Committee," is convened by the vice president of the Corporate Planning Department 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 Department. 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 2021 and the first half of 2022 were reported at the 27th meeting of the 9th Board on June 15, 2022. The main duties of the Ethical Management Team are as follows:</p> <ol style="list-style-type: none"> <li>1. Integrate ethical values into the Corporation's operational strategies and establish measures to ensure ethical management in accordance with laws and regulations.</li> <li>2. Establish programs containing standard operating procedures and behavioral guidelines for work duties to prevent unethical behavior.</li> <li>3. Plan internal organization, preparation, and job duties for mutual supervision and balance of operational activities at high risk of unethical behavior.</li> <li>4. Promote and coordinate ethical management policies and training.</li> <li>5. Plan systems for reporting ethical violations to ensure effective implementation.</li> <li>6. Assist the Board and management in reviewing and assessing effective operation of ethical management measures, and periodically assess and report on adherence of relevant processes.</li> </ol> <p>■ The Corporation has implemented ethical corporate management policies in accordance with corporate governance, business strategies, and operating procedures. Ethical management training, attendees, and training hours for 2022, as well as specific implementations of ethical management were as follows:</p> <ol style="list-style-type: none"> <li>1. A total of 210 new employees received training in anti-corruption policies, accounting for 4.5% of total employees.</li> <li>2. We hosted ethical management training programs for all employees for a total of 4,678 participants over a total of 2,339 hours. In addition, the directors and senior management of the company have signed the "Ethical Management Policy Statement."</li> <li>3. We hosted digital training courses for prevention of insider trading for all employees for a total of 4,678 participants over a total of 2,339 hours.</li> <li>4. The Corporation upholds principles of ethical management and initiated the "Promotion Plan for Legal Compliance" in 2016 for comprehensive management of compliance with regulating authorities and Corporation regulations laid out in the Corporation Articles of Association. Additionally, relevant regulations and rulings of regulating authorities are reviewed and presented every quarter, and legal compliance meetings are held to ensure that Corporation employees adhere to relevant regulations.</li> <li>5. 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 contracts.</li> </ol>	<p>■ None.</p>

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>6.We established an Audit Committee mailbox in the "Stakeholders Communication Channels" section of our corporate website to serve as a direct communication channel between stakeholders and the Audit Committee.</p> <p>7.We established internal and external whistle-blowing channels (including phone, fax, and mailbox channels) and set up a dedicated team for reviewing and investigating reported cases, and tracking management mechanisms.</p> <p>■ Detailed information on the Ethical Management Team can be found under the "Corporation Governance and Organizational Structure" sub-section of the Corporation Governance section, and the "Ethical Governance" page under the "ESG" section of our corporate website.</p>	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		<p>■ The Corporation's regulations stipulate that managers of all levels are responsible for assisting the Corporation President in promoting ethical management policies. All conflicts of interest should be reported to department heads. The Corporation has also established the "Grievance Regulation" and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" to provide timely and appropriate channels for making statements and reports to prevent conflicts of interest.</p>	■ None.
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		<p>■ In order to implement ethical management, regulation compliance at the Corporation is periodically reviewed 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.
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		<p>■ The Corporation's Ethical Corporate Management Best Practice Principles stipulate that the Corporation should host periodic training and promotion activities for Board directors, managers, employees, and fiduciaries to help them understand the Corporation's determination in implementing ethical management, related policies, prevention solutions, and consequences of ethical violations.</p>	■ None.
3. Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	✓		<p>■ The Corporation has established the "Code of Conduct," "Grievance Regulation," and "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior." Related matters are handled by dedicated units and service hotlines have been set up to handle feedback in accordance with established processes.</p>	■ None.

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

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

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

In addition, to ensure effective performance of director functions, to protect and promote shareholder participation, and to guide and rule the procedures and activities of the election of directors, the shareholders' meeting, the Board, and committees, the Corporation has also established the "Rules of Procedure for Shareholders Meetings," "Rules of Procedure for Board of Directors Meetings," "Regulation of Self-Evaluation of the Board of Directors," "Rules for the Election of Directors," "Charter of 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," "Sustainable Development Best Practice Principles," "Regulations Governing the Prevention of Insider Trading," "Regulation

of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior," and " Regulation of Related Party Transaction"; all these aforementioned regulations are our regulations relevant to corporate governance.

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

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

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

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

## 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、雲端、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, cloud, 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、及法律遵循性。

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：2022.05.27  
Date

## 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：  
Date

2020/11/09

## 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：2019.08.21  
Date

## 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：2019.07.02  
Date

## 人權政策 Human Rights Policy

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.

江耀宗

董事長：\_\_\_\_\_

2018/5/18

日期：\_\_\_\_\_

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：江耀宗  
Chairman

日期：2017. 9. 21  
Date

## 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。

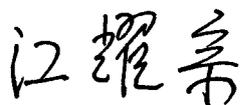
**安全、可靠、效率與顧客滿意**為本公司的品質目標。為達成此品質目標，本公司確保於各相關單位與層級建立主要績效指標，並定期檢討。

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

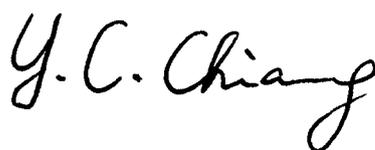
Date: Feb 22, 2023

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, 2022 to December 31, 2022:

1. THSRC is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. THSRC has established such a system aimed at providing reasonable assurance regarding the achievement of the following objectives: effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets); reliability, timeliness, and transparency of reporting in compliance with relevant specifications; and compliance with applicable laws and regulations.
2. All internal control systems have inherent limitations. No matter how carefully designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes in environment or circumstances. Nevertheless, the internal control system of THSRC contains self-monitoring mechanisms, and THSRC takes corrective actions whenever a deficiency is identified or an enhancement becomes necessary.
3. THSRC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") of the Republic of China. The Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring, with each component containing several further elements. Please refer to the Regulations for additional details.
4. THSRC has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, THSRC believes that during the period from January 1, 2022 to December 31, 2022, the design and operation of its internal control system has reasonably achieved the objectives mentioned in Item 1 above, including the monitoring of operational effectiveness and efficiency, as well as the reliability, timeliness, and transparency of reporting in compliance with relevant specifications, and compliance with applicable laws and regulations.
6. This Statement is a public document that constitutes an integral part of THSRC's Annual Reports and the THSRC Prospectus. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by the Board of Directors at the meeting held on Feb 22, 2023, and all content contained in this Statement was affirmed by the 13 Board members present at the meeting, with no dissenting opinions.

Taiwan High Speed Rail Corporation

Chairman of the Board of Directors:



President:



#### Notice to Readers

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

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

### 3. Important Governance Information for 2022 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 2022 and up to the publication date of this report, various disciplinary actions were taken against employees for violations of operational procedures in accordance with our Reward and Discipline Regulation.

Memorandums announcing said violations were issued to all staff members for reference purposes and were supplemented with education, training, and case sharing to correct behaviors and promote accurate concepts. No material adverse impacts on corporate operations occurred as a result of the aforementioned violations. Relevant behaviors have all been improved, and all regulations and manuals are regularly reviewed and amended to fulfill our operational needs.

The Corporation hired foreign employees without obtaining approval from the Ministry of Transportation and Communications in 2021, constituting a violation of Article 34 of the Railway Act and incurring fines of NT\$ 300,000 on both February 23, 2022 and April 19 of the same year. Additionally, the Corporation failed to immediately grant occupational injury leave following an occupational hazard investigation meeting in 2022 which determined an employee injury incident to be an occupational hazard incident, and therefore said employee could only apply for other leave types (extended personal leave and special leave) when undergoing medical treatment. The Corporation did not take the initiative in restoring special leave hours after the fact or pay salary compensations to said employee who was unable to work due to medical treatment of said occupational injury over the aforementioned period. Therefore, the Taipei City Government found the Corporation to be in violation of Paragraph 2, Article 38; Article 43; and Paragraph 2, Article 59 of the Labor Standards Act on March 10, 2023, and imposed fines of NT\$ 20,000. The Corporation has reminded all colleagues to be attentive of legal compliance to prevent recurrence of similar incidents. There were no significant impacts on corporate operations, shareholder interests, or security prices.

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

##### 1) Important resolutions of Shareholders' Meetings and implementation status in 2022:

###### Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposals of the 2021 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 97.13%. The proposal was approved.

Implementation status: Implemented in accordance with proposal resolutions.

Proposal No. 2: Proposed by the Board

Proposal: Proposals of 2021 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 97.14%. The proposal was approved.

Implementation status: Cash dividends per share were NT\$ 0.7580, the ex-dividend date was set as July 12, 2022, and cash dividend distribution date was set as August 10, 2022.

## Discussion

Proposal No. 1: Proposed by the Board

Proposal: Revision of Articles of Incorporation.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 95.96%. 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 26, 2022.

Proposal No. 2: 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 95.96%. 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 26, 2022.

Proposal No. 3: Proposed by the Board

Proposal: Revision of Guidelines for Corporate Governance.

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 96.52%. 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 26, 2022.

Proposal No. 4: Proposed by the Board

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

Resolution: Attending shareholders represented more than one-half of the total number of outstanding Company shares, and voting rights in favor came to 96.51%. 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 26, 2022.

## 2) Important Board resolutions for January 2022-March 2023

Date	Session (Term-Sitting)	Important Resolutions
2022/1/19	9-22	<ol style="list-style-type: none"><li>1. Report to shareholders meeting regarding issuance of unsecured corporate bonds in 2021.</li><li>2. Bid selection suggestions for convenience stores and paid-area vendors at Zuoying Station.</li><li>3. Distribution suggestions for 2021 employee compensation and bonuses.</li><li>4. Distribution suggestions for 2021 director remuneration.</li><li>5. Donation and sponsorship plan for 2022.</li><li>6. Implementation status of Corporate Governance &amp; Nominating Committee, Audit Committee, and Remuneration Committee in 2021.</li><li>7. Evaluation and suggestions regarding Board and Committee performance in 2021.</li></ol>

Date	Session (Term-Sitting)	Important Resolutions
2022/2/23	9-23	<ol style="list-style-type: none"> <li>1. Formulation of 2021 Financial Report.</li> <li>2. 2021 CPA audits.</li> <li>3. Changes in CPA starting from the first quarter of 2022.</li> <li>4. CPA non-audit services plans for 2022.</li> <li>5. Procurement strategy suggestions for periodic maintenance (PM) materials for rolling stock repairs from 2023 to 2024.</li> <li>6. Suggestions for HSR station shopping mall lease contract with restaurants affiliated with the TECO Group.</li> <li>7. Procurement strategy suggestions for the Corporation's data transmission system (DTS) and fiber optic cable (FOC) system expansions.</li> <li>8. Procurement strategy suggestions for rebidding procedures related to new HSR trainset (Contract No. E321).</li> <li>9. Suggestions regarding distribution of epidemic prevention bonuses for 2021.</li> <li>10. Revisions to the Corporation's "Regulations for Management of the Prevention of Insider Trading."</li> <li>11. Self-assessment results of internal control system for 2021.</li> <li>12. Formulation of 2021 Business Report.</li> <li>13. Report of implementation status of corporate governance.</li> <li>14. Formulation of 2022 shareholders general meeting date, venue, and main topics.</li> </ol>
2022/3/16	9-24	<ol style="list-style-type: none"> <li>1. Chairman self-evaluation results for 2021.</li> <li>2. Suggestions on president performance evaluation results for 2021.</li> <li>3. Results of manager performance audits for 2021.</li> <li>4. Submission of revisions to the Corporation's "Procedures for the Acquisition or Disposal of Assets" for discussion at the shareholders general meeting on May 26, 2022.</li> <li>5. Formulation of plans for issuance of unsecured corporate bonds.</li> <li>6. Formulation of plans for issuance of unsecured commercial papers.</li> <li>7. Procurement and bid selection suggestions for HSR meal boxes.</li> <li>8. Bid solicitation strategies for THSRC media management contract.</li> <li>9. Sponsorship of "2022 Go Green Together" sustainable development and forestry adoption plan.</li> <li>10. Donation to the "Ukrainian Refugee Aid Program."</li> <li>11. Revisions to the Corporation's "Articles of Incorporation."</li> <li>12. Revisions to the Corporation's "Guidelines for Corporate Governance."</li> <li>13. Revisions to the Corporation's "Rules of Procedure for Shareholders' Meetings."</li> <li>14. Revisions to the Corporation's "Corporate Social Responsibility Best Practice Principles," which was renamed the "Sustainable Development Best Practice Principles."</li> <li>15. Report on director remuneration for 2021.</li> </ol>
2022/4/13	9-25	<ol style="list-style-type: none"> <li>1. Submission of the Corporation's HSR Financial Resolution Plan 2021 implementation status table to the Ministry of Transportation and Communications.</li> <li>2. Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities."</li> <li>3. Procurement strategy suggestions for HSR shuttle bus affiliated marketing services from the second half of 2022 to the first half of 2023.</li> <li>4. First supplemental agreement for train cleaning services contract at HSR Nangang, Zuoying, and Taichung stations from 2021 to 2024.</li> <li>5. Procurement strategy suggestions for mid-term maintenance of automatic train control (ATC) system and electronic interlocking (EI) equipment.</li> <li>6. Continued appointment of Corporation Core Technology Development Department foreign personnel.</li> <li>7. Chairman and president salary adjustments.</li> </ol>
2022/5/4	9-26	<ol style="list-style-type: none"> <li>1. Formulation of financial report for first quarter of 2022.</li> <li>2. Report on medium and long term strategic plans (2023 to 2027).</li> <li>3. Adjustment of Occupational Health and Safety Office manager and appointment of acting manager.</li> <li>4. Suggestions for appointment and promotion of Business Division manager.</li> </ol>
2022/6/15	9-27	<ol style="list-style-type: none"> <li>1. Suggestions regarding distribution of manager performance bonuses for 2021.</li> <li>2. Suggestions regarding distributions of chairman and president bonuses for 2021.</li> <li>3. Procurement strategy and bid selection suggestions for rolling stock periodic maintenance (PM) materials supplied by National Chung-Shan Institute of Science &amp; Technology from 2023 to 2024.</li> <li>4. Suggestions for contract supplements and project schedule extensions for "Construction of Yanchao Main Workshop automated painting plant equipment contract" and "Construction of Yanchao Main Workshop automated painting plant equipment supervisory consulting services contract."</li> <li>5. Extension or transfer of letters of credit that expired during the second half of 2022.</li> <li>6. Extension of quota for derivative assets that expired during the second half of 2022.</li> <li>7. Establishment of 2021 surplus distribution ex-dividend date and cash dividend distribution date.</li> </ol>
2022/7/13	9-28	<p>Appointment and promotion of managers due to organizational adjustments and retirement of Business Division senior vice president</p>

Date	Session (Term-Sitting)	Important Resolutions
2022/8/3	9-29	<ol style="list-style-type: none"> <li>1. Formulation of financial report for second quarter of 2022.</li> <li>2. Revisions to the Corporation's "Internal Control System" and "Regulations Governing Self-Evaluations of Internal Control System."</li> <li>3. Procurement strategy suggestions for train and factory cleaning services contract at HSR Wuri and Zuoying maintenance depots from 2023 to 2025.</li> <li>4. Procurement and bid selection suggestions for the Corporation's data transmission system (DTS) and fiber optic cable (FOC) system expansions.</li> <li>5. Revisions to the Corporation's "THSRC Organizational Regulation" and "Organizational Chart" and suggestions on personnel budget adjustments.</li> </ol>
2022/9/14	9-30	<ol style="list-style-type: none"> <li>1. Procurement strategy suggestions for CPA services contract from 2023 to 2025.</li> <li>2. Procurement strategy suggestions for maintenance contract of civil facilities along the HSR line from 2023 to 2024.</li> <li>3. Suggestions for renewal of director and officer liability insurance.</li> <li>4. Suggestions for appointment of System Research Development Division manager.</li> <li>5. Revisions to the Corporation's "Rules of Procedure for Board of Directors Meetings."</li> </ol>
2022/10/12	9-31	<ol style="list-style-type: none"> <li>1. Strategic suggestions regarding procurement and replacement of spare parts and asset adjustments under equipment renewal project (9G) for 700T trainset MHI automatic train control (ATC) system.</li> <li>2. Suggestions for appointment of Operation Division manager.</li> <li>3. President salary adjustments.</li> <li>4. Formulation of Corporate Governance &amp; Nominating Committee, Audit Committee, and Remuneration Committee work plans for 2023.</li> </ol>
2022/11/2	9-32	<ol style="list-style-type: none"> <li>1. Formulation of financial report for third quarter of 2022.</li> <li>2. Corporation budget for 2023.</li> <li>3. Joint ticket collaboration project between THSRC and China Airlines.</li> <li>4. Continued appointment of Corporation System Research Development Division consultant.</li> <li>5. Suggestions for official appointment of Occupational Health and Safety Office manager.</li> </ol>
2022/12/14	9-33	<ol style="list-style-type: none"> <li>1. Renewal of operating insurance for 2023.</li> <li>2. Extension of quota for derivative assets that expired during the first half of 2023.</li> <li>3. Extension or transfer of letters of credit that expired during the first half of 2023.</li> <li>4. Submission of the Corporation's HSR Financial Resolution Plan 2023 implementation status table to the Ministry of Transportation and Communications.</li> <li>5. Procurement strategy and bid selection suggestions for CPA services contract from 2023 to 2025.</li> <li>6. Procurement strategy suggestions for HSR security services contract from 2023 to 2026.</li> <li>7. Donation and sponsorship plan for 2023.</li> <li>8. Suggestions regarding year-end bonuses for 2022.</li> <li>9. Suggestions regarding performance goals for managers in 2023.</li> </ol>
2023/1/18	9-34	<ol style="list-style-type: none"> <li>1. Proposal to amend scope of land use under the "Land Use Contract for Taiwan North-South High-Speed Rail Traffic Facilities."</li> <li>2. Distribution suggestions for 2022 employee compensation and bonuses.</li> <li>3. Suggestions regarding distributions of performance bonuses for 2022.</li> <li>4. Suggestions regarding distribution of epidemic prevention bonuses for 2022.</li> <li>5. Suggestions for official appointment and promotion of Operation Division manager.</li> <li>6. Distribution suggestions for 2022 director remuneration.</li> <li>7. Implementation status of Corporate Governance &amp; Nominating Committee, Audit Committee, and Remuneration Committee in 2022.</li> <li>8. Evaluation and suggestions regarding Board and Committee performance in 2022.</li> </ol>
2023/2/22	9-35	<ol style="list-style-type: none"> <li>1. Determination of director (and independent director) candidates for the 10th Board.</li> <li>2. Principles for retirement, resignation, and pension payments to the chairman and president.</li> <li>3. Formulation of 2022 Financial Report.</li> <li>4. 2022 CPA audits.</li> <li>5. CPA non-audit services plans for 2023.</li> <li>6. The Corporation's plans to utilize working capital for advanced settlement of syndicated loan principal payments.</li> <li>7. Self-assessment results of internal control system for 2022.</li> <li>8. Explanation and handling of verdict related to disputed overtime payments.</li> <li>9. Formulation of 2022 Business Report.</li> <li>10. Report of implementation status of corporate governance.</li> <li>11. Formulation of announcement to accept shareholder proposals and director (including independent director) nominations for 2023 shareholders general meeting.</li> <li>12. Formulation of 2023 shareholders general meeting date, venue, and main topics.</li> </ol>

Date	Session (Term-Sitting)	Important Resolutions
2023/3/15	9-36	<ol style="list-style-type: none"> <li>1. Chairman self-evaluation results for 2022.</li> <li>2. Suggestions for revision of indicators to measure "customer satisfaction" under chairman performance evaluation standards.</li> <li>3. Suggestions on president performance evaluation results for 2022.</li> <li>4. Results of manager performance audits for 2022.</li> <li>5. Bid selection suggestions for procurement of new HSR trainsets (Contract No. E321 and E322).</li> <li>6. Salary adjustment suggestions for 2023.</li> <li>7. Suggestions for adjusting salary grade distributions.</li> <li>8. Employment of resigned professional foreign contractors to serve as consultants.</li> <li>9. List of Board-nominated candidates for the 5 independent directors and 10 non-independent directors on the 10th Board.</li> <li>10. Election of committee members for vacant seats on the "Corporate Governance &amp; Nominating Committee" of the 9th Board.</li> <li>11. Suggestions regarding distributable surpluses for 2022.</li> <li>12. Procurement and bid selection suggestions for HSR meal boxes.</li> <li>13. Procurement strategy suggestions for work train driver simulators and training equipment.</li> <li>14. Procurement strategy suggestions for train body and train equipment general maintenance technician services contract at Yanchao Main Workshop from 2023 to 2027.</li> <li>15. Bid selection suggestions for supplementary clauses of operating train and main line rights (north and south regions) security services contracts.</li> <li>16. Revisions to the Corporation's "Sustainable Development Best Practice Principles."</li> <li>17. Revisions to the Corporation's "Regulations of Disclosure Information."</li> <li>18. Report on director remuneration for 2022.</li> </ol>

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

Agenda Content	Board of Directors Date Session (Term-Sitting)	Dissenting Directors
Distribution suggestions for 2021 director remuneration	2022/1/19 (9-22)	Directors Wen-Jong Chi and Chin-Hong Pan

(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: None.

#### 4. Information on CPA Professional Fees

##### (1) Audit Fees

Unit: thousand NT\$

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee (Note)	Total	Remarks
Deloitte & Touche	Jui-Hsuan Ho	2022.1.1~	3,751	3,454	7,205	
	Kuo-Tyan Hong	2022.12.31				

Note: Non-audit fees included tax compliance audit fee \$743 thousand, ISO 27001 implementation and third-party validation services \$1,528 thousand, tax and accounting consulting services \$1,183 thousand.

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

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

## 5. Replacement of CPA:

### (1) Regarding the former CPA

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

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

Replacement Date	Approved by the Board of Directors on September 15, 2021.		
Replacement reasons and explanations	CPA change made effective beginning in the third quarter of 2021 due to internal rotation at Deloitte & Touche.		
Describe if the Company terminated the CPA or if the CPA did not accept the appointment	Status	Parties	CPA
	Termination of appointment		THSRC
	No longer accepted (continued) appointment		
Reasons for issuing audit reports other than unqualified audit reports over the past two years	None		
Differences with the company	Yes		Accounting principle or practices
			Disclosure of Financial Statements
			Audit scope or procedures
			Others
	None	V	
	Remarks/specify details: None		
Other disclosures (according to Items 1-4 to 1-7 of Paragraph 6, Article 10 of these principles)	None		

## (2) Regarding the successor CPA

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

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

Name of accounting firm	Deloitte & Touche
Name of CPA	Mei-Yen Chiang and Kuo-tyan Hong
Date of appointment	Approved by the Board of Directors on September 15, 2021
Consultant comments and opinions on accounting treatments or principles regarding specific transactions and possible comments issued by the CPA on Company financial reports prior to engagement.	None
Succeeding CPA's written opinion of disagreement with former CPA	None

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

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

## 7. Information on Share Transfers and Pledge Changes

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

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

Unit: thousand shares

Title	Name	2022		As of 2023/03/31	
		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 2023/03/27)

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.
Chin-Hong Pan	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.

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	
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.	127,574	2.27	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.
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	99,135	1.76	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
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.
Hua Nan Commercial Bank Co., Ltd.	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Yun-Peng Chang	0	0	0	0	0	0	None	None	Chairman of Hua Nan Commercial Bank Co., Ltd.
First Commercial Bank Co., Ltd.	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Ye-Chin Chiou	0	0	0	0	0	0	None	None	Chairman of First Commercial Bank Co., Ltd.
Taiwan Cooperative Bank	53,300	0.95	0	0	0	0	None	None	Corporation institutional shareholder.
Paul, Chung-Dar Lei	0	0	0	0	0	0	None	None	Chairman of Taiwan Cooperative Bank

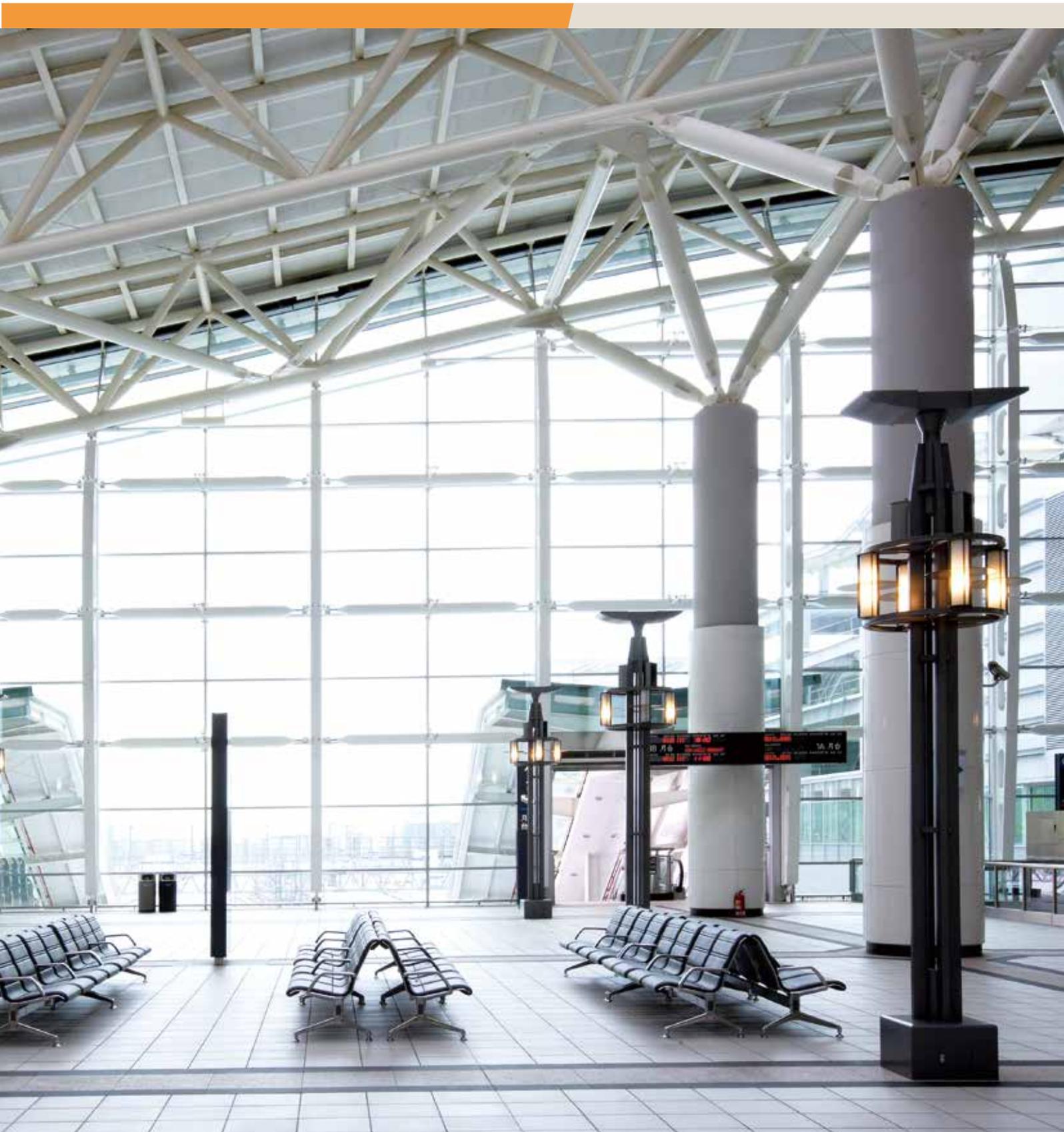
Note 1: Names of institutional shareholders and representatives should be listed separately.

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

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

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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)	-	-
2004/11	9.3	10,000,000	100,000,000	9,057,656.5	90,576,565	Cash capital increase 370,100 (Type 7 Series C Registered Preferred Stock)	-	-
2005/4	9.3	11,500,000	115,000,000	9,703,556.5	97,035,565	Cash capital increase 6,459,000 (Type 8 Series C Registered Preferred Stock)	-	-
2005/9	9.3	12,000,000	120,000,000	10,510,056.5	105,100,565	Cash capital increase 8,065,000 (Type 9 Series C Registered Preferred Stock)	-	-
2008/4	10	12,000,000	120,000,000	10,510,089.8	105,100,898	332.85 First investor application of conversion for convertible unsecured overseas corporate bonds in 2007	-	-
2008/6	10	12,000,000	120,000,000	10,532,224	105,322,243	221,345 First investor application of conversion for convertible unsecured overseas corporate bonds in 2007	-	-
2015/8	10 9.3	12,000,000	120,000,000	6,513,232	65,132,326	Capital reduction (40,189,917) (Withdrawal of preferred shares)	-	-
2015/10	10	12,000,000	120,000,000	2,605,293	26,052,930	Capital reduction (39,079,396) (Withdrawal of common stock)	-	Note 3

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

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

## (2) Share Types

Unit: thousand shares (As of 2023/03/27)

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 2023/03/27)

Shareholders Quantity	Government Agencies	Public Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
	Number of Shareholders	2	1	18	424	123,028	690
Shareholding	2,540,000	200,000	480,798	979,318	836,088	592,089	5,628,293
Shares ratio	45.13	3.55	8.54	17.4	14.86	10.52	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 2023/03/27)

Share breakdown			Number of Shareholders	Shareholding	Shareholding Ratio (%)
1	to	999	21,079	3,996,254	0.071%
1,000	to	5,000	73,467	166,115,022	2.951%
5,001	to	10,000	14,649	116,455,272	2.069%
10,001	to	15,000	4,598	58,846,222	1.046%
15,001	to	20,000	3,322	61,942,831	1.100%
20,001	to	30,000	2,347	60,588,256	1.076%
30,001	to	40,000	1,424	52,423,514	0.931%
40,001	to	50,000	733	34,302,674	0.609%
50,001	to	100,000	1,350	98,693,653	1.754%
100,001	to	200,000	585	83,687,347	1.487%
200,001	to	400,000	276	78,790,152	1.400%
400,001	to	600,000	91	45,232,336	0.804%
600,001	to	800,000	36	25,257,004	0.449%
800,001	to	1,000,000	30	27,614,180	0.491%
1,000,001	to	1,200,000	26	29,353,108	0.522%
1,200,001	to	1,400,000	16	20,720,832	0.368%
1,400,001	to	1,600,000	13	19,218,169	0.341%
1,600,001	to	1,800,000	7	11,824,717	0.210%
1,800,001	to	2,000,000	14	26,875,678	0.478%
Over 2,000,001			100	4,606,355,837	81.843%
Total			124,163	5,628,293,058	100.000%

#### (5) List of Major Shareholders

Unit: thousand shares (As of 2023/3/27)

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	2021	2022	2023/1/1-2023/3/31
<b>Market Price per Share</b>				
Highest Market Price		31.70	29.70	30.55
Lowest Market Price		26.80	26.20	28.40
Average Market Price		29.84	28.49	29.38
<b>Net Worth per Share</b>				
Before distribution		12.04	11.96	-
After distribution		11.28	(Note 1)	-
<b>Earnings per Share</b>				
Weighted Average Shares (thousand shares)		5,628,293	5,628,293	-
Earnings per Share		0.64	0.67	-
<b>Dividends per Share</b>				
Cash Dividends		0.7580	0.67 (Note 1)	-
Stock Dividends		-	-	-
• Dividends from Retained Earnings		-	-	-
• Dividends from Capital Surplus		-	-	-
Accumulated Undistributed Dividends		-	-	-
<b>Return on Investment</b>				
Price/Earnings Ratio (Note 2)		46.63	42.52	-
Price/Dividend Ratio (Note 3)		39.37	42.52 (Note 1)	-
Cash Dividend Yield (Note 4)		2.54%	2.35% (Note 1)	-

Note 1: The amount of dividends for 2021 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 2022 profits was passed at the meeting of the Board of Directors:

The proposed distribution of cash dividends is NT\$ 0.67 per share to a total of NT\$ 3,770,956 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 2022, 2% of net profit was set as employee compensation, amounting to NT\$87,500 thousand in cash; 0.5% of net profit was set as director remuneration, amounting to NT\$21,875 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 18 and February 22, 2023, the Board approved a resolution for employee compensation of NT\$87,500 thousand and director remuneration of NT\$21,875 thousand, payable in cash, for the year ended December 31, 2022.

There was no difference between such amounts and the respective amounts recognized in the financial statements for the year ended December 31, 2022.

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 2021 distribution of compensation of employees and directors (with an indication of the number of shares, monetary amount, and stock price of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated:

Employee compensation of NT\$87,500 thousand and director remuneration of NT\$21,875 thousand for 2021 was distributed in 2022 in cash. There was no discrepancy between said amounts and respective amounts recognized in the financial statements for 2021.

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

## 2. Information on Corporate Debts

### (1) Unpaid domestic corporate bonds:

#### Issuance of Corporate Bonds

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

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

## Financing Information

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

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

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

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

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

(2) Current corporate bonds: None.

### 3. Information on Preferred Stock

(1) Preferred stock in circulation: None.

(2) Current preferred stock: None.

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

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

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

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

### 8. Implementation of Capital Utilization Plans

The funds raised by the company's domestic issuance of corporate bonds are allocated according to its fund utilization plan and actual needs. As of the fourth quarter of 2022, the implementation of unfinished fund utilization plans is listed below

Project	Funds Raised	Fund Utilization Plan	Implementation
2021 Phase 2 Unsecured Corporate Bonds (Accreditation for the qualification of sustainable development bonds by the consortium juristic person of the Republic of China Securities OTC Trading Center on August 3, 2010, Zhenggui Bond No. 1100007896)	NT\$ 1 billion	Investment plan supporting green (building automation equipment for spray painting factory in main engine plant) and social benefit (renewing station passenger information system).	As of the fourth quarter of 2022, the cumulative planned capital utilization rate for this project was 86.0%, cumulative progress was 19.53%, and unused capital amounted to NT\$ 804,723,000. Planned capital utilization for this year was NT\$ 500,000,000, and actual capital utilization amounted to NT\$ 186,605,000. Due to the impact of the severe special infectious pneumonia (COVID-19) epidemic, the progress of the project and the application for payment was delayed. As a result, the expenditure of funds fell behind the original plan. Quarterly reports on the use of funds shall be submitted within ten days after the end of each quarter. The use of funds is carried out according to the original plan, and there is no significant difference between the expected benefits and the actual benefits.

# 6 Operational Overview



## 1. Operations Scope and Review of Current Operations

### (1) Business Scope

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

#### 1) High-speed rail operations

THSRC operations adhere to the principle of providing passengers with safe and speedy transportation. After more than 15 years of effort, we have now become the transportation backbone of Taiwan's western corridor. THSRC provides intercity high-speed rail services via 12 stations: Nangang, Taipei, Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying, and we are constantly enhancing passenger services through service planning, promotional activities, and multiple ticket-purchase channels to expand market share. THSRC operations continued to be affected by the COVID-19 pandemic in 2022, but after domestic epidemic conditions plateaued in May, restrictions were gradually lifted and people began co-existing with the virus and resuming their normal lives. THSRC ridership has also gradually returned to pre-pandemic levels. Passenger volumes for 2022 amounted to 54.16 million, an increase of 24.62% compared with the previous year.

