

# **Taiwan High Speed Rail Corporation**

## **Minutes for 2021 Annual Shareholders' Meeting**

Date and Time: 9:00 a.m., August 12, 2021

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

Attending directors: Chairman Yao-Chung Chiang, Independent Director Duei Tsai (Convener of Audit Committee), Independent Director Kenneth Huang-Chuan Chiu (Convener of Remuneration Committee), Independent Director Yung-Cheng (Rex) Lai, Director Wen-Jong Chi, Director Chin-Hong Pan, Director Chao-Yih Chen, Director Mao-Hsiung Huang (Convener of Special Committee)(remote attendance), and Director Shien-Quey Kao.

(A total of 9 directors attended the Annual Shareholders' Meeting, representing more than half of all 13 Corporation directors.)

Other attendees:

Deloitte & Touche: Mei-Yen Chiang, Kwan-Chung Lai

Baker McKenzie: I-Che Hsieh

Ministry of Transportation and Communications and Railway Bureau guidance personnel: Chief Secretary Kang Lee, Chief Yu-Chen Liu, Executive Officer Hui-Ju Chang, Director Huei-Chun Chen, Chief Wen-Mei Chen, Officer I-Wen Weng.

Chairman: Yao-Chung Chiang

Recorded by: Barret Wang

Attending shareholders: Total number of outstanding Corporation shares amounted to 5,628,293,058 shares, with 0 shares holding no voting rights. Of these, holders of 4,639,162,616 common shares attended in person, holders of 4,156,501,560 common shares attended electronically, 0 common shares were publicly solicited proxies, and 100,441,257 common shares were non-solicited proxies. The total number of participating common shares was 4,739,603,873 shares; the attendance rate was 84.21%.

Meeting commencement: The Chairman announced the commencement of the meeting as shares represented by attending shareholders had reached the number legally required for shareholders' meetings.

Summary of Chairman's opening speech:

Good morning to all our shareholders and honored guests.

Due to the COVID-19 pandemic, our annual shareholders' meeting, which was originally scheduled for May 27, was postponed to today. We are grateful to all of you for your continued concern for and support of THSRC. On behalf of all Corporation directors, I would like to express my sincere thanks for your attendance at the THSRC 2021 Annual Shareholders' Meeting and welcome you all. In accordance with government epidemic prevention policies, we have added a number of epidemic prevention measures at our meeting venue to ensure the health and safety of all participants. We hope that you can understand and cooperate with these measures.

The impacts of last year's pandemic continue to this day, with the transportation industry bearing the brunt of these impacts. THSRC, in particular, has been severely impacted by changes in epidemic conditions. I remember when we held our previous shareholders' meeting last May, our passenger volumes had just made a recovery as a result of Taiwan's effective epidemic prevention performance.

At the time, we took advantage of the opportunity to launch many limited and popular travel packages to promote national tourism and enhance our brand image of “Journey with THSR, Discover Taiwan,” greatly increasing our sales. Despite being impacted by the pandemic in 2020, we still successfully carried 57.24 million passengers and generated NT\$ 39.14 billion in revenues.

However, worsening global pandemic conditions, the local outbreak in mid-May of this year, and raised epidemic alert levels caused our passenger volumes to drop sharply. Our revenues for May were half that of April. Starting in June, many passengers began cancelling their trips in accordance with governmental epidemic prevention measures and we also implemented load reduction measures for the Dragon Boat Festival. Therefore, our revenues for June fell by nearly 80% compared with May, posing an unprecedented challenge for THSRC.

Despite the impacts and challenges of the pandemic, we are determined to overcome our difficulties. We demonstrated a high degree of efficiency and creativity in implementing contact tracing measures, seating controls, and reduced loading factors, gaining great acclaim from all fronts. Last month, to safeguard passenger safety, more than 90% of our frontline colleagues received their first vaccine dose with the assistance of the government. What was especially commendable was that our meticulous advanced planning helped to maximize dose efficiencies for 95% of vaccine vials. Even in the midst of epidemic prevention, we continued to implement our corporate vision of “To be the platform for advancement and enjoyment” and promote our corporate governance goals. This marks the fourth consecutive year we were listed as a top 5% company in the Corporate Governance Evaluations published by the Taiwan Stock Exchange. We not only maintained our consistently excellent performance since we began participation in these evaluations, but also demonstrated our emphasis and incorporation of corporate governance measures in forming a sound corporate culture within the Corporation. Taiwan Ratings also adjusted our rating to the highest twAAA rating in April. Additionally, our newly established Travel and Business Development Division is preparing to meet post-epidemic conditions so that we can build a leading brand for national tourism to generate more benefits for the Corporation and our shareholders. We know that this epidemic has caused profound impacts at all levels. Interpersonal relationships, in particular, have suffered from forced isolation and distancing. This is undoubtedly a challenge for THSRC as we have always advocated “real contact” in relationships. However, if we can win the trust of our passengers, there is a chance that we can play an even more critical role once the epidemic has passed. According to the results of the “2021 Taiwan Brand Trust Survey” released by National Sun Yat-sen University in May of this year, overall brand trust levels for THSRC have increased substantially, and our first-place rankings on survey items including “Customer Kindness,” “Honest Communication,” “Protection of Customer Privacy and Data,” and “Delivering on Brand Promises” garnered us the top place in the “Relationship Trust” brand category. In future, we will demonstrate our brand spirit of “real contact” and rebuild passenger confidence in public transportation by restoring the irreplaceable trust and warmth that exists in interpersonal relationships as we create safe, comfortable, and wonderful journeys for our passengers. As a key national infrastructure provider, THSRC fully cooperates with the government on epidemic prevention measures. Local epidemic conditions have improved of late, and our passenger volumes have also gradually recovered. In future, we will continue to serve as the backbone of transportation in Taiwan, become a force for economic development and social progress, and meet the expectations of our shareholders. We hope that all our shareholders can continue to support us. We wish you all good health and pray that the epidemic in Taiwan will pass as soon as possible so that life can return to normal

There are four management presentations, two proposals, and three discussions on the agenda for today’s shareholders’ meeting. Please refer to the meeting handbook for more information. We hope

that all of you can provide your support for this meeting.

Additionally, I'd like to report to all shareholders that we posted public notice for shareholder proposals relating to this meeting in accordance with Article 172-1 of the Company Act, and that no shareholders submitted proposals during the notice period. According to FSC regulations, companies which have adopted electronic voting procedures at shareholder meetings are required to vote on motions for which shareholders with electronic voting rights have expressed objections or abstentions. To save time, we will vote on each respective motion after discussions for all proposal and discussion motions have concluded. Furthermore, in consideration of epidemic conditions, we ask that our shareholders be as concise as possible when speaking. The "Guidelines for Epidemic Prevention Responses when Convening Shareholders Meetings" stipulate that the same shareholder should not speak more than twice on the same motion, nor more than three minutes at one time. We ask our shareholders to adhere to these stipulations so that our shareholders' meeting can proceed smoothly.

## I. Management Presentations

Report No. 1: Report on Corporation Execution of Corporate Governance (Please refer to Appendix I).

Report No. 2: Report on Allocation of 2020 Remuneration to Board of Directors and Employees (Please refer to Appendix II).

Report No. 3: Revision of Corporate Social Responsibility Best Practice Principles (Please refer to Appendix III).

Report No. 4: Report on the Placement of Corporate Bonds in 2020 (Please refer to Appendix IV).

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Following the first to fourth management presentations, the Chairman received no objections from all shareholders present, and the reports were acknowledged by the shareholders.

## II. Proposals

Proposal No. 1: Proposed by the Board

Proposal: Proposal of 2020 Annual Business Report and Financial Statements of the Corporation.

Explanation: The Corporation's business report for 2020 (please refer to Appendix V) and financial statements (please refer to Appendix VI) were approved on February 24, 2021 at the 11th meeting of the 9th Board. The financial statements were audited by certified public accountants, and an audit report thereto was issued on February 24, 2021 (please refer to Appendix VII), distributed to the Audit Committee for review (please refer to Appendix VIII), and is hereby submitted for adoption at shareholders' annual general meeting.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

(For proposals and discussion items, holders of 4,639,162,616 common shares attended in person, holders of 4,156,501,560 common shares attended electronically, 0 common shares were publicly solicited proxies, and 100,441,257 common shares were non-solicited proxies. The total number of participating common shares was 4,739,603,873 shares, amounting to 84.21% of all outstanding common shares.)

Total number of shareholder votes present during vote: 4,739,603,873

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,618,388,846 (Including 4,035,402,533 electronic votes)	97.44%
Disapproval votes	416,392 (Including 416,392 electronic votes)	0.00%
Invalid votes	0	0.00%
Abstention votes/no votes	120,798,635 (Including 120,682,635 electronic votes)	2.54%
The motion was approved as proposed.		

Proposal No. 2: Proposed by the Board

Proposal: Proposal of 2020 Profit Distributions of the Corporation.

Explanation:

1. As of year-end 2020, our distributable earnings amounted to NT\$ 9,778,303,932.
2. In order to stabilize and balance payout policies and in consideration of long-term corporate financial planning, the Corporation proposes cash dividends of NT\$1.05 per share for 2020 profit distribution, amounting to NT\$5,909,707,711 on a basis of NT\$5,628,293,058 common shares outstanding.
3. The Corporation's profit distribution table for 2020 was approved at the 12th meeting of the 9th Board on March 17, 2021, circulated to the Audit Committee for review (please refer to Appendix IX), and is submitted to the shareholders' annual general meeting for approval.

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PROFIT DISTRIBUTION TABLE

Fiscal Year 2020	Unit: NT\$
Unappropriated retained earnings at the beginning of the period	4,540,137,973
Add: Net income for 2020	5,843,037,199
Less: Re-measurements of defined benefit plan	(22,852,800)
Undistributed earnings	10,360,322,372
Less: 10% legal reserve	(582,018,440)
2020 distributable earnings	9,778,303,932
Distributable items:	
Cash dividends (NT\$1.05 per share)	(5,909,707,711)
Current-year undistributed earnings	3,868,596,221

4. Following approval from the 2021 shareholders' annual general meeting, the cash dividends will be distributed on an ex-dividend date payment date to be determined by the Board.

Additional explanation for current motion:

According to the "Frequently Asked Questions Relating to Precautions for Postponement of Shareholders' Meetings by Listed Companies in Response to Coronavirus Epidemic" released by the Taiwan Stock Exchange, to ensure that shareholders can receive dividends as soon as possible for fund utilization and capital allocation during epidemic conditions, listed companies can post ex-dividend notices associated with motions relating to distribution of cash dividends and bonuses prior to resolution at postponed shareholders' meetings as long as the number of electronic votes meet statutory resolution thresholds.

During the electronic voting period for the Corporation's shareholders' meeting (April 27, 2021 to May 24, 2021), the proportion of shareholders who indicated approval for the motion using electronic votes met statutory resolution thresholds. In accordance with the aforementioned stipulations, the ex-dividend date was set at August 22, 2021 and the date for distribution of cash dividends was set at September 15, 2021 following approval by the Board on July 14, 2021, and ex-dividend notices were handled accordingly.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,739,603,873

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,613,231,898 (Including 4,030,245,585 electronic votes)	97.33%
Disapproval votes	6,396,524 (Including 6,396,524 electronic votes)	0.13%
Invalid votes	0	0.00%
Abstention votes/no votes	119,975,451 (Including 119,859,451 electronic votes)	2.53%
The motion was approved as proposed.		

### III. Discussions

Discussion No. 1: Proposed by the Board

Proposal: Revision of Guidelines for Corporate Governance.

Explanation:

1. In order to comply with the Company Act, Securities and Exchange Act, and Taiwan Stock Exchange Corporation Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Companies, and in consideration of the Corporation's corporate governance needs, amendments are proposed to the Corporation's Guidelines for Corporate Governance.

2. A comparison of amended articles in the Guidelines for Corporate Governance is shown in the Appendix (please refer to Appendix X).

3. This proposal was approved at the 12th meeting of the 9th Board dated March 17, 2021, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,739,603,873

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,598,765,311 (Including 4,015,778,998 electronic votes)	97.02%
Disapproval votes	451,558 (Including 451,558 electronic votes)	0.00%
Invalid votes	0	0.00%
Abstention votes/no votes	140,387,004 (Including 140,271,004 electronic votes)	2.96%
The motion was approved as proposed.		

Discussion No. 2: Proposed by the Board

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

Explanation:

1. In order to comply with the Company Act and the Taiwan Stock Exchange Corporation Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings, and in consideration of the Corporation's operating needs, amendments are proposed to the Corporation's Rules of Procedure for Shareholders' Meetings.

2. A comparison of amended articles in the Rules of Procedure for Shareholders' Meetings is shown in the Appendix (please refer to Appendix XI).

3. This proposal was approved at the 12th meeting of the 9th Board dated March 17, 2021, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,739,603,873

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,598,702,357 (Including 4,015,716,044 electronic votes)	97.02%
Disapproval votes	500,013 (Including 500,013 electronic votes)	0.01%
Invalid votes	0	0.00%
Abstention votes/no votes	140,401,503 (Including 140,285,503 electronic votes)	2.96%
The motion was approved as proposed.		

Discussion No. 3: Proposed by the Board

Proposal: Revision of Rules for the Election of Directors.

Explanation:

1. In reference to the Taiwan Stock Exchange Corporation Sample Template for XXX Co., Ltd. Procedures for Election of Directors, and in consideration of the Corporation's operating needs, amendments are proposed to the Corporation's Rules for the Election of Directors.
2. A comparison of amended articles in the Rules for the Election of Directors is shown in the Appendix (please refer to Appendix XII).
3. This proposal was approved at the 12th meeting of the 9th Board dated March 17, 2021, and is hereby submitted to the shareholders' annual general meeting for approval.

Summary of shareholder inquiries: No inquiries were raised by shareholders.

Resolution: Voting results for this proposal was as follows:

Total number of shareholder votes present during vote: 4,739,603,873

Voting results	Number of shareholder votes	Proportion of shareholder votes present during vote (%)
Approval votes	4,598,658,745 (Including 4,015,672,432 electronic votes)	97.02%
Disapproval votes	535,672 (Including 535,672 electronic votes)	0.01%
Invalid votes	0	0.00%

Abstention votes/no votes	140,409,456 (Including 140,293,456 electronic votes)	2.96%
The motion was approved as proposed.		

IV. Extraordinary Motions: None.

VII. Meeting closed: August 12, 2021 at 9:39 a.m.

Notes:

The proportion of shareholder votes present during vote for approval votes, disapproval votes, abstention votes, invalid votes, and no votes were automatically calculated and were rounded unconditionally to the second decimal place; this difference in decimal points may cause the total proportion to be unequal to 100.00%.

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

According to Paragraph 3, Article 5-2-02 of the Corporation's "Guidelines for Corporate Governance," the Corporate Governance and Nomination Committee should prepare a report on the Corporation's implementation of corporate governance prior to each shareholders' annual general meeting. Following review by the Board, said report shall be included in the Annual Meeting Handbook. The Corporation's report on corporation execution of corporate governance for the current year was approved at the 11th meeting of the 9th Board on February 24, 2021, and is hereby presented to the shareholders' general meeting.

### I. Background

For the purpose of sound corporate governance, as well as assurance of shareholders' equity, consolidation of the Board of Directors' function, promotion of information transparency, and fulfillment of corporate social responsibility, our Guidelines for Corporate Governance were formally passed with a resolution at the May 28, 2003 shareholders' general meeting. Additionally, independent directorship was introduced so as to establish an infrastructure for corporate governance. Accordingly, relevant corporate governance systems and measures have been initiated and executed in the last 18 years with considerable effectiveness.

### II. Corporate Governance Guidance

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

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## III. Execution of Corporate Governance System

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

### 1. Establishment of Independent Directorship

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

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

In consideration of appropriate Board scale, representation of shareholder interests, business nature of BOT, and corporate development, as well as shareholder structure and discussion efficiency, there are 13 directors serving on the 9th Board, including 4 independent directors and 9 non-independent directors elected at the shareholders' general meeting held on May 21, 2020.

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

To implement efficient decision-making and robust supervision, since the 4th Board of Directors, we established the Corporate Governance Committee and quasi Audit Committee in accordance with Article 5-1-01 of the GCG, and thereafter established other functional

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

Furthermore, the 13 directors comprising the 9th Board were elected for three years of office (May 21, 2020 to May 20, 2023). The current Board oversees the Corporate Governance & Nomination Committee, Audit Committee (encompassing the duties of the Finance Committee), Remuneration Committee, and Special Committee (encompassing the duties of the Procurement Committee); of these, the Audit Committee and Remuneration Committee are convened by independent directors.

#### 4. Primary tasks and execution responsibilities for Board of Directors and functional committees (from January 2020 to March 2021)

##### (1) Board of Directors

① Composition: 13 directors.

② Number of meetings: 17.

③ Primary tasks:

The Board of Directors are responsible for major Corporation finance, business, and operation decisions, and oversee the duties performed by the Management (see Schedule for details).

④ Execution:

The Board of Directors applies applicable laws and regulations, resolutions of shareholders' meetings, and the Corporation by-laws to faithfully perform the foregoing primary tasks. Board duties are diverse and therefore not enumerated here.

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In the event of major resolutions, the Board of Directors consistently announces and discloses these on the Market Observation Post System as required. Functional committees bring their respective preview function into play, and independent directors also exert their independence and professionalism, enhancing Board discussions and promoting professionalism.

## (2) Corporate Governance & Nomination Committee

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

② Number of meetings: 15.

③ Primary tasks:

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

④ Execution:

1) Discuss proposals for evaluation of implementation of Board of Directors and functional committees and annual work plans.

2) Discuss executive report on corporate governance.

3) Discuss renewal of Directors and Officers Liability Insurance.

4) Discuss corporate organizational structure adjustments and procedural amendments.

5) Discuss amendments or amendment proposals to internal rules and regulations relating to corporate governance.

6) Discuss director and manager succession plans.

7) Discuss Corporation corporate governance implementation performance, execution of corporate social responsibilities and ethical management, and

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implementation of information disclosures.

## (3) Audit Committee

- ① Composition: Composed of all 4 independent directors, with the committee being convened by 1 of the independent directors.
- ② Number of meetings: 15.
- ③ Primary tasks:

Review and oversee corporate financial statements and risk control/management affairs (see Schedule for details).
- ④ Execution:
  - 1) Review annual budget, budget implementation report and financial statements.
  - 2) Discuss amendments to or formulation of regulations relating to Audit Committee duties, including the “Charter of the Audit Committee,” “Regulation for Accounting Treatments,” “Assets for Operation and Equipment Management Regulation,” “Internal Control System,” “Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior,” “Operational Procedures for Endorsements and Guarantees,” and “Operational Procedures for Loaning Funds to Others.”
  - 3) Review results of annual self-evaluations of internal control system and statements of internal control system at all levels of the organization. The Corporation’s 2020 “Final report on self-assessments of internal control systems” and self-assessment implementation reports from all levels of the organization were completed in accordance with the cyclical internal control procedures of each unit. The “2020 annual report on self-assessments of internal control systems” was submitted to the 9th Audit Committee meeting of the 9th Board on February 23, 2021 and the 11th meeting of the 9th Board on February 24, 2021 for confirmation of internal control systems, which includes understanding of operational performance, efficiency, and goal attainment rates; and understanding of reliability, timeliness, transparency, and legal compliance of reporting measures; and efficient implementation to ensure that relevant goals are met.
  - 4) Review transactions involving directors’ conflicts of interest subject to recusal of

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exercise of voting rights, transactions with related parties, and transactions requiring prevention of conflicts of interest.

- 5) Review assessments of Certified Public Accountants. Please refer to Sub-Item (5) Periodic Independence Assessments of Certified Public Accountant (CPA) under Item 5 Measures Specific to Corporate Governance in Management Presentations for primary assessment results.
- 6) Review annual audit plans and executive reports thereof.
- 7) Periodically communicate with chief internal auditor and accountants. Main communication items are as shown in the Schedule.
- 8) Assess the Corporation's risk management policies and risk evaluation criteria, and monitor existing and potential risks to the Corporation. The Audit Committee and the Board periodically review the Corporation's risk management implementations. The "2020 annual progress report of risk management implementations" was submitted to the 4th Audit Committee meeting of the 9th Board on September 15, 2020 and the 6th meeting of the 9th Board on September 16, 2020 to confirm that all units responsible for risk management have adopted appropriate response measures, and have made appropriate records of risk management procedures and implementation results.

## (4) Remuneration Committee

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

Formulate and regularly review the evaluation of directors and managers' performance and salary and compensation (see Schedule for details).
- ④ Execution:

The Remuneration Committee applies the foregoing primary tasks when considering the Corporation's proposals for performance management and compensation. For more information regarding director and manager remuneration policies, and connection between and reasonableness of remuneration and performance assessment

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results, please refer to Sub-Item (4) Formulation of Reasonable Remuneration Policies and Evaluation of Connection Between and reasonableness of Remuneration and Performance Assessment Results under Item 5 Measures Specific to Corporate Governance in Management Presentations.

## (5) Special Committee

① Composition: 6 directors, convened by a director elected by committee members.

② Number of meetings: 15.

③ Primary Tasks:

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

④ Execution:

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

## 5. Measures Specific to Corporate Governance

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

In 2020, in order to strengthen our corporate governance system, the functional committees of the Corporation pre-assessed proposals to establish or revise basic and management bylaws relating to corporate governance, and submitted these to the Board for approval; the corporate bylaws concerned included the "Rules of Procedure for Shareholders' Meetings," "Rules of Procedure for Board of Directors Meetings," "Charter of the Corporate Governance & Nominating Committee," "Charter of the Audit Committee," "Charter of the Remuneration Committee," "Charter of the Special Committee," "Standardized Operating Procedure for Handling Directors' Requests," "Ethical Corporate Management Best Practice Principles," "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior," "THSRC

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Organizational Regulation,” “Internal Control System,” “Regulations of Responsibility & Authority,” and “General Delegation Table of Responsibility & Authority.”

The Corporation plans to revise the “Corporate Social Responsibility Best Practice Principles,” “Guidelines for Corporate Governance,” “Rules of Procedure for Shareholders’ Meetings,” and “Rules for the Election of Directors” in accordance with amendments made to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, Taiwan Stock Exchange Corporation Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings, Taiwan Stock Exchange Corporation Sample Template for XXX Co., Ltd. Procedures for Election of Directors, and the Corporation’s business operations. These revisions will be submitted to the shareholders’ meeting for presentation and discussion in accordance with relevant regulations.

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

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

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

- ① Purchase of D&O is a part of implementation of corporate governance initiatives. From the Corporation’s perspective, D&O not only facilitates the acquisition of talent, but also encourages dauntless service, thus contributing to corporate governance. For directors and officers, D&O can help to avoid legal damage from fault or neglect related to performance of duties.

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

(4) Formulation of Reasonable Remuneration Policies and Evaluation of Connection Between and reasonableness of Remuneration and Performance Assessment Results:

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

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

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 criteria for the Chairman are based on annual Corporation

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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.

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

Results of performance self-assessments for the Corporation’s Board of Directors, Board members, and functional committees in 2020 all significantly exceeded standards. Additionally, results of performance assessments for managers in 2020 showed that all managers either met or exceeded set targets. Compensation for the Corporation’s Chairman, Board directors, President, and managers fully consider the professional capabilities of these individuals and Corporation operations and finances, and are linked to individual performance management and evaluation results.

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

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

According to Article 5-3-06 of the Corporation’s GCG, the Audit Committee shall conduct assessments of CPA professionalism, independence, and reasonableness of audit fees at the end of each fiscal year, and these assessments shall be submitted to the Board of Directors. CPA assessment results for 2020 were approved by the 9th Audit Committee meeting of the 9th Board of Directors dated February 23, 2021 and the 11th meeting of the 9th Board of Directors dated February 24, 2021, confirming that the Corporation’s CPA fulfilled the following assessment standards for independence and competency:

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

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

## IV. Effectiveness of Corporate Governance System

### 1. Preliminary Review by Functional Committees

In accordance with the GCG, functional committees deliberate the respective proposals

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submitted by the Management, perform relevant duties, and actively fulfill their preview role for the Board of Directors.

## 2. Independence and Professionalism of Independent Directors

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

## 3. Management Implementation

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

## 4. Strengthen Information Disclosure

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

## 5. Corporate Social Responsibility and Social Contribution

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

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economic, social and ecological in order to achieve the goal of sustainable management.

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

## V. Future Plans for Corporate Governance

In 2017, we drafted a sustainability strategy blueprint using our 4Ts (Transportation, Technology, Taiwan, and Touch) as the main pillars of our sustainable management strategy. In order to pursue greater excellence in sustainable implementations, we reviewed our sustainability strategy blueprint in 2019 and aligned this with corresponding UN SDGs to strengthen and implement corporate governance and sustainable operations. 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 while incorporating ESG (Environment, Social, Governance) concepts into our operational plans and actively implementing sustainable actions in our business operations. We use various assessment mechanisms to periodically track the development and performance of various issues, and to promote and implement our

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sustainable concepts as we gradually solidify our determination and commitment to sustainable operations to realize our corporate vision “To be the platform for advancement and enjoyment.”