#### 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

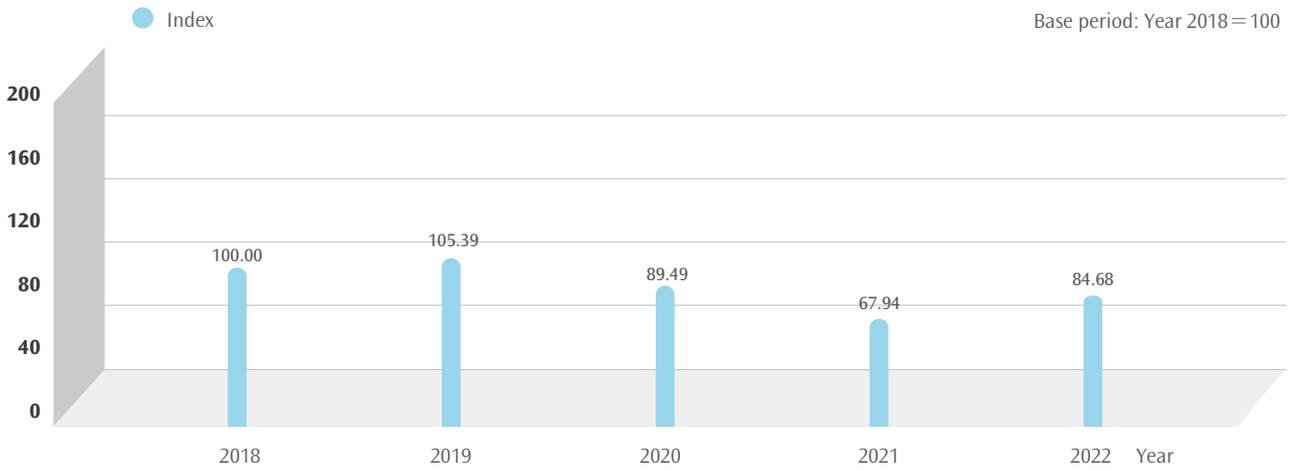
##### A. Passenger service

In 2022, THSRC carried over 54.16 million passengers, an increase of 24.62% over the prior year, making for a total of 9,338 million passenger-kilometers. We ran a total of 54,054 trains, an increase of 15.52% over the prior year, resulting in a total of 17,517 million seat-kilometers. Our loading factor was 53.31%, an increase of 3.43% over the prior year, and punctuality was 99.47%, an increase of 0.47% over the prior year.

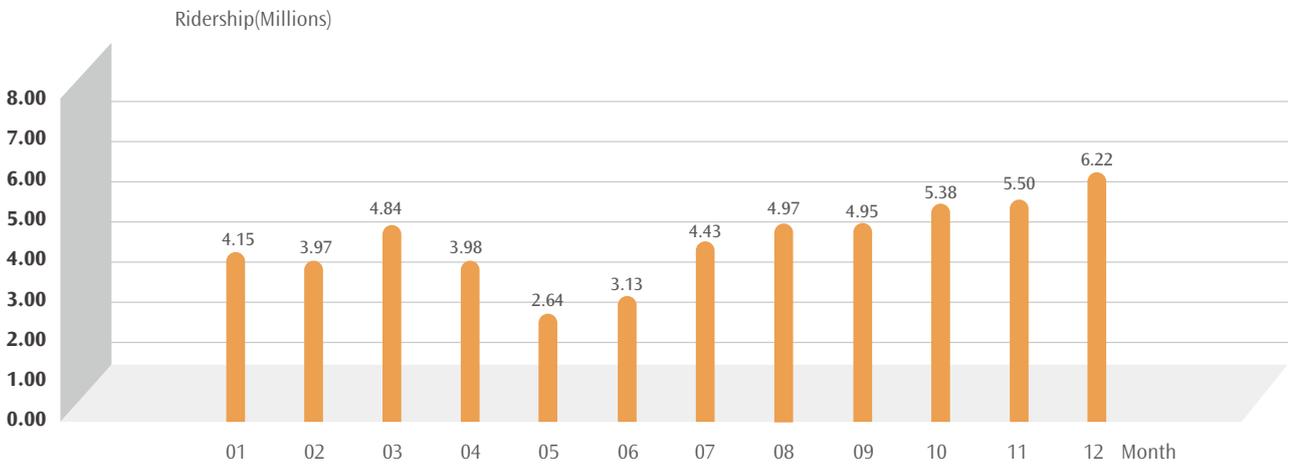
Measures of Operation Performance, 2021-2022

Item	2021	2022
1. Train Services	46,792	54,054
2. Ridership (in millions)	43.46	54.16
3. Seat-kilometers (in millions)	15,175	17,517
4. Passenger-kilometers (in millions)	7,569	9,338
5. Punctuality (as % of trains arriving within five minutes of scheduled time)	99.00%	99.47%
6. Loading factor (passenger-km/seat-km)	49.88%	53.31%

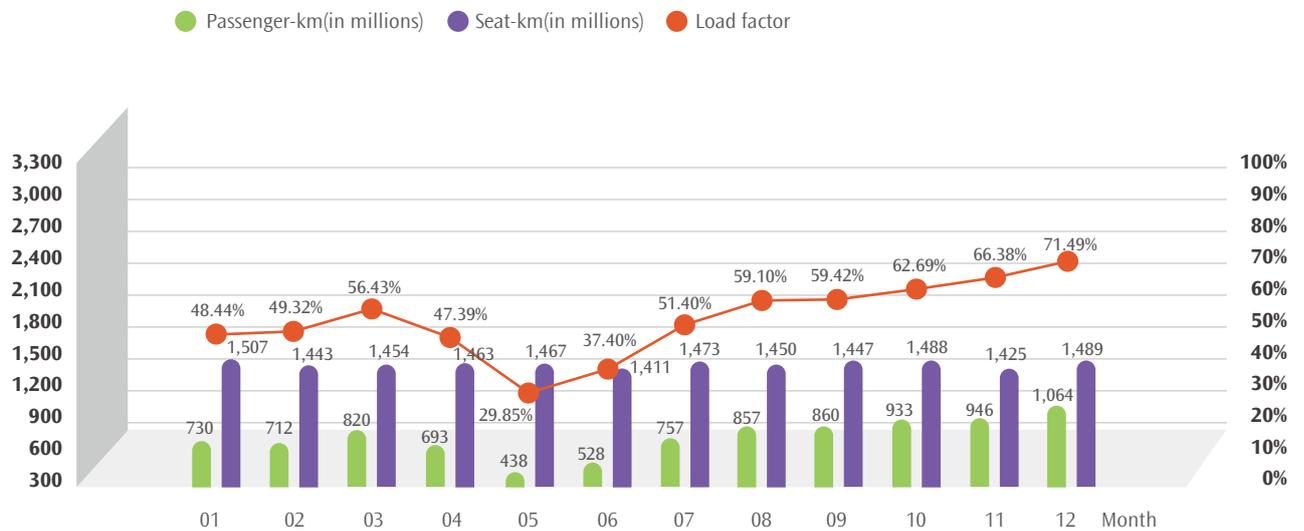
HSR Operational Growth Index 2018~2022



Monthly Ridership in 2022



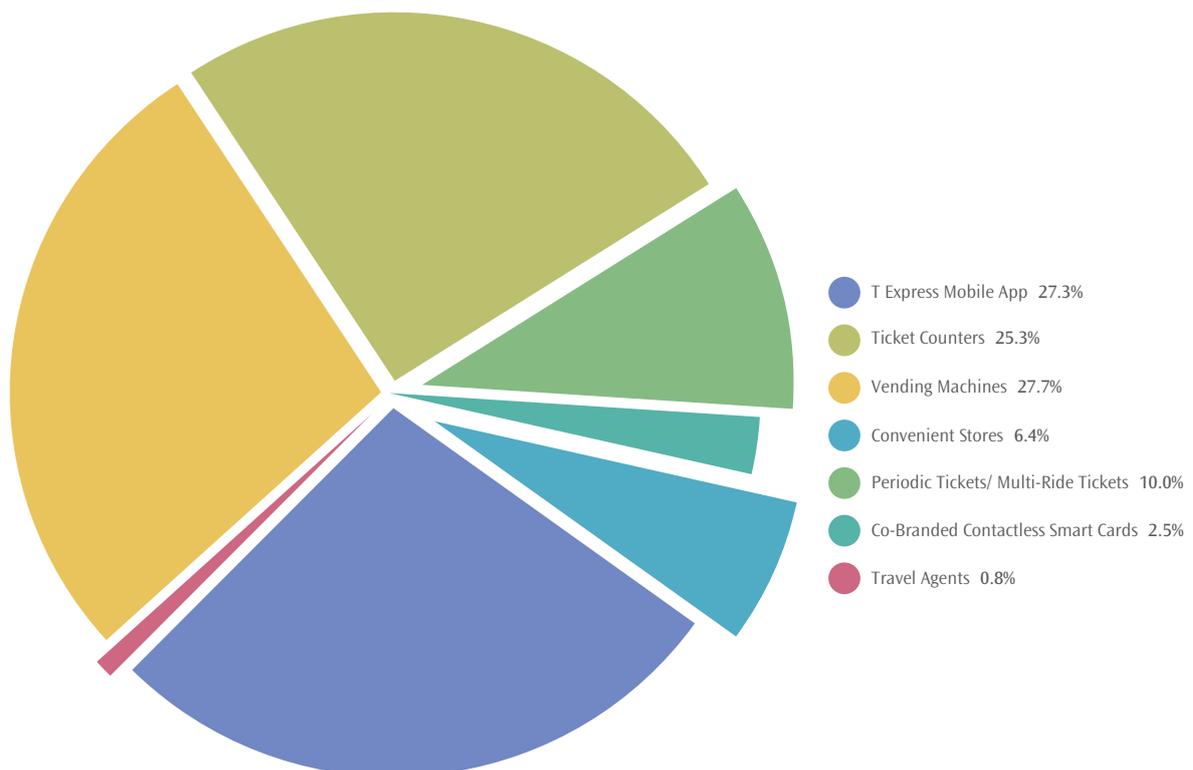
Monthly passenger kilometers, seat kilometers, and loading factor in 2022



B. Multiple booking and ticketing options

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

Ticket Volume by Channel in 2022



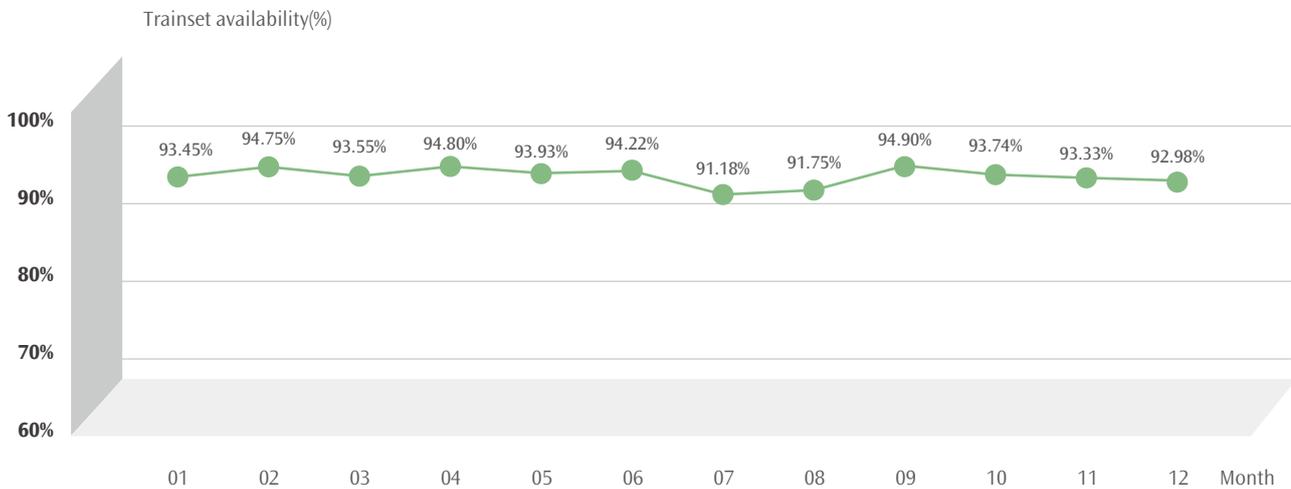
### C. Maintenance

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 2022



### D. Operational safety

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

#### (a) Safety management system

THSRC adhered to domestic and international best practices and standards when formulating a safety management system based on risk management which encompasses 12 safety management elements used to identify, eradicate, and control potential risks stemming from HSR operations and operational personnel, thereby ensuring the continued safety and excellence of our operations, maintenance, and services. The THSRC Chairman signed a new "Safety and Hygiene Policy" on November 9, 2020, which we reviewed and continue to promote this year. This policy serves as a declaration of our commitment to safety management and implementation strategies, and highlights the safety goals which all our employees strive to meet.

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

### (b) Train operation and passenger safety

As of December 31, 2022, there have been no passenger casualties caused by railway operation accidents since THSRC commenced operations. We are constantly seeking to improve and enhance passenger services through equipment updates and strive to prevent accidents such as falls or collisions from occurring at stations or on trains due to personal carelessness.

In order to maintain our high reliability, punctuality, and operational safety, any operational events that cause delays of more than 5 minutes in scheduled arrival time or abnormal operational events (including natural disasters) that senior executives deem worthy of investigation are immediately submitted for investigation by the THSRC Operation Safety Office. Investigations cover the various aspects of train operation and dispatch, passenger services, emergency repairs and maintenance work, 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 incident causes, and various improvement measures, contingency techniques, or follow-ups are discussed in relevant safety management meetings.

### (c) Safety audits and hazard management

In order to review whether relevant operational safety implementations are consistent with announced and written procedures, the THSRC Operation Safety Office conducted 6 audits of railway operation safety in internal operation and maintenance units in 2022. 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, false alarms, and other abnormalities that could affect operational safety. Monthly hazard review meetings have put forward systematic management suggestions for operation, maintenance, and engineering projects that reduce hazard levels to reasonable ranges and ensure the safety of high-speed rail operations and passengers.

### (d) HSR 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 review our safety and security procedures in response to the many domestic and overseas incidents and events that have occurred in the past, such as passenger assaults on train conductors, in-station protests, or terrorism events, and actively work to better our safety procedures. 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 safety equipment; and established a tripartite security intelligence and information exchange platform with the Ministry of Transportation and Communications Railway Bureau 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, THSRC dispatches staff members to participate in drills, lectures, seminars, and symposiums organized by government and academic units such as the Executive Yuan Office of Homeland Security, the Ministry of Transportation and Communications, and the Railway Bureau. We subsequently formulate response and notification procedures in accordance with governmental assistance and suggestions for protection, working with government units to establish joint prevention systems that ensure adequate protections for critical infrastructures and operational units while facilitating timely responses to maintain our operational capabilities.

(e) Disaster response drills

At the end of each year, THSRC reviews operational responses and evacuation work for various emergency domestic and foreign railway events and begins planning passenger support and evacuation drills for major events and activities likely to occur in the following year. We plan and promote various disaster prevention training and rescue drills in collaboration with local police, firefighters, environmental protection, medical, and special external supporting units so that they can 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 disasters), develop a tacit understanding, enhance on-site rescue competencies, and work together to prepare for disaster prevention and damage control.

To instill command and response capabilities in our staff, we held a seminar for new on-site commanders and emergency engineers in 2022 which was attended by 46 participants. We also organized an online refresher course for on-site commanders which was completed by 338 participants. On November 30 and December 1, we invited external supporting units along the HSR mainline (firefighters; police; medical units; environmental protection units; North, Central, South District emergency operations centers; and EPA Toxic and Chemical Substances Bureau environmental incident specialist teams), the Executive Yuan Office of Disaster Management, Taiwan Transportation Safety Board, the Ministry of Transportation and Communications, the Railway Bureau, and other supervising units to participate in our "HSR Emergency Response Symposium." A total of 94 people participated in this event, which helped external supporting units familiarize themselves with HSR emergency response mechanisms and equipment, as well as better understand important precautions for different emergency response tasks.

To familiarize emergency personnel with emergency escape exits, emergency routes, and operational environments along the HSR line, each station invites police, firefighters, medical units, environmental protection units, other external supporting units, and emergency shuttle bus transport operators to jointly survey the 184 emergency escape exits along HSR line every six months. Surveys for 2022 were combined and completed in September due to impacts from the COVID-19 pandemic. During this survey, we examined the emergency routes and available parking locations and spaces for large-scale rescue vehicles (such as large cranes and trucks); this information was used as a basis for revising the emergency maps which were subsequently provided to relevant emergency support personnel at all regions along the HSR line.

In 2022, we completed 98 disaster prevention drills exercises at various stations, depots, and on the mainline, as shown in the following table. We also conducted one comprehensive response capabilities drill as described below.

Number of disaster prevention drills in 2022

Location	Station/Depot Area	Mainline Area	HQ & OMC Buildings	No-Warning Response Test	Other	Total
Frequency	79	7	5	6	1	98

In consideration of the frequent number of earthquakes that occur in Taiwan, THSRC conducts annual earthquake drills on the HSR mainline to strengthen staff response capabilities to earthquakes. Following three months of discussion and preparation, we hosted an "Earthquake evacuation drill for the TRUPO section of Taipei Station" in the evening of June 23 which simulated train derailments and injuries caused by earthquakes in the tunnel section of Taipei Station. Train and station personnel practiced incident notification, emergency tunnel evacuations (which included evacuations of vulnerable groups such as disabled persons), and coordinating emergency responses with external supporting units. Apart from HSR personnel, we also invited participants from the Taipei City Government Fire Department, Police Department, and Department of Health; the Railway Police Bureau, the Railway Bureau, and the Taiwan Transportation Safety Board. More than 250 people participated in this drill.



The fire brigade sends injured patients to the hospital for further treatment



Taiwan Transportation Safety Board personnel arrive at the command center



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



Emergency response engineers lead the technical engineering team in drawing up emergency repair plans

(f) Response Preparations

Upon occurrence of disaster incidents (including natural disasters, equipment malfunctions, or man-made disasters), THSRC establishes response centers based on the severity of operational interruptions and possible impacts to coordinate and direct response procedures, deploy operations, and provide resources necessary for on-site assistance. Response center secretarial personnel undergo refresher training each year to familiarize themselves with operational procedures and equipment usage. Since official commencement of operations up to December 31, 2022, we have maintained a record of no passenger injuries caused by operational accidents.

In 2022, THSRC established a total of four response centers for (i) An accident incurred by Southeast Cement Corporation which caused loss of power on both northbound and southbound lines south of the BSS7 section on April 1; (ii) Typhoon Hinnamnor on September 2; (iii) Earthquake warning incident for sections south of Miaoli on September 18; (iv) Abnormal signaling incident at Taoyuan Station 2053 turnout on October 13.

- I. "Accident incurred by Southeast Cement Corporation which caused loss of power on both northbound and southbound lines south of the BSS7 section on April 1": Southeast Cement Corporation accidentally caused a high voltage tower to collapse during construction, cutting power to the high-speed rail and suspending services from Zuoying to Tainan for around 7 hours. THSRC immediately initiated response procedures and established a second-level response center to formulate the most suitable operational mode and emergency repair plans, and also mobilized maintenance personnel to carry out emergency repairs. Normal operations were resumed after all operations were confirmed to be safe.

- II. "Typhoon Hinnamnor on September 2": THSRC established a third-level response center based on the typhoon's scale and scope of impact; the typhoon had no impact on the operations of high-speed rail facilities.
- III. "Earthquake warning incident for sections south of Miaoli on September 18": This incident affected several sections between Miaoli to Zuoying. THSRC established a third-level response center immediately after the earthquake occurred and verified facility structures. Related inspections and resumption of operations were carried out according to procedure, and normal operations were resumed after post-earthquake track inspections confirmed there were no abnormalities.
- IV. "Abnormal signaling incident at Taoyuan Station 2053 turnout on October 13": THSRC had to run bi-directional operations on a single track from Banqiao to Hsinchu following this incident. THSRC established a third-level response center and mobilized maintenance personnel to handle the situation on-site. Normal operations were resumed following emergency response.

E. Safety, Operations, and Maintenance Training

We continued to host safety training and professional training courses for operations/maintenance personnel in accordance with operational and maintenance needs for 2022 to ensure that relevant staff obtain proper competencies and knowledge.

Professional training courses completed in 2022 included initial/recurrent High Speed Rail Operations Regulations (HSROR) courses, with 6,424 participants (including contractors) completing training.

A total of 7,736 train, station, and controller personnel completed 580 initial/recurrent and other training courses; a total of 9,341 personnel responsible for maintenance of rolling stock, signaling and communications, power, overhead catenary systems (OCS), and tracks completed 1,037 initial/recurrent and other training courses. A total of 17,077 participants completed training over 1,617 courses.



Controller (G32) Professional Training Certification 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 2 million persons in December 2022. 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 launched a new service to allow members to redeem points for tickets via various channels outside the station and 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 continued to launch cumulative rewards activities for corporate members to encourage business travelers to resume travel via HSR and promoted special discounts for designated train services to increase load factor.
- C. We also continue to provide regular promotions such as Early Bird discounts, discounted tickets for college students, credit card discounts, and Periodic/Multi-Ride tickets. Several short-term promotions were also launched to increase ridership and revenues.
- D. We continue to promote a variety of integrated T Holiday packages, THSR Joint Tickets for hotels and various travel commodities, group discounts, and other promotions. Additionally, we also reviewed and made adjustments to our various programs to increase ridership and overall revenues.

2) Plans for service improvement

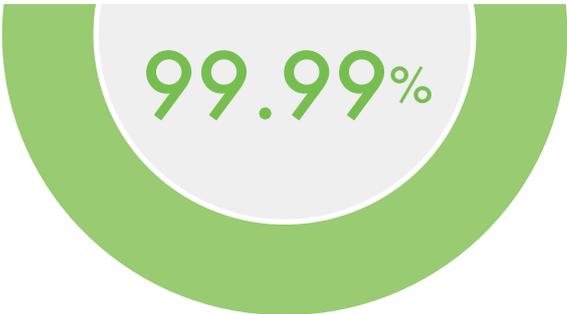
- A. HSR customer satisfaction surveys were suspended in 2021 due to the pandemic, but were reinstated in August 2022. All units reference collected customer queries and feedback as well as the results of satisfaction surveys to assess items that should be refined and improved. We establish a virtuous cycle which continually improves and enhances our service quality by adjusting our service strategies, setting annual quality targets, and implementing our service refinement plans for 2023.
- B. In response to challenges brought on by an aging society, we formulated a five-year mid- to long-term plan initiated in 2023 to comprehensively review all tangible and intangible facilities related to passenger services, including development and testing of passenger information systems in and outside trains, to create more friendly passenger environments and services.
- C. Free wireless internet access was made available in all HSR stations and trains.

(3) Five Years in Review

This section provides a review of THSRC operations and performance for the past five years, from 2018 to 2022:

- Provided a total of 260,086 train services
- Average reliability rate: 99.99%
- Achieved a total of 50.37 billion passenger-kilometers and 84.98 billion seat-kilometers. Average loading factor: 59.28%
- Average punctuality rate: 99.51%

>Average Service Reliability  
for 2018-2022



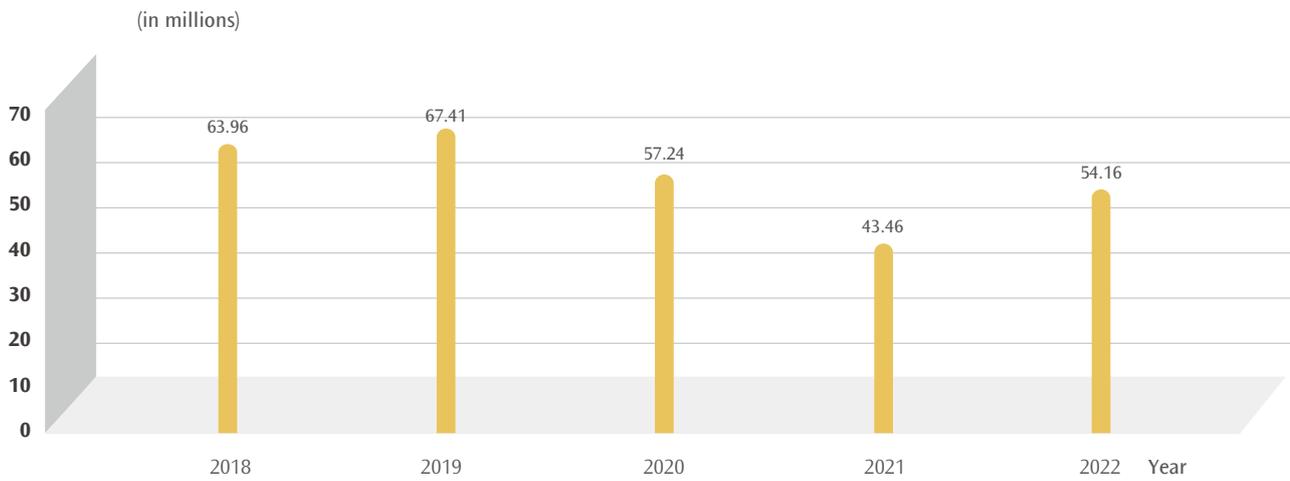
>Average Punctuality for  
2018-2022



Key Operating Statistics, 2018-2022

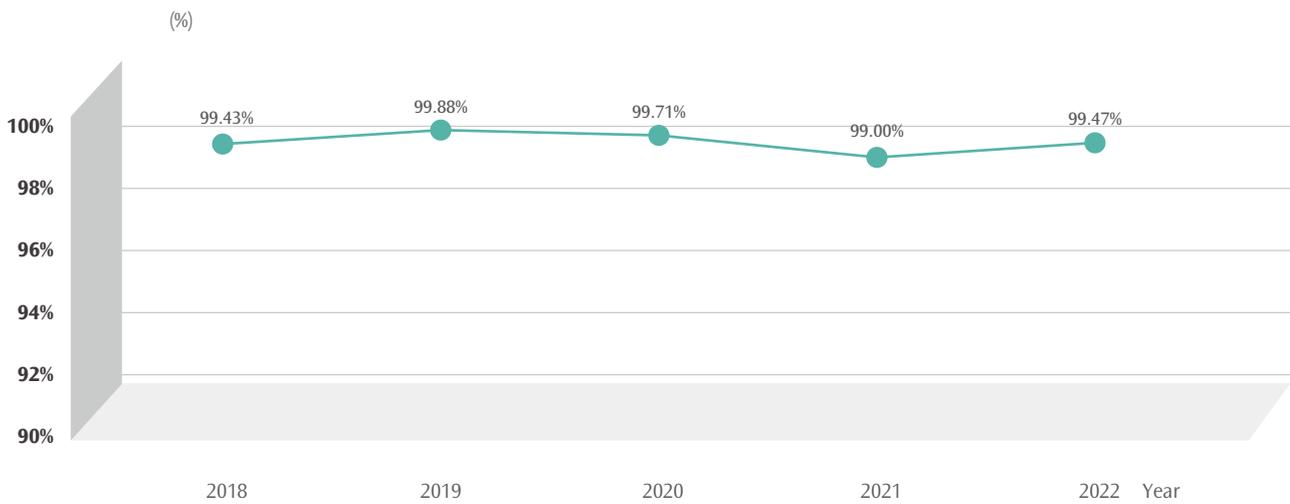
Year/Key Performance Indicator	Total Ridership (in Millions)	Train Services per Year	Loading Factor (Passenger- Km/Seat-Km)	Punctuality (as % of Trains Arriving Within Five Minutes of Scheduled Time)	Passenger-Kilometers (in Millions)	Seat-Kilometers (in Millions)
2018	63.96	52,437	67.01%	99.43%	11,559	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
2021	43.46	46,792	49.88%	99.00%	7,569	15,175
2022	54.16	54,054	53.31%	99.47%	9,338	17,517

Total Ridership, 2018-2022

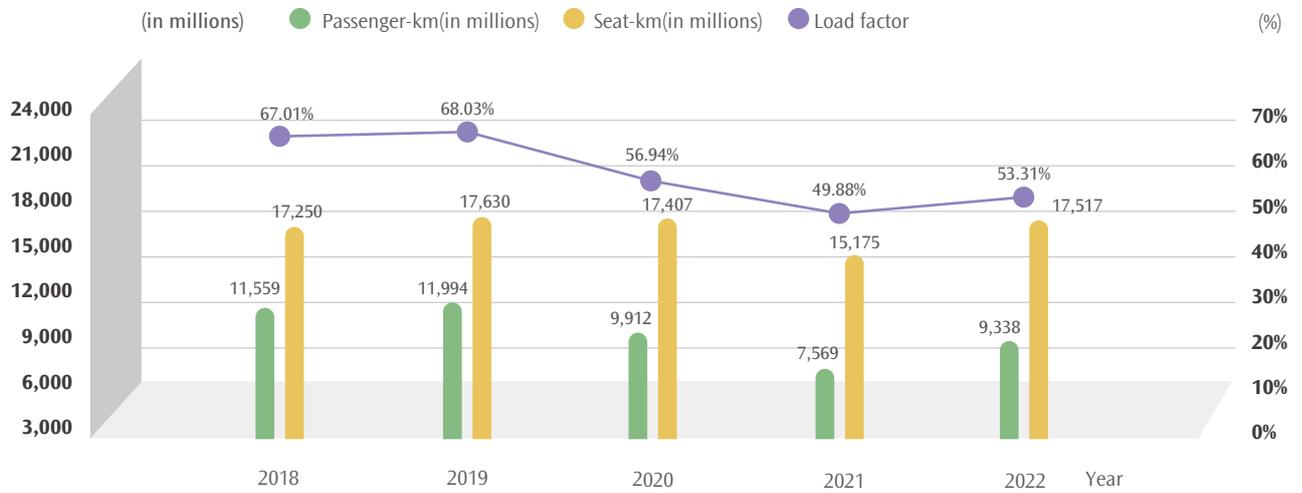


Punctuality, 2018-2022

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



Passenger-Kilometers and Seat-Kilometers for 2018-2022



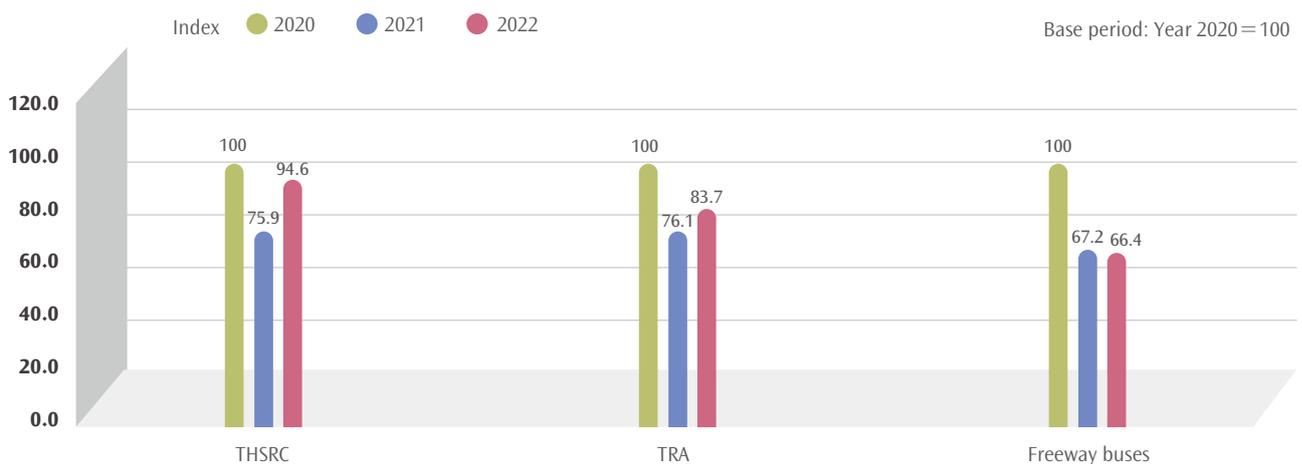
## 2. Industrial Overview & Development

### (1) Operational Overview

#### 1) Current industry conditions and development

Intercity public transit service providers in Taiwan mainly include THSRC, TRA, and freeway buses. Passenger volumes for intercity public transit service providers in 2022 have not yet returned to pre-pandemic levels seen in 2020 due to impacts from the COVID-19 pandemic.

Passenger index for main public transportation



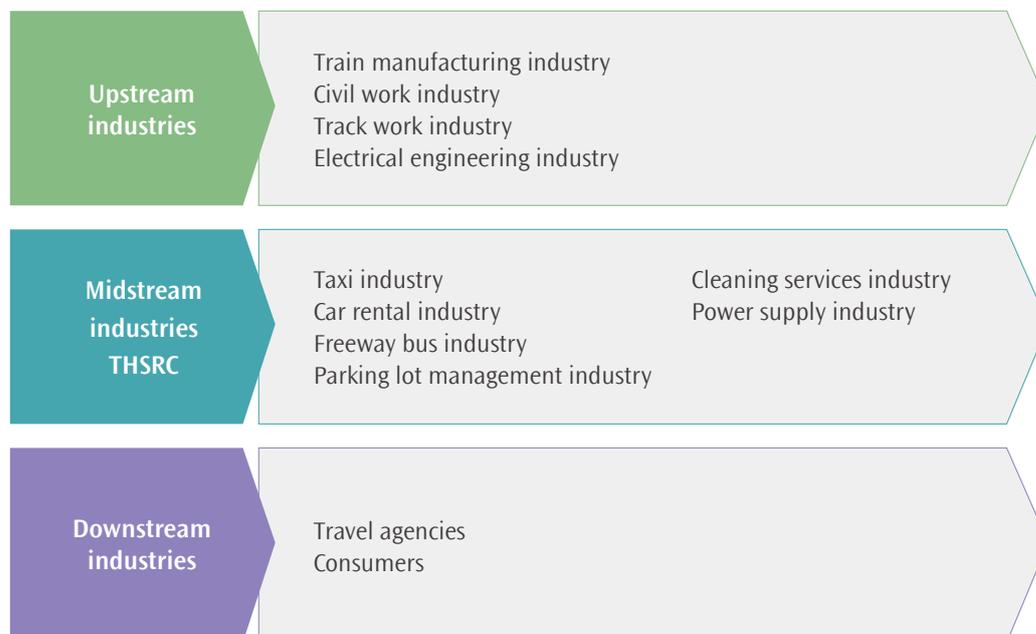
In terms of short-term industry conditions for intercity transportation, pandemic restrictions are being lifted, and consumption and ridership volumes are gradually returning to pre-pandemic levels. In the long run, THSRC faces ongoing challenges from decreasing birth rates and aging populations, all factors which affect our passenger volumes. Further challenges such as extreme climate and aging operation equipment are causing 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 transportation quality and establish a foundation for long-term sustainability.

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

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

## 2) Industry supply chain

THSRC mainly provides passenger transportation services. Our upstream industries mainly provide rolling stock, civil 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 electricity providers, train maintenance service providers, parking lot management, freeway bus services, car rental services, and taxi services. Downstream industries comprise clients or sales channels that provide services to railway companies, including passengers who purchase tickets and travel agencies that sell THSRC vacation packages.