## VI. Concluding Remarks

Since going public, the Corporation has participated in the 4th to 6th TWSE Corporate Governance Evaluations (for 2017 to 2019) and was consecutively ranked among the top 5% of publicly listed companies. Additionally, we were awarded a “Platinum” certification by the Taiwan Corporate Governance Association under their CG6012 corporate governance evaluations (for 2019) on July 28, 2020. In future, we will focus on the continuous functioning of functional committees and independent directors. Furthermore, we will uphold the principles of enterprise autonomy, consistently review the framework and mechanisms of corporate governance, in order to improve the corporate governance system and set Taiwan High Speed Rail Corporation as a benchmark for corporate governance.

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Schedule

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

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

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

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Item	Primary Tasks
	<ul style="list-style-type: none"> <li>8). Evaluate the appointment, dismissal, or compensation of attesting CPAs.</li> <li>9). Evaluate the appointment and dismissal of the Corporation’s chief financial officer, chief accountant, or chief internal auditor.</li> <li>10). Review annual and quarterly financial reports, which are signed or sealed by the Corporation Chairperson, managerial officer, and certified public accountant.</li> <li>11). Review the Corporation’s accounting system and financial condition.</li> <li>12). Evaluate the Corporation’s risk management policies and risk measurement standards.</li> <li>13). Review the procedures for material financial and operational acts</li> <li>14). Evaluate, examine, and monitor any existing or potential risks to the Corporation.</li> <li>15). Examine the Corporation’s compliance with laws, regulations and rules.</li> <li>16). Review the Corporation’s capital, financing, and credit plans.</li> <li>17). Assess the Corporation’s tax planning and compliance with tax laws and regulations.</li> <li>18). Other major matters as required by the Corporation or the competent authority.</li> <li>19). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</li> </ul>
Remuneration Committee	<p>As per Article 3 of the Charter of the Remuneration Committee, the Remuneration Committee is responsible for the following tasks:</p> <ul style="list-style-type: none"> <li>1). Formulate and regularly review the performance assessment criteria, performance goals, and the policies, systems, standards, and structure for the compensation of directors and managerial officers of the</li> </ul>

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Item	Primary Tasks
	<p>Corporation.</p> <p>2). Regularly assess the degree to which performance goals for directors and managerial officers of the Corporation have been achieved, set the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment criteria.</p>
Special Committee	<p>As per Article 3 of the Charter of the Special Committee, the Special Committee is responsible for the following tasks:</p> <p>1). Provide counsel and suggestions in accordance with Board resolutions on major legal or contractual disputes and important institutional changes of the Corporation, and assist the Board in supervising the implementation of said resolutions by managerial departments.</p> <p>2). Review proposals relating to procurement matters that should be submitted to the Board by managerial departments according to Corporation bylaws.</p> <p>3). Other duties as required by the Corporation’s Articles of Incorporation, Guidelines for Corporate Governance, or resolutions passed by the Board.</p>

# Appendix I

Communication items between independent directors and chief internal auditor for 2020:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2020/2/17	Audit Committee Meeting (8-33)	2019 Q4 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2020/5/4	Audit Committee Meeting (8-36)	2020 Q1 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2020/8/3	Audit Committee Meeting (9-3)	2020 Q2 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.
2020/10/13	Audit report (Independent report made by chief internal auditor to independent directors)	Audit plans for 2021	Acknowledged by independent directors.	No objections from independent directors.
2020/10/13	Audit Committee Meeting (9-5)	Formulation of 2021 audit report for auditing office	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/11/2	Audit Committee Meeting (9-6)	2020 Q3 audit office project implementation report	Acknowledged by all Audit Committee members in attendance.	No objections from independent directors.

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Communication items between independent directors and CPAs for 2020:

Date	Communication Method (Audit Committee Term-Sitting)	Report Highlight	Communication Results	The Corporation's Responses to Independent Director Opinions
2020/2/17	Audit Committee Meeting (8-33)	<ol style="list-style-type: none"> <li>1. 2019 financial report</li> <li>2. Important communications with governance units</li> <li>3. Key audit items</li> <li>4. Queries regarding amounts set aside as legal reserve as per Article 237 of the Company Act</li> <li>5. Self-compiled issues in financial report</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/5/4	Audit Committee Meeting (8-36)	<ol style="list-style-type: none"> <li>1. 2020 Q1 financial report highlights</li> <li>2. Explanation of new disclosures in 2020 Q1 financial report</li> <li>3. Evaluation of impacts on 2020 Q1 financial report from the COVID-19 pandemic</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/8/3	Audit Committee Meeting (9-3)	<ol style="list-style-type: none"> <li>1. 2020 Q2 financial report highlights</li> <li>2. Explanation of new disclosures in 2020 Q2 financial report</li> <li>3. Explanation of revisions made to IAS 1</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/11/2	Audit Committee Meeting (9-6)	<ol style="list-style-type: none"> <li>1. 2020 Q3 financial report highlights</li> <li>2. Audit plans and key audit items for 2020 financial reports</li> <li>3. Communication on Audit Committee member queries</li> </ol>	Approved after discussion by all Audit Committee members in attendance.	No objections from independent directors.
2020/11/2	CPA audit report (Independent report made by CPAs to independent directors)	Report of audits on financial statements and audit plans	Acknowledged by independent directors.	No objections from independent directors.

# Appendix II

## **Report No. 2: Report on Allocation of 2020 Remuneration to Board of Directors and Employees.**

1. According to Article 235-1 of the Company Act and Letter No. 10402413890 dated June 11, 2015 issued by the Ministry of Economic Affairs, a fixed amount or ratio of profit of the current year distributable as employees' compensation as well as remuneration to directors and supervisors shall be stipulated in the Articles of Incorporation. However, the Corporation's accumulated losses should be offset prior to distribution. Distribution of director and employee compensation shall be undertaken by a resolution adopted by a majority vote at a Board meeting attended by at least two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.
2. Furthermore, according to Article 35-1 of the Articles of Incorporation, "If the final annual accounts of the Corporation show a net profit for a given year, it shall allocate not less than 1 percent of the net profit as profit-sharing compensation to employees and not more than 1 percent as profit-sharing compensation to directors; provided, however, that if the Corporation still has any accumulated loss, it shall first set aside the amount to offset the loss before such allocation."
3. The Corporation's profit for 2020 (i.e. pre-tax profit prior to deduction of distributable director and employee compensation) amounts to NT\$5,558,268,205 (no accumulated losses offset). In accordance with the provisions stipulated in the preceding regulations and Articles of Incorporation, a resolution was reached by 10th meeting of the 9th Board dated January 20, 2021 and the 11th meeting of the 9th Board dated February 24, 2021 for the distribution of 2020 director and employee compensation, with the percentage and amount to be allocated as follows:

# Appendix II

(1) For directors' compensation:

1. Percentage allocated: 0.5%.
2. Amount allocated: NT\$27,791,341.

(2) For employees' compensation

1. Percentage allocated: 2 %.
2. Amount allocated: NT\$111,165,364.

# Appendix III

## **Report No. 3: Revision of Corporate Social Responsibility Best Practice Principles.**

1. In order to comply with revisions made to the “ Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on July 28, 2016 and February 13, 2020 by the Taiwan Stock Exchange Corporation, and in consideration of the Corporation’s operating needs, amendments are proposed to the Corporation’s “Corporate Social Responsibility Best Practice Principles.”
2. A comparison of amended articles in the “Corporate Social Responsibility Best Practice Principles” (please refer to p.57-p.65 of the Annual Meeting Handbook).
3. This proposal was approved at the 11th meeting of the 9th Board dated February 24, 2021, and is hereby presented to the shareholders’ annual general meeting.

# Appendix III

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Rules of Corporate Social Responsibility Best Practice Principles

Amended Articles	Current Articles	Description
<p>Article 3  <u>In fulfilling corporate social responsibility initiatives, the Corporation shall, in its corporate operational strategies and management objectives, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.</u>  <u>The Corporation shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.</u></p>	<p>Article 3  <u>In keeping with the credo "Go the Extra Mile", the Corporation combines its core resources to put corporate social responsibility into practice. It shall attentive to the rights and interests of stakeholders, rigorously promote corporate governance, public interest of society, and environmental sustainability, and incorporate into the Corporation's operational strategies and management objectives.</u></p>	<p>Amended in accordance with revisions made to Article 3 of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on February 13, 2020. Revision of operational strategies and management objectives shall pay attention to the aspect of corporate social responsibility and, in accordance with the materiality principle, establish the relevant risk management policy or strategy.</p>
<p>Article 7            The Corporation's Directors shall exercise the due care and diligence of good administrators. The Board of Directors ("Board") <u>may</u> authorize management department to handle economic, environmental, and social issues arising from operational activities. Management department shall report to the Board on the status of handling such issues. The operational and handling procedures related thereto and the individual</p>	<p>Article 7            The Corporation's Directors shall exercise the due care and diligence of good administrators. The Board of Directors ("Board") <u>shall</u> authorize management department to handle economic, environmental, and social issues arising from operational activities. Management department shall report to the Board on the status of handling such issues. The operational and handling procedures related thereto and the individual personnel responsible for each relevant issue shall be</p>	<p>Amended according to actual Corporation operations.</p>

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Amended Articles	Current Articles	Description
personnel responsible for each relevant issue shall be concrete and clear.	concrete and clear.	
<p>Article 8</p> <p>The Corporation <u>may</u>, on a regular basis, hold education and training courses on the implementation of corporate social responsibility.</p>	<p>Article 8</p> <p>The Corporation <u>shall</u>, on a regular basis, hold education and training courses on the implementation of corporate social responsibility.</p>	Amended according to actual Corporation operations.
<p>Article 9</p> <p>For sound management of corporate social responsibility, the Corporation <u>may</u> establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and implementing corporate social responsibility policies and concrete promotional plans, and reporting on the same to the Board on a regular basis.</p> <p>The Corporation <u>may</u> adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization and align with the interests of stakeholders.</p> <p>The employee performance evaluation system <u>may</u> comply with corporate social responsibility policies, and a clear and effective incentive and discipline system shall be established.</p>	<p>Article 9</p> <p>For sound management of corporate social responsibility, the Corporation <u>shall</u> establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and implementing corporate social responsibility policies and concrete promotional plans, and reporting on the same to the Board on a regular basis.</p> <p>The Corporation <u>shall</u> adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization and align with the interests of stakeholders.</p> <p>The employee performance evaluation system <u>shall</u> comply with corporate social responsibility policies, and a clear and effective incentive and discipline system shall be established.</p>	Amended according to actual Corporation operations.
<p>Article 12</p> <p>The Corporation <u>may</u> endeavor to utilize all resources more efficiently, to use renewable materials with low environmental impact, and to enable sustainable use of earth's resources.</p>	<p>Article 12</p> <p>The Corporation <u>shall</u> endeavor to utilize all resources more efficiently, to use renewable materials with low environmental impact, and to enable sustainable use of earth's resources.</p>	Amended according to actual Corporation operations.

# Appendix III

Amended Articles	Current Articles	Description
<p>Article 13 The Corporation <u>may</u> establish a suitable environmental management system based on the characteristics of its industry. This system shall include the following:</p> <ol style="list-style-type: none"> <li>1. Collecting sufficient and timely information to evaluate the impact of the Corporation's business operations on the natural environment.</li> <li>2. Establishing measurable goals for environmental sustainability, and regularly examining the continuity and relevance of the goals and developments with respect thereto.</li> <li>3. Adopting implementation measures such as concrete programs or action plans, and examining the results on a regular basis.</li> </ol>	<p>Article 13 The Corporation <u>shall</u> establish a suitable environmental management system based on the characteristics of its industry. This system shall include the following:</p> <ol style="list-style-type: none"> <li>1. Collecting sufficient and timely information to evaluate the impact of the Corporation's business operations on the natural environment.</li> <li>2. Establishing measurable goals for environmental sustainability, and regularly examining the continuity and relevance of the goals and developments with respect thereto.</li> <li>3. Adopting implementation measures such as concrete programs or action plans, and examining the results on a regular basis.</li> </ol>	<p>Amended according to actual Corporation operations.</p>
<p>Article 14 The Corporation <u>may</u> establish a dedicated unit or assign dedicated personnel to draft, promote, and maintain relevant environment management systems and concrete action plans, and shall regularly hold environmental education courses.</p>	<p>Article 14 The Corporation <u>shall</u> establish a dedicated unit or assign dedicated personnel to draft, promote, and maintain relevant environment management systems and concrete action plans, and shall regularly hold environmental education courses.</p>	<p>Amended according to actual Corporation operations.</p>
<p>Article 15 The Corporation <u>may</u> consider the environmental benefits of its operations, and promote and advocate the concept of sustainable consumption. It shall also conduct research and development, procurement, production, operations, and</p>	<p>Article 15 The Corporation <u>shall</u> consider the environmental benefits of its operations, and promote and advocate the concept of sustainable consumption. It shall also conduct research and development, procurement, production, operations, and</p>	<p>Amended according to actual Corporation operations.</p>

# Appendix III

Amended Articles	Current Articles	Description
<p>services in accordance with the following principles, to reduce the impact of the Corporation's operations on the natural environment and the public.</p> <ol style="list-style-type: none"> <li>1. Reduce the resource and energy consumption of transportation services.</li> <li>2. Reduce the emission of pollutants, toxins, and waste, and dispose of waste properly.</li> <li>3. Improve the recyclability and reusability of materials.</li> <li>4. Maximize sustainability in the use of renewable resources.</li> <li>5. Increase the durability of equipment.</li> <li>6. Increase the efficiency of services.</li> </ol>	<p>services in accordance with the following principles, to reduce the impact of the Corporation's operations on the natural environment and the public.</p> <ol style="list-style-type: none"> <li>1. Reduce the resource and energy consumption of transportation services.</li> <li>2. Reduce the emission of pollutants, toxins, and waste, and dispose of waste properly.</li> <li>3. Improve the recyclability and reusability of materials.</li> <li>4. Maximize sustainability in the use of renewable resources.</li> <li>5. Increase the durability of equipment.</li> <li>6. Increase the efficiency of services.</li> </ol>	
<p>Article 17  <u>The Corporation may assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures.</u>            The Corporation shall adopt standards or guidelines generally used domestically and abroad to implement corporate greenhouse gas inventory and to make disclosures thereof, <u>the scope of which shall include the following:</u>  <u>1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.</u>  <u>2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired</u></p>	<p>Article 17            The Corporation <u>shall</u> adopt standards or guidelines generally used domestically and abroad to implement corporate greenhouse gas inventory and to make disclosures thereof.</p>	<p>Amended in accordance with revisions made to Article 17 of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on February 13, 2020. Newly added climate change assessment project, scope of greenhouse gas inventory, statistics related data and establish carbon and greenhouse gas reduction policy.</p>

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Amended Articles	Current Articles	Description
<p><u>electricity, heating, or steam.</u>  <u>The Corporation shall compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes.</u></p>		
<p>Article 20  The Corporation <u>may</u> provide a safe and healthy work environment for employees, including necessary health and first-aid facilities. It shall endeavor to reduce hazards to employees' safety and health and to prevent occupational accidents.  The Corporation <u>may</u> organize safety training and health education for employees on a regular basis.</p>	<p>Article 20  The Corporation <u>shall</u> provide a safe and healthy work environment for employees, including necessary health and first-aid facilities. It shall endeavor to reduce hazards to employees' safety and health and to prevent occupational accidents.  The Corporation <u>shall</u> organize safety training and health education for employees on a regular basis.</p>	<p>Amended according to actual Corporation operations.</p>
<p>Article 21  The Corporation <u>may</u> create an environment conducive to the development of its employees' careers, and establish effective training programs to foster career skills.  The Corporation <u>shall</u> establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect corporate business performance or results in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and to achieve the objective of sustainable</p>	<p>Article 21  The Corporation <u>shall</u> create an environment conducive to the development of its employees' careers, and establish effective training programs to foster career skills.  The Corporation shall appropriately reflect corporate business performance or results in the employee remuneration <u>policy</u>, to ensure the recruitment, retention, and motivation of human resources, and to achieve the objective of sustainable operations.</p>	<p>Amended in accordance with revisions made to Article 21 of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on February 13, 2020. The wording of implement reasonable employee welfare measures has been amended.</p>

# Appendix III

Amended Articles	Current Articles	Description
operations.		
<p><u>Article 22-1</u>  <u>The Corporation shall treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. The Corporation shall also develop the relevant strategies and specific measures for implementation.</u></p>		<p>Newly added in accordance with revisions made to Article 22-1 of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on July 20, 2016. The Corporation shall treat customers or consumers of its products or services in a fair and reasonable manner, and develop the relevant strategies and specific measures.</p>
<p>Article 24  The Corporation shall ensure the quality of its products and services by following government laws and regulations and the relevant standards of its industry.  The Corporation shall follow relevant laws, regulations and international guidelines <u>in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.</u></p>	<p>Article 24  The Corporation shall ensure the quality of its products and services by following government laws and regulations and the relevant standards of its industry.  The Corporation shall follow relevant laws, regulations and international guidelines when marketing and labeling its products and services and may not engage in any deceptive, misleading, fraudulent, or other conduct that would betray consumers' trust or damage consumers' rights or interests.</p>	<p>Amended in accordance with revisions made to Article 24 of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on February 13, 2020. Newly added The Corporation shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy.</p>

# Appendix III

Amended Articles	Current Articles	Description
<p>Article 25 The Corporation <u>may</u> evaluate and manage all types of risks that may cause interruptions in operations, to reduce the impact on consumers and society.</p> <p>The Corporation <u>may</u> provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, and shall comply with the Personal Information Protection Act and related laws and regulations, and shall scrupulously respect consumers' right of privacy, and protect personal data provided by consumers.</p>	<p>Article 25 The Corporation <u>shall</u> evaluate and manage all types of risks that may cause interruptions in operations, to reduce the impact on consumers and society.</p> <p>The Corporation <u>shall</u> provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, and shall comply with the Personal Information Protection Act and related laws and regulations, and shall scrupulously respect consumers' right of privacy, and protect personal data provided by consumers.</p>	<p>Amended according to actual Corporation operations.</p>
<p>Article 26 The Corporation <u>may</u> assess the impact of its procurement practice on environment and community, and shall cooperate with its suppliers to implement corporate social responsibility.</p> <p>The Corporation <u>may establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health, or labor rights.</u> Prior to engage in commercial dealings, the Corporation shall assess whether there is any record of a supplier's impact on the environment and society, and avoid business cooperation with suppliers who present any conflict with corporate social responsibility policy.</p> <p>When the Corporation enters into a contract with any major</p>	<p>Article 26 The Corporation <u>shall</u> assess the impact of its procurement practice on environment and community, and shall cooperate with its suppliers to implement corporate social responsibility.</p> <p>Prior to engage in commercial dealings, the Corporation shall assess whether there is any record of a supplier's impact on the environment and society, and avoid business cooperation with suppliers who present any conflict with corporate social responsibility policy.</p> <p>When the Corporation enters into a contract with any major supplier, the content <u>should</u> include terms stipulating mutual compliance with each other's corporate social responsibility policy. The contract may be terminated or rescinded at any time if the supplier has violated such policy, and has</p>	<p>Amended in accordance with revisions made to Article 26 of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on February 13, 2020. The wording of supplier management policies may request suppliers to comply with related rules has been amended.</p>

# Appendix III

Amended Articles	Current Articles	Description
<p>supplier, the content <u>may</u> include terms stipulating mutual compliance with each other's corporate social responsibility policy. The contract may be terminated or rescinded at any time if the supplier has violated such policy, and has caused significant negative impact on the environment and society of the community of the supply source.</p>	<p>caused significant negative impact on environment and community.</p>	
<p>Article 27 The Corporation shall evaluate the impact of its business operations on the community, and adequately employ personnel from the locale of the business operations, to enhance community acceptance. The Corporation <u>may</u>, through commercial activities, in-kind donations, volunteer service, or other public-interest professional services <u>etc.</u>, <u>dedicate resources to organizations that commercially resolve social or environmental issues</u>, participate in community development and community education related events held by citizen organizations, charitable groups, and local government agencies, to promote community development.</p>	<p>Article 27 The Corporation shall evaluate the impact of its business operations on the community, and adequately employ personnel from the locale of the business operations, to enhance community acceptance. The Corporation <u>shall</u>, through commercial activities, in-kind donations, volunteer service, or other public-interest professional services, participate in community development and community education related events held by citizen organizations, charitable groups, and local government agencies, to promote community development.</p>	<p>Amended in accordance with revisions made to Article 27 of the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” on July 20, 2016. Newly added the Corporation may dedicate resources to organizations that commercially promote community development.</p>
<p>Article 29 The Corporation shall adopt internationally recognized standards or guidelines to produce corporate social responsibility reports, to disclose the status of its</p>	<p>Article 29 The Corporation shall adopt internationally recognized standards or guidelines to produce corporate social responsibility reports, to disclose the status of its implementation of corporate social</p>	<p>Amended according to actual Corporation operations.</p>

# Appendix III

Amended Articles	Current Articles	Description
<p>implementation of corporate social responsibility. It also <u>may</u> obtain third-party assurance or verification of reports, to enhance the reliability of the information in the reports. The content of reports should include:</p> <ol style="list-style-type: none"> <li>1. Policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility.</li> <li>2. Major stakeholders and related concerns.</li> <li>3. Performance results and review of the implementation of corporate governance, fostering of a sustainable environment, preserving of public welfare, and promoting of economic development.</li> <li>4. Future directions for improvement and goals.</li> </ol>	<p>responsibility. It also <u>shall</u> obtain third-party assurance or verification of reports, to enhance the reliability of the information in the reports. The content of reports should include:</p> <ol style="list-style-type: none"> <li>1. Policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility.</li> <li>2. Major stakeholders and related concerns.</li> <li>3. Performance results and review of the implementation of corporate governance, fostering of a sustainable environment, preserving of public welfare, and promoting of economic development.</li> <li>4. Future directions for improvement and goals.</li> </ol>	

# Appendix IV

## **Report No. 4: Report on the Placement of Corporate Bonds in 2020.**

1. The resolutions of the 38th meeting of the 8th Board held on May 6, 2020 enables the Corporation to issue unsecured corporate bonds not exceeding NT\$ 15 billion for the repayment of corporate debt. The Corporation completed issuance procedures of the 1st unsecured corporate bond for 2020 on July 1, 2020 with a maturity period of 30 years and a fixed coupon rate of 1.3% for a total amount of NT\$ 10.5 billion.
2. The reasons for and implementation of the Corporation's 1st unsecured corporate bond for 2020 are presented below in accordance with Article 246 of the Company Act:

Issuance	1st unsecured corporate bond for 2020
Total Amount	NT\$10.5 billion
Maturity	30 years
Coupon Rate	Fixed Rate: 1.30%
Repayment and Interest Payments	Repayment: Bullet Interest Payments: Single simple interest payment per year
Approval Number	Approval made effective by Taipei Exchange Letter No. 10900063571 issued on June 18, 2020
Reason for Issuance	Debt repayment and strengthening of debt structure
Issuance Date	Issuance completed on July 1, 2020
Implementation of Capital Utilization	Completed in third quarter of 2020

# Appendix V

## **Business Report for 2020**

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

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

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

### **1. 2020 Business report**

#### (1) Operational performance

##### 1) Rail Operations

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

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

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majeure) was 100%, exceeding our target of 99.60%.

## 2) Marketing and Passenger services

Products, services, and activities launched in 2020:

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

- (a) Required passengers to wear masks and measure body temperatures at HSR stations.
- (b) Enhanced cleaning and disinfection measures on trains and at HSR stations.
- (c) Implemented “Social Distancing Seating” measures for ticket bookings and seat allocations.
- (d) Adjusted train schedules in response to the pandemic and required seat reservations for all holiday train runs to reduce risk of infection.
- (e) Adjusted regulations regarding eating and drinking on trains according to epidemic conditions and required passengers to wear face masks at all times, except when eating or drinking in train compartments.

B. In response to the government’s anti-epidemic campaigns, THSRC launched a series of promotions based on diverse needs to satisfy different customer segments, e.g. free coupon with T Holiday package, 40% discount on hotel packages, 35% discount on travel packages, 35% discount on period tickets, and discounts for college students, to increase ridership and achieve revenue targets.

C. Introduced Artificial Intelligent Customer Service (AICS) to provide passengers with a faster and more direct communication channel.

D. Added CCTV surveillance systems and luggage placement areas in train compartments to ensure travel safety and quality.

E. Installed new Passenger Information Display System (PIDS) at Banqiao, Taoyuan, and Hsinchu HSR stations to provide passengers with better information. The remaining original eight HSR stations will gradually be upgraded with the new system.

F. Installed new elevators at Taoyuan HSR station to improve service quality, and a new elevator at Banqiao HSR station is scheduled to commence operations in 2021.

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## (2) Budget Implementation

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

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

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

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

## (4) Research and Development

Main research and development activities in 2020 were as follows:

### 1) Civil Facilities:

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

### 2) Signaling and Communications:

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

### 3) Rolling Stock:

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

### 4) Information Technology:

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

## 5) Localization of Maintenance Materials and Equipment:

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

### A. Signaling and Communication

- (a) Mistake-proofing aluminum sheet for relay.

### B. Rolling Stock

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

### C. Track and Power Systems

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

## 6) Electronic Service Center:

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

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

- A. Intelligent rail scooter (phase 2).