3) Development of various products

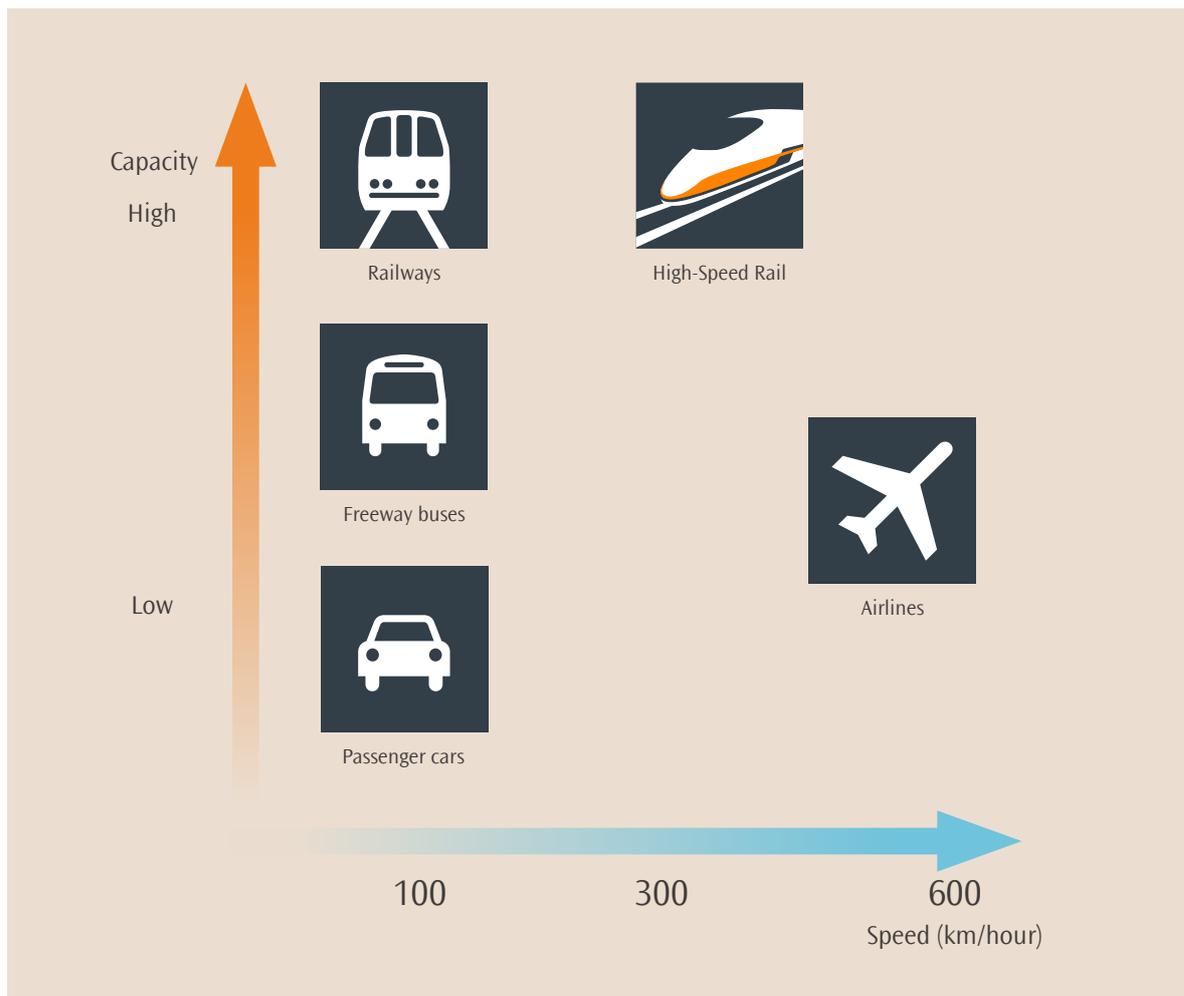
In response to growing passenger demand, clear disparities in ridership during peak and off-peak times, continued growth in elderly populations, advances in mobile and digital technologies, and to strengthen customer relationships, we have developed the following strategic plans for our products:

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

4) Competitive status

THSRC provides intercity passenger transportation services along Taiwan's western corridor. Transportation providers in this market include THSRC, 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



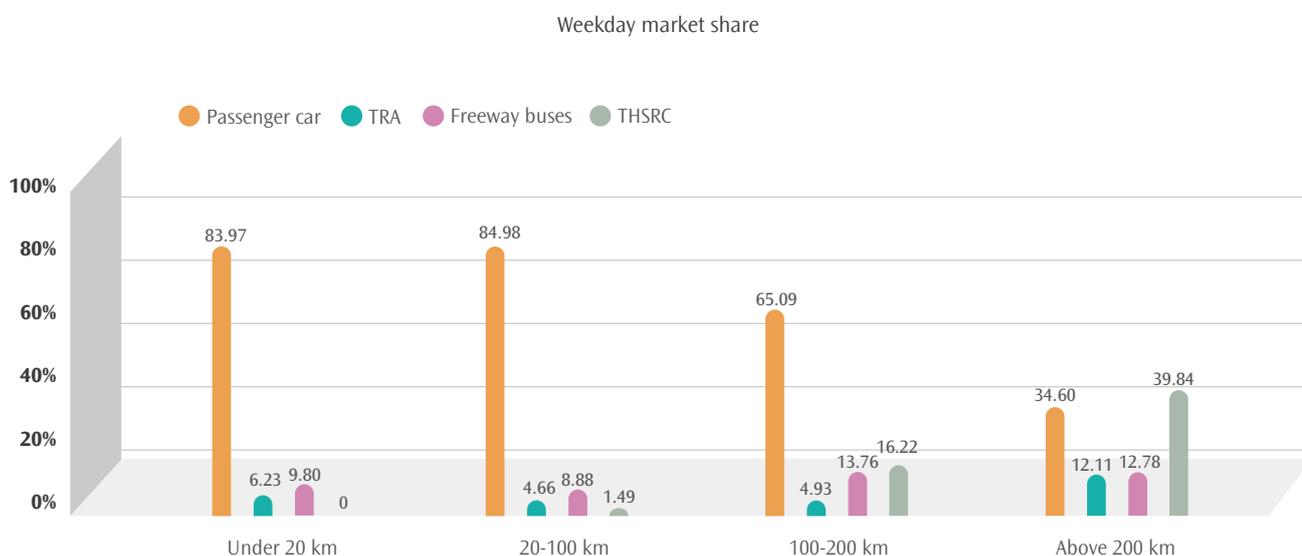
The advantages and disadvantages of the transportation along Taiwan's western corridor is analyzed in the table below:

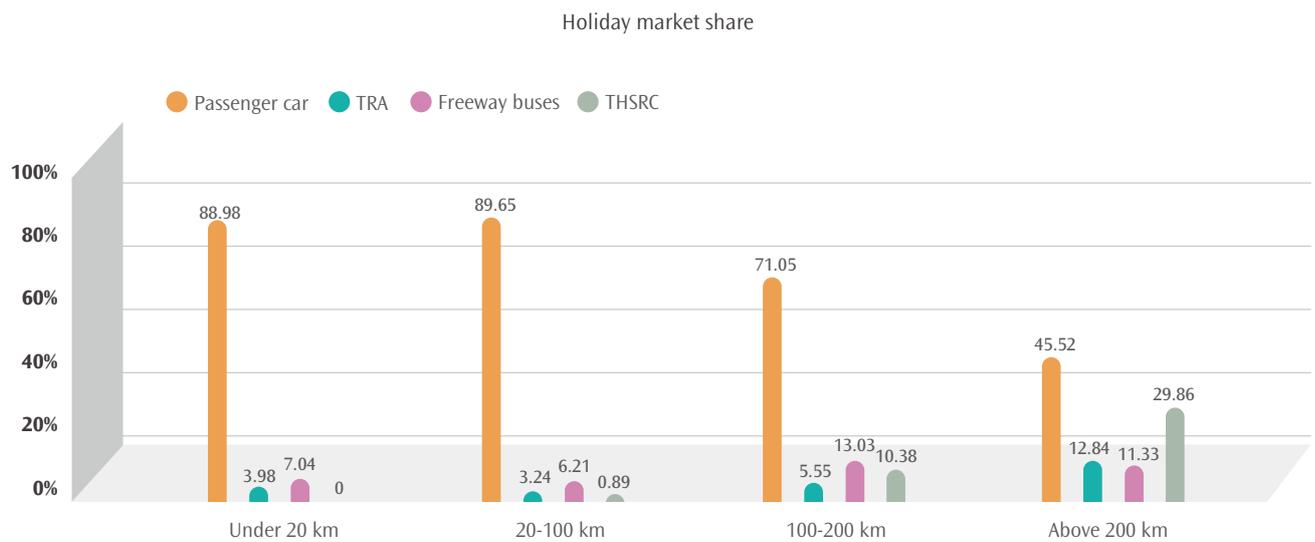
	Advantages	Disadvantages
Passenger cars	<ul style="list-style-type: none"> <li>Not limited by fixed routes, stations, or schedules, and therefore have the highest accessibility and convenience</li> <li>Fixed total costs, variable costs of fuel do not increase exponentially with passenger figures, suitable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

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

- A. Provision of varied products and diverse marketing activities such as periodic tickets, college student discounts, early bird discounts, and so on, targeting specific consumers and specific trains to enhance competitiveness in mid-length travel markets and price sensitive consumer segments.
- B. Maintain suitable frequency of services, optimization of ticketing channels, and shuttle services to enhance convenience.
- C. Integrate shuttle transport services and form travel ecosystems through alliances to provide T Holiday packages, assisting passengers in solving the two big issues of transport and accommodation. We have also expanded cooperation with hotels and online travel agents and offer various joint-ticket discounts and promotions to enhance product scope and meet the independent needs of new-generation travelers.
- 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:





## (2) Market Analysis

### 1) Market scope and market share

According to statistical data from the MOTC, average passenger volumes in 2022 for on-road public transportation was close to 4.77 million passengers (including 2.11 million intercity bus passengers, 1.82 million MRT passengers, 0.23 million freeway bus passengers, 0.47 million TRA passengers, and 0.15 million HSR passengers), an increase of 10.3% from 4.32 million passengers in 2021. After deducting passenger volumes for intercity bus and MRT systems, HSR accounted for 17.6% of passenger volumes in 2022, an increase of 1.6% compared to 16% of market share in 2021. In terms of private transport, an average of 14.99 million cars travel through freeway pay-as-you-go toll systems every day, an increase of 7.8% from 13.91 million in 2021.

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

We estimate a passenger volume target of 64.61 million in 2023 (19.3% growth compared to 2022) 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:

Ridership volumes have fluctuated in recent years due to impacts from the COVID-19 pandemic, but has gradually recovered as restrictions have been lifted and the public resumed normal lives. 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, increasing the number of tourist passengers. The government has actively promoted the development of domestic high-tech industries in recent years, and the central and southern high-tech corridors have gradually developed and formed. In the future, major science parks and industrial parks will create employment opportunities, drive demand for business and commuting trips, and generate long-term benefits for HSR development. However, 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 and has no specific major sales customers.

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

	Seat-Kilometers (Million)	Passenger- Kilometers (Million)	Loading Factor (%)	Total Ridership (Thousand)
2021	15,175	7,569	49.88%	43,460
2022	17,517	9,338	53.31%	54,162

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

Sales/ Year	2021			2022		
	Quantity (Million Passenger-Kilometers)	Amount (NT\$ Thousands)	Rate (%)	Quantity (Million Passenger-Kilometers Million)	Amount (NT\$ Thousands)	Rate (%)
Railroad Transportation	7,569	29,084,574	96.22%	9,338	35,640,556	95.98%
Goods	—	72,463	0.24%	—	121,227	0.33%
Rental & Others	—	1,070,850	3.54%	—	1,371,450	3.69%
Total	7,569	30,227,887	100.00%	9,338	37,133,233	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 29, 2022, real private consumption in 2022 was projected to grow by 3.29% as domestic COVID-19 control restrictions lifted, consumption volumes recovered, public activities resumed, and employment rates and wages increased. International travel is predicted to continue growing in 2023 as more countries open their borders, and real private consumption is projected to grow by 5.48%. The Consumer Price Index (CPI) was projected to increase by 2.94% in 2022, mainly reflecting the costs of higher raw material prices, significant price hikes for dining out and residential rent, and reopening borders. CPI is set to increase by 1.86% in 2023 as following slowed growth in raw material prices. Overall, economic growth for 2022 was around 3.06% and CPI increased by 2.94%. Economic growth for 2023 is estimated to be 2.75% and CPI increases will likely fall around 1.86%. Despite these changes in our external economic environment, we will continue to formulate suitable operational strategies to achieve our business targets.

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

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

In 2023, we implemented ESG actions and strengthened our corporate governance in accordance with our corporate vision, "To be the platform for advancement and enjoyment," providing safe, excellent, and innovative passenger services as we continue to work towards a better life in Taiwan. We formulated the following strategic projects that adhere to our "six major strategies":

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



## Main pillars of THSRC 4T strategy and implementation items

### 1. Transportation

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

- (1) Implement comprehensive slope inspections and update and upgrade automated slope monitoring systems in response to risks related to extreme weather conditions.
- (2) Assess safety impacts of the Chekualin Fault on bridge structures, use drones to inspect civil structures, and survey disaster sites to strengthen disaster resilience and warning capabilities.
- (3) Improve and optimize station and train service facilities.
- (4) Establish and promote T-MaaS (Transportation Mobility as a Service) services to enhance passenger convenience and user experiences.

### 2. Technology

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

- (1) Establish new-generation ticketing systems.
- (2) Establish new-generation cloud automatic fare collection systems (AFCS) in stations, digital multi-ride/periodic tickets, and digital coupon systems.
- (3) Introduce mobile payments for fare changes and trolley sales on trains.
- (4) Expand data transmission systems (DTS) and fiber optic cable (FOC) systems to optimize information management and management of tangible and intangible resources relating to passenger services.

### 3. Taiwan

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

- (1) Promote localization of rail industries, for example through the development of repair engineering cars for electric car lines, which enhanced the capabilities of local rail industries.
- (2) Promote local cultural events and domestic travel to boost local economies.
- (3) Promote green procurement, for example by reducing plastics used in on-train products and printing tickets on thermal paper to achieve sustainable development and fulfill corporate social responsibilities.
- (4) Continue to promote affiliated businesses while strengthening collaboration with local brands and social enterprises.

### 4. Touch

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

- (1) Maintain a talent pool of potential managers and implement departmental development programs for important positions and functional capabilities to enhance employee competitiveness and value.
- (2) Implement management mechanisms for sustainable supply chains and work with suppliers to jointly create social and environmental value.

- (3) Establish battery energy storage systems at Yanchao Main Workshop, energy storage systems for electrical substations, and solar photovoltaic equipment in station parking lots to enhance energy efficiency.
- (4) Issue green bonds to enhance environmental competitiveness.

## (2) Long-Term Business Development Plans

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

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

### **Transportation**

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

### **Technology**

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

### **Taiwan**

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

### **Touch**

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

## 5. Important Contracts

Contract 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 changes in the 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 increases 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
Modification of THSRC AFCS software system and maintenance contract. No. M7-17-007	IBM Taiwan Corporation	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 bogie conditions 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 trainset.	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
Automated Construction Equipment of Paint Shop in Yanchao Main Workshop No. T2-20-009	Industrial Technology Research Institute (ITRI)	2021/01/26	Establish automated construction equipment for paint shop in Yanchao Main Workshop	Confidentiality
Research and Development of Traction Power Substation ATP6 Controlled Electric Stage No. E4-20-005	InfoChamp Systems Corporation	2021/03/02	Contract E241 Upgrade of CRP and Related Subsystems Tender Package 1 first phase of procurement for equipment upgrades	Confidentiality

Contract Type	Contracting Party	Signing Date	Summary	Restrictive Covenants
Modification of THSRC AFCS Software System and Maintenance Contract. No. M7-17-007	Kyndryl Taiwan Corporation	2021/10/14	Transfer of maintenance service agreement for upgrading the host computer of the automated ticketing system. (IBM Taiwan Corporation transferred the contract to Kyndryl Taiwan Corporation)	Confidentiality
Data Transmission System (DTS) & Fiber Optic Cable (FOC) System Extension Project No. PCDL-22-0043	Chunghwa Telecom Corporation	2022/08/03	Extension of Data Transmission System (DTS) & Fiber Optic Cable (FOC) System	Confidentiality
Insurance broker contract	Marsh Ltd., Taiwan Branch	2022/09/30	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.	2022/12/16	Master Operational Insurance Program (MOIP)	Confidentiality

## 6. Status of Technological Research and Development

Research and development for 2022 were as follows:

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Communication System Research	R&D on Intelligent Passenger Information System (PIS)	To strengthen provision of real-time passenger information and corporate operation efficiency of our Passenger Information System (PIS) and remove R&D dependence on overseas companies, we developed a new PIS ecosystem with innovative technologies. The first phase aimed to upgrade the PIS control server and software. The second phase aimed to upgrade existing display units (PIDS) in lobbies and platforms with state-of-art hardware. The third phase aimed to add new display units on platforms beside carriage doors for stations north of Taichung (included). The fourth phase aimed to add new display units on platforms beside carriage doors for stations south of Taichung.	Enhance passenger experiences and corporate operation efficiency, and use new technologies and products to provide better service quality.	The first phase and second phases were initiated on December 27, 2018. R&D was completed in 2019, and construction began in 2020. The PIS/PIDS was officially launched and commenced operations at 8 stations in October 2022. The third and fourth phases were initiated on December 11, 2019 and PIS upgrades were completed for 8 stations in October 2022. Deployments for all 12 stations will be completed by the end of 2026.
	Increased Bandwidth (10 Mbps) for Free Wi-Fi Service in HSR Stations and Trainsets	(1) In 2022, we worked with Chunghwa Telecom to provide free WiFi for all passengers in stations and on trains under the SSID service identification code "THSR_free Wi-Fi_ALL" at speeds of at least 10 Mbps. (2) We established a system that enables remote monitoring of WiFi equipment status in all stations and trainsets, and which allows us to reconfigure and repair equipment remotely in real time, or deploy maintenance personnel in a timely manner for issues that cannot be resolved remotely.	(1) Better free WiFi services for all passengers. (2) Our system enables remote monitoring of Wi-Fi equipment in stations and trainsets, automatic reconfiguration in case of equipment failure, and enhances service reliability. (3) Maintenance personnel can be dispatched precisely and quickly to repair issues that cannot be solved through remote reconfiguration.	(1) The scope of service includes free Wi-Fi service at all HSR stations and trains. (2) A total of 277 Wi-Fi devices, 281 antennas, and 418 train hotspots have been installed.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
	Digitalization of TETRA Main Radio System (MSO) and Upgraded Network IP Functions	To improve the quality of control center radio communications with train drivers, station personnel, on-train personnel, maintenance personnel, and night maintenance and construction personnel, we replaced our original radio system, which was highly dependent on the TETRA system developed by Taiwan Shinkansen Corporation, with upgrades from our own self-developed system. The first phase of the project, which aimed to upgrade system servers, was implemented by Motorola Taiwan in accordance with THSRC specifications. In order to fulfill the initial localization goal of this project, TET Toshiba was subcontracted to work on this project. (The localization ratio required for this project was 18%.)	<ol style="list-style-type: none"> <li>(1) Improve audio quality of control center radio communications and provide better and safer operational service quality through digital technologies and introduction of new digital IP interface technologies.</li> <li>(2) Achieve initial localization goals. The localization ratio achieved by this project was 18%.</li> <li>(3) The new-generation TETRA MSO system provides better stability and does not have issues related to discontinued parts or maintenance support expiration experienced by the previous system, which enhances the overall stability and reliability of the entire radio system.</li> </ol>	<ol style="list-style-type: none"> <li>(1) The first stage of the TETRA MSO upgrading project encompassed equipment in our OMC/OCC, training rooms, station and depot SCRs, DCRs, and SCERs.</li> <li>(2) Project schedule: The project was initiated and functional specifications were reviewed in August 2020, and design, manufacturing, installation, testing, and switching procedures were implemented from 2021 to 2022.</li> <li>(3) The upgraded system commenced operations on August 29, 2022 as planned, and system stability was successfully verified over a three-month test.</li> </ol>
	(DTS_FOC) Data Transmission and Fiber Optic Cable System Expansion Project	<ol style="list-style-type: none"> <li>(1) The systems and equipment at our OCC, as well as all depots, stations, and signaling and electrical rooms, use the DTS_FOC to transmit various operational and control signals.</li> <li>(2) Our DTS_FOC data transmission system has been in operation for more than 15 years and is now faced with discontinuation of system maintenance materials and increased maintenance costs, limiting its expansion capacity. We therefore examined the requirements and technologies needed for a new-generation data transmission system.</li> <li>(3) Digital transformation has become a global trend following rapid advances in digital technologies. Expansions and upgrades of the new system are required to support the operational needs of the next 15 years and facilitate future maintenance and application of IoT, big data, and AI for smart rail transportation.</li> <li>(4) Following analysis of the aforementioned factors, we implemented a new-generation Multiprotocol Label Switching (MPLS) system and established the infrastructure to facilitate big data analysis, AI, and IoT applications.</li> <li>(5) To avoid affecting the operations of our current system, our expanded DTS_FOC system presently co-exists alongside our original SDH system and we are gradually transferring data transmission services for all HSR subsystems.</li> </ol>	<ol style="list-style-type: none"> <li>(1) The new system can facilitate installation of new-generation smart monitoring systems, smart security systems, multimedia information systems, and smart electrical equipment to meet transmission bandwidth and traffic needs.</li> <li>(2) Reduces operational risks while achieving system expansion and upgrading.</li> <li>(3) Facilitates gradual upgrades, expansions, and integrations with data transmission systems in accordance with the transmission bandwidth needs for each subsystem.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Project construction scope and content: Planned expansions are based on an MPLS architecture. An additional 102 machine rooms, 193 emergency escape points, and 96-core optical fiber over 790 km will be installed. The CTE switching system will be at the core of the system architecture, and will be connected to ATE access points, synchronous clock systems, network management systems, and optical fiber monitoring systems.</li> <li>(2) Construction commenced on September 20, 2022 and is scheduled to be completed within three years. The project also has a three-year maintenance warranty.</li> </ol>

## Operational Overview

Category	R&D project	R&D project content	Benefits of R&D	R&D results
Signaling System Research	Improvement, innovation, and R&D of PLC switch controls	To enhance reliability of PLC turnout controllers and reduce reliance on foreign vendors, we used innovative technologies to develop a highly reliable 2-by-2 PLC hardware system to replace traditional out-of-date relay modules.	Decrease relay numbers and strengthen reliability of existing turnout controllers, reducing impacts on customer service caused by turnout failures.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment has been confirmed to be reliable. We extended this project by awarding a five-year contract (E4-20-003 "Turnout Controller Replacement Project") at the end of 2020 to replace 142 sets of turnout controllers across the entire HSR line. All installations are scheduled to be completed in 2025.
	R&D on Railway Intelligent Turnout Monitoring System (TMS)	In order to provide proactive turnout failure warning capabilities and reduce reliance on foreign vendors, we designed an intelligent TMS system to replace our original monitoring system and have used highly reliable industrial-grade controllers to replace traditional circuit board components, thereby strengthening their resilience and reliability.	Analysis of data fluctuations from sensors on the turnout system can be used to provide predictions for maintenance and adjustment needs in advance of potential abnormalities, preventing turnouts from breaking down during service hours.	Used locally developed data acquisition board (DAB) Moxa hardware as a basis for redesigning an intelligent TMS to replace all existing turnout VAE TMS along the HSR line. We commenced a project to replace the TMS at 82 locations in April 2021. The project is scheduled to be completed in April 2025.
	Alternative Parts for Switch Machines	Development of alternative components	Reduce maintenance costs	Completed
	Alternative Parts for End Position Detector	Development of alternative components	Reduce maintenance costs	Completed
	Switch Machine Maintenance Management System	Development of Switch Machine Maintenance Management System in collaboration with an academic institute	Improvement of maintenance management efficiency	Completed
	Electronic Work Order Management System	Development of Electronic Work Order Management System in collaboration with an academic institute	Improvement of maintenance management efficiency	Completed
	Track Bolt Improvement Study	Researched track bolt improvements in collaboration with an academic institute	Reduce maintenance costs	Completed
	Programmable Signal Generator for Wind Velocity, Rainfall, and Water Level Sensors	Developed Programmable Signal Generator for Wind Velocity, Rainfall, and Water Level Sensors in collaboration with an academic institute	Reduce maintenance costs	Under development
Electronic Service Center (ESC)	Testers for Train Handsets	Independently developed testers for train handsets to ensure repair quality	Reduce maintenance costs	Completed
	Testers for Seven-Segment Display Modules	Independently developed testers for seven-segment display modules to ensure repair quality	Reduce maintenance costs	Completed
	Testers for Indicator Panels in Driving Cab	Independently developed testers for indicator panels in driving cab to ensure repair quality	Reduce maintenance costs	Completed
	Testers for Disaster Information Transmission Units	Independently developed testers for disaster information transmission units to ensure repair quality	Reduce maintenance costs	Completed

Category	R&D project	R&D project content	Benefits of R&D	R&D results
	MOBA Line Protocol Analyzer and Master Clock Simulator	Independently developed MOBA Line protocol analyzer and master clock simulator to ensure repair quality	Reduce maintenance costs	Completed
	Testers for Programmable Logic Controllers	Independently developed testers for programmable logic controllers to ensure repair quality	Reduce maintenance costs	Completed
	Testers for Zigbee Salve Clock Receivers	Independently developed testers for Zigbee salve clock receivers to ensure repair quality	Reduce maintenance costs	Completed
	Testers for External Information Display	Independently developed testers for external information display to ensure repair quality	Reduce maintenance costs	Completed
Rolling Stock System	Bogie Running Tester (BRT)	Installed BRT equipment at Yanchao Main Workshop and conducted high-speed wheel movement tests after BI inspections were completed.	Enhance repair quality and operational safety.	Verifications were completed in June 2022.
	Rolling Stock Intelligence Maintenance Information System (RIMIS).	Worked with ITRI to develop digital maintenance records and data analysis system.	Enhance maintenance management and efficiency and reduce paper consumption	Verifications were completed in June 2022.
	Train Cab CCTV System (Dashcam).	Installed front cameras on the first and twelfth carriages of all trainsets.	Complies with the regulations of the Railway Act and the Railway Traffic Rules, and enhances operational safety.	Completed installation on one trainset for testing in December 2022; CCTV equipment will be installed on all trains in 2023 once all tests have been successfully concluded.
	LCD Display for Passenger Information System	Replace existing LED screens with LCD screens.	Enhance passenger satisfaction.	Integrated testing was completed in 2022.
Track & Power System	Localization of OCS Maintenance Vehicles	Purchased 8 MVs and 2 sets (4) of CS vehicles.	Improve repair efficiency and personnel safety.	Received a total of 4 vehicles (2 MVs and 1 set of CS vehicles composed of 1 CSM and 1 CST) in 2022.
	Intelligent Rail Scooter (Phase 2)	Commissioned ITRI to replace 16 old four-seat engine-powered rail scooters.	Improve track inspections during disasters.	Under warranty in 2022.
	Localization of Substation Battery & Charger (B&C) Long-Life Batteries	Commissioned local vendors to develop and modify battery plate racks and long-life batteries; modifications and replacements of battery racks were then conducted by THSRC.	Reduce repair costs.	Completed replacement of 657EA and mainline LV panels at 73 locations in 2022.
	OCS Composite Insulator Aging and Mainline Polluted Area Investigation	Commissioned an academic institute to conduct research.	Improve maintenance management and efficiency.	Completed review of final report in 2022.
	Development of THSRC SCADA Simulation System	Commissioned an academic institute to conduct research.	Improve repair efficiency and reduce response times in emergencies.	Completed review of second interim report and system designs in 2022.
	Development of Track Structure Gauge Optical Measurement Equipment	Commissioned ITRI to conduct localized development in consideration of the usage periods of current equipment and to reduce reliance on foreign procurement and original factory calibrations.	Reduce maintenance costs and improve maintenance efficiency.	Completed prototype production and verified MS2 in 2022.
	Development of OCS Measurement Data Management and Trend Analysis System	Commissioned an academic institute to conduct research.	Improve maintenance management and efficiency.	Signed contract with an academic institute in 2022.

Category	R&D project	R&D project content	Benefits of R&D	R&D results
System Research & Development	Advanced Open Reservation System (Phase II)	Transferred core ticketing service module from current mainframe to a private cloud open platform micro-service architecture to establish an open architecture that supports flexible expansions which can be independently maintained and operated in future. Overall project implementations included: system infrastructure, Business Strategy Module (BSM), and core functions of new-generation ticketing service systems. This project was initiated in September 2021 and is scheduled to be completed in May 2025.	<ol style="list-style-type: none"> <li>(1) Transfer core ticketing service functions from current closed mainframe to a private cloud open platform micro-service architecture.</li> <li>(2) Enable adjustment of services in accordance with transaction volumes and flexible adjustments to system capacity.</li> <li>(3) Autonomous system maintenance and operation.</li> </ol>	We completed development of Version 1.5 of our Business Strategy Module (BSM) and established development milestones as follows: Launch BSM Version 2.0 in August 2024 and complete transfer of core functions in May 2025.
	Main Computer System External Interface Gateway of Automatic Fare Collection System	Established access interface for automatic fare collection system (AFCS) that enables external systems to access digital information in MCS database while maintaining information security of ticketing transactions. This project was initiated in November 2020 and was completed in May 2022.	<ol style="list-style-type: none"> <li>(1) Ensure transparency of ticketing information through an API that expands the scope of ticketing services while complying with information security regulations.</li> <li>(2) Provides a modular back-end system to serve as a shared services platform.</li> <li>(3) Increase utilization rate of module services and reduce repetitive work for users.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Improve real-time verification efficiency of ticketing services and issue ticketing parameters to terminal equipment in real time.</li> <li>(2) Shortened delivery time for ticketing transaction information from 24 hours to 30 minutes.</li> </ol>
	Enhanced AI Ticketing Capacity of T Express App	This project is a continuation of our contactless customer services, which reduce direct contact between passengers, personnel, and equipment, allowing passengers to complete booking procedures through natural conversations. The Chinese voice assistant was launched in May 2022 and English services were launched in September.	Provide contactless ticketing services to increase passenger convenience and enhance epidemic prevention.	<ol style="list-style-type: none"> <li>(1) Passengers can use Siri to open the T Express app and complete booking procedures through natural conversations.</li> <li>(2) We provide more convenient booking procedures for visually impaired passengers or passengers who have issues with mobile phone usage.</li> </ol>
	Precision Marketing on Digital Data Integration Platform	Combined member, travel, and digital trajectory data to establish customer segments and product prediction models, which will be verified through actual marketing activities. This project was initiated in October 2021. Member segmentation and establishment of product preference models were completed in December 2022. We plan to utilize these models in 4 precision marketing events in October 2023.	<ol style="list-style-type: none"> <li>(1) Increase member stickiness and reduce turnover rates.</li> <li>(2) Trigger flexible customer demands to increase revenues.</li> <li>(3) Pair customer product preference scores with appropriate marketing activities to achieve precise customer management.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Completed development of travel operation management and sales reports in June 2022 to track sales of travel products and provide a reference for formulating marketing strategies.</li> <li>(2) Member segmentation and establishment of product preference models were completed in December 2022; these models will be used to generate precise marketing lists for use in marketing events for 2023.</li> </ol>

Category	R&D project	R&D project content	Benefits of R&D	R&D results
	Digital THSRC Cloud Service Platform	Digital transformation of information system infrastructure, and integration of automated and independent resource deployment platforms. The system was launched in June 2022.	<ul style="list-style-type: none"> <li>(1) Improve efficiency of system delivery.</li> <li>(2) Standardized resource management: Established self-service category menu and standardized operations to improve handling efficiency.</li> <li>(3) Improve efficiency of system delivery.</li> <li>(4) Improve platform visibility and management efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Improve efficiency of system environments and shortened delivery times from one month to one week.</li> <li>(2) Improve efficiency of system delivery and shortened deployment times for all equipment to one-fifth of original times.</li> <li>(3) Visual and consistent management tools improve routine management, capacity management, and problem diagnosis for maintenance personnel; around 30 checks are conducted each year, and the time required for each check was shortened from 2.5 days to 10 minutes.</li> </ul>
	New Generation Network Design and Implementation Project	<p>Replaced core AFCS network equipment and established a dual-device architecture to improve stability and availability of ticketing services.</p> <p>Overall project implementations include: Establishment of new network architecture, replacement of aged equipment, integration of new firewalls, and improvement of network monitoring.</p> <p>This project was initiated in April 2021 and is scheduled to be completed in December 2023.</p>	<ul style="list-style-type: none"> <li>(1) The new network architecture aligns with the virtual, micro-services, and cloud architectures of the new HSR system.</li> <li>(2) Replace aged equipment, enhance availability of network architecture, and improve data transmission efficiency.</li> <li>(3) New firewalls will provide protective mechanisms for all systems and a flexible information security architecture.</li> <li>(4) Comprehensive network monitoring systems enhance network visibility and management for independent operation and management, improve the capabilities of network management personnel, and strengthen capabilities of micro-services and cloud services.</li> </ul>	This project was initiated in April 2021, and we have completed replacement of server room networks, circuit deployment, reconstruction of monitoring stations, and station ticketing network equipment. DMZ, MIS, BANK, B2BC LAN systems for information center server rooms have been transferred.
	Malware Scan Kiosk	<p>We designed and developed a malware scan kiosk to ensure that external files and storage media can be safely used in our information systems.</p> <p>This project was initiated in June 2021 and is scheduled to be completed in March 2023.</p>	<ul style="list-style-type: none"> <li>(1) Our Information Office developed a malware scan kiosk to strengthen protections for external files and storage media.</li> <li>(2) Ensure that our colleagues can safely use and receive external files.</li> </ul>	System development was completed in December 2022.

## 7. Information and Communication Security Management

### (1) Management measures relating to information security implemented in 2022 were as follows:

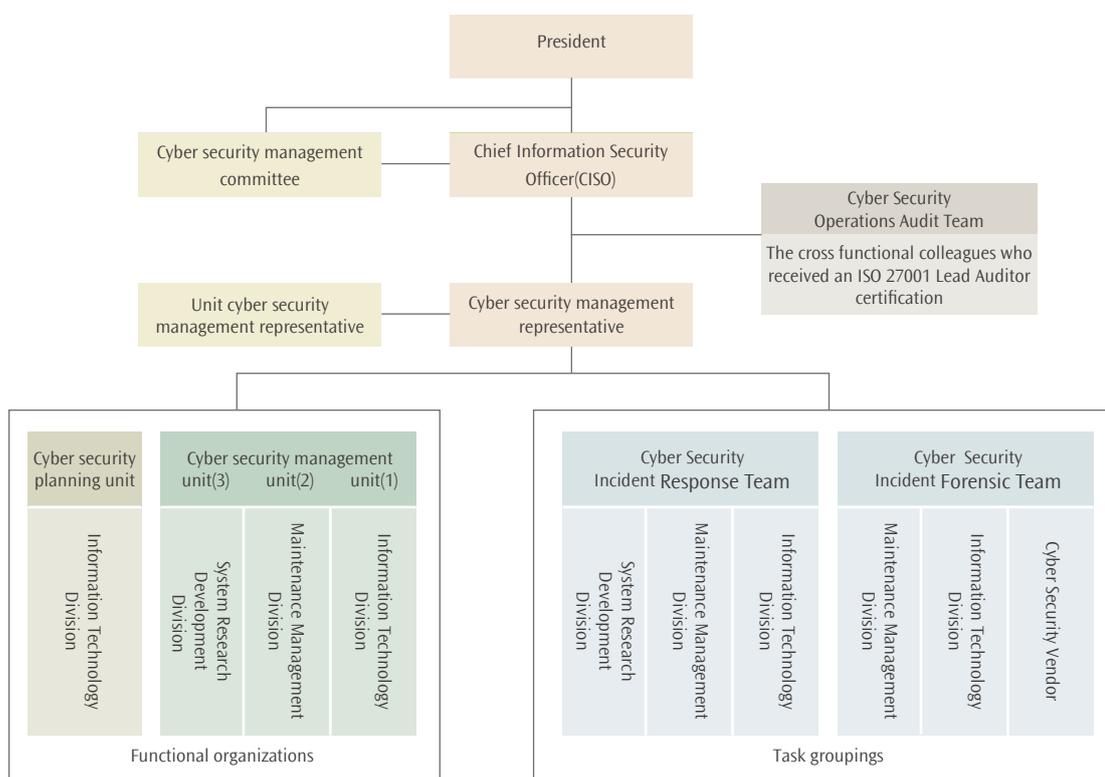
1) Information Security Management System: In order to ensure information security is effectively implemented within daily operations, the Corporation established an "Information Security Management Committee" to review information security governance, strategies, and operations. The President invited department heads to act as committee members, and the committee is chaired by the CISO (Chief Information Security Officer). Apart from one Corporation Information Security Representative, we have also established four dedicated information security personnel who are responsible for managing and overseeing the planning, promotion, and implementation of information security operations as well as compliance with the Cyber Security Management Act and Guidelines for Information and Communication Security Management for Exchange-Listed and OTC-Listed Companies. Implementation results for 2022 were as follows:

A. The head of the Information Technology Division acts as the CISO and the chairman of Information Security Management Committee meetings. Regular meetings are held every 6 months to assess information security developments and strategies, ensuring that information security management systems can continue to operate in a stable manner. The committee also reports periodically to the Board regarding information security implementation results.