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- B. Rail lubricator instrument.
- C. Analysis of aging OCS composite insulator and polluted mainline area.
- D. Alternative wayside direct line telephone PCB.
- E. Test system for tachogenerator motor of rolling stock.
- F. Diesel locomotive.
- G. Test system for lightning arrester of rolling stock.

## **2. Business Plan for 2021**

### (1) Management Guidelines

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

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

### (2) Expected Sales Volumes

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

### (3) Major Production and Marketing Initiatives

Major Initiatives for 2021:

- 1) Implementation of preventive measures to ensure passengers safety in response to the ongoing COVID-19 pandemic.
- 2) Facilitation of timely train service adjustments and adaptability of seating supply and demand, as well as improvement of revenue management efficiency to increase the output value of seats and fulfillment of revenue targets.
- 3) Development of diversified products based on diverse needs to satisfy different customer

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segments and promotions based on epidemic conditions to achieve sales potential, build the HSR tourism brand, and ensure fulfillment of revenue targets.

- 4) Promotion of the "Journey with THSR, Discover Taiwan" with brand through T Holidays and combo tickets for hotels, transportation, and events that increase sales and attract passengers.
- 5) Continued promotion of the TGo membership program to build TGo membership economy, encourage cross-industry cooperation, and increase ticket and non-ticket revenues.
- 6) We continue to enhance our ticketing services through our online-offline integration strategy, and work with different industries to increase ticket utilization and enhance ticketing convenience. Additionally, we continue to introduce innovative payment technologies and applications into our ticketing channels and are assessing the feasibility of mobile credit card transactions, travel cards, and cloud-based ticketing systems. In order to strengthen accessibility service for ticket purchase, we plan to add voice-activated functions on T Express to increase convenience of ticketing services.

### **3. Future strategies**

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

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

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quality, and enhances service, safety, and emergency responses.

- 1) To digitalize ticketing channels.
  - 2) To utilize big data in the promotion of our membership economy.
  - 3) To implement information technology that strengthens operational, maintenance, and service quality to improve efficiency.
  - 4) To research and enhance core system capabilities.
- (3) Taiwan: To combine unique local cultures and landscapes to create a multicultural and progressive platform.
- 1) To enhance local development capabilities and increase the percentage of local equipment and materials.
  - 2) To promote localization for the railway industry.
  - 3) To develop multiple products that combine local culture and activities and enhance common prosperity.
  - 4) To develop affiliated business and optimize quality.
  - 5) To integrate technical railway resources and evaluate possibilities for re-investment or technical exportation.
- (4) Touch: To establish brand culture, enhance talent skills and corporate efficiency, and participate in social caring and environmental protection.
- 1) To build talent development plans.
  - 2) To enhance management capabilities of managers.
  - 3) To combine the Corporation's brand with arts and culture, broadening our cultural scope and depth.
  - 4) To optimize long term financial structure.
  - 5) To build a corporate governance culture that serves as an example to all other businesses, and carry out corporate social responsibilities.
  - 6) To promote environmental protection, energy efficiency, and carbon reduction goals.

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

# Appendix V

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

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

THSRC regularly identifies applicable laws, organizes law compilations, and complies with relevant regulations where necessary. We have an effective grasp on and appropriate response measures to changes in legal environments. The aforementioned amendments had no significant impacts to our business operations. In future, as rail transportation networks continue to expand, we anticipate that legal measures will become more comprehensive and relevant laws will continue to be formulated. We will continue to stay abreast of legislative updates, refine our operations, strengthen our corporate governance, integrate legal compliance into our corporate

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culture, and adhere to the highest safety standards so as to provide high-quality passenger services as we strive for long-term sustainability and generate value for our shareholders.

Looking at overall operational conditions in 2021, THSRC is facing challenges from the COVID-19 pandemic, decreasing birth rates, and aging populations, which are slowing passenger growth. In addition, challenges such as abnormal climate changes and aging operation equipment are causing maintenance costs to increase.

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

# Appendix VI

## TAIWAN HIGH SPEED RAIL CORPORATION

### BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	December 31			
	2020		2019	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 651,769	-	\$ 16,271,676	4
Financial assets at fair value through profit or loss (Note 7)	15,218,000	4	330,443	-
Notes and accounts receivable (Note 21)	218,092	-	333,092	-
Current tax assets (Note 4)	-	-	166,783	-
Inventories (Note 8)	2,068,950	1	2,056,045	1
Other financial assets (Notes 9 and 28)	19,086,463	4	22,207,764	5
Other current assets (Notes 13 and 27)	1,377,833	-	1,344,333	-
Total current assets	38,621,107	9	42,710,136	10
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Note 10)	109,729	-	125,047	-
Right-of-use assets (Notes 11 and 27)	712,169	-	628,988	-
Operating concession assets (Notes 12 and 27)	378,291,412	88	390,113,063	88
Computer software, net (Note 12)	83,252	-	54,413	-
Deferred tax assets (Notes 4 and 23)	7,673,251	2	7,316,212	2
Other financial assets (Notes 9 and 28)	2,070,857	1	2,102,503	-
Other non-current assets (Note 13)	5,193	-	9,240	-
Total non-current assets	388,945,863	91	400,349,466	90
<b>TOTAL</b>	<b>\$ 427,566,970</b>	<b>100</b>	<b>\$ 443,059,602</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 14)	\$ 57,091	-	\$ 64,980	-
Accounts payable (Note 27)	274,778	-	256,338	-
Operating concession liabilities (Notes 16 and 27)	541,931	-	777,511	-
Other payables (Notes 14 and 18)	3,262,861	1	3,197,362	1
Payable for construction (Note 27)	823,666	-	942,141	-
Current tax liabilities (Note 4)	104,256	-	194,722	-
Provisions (Notes 17 and 27)	1,169,238	1	6,367,937	2
Other current liabilities (Notes 11, 18, 21 and 27)	833,400	-	1,477,915	-
Total current liabilities	7,067,221	2	13,278,906	3
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 15)	18,478,720	4	7,990,329	2
Long-term debt (Notes 14 and 27)	257,607,483	60	276,100,317	62
Provisions (Notes 17 and 27)	10,000,000	3	10,000,000	2
Lease liabilities (Notes 11 and 27)	522,976	-	447,175	-
Long-term interest payable (Note 14)	7,383,683	2	8,450,080	2
Operating concession liabilities (Notes 16 and 27)	55,869,665	13	55,263,201	13
Other non-current liabilities (Notes 18 and 19)	550,566	-	452,325	-
Total non-current liabilities	350,413,093	82	358,703,427	81
Total liabilities	357,480,314	84	371,982,333	84
<b>EQUITY (Note 20)</b>				
Capital stock				
Common stock	56,282,930	13	56,282,930	13
Capital surplus	172,981	-	172,981	-
Retained earnings				
Legal reserve	3,270,422	1	2,469,719	-
Unappropriated earnings	10,360,323	2	12,151,639	3
Total retained earnings	13,630,745	3	14,621,358	3
Total equity	70,086,656	16	71,077,269	16
<b>TOTAL</b>	<b>\$ 427,566,970</b>	<b>100</b>	<b>\$ 443,059,602</b>	<b>100</b>

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

# Appendix VI

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

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

(Continued)

# Appendix VI

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

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

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

(Concluded)

# Appendix VI

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

	<u>Capital Stock</u>	Capital Surplus	Legal Reserve	<u>Retained Earnings</u>		Total Equity
	Common Stock			Unappropriated Earnings	Total	
BALANCE AT JANUARY 1, 2020	\$ 56,282,930	\$ 172,981	\$ 2,469,719	\$ 12,151,639	\$ 14,621,358	\$ 71,077,269
Appropriations of 2019 earnings						
Legal reserve	-	-	800,703	(800,703)	-	-
Cash dividends to stockholders - NT\$1.2101 per share	-	-	-	(6,810,797)	(6,810,797)	(6,810,797)
	-	-	800,703	(7,611,500)	(6,810,797)	(6,810,797)
Net income for the year ended December 31, 2020	-	-	-	5,843,037	5,843,037	5,843,037
Other comprehensive loss for the year ended December 31, 2020	-	-	-	(22,853)	(22,853)	(22,853)
Total comprehensive income for the year ended December 31, 2020	-	-	-	5,820,184	5,820,184	5,820,184
BALANCE AT DECEMBER 31, 2020	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 3,270,422</u>	<u>\$ 10,360,323</u>	<u>\$ 13,630,745</u>	<u>\$ 70,086,656</u>
BALANCE AT JANUARY 1, 2019	\$ 56,282,930	\$ 172,981	\$ 1,400,081	\$ 11,557,021	\$ 12,957,102	\$ 69,413,013
Appropriations of 2018 earnings						
Legal reserve	-	-	1,069,638	(1,069,638)	-	-
Cash dividends to stockholders - NT\$1.12 per share	-	-	-	(6,303,688)	(6,303,688)	(6,303,688)
	-	-	1,069,638	(7,373,326)	(6,303,688)	(6,303,688)
Net income for the year ended December 31, 2019	-	-	-	8,007,033	8,007,033	8,007,033
Other comprehensive loss for the year ended December 31, 2019	-	-	-	(39,089)	(39,089)	(39,089)
Total comprehensive income for the year ended December 31, 2019	-	-	-	7,967,944	7,967,944	7,967,944
BALANCE AT DECEMBER 31, 2019	<u>\$ 56,282,930</u>	<u>\$ 172,981</u>	<u>\$ 2,469,719</u>	<u>\$ 12,151,639</u>	<u>\$ 14,621,358</u>	<u>\$ 71,077,269</u>

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

# Appendix VI

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

	For the Years Ended December 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 5,419,311	\$ 7,775,108
Adjustments for:		
Depreciation	212,319	202,294
Amortization	13,963,256	13,798,850
Write-downs (reversal) of inventories	(23,026)	22,650
Interest expense	5,919,211	6,454,624
Interest income	(134,848)	(162,700)
Loss on foreign currency exchange, net	509	11,878
Stabilization reserve expenses	885,959	6,523,761
Others	14,704	(2,700)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(14,887,557)	(2,997)
Notes and accounts receivable	115,000	172,473
Inventories	10,121	(49,770)
Other current assets	(58,816)	(403,292)
Other non-current assets	(376)	2,571
Accounts payable	17,728	(16,575)
Other payables	86,930	150,065
Provisions	(6,084,658)	-
Other current liabilities	(658,161)	625,036
Other non-current liabilities	2,074	(5,618)
Cash generated from operations	4,799,680	35,095,658
Interest received	160,259	149,679
Interest paid	(5,862,879)	(5,772,857)
Interest paid with respect to operating concession liabilities	(777,511)	(731,182)
Income tax refunded (paid)	148,717	(194,844)
Net cash (used in) generated from operating activities	<u>(1,531,734)</u>	<u>28,546,454</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in other financial assets	3,155,976	(10,366,158)
Acquisition of property, plant and equipment	(30,066)	(67,192)
Proceeds from disposal of property, plant and equipment	-	1
Acquisition of intangible assets	(2,312,760)	(2,328,694)
Proceeds from disposal of intangible assets	8,165	1,266
Net cash generated from (used in) investing activities	<u>821,315</u>	<u>(12,760,777)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net decrease in short-term borrowings	(9,122)	(79,700)
Proceeds from issuance of bonds	10,500,000	8,000,000
Repayment of long-term debt	(18,500,000)	-

(Continued)

# Appendix VI

## TAIWAN HIGH SPEED RAIL CORPORATION

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

	For the Years Ended December 31	
	2020	2019
Repayment of long-term bills payable	\$ -	\$ (8,000,000)
Repayment of the principal portion of lease liabilities	(157,180)	(148,863)
Increase in other non-current liabilities	67,624	70,231
Cash dividends	<u>(6,810,797)</u>	<u>(6,303,688)</u>
Net cash used in financing activities	<u>(14,909,475)</u>	<u>(6,462,020)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(13)</u>	<u>169</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,619,907)	9,323,826
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,271,676</u>	<u>6,947,850</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 651,769</u>	<u>\$ 16,271,676</u>

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

(Concluded)

# Appendix VII

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan High Speed Rail Corporation

### Opinion

We have audited the accompanying financial statements of Taiwan High Speed Rail Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### Basis of Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matter of the 2020 financial statements are as follows:

#### Provision for Stabilization Reserve

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

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

# Appendix VII

profitability of the remaining concession period under the C&O Agreement, 2) the reserve amount is material and can vary significantly, depending on the expiration or termination of the C&O Agreement, and 3) the implementation of the FSM involves critical accounting judgments and estimates, the recognition of provision for stabilization reserve is deemed a key audit matter.

Since earnings to be made in the remaining concession period, which will end in the year 2068 or any year where the C&O Agreement might be early terminated, cannot be reliably estimated, the stabilization reserve, totaling NT\$10,885,959 thousand as of December 31, 2020, was provided based on the earnings achieved in 2020 and on the requirements as stipulated in the C&O Agreement.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2020 financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Appendix VII

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2021

## Notice to Readers

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

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

# Appendix VIII

## **Audit Committee's Review Report on 2020 Financial Statements**

### Audit Committee's Review Report

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

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai

February 24, 2021

# Appendix IX

## Audit Committee's Review Report

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

Taiwan High Speed Rail Corporation

Chairman of the Audit Committee: Duei Tsai

March.17.2021

# Appendix X

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Guidelines for Corporate Governance

Amended Articles	Current Articles	Description
5. Functional Committees	5. Functional Committees	Chapter name; was not amended.
5-2-01 (Corporate Governance & Nominating Committee members) The Corporate Governance & Nominating Committee is composed of 5 to 7 members, at least <u>half of whom shall be Independent Directors.</u>	5-2-01 (Corporate Governance & Nominating Committee members) The Corporate Governance & Nominating Committee is composed of 5 to 7 members, at least <u>1 of whom shall be an Independent Director.</u>	Amended in reference to the Paragraph 1, Article 4 of the “Sample Template of XXX Co., Ltd. Charter of Nominating Committee” and Paragraph 1, Article 4 of the Corporation’s “Charter of the Corporate Governance & Nominating Committee” to fulfill actual operational needs.
5-2-02 (Primary missions of the Corporate Governance & Nominating Committee) The Corporate Governance & Nominating Committee has the following primary missions: 1. Formulating the qualifications for Independent Directors and the composition of the Board and the committees. 2. Nominating Independent Directors and non-Independent Directors. 3. Formulating and assessing slates of potential candidates for Independent Director and non-Independent Director seats. 4. Formulating and reviewing the execution of duties <u>for all Directors and Functional Committees.</u>	5-2-02 (Primary missions of the Corporate Governance & Nominating Committee) The Corporate Governance & Nominating Committee has the following primary missions: 1. Formulating the qualifications for Independent Directors and the composition of the Board and the committees. 2. Nominating Independent Directors and non-Independent Directors. 3. Formulating and assessing slates of potential candidates for Independent Director and non-Independent Director seats. 4. Formulating and reviewing the execution of duties <u>by all of the Directors.</u> 5. Reviewing the status of	Paragraph 1, Article 3 of the Corporation’s current “Charter of the Corporate Governance & Nominating Committee” stipulates that, “Committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed below; they shall be accountable to the Board and shall submit their proposals to be resolved by the Board...6. Plan and review implementation

# Appendix X

Amended Articles	Current Articles	Description
<p>5. Reviewing the status of information disclosures.</p> <p>6. Drafting, amendment, and review of these Guidelines and important corporate governance bylaws and rules.</p> <p>7. Planning and recommendations for the corporate governance system, and review of the effectiveness of its implementation.</p> <p>8. Other duties as set out in the Articles of Incorporation, these Guidelines, or Board resolutions. After the close of each fiscal year, the Corporate Governance &amp; Nominating Committee shall report to the Board on its execution of duties. Before the annual general meeting of shareholders each year, the Corporate Governance &amp; Nominating Committee shall issue a report on the implementation of corporate governance by the Corporation, and the report, after review by the Board, shall be included in the Shareholders' Meeting Agenda Handbook.</p>	<p>information disclosures.</p> <p>6. Drafting, amendment, and review of these Guidelines and important corporate governance bylaws and rules.</p> <p>7. Planning and recommendations for the corporate governance system, and review of the effectiveness of its implementation.</p> <p>8. Other duties as set out in the Articles of Incorporation, these Guidelines, or Board resolutions. After the close of each fiscal year, the Corporate Governance &amp; Nominating Committee shall report to the Board on its execution of duties. Before the annual general meeting of shareholders each year, the Corporate Governance &amp; Nominating Committee shall issue a report on the implementation of corporate governance by the Corporation, and the report, after review by the Board, shall be included in the Shareholders' Meeting Agenda Handbook.</p>	<p>performance of the Board and its committees.” One of the main duties of the Committee includes formulation and review of Director and Functional Committee execution of duties. Relevant amendments have been made to fulfill actual operational needs.</p>
<p>5-3-03 (Primary missions of the Audit Committee) The Audit Committee has the following primary missions:</p> <ol style="list-style-type: none"> <li>1. Adopting or amending the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>2. Evaluating the effectiveness of the Corporation's internal control system.</li> <li>3. Adopting or amending the</li> </ol>	<p>5-3-03 (Primary missions of the Audit Committee) The Audit Committee has the following primary missions:</p> <ol style="list-style-type: none"> <li>1. Adopting or amending the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>2. Evaluating the effectiveness of the Corporation's internal control system.</li> <li>3. Adopting or amending the</li> </ol>	<p>Amended in reference to the Subparagraph 2, Paragraph 1, Article 36 of the Securities and Exchange Act, and Article 6 of the “ Sample Template for XXX Co., Ltd. Audit Committee Charter.”</p>

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Amended Articles	Current Articles	Description
<p>procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.</p> <p>4. Reviewing matters that may involve the personal interest of a Director.</p> <p>5. Reviewing material asset and derivatives transactions.</p> <p>6. Reviewing material loans of funds or endorsements or guarantees.</p> <p>7. Reviewing the public offering and issuance of securities or private placement of equity securities.</p> <p>8. Evaluating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).</p> <p>9. Evaluating the appointment and dismissal the Corporation's chief financial officer, chief accountant, or chief internal auditor.</p> <p>10. Reviewing <u>annual financial reports</u>.</p> <p>11. Reviewing the Q1 <u>to</u> Q3 quarterly financial reports.</p> <p>12. Reviewing the Corporation's accounting system and financial condition.</p> <p>13. Evaluation of the Corporation's risk management policies and risk measurement standards.</p> <p>14. Reviewing the procedures for</p>	<p>procedures for material financial or operational acts such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, or providing endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.</p> <p>4. Reviewing matters that may involve the personal interest of a Director.</p> <p>5. Reviewing material asset and derivatives transactions.</p> <p>6. Reviewing material loans of funds or endorsements or guarantees.</p> <p>7. Reviewing the public offering and issuance of securities or private placement of equity securities.</p> <p>8. Evaluating the appointment, dismissal, and compensation of the attesting CPAs (external auditor).</p> <p>9. Evaluating the appointment and dismissal the Corporation's chief financial officer, chief accountant, or chief internal auditor.</p> <p>10. Reviewing <u>the Annual and semi-annual financial reports</u>.</p> <p>11. Reviewing the Q1 <u>and</u> Q3 quarterly financial reports.</p> <p>12. Reviewing the Corporation's accounting system and financial condition.</p> <p>13. Evaluation of the Corporation's risk management policies and risk measurement standards.</p> <p>14. Reviewing the procedures for material financial and operational</p>	

# Appendix X

Amended Articles	Current Articles	Description
<p>material financial and operational acts.</p> <p>15. Evaluating, examining, and monitoring existing or potential risks to the Corporation of any kind.</p> <p>16. Examining the Corporation's compliance with laws, regulations, and rules.</p> <p>17. Other material matters as provided by the competent authority.</p> <p>18. Other duties pursuant to the Articles of Incorporation or Board resolutions.</p> <p>After the close of each fiscal year, the Audit Committee shall report to the Board on its execution of duties.</p> <p>With respect to proposals relating to matters listed in the subparagraphs of paragraph 1, the Board shall give full consideration to the opinions of the Audit Committee. If the Audit Committee has expressed dissent or reservations about a proposal, and the proposal is nevertheless passed by the Board, the reasons for its passage shall be specified in the Board meeting minutes.</p>	<p>acts.</p> <p>15. Evaluating, examining, and monitoring existing or potential risks to the Corporation of any kind.</p> <p>16. Examining the Corporation's compliance with laws, regulations, and rules.</p> <p>17. Other material matters as provided by the competent authority.</p> <p>18. Other duties pursuant to the Articles of Incorporation or Board resolutions.</p> <p>After the close of each fiscal year, the Audit Committee shall report to the Board on its execution of duties.</p> <p>With respect to proposals relating to matters listed in the subparagraphs of paragraph 1, the Board shall give full consideration to the opinions of the Audit Committee. If the Audit Committee has expressed dissent or reservations about a proposal, and the proposal is nevertheless passed by the Board, the reasons for its passage shall be specified in the Board meeting minutes.</p>	
<p>5-4-03 (Principles for the exercise of powers of the Remuneration Committee)</p> <p>When the Remuneration Committee performs its official powers, it shall follow the principles listed below:</p> <p>1. It shall ensure that the performance evaluation and remuneration of Directors and managerial officers are geared</p>	<p>5-4-03 (Principles for the exercise of powers of the Remuneration Committee)</p> <p>When the Remuneration Committee performs its official powers, it shall follow the principles listed below:</p> <p>1. It shall ensure that the performance evaluation and remuneration of Directors and managerial officers are geared</p>	<p>The Corporation has currently ceased usage of the phrase “bonus payout” and amendments have been made in accordance with the Corporation’s “Charter of the Remuneration Committee” to fulfill</p>

# Appendix X

Amended Articles	Current Articles	Description
<p>toward productivity and incentivization and take into reference the typical pay levels adopted by peer companies, and give consideration to the reasonableness of the correlation with individual performance, the Corporation's business performance, and future risk exposure.</p> <p>2. It may not give an incentive for the Directors or managerial officers to engage in remuneration-pursuing activity exceeding the risks that the Corporation can tolerate.</p> <p>3. It shall take into consideration the characteristics of the industry and the nature of the Corporation's business when determining the ratio of <u>compensation</u> based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.</p>	<p>toward productivity and incentivization and take into reference the typical pay levels adopted by peer companies, and give consideration to the reasonableness of the correlation with individual performance, the Corporation's business performance, and future risk exposure.</p> <p>2. It may not give an incentive for the Directors or managerial officers to engage in remuneration-pursuing activity exceeding the risks that the Corporation can tolerate.</p> <p>3. It shall take into consideration the characteristics of the industry and the nature of the Corporation's business when determining the ratio of <u>bonus payout</u> based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.</p>	<p>actual operational needs.</p>
<p>8 Prevention of Conflict of Interest</p>	<p>8 Prevention of Conflict of Interest</p>	<p>Chapter name; was not amended.</p>
<p>8-09 (Director obligations and recusal) Where a government or juristic person shareholder or its representative is elected as a Director, the government or juristic person shareholder shall ensure that its appointed representative shall fulfill its duty of loyalty, duty of due diligence and care, and duty of confidentiality, to the Corporation. A director <u>who has a personal</u></p>	<p>8-09 (Director obligations and recusal) Where a government or juristic person shareholder or its representative is elected as a Director, the government or juristic person shareholder shall ensure that its appointed representative shall fulfill its duty of loyalty, duty of due diligence and care, and duty of confidentiality, to the Corporation. A director <u>who has a personal</u></p>	<p>Amendments have been made in reference to the Article 206 of the Company Act and Article 15 of the “Sample Template for XXX Co., Ltd. Rules of Procedure for Board of Directors Meetings.”</p>

# Appendix X

Amended Articles	Current Articles	Description
<p><u>interest, or represents a government entity or institution with interests</u> in the matter under discussion at a board meeting shall explain to the board meeting the essential contents of <u>such interest</u>. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion, such director shall be deemed to have a personal interest in the matter.</p> <p>When an item on the agenda of a Board meeting the personal interest of a Director, or an interest of a Government or juristic person represented by the Director, if there is any likelihood of prejudice to the interest of the Corporation, the Director shall physically absent and recuse himself or herself, and may not participate in the discussion and the voting, and also may not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director.</p> <p>Under any of the following circumstances with respect to any meeting agenda item, a Director should refrain from being present for discussion and voting on the item by the Board or the relevant committee, and also should not appoint another Director as his or her proxy to exercise voting</p>	<p><u>interest</u> in the matter under discussion at a board meeting shall explain to the board meeting the essential contents <u>of such personal interest</u>. Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director, <u>or the governments or juristic persons represented by the director</u> has interests in the matters under discussion <u>in the meeting of the preceding paragraph</u>, such director shall be deemed to have a personal interest in the matter.</p> <p>When an item on the agenda of a Board meeting the personal interest of a Director, or an interest of a Government or juristic person represented by the Director, if there is any likelihood of prejudice to the interest of the Corporation, the Director shall physically absent and recuse himself or herself, and may not participate in the discussion and the voting, and also may not appoint another Director as his or her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director.</p> <p>Under any of the following circumstances with respect to any meeting agenda item, a Director should refrain from being present for discussion and voting on the item by the Board or the relevant committee, and also should not appoint another Director as his or</p>	