B. Each office and department unit assigns at least one information security representative, and the head of the System Operation Department under the Information Technology Division acts as the Corporation's information security management representative. These representatives convene "Information Security Representative Meetings" 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 27th board meeting of the 9th Board of Directors on June 17, 2022.

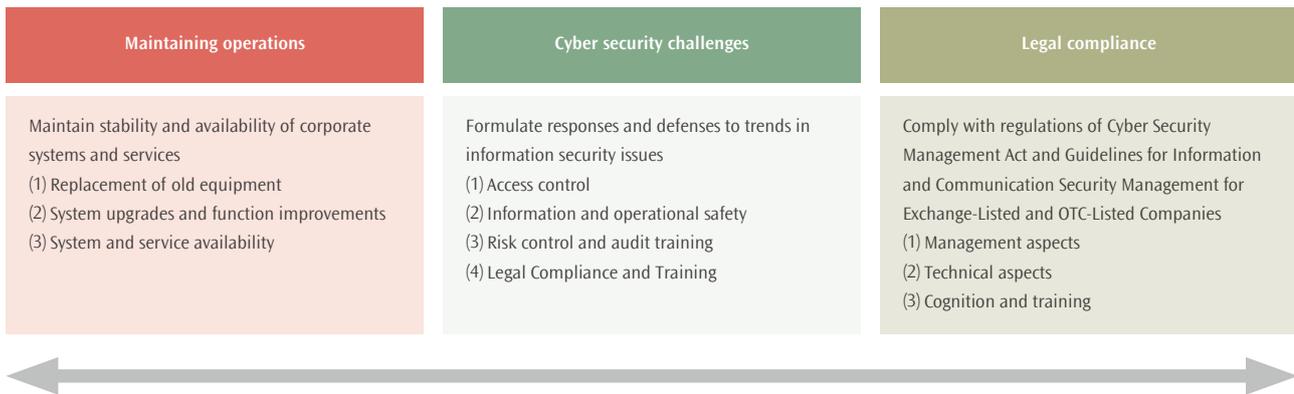
#### D. Information Security Management Structure



2) Information Security Policies: The Corporation periodically assesses its information security policies every year. Following approval from the chairman on May 27, 2022, these policies were published on our corporate website. More details can be found in Chapter 4 of this report.

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

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 Maintain operations, Information security challenges, and Legal compliance, and we are gradually improving relevant management measures.



B. In 2022, the Corporation took out electronics equipment insurance policies for operational assets relating to maintenance of information systems and network equipment; security monitoring measures and access control were in place to prevent incidents of theft and malicious destruction.

C. To implement defense-in-depth strategies, the Corporation deploys multi-layered information security protection on information services such as network, personal computers, servers, and data protection to prevent malignant cyber-attacks or hacking. However, the Corporation can neither claim nor guarantee total invincibility against cyber-attacks such as APT (Advanced Persistent Threat) attacks, DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks, and information theft that could result in disruption to information service systems. To shorten cybersecurity incident detection time, the Corporation has established a SIEM (Security Information and Event Management) platform and SOC (Security Operation Center). The Corporation is also considering taking on cyber-insurance as additional backing. After considering all issues relating to insurance scope, claim scope for damages, identification of damages, and qualification of identification institutes, the Corporation currently responds to current information security challenges through annual external and internal audits, internal control systems, information security regulation reviews, and information security implementation procedure reviews. The following strategies have been adopted:

- ☑ Continued annual review of trends in information environments and technical information in accordance with our corporate information security policies, and establishment of protective measures and solutions.
- ☑ Implementation of annual security checks, information and communication security health checks, and social engineering and information breach scenario exercises to strengthen employee awareness of information security crises and response capabilities, in hopes of efficiently preventing and detecting threats and halting proliferation at the first instance.
- ☑ To strengthen employee awareness of information security crises and response capabilities, information security training for all employees are conducted quarterly, as well as monthly social engineering and routine information breach scenario exercises.
- ☑ Establish cyber security incident notification and response protocols for incident notifications to all related agencies to facilitate creation of incident response teams, assessments of incident impact scope, damage control, and post-incident investigation. Implementation of protocol minimizes impacts on THSRC service coverage and service times, and prioritizes passenger rights.

D. The Corporation passed the annual check for the ISO27001 information security management system in October 2022. Our current ISO27001 certificate is valid from December 28, 2022 to December 27, 2023.

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

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

### (1) Background

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

### (2) Intellectual Property Management Plan for 2022

The Corporation's 2022 Intellectual Property Management Plan was reported to the 20th meeting of the 9th Board on November 3, 2021, and is summarized below:

#### 1) Intellectual Property Management Policy

We set the 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our corporate strategy and objectives, and used the "Technology" and "Taiwan" pillars to formulate our intellectual property management policies.

#### 2) Intellectual Property Management Objectives

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

A. Ensure effective implementation of the Corporation's intellectual property management plan;

B. Increase the amount of local procurement; and

C. Maintain validity of Taiwan Intellectual Property Management System (TIPS) Level A qualification.

#### 3) Potential intellectual property risks and countermeasures

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

Stakeholders	External/Internal Issues	Risks or Opportunities	Countermeasures
Employees	<ul style="list-style-type: none"> <li>- Intellectual property ownership</li> <li>- Confidentiality requirements</li> <li>- Talent cultivation and training</li> <li>- Intellectual property application assistance</li> <li>- Intellectual property consultation and communication</li> </ul>	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- Independent R&amp;D</li> <li>- Patent/trademark application</li> </ul> <p><u>Risks</u></p> <ul style="list-style-type: none"> <li>- Noncompliance with management systems</li> <li>- Non-compliance of corporate confidentiality requirements</li> </ul>	<ul style="list-style-type: none"> <li>- Reward improvement proposals</li> <li>- Regular training</li> <li>- Enhanced consultation and communication</li> </ul>
Investors (shareholder)	<ul style="list-style-type: none"> <li>- Corporate governance</li> <li>- Lehal compliance</li> <li>- Information transparency</li> </ul>	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- Provide investors with necessary information</li> <li>- Maintain market image and investor relations</li> </ul> <p><u>Risks</u></p> <ul style="list-style-type: none"> <li>- Difficulty in raising capital</li> </ul>	<ul style="list-style-type: none"> <li>- Regular publication of achievements (via our corporate website, annual report, or CSR report)</li> <li>- Investor conferences</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Marketing strategy</li> <li>- Comprehensive management system for intellectual properties</li> <li>- Intellectual property ownership</li> <li>- Confidentiality protection</li> </ul>	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- Reduce costs through joint development</li> <li>- Reduce procurement costs</li> </ul> <p><u>Risks</u></p> <ul style="list-style-type: none"> <li>- Ownership disputes over developed properties</li> <li>- Third party infringement claims</li> </ul>	<ul style="list-style-type: none"> <li>- Improve intellectual property contract terms and review mechanisms</li> <li>- Intellectual property evaluation</li> </ul>
Competent authority	<ul style="list-style-type: none"> <li>- Legal compliance</li> <li>- Compliance with government policies (localization of rail industry)</li> </ul>	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>- Preferential industrial policies</li> <li>- Tax benefits</li> </ul> <p><u>Risks</u></p> <ul style="list-style-type: none"> <li>- Changes in industrial policies or regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Visits and exchanges</li> <li>- Annual operational inspections</li> <li>- Regular review of regulatory changes and responses</li> </ul>

#### 4) Identify and provide the necessary resources to ensure implementation and maintenance of intellectual property management systems

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

In 2022, the Corporation approved a budget of approximately NT\$ 540,960,000 for research and development (R&D) based on annual business development needs.

##### B. Expenses invested in intellectual property management

In 2022, the Corporation approved a budget of approximately NT\$ 2,068,600 for intellectual property management related expenses, including trademark and patent applications and maintenance fees, law firm research fees, and education and training fees.

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

The Corporation's legal office employs 4 people responsible for implementing intellectual property management related matters. In addition, relevant business units have assigned a total of 17 employees familiar with business operations to serve as intellectual property representatives, monitor implementations of annual intellectual property management plans through quarterly intellectual property representative meetings, and report annual implementation results to the Board.

#### 5) Formulate continuous improvement mechanisms

Our continuous improvement mechanisms associated with our intellectual property management plan encompass not only internal audits, but also external verifications and overall corrections of systemic abnormalities.

### (3) Implementation status of 2022 Intellectual Property Management Plan

Implementation results for the Corporation's 2022 Intellectual Property Management Plan were reported at the 32th meeting of the 9th Board of Directors on November 2, 2022 and are summarized below:

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

##### A. Development and innovation

(a) A total of 13 R&D projects were implemented and developed. Of these, 3 projects have been completed and the remaining 10 are proceeding as scheduled.

(b) Implementation of improvement proposals (as of November 30, 2022)

A total of 1,272 proposals were submitted in 2022; implemented improvements saved NT\$ 7,797,792 and approximately 11,330 man-hours.

B. Protection and maintenance

(a) Intellectual property inventory results (as of December 31, 2022)

I. Patents: A total of 60 patents (including 23 invention patents and 37 utility model patents)

- i. New patents: 1 invention patent was obtained in 2022 (position auxiliary identifying device for turnout system).
- ii. Pending patents: 1 invention patent (a bogie running tester device, co-owned with the Industrial Technology Research Institute).

II. Trademarks: A total of 168 trademarks.

- i. New trademarks: 2 new trademarks were obtained in 2022 (for masks).

(b) Implementation of internal control measures:

In 2022, a new watermarking mechanism was introduced on all employee computer screens and internal rules stored in the Corporation's intranet were also watermarked. We also added new PDF virtual printer file conversion and encryption functions to prevent leaks and improper usage of important corporate operational information.

(c) Training related to intellectual property

- I. In 2022, 2 employees participated in the TIPS level A training course, and both successfully became qualified self-assessors.
- II. Hosted "Intellectual Property Management" training targeting Corporation employees through our internal online learning system. A total of 4,702 employees completed the training (completion rate 99.5%) and total training hours amounted to 2,351 hours.

C. Value-added applications

In 2022, we gained the following income through utilization of intellectual properties:

- (a) Licensing revenues for trademarked products (trademark licensing for train model series): NT\$ 90,000.
- (b) Licensing revenues for co-branded products: NT\$ 1,359,171.
- (c) Other licensing revenues (videos and print media): NT\$ 24,000.

2) Increase amount of local procurement

We achieved our localized procurement target. The proportion of localized procurement of maintenance materials in 2022 reached 37.7% at the end of the fourth quarter, far higher than our target value of 30%.

3) Maintain validity of TIPS level A qualification

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

4) Implementation of a continuous improvement mechanism

A. Internal audits were conducted in 2022, and no non-compliances were found.

B. The 3 minor non-conformities discovered during the TIPS external verification conducted in 2021 were all corrected in 2022.

C. Implementations of this improvement mechanism were tracked through quarterly intellectual property representative meetings, and no systematic abnormalities requiring corrections were identified. These results were reviewed and confirmed at the annual management review meeting held in 2022.

# 7

## Value Propositions





# Environmental

## 1. Establishing a Sustainable Environment

In order to implement comprehensive environmental protection throughout our Construction to Operation stages, THSRC continues to promote multiple aspects of environmental care (including the establishment of an environmental management system, formulation of environmental policies, establishment of an environmental management organization, and evaluation of related goals and implementation strategies). We encourage environmental actions such as environmental management, energy 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 (certificate valid from September 25, 2020 to September 24, 2023), 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. Miaoli station applied for 7 indicators and was awarded a Diamond level certificate from the Ministry of the Interior (MOI). Changhua and Yunlin stations applied for 6 indicators and both stations were awarded a Gold level certificate from the MOI. Green Building Certificates are valid for 5 years, and we extended the validity of our certificates for 5 years in 2021.



### (2) Energy Saving and Carbon Reduction

#### 1) Energy Management

In order to improve energy consumption efficiency and promote energy conservation measures at HSR stations and maintenance depots, we 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		2020	2021	2022
Total Depots & Stations electricity consumption (10 MWh)		9,616.699	9,089.537	9,141.130
Average electricity consumption per passenger served (kWh)		1.680	2.091	1.688
Electricity savings (MJ)(Note)		9,865.251	18,977.791	-1,857.3228

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

## 2) High-Speed Rail Carbon Footprint

In 2020, we petitioned the Environmental Protection Agency to extend the 5-year validity period of our "Carbon Footprint Label Certificate of High Speed Rail Transportation Services" (from December 17, 2020 to December 16, 2025), and was awarded a renewed carbon footprint label certificate (Certificate label No. 2014910001). Our carbon footprint was verified to be 32g CO<sub>2</sub>e per passenger per kilometer (per passenger-kilometer), and we received another "Carbon Footprint Reduction Label" (Certificate label No. R2014910001) due to our achievement of reducing carbon emissions by more than 3% (4.92%) within 3 years. Additionally, we received the 2021 Low Carbon Product Award and NT\$100,000 in prize money from the Executive Yuan Environmental Protection Agency on November 4, 2021. The "footprint" logo on the backs of our tickets clearly informs HSR passengers that carbon emissions per person per kilometer are 0.032 kg CO<sub>2</sub>e. A comparison with other transportation vehicles indicates that this emission level is one-third that of cars, one-half of buses, and one-eighth of national airlines. In 2022, THSRC passenger traffic volume was 9,338 million passenger-kilometers, 775,059 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 1,992 Daan Forest Parks.



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

We continue to promote our four major energy-saving programs (self-managed energy saving, reduction of power consumption, transfer peak power demands, and reasonable power usage), set a power saving target to reduce at least 0.86% of "averaged electricity consumption per passenger" each year, and also established the indicator "carbon emissions per Passenger-Kilometer" for the purpose of quantifying the tendency and status of carbon emissions generated by overall energy consumption. We plan to reduce carbon emissions by more than 1.5% each year. In 2022, the Corporation's greenhouse gas emissions were 316,942.85 tons of CO<sub>2</sub>e, with 99% coming from purchased electricity. We voluntarily conducted greenhouse gas (GHG) inventory for our 12 stations in 2016~2021 and obtained an ISO14064 Verification Opinion Statement issued by a third party. The last 3 years of 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 <sub>2</sub> e)	Scope 2: Indirect greenhouse gas emissions from energy purchased and consumed (the source of emissions from the purchased electricity) (CO <sub>2</sub> e)	Verification Unit
2019	1,132.1510 tons	47,738.7367 tons	SGS Taiwan Ltd..
2020	1,481.5537 tons	45,947.4916 tons	SGS Taiwan Ltd..
2021	503.9087 tons	43,397.6933 tons	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 2022 was 49,622, saving 595,464 pieces of paper, conserving 71 trees, and reducing 852 kgs of carbon emissions.

 Greenhouse Gas Management	Indicator	Annual average carbon reduction rate per passenger-kilometer		
	Target		>1.50%	
Performance item		2020	2021 (Note)	2022
Total emissions (metric tons CO <sub>2</sub> e)		308,351.92	285,609.55	316,942.85
Average carbon dioxide emissions per passenger-kilometer (g CO <sub>2</sub> /passenger-kilometer)		31.109	37.735	33.941

Note: Calculations for this year referenced electricity carbon emission factor values for 2021, and therefore the figures differ from those shown in our 2021 Annual Report.

### (3) Adaptation to Climate Change Impact

The main risks from climate change include severe weather phenomenon such as extreme high temperatures; rising sea levels; increased rainfall, rainfall intensity, typhoons, cyclones, and lightning, which have increased in frequency and intensity, enhancing vulnerability levels of the railway industry and impacting our operations. 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 and establish an important reference for THSRC to make traffic dispersion decisions and assess track safety for daily operations and disasters. All the facilities built by THSRC for "flood prevention, earthquake prevention and wind damage prevention" comply with domestic and international regulations.

In 2018~2022, we adopted the following adaptive actions in response to climate change impacts:

- (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 653,423 m<sup>3</sup> (including water consumption for all depots and stations) in 2022. 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		2020	2021	2022
Total Depots & Stations water consumption (cubic meter)		682,713	590,363	648,901
Average water consumption per passenger served (cubic meter)		0.012	0.014	0.012

## (5) Air Pollution Prevention and Control

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

## (6) Waste Management

Our waste management policy promotes the concepts of recovery and recycling, reduces waste at the source, and strengthens waste separation and recycling. Most waste generated from our operations, including passenger waste, is general industrial waste which we entrust to qualified disposal companies for transport to incinerators. Furthermore, we promote waste recycling (including waste paper, waste plastic, scrap iron, waste wood, scrap copper, aluminum scrap, waste lighting sources, waste lead storage batteries, and waste glass containers) at depots and stations, which has effectively reduced our waste volume. Our total waste disposal volume was 6,306.73 tons in 2022, including 1,452.22 tons of recycled waste.

## (7) Noise Prevention and Control

Our noise prevention and control targets comply with government regulations and commitments set out in THSR EIA Reports, and we have responded effectively to noise complaints from local residents. We have established a dedicated unit to communicate with the environmental authorities, and standard procedures have been developed for handling noise petitions and noise complaints. Additionally, to reduce the 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

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

- 1) No losses or penalties occurred as a result of environment pollution during 2022 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	2023	2024	2025
Monitoring of Environmental Quality	2,300	2,196	1,148
Research for Environmental Impact	9,420	5,843	6,843
Environmental Pollution Prevention	95,188	101,109	104,070
Total	106,908	109,148	112,061

Value Propositions

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	2020~2022	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)	2020~2022	42,613	Implementation of noise prevention and control according to EIA reports and regulations.
Measurement of noise and vibration in the sensitive areas along HSR	2020~2022	5,435	Compliance with commitments set in THSRC noise prevention gap analysis report.
Environmental monitoring in Miaoli, Changhua, and Yunlin stations during operations	2020~2022	852	Compliance with commitments set in THSRC environmental measures gap analysis report.
Treatment of waste and waste water generated from HSR stations, workshops, and relevant operations and maintenance	2020~2022	194,347	Treatment of waste and waste water from stations and workshops in accordance with relevant regulations.
Verification of Carbon Footprint for High Speed Rail Transportation Services, and GHG survey on overall 12 stations	2020~2022	3,990	Obtained EPA Carbon Footprint Label Certificate of High Speed Rail Transportation Services, disclosed average carbon dioxide emissions per passenger-kilometer, and obtained ISO14064-1 Verification Opinion Statement issued by a third party.
Establishment of ISO14001 Environmental Management System with continuous improvement and consultation.	2020~2022	5,011	Facilitate effectiveness of Environmental Management System and ensure normal operations and maintenance.
<b>Total</b>		<b>255,677</b>	



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, an online booking system, convenience store ticketing systems, the T Express App (which includes a booking chatbot feature), and travel agencies. Passengers can also board trains using autoload EasyCard 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) Our bright and spacious stations and enthusiastic station service personnel provide convenient passenger services, including ticket counters and automated ticket vending machines, passenger information systems, information desks, guidance for elderly and disabled passengers travelling alone, disabled facilities (toilets, elevators, and parking spaces), lactation rooms, parent and child bathrooms, 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 bus companies to provide free HSR shuttle bus services under joint marketing campaigns. In 2022, we offered 306,968 free shuttle bus trips to 2,716,188 passengers along the following routes:

Distribution of HSR Shuttle Bus Routes

HSR station	Taoyuan	Hsinchu	Miaoli	Changhua	Yunlin	Chiayi	Tainan
Number of bus routes	2	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 noise levels, thus enhancing safety and comfort levels for passengers. Furthermore, attendants also respond to passenger queries, accept passenger feedback, and assist the train master with emergency responses to ensure the safety of on-train passengers.

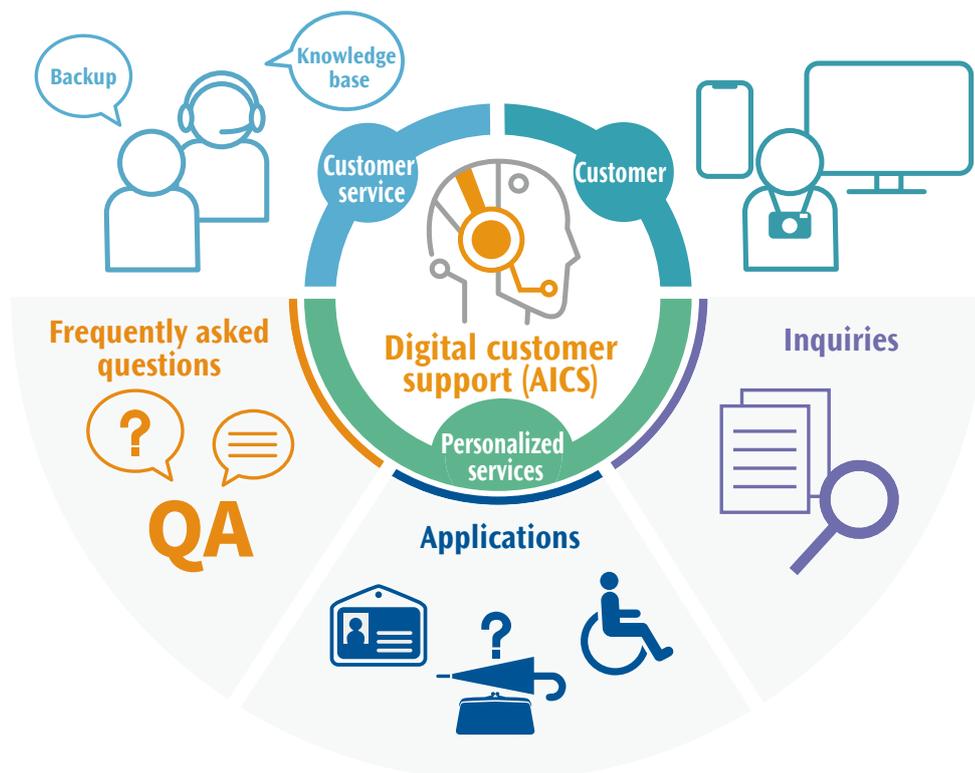
**The train master**

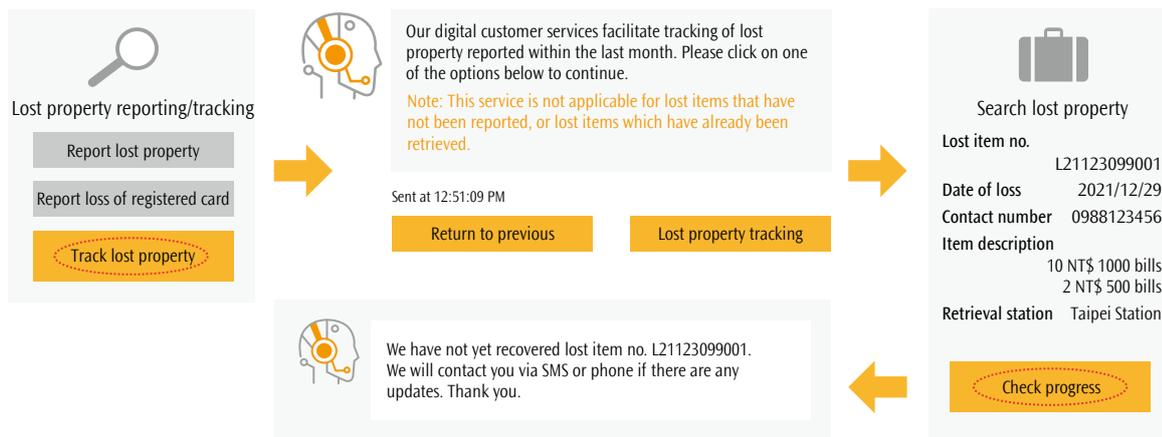
The train master is not only responsible for providing assistance to the train driver when necessary and inspection of operational safety equipment, but also conducts ticket inspections and fare changes. For passengers who have boarded the wrong train or who have changed their plans at short notice, 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 "THSR\_freeWIFI\_All" network 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**

THSRC utilized network communications and artificial intelligence to launch a 24/7 digital customer support system to assist passengers with frequently asked questions, train schedules, online lost & found tracking services, passenger guides, and other personalized service applications and inquiry services. Additionally, we also provide Chinese, Taiwanese, and English customer phone support from 06:00 to 24:00, allowing customers to select different interfaces that fulfill their needs so that they can receive the same excellent service quality.





## (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 2022, THSRC's Facebook Page cumulatively garnered 423,000 fans. Posts on the THSRC Facebook Page reached 3 million people and generated more than 930 thousand interactions engagements.

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 2022, the Taiwan High Speed Rail app has been downloaded more than 1,380,000 times.

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

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

In 2022, our customer service center and digital customer support services handled a total of 670,000 customer service and feedback cases, mainly relating to ticketing services, train schedules, passenger guidance, lost & found tracking, and THSRC promotions.

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

Additionally, THSRC regularly commissions external institutes to conduct HSR customer service satisfaction surveys to assess items that should be refined and improved. We established a virtuous cycle which continually improves and enhances our service quality by adjusting our service strategies and setting annual quality targets.

### 3. Friendly Work Environment

#### (1) Talent Development

1) Labor Conditions

A. Talent retention and appropriate placement:

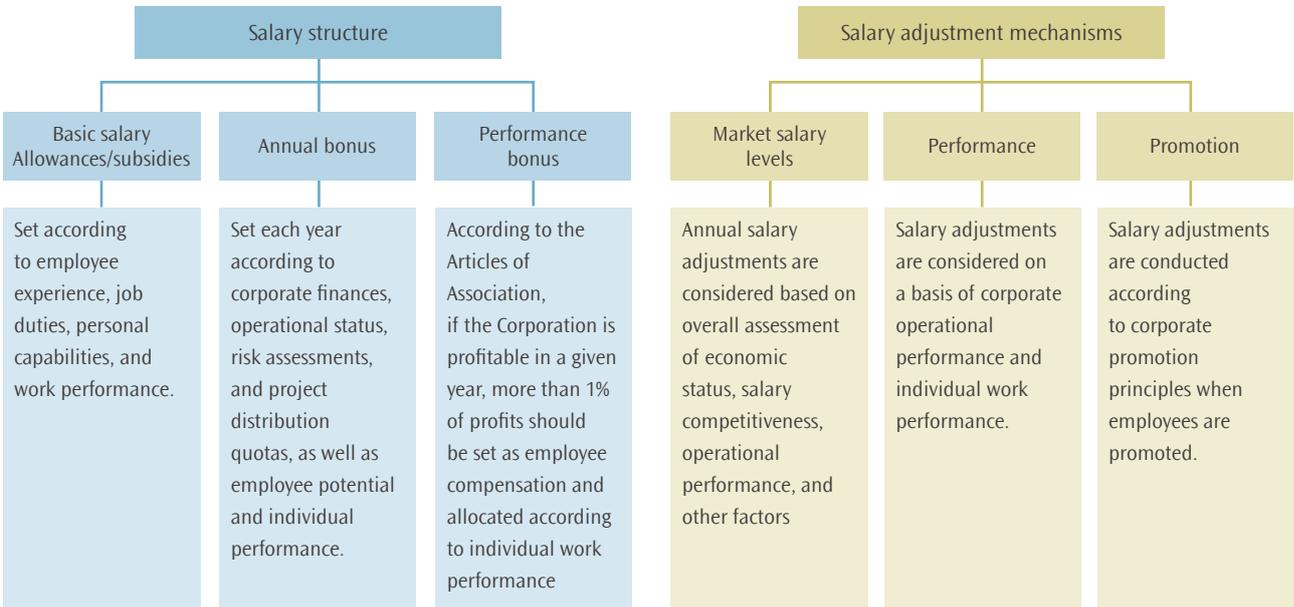
THSRC provides career advancement opportunities for talented employees based on organizational needs and individual development to enhance professionalism and achieve our target of incentivizing and retaining talent. Qualified employees that meet company requirements and wish to hold managerial positions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

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

B. Competitive remuneration:

THSRC annually reviews the competitiveness of 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	2022
Adjustment	3.0%	3.2%	3.1%	3.5%	3.42%	2.5%

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

2) Learning and Development

THSRC has established a comprehensive talent cultivation and development plan. In addition to the Management Learning Passport, which facilitates enhancements in managerial capabilities, we also set up the Individual Development Plan for High Potential Management (HIPO), which includes individual training courses and development plans based on the competency gaps of each HIPO. We also mapped the competencies and training needs of Key Position back office staff and established the Key Position Staff

Competency Development Plan, which, taken together with the Frontline Staff Career Path Development Plan and the Senior Staff Expertise Succession Plan which will be initiated in 2023, will allow us to achieve our goals related to talent cultivation and succession.

## (2) Concern for Human Rights

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

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Freedom of Association	Employees	We ensure employees have freedom to form associations for various purposes, and to participate or refrain from participating in association composition and related affairs.	<ol style="list-style-type: none"> <li>1. We support freedom of association for our employees, who have currently established more than one hundred different clubs.</li> <li>2. We protect our employees' right to organize. Currently, two labor unions (a corporate union and an industry union) have been formed within the Corporation. The Corporation periodically convenes meetings with these unions to build harmonious and strong labor-management relationships.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 22 of the International Covenant on Civil and Political Rights</li> <li>2. Article 8 of the International Covenant on Economic, Social and Cultural Rights</li> <li>3. International Labour Convention No. 87: Freedom of Association and Protection of the Right to Organize Convention</li> </ol>
Care for Disadvantaged Groups	Employees/ Employee Family Members/ Passengers/ Community Residents	We focus on public policy and various charities, and participate in the community development and education activities of civic organizations, charitable organizations, and local governmental institutes.	<ol style="list-style-type: none"> <li>1. We hire disabled and indigenous individuals in accordance with law, and provide group insurance, compensation payments, and relief payments for hospitalization, medical care, and major hazards.</li> <li>2. We provide passenger guidance services as well as accessible seating, elevators, parking spaces, and toilets as part of our commitment to offer a friendly and accessible environment for our passengers, and we have formulated a comprehensive service program.</li> <li>3. Our "High-Speed Educational Endowment Program" provides educational opportunities for economically disadvantaged groups; our "THSRC Smiling Train Program" works with various educational and charitable institutes to help disadvantaged groups obtain free or discounted HSR tickets; and our "Winter Outreach Blood Drive" helps to relieve blood shortages during the winter season.</li> </ol>	Article 9 of the Convention on the Rights of Persons with Disabilities: Accessibility
Prohibition of Child Labor	Hiring adheres to legal regulations and no child laborers are employed	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"> <li>1. We do not retain personal identification documents of personnel reporting for work and also do not require prior payment of any fees.</li> <li>2. All wages are paid in full, save where otherwise provided by law (legally withheld funds, health insurance and labor pension co-payments, employee welfare funds, union fees, and so on).</li> <li>3. Employees provide their services voluntarily.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 8 of the International Covenant on Civil and Political Rights</li> <li>2. International Labour Convention No. 100: Equal Remuneration Convention</li> </ol>
Eradication of Hiring and Employment Discrimination	Employees/Job Candidates	We avoid discrimination and differential treatment in all forms to realize diversity and enhance equality in the workplace.	<ol style="list-style-type: none"> <li>1. The Corporation does not discriminate in any way during the hiring process.</li> <li>2. We provide employee lactation rooms to support breastfeeding policies.</li> <li>3. Those who apply for statutory leave without pay (infant care, injury, illness, and military service) and who have worked for less than 183 days in the year, regardless of gender, will be subject to annual salary adjustments after reinstatement. A total of 156 people applied for parental leave in 2022, including 27 males and 129 females.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 7 of the International Covenant on Economic, Social and Cultural Rights</li> <li>2. International Labour Convention No. 111: Discrimination (Employment and Occupation) Convention</li> <li>3. International Labour Convention No. 183: Maternity Protection Convention</li> <li>4. Convention on the Elimination of All Forms of Discrimination Against Women</li> </ol>

## Value Propositions

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Abolish Violations of Human Rights	Employees	We ensure that individual employees have appropriate channels for clarification and grievance reporting when their legitimate rights and interests are infringed upon, and make sure that they are not subject to any form of adverse treatment.	<ol style="list-style-type: none"> <li>1. We have formulated preventive measures and grievance reporting procedures for sexual harassment and publicly disclosed these within the workplace; additionally, our two-tiered grievance processing mechanism solidifies our internal grievance system and ensures that the problems of each employee are appropriately handled.</li> <li>2. Our appraisals and penalties for violations or non-compliance of laws, regulations, and internal Corporation rules are handled in accordance with regulations governing rewards and disciplinary actions.</li> <li>3. We provided training for protection of human rights and the total number of training hours for 2022 were: <ol style="list-style-type: none"> <li>(1) A total of 420 hours of in-person training on legal compliance for new employees, attended by 210 employees, accounting for 4.49% of all staff members (4,678 employees).</li> <li>(2) A total of 252 hours of in-person training on prevention of workplace bullying (including promotion of the Stalking and Harassment Prevention Act), attended by 84 employees, accounting for 5.39% of all staff members (4,678 employees).</li> <li>(3) A total of 2,803 hours of training on prevention of sexual harassment, attended by 4,884 employees (we held 6 in-person courses attended by 206 managers over 464 hours, and online courses attended by 4,678 employees over 2,339 hours).</li> <li>(4) A total of 1,211 hours of in-person training on prevention of illegal infringements in the workplace and interpersonal communications, attended by 173 employees, accounting for 3.70% of all staff members (4,678 employees).</li> <li>(5) A total of 13,602 hours of occupational health and safety training, attended by 4,534 employees, accounting for 96.92% of all staff members (4,678 employees).</li> <li>(6) A total of 2,339 hours of training on ethics and morals, attended by 4,678 employees, accounting for 100% of all staff members (4,678 employees).</li> <li>(7) A total of 2,339 hours of training on prevention of insider trading, attended by 4,678 employees, accounting for 100% of all staff members (4,678 employees).</li> </ol>                     Total training hours for 2022 as detailed above amounted to 22,966 hours.                 </li> </ol>	Article 2 of the International Covenant on Civil and Political Rights
Friendly Workplace	Employees/ Employee Family Members	We help our employees to find a balance between work-life conflicts so as to build a friendly workplace and enhance employee loyalty.	<ol style="list-style-type: none"> <li>1. We disclosed the following remuneration information for full-time, non-managerial employees: Average remuneration for 2022 was NT\$ 948,000, a 5.57% increase over the previous year. We annually review the competitiveness of our remuneration so that our employees can receive reasonable compensation.</li> <li>2. We provide employees with appropriate leisure spaces and facilities such as softball fields, basketball courts, badminton courts, gym equipment, and so on. We host a variety of sports competitions and invite family members of employees to participate.</li> <li>3. Our "HSR Family Day Activity" gives employee family members a chance to visit our maintenance depots and other places of work, providing a fun experience within the workplace and bringing our employees together.</li> <li>4. Each department hosts birthday celebrations and dinner parties to enhance employee relationships.</li> <li>5. We have established mechanisms to protect the physical and mental health of our employees and to build a healthy and friendly work environment.</li> </ol>	Article 11 of the International Covenant on Economic, Social and Cultural Rights

Human Rights Issues	Stakeholders	Human Rights Policy	Implementation of Mitigation Measures for Human Rights Risks	International Human Rights Conventions
Safe Work Environment	Employees	We protect employee safety and strive to prevent workplace hazards from occurring.	<ol style="list-style-type: none"> <li>1. We formulated and executed annual programs for occupational health and safety management reviews and rewards, including our "Annual Performance Appraisals Program" and our "Rewards Program for Reporting Near Misses of Occupational Health and Safety Hazards".</li> <li>2. We organized safety promotion activities including safety culture assessments, YAMAHA scooter safety lectures and driver training, check-ups of employee scooters, free shuttle buses for areas with high traffic hazard risks, and traffic safety lectures. In order to reduce traffic hazards, we submitted proposals for improvements, hosted safety awareness competitions, and created promotional materials.</li> <li>3. We obtained certification of our occupational health and safety management systems and follow-up procedures; impartial reviews from third parties allow the Corporation's occupational health and safety management system to operate sustainably and continue to improve, allowing us to achieve our ultimate target of zero hazards and zero accidents.</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 7 of the International Covenant on Economic, Social and Cultural Rights</li> <li>2. International Labour Convention No. 155: Occupational Safety and Health Convention</li> <li>3. International Labour Convention No. 161: Occupational Health Services Convention</li> <li>4. International Labour Conventions No. 187: Promotional Framework for Occupational Safety and Health Convention</li> </ol>
Promotion of Employee Health	Employees	Enhance employee health.	<ol style="list-style-type: none"> <li>1. We continue to evaluate employee health check items. The frequency and number of items included in our employee health checks exceed that required by law. Starting from 2018, we also added advanced microscopy and imaging inspection items for senior employees (those above 45 years of age and who have worked at the Corporation for more than 10 years), and provided flexible health check programs according to individual needs.</li> <li>2. We advanced our employee health management system. Apart from evaluations by medical personnel, health check results were compiled and analyzed by a personalized "EHM Employee Health Management Platform", and analysis results were used to plan and manage various health promotion activities suitable for our employees.</li> <li>3. Every year, we host health promotion activities such as lectures on healthy diets, weight loss, and quitting smoking; influenza vaccines; and health and physical fitness inspection activities.</li> <li>4. Due to changes in COVID-19 pandemic conditions, we continue to organize vaccinations for all colleagues who are eligible for a second booster dose to enhance their immunity. Additionally, our "Pandemic Prevention Response Team" also continues to adjust relevant measures in accordance with CDCC announcements, including strengthening of disinfection measures for office facilities (elevator buttons, break room equipment, and sink faucets) and weekly disinfection sprays to ensure that our colleagues feel safe at work.</li> </ol>	Article 25 of the Universal Declaration of Human Rights
Supply Chain Management	Suppliers	To achieve our target for sustainable operations, we continue to communicate with different partners in our supply chain regarding establishment of comprehensive management measures for human rights issues (such as prohibited use of child labor, compliance with legal work hours, equality in hiring procedures, and freedom of association).	<ol style="list-style-type: none"> <li>1. Our tender notices stipulate that we oppose all discriminatory behaviors (include discrimination towards women, indigenous people, and disadvantaged groups). Major violators of this policy, if discovered, are blacklisted.</li> <li>2. When submitting bids, suppliers also have to submit a Enterprise Social Responsibility Commitment and agree to comply with relevant labor laws and internationally accepted labor rights.</li> </ol>	

Training for protection of human rights:

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

Item	2018	2019	2020	2021	2022
Attendees	13,354	14,153	18,782	13,913	19,241
Total training time (hours)	17,719	18,569	20,008	19,141	22,926

**(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 2022, 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 various social contributions and artistic performances to enhance public recognition of the Corporation, provide support to those in need, and build a richer and better society in Taiwan through delivery of sincere care.

1) Go Green Together: Sustainable Low-Carbon Actions

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

#### A. Seedling Gifts at Stations

In order to proactively enhance awareness of green consumption in passengers and members of the public, as well as promote utilization of green transportation, THSRC worked with the Forestry Bureau Hsinchu Forest District Office, Dongshi Forest District Office, and Pingtung Forest District Office to host the "Go Green Together: Sustainable Low-Carbon Actions" event on World Earth Day (April 22, 2022), gifting seedlings at stations and giving out a total of 3,600 *Vaccinium wrightii*, *Camellia japonica*, *Ilex rotunda*, *Rhodomyrtus tomentosa*, *Medinilla formosana*, *Gardenia jasminoides*, *Rhododendron oldhamii*, *Ilex asprella*, *Syzygium buxifolium*, *Podocarpus costalis*, *Schefflera arboricola*, and other native plants of Taiwan at HSR Taoyuan, Taichung, and Zuoying stations. We also used this opportunity to promote THSRC's digital tickets, calling on our passengers and members of the public to help protect the environment. Additionally, the pots used for our seedling gifts were not made from plastic, but from eco-friendly and biodegradable pulp materials developed and produced by the Forestry Bureau, which ensured environmental sustainability as well as environmental greening.



Station master and HSR Taichung Station staff give out saplings

#### B. Afforestation Experience Activity

As a green transportation company, we continually work to strengthen awareness of environmental sustainability in the public and our employees. We worked with the Executive Yuan Council of Agriculture Forestry Bureau to implement a three-year plan for corporate forestry adoption. THSRC adopted two sections of state-owned forest lands, 1.35 hectares at Puxin section in Xiluo (Yunlin) and 5 hectares in Hengchun (Pingtung). On May 5, 2022, under the leadership of our Chairman, our President, senior executives, and 150 employees headed to our adopted forest in Yunlin to plant 3,807 native Taiwanese plants suited for wind-proofing and sand-fixing, including *Koelreuteria elegans*, *Aglaia formosana*, *Melia azedarach*, *Tournefortia argentea*, *Scaevola taccada*, and *Hibiscus tiliaceus*.



THSRC Chairman Yao-Chung Chiang planting trees at the Puxin section in Xiluo (Yunlin) during the "Go Green Together" event

2) High-Speed Educational Endowment Program

The THSRC "High-Speed Educational Endowment Program," which has been hosted consecutively for 14 years, was once again initiated on New Year's Day of 2023. To help disabled and disadvantaged children bridge learning gaps, THSRC Chairman Yao-Chung Chiang and "After School Association of Taiwan" Honorary Chairman Nien-Jen Wu jointly hosted the "High-Speed Educational Endowment Program" press conference at HSR Nangang Station on December 22, 2022, inviting the public to spread warmth and love to every corner of Taiwan through generous donations raised in HSR trains and stations.

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

3) THSRC Smiling Train Program

Apart from providing high-quality transportation services to passengers, THSRC also fulfills corporate social responsibilities and promotes charitable activities. We work with charitable organizations and enterprises to provide HSR rides for disadvantaged groups, leveraging our advantages to launch the "THSRC Smiling Train Program" in collaboration 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 2022, a total of 816 disadvantaged groups and 145,479 individuals have participated in the THSRC Smiling Train Program. We will continue to promote the THSRC Smiling Train Program in hopes of providing love, care, and encouragement to those in need, as well as opportunities to travel around Taiwan and enjoy the beautiful sights.

**Free HSR Tickets for Disabled People Pursuing Dreams of Sports Participation**

People with disabilities are restricted by physical and physiological factors which limit their participation in sports activities and ability to travel. The Syn-Lu Social Welfare Foundation believes that disabled people should enjoy the same rights as others when participating in cultural, living, entertainment, leisure, and sports activities, and therefore hosted the "Daily Basketball and Life Activity" to help participants build self-confidence and positive self-worth through exercise while also establishing good exercise habits. THSRC collaborated on this project and helped disabled people fulfill their dreams. This opportunity also allowed them to experience the convenient and accessible facilities and services of the HSR during their travels, creating beautiful memories.



## THSRC Assisted 30 Underprivileged Teenagers in Building Brighter Futures

The Chinese Childrenhome & Shelter Association (CCSA) regularly hosts a nationwide tour of orphanages every summer, and this is the seventh year it has done so. Children who used to live in orphanages but have now become self-sufficient were invited to share their experiences with current orphanage residents. Most children in orphanages grew up in dysfunctional families, but display strong resilience and courage, refusing to bow to fate as they turn their childhood setbacks and scars into a driving force for progress. However, public support and assistance is needed for the many children who are unable to seek help for their physical and mental wounds, but who also need to learn



how to survive in society. THSRC assisted these children in making great strides forward and hopes that other companies can also support these children in leaving their difficult childhoods behind and become healthy and strong.

### 4) Annual THSRC Winter Outreach Blood Drive: Continued Blood Drives and Achieving Record Heights in Collected Bags of Blood

THSRC launched the Winter Outreach Blood Drive initiative in 2012 and has consecutively hosted this annual blood drive at HSR stations and THSRC headquarters ever since. Our colleagues were the first to roll up their sleeves and donate blood while calling on the public to do the same so that the cold winters could be filled with the warmth of mutual assistance through active commitment and determination to public welfare. In 2022, our blood drives attracted 6,040 participants and successfully collected 8,976 bags of donated blood. The past 11 blood drive events



have attracted more than 17,000 participants who donated a total of 22,743 bags of blood. We fulfill our corporate social responsibilities by working with passengers, the public, and our employees to create intangible, invaluable, and irreplaceable assets through our blood drive events. We hope that the public can continue to support our charity events and make Taiwan a better place.

### 5) HSR Employees T-SPORT Activities

THSRC organized the "HSR Employees T-SPORT Activities" to encourage colleagues to establish good exercise habits and practice appropriate stress relief. Apart from online activities, we once again organized a number of sports competitions to build team spirit and improve employee engagement through healthy collaboration and competition. Additionally, we arranged parent-child activities during the summer vacations for quality family time and to promote family harmony while implementing corporate governance, enhancing employee engagement, and increasing employee sense of unity.

A. "Summer Marathon": We launched the online "Summer Marathon" event starting in 2021. We asked our colleagues to upload their mileage records via smart devices and share their photos on online platforms as a way to encourage them to compete and exercise together. This strengthened employee loyalty and engagement while helping our colleagues improve their physical health. This event attracted 6,183 applicants, 4,760 of whom completed the marathon, achieving a completion rate of 77% and total accumulated mileage of more than 316,955 kilometers.

B. "Mini Soccer event": This event focused on enhancing parent-child time and promoting family harmony. We invited the Chinese Taipei Football Association to provide professional assistance for promotion of community care goals and to fulfill our employee care responsibilities. A total of 60 parent-child groups and 120 people participated in this well-organized activity, which created beautiful memories for the parents and their children.

C. "Sports competitions": We hosted "badminton," "table tennis," and "slow-pitch softball" competitions for 32 teams composed of 500 employees, enhancing employee health and relationships through these post-pandemic activities, which were met with enthusiasm.

6) Charitable Donations

Ukraine was invaded by its neighbor Russia on February 24, 2022, and the lives and properties of millions of Ukrainians suffered severe damage. To fulfill our corporate social responsibilities and demonstrate humanistic care, THSRC donated NT\$ 3 million to the Taiwan Foundation for Disaster Relief to help displaced Ukrainians maintain their basic living and health needs.



7) Beach Clean-Ups and Green & Low-Carbon Actions for Environmental Sustainability

More than 3,200 HSR employees have participated in beach clean-ups from 2016 to 2022 on wetlands, sandy beaches, and tetrapod filled beaches. HSR employees from north to south have cleared about 15,658 kg of ocean waste over the past many years. Beach clean-ups represent an initiation to change: We can implement source reduction by carrying reusable tableware and reducing use of straws, plastic bags, and plastic bottles.

We continue to fulfill our corporate social responsibilities. This year, we hosted the low-carbon sustainability activity "Go Green Together" and adopted two sections of state-owned forest lands, 1.35 hectares at Puxin section in Xiluo (Yunlin) and 5 hectares in Hengchun (Pingtung), under a three-year plan for corporate forestry adoption in response to the government's "2050 Net Zero" policies. Although we are the most low-carbon and environmentally friendly mode of green transportation, we have continued to enhance operating efficiency and power consumption through our "Energy-Saving Train Driver Competitions" in recent years. We also continue to make strides towards our goal of going paperless through promotion of digital tickets and mobile payments on our T-EX app.

We hope to work together with the public to implement sustainability in Taiwan through our continued efforts.



## (2) Environmental Protection

### 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 2,603 in 2022. 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 273,000 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) Preservation of Railway Assets

### 1) Restoration and Preservation of 0 Series Oiran Train and Plans for Scenic Park

During the THSRC Construction Stage, 0 Series Shinkansen end cars were exported to Taiwan to serve as structure gauge test cars. Testing equipment was installed on the exterior of these end cars when they were used for testing and clearance work, making them look like the intricate hairpins worn by oirans during the Edo period, which is why these end cars were nicknamed "Oiran Trains." In 2020, THSRC implemented and completed an interior and exterior preservation and restoration plan for 0 Series Shinkansen end cars. Plans for a scenic park at HSR Tainan Station themed around these Oiran Trains were drawn up in 2021; construction is expected to be completed in the fourth quarter of 2023. By displaying the fruits of our restoration work, we hope to showcase the new life these 0 Series end cars gained in Taiwan through localization, while also reminiscing on their past as structure gauge test cars at THSRC. This park will allow passengers entering and exiting the station to be immersed in an atmosphere of railway culture.



Designs for 0 Series Oiran Train scenic park

2) Donation of Decommissioned HSR Construction Vehicles

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

In 2021, the Japan-made MO-52787 track inspection vehicle and D29 trailer provided to the THSRC maintenance department during the Construction Stage reached their decommission dates and were gifted to the National Railway Museum. Following approval by the Board in early 2021, towing and gifting procedures were implemented, and the decommissioned vehicles were successfully delivered to the museum. Renovation and painting of the two vehicles was mostly completed by the end of 2022, and exhibition preparations are currently underway. These vehicles are scheduled to be displayed to the public in the third quarter of 2023, when a gifting ceremony will also be organized.



(4) Exchanges and Events

1) THSRC Diesel Shunter Locomotive Delivery Ceremony

In 2019, THSRC worked with Taiwan Rolling Stock to develop three diesel shunter locomotives, and THSRC Chairman Yao-Chung Chiang and Taiwan Rolling Stock Chairman Huang-Liang Tsai jointly hosted a "Diesel Shunter Locomotive Delivery Ceremony" at HSR Yanchao Main Workshop on December 1, 2022. The three new locomotives delivered at the ceremony were equipped with Taiwan Rolling Stock's self-developed "Train Control and Monitoring System (TCMS)," which can be used to control HSR 700T trains for effective enhancement of train deployment and maintenance frequencies in normal times, as well as for rescue work on running trains during emergencies. When connected, the three locomotives can generate incredible force, enough to tow a 520-ton HSR 700T train back to the HSR maintenance depot despite all terrain restrictions along the entire HSR line, thereby accelerating emergency repairs and restoration to ensure operational safety at THSRC.

Additionally, THSRC hosted the "Business Opportunity Seminar for Taiwan Track Industry Localization" in 2017 and formulated a five-year plan to increase procurement ratios for maintenance materials (ratios were scheduled to increase from 15% in 2020 to 30% in 2022). As of year-end 2022, our procurement ratio for localized maintenance materials were 36.2%, and procurement costs amounted to NT\$ 540 million. We have successfully developed 1,285 HSR maintenance materials in tandem with 131 companies, demonstrating fruitful results for our five years of localization promotion.



### HSR Camps

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

Camp activities are segregated by age for university, high school, junior high school, and elementary school (fifth and sixth graders) groups. We hosted 12 rounds of activities throughout the year, attracting 2,389 online applicants and 309 participants to the HSR summer and winter vacation camps.



### THSR ART Together Program

THSRC launched the "THSR ART Together Program" in 2015, providing free space in HSR stations for group performances as well as individual singing, dancing, or musical performances. In 2017, 2019, and 2021, THSRC was respectively awarded the "13th Arts and Business Awards (Cultural Development)," the "14th Arts and Business Awards (Permanent Awards Category)," and the "15th Arts and Business Awards (Permanent Awards Category)" by the Ministry of Culture. As of year-end 2022, 588 groups and 17,397 individuals have performed at 9 HSR stations (Taoyuan, Hsinchu, Miaoli, Taichung, Changhua, Yunlin, Chiayi, Tainan, and Zuoying). THSRC hopes that the "THSR ART Together Program" can allow passengers to appreciate the beauty of the arts while traveling with the HSR.



## THSR Museum

The THSR Museum opened its doors in 2017. Planned and established around the rich cultural railway assets taken from the Planning, Construction, and Operations stages of the HSR, the 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 (including Continental Engineering Corporation), as well as the Construction and Operations stages of the HSR. Display and introduction of relevant items help the public easily understand our history and serve as an important platform for THSRC external communications. In total, 29,031 people visited the THSR Museum in 2022.



Delegation of Vietnamese officials in Taiwan for training

### (5) Technical Exchanges and Visitations

THSRC continues to maintain good relations with its peers in the transportation and rail industries; we were involved in 19 public associations in 2022. We ensure continued updating and innovation of our services and operational strategies through academic and experience exchanges with academic societies.



## 5. Effectiveness of Corporate Governance System

### (1) Preliminary Review by Functional Committees

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

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

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

### (3) Management Implementation

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

### (4) Strengthen Information Disclosure

For the convenience of shareholders and stakeholders, our corporate governance information is disclosed on the Market Observation Post System (<https://mops.twse.com.tw>). In addition, we release our corporate governance information on our corporate website (<https://corp.thsrc.com.tw/corp/governance>) in both Chinese and English to further enhance transparency. Material information is disclosed on the Market Observation Post System in both Chinese and English so that domestic and overseas investors can receive timely updates on the latest 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.

We began participated in the Corporate Governance Evaluations after a year of going public, starting with the 4th Corporate Governance Evaluations for 2017. As of the 8th Corporate Governance Evaluations for 2021, we have ranked among the top 5% of publicly listed companies for five consecutive years. In order to enhance our corporate governance, we participated in the Taiwan Corporate Governance Association corporate governance evaluations for 2018 and 2020, and were respectively awarded an "Excellent" and "Premium" certification. We participated in the CG6013 (2021) corporate governance evaluations in 2022 and again received a "Premium" certification. In 2022, we again received the Outstanding Enterprises award, as well as first place in the "Most Popular Brand" and "Best Product" categories, at the 19th National Brand Yushan Awards. In future, we will focus on the ongoing influence of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, and strengthen corporate governance systems to become a benchmark for corporate governance.

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

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

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

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

Due to our outstanding performance on sustainable investment and low-carbon emission indicators, we were listed in the Corporate Knights Global 100 Most Sustainable Companies for the first time in 2023, ranking ninth globally and first in the Asian-Pacific region.

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

# 8 Financial Overview



## 1. Five-Year Financial Summary

### (1) Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years				
		2018	2019	2020	2021	2022
Current Assets		22,796,549	42,710,136	38,621,107	49,973,996	32,136,694
Property, Plant and Equipment		98,085	125,047	109,729	109,162	128,514
Operating Concession Asset		401,168,964	390,113,063	378,291,412	367,972,348	359,479,197
Other Assets		8,993,471	10,111,356	10,544,722	9,851,535	8,795,727
Total Assets		433,057,069	443,059,602	427,566,970	427,907,041	400,540,132
Current Liabilities	Before Distribution	13,814,046	13,278,906	7,067,221	30,025,709	28,950,383
	After Distribution	20,117,734	20,089,703	12,976,929	25,759,463	(Note)
Non-Current Liabilities		349,830,010	358,703,427	350,413,093	330,103,361	304,299,682
Total Liabilities	Before Distribution	363,644,056	371,982,333	357,480,314	360,129,070	333,250,065
	After Distribution	369,947,744	378,793,130	363,390,022	355,862,824	(Note)
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	12,957,102	14,621,358	13,630,745	11,322,060	10,834,156
	After Distribution	6,653,414	7,810,561	7,721,037	7,055,814	(Note)
Total Equity	Before Distribution	69,413,013	71,077,269	70,086,656	67,777,971	67,290,067
	After Distribution	63,109,325	64,266,472	64,176,948	63,511,725	(Note)

Note: Pending shareholders' approval.

## (2) Condensed Statement of Comprehensive Income

Unit: NT\$ thousands  
Except Basic Earnings Per Share

Item	Financial Summary for The Last Five Years				
	2018	2019	2020	2021	2022
Operating Revenue	45,415,007	47,507,390	39,137,205	30,227,887	37,133,233
Gross Profit	20,333,613	21,744,703	13,042,151	4,525,557	11,243,130
Income from Operations	19,144,964	20,511,953	11,806,685	3,317,882	9,920,408
Non-Operating Income and Expenses	(11,833,141)	(12,736,845)	(6,387,374)	947,743	(5,654,783)
Income Before Income Tax	7,311,823	7,775,108	5,419,311	4,265,625	4,265,625
Net Income	10,696,381	8,007,033	5,843,037	3,610,922	3,769,337
Other Comprehensive Income	(80,497)	(39,089)	(22,853)	(9,899)	9,005
Total Comprehensive Income for the Year	10,615,884	7,967,944	5,820,184	3,601,023	3,778,342
Basic Earnings Per Share (NT\$)	1.90	1.42	1.04	0.64	0.67

## (3) Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	Name of CPA	Audit 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
2021	Deloitte & Touche	Mei-Yen Chiang and Kuo-Tyan Hong	Unmodified Opinion
2022	Deloitte & Touche	Jui-Hsuan Ho and Kuo-Tyan Hong	Unmodified Opinion

## 2. Five-Year Financial Analysis

Item (Note)	Year	Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt ratio	83.97	83.96	83.61	84.16	83.20
	Ratio of long-term capital to property, plant and equipment	427,428.27	343,695.33	383,216.61	364,487.03	289,143.40
	Ratio of long-term capital to operating concession assets	104.51	110.17	111.16	108.13	103.37
Solvency	Current ratio (%)	165.02	321.64	546.48	166.44	111.01
	Quick ratio (%)	143.81	296.44	498.03	154.69	99.09
	Times interest earned (times)	2.10	2.20	1.92	1.74	1.68
Operating Performance	Accounts receivable turnover (times)	106.50	113.29	142.01	68.39	68.77
	Average collection days	3.42	3.22	2.57	5.33	5.30
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Property, plant and equipment turnover (times)	442.13	425.82	333.40	276.19	312.47
	Operating concession assets turnover (times)	0.11	0.12	0.10	0.08	0.10
	Total asset turnover (times)	0.10	0.11	0.09	0.07	0.09
Profitability	Return on total assets (%)	4.25	3.35	2.81	1.98	2.24
	Return on total equity (%)	16.15	11.40	8.28	5.24	5.58
	Pre-tax income to paid-in capital ratio (%)	12.99	13.81	9.63	7.58	7.58
	Profit ratio (%)	23.55	16.85	14.93	11.95	10.15
	Earnings per share (NT\$)	1.90	1.42	1.04	0.64	0.67
Cash Flow (%)	Cash flow ratio	189.78	214.98	(21.67)	89.51	33.95
	Cash flow adequacy ratio	345.23	320.17	229.34	262.39	206.40
	Cash flow reinvestment ratio	185.72	68.81	(24.23)	91.36	90.24
Leverage	Operating leverage ratio	2.18	2.13	2.99	8.07	3.35
	Financial leverage ratio	1.53	1.46	2.01	(1.36)	2.69

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

1. The decrease in ratio of long-term capital to property, plant and equipment was mainly due to decrease of non-current liabilities in 2022.
2. The decrease in current ratio and quick ratio were mainly due to decrease of current assets in 2022.
3. The increase operating concession assets turnover and total asset turnover were mainly due to increase of net sales in 2022.
4. The decrease in cash flow ratios was mainly due to decrease of the cash flow from operating activities in 2022.
5. The decrease in operating leverage ratio and the increase in financial leverage ratio were mainly due to increase of operating income in 2022.

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)

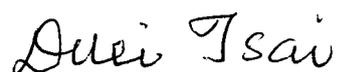
### 3. Audit Committee's Review Report for Most Recent Financial Statement

#### Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2022 Business Report and Financial Statements. The CPA of Deloitte & Touche, Jui-Hsuan Ho and Kuo-Tyan Hong, were retained to audit the Financial Statements of Taiwan High Speed Rail Corporation and have issued an audit report relating to the Financial Statements. The Business Report and Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan High Speed Rail Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai



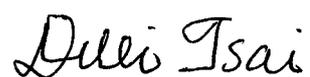
February 22, 2023

### Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2022 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 15, 2023

## 4. Financial Statements and Independent Auditor Reports for the Most Recent Year

(1) Financial Statements for the Years Ended December 31, 2022 and 2021 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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. 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, 2022. 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 2022 financial statements are as follows:

#### Provision for Stabilization Reserve

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

According to the Taiwan North-South High Speed Rail Construction and Operation Agreement ("C&O Agreement"), which was amended on July 27, 2015, the Corporation established the financial stabilization mechanism ("FSM") in 2016 in order to serve the purpose of returning the major portion of the excess earnings, which is defined under the C&O Agreement, to the ROC government. Started in 2017, the Corporation reports the status of the implementation of the aforementioned FSM to the Ministry of Transportation and Communications ("MOTC"), including the provision, contribution, and accumulated balance of the stabilization reserve in accordance with the C&O Agreement. 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\$3,150,817 thousand as of December 31, 2022, was provided based on the earnings achieved in 2022 and on the requirements as stipulated in the C&O Agreement.

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

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 2022 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 Jui-Hsuan Ho and Kuo-Tyan Hong.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 22, 2023

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 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			
	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 16,558,946	4	\$ 21,619,496	5
Financial assets for hedging (Note 7)	72	-	-	-
Notes and accounts receivable (Note 21)	413,946	-	665,957	-
Current tax assets (Note 4)	180,600	-	9,646	-
Inventories (Note 8)	2,425,999	1	2,345,998	1
Other financial assets (Notes 9 and 28)	11,496,900	3	24,126,307	6
Other current assets (Notes 13 and 27)	1,060,231	-	1,206,592	-
<b>Total current assets</b>	<b>32,136,694</b>	<b>8</b>	<b>49,973,996</b>	<b>12</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 10 and 27)	128,514	-	109,162	-
Right-of-use assets (Note 11)	405,315	-	574,841	-
Operating concession assets (Notes 12 and 27)	359,479,197	90	367,972,348	86
Computer software, net (Note 12)	134,962	-	113,113	-
Deferred tax assets (Notes 4 and 23)	6,174,444	2	6,997,477	2
Other financial assets (Notes 9 and 28)	2,079,603	-	2,163,774	-
Other non-current assets (Note 13)	1,403	-	2,330	-
<b>Total non-current assets</b>	<b>368,403,438</b>	<b>92</b>	<b>377,933,045</b>	<b>88</b>
<b>TOTAL</b>	<b>\$ 400,540,132</b>	<b>100</b>	<b>\$ 427,907,041</b>	<b>100</b>

LIABILITIES AND EQUITY	December 31			
	2022		2021	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 14)	\$ 5,737	-	\$ 16,142	-
Short-term bills payable (Notes 14 and 27)	21,960,820	6	14,982,445	4
Financial liabilities for hedging (Note 7)	-	-	512	-
Accounts payable	403,869	-	533,336	-
Operating concession liabilities (Notes 16 and 27)	426,563	-	8,049,281	2
Other payables (Notes 14 and 18)	3,418,404	1	3,033,767	1
Payable for construction (Note 27)	941,566	-	952,575	-
Current tax liabilities (Note 4)	-	-	10,813	-
Provisions (Notes 17 and 27)	284,781	-	1,169,273	-
Other current liabilities (Notes 11, 18, 21 and 27)	1,508,643	-	1,277,565	-
Total current liabilities	28,950,383	7	30,025,709	7
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 15)	27,473,537	7	27,469,258	6
Long-term debt (Notes 14 and 27)	217,622,140	54	242,614,407	57
Provisions (Notes 17 and 27)	3,149,335	1	3,548,102	1
Lease liabilities (Notes 11 and 27)	238,113	-	395,011	-
Long-term interest payable (Note 14)	5,390,517	1	6,494,430	2
Operating concession liabilities (Notes 16 and 27)	49,759,974	13	48,991,747	11
Other non-current liabilities (Notes 18, 19 and 23)	666,066	-	590,406	-
Total non-current liabilities	304,299,682	76	330,103,361	77
Total liabilities	333,250,065	83	360,129,070	84
<b>EQUITY (Note 20)</b>				
Capital stock				
Common stock	56,282,930	14	56,282,930	13
Capital surplus	172,981	-	172,981	-
Retained earnings				
Legal reserve	4,212,542	1	3,852,440	1
Unappropriated earnings	6,621,614	2	7,469,620	2
Total retained earnings	10,834,156	3	11,322,060	3
Total equity	67,290,067	17	67,777,971	16
TOTAL	\$ 400,540,132	100	\$ 427,907,041	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			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 27)	\$ 37,133,233	100	\$ 30,227,887	100
OPERATING COSTS (Notes 22 and 27)	(25,890,103)	(70)	(25,702,330)	(85)
GROSS PROFIT	11,243,130	30	4,525,557	15
OPERATING EXPENSES (Notes 22 and 27)	(1,322,722)	(4)	(1,207,675)	(4)
INCOME FROM OPERATIONS	9,920,408	26	3,317,882	11
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	205,005	1	95,430	-
Interest expense (Notes 14, 22 and 27)	(6,231,824)	(17)	(5,757,241)	(19)
Stabilization reserve reverse (Note 17)	398,767	1	6,451,898	21
Other gains and losses (Notes 22 and 27)	(26,731)	-	157,656	1
Total non-operating income and expenses	(5,654,783)	(15)	947,743	3
INCOME BEFORE INCOME TAX	4,265,625	11	4,265,625	14
INCOME TAX EXPENSE (Note 23)	(496,288)	(1)	(654,703)	(2)
NET INCOME	3,769,337	10	3,610,922	12
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	11,256	-	(12,374)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	(2,251)	-	2,475	-
Other comprehensive income (loss) for the year, net of income tax	9,005	-	(9,899)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 3,778,342	10	\$ 3,601,023	12



**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENTS OF CHANGES IN EQUITY

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

	<b>Capital Stock</b>		
	<b>Common Stock</b>		<b>Capital Surplus</b>
BALANCE AT JANUARY 1, 2022	\$ 56,282,930	\$	172,981
Appropriations of 2021 earnings			
Legal reserve	-		-
Cash dividends to stockholders - NT\$0.758 per share	-		-
	-		-
Net income for the year ended December 31, 2022	-		-
Other comprehensive income for the year ended December 31, 2022	-		-
Total comprehensive income for the year ended December 31, 2022	-		-
BALANCE AT DECEMBER 31, 2022	\$ 56,282,930	\$	172,981
BALANCE AT JANUARY 1, 2021	\$ 56,282,930	\$	172,981
Appropriations of 2020 earnings			
Legal reserve	-		-
Cash dividends to stockholders - NT\$1.05 per share	-		-
	-		-
Net income for the year ended December 31, 2021	-		-
Other comprehensive loss for the year ended December 31, 2021	-		-
Total comprehensive income for the year ended December 31, 2021	-		-
BALANCE AT DECEMBER 31, 2021	\$ 56,282,930	\$	172,981

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

	Legal Reserve	Retained Earnings		Total	Total Equity		
		Unappropriated Earnings					
\$	3,852,440	\$	7,469,620	\$	11,322,060	\$	67,777,971
	360,102		(360,102)		-		-
	-		(4,266,246)		(4,266,246)		(4,266,246)
	360,102		(4,626,348)		(4,266,246)		(4,266,246)
	-		3,769,337		3,769,337		3,769,337
	-		9,005		9,005		9,005
	-		3,778,342		3,778,342		3,778,342
\$	4,212,542	\$	6,621,614	\$	10,834,156	\$	67,290,067
\$	3,270,422	\$	10,360,323	\$	13,630,745	\$	70,086,656
	582,018		(582,018)		-		-
	-		(5,909,708)		(5,909,708)		(5,909,708)
	582,018		(6,491,726)		(5,909,708)		(5,909,708)
	-		3,610,922		3,610,922		3,610,922
	-		(9,899)		(9,899)		(9,899)
	-		3,601,023		3,601,023		3,601,023
\$	3,852,440	\$	7,469,620	\$	11,322,060	\$	67,777,971

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,265,625	\$ 4,265,625
Adjustments for:		
Depreciation	223,028	218,862
Amortization	13,412,502	14,039,807
Reversal of write-downs of inventories	(8,285)	(15,361)
Interest expense	6,231,824	5,757,241
Interest income	(205,005)	(95,430)
Loss (gain) on foreign currency exchange, net	39,847	(24,078)
Stabilization reserve reverse	(398,767)	(6,451,898)
Loss on disposal of intangible assets, net	179,046	47,934
Others	25,531	7,126
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	15,218,000
Financial liabilities for hedging	(584)	512
Notes and accounts receivable	252,011	(447,865)
Inventories	(71,716)	(269,780)
Other current assets	164,523	170,619
Other non-current assets	(471)	(700)
Accounts payable	(140,111)	263,622
Other payables	268,275	(220,239)
Provisions	(885,959)	-
Other current liabilities	236,965	445,583
Other non-current liabilities	(5,897)	(5,747)
Cash generated from operations	23,582,382	32,903,833
Interest received	188,183	96,073
Interest paid	(6,035,505)	(5,503,516)
Interest paid with respect to operating concession liabilities	(8,049,281)	(541,931)
Income tax refunded (paid)	141,601	(78,402)
Net cash generated from operating activities	9,827,380	26,876,057
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in other financial assets	12,705,174	(5,125,115)
Acquisition of property, plant and equipment	(46,898)	(36,199)
Acquisition of intangible assets	(5,191,424)	(3,664,773)
Proceeds from disposal of intangible assets	100	207
Net cash generated from (used in) investing activities	7,466,952	(8,825,880)

**For the Years Ended December 31**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net decrease in short-term borrowings	\$ (10,922)	\$ (40,470)
Proceeds from short-term bills payable	7,000,000	15,000,000
Proceeds from issuance of bonds	-	9,000,000
Repayment of long-term debt	(25,000,000)	(15,000,000)
Repayment of the principal portion of lease liabilities	(165,693)	(164,415)
Increase in other non-current liabilities	93,945	32,220
Cash dividends	(4,266,246)	(5,909,708)
	<u>(22,348,916)</u>	<u>2,917,627</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(5,966)</u>	<u>(77)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(5,060,550)	20,967,727
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>21,619,496</u>	<u>651,769</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 16,558,946</u>	<u>\$ 21,619,496</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, 2022 AND 2021

(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 22, 2023.

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

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

Effective Date Announced by IASB	New IFRSs
January 1, 2022	Annual Improvements to IFRS Standards 2018-2020
January 1, 2022	Amendments to IFRS 3 “Reference to the Conceptual Framework”
January 1, 2022	Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”
January 1, 2022	Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The Corporation has evaluated that the initial application of the abovementioned IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

**b. The IFRSs endorsed by the FSC for application starting from 2023**

<b>Effective Date Announced by IASB</b>	<b>New IFRSs</b>
January 1, 2023 (Note 1)	Amendments to IAS 1 “Disclosure of Accounting Policies”
January 1, 2023 (Note 2)	Amendments to IAS 8 “Definition of Accounting Estimates”
January 1, 2023 (Note 3)	Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

Note 2: 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.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

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**

<b>Effective Date Announced by IASB (Note 1)</b>	<b>New IFRSs</b>
January 1, 2023	IFRS 17 “Insurance Contracts”
January 1, 2023	Amendments to IFRS 17
January 1, 2023	Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
January 1, 2024	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
January 1, 2024	Amendments to IAS 1 “Non-current Liabilities with Covenants”
January 1, 2024 (Note 2)	Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”
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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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 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 financial assets at amortized cost**

Cash and cash equivalents, receivables and other financial assets are measured at amortized cost. Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized costs, which equals to the carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Receivables are mainly generated from customers who purchased tickets and merchandise through credit cards; these receivables are assessed for lifetime Expected Credit Loss (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, and it is computed using the straight-line method over the following estimated useful lives: Machinery and equipment - 3 to 7 years; transportation equipment - 4 years; office equipment - 3 to 10 years; leasehold improvements - 2 to 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 of 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 2 to 7 years.

**l. 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 k.1) above) with corresponding operating concession liabilities. The liability was measured at the discounted amount of the profit sharing payments at the date of HSR commercial operation. Subsequent interest is computed by using the effective interest method.

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

### **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, 2022, 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 to the financial statements, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the recent development of the COVID-19 pandemic in Taiwan and its economic environment implications when making its critical accounting estimates with respect to cash flow projections, revenue growth rates, profitability, etc. 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. Stabilization reserve**

As of December 31, 2022 and 2021, the Corporation recognized a provision for stabilization reserve for \$3,150,817 thousand and \$4,434,096 thousand, respectively, in accordance with the stabilization mechanism under the C&O Agreement. The actual payment for the stabilization reserve may change and is subject to the profitability for the remaining concession period, which ends in the year 2068 or earlier if so terminated. Please refer to Note 17 and Note 29.a.3) to the financial statements for further information.

**b. Income taxes**

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets includes consideration of future revenue growth, amount of tax credits that can be utilized and feasible tax planning strategies.