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Amended Articles	Current Articles	Description
<p>rights, nor accept a proxy to exercise voting rights for another Director:</p> <ol style="list-style-type: none"> <li>1. There is a substantive interest relationship with an affiliated enterprise or related party of the Director or the Director's representative, such that there is a likelihood of prejudicing the interest of the Corporation.</li> <li>2. The circumstance of the preceding subparagraph exists with respect to an affiliated enterprise or related party of the government or juristic person shareholder represented by the Director.</li> <li>3. Any other circumstance in which the Board deems recusal necessary based on considerations of avoidance of conflicts of interest</li> </ol> <p>If a Director does not recuse himself or herself under the preceding two paragraphs, the non-recusal shall be specified in the Board minutes, and may be disclosed on the Corporation's website or other appropriate place.</p>	<p>her proxy to exercise voting rights, nor accept a proxy to exercise voting rights for another Director:</p> <ol style="list-style-type: none"> <li>1. There is a substantive interest relationship with an affiliated enterprise or related party of the Director or the Director's representative, such that there is a likelihood of prejudicing the interest of the Corporation.</li> <li>2. The circumstance of the preceding subparagraph exists with respect to an affiliated enterprise or related party of the government or juristic person shareholder represented by the Director.</li> <li>3. Any other circumstance in which the Board deems recusal necessary based on considerations of avoidance of conflicts of interest</li> </ol> <p>If a Director does not recuse himself or herself under the preceding two paragraphs, the non-recusal shall be specified in the Board minutes, and may be disclosed on the Corporation's website or other appropriate place.</p>	
<p>9. Respecting the Rights and Interests of Stakeholders</p>	<p>9. Respecting the Rights and Interests of Stakeholders</p>	<p>Chapter name; was not amended.</p>
<p><u>9-06 (Whistleblowing System)</u>  <u>The Corporation has established and announced channels for internal and external whistleblowers and has whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting is independent.</u></p>		<p>1. The Corporation's "Regulation of Whistle-Blowing System for Unlawful, Unethical Conduct and Dishonesty Behavior" has established related</p>

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Amended Articles	Current Articles	Description
<p><u>provides encrypted protection for the files furnished by whistleblowers, and appropriately restricts access to such files. It also formulates internal procedures and incorporates those procedures into the Corporation's internal control system for management purposes.</u></p>		<p>handling principles and procedures, which are managed by relevant internal control systems.</p> <p>2. Amended in accordance with Article 28-3 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and includes stipulations of current procedures.</p>

# Appendix XI

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

Amended Articles	Current Articles	Description
<p>Article 6 (Opening of Shareholders' Meetings)</p> <p>The chair should announce the opening of a shareholders' meeting at the specified meeting time if the attending shareholders represent more than one-half of the total number of voting shares, <u>and also announce the number of non-voting rights, the number of shares present, and other relevant information.</u> The chair may declare the meeting postponed only in the event where attending shareholders represent less than one-half of the total number of voting shares, provided that no more than two postponements may be made and not for a combined total of more than one hour; if the meeting has been postponed twice and the shareholders present still do not represent at least one-third of the total issued shares, the chair shall declare the meeting aborted.</p> <p>If the meeting has been postponed twice as stated in the preceding paragraph and if, despite the absence of the legal quorum, shareholders representing at least one-third of the total issued shares are present, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present in accordance with</p>	<p>Article 6 (Opening of Shareholders' Meetings)</p> <p>The chair should announce the opening of a shareholders' meeting at the specified meeting time if the attending shareholders represent more than one-half of the total number of voting shares. The chair may declare the meeting postponed only in the event where attending shareholders represent less than one-half of the total number of voting shares, provided that no more than two postponements may be made and not for a combined total of more than one hour; if the meeting has been postponed twice and the shareholders present still do not represent at least one-third of the total issued shares, the chair shall declare the meeting aborted.</p> <p>If the meeting has been postponed twice as stated in the preceding paragraph and if, despite the absence of the legal quorum, shareholders representing at least one-third of the total issued shares are present, a tentative resolution may be adopted with the approval of a majority of the voting rights of the shareholders present in accordance with Article 175, paragraph 1 of the Company Act, in which case a notice of the tentative resolution shall be given</p>	<p>In reference to the Article 9 of the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" (hereinafter referred to as the Taiwan Stock Exchange Corporation Sample Template.) amended and released by the Taiwan Stock Exchange Corporation, in order to improve corporate governance and protect the rights and interests of shareholders, when the chair announces the opening of a shareholders' meeting, the number of non-voting rights, the number of shares present, and other relevant information shall also be announced.</p> <p>Accordingly, amendments have been made to Article 6 of these regulations.</p>

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Amended Articles	Current Articles	Description
<p>Article 175, paragraph 1 of the Company Act, in which case a notice of the tentative resolution shall be given to each shareholder and the shareholders' meeting shall be convened again within one month.</p> <p>If the number of shares represented by the shareholders present reaches more than one-half of the total number of voting shares before the close of the meeting, the chair may re-submit the tentative resolution being adopted to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.</p>	<p>to each shareholder and the shareholders' meeting shall be convened again within one month.</p> <p>If the number of shares represented by the shareholders present reaches more than one-half of the total number of voting shares before the close of the meeting, the chair may re-submit the tentative resolution being adopted to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.</p>	
<p>Article 9 (Shareholders' <u>Meeting Proposals</u>)</p> <p>Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. The same shall apply to shareholder proposals for promoting public interests of the Corporation or fulfillment of social responsibilities. The Board of Directors may decide not to include on the agenda any</p>	<p>Article 9 (Shareholder Proposals)</p> <p>Before a regular shareholders' meeting, a shareholder holding 1 percent or more of the total issued shares of the Corporation may submit a proposal to the Corporation for inclusion as an agenda item, within the time period stated in the public notice of the Corporation regarding the receipt of such submissions, provided that only one proposal may be submitted by the same shareholder and that if more than one proposal is submitted, none of them shall be included on the agenda. <u>In the event where the proposal contains relevant suggestions for promoting public interests of the Corporation or fulfillment of social responsibilities, the Board of Directors may decide that the</u></p>	<p>1. In reference to the Article 3 of the Taiwan Stock Exchange Corporation Sample Template and the Letter of Interpretation issued by the Ministry of Economic Affairs (Letter No. 10700105410), which state that shareholders may submit proposals containing suggestions for promoting public interests of the Corporation or fulfillment of social responsibilities;</p>

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Amended Articles	Current Articles	Description
<p>proposal submitted by a shareholder that falls under any of the circumstances set forth in the subparagraphs of Article 172-1, paragraph 4 of the Company Act.</p> <p>Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders, acceptance of proposal in writing or by way of electronic transmission, and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.</p> <p>A proposal submitted by a shareholder for inclusion as an agenda item of a regular shareholders' meeting shall not exceed 300 Chinese characters in length; otherwise, it shall not be included. The shareholder submitting the proposal shall, in person or by proxy, attend the meeting and participate in the discussion of the agenda item.</p> <p>The Corporation shall, before the date of notice of a <u>regular</u> shareholders' meeting, inform each shareholder that has</p>	<p><u>proposal shall still be included on the agenda.</u> The Board of Directors may decide not to include on the agenda any proposal submitted by a shareholder that falls under any of the circumstances set forth in the subparagraphs of Article 172-1, paragraph 4 of the Company Act, <u>and matters that must not be brought up as extemporary motions should be handled in accordance with the stipulations laid out in Article 172 of the Company Act.</u></p> <p>Prior to the book closure date before a regular shareholders' meeting, the Corporation shall give public notice regarding the submission of proposals by shareholders, acceptance of proposal in writing or by way of electronic transmission, and the place and time period for receiving such submissions, wherein the time period may not be less than 10 days.</p> <p>A proposal submitted by a shareholder for inclusion as an agenda item of a regular shareholders' meeting shall not exceed 300 Chinese characters in length; otherwise, it shall not be included. The shareholder submitting the proposal shall, in person or by proxy, attend the meeting and participate in the discussion of the agenda item.</p> <p>The Corporation shall, before the date of notice of a shareholders' meeting, inform each shareholder that has submitted a proposal of</p>	<p>however, the number of proposals submitted by shareholders, regardless of whether they contain suggestions, is limited to one proposal. If more than one proposal is submitted, none of these shall be included on the agenda.</p> <p>Accordingly, amendments have been made to Article 9 of these regulations.</p> <p>2. Amendments have been made to Article 9 of these regulations in reference to the Article 3 of the Taiwan Stock Exchange Corporation Sample Template, incorporating the provisions of the Company Act and other relevant laws and regulations regarding matters that must not be brought up as extemporary motions.</p>

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Amended Articles	Current Articles	Description
<p>submitted a proposal of the status of the proposal (accepted or rejected) submitted by the shareholder, and shall include in the notice of the meeting a list of proposals that satisfy the requirements of this Article. For shareholder proposals not included on the agenda, the Board of Directors shall explain at the <u>regular shareholders' meeting</u> the reasons why they are not included.</p> <p>If the notice of the shareholders' meeting has stated the re-election of the directors and the date of appointment, when the re-election of directors, in the shareholders' meeting are completed, the same meeting may not change said appointment date by extraordinary motions or other proposals.</p> <p><u>Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, Article 56-1 and Article 60-2 of Regulations Governing the Offering and</u></p>	<p>the status of the proposal (accepted or rejected) submitted by the shareholder, and shall include in the notice of the meeting a list of proposals that satisfy the requirements of this Article. For shareholder proposals not included on the agenda, the Board of Directors shall explain at the meeting the reasons why they are not included.</p> <p>If the notice of the shareholders' meeting has stated the re-election of the directors and the date of appointment, when the re-election of directors, in the shareholders' meeting are completed, the same meeting may not change said appointment date by extraordinary motions or other proposals.</p>	

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Amended Articles	Current Articles	Description
<p><u>Issuance of Securities by Securities Issuers, shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.</u></p>		
<p>Article 11 (Votes on Agenda Items) The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act. When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. However, the shareholder exercising voting rights by electronic means shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting. A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall serve a notice of intent on the</p>	<p>Article 11 (Votes on Agenda Items) The votes on an agenda item shall be calculated on the basis of shares and each shareholder is entitled to one vote for each share held, except for restricted shares or for non-voting shares under Article 179, paragraph 2 of the Company Act. When convening a shareholders' meeting, the Corporation shall provide the option of exercising voting rights by electronic means and shall state the method of such voting in the notice of the meeting. A shareholder exercising voting rights by electronic means shall be deemed to be present in person at the shareholders' meeting. However, the shareholder exercising voting rights by electronic means shall be deemed to have waived the shareholder's rights to vote at that shareholders meeting on any extraordinary motion or any amendment or alternative to an original proposal at the meeting. A shareholder intending to exercise voting rights by electronic means under the preceding paragraph shall serve a notice of intent on the</p>	<p>In reference to the Article 14 of the Taiwan Stock Exchange Corporation Sample Template, which states that in order to improve corporate governance and protect the rights and interests of shareholders, a list of unsuccessful candidates and the numbers of votes they received, shall be announced for the director and supervisor elections at shareholders' meetings. Accordingly, amendments have been made to Article 11 of these regulations.</p>

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Amended Articles	Current Articles	Description
<p>Corporation by 2 days before the meeting, and if more than one notice is given, the first one served on the Corporation shall prevail. The same, however, does not apply in the case of a notice stating that it revokes a prior notice of intent.</p> <p>A shareholder who, after exercising voting rights by electronic means, intends to attend the relevant shareholders' meeting in person shall revoke the notice of intent to exercise voting rights under the preceding paragraph by 2 days before the meeting, in the same manner as the shareholder did to exercise the voting rights. If the revocation is made after the time limit, the voting rights exercised by electronic means shall prevail. If the shareholder exercises voting rights by electronic means and also, by a proxy form, appoints a proxy to attend the shareholders' meeting, the voting rights exercised by the proxy present at the meeting shall prevail.</p> <p>Unless otherwise provided by law or regulation, or by the Articles of Incorporation, an agenda item put to vote shall be passed with the approval of <u>more than one-half</u> of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a</p>	<p>Corporation by 2 days before the meeting, and if more than one notice is given, the first one served on the Corporation shall prevail. The same, however, does not apply in the case of a notice stating that it revokes a prior notice of intent.</p> <p>A shareholder who, after exercising voting rights by electronic means, intends to attend the relevant shareholders' meeting in person shall revoke the notice of intent to exercise voting rights under the preceding paragraph by 2 days before the meeting, in the same manner as the shareholder did to exercise the voting rights. If the revocation is made after the time limit, the voting rights exercised by electronic means shall prevail. If the shareholder exercises voting rights by electronic means and also, by a proxy form, appoints a proxy to attend the shareholders' meeting, the voting rights exercised by the proxy present at the meeting shall prevail.</p> <p>Unless otherwise provided by law or regulation, or by the Articles of Incorporation, an agenda item put to vote shall be passed with the approval of <u>a majority</u> of the voting rights of the shareholders present. Notwithstanding the foregoing, a vote on the election of Directors shall be subject to the Rules for the Election of Directors and the results of the vote, including a list of Directors</p>	