As of December 31, 2022 and 2021, the carrying amounts of deferred tax assets in relation to deductible temporary differences, unused loss carryforwards and unused investment credit were \$6,174,444 thousand and \$6,997,477 thousand, respectively. As of December 31, 2022 and 2021, no deductible temporary tax differences were not recognized as deferred tax assets according to the assessment of the realizability of deferred tax assets.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 101,699	\$ 106,523
Demand deposits	233,658	13,462,645
Time deposits	12,595,866	5,220,000
Repurchase agreement collateralized by bonds	3,627,723	2,830,328
	<u>\$ 16,558,946</u>	<u>\$ 21,619,496</u>

The interest rate intervals of cash and cash equivalents at the end of the reporting periods were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Demand deposits	0.001%-1.05%	0.001%-0.30%
Time deposits	1.15%-5.00%	0.32%-0.35%
Repurchase agreement collateralized by bonds	1.05%-1.26%	0.28%-0.32%

## 7. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2022	2021
<u>Financial assets for hedging - current</u>		
Fair value hedges - forward exchange contracts	\$ 72	\$ -
<u>Financial liabilities for hedging - current</u>		
Fair value hedges - forward exchange contracts	\$ -	\$ 512

The Corporation entered into forward exchange contracts mainly to hedge the risk of exchange rate fluctuations of foreign-currency accounts payable and payables for construction. As of the balance sheet date, outstanding forward exchange contracts were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)	
<u>December 31, 2022</u>				
Buy	US\$/JPY	January 2023	JPY	49,219
Buy	NT\$/US\$	January 2023	US\$	371
<u>December 31, 2021</u>				
Buy	US\$/JPY	January 2022	JPY	141,194
Buy	NT\$/US\$	January 2022	US\$	1,238

## 8. INVENTORIES

	December 31	
	2022	2021
Spare parts and supplies	\$ 2,416,637	\$ 2,332,806
Merchandise	9,362	13,192
	<u>\$ 2,425,999</u>	<u>\$ 2,345,998</u>

As of December 31, 2022 and 2021, allowance for inventory valuation losses amounted to \$596,176 thousand and \$604,461 thousand, respectively.

## 9. OTHER FINANCIAL ASSETS

	December 31	
	2022	2021
Time deposits	\$ 12,131,528	\$ 22,980,675
Repurchase agreement collateralized by bonds	1,426,000	2,399,000
Demand deposits	11,615	18,379
Demand deposits-Stabilization Mechanism Account (Note 17)	1,334	885,991
Other performance guarantee	6,026	6,036
	<u>\$ 13,576,503</u>	<u>\$ 26,290,081</u>
Current	\$ 11,496,900	\$ 24,126,307
Non-current	<u>2,079,603</u>	<u>2,163,774</u>
	<u>\$ 13,576,503</u>	<u>\$ 26,290,081</u>

a. The interest rate intervals of other financial assets at the end of the reporting periods were as follows:

	December 31	
	2022	2021
Time deposits	0.002%-4.30%	0.002%-0.82%
Repurchase agreement collateralized by bonds	1.13%	0.28%-0.30%
Demand deposits	0.405%-0.455%	0.01%-0.04%

b. Please refer to Note 28 to the financial statements for the information of other financial assets pledged as collateral.

## 10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Land	\$ 28	\$ 28
Machinery and equipment	90,379	69,643
Transportation equipment	-	-
Office equipment	12,314	13,516
Leasehold improvements	724	1,469
Other equipment	<u>25,069</u>	<u>24,506</u>
	<u>\$ 128,514</u>	<u>\$ 109,162</u>

## Financial Overview

	Land	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 28	\$ 355,972	\$ 87	\$ 124,252	\$ 82,133	\$ 273,418	\$ 835,890
Additions	-	41,516	-	3,618	-	1,764	46,898
Disposals	-	(8,983)	-	(3,147)	-	(85)	(12,215)
Transfer	-	16,454	-	-	-	8,569	25,023
Balance at December 31, 2022	28	404,959	87	124,723	82,133	283,666	895,596

### Accumulated depreciation

Balance at January 1, 2022	-	286,329	87	110,736	80,664	248,912	726,728
Depreciation	-	35,187	-	4,820	745	9,842	50,594
Disposals	-	(8,983)	-	(3,147)	-	(85)	(12,215)
Transfer	-	2,047	-	-	-	(72)	1,975
Balance at December 31, 2022	-	314,580	87	112,409	81,409	258,597	767,082
	\$ 28	\$ 90,379	\$ -	\$ 12,314	\$ 724	\$ 25,069	\$ 128,514

### Cost

Balance at January 1, 2021	\$ 28	\$ 327,176	\$ 87	\$ 123,984	\$ 80,528	\$ 270,848	\$ 802,651
Additions	-	26,569	-	3,445	1,605	4,580	36,199
Disposals	-	(6,246)	-	(3,177)	-	(3,273)	(12,696)
Transfer	-	8,473	-	-	-	1,263	9,736
Balance at December 31, 2021	28	355,972	87	124,252	82,133	273,418	835,890

### Accumulated depreciation

Balance at January 1, 2021	-	266,023	87	108,971	80,250	237,591	692,922
Depreciation	-	26,552	-	4,942	414	14,594	46,502
Disposals	-	(6,246)	-	(3,177)	-	(3,273)	(12,696)
Balance at December 31, 2021	-	286,329	87	110,736	80,664	248,912	726,728
	\$ 28	\$ 69,643	\$ -	\$ 13,516	\$ 1,469	\$ 24,506	\$ 109,162

## 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, 2022	\$ 469,915	\$ 496,973	\$ 71,994	\$ 1,260	\$ 1,040,142
Additions	2,908	-	-	-	2,908
Balance at December 31, 2022	472,823	496,973	71,994	1,260	1,043,050
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	252,259	184,443	28,179	420	465,301
Depreciation	87,136	61,482	23,396	420	172,434
Balance at December 31, 2022	339,395	245,925	51,575	840	637,735
	<u>\$ 133,428</u>	<u>\$ 251,048</u>	<u>\$ 20,419</u>	<u>\$ 420</u>	<u>\$ 405,315</u>

### Cost

Balance at January 1, 2021	\$ 437,883	\$ 496,973	\$ 71,777	\$ -	\$ 1,006,633
Additions	32,032	-	1,740	1,260	35,032
Deduction	-	-	(1,523)	-	(1,523)
Balance at December 31, 2021	469,915	496,973	71,994	1,260	1,040,142

### Accumulated depreciation

Balance at January 1, 2021	165,128	122,962	6,374	-	294,464
Depreciation	87,131	61,481	23,328	420	172,360
Deduction	-	-	(1,523)	-	(1,523)
Balance at December 31, 2021	252,259	184,443	28,179	420	465,301
	<u>\$ 217,656</u>	<u>\$ 312,530</u>	<u>\$ 43,815</u>	<u>\$ 840</u>	<u>\$ 574,841</u>

### b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings	\$ 134,829	\$ 217,010
Machinery and equipment	241,874	298,631
Transportation equipment	20,548	43,967
Other equipment	433	861
	<u>397,684</u>	<u>560,469</u>
Less: Recognized as current lease liabilities	<u>(159,571)</u>	<u>(165,458)</u>
Lease liabilities - non-current	<u>\$ 238,113</u>	<u>\$ 395,011</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	0.38%-1.00%	0.38%-0.87%
Machinery and equipment	0.87%	0.87%
Transportation equipment	0.45%-0.73%	0.45%-0.73%
Other equipment	0.38%	0.38%

**c. Material lease terms**

The Corporation leased an office building from Century Development Corporation with the lease term from January 2018 to December 2023.

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 Kyndryl Taiwan Corporation with the lease term from February 2018 to January 2027.

**d. Other lease information**

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 878	\$ 1,059
Expenses relating to low-value asset leases	\$ 355	\$ 434
Total cash outflows for leases	\$ (170,636)	\$ (170,640)

The Corporation leases certain space, which qualifies as short-term leases, and certain office equipment and other equipment, which 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	
	2022	2021
Operating concession assets	\$ 359,479,197	\$ 367,972,348
Computer software, net	134,962	113,113
	\$ 359,614,159	\$ 368,085,461

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, 2022	\$ 476,575,681	\$ 69,972,043	\$ 12,701,819	\$ 2,826,901	\$ 562,076,444	\$ 569,309	\$ 562,645,753
Additions	1,300,350	-	-	3,842,013	5,142,363	24,254	5,166,617
Disposals	(2,124,741)	-	-	-	(2,124,741)	(490)	(2,125,231)
Transfer	3,532,906	-	-	(3,620,825)	(87,919)	38,109	(49,810)
Balance at December 31, 2022	479,284,196	69,972,043	12,701,819	3,048,089	565,006,147	631,182	565,637,329
<u>Accumulated amortization</u>							
Balance at January 1, 2022	173,665,854	18,933,286	1,504,956	-	194,104,096	456,196	194,560,292
Amortization	12,032,190	1,097,607	240,793	-	13,370,590	40,514	13,411,104
Disposals	(1,945,595)	-	-	-	(1,945,595)	(490)	(1,946,085)
Transfer	(2,141)	-	-	-	(2,141)	-	(2,141)
Balance at December 31, 2022	183,750,308	20,030,893	1,745,749	-	205,526,950	496,220	206,023,170
	<u>\$ 295,533,888</u>	<u>\$ 49,941,150</u>	<u>\$ 10,956,070</u>	<u>\$ 3,048,089</u>	<u>\$ 359,479,197</u>	<u>\$ 134,962</u>	<u>\$ 359,614,159</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 474,398,159	\$ 69,972,043	\$ 12,701,819	\$ 1,569,788	\$ 558,641,809	\$ 503,172	\$ 559,144,981
Additions	1,131,046	-	-	2,637,902	3,768,948	35,437	3,804,385
Disposals	(291,973)	-	-	-	(291,973)	(2,437)	(294,410)
Transfer	1,338,449	-	-	(1,380,789)	(42,340)	33,137	(9,203)
Balance at December 31, 2021	476,575,681	69,972,043	12,701,819	2,826,901	562,076,444	569,309	562,645,753
<u>Accumulated amortization</u>							
Balance at January 1, 2021	161,250,555	17,835,678	1,264,164	-	180,350,397	419,920	180,770,317
Amortization	12,659,131	1,097,608	240,792	-	13,997,531	38,713	14,036,244
Disposals	(243,832)	-	-	-	(243,832)	(2,437)	(246,269)
Balance at December 31, 2021	173,665,854	18,933,286	1,504,956	-	194,104,096	456,196	194,560,292
	<u>\$ 302,909,827</u>	<u>\$ 51,038,757</u>	<u>\$ 11,196,863</u>	<u>\$ 2,826,901</u>	<u>\$ 367,972,348</u>	<u>\$ 113,113</u>	<u>\$ 368,085,461</u>

**b. Operating assets and construction in progress are as follows:**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Operating assets, net</u>		
Land improvements	\$ 154,998,583	\$ 158,327,671
Buildings	26,045,381	26,564,132
Machinery and equipment	23,397,821	24,346,956
Transportation equipment	91,077,877	93,650,574
Other equipment	14,226	20,494
	<u>\$ 295,533,888</u>	<u>\$ 302,909,827</u>
<u>Construction in progress</u>		
Prepayments for equipment	<u>\$ 3,048,089</u>	<u>\$ 2,826,901</u>

**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, 2022, 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**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Other current assets</u>		
Prepayments	\$ 1,023,204	\$ 1,181,856
Others	37,027	24,736
	<u>\$ 1,060,231</u>	<u>\$ 1,206,592</u>
<u>Other non-current assets</u>		
Others	<u>\$ 1,403</u>	<u>\$ 2,330</u>

## 14. BORROWINGS AND SHORT-TERM BILLS PAYABLE

### a. Short-term borrowings

	December 31	
	2022	2021
Letters of credit	\$ 5,737	\$ 16,142

The range of interest rates at the end of the reporting periods was as follows:

	December 31	
	2022	2021
Letters of credit	0.63%-0.74%	0.63%

### b. Short-term bills payable

	December 31	
	2022	2021
Short-term bills payable	\$ 22,000,000	\$ 15,000,000
Less: Discount on short-term bills payable	(39,180)	(17,555)
	<u>\$ 21,960,820</u>	<u>\$ 14,982,445</u>

The above-mentioned short-term notes payable are non-guaranteed commercial papers. The Corporation could issue non-guaranteed commercial paper (up to 90 days) on a revolving basis during the contract term, only interest and handling fees will be paid during the period. The outstanding short-term bills payable are as follows:

Guarantee or Acceptance Agency	Issue Period	Issue Price	Unamortized Discount	Book Value	Interest Rate	Cyclical Issuing Contract Period
International Bills Finance Corporation	December 7, 2022 - March 7, 2023	\$ 5,000,000	\$ (11,916)	\$ 4,988,084	1.32%	July 19, 2021 - July 18, 2026
Mega Bills Finance Corporation	December 7, 2022 - March 7, 2023	5,000,000	(11,916)	4,988,084	1.32%	July 19, 2021 - July 18, 2026
China Bills Finance Corporation	December 7, 2022 - March 7, 2023	5,000,000	(11,916)	4,988,084	1.32%	July 19, 2021 - July 18, 2026
International Bills Finance Corporation	October 27, 2022 - January 12, 2023	2,500,000	(1,227)	2,498,773	1.49%	May 3, 2022 - May 2, 2027
Mega Bills Finance Corporation	October 27, 2022 - January 12, 2023	2,000,000	(981)	1,999,019	1.49%	May 3, 2022 - May 2, 2027
China Bills Finance Corporation	October 27, 2022 - January 12, 2023	2,500,000	(1,224)	2,498,776	1.49%	May 3, 2022 - May 2, 2027
		<u>\$ 22,000,000</u>	<u>\$ (39,180)</u>	<u>\$ 21,960,820</u>		

## c. Long-term debt

	December 31	
	2022	2021
Syndicated loan		
Tranche A1 Facility (from May 4, 2010 to May 4, 2049)	\$ 95,400,000	\$ 105,900,000
Tranche A2 Facility (from May 4, 2010 to May 4, 2048)	122,305,117	136,805,117
	<u>217,705,117</u>	<u>242,705,117</u>
Less: Unamortized cost of long-term debt	<u>(82,977)</u>	<u>(90,710)</u>
	<u>\$ 217,622,140</u>	<u>\$ 242,614,407</u>

The Corporation has 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. Please refer to Notes 9 and 28 to the financial statements for further information.

4) The repayment schedule and interest rates of the Syndicated Loan Agreement are as follows:

a) Term of loan and repayment method

	<b>Repayment Schedule</b>	<b>Ratio of Repayment</b>	<b>Repayment Schedule after Early Repayment</b>	<b>Number of Semi-annual Installment Repayment after Early Repayment</b>
Tranche A1 Facility	May 4, 2021 - November 4, 2040	1.5% per installment	May 4, 2027 - November 4, 2040	Installments 13-40
	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, 2027 - November 4, 2040	Installments 13-40
	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 December 2, 2021, the Corporation made early repayment for \$15 billion and repaid interest differences for \$485,121 thousand due to early repayment of the loan.

On May 4, 2022, the Corporation made early repayment for \$25 billion and repaid interest differences for \$795,291 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, 2022 and 2021, the reference rates were 1.44% and 0.81%, respectively.

<b>Syndicated Period</b>	<b>Markup Interest Rates</b>
May 4, 2010 - May 3, 2012	0.10%
May 4, 2012 - May 3, 2013	0.20%
May 4, 2013 - May 3, 2014	0.30%
May 4, 2014 - May 3, 2015	0.40%
May 4, 2015 - May 3, 2016	0.50%
May 4, 2016 - May 3, 2017	0.60%
May 4, 2017 - May 3, 2018	0.70%
May 4, 2018 - May 3, 2040	0.92%
May 4, 2040 - May 4, 2049	1.08%

- 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Tranche A1 Facility	2.34%	1.67%
Tranche A2 Facility	2.35%	1.68%

b) Accrued interest expense (included in other payables)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 193,978	\$ 163,794
Tranche A2 Facility	248,685	211,595
	<u>\$ 442,663</u>	<u>\$ 375,389</u>

c) Long-term interest payable

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Syndicated loan</u>		
Tranche A1 Facility	\$ 2,546,169	\$ 3,022,405
Tranche A2 Facility	2,844,348	3,472,025
	<u>\$ 5,390,517</u>	<u>\$ 6,494,430</u>

d) Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Syndicated loan</u>		
Interest expense	\$ 4,497,356	\$ 4,266,484

## 15. BONDS PAYABLE

	December 31	
	2022	2021
Domestic unsecured bond	\$ 27,500,000	\$ 27,500,000
Less: Unamortized issuance cost	(26,463)	(30,742)
	<u>\$ 27,473,537</u>	<u>\$ 27,469,258</u>

The main conditions of domestic unsecured bonds issued by the Corporation were as follows:

Bonds Name	Trustee	Issuance Period	Total Amount	Coupon Rate	Unamortized Repayment
Domestic Unsecured Bonds-2019-1	Taishin International Bank	November 14, 2019 - November 14, 2049	\$ 8,000,000	1.60%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2020-1	Taishin International Bank	July 1, 2020 - July 1, 2050	10,500,000	1.30%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-A	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2024	4,000,000	0.32%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-1-B	Hua Nan Commercial Bank	July 1, 2021 - July 1, 2025	4,000,000	0.35%	Bullet repayment and Annual simple interest payment
Domestic Unsecured Bonds-2021-2	Hua Nan Commercial Bank	August 30, 2021 - August 30, 2024	1,000,000	0.30%	Bullet repayment and Annual simple interest payment

## 16. OPERATING CONCESSION LIABILITIES

	December 31	
	2022	2021
Operating concession liabilities	\$ 69,785,986	\$ 80,425,041
Value of returned superficities for offset of profit sharing payable	(19,599,449)	(23,384,013)
	<u>\$ 50,186,537</u>	<u>\$ 57,041,028</u>
Current	\$ 426,563	\$ 8,049,281
Non-current	49,759,974	48,991,747
	<u>\$ 50,186,537</u>	<u>\$ 57,041,028</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. Please refer to Note 29.a.2) to the financial statements for further information. The minimum commitment to profit sharing payments of \$108 billion was discounted and recognized as operating concession assets and operating concession liabilities, and related amortization expense and interest expense, respectively, are recognized during the concession period. The information about the amortization expense of operating concession assets and the interest expense of operating concession liabilities during the concession period is summarized as follows:

<b>Year</b>	<b>Amortization Expense</b>	<b>Interest Expense</b>	<b>Total</b>
Up to December 31, 2022	\$ 20,030,893	\$ 24,813,943	\$ 44,844,836
2023 (estimate)	1,097,608	1,395,720	2,493,328
2024 (estimate)	1,097,608	1,423,634	2,521,242
2025 (estimate)	\$ 1,097,608	\$ 1,452,107	\$ 2,549,715
2026 (estimate)	1,097,608	1,481,149	2,578,757
2027-2033 (estimate)	7,683,258	7,461,404	15,144,662
2034-2068 (estimate)	37,867,460	-	37,867,460
	<u>\$ 69,972,043</u>	<u>\$ 38,027,957</u>	<u>\$ 108,000,000</u>

According to the Financial Resolution Plan, the Fourth Amendment of the C&O Agreement and the SZD Termination Agreement that became effective on October 30, 2015, the 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. Please refer to Note 29 a. 2) to the financial statements for further details. The information on actual and estimated profit or loss recognized on the value of returned superficies for offset of profit sharing payable within the concession period is summarized as follows:

<b>Year</b>	<b>Other Gain</b>	<b>Deduction of Interest Expense</b>	<b>Total</b>
Up to December 31, 2022	\$ 22,613,234	\$ 3,241,981	\$ 25,855,215
2023 (estimate)	-	391,989	391,989
2024 (estimate)	-	399,829	399,829
2025 (estimate)	-	407,825	407,825
2026 (estimate)	-	415,982	415,982
2027-2033 (estimate)	-	2,314,015	2,314,015
	<u>\$ 22,613,234</u>	<u>\$ 7,171,621</u>	<u>\$ 29,784,855</u>

As of December 31, 2022, the Corporation's accumulated profit sharing payments paid to the MOTC amounted to \$18,744,234 thousand (or accumulated profit sharing payments for \$25,000,000 thousand less the deductible amount of returned superficies for \$6,255,766 thousand).

## 17. PROVISIONS

### a. Provisions

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Current</u>		
Provision for controversial overtime payments	\$ 283,299	\$ 283,279
Provision for stabilization reserve	1,482	885,994
	<u>\$ 284,781</u>	<u>\$ 1,169,273</u>
<u>Non-current</u>		
Provision for stabilization reserve	<u>\$ 3,149,335</u>	<u>\$ 3,548,102</u>

### b. Movements in provisions were as follows:

	<b>Balance at January 1, 2022</b>	<b>Addition</b>	<b>Deduction</b>	<b>Balance at December 31, 2022</b>
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,279	\$ 20	\$ -	\$ 283,299
Provision for stabilization reserve	885,994	1,447	(885,959)	1,482
	<u>\$ 1,169,273</u>	<u>\$ 1,467</u>	<u>\$ (885,959)</u>	<u>\$ 284,781</u>
<u>Non-current</u>				
Provision for stabilization reserve	<u>\$ 3,548,102</u>	<u>\$ -</u>	<u>\$ (398,767)</u>	<u>\$ 3,149,335</u>
	<b>Balance at January 1, 2021</b>	<b>Addition</b>	<b>Deduction</b>	<b>Balance at December 31, 2021</b>
<u>Current</u>				
Provision for controversial overtime payments	\$ 283,279	\$ -	\$ -	\$ 283,279
Provision for stabilization reserve	885,959	35	-	885,994
	<u>\$ 1,169,238</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 1,169,273</u>
<u>Non-current</u>				
Provision for stabilization reserve	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ (6,451,898)</u>	<u>\$ 3,548,102</u>

## 1) Controversial overtime payments

Employees assigned in particular functions in the Corporation 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 payments 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 payments 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 the 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. The Supreme Administrative Court announced its judgement on January 16, 2023 and stated in the main text of the judgment as below: Both appeals were dismissed. The costs of the appeal proceedings shall be borne by the two parties.

As of December 31, 2022, the Corporation evaluated the most likely result and recognized the provision for controversial overtime payments for \$283,299 thousand.

## 2) Stabilization reserve

Please refer to Note 29.a.3) to the financial statements regarding the recognition and use of provision for stabilization reserve. For the years ended December 31, 2022 and 2021, the stabilization reserve reverse amounted to \$398,767 thousand and \$6,451,898 thousand, respectively. In November 2021, the Corporation contributed \$885,959 thousand to the Stabilization Mechanism Account in accordance with the C&O agreement, and was in compliance with MOTC's to utilize the funds in December 2022. As of December 31, 2022, balance of the stabilization reserve account was \$3,150,817 thousand recognized and the Stabilization Mechanism Account was \$1,334 thousand.

## 18. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Other payables</u>		
Accrued expenses	\$ 2,491,035	\$ 2,312,625
Accrued interest expense	590,818	474,761
Business tax payable	262,611	201,094
Others	73,940	45,287
	<u>\$ 3,418,404</u>	<u>\$ 3,033,767</u>

	December 31	
	2022	2021
<u>Other current liabilities</u>		
Contract liabilities (Note 21)	\$ 1,285,739	\$ 997,764
Lease liabilities (Note 11)	159,571	165,458
Receipts under custody	33,076	31,426
Rent received in advance	459	55,521
Others	29,798	27,396
	<u>\$ 1,508,643</u>	<u>\$ 1,277,565</u>
<u>Other non-current liabilities</u>		
Guarantee deposits received	\$ 383,480	\$ 289,541
Net defined benefit liability (Note 19)	275,823	290,241
Deferred revenue	6,748	9,483
Deferred tax liabilities	15	1,141
	<u>\$ 666,066</u>	<u>\$ 590,406</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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ (936,431)	\$ (904,605)
Fair value of plan assets	660,608	614,364
Net defined benefit liability	<u>\$ (275,823)</u>	<u>\$ (290,241)</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2021	\$ (887,099)	\$ 605,651	\$ (281,448)
Current service cost	(13,577)	-	(13,577)
Net interest income (expense)	(6,961)	4,788	(2,173)
Recognized in profit or loss	(20,538)	4,788	(15,750)
Remeasurement			
Return on plan assets	-	6,002	6,002
Actuarial gain - experience adjustments	4,945	-	4,945
Actuarial loss - changes in financial assumptions	(23,321)	-	(23,321)
Recognized in other comprehensive income	(18,376)	6,002	(12,374)
Contributions from the employer	-	19,331	19,331
Benefits paid	21,408	(21,408)	-
Balance at December 31, 2021	(904,605)	614,364	(290,241)
Current service cost	(13,593)	-	(13,593)
Net interest income (expense)	(4,866)	3,322	(1,544)
Recognized in profit or loss	(18,459)	3,322	(15,137)
Remeasurement			
Return on plan assets	-	48,548	48,548
Actuarial loss - experience adjustments	(55,618)	-	(55,618)
Actuarial gain - changes in financial assumptions	18,326	-	18,326
Recognized in other comprehensive income	(37,292)	48,548	11,256
Contributions from the employer	-	18,299	18,299
Benefits paid	23,925	(23,925)	-
Balance at December 31, 2022	<u>\$ (936,431)</u>	<u>\$ 660,608</u>	<u>\$ (275,823)</u>

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	
	2022	2021
Discount rate	1.25%	0.55%
Expected salary growth rate	2.75%	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	
	2022	2021
	Discount rate	
Increase 0.5%	\$ (42,849)	\$ (45,891)
Decrease 0.5%	\$ 45,816	\$ 49,377
Expected salary growth rate		
Increase 0.5%	\$ 45,296	\$ 48,668
Decrease 0.5%	\$ (42,807)	\$ (45,720)

An analysis of the average duration of the defined benefit obligation was as follows:

	December 31	
	2022	2021
The expected contributions to the plan for the next year	\$ 41,133	\$ 39,601
The average duration of the defined benefit obligation	8.2 years	9.0 years

- c. Please refer to Note 22.a. to the financial statements for the expenses of defined contribution plan and defined benefit plan recorded as pension costs in comprehensive income for the years ended December 31, 2022 and 2021.

## 20. EQUITY

### a. Capital stock

	December 31	
	2022	2021
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 have not yet been applied to be listed and traded on the Taiwan Stock Exchange.

**b. Capital surplus**

	December 31	
	2022	2021
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 and generated from forfeited employee share options 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.

**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, please refer to Note 22.a. to the financial statements.

The appropriations of earnings for 2021 and 2020 approved in the stockholders' meetings on May 26, 2022 and August 12, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2021	For Fiscal Year 2020	For Fiscal Year 2021	For Fiscal Year 2020
Legal reserve	\$ 360,102	\$ 582,018		
Cash dividends	4,266,246	5,909,708	\$ 0.758	\$ 1.05
	<u>\$ 4,626,348</u>	<u>\$ 6,491,726</u>		

The Corporation's 2022 earnings appropriations will be proposed by the Board of Directors and approved in the stockholders' meetings. Information on the appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Railroad transportation revenue	\$ 35,640,556	\$ 29,084,574
Other operating revenue	1,492,677	1,143,313
	<u>\$ 37,133,233</u>	<u>\$ 30,227,887</u>

### a. Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes and accounts receivable	\$ 413,946	\$ 665,957	\$ 218,092
Contract liabilities			
Railroad transportation revenue	\$ 1,185,983	\$ 872,822	\$ 491,626
Customer loyalty program	88,834	116,134	107,989
Others	10,922	8,808	7,991
	<u>\$ 1,285,739</u>	<u>\$ 997,764</u>	<u>\$ 607,606</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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
From the beginning balance of contract liability		
Railroad transportation revenue	\$ 864,209	\$ 482,735
Customer loyalty program	109,767	99,227
Others	8,788	7,981
	<u>\$ 982,764</u>	<u>\$ 589,943</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.

	<b>December 31, 2022</b>
Railroad transportation revenue	
In 2023	\$ 1,163,009
In 2024	22,974
	<u>1,185,983</u>
Customer loyalty program	
In 2023	81,642
In 2024	7,192
	<u>88,834</u>
Others	
In 2023	10,921
In 2024	1
	<u>10,922</u>
	<u>\$ 1,285,739</u>

## 22. INCOME BEFORE INCOME TAX

**a. Employee benefit expense**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits		
Defined contribution plan	\$ 201,476	\$ 199,576
Defined benefit plan	15,137	15,750
	<u>216,613</u>	<u>215,326</u>
Short-term employee benefits		
Payroll	4,420,468	4,230,311
Insurance	402,913	404,440
Others	190,478	191,519
	<u>5,013,859</u>	<u>4,826,270</u>
	<u>\$ 5,230,472</u>	<u>\$ 5,041,596</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 4,297,595	\$ 4,188,217
Operating expenses	932,877	853,379
	<u>\$ 5,230,472</u>	<u>\$ 5,041,596</u>

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, 2022 and 2021, the estimated employees' compensation in cash was both \$87,500 thousand and the estimated remuneration to directors in cash was both \$21,875 thousand.

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 \$87,500 thousand and the remuneration to directors of \$21,875 thousand for the year ended December 31, 2022 payable in cash on January 18, 2023 which were the same amounts recognized in the financial statements for the year ended December 31, 2022.

The board of directors had resolved the employees' compensation of \$87,500 thousand and the remuneration to directors of \$21,875 thousand for the year ended December 31, 2021 payable in cash on January 19, 2022 which were the same amounts recognized in the financial statements for the year ended December 31, 2021.

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 50,594	\$ 46,502
Right-of-use assets	172,434	172,360
Intangible assets	13,411,104	14,036,244
Other non-current assets	1,398	3,563
	<u>\$ 13,635,530</u>	<u>\$ 14,258,669</u>
An analysis of depreciation by function		
Operating costs	\$ 198,004	\$ 193,223
Operating expenses	25,024	25,639
	<u>\$ 223,028</u>	<u>\$ 218,862</u>
An analysis of amortization by function		
Operating costs	\$ 13,402,714	\$ 14,030,922
Operating expenses	9,788	8,885
	<u>\$ 13,412,502</u>	<u>\$ 14,039,807</u>

**c. Interest income**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest income of bank deposits	\$ 174,593	\$ 80,298
Interest income of repurchase agreement collateralized by bonds	30,382	15,103
Others	30	29
	<u>\$ 205,005</u>	<u>\$ 95,430</u>

**d. Interest expense**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 4,503,140	\$ 4,273,134
Interest on operating concession liabilities	1,194,790	1,171,363
Interest on bonds payable	298,579	281,320
Others	235,315	31,424
	<u>\$ 6,231,824</u>	<u>\$ 5,757,241</u>

**e. Other gains and losses**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation gain	\$ 89,044	\$ 9,897
Foreign exchange gain, net	54,032	34,930
Liquidated damages	15,007	18,458
COVID-19 relief of bill payment assistance (Note)	4,611	98,702
Gains on financial assets at FVTPL	-	26,455
Loss on disposal of intangible assets, net	(179,046)	(47,934)
Compensation loss	(21,000)	-
Others	10,621	17,148
	<u>\$ (26,731)</u>	<u>\$ 157,656</u>

Note: Mainly composed of the electricity payment reduction and other relief package that the Corporation applied to and obtained from the government and Covid-19 related rent concessions.

## 23. INCOME TAX

### a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
Adjustments for prior years	\$ 323,368	\$ 24,687
Deferred tax		
In respect of the current year	(861,090)	(679,390)
Adjustments for prior years	41,434	-
Income tax expense	<u>\$ (496,288)</u>	<u>\$ (654,703)</u>

A reconciliation of income before income tax and income tax expense was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Income tax expense calculated at the statutory rate	\$ (853,125)	\$ (853,125)
Nondeductible expenses in determining taxable income	(9,702)	(2,989)
Change in unrecognized deductible temporary differences	-	171,614
Adjustments for prior years	364,802	24,687
Others	1,737	5,110
Income tax expense recognized in profit or loss	<u>\$ (496,288)</u>	<u>\$ (654,703)</u>

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 (expense) benefit recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plan	\$ (2,251)	\$ 2,475

## c. Deferred tax assets and liabilities

For the year ended December 31, 2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Profit sharing payments	\$ 5,960,522	\$ (1,915,530)	\$ -	\$ 4,044,992
Provisions	943,475	(256,652)	-	686,823
Deferred revenue	23,227	(5,460)	-	17,767
Defined benefit obligation	55,785	-	(2,251)	53,534
Others	6,494	48,688	-	55,182
	6,989,503	(2,128,954)	(2,251)	4,858,298
Loss carryforwards	7,974	1,308,172	-	1,316,146
	\$ 6,997,477	\$ (820,782)	\$ (2,251)	\$ 6,174,444

Deferred tax liabilities

Temporary differences

Others	\$ 1,141	\$ (1,126)	\$ -	\$ 15
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For the year ended December 31, 2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Profit sharing payments	\$ 5,530,653	\$ 429,869	\$ -	\$ 5,960,522
Provisions	2,062,234	(1,118,759)	-	943,475
Deferred revenue	21,598	1,629	-	23,227
Defined benefit obligation	53,310	-	2,475	55,785
Others	5,456	1,038	-	6,494
	7,673,251	(686,223)	2,475	6,989,503
Loss carryforwards	-	7,974	-	7,974
	\$ 7,673,251	\$ (678,249)	\$ 2,475	\$ 6,997,477

Deferred tax liabilities

Temporary differences

Others	\$ -	\$ 1,141	\$ -	\$ 1,141
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**d. Information on unused loss carryforwards**

Loss carryforwards as of December 31, 2022 comprised:

Expiry Year	Unused Amount
2031	\$ 44,762
2032	6,535,965
	\$ 6,580,727

**e. Income tax assessments**

The tax authorities have assessed the tax returns through 2019.

## 24. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share (NT\$)	\$ 0.67	\$ 0.64

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	
	2022	2021
Earnings attributable to common stockholders	\$ 3,769,337	\$ 3,610,922
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, short-term bills payable, 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	
	2022	2021
<u>Financial assets</u>		
Financial assets for hedging	\$ 72	\$ -
Financial assets at amortized cost		
Other financial assets	13,576,503	26,290,081
Others (Note 1)	16,999,526	22,294,007
<u>Financial liabilities</u>		
Financial liabilities for hedging	-	512
Financial liabilities at amortized cost (Note 2)	326,188,034	352,051,974

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable, and other receivables (included in other current assets).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, short-term bills payable, accounts payable, operating concession liabilities, other payables, payable for construction, bonds payable, long-term debt, long-term interest payable and guarantee deposits received (included in other non-current liabilities). However, short-term employee benefits payable and business tax payable were not included.

### b. Fair value of financial instruments

#### 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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets for hedging				
Forward exchange contracts	\$ -	\$ 72	\$ -	\$ 72

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities for hedging				
Forward exchange contracts	\$ -	\$ 512	\$ -	\$ 512

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

3) Valuation techniques and assumptions applied for measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) 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.
- b) The fair values of derivative financial instruments are determined using valuation techniques because no market prices are available. Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

**c. Financial risk management objectives and policies**

The 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. Financial instruments for hedging can partially, but not entirely, reduce the impact arising from changes in foreign exchange rates.

The Corporation's significant foreign-currency financial assets and liabilities were as follows (in thousands of respective foreign currencies or New Taiwan dollars):

	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 23,051	30.71	\$ 707,896
JPY	13,765	0.2324	3,199
<u>Financial liabilities</u>			
Monetary items			
USD	64	30.71	1,965
JPY	1,319,094	0.2324	306,557

	December 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,739	27.68	\$ 629,416
JPY	247,804	0.2405	59,597
<u>Financial liabilities</u>			
Monetary items			
JPY	2,141,835	0.2405	515,111

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 and hedging financial instruments relating to exchange rate at the balance sheet date. If the U.S. dollar weakened against the New Taiwan dollar by 1%, income before income tax would have decreased by \$7,059 thousand and \$6,294 thousand, respectively, for the years ended December 31, 2022 and 2021. If the JPY strengthened against the New Taiwan dollar by 1%, the income before income tax would have decreased by \$2,919 thousand and \$4,216 thousand for the years ended December 31, 2022 and 2021, respectively.

The significant unrealized exchange gain and loss were as follows:

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Exchange Loss, Net	Exchange Rate	Exchange Gain, Net
USD	30.71	\$ (18,258)	27.68	\$ 11,276
JPY	0.2324	(21,380)	0.2405	12,571

b) Interest rate risk

As of December 31, 2022 and 2021, the Corporation's syndicated loan with floating interest rates amounted to \$217,705,117 thousand and \$242,705,117 thousand, respectively. 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 \$2,177,051 thousand and \$2,427,051 thousand, for the years ended December 31, 2022 and 2021, 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. c. to the financial statements), operating concession liabilities, lease liabilities and bonds payable based on the undiscounted cash flows (excluding the hedging financial instruments and non-hedging financial liabilities that are to be settled within one year from the balance sheet date):

December 31, 2022

<u>Repayment Period</u>	<u>Long-term Debt</u>	<u>Interest on Long-term Debt</u>	<u>Operating Concession Liabilities</u>	<u>Lease Liabilities</u>	<u>Principal and Interest on Bonds Payable</u>	<u>Total</u>
2023.1.1-2023.3.31	\$ -	\$ 1,560,029	\$ -	\$ 42,774	\$ -	\$ 1,602,803
2023.4.1-2023.12.31	-	4,680,087	426,563	119,397	294,300	5,520,347
2024	-	6,827,920	568,900	85,340	5,294,300	12,776,460
2025	-	7,110,937	629,400	74,017	4,278,500	12,092,854
2026	-	7,110,937	627,200	72,099	264,500	8,074,736
2027	5,803,074	7,016,163	14,227,828	9,855	264,500	27,321,420
2028-2033	55,116,921	37,945,834	42,991,020	-	1,587,000	137,640,775
2034-2050	156,785,122	43,600,153	-	-	22,868,500	223,253,775
	<u>\$ 217,705,117</u>	<u>\$ 115,852,060</u>	<u>\$ 59,470,911</u>	<u>\$ 403,482</u>	<u>\$ 34,851,600</u>	<u>\$ 428,283,170</u>

December 31, 2021

<u>Repayment Period</u>	<u>Long-term Debt</u>	<u>Interest on Long-term Debt</u>	<u>Operating Concession Liabilities</u>	<u>Lease Liabilities</u>	<u>Principal and Interest on Bonds Payable</u>	<u>Total</u>
2022.1.1-2022.3.31	\$ -	\$ 1,184,826	\$ -	\$ 42,312	\$ -	\$ 1,227,138
2022.4.1-2022.12.31	-	3,554,477	8,049,281	126,844	294,300	12,024,902
2023	-	7,485,537	658,800	161,185	294,300	8,599,822
2024	3,244,614	7,752,716	182,113	84,354	5,294,300	16,558,097
2025	9,186,153	7,552,842	142,002	73,278	4,278,500	21,232,775
2026	9,186,153	7,257,435	238,590	72,099	264,500	17,018,777
2027-2033	64,303,075	45,192,723	58,249,406	9,855	1,851,500	169,606,559
2034-2050	156,785,122	43,600,153	-	-	22,868,500	223,253,775
	<u>\$ 242,705,117</u>	<u>\$ 123,580,709</u>	<u>\$ 67,520,192</u>	<u>\$ 569,927</u>	<u>\$ 35,145,900</u>	<u>\$ 469,521,845</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. Except for those separately disclosed in other notes, the names of related parties, relationships, and the nature and amounts of the significant transactions were summarized as follows:

**a. Name of related party and relationship**

Related Party Name	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
Mega Bills Finance Co., Ltd.	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/Operating expenses**

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) to the financial statements for further information.

2) Operating concession - rental

The transactions between the Corporation and the MOTC were as follows, and, as for the nature, please refer to Note 12.c. to the financial statements for further details:

a) Rental expense

Related Party Name	For the Year Ended December 31	
	2022	2021
Railway Bureau, MOTC	\$ 784,228	\$ 777,497
Taiwan Railways Administration, MOTC	52,619	50,194
	\$ 836,847	\$ 827,691

b) Prepaid rentals (included in other current assets)

Related Party Name	December 31	
	2022	2021
Railway Bureau, MOTC	\$ 784,181	\$ 775,975
Taiwan Railways Administration, MOTC	52,619	50,194
	<u>\$ 836,800</u>	<u>\$ 826,169</u>

3) Other - operating costs and expenses

Related Party Name	For the Year Ended December 31	
	2022	2021
InfoChamp Systems Corporation	\$ 10,582	\$ 8,549
Century Development Corporation	9,283	9,024
	<u>\$ 19,865</u>	<u>\$ 17,573</u>

d. Non-operating income and expenses

1) Interest expense

Please refer to Note 16 to the financial statements for the interest expense recognized on the operating concession liabilities, and the deduction of interest expense recognized on the value of returned 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)

Related Party Name	For the Year Ended December 31	
	2022	2021
InfoChamp Systems Corporation	\$ -	\$ 2

e. Payables to related parties - payable for construction

Related Party Name	December 31	
	2022	2021
InfoChamp Systems Corporation	\$ 67,311	\$ 8,880
China Steel Corporation	27,654	274,054
	<u>\$ 94,965</u>	<u>\$ 282,934</u>

f. Acquisition of property, plant and equipment

Related Party Name	Purchase Price	
	For the Year Ended December 31	
	2022	2021
China Steel Corporation - current year	\$ -	\$ 947
China Steel Corporation - transferred from construction in progress	-	316
	<u>\$ -</u>	<u>\$ 1,263</u>

**g. Acquisition of intangible assets - operating concession assets**

Related Party Name	Purchase Price	
	For the Year Ended December 31	
	2022	2021
InfoChamp Systems Corporation - current year	\$ 71,815	\$ 1,470
InfoChamp Systems Corporation - transferred from construction in progress	6,936	-
China Steel Corporation - current year	-	261,374
China Steel Corporation - transferred from construction in progress	-	117,017
	<u>\$ 78,751</u>	<u>\$ 379,861</u>

**h. Intangible assets - construction in progress of the operating concession assets**

Related Party Name	December 31	
	2022	2021
	InfoChamp Systems Corporation	\$ 38,367

**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:

Line Item	Related Party Name	December 31	
		2022	2021
		Lease liabilities (Note 11)	Century Development Corporation
	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	54,462	67,457
		<u>\$ 111,369</u>	<u>\$ 185,052</u>

Line Item	Related Party Name	For the Year Ended December 31	
		2022	2021
		Other gains and losses	Century Development Corporation
(rent concessions)	Cargo Service Headquarters of the Taiwan Railroad Administration Bureau, MOTC	-	1,995
		<u>\$ -</u>	<u>\$ 6,366</u>

**j. Short-term bills payable**

The Corporation has entered into non-guaranteed commercial paper underwriting agreement with Mega Bills Finance Co., Ltd., with a total underwriting amount of \$7 billion. The transaction terms are not significantly different from those with other non-related parties. Please refer to Note 14.b. to the financial statements for further information.

**k. 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. c. to the financial statements for further information on the major terms, the term of loan, repayment method, interest rates, and early repayment of loan with respect to the Syndicated Loan Agreement.

I. The Corporation was in compliance with MOTC's policies to contribute and utilize the funds of the Stabilization Mechanism Account. Please refer to Note 17.b.2) to the financial statements for further information.

m. Compensation of key management personnel was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 88,426	\$ 87,432
Post-employment benefits	1,120	1,114
	<u>\$ 89,546</u>	<u>\$ 88,546</u>

## 28. PLEDGED ASSETS

Pledged Assets	Pledged to Secure	December 31	
		2022	2021
Other financial assets - current:			
Repurchase agreement collateralized by bonds	Syndicated loan	\$ 1,426,000	\$ 1,169,000
Time deposits	Trust deposit of unearned revenue	68,000	-
Time deposits	Guarantee for customs duties	20,027	-
Time deposits	Guarantee for office lease	16,278	-
Demand deposits	Trust deposit of unearned revenue	9,923	16,539
Demand deposits	Syndicated loan	1,692	1,840
		<u>1,541,920</u>	<u>1,187,379</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	62,147	62,083
Time deposits	Guarantee for parking lease	7,310	7,257
Time deposits	Guarantee for oil purchase	4,120	4,120
Time deposits	Trust deposit of unearned revenue	-	68,000
Time deposits	Guarantee for office lease	-	16,278
		<u>2,073,577</u>	<u>2,157,738</u>
		<u>\$ 3,615,497</u>	<u>\$ 3,345,117</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 superficies returned to the MOTC for \$22,613,234 thousand. The value of the returned superficies is allowed by the MOTC to offset the profit sharing payments for \$29,784,855 thousand at the end of every five years as follows:

As of the end of the tenth year of full operation	\$	2,003,521 thousand
As of the end of the fifteenth year of full operation		4,252,245 thousand
As of the end of the twentieth year of full operation		6,520,109 thousand
As of the end of the twenty-fifth year of full operation		7,654,041 thousand
As of July 23, 2033		9,354,939 thousand

Starting from 2013, the Corporation prepares its financial statements in accordance with IFRSs endorsed by the FSC. Please refer to Note 16 to the financial statements 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 (please 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 ÷ (1 - The statutory tax rate)

A2 = Net income of \$4.0 billion ÷ (1 - The statutory tax rate)

A3 = Net income of \$4.5 billion ÷ (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) to the financial statements 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, 2022 and 2021, the amount of the aforementioned performance bond remained unchanged at \$2 billion, and was recognized as other financial assets.

- b. As of December 31, 2022, unused letters of credit amounted to JPY4,317,484 thousand and EUR2,152 thousand.
- c. 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, 2022, payments for the contract amounted to JPY2,101,009 thousand and NT\$52,337 thousand were recognized as construction in progress of the operating concession assets under intangible assets.
- d. 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 NT\$1,232,000 thousand. As of December 31, 2022, payments for the contract amounted to NT\$352,000 thousand.
- e. 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 7G1” 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, 2022, payments for the contract made were JPY8.12 billion.
- f. In March 2021, the Corporation entered into the contract “Upgrade of CRP and Related Subsystems Tender Package 1” with Toshiba Electronic Components Taiwan Corporation, and the contract value, including business tax, was JPY7,612,500 thousand. As of December 31, 2022, payments for the contract, which amounted to JPY1,571,658 thousand, were recognized as construction in progress of the operating concession assets under intangible assets.
- g. In April 2021 and August 2022, the Corporation entered into the contract “Automated Construction Equipment of Paint Shop in Yanchao Main Workshop” with Industrial Technology Research Institute (ITRI), and the contract value, including business tax, was \$830,645 thousand. As of December 31, 2022, no payment regarding the aforementioned contract has been made yet.

h. In August 2022, the Corporation entered into the contract “Data Transmission System & Fiber Optic Cable System Extension Project” with Enterprise Business Group, Chunghwa Telecom. Co., LTD., and the contract value, including business tax, was \$600,000 thousand. As of December 31, 2022, no payment regarding the aforementioned contract has been made yet.

### 30. 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, please refer to Note 26.c. to the financial statements.

### 31. SEPARATELY DISCLOSED ITEMS

Except for Notes 7 and 26 to the financial statements regarding the information on derivative financial instrument transactions and Tables 1 and 2 as attached, there were no other significant transactions, information on investees and investments in mainland China required for disclosure. Information of major stockholders for Table 3 as attached.

### 32. 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**

TABLE 1

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company
The Corporation	Taipei City Government Bond 2021-6	-
	Kaohsiung City Government Bond 2021-5	-
	Kaohsiung City Government Bond 2021-6	-
	Nan Ya Company 2nd Unsecured Corporate Bond - B issued in 2013	-
	China Steel Corporation 1st Unsecured Corporate Bond - B issued in 2014	-
	Formosa Chemicals & Fibre Corporation 2nd Unsecured Corporate Bond issued in 2013	-
	Yuanta Financial Holding Co., Ltd. 1st Unsecured Corporate Bond - C issued in 2016	-
	CPC Corporation 1st Unsecured Corporate Bond - C issued in 2017	-
	Advanced Semiconductor Engineering, Inc. 1st Unsecured Corporate Bond - B issued in 2016	-
	Taiwan Power Company 3rd Unsecured Bond -B issued in 2017	-
	Nan Ya Company 1st Unsecured Corporate Bond - B issued in 2018	-
	Winbond Electronics Corporation 1st Secured Corporate Bond issued in 2018	-
	Far Eastone Telecommunications Co., Ltd. 1st Domestic Unsecured Corporate Bond - B issued in 2018	-
	ASE Technology Holding Co., Ltd. 1st Unsecured Corporate Bond - B issued in 2019	-
	Taiwan Power Company 3rd Unsecured Bond - C issued in 2019	-
	Asia Cement Corporation 1st Unsecured Corporation Bond issued in 2019	-
	China Development Financial Holding Corporation 1st Unsecured Corporate Bond -B issued in 2019	-
	Hon Hai Precision Industry Co., Ltd. 1st Unsecured Corporate Bond - E issued in 2019	-
	CTBC Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond - Tranche B issued in 2020	-
	CTBC Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond - Tranche C issued in 2020	-
	CTCI Corporation 1st Unsecured Corporate Bond issued in 2020	-
	Radium Life Tech Co., Ltd. 1st Secured Corporate Bond issued in 2020	-
	Taishin Financial Holding Co., Ltd. 1st Unsecured Corporate Bond - Tranche A issued in 2020	-
	SinoPac Financial Holdings Co., Ltd. 1st Senior Unsecured Corporate Bond issued in 2020	-
	Taiwan Cooperative Financial Holding Co., Ltd. 1st Unsecured Corporate Bond issued in 2020	-
	Cathay Financial Holding Co., Ltd. 1st Unsecured Corporate Bond - Series B issued in 2020	-

Line Item	December 31, 2022				Note
	Units/Face Value (In Thousands)	Carrying Amounts	Percentage of Ownership	Fair Value	
Cash and cash equivalents	\$ 50,000	\$ 50,000	-	\$ 50,000	
"	90,000	90,000	-	90,000	
"	143,400	143,466	-	143,466	
"	37,000	37,000	-	37,000	
"	7,000	7,000	-	7,000	
"	17,460	17,460	-	17,460	
"	14,590	14,590	-	14,590	
"	100,000	100,000	-	100,000	
"	97,000	97,000	-	97,000	
"	42,780	42,780	-	42,780	
"	35,170	35,170	-	35,170	
"	100,000	100,000	-	100,000	
"	120,000	120,000	-	120,000	
"	140,000	140,000	-	140,000	
"	2,110	2,110	-	2,110	
"	150,000	150,000	-	150,000	
"	13,870	13,870	-	13,870	
"	110,000	110,000	-	110,000	
"	30,000	30,000	-	30,000	
"	60,000	60,000	-	60,000	
"	100,000	100,000	-	100,000	
"	150,000	150,000	-	150,000	
"	150,000	150,000	-	150,000	
"	25,020	25,020	-	25,020	
"	110,000	110,000	-	110,000	
"	110,000	110,000	-	110,000	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company
The Corporation	Shinkong Synthetic Fibers Corporation 1st Secured Corporate Bond issued in 2020	-
	Far Eastern New Century Corporation 2nd Unsecured Corporate Bond - Tranche A issued in 2020	-
	Hon Hai Precision Industry Co., Ltd. 2nd Unsecured Corporate Bond - C issued in 2020	-
	Vanguard International Semiconductor Corporation 1st Unsecured Corporate Bond - Tranche A issued in 2021	-
	TCC Corporation 1st Unsecured Corporate Bond issued in 2021, Bond A	-
	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond - C issued in 2021	-
	Yuan Ding Investment Corporation 1st Unsecured Corporate Bond issued in 2021	-
	Hon Hai Precision Industry Co., Ltd. 3rd Unsecured Corporate Bond - D Issued in 2021	-
	Taiwan Power Company 6th Unsecured Bond-B Issued in 2022	-
	SinoPac Securities Corporation 1st Unsecured Subordinated Corporate Bond - B Series issued in 2022	-
	Qisda Corporation 2022-1 Secured Corporate Bond	-
	Sun Ba Power Corporation 1st Secured Corporate Bond issued in 2022	-
	Shin Ruenn Development Co., Ltd. 1st Secured Corporate Bond issued in 2022	-
	Hon Hai Precision Industry Co., Ltd. 2nd Unsecured Corporate Bond - A issued in 2022	-
	Hon Hai Precision Industry Co., Ltd. 3rd Unsecured Corporate Bond - A issued in 2022	-
	Central Government Bond 2016-11	-

Line Item	December 31, 2022				Note
	Units/Face Value (In Thousands)	Carrying Amounts	Percentage of Ownership	Fair Value	
Cash and cash equivalents	\$ 103,000	\$ 103,000	-	\$ 103,000	
"	110,000	110,000	-	110,000	
"	30,000	30,000	-	30,000	
"	267,000	267,000	-	267,000	
"	20,000	20,000	-	20,000	
"	101,000	100,000	-	100,000	
"	176,000	176,000	-	176,000	
"	120,000	120,000	-	120,000	
"	16,000	16,000	-	16,000	
"	50,000	50,000	-	50,000	
"	110,000	110,000	-	110,000	
"	90,000	90,000	-	90,000	
"	140,000	140,000	-	140,000	
"	90,300	90,257	-	90,257	
"	200,000	200,000	-	200,000	
Other financial assets - current	1,329,000	1,426,000	-	1,426,000	

(Concluded)

**TAIWAN HIGH SPEED RAIL CORPORATION**

TABLE 2

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, 2022  
(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	HSBC Bank (Taiwan) Limited 1st Financial Debenture - C issued in 2013	Note	-	-	\$ -	\$ -
	Central Government Bond 2016-11	"	-	-	1,627,000	1,718,000
	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond - C issued in 2015	"	-	-	300,000	300,000
	China Steel Corporation 3rd Unsecured Corporate Bond - A issued in 2018	"	-	-	-	-
	Taiwan Hon Chuan Enterprise Co., Ltd. Domestic 1st Unsecured Corporate Bond issued in 2018	"	-	-	-	-
	Far Eastone Telecommunications Co., Ltd. 1st Domestic Unsecured Corporate Bond - B issued in 2018	"	-	-	-	-
	Taiwan Cement Corporation 1st Unsecured Corporate Bond issued in 2019	"	-	-	-	-
	HSBC Bank (Taiwan) Limited 2nd Financial Debenture - A issued in 2019	"	-	-	91,400	91,328
	Taiwan Semiconductor Manufacturing Co., Ltd. 1st Unsecured Corporate Bond - Tranche B issued in 2020	"	-	-	-	-
	Cheng Uei Precision Industry Co., Ltd. 1st Secured Corporate Bond issued in 2020	"	-	-	-	-
	Cathay Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond - Series C issued in 2020,	"	-	-	482,700	482,700
	Fubon Financial Holding Co., Ltd. 2nd Unsecured Corporate Bond - C issued in 2020	"	-	-	-	-
	Fubon Financial Holding Co., Ltd. 3rd Unsecured Corporate Bond - B issued in 2020	"	-	-	-	-
	Shinkong Synthetic Fibers Corporation 1st Secured Corporate Bond issued in 2020	"	-	-	-	-
	Hon Hai Precision Industry Co., Ltd. 3rd Unsecured Corporate Bond - B issued in 2020	"	-	-	-	-
	Vanguard International Semiconductor Corporation 1st Unsecured Corporate Bond -Tranche A issued in 2021	"	-	-	-	-
	Taiwan Semiconductor Manufacturing Co., Ltd. 6th Unsecured Corporate Bond - Tranche C issued in 2021	"	-	-	100,000	100,000
	Taiwan Semiconductor Manufacturing Co., Ltd. 7th Unsecured Corporate Bond - Tranche A issued in 2021	"	-	-	330,000	330,000

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
\$ 690,000	\$ 690,000	\$ 690,000	\$ 690,366	\$ 690,000	\$ 366	\$ -	\$ -	\$ -
3,118,000	3,347,000	3,416,000	3,641,737	3,639,000	2,737	-	1,329,000	1,426,000
950,300	950,300	1,250,300	1,250,798	1,250,300	498	-	-	-
400,000	400,000	400,000	400,220	400,000	220	-	-	-
600,000	600,000	600,000	600,311	600,000	311	-	-	-
440,460	440,460	320,460	320,895	320,460	435	-	120,000	120,000
400,000	400,000	400,000	400,197	400,000	197	-	-	-
265,300	265,214	356,700	356,742	356,542	200	-	-	-
360,000	360,000	360,000	360,263	360,000	263	-	-	-
546,000	546,000	546,000	546,663	546,000	663	-	-	-
669,072	669,043	1,151,772	1,152,508	1,151,743	765	-	-	-
300,000	300,000	300,000	300,122	300,000	122	-	-	-
343,600	343,600	343,600	343,784	343,600	184	-	-	-
331,000	331,000	228,000	228,114	228,000	114	-	103,000	103,000
346,640	346,640	346,640	346,824	346,640	184	-	-	-
1,374,000	1,374,000	1,107,000	1,107,826	1,107,000	826	-	267,000	267,000
435,000	435,000	535,000	535,444	535,000	444	-	-	-
842,000	842,000	1,172,000	1,172,662	1,172,000	662	-	-	-

(Continued)

## Financial Overview

Company Name	Type and Name of Marketable Securities	Line Item	Counterparty	Relationship	Beginning Balance	
					Units/Face Value (In Thousands)	Carrying Amount
The Corporation	Taiwan Semiconductor Manufacturing Co., Ltd. 7th Unsecured Corporate Bond - Tranche C issued in 2021	"	-	-	\$ 112,000	\$ 112,000
	Fubon Financial Holding Co., Ltd. 1st Unsecured Corporate Bond - A issued in 2021	"	-	-	102,000	102,000
	Taiwan Power Company 2nd Unsecured Bond - B issued in 2022	"	-	-	-	-
	Hotai Finance Co., Ltd. 1st Secured Corporate Bond issued in 2022	"	-	-	-	-
	Hon Hai Precision Industry Co., Ltd 2nd Unsecured Corporate Bond - A issued in 2022	"	-	-	-	-
	Central Government Bond 2015-12	"	-	-	658,000	658,000
	Central Government Bond 2017-4	"	-	-	-	-

Note: Repurchase agreement collateralized by bonds included in cash and cash equivalents and other financial assets - current, respectively. Gain on disposal in the table is interest income.

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
\$ 446,000	\$ 446,000	\$ 558,000	\$ 558,360	\$ 558,000	\$ 360	\$ -	\$ -	\$ -
202,900	202,900	304,900	305,060	304,900	160	-	-	-
300,000	300,000	300,000	300,202	300,000	202	-	-	-
698,000	698,000	698,000	698,432	698,000	432	-	-	-
318,300	318,257	228,000	228,320	228,000	320	-	90,300	90,257
-	-	658,000	658,350	658,000	350	-	-	-
4,090,000	4,394,000	4,090,000	4,399,542	4,394,000	5,542	-	-	-

(Concluded)

**TAIWAN HIGH SPEED RAIL CORPORATION**

TABLE 3

INFORMATION OF MAJOR STOCKHOLDERS  
DECEMBER 31, 2022

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 stock and preferred stock (including treasury stock) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stock reported in the financial statements and the actual number of stock that has completed the dematerialized registration and delivery may be different due to the basis of calculation.

## **TAIWAN HIGH SPEED RAIL CORPORATION**

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**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash		
Cash on hand		\$ 101,699
Demand deposits	Interest rate: 0.001%-1.05%	233,658
Time deposits	Can be redeemed between January and March 2023; interest rate: 1.15%-5.00%	12,595,866
Cash equivalents		
Repurchase agreement collateralized by bonds	Can be redeemed between January and March 2023; interest rate: 1.05%-1.26%	<u>3,627,723</u>
		<u>\$ 16,558,946</u>

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Spare parts and supplies	\$ 3,012,809
Merchandise	<u>9,366</u>
	3,022,175
Less: Allowance for inventory valuation losses	<u>(596,176)</u>
	<u>\$ 2,425,999</u>

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2022

(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						
	Mega Commercial Bank	\$ 3,122	2022.12.28-2023.3.28	0.74	\$ 460,650	None
	Hua Nan Commercial Bank	2,145	2022.12.28-2023.3.28	0.63	460,650	None
	Taichung Commercial Bank	470	2022.12.28-2023.3.28	0.63	153,550	None
		<u>\$ 5,737</u>			<u>\$ 1,074,850</u>	

Note: The credit line is recorded at the exchange rate of JPY1:0.2324 at December 31, 2022.

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

<u>Supplier Name</u>	<u>Amount</u>
Toshiba Electronic Components Taiwan Corporation	\$ 167,153
Kawasaki Railcar Manufacturing Co., Ltd.	31,246
National Chung-Shan Institute of Science and Technology	21,657
Others (Note)	183,813
	<u>\$ 403,869</u>

Note: The amount of individual suppliers in others does not exceed 5% of the total account balance.

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF PAYABLE FOR CONSTRUCTION

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

<b>Supplier Name</b>	<b>Amount</b>
Toshiba Electronic Components Taiwan Corporation	\$ 95,659
SYSCOM Computer Engineering Company	84,000
HwaCom Systems Inc.	79,342
Taiwan Rolling Stock Co., Ltd.	74,717
InfoChamp Systems Corporation	67,311
Mitsubishi Heavy Industries Engineering, Ltd.	52,847
Others (Note)	487,690
	<u>\$ 941,566</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, 2022

(In Thousands of New Taiwan Dollars)

<b>Item</b>	<b>Quantity</b>	<b>Amount</b>
Railroad transportation revenue	9,338 million passenger - kilometers; 54.16 million passengers	\$ 35,640,556
Others		1,492,677
		<u>\$ 37,133,233</u>

**TAIWAN HIGH SPEED RAIL CORPORATION**

STATEMENT OF OPERATING COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

<b>Item</b>	<b>Amount</b>
Amortization expense	\$ 13,402,714
Employee benefit expense	4,297,595
Electricity fee	1,879,132
Repair and maintenance expense	1,365,883
Maintenance spares consumed	1,328,411
Others	3,616,368
	<u>\$ 25,890,103</u>

**TAIWAN HIGH SPEED RAIL CORPORATION**

STATEMENT OF OPERATING EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

<b>Item</b>	<b>Amount</b>
Employee benefit expense	\$ 932,877
Repair and maintenance expense	80,135
Professional service expense	69,251
Advertisement expense	57,950
Others	182,509
	<u>\$ 1,322,722</u>

**TAIWAN HIGH SPEED RAIL CORPORATION**

## STATEMENT OF SUMMARY OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION EXPENSE BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expense						
Payroll	\$ 3,644,327	\$ 742,685	\$ 4,387,012	\$ 3,522,799	\$ 673,811	\$ 4,196,610
Insurance	340,857	62,056	402,913	345,603	58,837	404,440
Pension	182,628	33,985	216,613	182,352	32,974	215,326
Remuneration to directors	-	33,456	33,456	-	33,701	33,701
Other personnel expense	129,783	60,695	190,478	137,463	54,056	191,519
	<u>\$ 4,297,595</u>	<u>\$ 932,877</u>	<u>\$ 5,230,472</u>	<u>\$ 4,188,217</u>	<u>\$ 853,379</u>	<u>\$ 5,041,596</u>
Depreciation expense	<u>\$ 198,004</u>	<u>\$ 25,024</u>	<u>\$ 223,028</u>	<u>\$ 193,223</u>	<u>\$ 25,639</u>	<u>\$ 218,862</u>
Amortization expense	<u>\$ 13,402,714</u>	<u>\$ 9,788</u>	<u>\$ 13,412,502</u>	<u>\$ 14,030,922</u>	<u>\$ 8,885</u>	<u>\$ 14,039,807</u>

Note 1: The number of employees for December 31, 2022 and 2021 was 4,690 and 4,719, respectively, while the number of non-employee directors was both 13.

Note 2: The amount of average employee benefit expense for the years ended December 31, 2022 and 2021 was \$1,111 thousand and \$1,064 thousand, respectively. The amount of average payroll for the years ended December 31, 2022 and 2021 was \$938 thousand and \$892 thousand, respectively.

Note 3: The average payroll has increased by 5.16% in 2022 compared with 2021.

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 Auditor Reports: None.

**5. In the Event That the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Said Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: None.**

## 6. Review of Financial Conditions, Financial Performance, and Risk Management

### (1) Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2022	2021	Difference	%
Current Assets		32,136,694	49,973,996	(17,837,302)	(35.69)
Property, Plant and Equipment		128,514	109,162	19,352	17.73
Operating Concession Asset		359,479,197	367,972,348	(8,493,151)	(2.31)
Other Assets		8,795,727	9,851,535	(1,055,808)	(10.72)
Total Assets		400,540,132	427,907,041	(27,366,909)	(6.40)
Current Liabilities		28,950,383	30,025,709	(1,075,326)	(3.58)
Non-Current Liabilities		304,299,682	330,103,361	(25,803,679)	(7.82)
Total Liabilities		333,250,065	360,129,070	(26,879,005)	(7.46)
Capital Stock		56,282,930	56,282,930	-	-
Capital Surplus		172,981	172,981	-	-
Retained Earnings		10,834,156	11,322,060	(487,904)	(4.31)
Total Equity		67,290,067	67,777,971	(487,904)	(0.72)

Analysis of differences over 20%: The decrease in current assets was mainly due to repayment of syndicated loans.

## (2) Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2022	2021	Difference	%
Operating Revenue		37,133,233	30,227,887	6,905,346	22.84
Operating Costs		25,890,103	25,702,330	187,773	0.73
Gross Profit		11,243,130	4,525,557	6,717,573	148.44
Operating Expenses		1,322,722	1,207,675	115,047	9.53
Income from Operations		9,920,408	3,317,882	6,602,526	199.00
Non-Operating Income and Expenses		(5,654,783)	947,743	(6,602,526)	(696.66)
Income Before Income Tax		4,265,625	4,265,625	-	-
Income Tax Expense		496,288	654,703	(158,415)	(24.20)
Net Income		3,769,337	3,610,922	158,415	4.39
Other Comprehensive Income		9,005	(9,899)	18,904	190.97
Total Comprehensive Income for the Year		3,778,342	3,601,023	177,319	4.92

Analysis of differences over 20%:

1. The increase in operating revenue, gross profit and income from operations were mainly due to the COVID-19 pandemic slowing and ridership gradually recovering resulting an increase in operating revenue.
2. The variation in non-operating income and expenses was mainly due to the decrease of stabilization reserve reverse resulting from profit growth in 2022.
3. The decrease in income tax expense was mainly due to the recognition of corrected tax refunds for the years 2016 to 2020 based on the investment credit certificates obtained.
4. The variation in other comprehensive income was mainly due to the adjustment of remeasurement of defined benefit plans based on actuarial calculations in 2022.

## (3) Analysis of Cash Flow

1) Cash flow analysis for the current year:

- A. Net cash generated from operating activities was NT\$ 9,827,380 thousand, mainly from cash inflows provided by operating activities and partially offset by payments of interests and profit sharing.
- B. Net cash generated from investing activities was NT\$ 7,466,952 thousand, mainly from decrease of other financial assets and purchase of operating concession assets.
- C. Net cash used in financing activities was NT\$ 22,348,916 thousand, mainly from repayment of syndicated loans and cash dividend payments.

2) Improvement plan for insufficient liquidity: Not applicable.

3) Cash flow analysis for the coming year:

Unit: NT\$ thousands

Beginning Balance (1)	Estimated Net Cash Flow from Annual Operating Activities(2)	Estimated Annual Cash Outflow (Inflow) (3)	Estimated Cash Surplus (Insufficient) Amount (1)+(2)-(3)	Expected Remedies for Insufficient Cash	
				Investment Plan	Financial Plan
16,558,946	21,672,000	21,557,946	16,673,000	—	—

#### (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		
				1997-2021	2022	2023
High-speed rail project	Private funds and bank loans	2006.12	497,139,513	482,712,089	5,191,424	9,236,000

Note: The high-speed rail corporation was completed and began officially operating in January 2007. Major capital expenditures for the years 2022 and 2023 were mainly equipment replacement and spare parts maintenance. The above capital expenditure does not include non-capitalization cost 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 700 million on January 23, 2022, and the number of passengers continued to grow. As of December 31, 2022, a total of more than 751 million passenger travel services were provided. Also, we transported 54.16 million passengers in 2022, and an average of 148 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

Domestic interest rates in 2022 were affected by continuous interest rate hikes issued by the US Federal Reserve (FED), and the central bank raised the rediscount rate to 1.75% per annum. THSRC is engaged in the capital-intensive construction and operation of public infrastructure, and our operations are regulated by related concession contracts. Interest payments for bank loans in 2022 were NT\$ 4,503,140 thousand, accounting for 12.13% 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

Impacts from the US Federal Reserve (FED) interest rate policy, foreign capital remittances, and other factors caused the NT dollar to depreciate in 2022. It is expected that future NT dollar exchange rates will continue to be affected by the US dollar. In 2022, the Corporation's ratio for foreign currency exchange profit (loss) to operating revenue was 0.146%, 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 2022 was 2.95%, and domestic prices for relevant products are holding stable. The Corporation's fares are adjusted in accordance with inflation rates, and therefore the impacts of inflation are low.

**(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High- Risk, High-Leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

The Corporation so far has not been involved in the lending of funds to others; our sole endorsement guarantee involves guarantees of customs duties handled by the Corporation itself. Our balance as of December 31, 2022 was NT\$ 62,000 thousand, and our balance as of March 31, 2023 was NT\$ 62,000 thousand.

The Corporation's transactions in derivative products adhere to our internal management regulations "Procedures for the Handling of Derivative Transactions" and are used for hedging purposes. We do not engage in speculative financial operations and each transaction is audited by certified public accountants. We will continue to deal in derivative products when it is appropriate to hedge risks.

**(3) Future Research & Development Projects and Corresponding Budget**

Our planned civil construction facilities projects include: (i) cooperating with the ITRI to develop a service platform for inspection of HSR viaducts using artificial intelligence drones in hopes of advancing our grasp on drone technology and for further application on inspection, maintenance, and emergency surveillance of HSR facilities; (ii) installing dampers on viaducts in the Tainan section to reduce seismic lateral relative displacements to facilitate improvements of viaduct structure and analysis of quantitative feedback; and (iii) continue conducting research on amplification of seismic responses at viaducts in the Chiayi section where different vertical anti-lifting devices are installed and use the results as a basis for future improvement. Additionally, we are also investigating the feasibility of using thickened pot bearings to improve vertical differential settlement, and are working to upgrade slope real-time monitoring systems to improve scope of effective coverage, information security, and system stability.

For our rolling stock system, we are continuing to work with national universities and local companies to develop maintenance equipment. Our localization of maintenance equipment not only reduces costs and single-sourcing risks, but also helps to improve inventory management efficiency, enhance timeliness of emergency component purchases, and facilitate technology transfers to local manufacturers.

For our track and power system, we have continued to develop our own train waving automatic measurement system (currently working on optimizations in Phase II) and have purchased locally manufactured OCS maintenance vehicles from China Steel Corporation.