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Amended Articles	Current Articles	Description
<p>list of Directors elected and the numbers of votes they receive, <u>and a list of unsuccessful candidates and the numbers of votes they received</u>, shall be announced immediately at the voting place.</p> <p>The agenda item shall be voted on an item-by-item basis. The chair may direct a vote to be held in multiple polls or a single poll on the various agenda items (including elections), with the ballots to be counted separately for each item.</p> <p>When there is any amendment or alternative to a proposal on the agenda, the chair shall place the amended or alternative proposal together with the original one and determine the voting sequence. If any of these proposals is passed, the other(s) shall be deemed rejected, without the need of a separate vote.</p> <p>The chair shall determine the order of discussion and voting for each proposal submitted as an extraordinary motion by a shareholder present. The result of the vote shall be announced immediately at the voting place and shall be recorded.</p>	<p>elected and the numbers of votes they receive, shall be announced immediately at the voting place.</p> <p>The agenda item shall be voted on an item-by-item basis. The chair may direct a vote to be held in multiple polls or a single poll on the various agenda items (including elections), with the ballots to be counted separately for each item.</p> <p>When there is any amendment or alternative to a proposal on the agenda, the chair shall place the amended or alternative proposal together with the original one and determine the voting sequence. If any of these proposals is passed, the other(s) shall be deemed rejected, without the need of a separate vote.</p> <p>The chair shall determine the order of discussion and voting for each proposal submitted as an extraordinary motion by a shareholder present. The result of the vote shall be announced immediately at the voting place and shall be recorded.</p>	
<p>Article 13 (Cause and Determination of Invalidity of Voting Ballots)</p> <p>A voting ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot cast is not a ballot prepared and issued by the</li> </ol>	<p>Article 13 (Cause and Determination of Invalidity of Voting Ballots)</p> <p>A voting ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. The ballot cast is not a ballot prepared and issued by the</li> </ol>	<p>Article 173 of Company Act states that, under specific circumstances (such as when the board of directors fails to provide notice for convening a meeting), shareholders may</p>

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Amended Articles	Current Articles	Description
<p><u>convener of the shareholders' meeting.</u></p> <p>2. The ballot is not a ballot designated by the chair.</p> <p>3. The ballot inserted into the ballot box is a blank ballot.</p> <p>4. The handwriting on the ballot is unclear, indecipherable.</p> <p>5. The ballot is altered or any text, mark other than allowed is placed on it.</p> <p>6. Both "FOR" and "AGAINST" are marked on the ballot.</p> <p>7. The ballot is torn such that it is incomplete.</p> <p><u>8. The ballot is not inserted into the ballot box designated by the chair.</u></p> <p>When in doubt a ballot counter shall first request a ballot inspector to verify whether a <u>voting</u> ballot is invalid. <u>Voting</u> ballots determined to be invalid shall be placed in a separate place. After all the ballots have been counted, the number of invalid ballots shall be tallied by the ballot counters, and delivered to the ballot inspectors, who shall mark them as invalid and affix them with their signature or personal seal.</p>	<p><u>Board of Directors.</u></p> <p>2. The ballot is not a ballot designated by the chair.</p> <p>3. The ballot inserted into the ballot box is a blank ballot.</p> <p>4. The handwriting on the ballot is unclear or indecipherable.</p> <p>5. The ballot is altered or any text or mark other than allowed is placed on it.</p> <p>6. Both "FOR" and "AGAINST" are marked on the ballot.</p> <p>7. The ballot is torn such that it is incomplete.</p> <p>When in doubt a ballot counter shall first request a ballot inspector to verify whether a ballot is invalid. Ballots determined to be invalid shall be placed in a separate place. After all the ballots have been counted, the number of invalid ballots shall be tallied by the ballot counters, and delivered to the ballot inspectors, who shall mark them as invalid and affix them with their signature or personal seal.</p>	<p>convene a shareholders' meeting of their own accord after obtaining an approval from the competent authority. Accordingly, amendments have been made to Paragraph 1, Article 13 of these regulations to fulfill actual operational needs.</p>

# Appendix XII

## Taiwan High Speed Rail Corporation Comparative Table for the Current and Amended Rules for the Election of Directors

Amended Articles	Current Articles	Description
<p>Article 3 The number of Directors for the election is determined by the Board of Director in accordance with the rule of Corporation's Articles of Incorporation, <u>with voting rights separately calculated for independent and non-independent directors</u>; the candidates who receive ballots representing a prevailing number of votes shall be elected <u>sequentially according to their respective numbers of votes</u>. If two or more candidates receive ballots representing an equal number of votes and the election of all of them would exceed the fixed number of Directors, <u>the election shall be determined by candidates with equal numbers of votes drawing lots</u>, and the lots of the candidates who are not present at the draw shall be drawn by the chair on their behalf.</p> <p>To cast votes to elect Directors of the Corporation, a shareholder may opt to vote either by electronic means or on site.</p> <p>A shareholder opting to cast votes by electronic means under the preceding paragraph shall vote on an electronic voting platform designated by the Corporation.</p> <p>The qualifications of the Directors elected under</p>	<p>Article 3 The number of Directors for the election is determined by the Board of Director in accordance with the rule of Corporation's Articles of Incorporation, the candidates who receive ballots representing a prevailing number of votes shall be elected. If two or more candidates receive ballots representing an equal number of votes and the election of all of them would exceed the fixed number of Directors, <u>the candidates to be elected shall be determined by drawing of lots</u>, and the lots of the candidates who are not present at the draw shall be drawn by the chair on their behalf.</p> <p>To cast votes to elect Directors of the Corporation, a shareholder may opt to vote either by electronic means or on site.</p> <p>A shareholder opting to cast votes by electronic means under the preceding paragraph shall vote on an electronic voting platform designated by the Corporation.</p> <p>The qualifications of the Directors elected under</p>	<p>Amended in reference to the Article 8 of "Sample Template for XXX Co., Ltd. Procedures for Election of Directors" (hereinafter referred to as the Taiwan Stock Exchange Corporation Sample Template) amended and released by the Taiwan Stock Exchange Corporation.</p>

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Amended Articles	Current Articles	Description
paragraph 1 shall meet the requirements prescribed by the competent authority.	paragraph 1 shall meet the requirements prescribed by the competent authority.	
<p>Article 4 The candidate nomination system <u>and procedures</u> under Article 192-1 of the Company Act shall be adopted for the election of the Directors of the Corporation. Shareholders shall elect the Directors from the roster of nominated candidates. (Remainder omitted.)</p>	<p>Article 4 The <u>procedure for the</u> candidate nomination system under Article 192-1 of the Company Act shall be adopted for the election of the Directors of the Corporation. Shareholders shall elect the Directors from the roster of nominated candidates. (Remainder omitted.)</p>	The wording for this Article has been amended.
<p>Article 6 <u>The Board of Directors or persons with the right to convene shall prepare a specific number of ballots corresponding to the number of directors to be elected, and the corresponding number of votes shall be noted on the ballot, attendance card numbers printed on ballots may be used in lieu of records of voting shareholder names,</u> only these printed ballots are valid and the voter may not make any addition, deletion, or alteration to the format of the ballot or to the content that is allowed to be filled in.</p>	<p>Article 6 <u>A ballot to be cast on site at a shareholders' meeting ("on-site ballot") shall be numbered according to the meeting attendance card number and the corresponding number of votes shall be noted on the ballot. Such ballots shall be prepared and issued by the Board of Directors in printed form;</u> only these printed ballots are valid and the voter may not make any addition, deletion, or alteration to the format of the ballot or to the content that is allowed to be filled in.</p>	<ol style="list-style-type: none"> <li>1. Article 173 of Company Act states that, under specific circumstances (such as when the board of directors fails to provide notice for convening a meeting), shareholders may convene a shareholders' meeting of their own accord after obtaining an approval from the competent authority, and thus amendments have been made to this Article with regard to ballot preparations.</li> <li>2. Amendments have also been made in reference to the Article 7 of the</li> </ol>

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Amended Articles	Current Articles	Description
		Taiwan Stock Exchange Corporation Sample Template.
<p>Article 7 Only one candidate's name may be filled in on each ballot.</p>	<p>Article 7 Only one candidate's name may be filled in on each ballot. <u>To vote for a candidate who is a shareholder, a voter shall clearly fill in the candidate's account name and shareholder account number in the "Candidate" space on the ballot; for a candidate who is not a shareholder, the voter shall clearly fill in the candidate's name and national ID number or passport number. However, if a candidate is a government agency or juristic person shareholder, the name of the government agency or juristic person shareholder, or the name of the government agency or juristic person shareholder together with the name of its representative, shall be clearly filled in in the "Candidate" space on the ballot. When there are multiple representatives, the names of each respective representative shall be filled.</u></p>	<p>In line with the Corporation's candidate nomination system for the election of Directors, the shareholders elect Directors from the roster of nominated candidates; shareholders can learn candidate names, education and work experiences, and relevant information through said roster prior to the shareholders' meeting. There is therefore no need to distinguish candidate identities through shareholder account numbers or personal ID numbers. Thus, the relevant wording of this Article has been deleted in reference to the Taiwan Stock Exchange Corporation Sample Template.</p>
<p>Article 8 An on-site ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances: 1. The ballot cast is not a ballot <u>prepared and issued by a person with the right to</u></p>	<p>Article 8 An on-site ballot shall be invalid if determined by all ballot inspectors to fall in any of the following circumstances: 1. The ballot cast is not a ballot <u>as prescribed in these Rules.</u></p>	<p>In line with the candidate nomination system for election of Directors, shareholders shall elect Directors from the roster of nominated candidates. Amendments have</p>

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Amended Articles	Current Articles	Description
<p><u>convene.</u></p> <p>2. The ballot inserted into the ballot box is a blank ballot.</p> <p>3. The handwriting on the ballot is unclear, indecipherable.</p> <p>4. <u>The ballot is altered or any text, mark other than allowed is placed on it.</u></p> <p>5. The ballot is <u>torn such that it is incomplete.</u></p> <p>6. The names of two or more candidates are filled in on the same ballot.</p>	<p>2. The ballot inserted into the ballot box is a blank ballot.</p> <p>3. The handwriting on the ballot is unclear, indecipherable, <u>or has been altered.</u></p> <p>4. <u>Any text or mark is written on the ballot other than the candidate's account name (or personal name), or shareholder account number, national ID number, passport number and the allocated number of votes.</u></p> <p>5. The ballot is <u>not filled in in accordance with Article 6 or 7.</u></p> <p>6. <u>If the selected candidate is a shareholder, the candidate's account name or shareholder account number filled in on the ballot does not conform to the corresponding entry of the register of shareholders.</u></p> <p>7. <u>If the selected candidate is not a shareholder, the candidate's name and national ID number or passport number filled in on the ballot is verified as incorrect.</u></p> <p>8. The names of two or more candidates are filled in on the same ballot.</p> <p>9. <u>The number of selected candidates exceeds the allowed number.</u></p> <p>10. <u>The candidate's name filled in on the ballot does not conform to the roster of nominated candidate.</u></p> <p>11. <u>There are over two candidates' name are same, neither shareholder account number, national ID number,</u></p>	<p>been made to this Article regarding ballot requirements in reference to Article 10 of the Taiwan Stock Exchange Corporation Sample Template.</p>

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Amended Articles	Current Articles	Description
<p>7. The ballot is not inserted into the ballot box designated by the chair.</p> <p>When in doubt a ballot counter shall first request a ballot inspector to verify whether an on-site ballot is invalid. Ballots determined to be invalid shall be placed in a separate place. After all the ballots have been counted, the number of invalid ballots shall be tallied by the ballot counters and delivered to the ballot inspectors, who shall mark them as invalid and affix them with their signature or personal seal.</p>	<p><u>passport number or other identity document is filled in on the ballot.</u></p> <p>12. The ballot is not inserted into the ballot box designated by the chair.</p> <p>When in doubt a ballot counter shall first request a ballot inspector to verify whether an on-site ballot is invalid. Ballots determined to be invalid shall be placed in a separate place. After all the ballots have been counted, the number of invalid ballots shall be tallied by the ballot counters and delivered to the ballot inspectors, who shall mark them as invalid and affix them with their signature or personal seal.</p>	
<p>Article 11 <u>Elected Directors shall sign a Director Declaration and receipt of Compliance Brochure for Directors within 5 days of the election date, and shall submit a Consent to Act as Director form to the Corporation within 10 days of the election date.</u></p>	<p>Article 11 <u>The Corporation shall issue a certificate of election to each elected Director.</u></p>	<p>Amended in accordance with actual Corporation operations.</p>