Planned R&D projects and expenditures are as follows (Appropriate adjustments will be made in accordance with actual operations):

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	HSR intelligent drone bridge inspection and maintenance system	Developed in collaboration with ITRI, and will be implemented in two stages over 26 months.	Establish management regulations for drone inspection operations and a professional drone operator team in accordance with the regulations of the Civil Aeronautics Administration to implement HSR facility inspections, maintenance, and emergency surveys, and set up an extensive records database records for inspection targets to enhance information management and quality of inspections.	Officially commenced on September 13, 2022 and currently developing 3D mapping systems and integrations with professional drone bridge inspection systems while also conducting training for professional drone operators.	2022:3,885 2023~2024: 9,065
Civil Construction Facilities Research	Relevant research on the reduction of seismic displacement after implementation of dampers on viaducts in the Tainan area (including construction improvements and analysis of quantitative feedback)	Viscous dampers were designed according to the structural characteristics of the high-speed rail to improve structural dislocation and movement during earthquakes.	Phase 1: Avoid track damage caused by relative bridge displacements and establish a related structural monitoring system. Phase 2: Continue structural evaluations and improvements; expected to commence in 2024.	The first phase was initiated in March of 2022, and the bridge improvement and monitoring system is expected to be completed in 2024. The second phase will commence in March 2024.	2022: 45,467 2023:47,323
	Research on the amplification effect of Chiayi Section viaduct during seismic events, especially in vertical direction	Carry out vibration measurements of the ground surface, bridge piers, and bridge deck to study the amplification effects on the bridge in the event of an earthquake.	After identifying locations where bridge structures use different designs to transmit vertical forces between piers and decks, accelerometers will be installed to check the validity and improvement of anti-pulling devices.	A two-year automated measurement operation commenced in 2021, and the third year of measurements will commence in 2022.	2019~2022: 4,142 up to 2021: 2,900 2022:414 2023:828
	Use pot bearings to improve differential settlements of adjacent viaduct foundations	Improve vertical track irregularity using thickened pot bearings.	Resolve track irregularities and limitations in track maintenance using thickened pot bearings.	Investigation, evaluation, and improvement of designs were carried out in 2021. Construction will commence in 2022 and is expected to conclude in 2023.	2021: 960 2022: 5,400 2023: 21,594
	Updating and upgrading of automated slope monitoring system	Set up IoT monitoring devices and a cloud platform to improve automated slope monitoring.	Increase effective coverage of slope monitoring system and enhance information security and system stability.	2022~2023:complete device installation and system upgrades. 2024~2025:Periodic monitoring and maintenance.	2022: 10,240 2023: 30,720 2024: 5,120 2025: 5,120

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
Signaling System Research & Development	Improvement, innovation, and R&D of PLC switch controls	To enhance reliability of PLC turnout controllers and reduce reliance on foreign vendors, we used innovative technologies to develop a highly reliable 2-by-2 PLC hardware system to replace traditional out-of-date relay modules.	Decrease relay numbers and strengthen reliability of existing turnout controllers, reducing impacts on customer service caused by turnout failures.	A prototype developed under the "Programmable Logic Control (PLC) Turnout Controller Development Project" was completed in 2018. Following on-site verification over 1 year and 8 months, the equipment has been confirmed to be reliable. We extended this project by awarding a five-year contract (E4-20-003 "Turnout Controller Replacement Project") at the end of 2020 to replace 142 sets of turnout controllers across the entire HSR line. All installations are scheduled to be completed in 2025.	2023: 161,429 2024: 107,618 2025: 161,432
	R&D on Railway Intelligent Turnout Monitoring System (TMS)	In order to provide proactive turnout failure warning capabilities and reduce reliance on foreign vendors, we designed an intelligent TMS system to replace our original monitoring system and have used highly reliable industrial-grade controllers to replace traditional circuit board components, thereby strengthening their resilience and reliability.	Analysis of data fluctuations from sensors on the turnout system can be used to provide predictions for maintenance and adjustment needs in advance of potential abnormalities, preventing turnouts from breaking down during service hours.	Used locally developed data acquisition board (DAB) Moxa hardware as a basis for redesigning an intelligent TMS to replace all existing turnout VAE TMS along the HSR line. We commenced a project to replace the TMS at 82 locations in April 2021. The project is scheduled to be completed in April 2025.	2023: 56,600 2024: 56,600 2025: 56,600
Communication System Research & Development	R&D on Intelligent Passenger Information System (PIS)	To strengthen provision of real-time passenger information and corporate operation efficiency of our Passenger Information System (PIS) and remove R&D dependence on overseas companies, we developed a new PIS ecosystem with innovative technologies. The first phase aimed to upgrade the PIS control server and software. The second phase aimed to upgrade existing display units (PIDS) in lobbies and platforms with state-of-art hardware. The third phase aimed to add new display units on platforms beside carriage doors for stations north of Taichung (included). The fourth phase aimed to add new display units on platforms beside carriage doors for stations south of Taichung.	Enhance passenger experiences and corporate operation efficiency, and use new technologies and products to provide better service quality.	The first phase and second phases were initiated on December 27, 2018. R&D was completed in 2019, and construction began in 2020. The PIS/PIDS was officially launched and commenced operations at 8 stations in October 2022. The third and fourth phases were initiated on December 11, 2019 and PIS upgrades were completed for 8 stations in October 2022. Deployments for all 12 stations will be completed by the end of 2026.	(Not including 4 new stations) 2023: 2,231 2024: 2,231 2025: 2,231 2026: 2,231

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	Increased Bandwidth (10 M) for Free Wi-Fi Service in HSR Stations and Trainsets	<p>(1) In 2022, we worked with Chunghwa Telecom to provide free WiFi for all passengers in stations and on trains under the SSID service identification code "THSR_ free Wi-Fi ALL" at speeds of at least 10 M.</p> <p>(2) We established a system that enables remote monitoring of WiFi equipment status in all stations and trainsets, and which allows us to reconfigure and repair equipment remotely in real time, or deploy maintenance personnel in a timely manner for issues that cannot be resolved remotely.</p>	<p>(1) Better free WiFi services for all passengers.</p> <p>(2) Our system enables remote monitoring of Wi-Fi equipment in stations and trainsets, automatic reconfiguration in case of equipment failure, and enhances service reliability.</p> <p>(3) Maintenance personnel can be dispatched precisely and quickly to repair issues that cannot be solved through remote reconfiguration.</p>	<p>Free WiFi at speeds of at least 10 M is provided for all passengers in stations and on trains under the SSID service identification code "THSR_ free Wi-Fi _ ALL."</p> <p>The service was launched in December 2022 after contract signing and installation were completed.</p>	10,000/2 years
	Digitalization of TETRA Main Radio System (MSO) and Upgraded Network IP Functions	<p>To improve the quality of control center radio communications with train drivers, station personnel, on-train personnel, maintenance personnel, and night maintenance and construction personnel, we replaced our original radio system, which was highly dependent on the TETRA system developed by Taiwan Shinkansen Corporation, with upgrades from our own self-developed system. The first phase of the project, which aimed to upgrade system servers, was implemented by Motorola Taiwan in accordance with THSRC specifications. In order to fulfill the initial localization goal of this project, TET Toshiba was subcontracted to work on this project. (The localization ratio required for this project was 18%.)</p>	<p>(1) Improve audio quality of control center radio communications and provide better and safer operational service quality through digital technologies and introduction of new digital IP interface technologies.</p> <p>(2) Achieve initial localization goals. The localization ratio achieved by this project was 18%.</p> <p>(3) The new-generation TETRA MSO system provides better stability and does not have issues related to discontinued parts or maintenance support expiration experienced by the previous system, which enhances the overall stability and reliability of the entire radio system.</p>	<p>(1) We switched over to the new system on August 29, 2022.</p> <p>(2) The system passed stability testing on December 9, 2022.</p>	596,500

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	(DTS_FOC) Data Transmission and Fiber Optic Cable System Expansion Project	<p>(1) The systems and equipment at our OCC, as well as all depots, stations, and signaling and electrical rooms, use the DTS_FOC to transmit various operational and control signals.</p> <p>(2) Our DTS_FOC data transmission system has been in operation for more than 15 years and is now faced with discontinuation of system maintenance materials and increased maintenance costs, limiting its expansion capacity. We therefore examined the requirements and technologies needed for a new-generation data transmission system.</p> <p>(3) Digital transformation has become a global trend following rapid advances in digital technologies. Expansions and upgrades of the new system are required to support the operational needs of the next 15 years and facilitate future maintenance and application of IoT, big data, and AI for smart rail transportation.</p> <p>(4) Following analysis of the aforementioned factors, we implemented a new-generation Multiprotocol Label Switching (MPLS) system and established the infrastructure to facilitate big data analysis, AI, and IoT applications.</p> <p>(5) To avoid affecting the operations of our current system, our expanded DTS_FOC system presently co-exists alongside our original SDH system and we are gradually transferring data transmission services for all HSR subsystems.</p>	<p>(1) The new system can facilitate installation of new-generation smart monitoring systems, smart security systems, multimedia information systems, and smart electrical equipment to meet transmission bandwidth and traffic needs.</p> <p>(2) Reduces operational risks while achieving system expansion and upgrading.</p> <p>(3) Facilitates gradual upgrades, expansions, and integrations with data transmission systems in accordance with the transmission bandwidth needs for each subsystem.</p>	<p>(1) Commenced on September 20, 2022.</p> <p>(2) Preliminary configurations will be completed on March 18, 2023.</p> <p>(3) Detailed configurations will be completed on June 16, 2023.</p> <p>(4) Installation and construction will be completed on December 7, 2024.</p> <p>(5) Project will be completed on September 14, 2025.</p>	600,000

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
Rolling Stock Research	Real-Time Train OBC Data Management (Monitoring, Integration and Transmission, and Analysis) System	Use IoT to conduct real-time monitoring, integration and transmission, and analysis of train OBC data. 2024: Preliminary planning, contract signing, integrated testing for 1 trainset, and verification.	1. Enhance analysis of train faults and reduce repair times. 2. Expand train databases and big data analytics abilities.	Collaborating on development with Japanese and Taiwanese companies.	Currently discussing project technologies. Investments for Phase I from 2023 to 2024: 10,000. Phase II: Under discussion.
	Train Toilet Space Improvement	Toilet floor replacement; washing/drying/soap, toilet cartons, tissue box integration; lighting adjustment, FRP trim re-filming.	Retrofitting of toilet equipment to improve aesthetics and passenger service quality	2020-2024: Planning, designing, testing, and development.	2023: 1,403 2024: 34,735 2025: 73,329 2026: 30,875
	Train High-Shade Curtain Development	Development of local materials.	Improve aesthetics of train carriages and the quality of passenger service	Under development, contract period from 2018 to 2024.	2023: 3,500
Localization of Materials	Local Development of Train PA Broadcast System	Commissioned academic institute with research, design, and technical transfer to local manufacturers tasked with production and manufacturing.	Implement localization policies and enhance self-study capabilities.	Under development.	2024: 16,182 2025: 28,768 2026: 8,990
	Enhanced Antiviral Protections for Passenger-Utilized Objects on Trains	Applied protective film over worn decorative boards in train carriages.	Improve antiviral functions in trains to provide passengers with a sense of security.	Under development.	2023: 4,950 2024: 10,267 2025: 3,523
	Development of Control Switches	Design and manufacturing.	Maintain system function and reduce maintenance costs.	Under development	Development costs: 15,280
	Wind Speed, Rainfall, and Water Level Programmable Signal Generator Development Project	Commissioned local manufacturers to implement design and development	Maintain system function and reduce maintenance costs.	Under development	Development costs: 1,500
	Development of Suspended Air Springs for Trains	Development of local materials.	Implement localization policies and enhance self-maintenance abilities.	Under development	Development costs: 10,123

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
Track & Power System Research	Automatic Measurement System for Rolling Stock Vibrations: Phase II Optimizations and Development Assessments	Developed 10 simplified measurement devices for measuring rolling stock vibrations and established a smart automated system for detecting post-earthquake speeds.	Enhance efficiency of post-earthquake inspections.	In discussions with potential vendors.	Budget for 2024~2025: 16,000
	Localization of OCS Maintenance Vehicles	Purchased 8 MVs and 2 sets (4) of CS vehicles.	Improve repair efficiency and personnel safety.	In development and production. Contract period from 2018 to 2024.	Total contract amount: 1,232,000 (VAT included).
	Development and Construction of Maintenance Vehicle Simulation Training Equipment	In development at NCSIST	Effectively strengthen driver capabilities	Predicted project period: 2023~2025.	Budget for 2023~2025: 66,781
	Development of THSRC SCADA Simulation System	Commissioned domestic university to conduct research.	Improve repair efficiency and reduce response times in emergencies.	In development. Contract period from 2021~2023.	Total contract amount: 7,330 (VAT excluded).
	Development of Track Structure Gauge Optical Measurement Equipment	In development at ITRI.	Reduce maintenance costs and improve maintenance efficiency.	In development. Contract period from 2022~2023.	Total contract amount: 5,600 (VAT included).
	Development of OCS Measurement Data Management and Trend Analysis System	Commissioned domestic university to conduct research.	Improve maintenance management and efficiency.	In development. Contract period from 2022~2024.	Total contract amount: 4,700 (VAT excluded).
	Development of OCS Composite Insulator Information Management System and Aged Equipment Analysis Applications	In development at domestic university.	Improve maintenance management energy and efficiency.	Predicted project period: 2023~2025.	Budget for 2023~2025: 16,406

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
System Research & Development	Advanced Open Reservation System (Phase II)	Transferred core ticketing service module from current mainframe to a private cloud open platform micro-service architecture to establish an open architecture that supports flexible expansions which can be independently maintained and operated in future. Overall project implementations included: system infrastructure, Business Strategy Module (BSM), and core functions of new-generation ticketing service systems. This project was initiated in September 2021 and is scheduled to be completed in May 2025.	<ul style="list-style-type: none"> <li>(1) Transfer core ticketing service functions from current closed mainframe to a private cloud open platform micro-service architecture.</li> <li>(2) Enable adjustment of services in accordance with transaction volumes and flexible adjustments to system capacity.</li> <li>(3) Autonomous system maintenance and operation.</li> </ul>	We completed development of Version 1.5 of our Business Strategy Module (BSM) in April 2023 and established development milestones as follows: Launch BSM Version 2.0 in August 2024 and complete transfer of core functions in May 2025. The project is proceeding according to schedule.	471,662
	New Generation Network Design and Implementation Project	Replaced core AFCS network equipment and established a dual-device architecture to improve stability and availability of ticketing services. Overall project implementations include: Establishment of new network architecture, replacement of aged equipment, integration of new firewalls, and improvement of network monitoring. This project was initiated in April 2021 and is scheduled to be completed in December 2023.	<ul style="list-style-type: none"> <li>(1) The new network architecture aligns with the virtual, micro-services, and cloud architectures of the new HSR system.</li> <li>(2) Replace aged equipment, enhance availability of network architecture, and improve data transmission efficiency.</li> <li>(3) New firewalls will provide protective mechanisms for all systems and a flexible information security architecture.</li> <li>(4) Comprehensive network monitoring systems enhance network visibility and management for independent operation and management, improve the capabilities of network management personnel, and strengthen capabilities of micro-services and cloud services.</li> </ul>	This project was initiated in April 2021, and we have completed replacement of server room networks, circuit deployment, reconstruction of monitoring stations, and station ticketing network equipment. DMZ, MIS, BANK, B2BC LAN systems for information center server rooms have been transferred. We expect to complete transfers of AFCS LAN and corporate core switches in the second quarter of 2023. The project is scheduled to be completed in the fourth quarter of 2023. The project is proceeding according to schedule.	31,905
	Malware Scan Kiosk	We designed and developed a malware scan kiosk to ensure that external files and storage media can be safely used in our information systems. This project was initiated in June 2021 and is scheduled to be completed in March 2023.	<ul style="list-style-type: none"> <li>(1) Our Information Office developed a malware scan kiosk to strengthen protections for external files and storage media.</li> <li>(2) Ensure that our colleagues can safely use and receive external files.</li> </ul>	The project was implemented over several stages in three areas, namely office areas (including our headquarters and OMC), all maintenance depots, and all stations. All implementations will be completed in March 2023.	2,090

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	Information Technology Service Management System (ITSM).	This system provides the following functions: Automatic configuration/ collection, updated CMDB (Configuration Management Database), and correlation model diagrams between hosts and services. This project is scheduled to commence in October 2023 and will be completed in November 2024.	<ol style="list-style-type: none"> <li>(1) Use automated tools to collect information components and configuration information to reduce personnel workloads and enhance information timeliness.</li> <li>(2) Enhance operational convenience of current configuration databases to improve operational efficiency and information preservation.</li> <li>(3) Quickly identify problems using service models to shorten notification and diagnosis times for abnormalities.</li> </ol>	Assessed and tested multiple products and 4 proof-of-concept products. We expect to complete implementation strategy formulation and assessment in April 2023.	8,288
	Continuous Integration and Continuous Delivery (CI/CD) System.	Establishment of continuous integration and continuous delivery (CI/CD) system, including Jira integrations, deployment of OS patch updates, and CI/CD implementation. This project was initiated in September 2022 and is scheduled to be completed and launched online in October 2023.	Continue second phase of CI/ CD integrations to shorten times between deployment of security patches, enhance project management efficiency, and ensure precision when handling system maintenance issues.	Completed review of system architecture and currently working on design and development. The project is proceeding as planned.	12,339
	HSR Train Information Network Architecture Design Planning and Implementation	Planning and establishment of train information network. This project was initiated in January 2023 and is scheduled to be completed in December 2023.	<ol style="list-style-type: none"> <li>(1) Build WiFi/MDVPN networks on HSR trains so information services can be accessed on trains.</li> <li>(2) Extend the scope of corporate intranets and make them accessible on trains to increase usage of information services by HSR personnel and improve timeliness of passenger services.</li> </ol>	This project was initiated in January 2023 and is currently in the assessment stage. The project is proceeding as planned.	4,600
	Precision Marketing on Digital Data Integration Platform	Combined member, travel, and digital trajectory data to establish customer segments and product prediction models, which will be verified through actual marketing activities. This project was initiated in October 2021. Member segmentation and establishment of product preference models were completed in December 2022. We plan to utilize these models in 4 precision marketing events in October 2023.	<ol style="list-style-type: none"> <li>(1) Increase member stickiness and reduce turnover rates.</li> <li>(2) Trigger flexible customer demands to increase revenues.</li> <li>(3) Pair customer product preference scores with appropriate marketing activities to achieve precise customer management.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Completed development of travel operation management and sales reports in June 2022 to track sales of travel products and provide a reference for formulating marketing strategies.</li> <li>(2) Member segmentation and establishment of product preference models were completed in December 2022.</li> </ol>	3,760

Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	Integration of Application Programming Interface Management System (APIM) Mechanisms	Establishment of centralized APIM platform. We plan to initiate public bidding procedures for this project in October 2023, and the first phase is scheduled to be completed and launched online in the second quarter of 2024.	<ul style="list-style-type: none"> <li>(1) Establish a centralized APIM platform to track and analyze access flows and data encryptions between HSR and collaborator APIs.</li> <li>(2) Use API services to build a new ecosystem and multiple revenue streams.</li> </ul>	Assessing requirements and implementation plans.	10,000
	Monthly Scheduling and Coordination System for Track Areas	Automatically generate work schedules using optimization tools based on the execution dates, environments, and locations required for each task, and use graphical interfaces to enhance visualization of work schedules in a user-friendly interface that enables easy manual adjustments.	<ul style="list-style-type: none"> <li>(1) Use optimization tools to automatically generate work schedules for each month to facilitate effective implementation of scheduled tasks.</li> <li>(2) User-friendly visualization interface which reduces operational complexity of required manual adjustments.</li> </ul>	Completed system designs and implementation plans. We plan to conduct procurement procedures in February 2023 and commission a professional software company to develop this system.	12,495
	Development of Unreserved Mobile Tickets on T Express	Integration of T Express and Beacon sensors enable purchases of unreserved tickets for the same day in stations. This project was initiated in January 2022 and will be ready for launch in May 2023.	<ul style="list-style-type: none"> <li>(1) Develop an unreserved ticket function to improve previous restrictions on T Express.</li> <li>(2) The proportion of unreserved tickets sold through T Express is expected to reach 30% in 2027.</li> <li>(3) This service will realize our digital and paperless strategies by eliminating use of more than 1.2 million magnetic tickets within the first year of launch.</li> <li>(4) Reduce 40,000 hours of passenger waiting times at station ticketing windows each year and decrease workloads for station ticketing personnel.</li> </ul>	Completed system development and currently conducting tests on integrated systems.	8,200

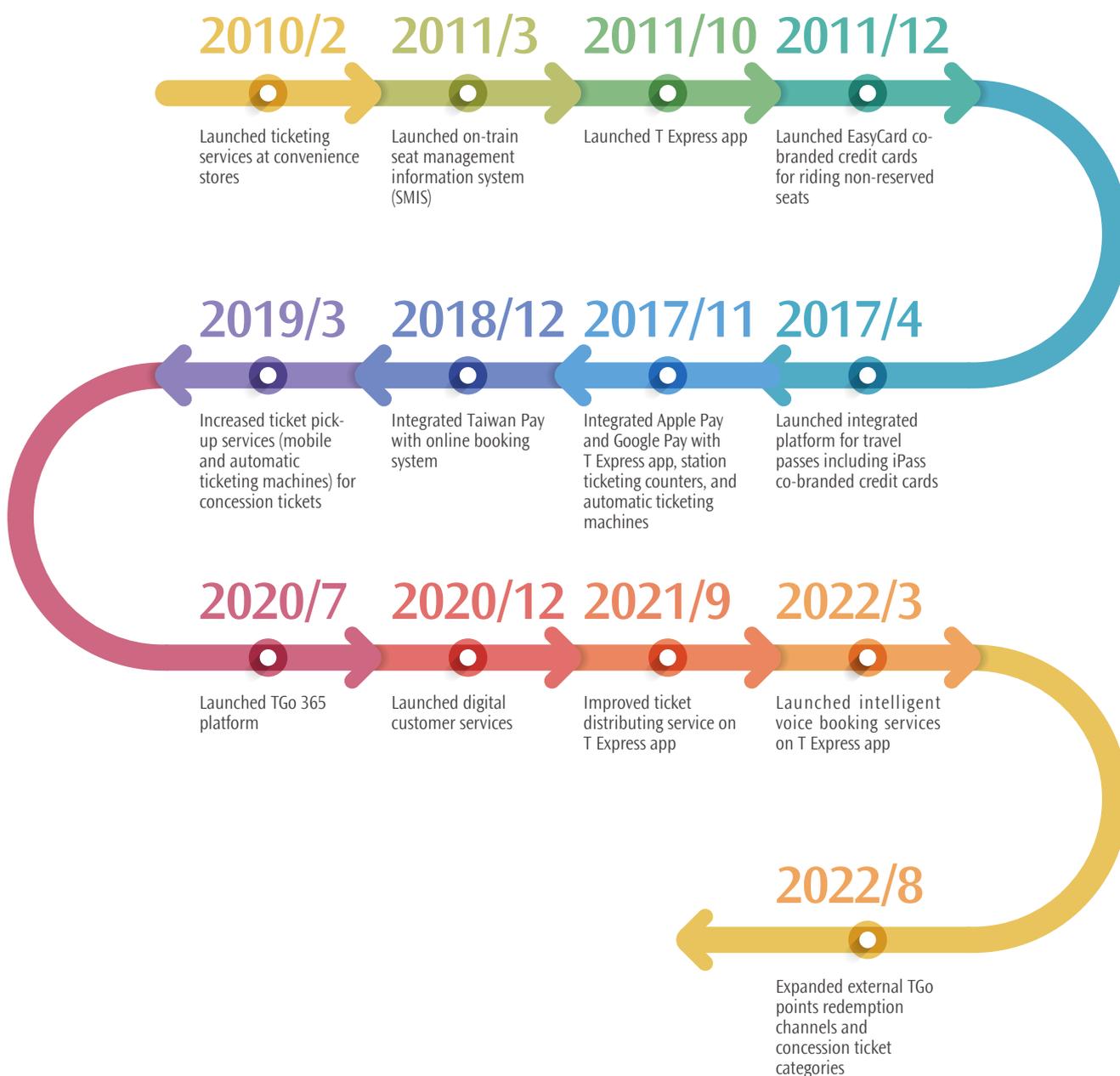
Category	R&D project	R&D project content	Benefits of R&D	Current progress	Expected Future Investments (NT\$ in Thousands)
	Integrated Smart Marketing Platform (iSmart)	This platform will be built in three stages using T-MaaS applications. This project was initiated in July 2022 and the first stage is scheduled to be completed and launched online in October 2023.	<ol style="list-style-type: none"> <li>(1) Integrate HSR services with shuttle services and establish an integrated marketing platform with dining, apparel, accommodation, transportation, education, and recreation vendors.</li> <li>(2) Use agile methods to establish the main functions of the platform and gradually add layers for product components, core functions, and passenger interactions.</li> <li>(3) Integrate member economy, travel products, itinerary planning, digital sales, and precision marketing to build a marketing platform with multiple functions and extensive products.</li> <li>(4) Start by integrating HSR tickets with existing tourism and retail products, then add other transportation and product services.</li> </ol>	Assessing requirements and implementation plans.	63,838
	Intelligent Voice-Integrated Applications	This project will strengthen T Express voice-activated ticketing services and digital Q&A customer services. This project was initiated in February 2023 and is scheduled to be completed and launched online in December 2023.	<ol style="list-style-type: none"> <li>(1) Offer payment functions on a conversational user interface for T Express voice-activated ticketing services.</li> <li>(2) Adjust current IVR customer service hotline processes to provide direct answers or recommend use of digital customer services when encountering frequently asked questions.</li> </ol>	Assessing requirements and implementation plans.	4,127
	Process Automation Integration Platform and Robot	<ol style="list-style-type: none"> <li>(1) Process automation integration platform: This project was initiated in September 2022 and will be launched in October 2023.</li> <li>(2) Process automation robot platform: This project was initiated in May 2023 and will be launched in October 2023.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Establish innovative and flexible fully hyper-automated work processes to achieve our goals of efficiency optimization, capacity expansion, and reduced labor costs.</li> <li>(2) Introduce low-code development platforms to reduce technical thresholds and enable citizen development.</li> </ol>	<ol style="list-style-type: none"> <li>(1) Process automation integration platform: System in development. The project is proceeding as planned.</li> <li>(2) Process automation robot platform: Implementing preliminary procurement procedures. The project is proceeding as planned.</li> </ol>	13,745

#### (4) Effects and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

All units of the Corporation 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 had no significant adverse impacts on our business operations.

#### (5) Effects and Response to Changes in Technology (including information security risks) and the Industry Relating to Corporate Finance and Sales

Technological Changes:



Technological changes such as advances in mobile technologies, big data, cloud technologies, IoT, AI, 5G, microservices, and so on have impacted on corporate businesses, operations, maintenance, information, and information security risks. We plan to implement digital transformation as part of our mid- to long-term strategic plans to meet technological changes, as well as evaluate, introduce, and utilize mature technologies and products for real-world application in necessary department and information platforms. Further explanations are shown in the table below:

	Impacts	Responses
Business	New business models arising from mobile technologies, cloud technologies, and AI have changed consumer habits. Customers are expecting better quantity and quality with regard to real-time information, personalization, and customer experiences.	Use new technologies to optimize mobile ticketing services and develop personalized services so as to enhance customer experiences; develop intelligent customer services to strengthen customer relations.
Operations	Mobile technologies can provide real-time operational information and big data analysis can be used to strengthen operational safety.	Use new technologies to support mobile train services, assist train personnel, and provide timely passenger services. We plan to integrate our 15 years of operational experience with new technologies to develop an operational safety database and provide relevant information for facilitating responses to emergency incidents.
Maintenance	IoT and big data technologies have enhanced maintenance efficiency.	We plan to integrate our 15 years of inspection and maintenance information with predictive maintenance technologies to reduce unnecessary checks, extend equipment service duration, and decrease maintenance costs.
Information	Cloud and micro services are becoming a trend for industrial information platform architecture and system structures.	Use new technologies to enhance information systems, reduce maintenance costs, and adjust or expand capacity in line with market needs.
Information Security Risks	Increased cybersecurity risks mean that information safeguards, identity verification, and service accessibility are becoming more important, and there is a higher risk of being breached or hacked.	We not only have clear stipulations of service quality relating to our information systems and services, but also adhere to related laws and information security standards when formulating information security plans and risk considerations, as well as when evaluating, introducing, outsourcing, or building systems and services. We implement associated checks, third-party laboratory inspections, and periodic or non-periodic information security drills to establish in-depth defense mechanisms and 24/7 information security monitoring measures to provide active defense and early warning, and to reduce service impacts.

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 increased industrial interactions and shortened the distance between the northern and southern regions. 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 on the Market Observation Post System, and we periodically publish annual reports and 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. According to the current operating schedule, track layout, and shunting limitations, the addition of Zuoying Depot's second vehicle maintenance plant will increase the maintenance capacity by up to 9 trainsets, which will in turn satisfy maintenance needs of an expanded fleet.
- B. During peak operations over long weekends, the number of available trainsets can be unlimited, and all train-sets can be operated when necessary.
- C. The functions of train inspection, repairing and parking will be satisfied. Trainsets can be dispatched more flexibly for different operations.
  - (a) Satisfy fleet expansion needs in the future.
  - (b) Provide sufficient tracks for trainset refurbishments and other specific activities (such as trainset painting, material development and testing, 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	Subject Matter	Status	Impact on the Corporation's Finance or Operation
1	2015	Plaintiff: THSRC Defendant: Taipei City Government	The Taipei City Government determined that the Corporation had not provided overtime pay and leave days in accordance with law, and therefore 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"> <li>The Taipei High Administrative Court rejected plaintiff's appeal under 2016 Su-Zi No. 342 on June 7, 2018.</li> <li>THSRC filed an appeal on July 6, 2018.</li> <li>The Supreme Administrative Court reversed the decision by Taipei High Administrative Court on October 17, 2019 under 2019 Pan-Zi-No. 479 and remanded the case to the same court.</li> <li>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.</li> <li>THSRC filed an appeal on January 15, 2021.</li> <li>The Supreme Administrative Court announced its judgement on January 16, 2023 (2021 Shang-Zi-No. 150) and dismissed both appeals. The costs of appeal proceedings shall be borne by both parties respectively.</li> <li>A final judgment has been entered for this case.</li> </ol>	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 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 the 2021 Annual Report of the relevant juristic-person directors).

Juristic-person director: Taiwan Sugar Corporation:

Parties	Monetary Value of the Subject Matter	Status
Claudia Badachi	On October 30, 2019, Claudia Badachi, a resigned employee, filed a lawsuit against a branch company of Taiwan Sugar Corporation, the main dispute being a different understanding of the definition for "agricultural worker." Plaintiff believes that she is not an agricultural worker; according to local regulations, ordinary workers must be paid for overtime for working more than 8 hours. Therefore, plaintiff demands a payment of US\$1.9 million.	The case is currently under review by the Superior Court of California, Monterey County.
Yongda Institute of Technology (NPO)	Yongda Institute of Technology set the right of superficies to use 8 pieces of land with an area of 84,260 m <sup>2</sup> , including Land No. 1768, Renxin Section, Renwu District, Kaohsiung City of Taiwan Sugar Corporation, for a duration of 50 years from July 22, 2005 until July 21, 2055, and rent has been paid up to July 21, 2019 (the annual rent for 2019 was NT\$ 7,409,746, tax inclusive). As Yongda used the disputed land in violation of the contract, Kaohsiung Office of Taiwan Sugar Corporation issued a letter on July 17, 2019 to terminate the contract effective from July 22, 2019. However, Yongda has not yet cleared the land, is currently appealing for its return, and has also requested to be paid back NT\$44,510,832 for unjust enrichment.	The case is currently under review by Taiwan Ciaotou District Court under the case number 2021 Zhong-Su-Zi-No. 21.
Revenue Service Office, Kaohsiung City	Five pieces of land, including Land No. 893, Zhongcuo Section, Xiaogang District, Kaohsiung City managed by Taiwan Sugar Corporation Kaohsiung Office applied for levying of agricultural land tax, which was approved by the Revenue Service Office (Xiaogang Branch) of Kaohsiung City. However, said branch revoked the previous approval with a letter dated June 24, 2020, stating that the land value tax of the above-mentioned lands will be levied using the original general land tax rate from 2014, and the difference in land value tax from 2015 to 2019 (NT\$ 45,234,733) will be collected. Taiwan Sugar Corporation disagreed with the decision and applied for review, but without success. After a further petition was rejected, Taiwan Sugar Corporation filed an administrative lawsuit.	1. Kaohsiung High Administrative Court on March 3 2022 rendered a judgment (2021 Su-Zi-No. 162) and dismissed the claim filed by Taiwan Sugar Corporation. 2. Taiwan Sugar Corporation filed an appeal, which was dismissed by the Supreme Administrative Court on June 9, 2022 under case number 2022 Shang-Zi-No. 350.

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:

- 1) With regard to noise impacts on neighboring residents caused by HSR operations, we have formulated the "Voluntary Noise Prevention and Improvement Plan" and the "Work Plan to Prevent and Improve Noise Impacts on Neighboring Residents Along the HSR Line." We have also established the "Procedures for Handling HSR Noise Petitions," which include surveys, interviews, and measurements with petitioning stakeholders that allow us to understand their noise issues and explain our handling methods, prevention measures, and improvement plans, thereby facilitating two-way communication. Noise incidents surveyed in 2022 did not require installation of new noise barriers or other preventive measures. Over the past three years (2020-2022), we have invested NT\$ 42,613,000 in noise prevention. (Related measures and implementation results are disclosed in our Sustainability Report.)
- 2) As of December 31, 2022, the COVID-19 pandemic has ebbed; our revenues have increased by 22.80% compared with the previous year and our net profits before tax are at similar to the previous year. To prevent COVID-19 from spreading, we continue to implement a number of rolling preparatory epidemic prevention measures. For details on related epidemic prevention measures, please refer to the "Epidemic Prevention Section" on our corporate website ([www.thsrc.com.tw](http://www.thsrc.com.tw)).

## 8. Other Important Disclosure Items: None

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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	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>The privately placed common stock reference price is set at \$10.15, and the issue price is set at \$10, consistent with the resolution of the shareholders' temporary meeting stating that the private placement price shall not be lower than 80% of the reference price.</li> </ol>					
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		<b>Private placement entity</b>	<b>Qualifications</b>	<b>Subscription quantity</b>	<b>Relationship with THSRC</b>	<b>Participation in Corporation's operations</b>
		Ministry of Transportation and Communications, R.O.C.	Paragraph 1	2,420,000 thousand shares	Government-related entity	THSRC director, largest shareholder, and governing authority of THSRC
		China Aviation Development Foundation	Paragraph 3	260,000 thousand shares	THSRC director	THSRC director
		Mega International Commercial Bank	Paragraph 1	71,100 thousand shares	None	None
		First Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
		Hua Nan Commercial Bank	Paragraph 1	53,300 thousand shares	None	None
		Taiwan Corporative Bank	Paragraph 1	53,300 thousand shares	None	None
		Chang Hwa Commercial Bank	Paragraph 1	44,500 thousand shares	None	None
	Taiwan Business Bank	Paragraph 1	44,500 thousand shares	None	None	
Actual subscription (or conversion) price	NT\$10 per share					
The difference between actual subscription (or conversion) price and reference price	The actual subscription price was \$10 per share, 98.25% of the reference price set at \$10.15.					

Project	Private placement in 2015 Issue date: November 26, 2015
Impacts of private placement on shareholders' equity (for example, increase of cumulative losses)	A total of 3 billion privately placed common stock was issued, generating stock income of \$30 billion, and bringing paid-in capital to \$56,052,930,580, which will help the Corporation stabilize its operations and development, and bring positive benefits to shareholders' equity.
Fund utilization of private placement and project implementation progress	Collected private equity funds were used to enrich working capital, purchase machinery and equipment, and implement preferred stock compensation schemes. In the second quarter of 2016, \$14.3 billion was used to enrich working capital, \$600 million was used to purchase machinery and equipment, and \$15.1 billion was used for preferred stock compensation programs.
Private placement benefits	Enrich the Corporation's funds, improve the Corporation's financial structure, aid implementation of preferred stock compensation programs, and stabilize the Corporation's operations and development.

**3. Information on Shares Held or Sold by Subsidiaries in the most recent year and up to Publication Date of Annual Report: None.**

**4. Other Supplementary Information Required: None.**

**5. Has the corporation experienced any events as described in Item 2, Paragraph 3, Article 36, of the Securities and Exchange Act that have had major impacts on shareholders' equity or share prices in the most recent year and up to the publication date of this Annual Report: None.**

TAIWAN HIGH SPEED RAIL CORPORATION

CHAIRMAN

*Y. C. Chiang*

