



▶ Performance Highlights

- **Ranked first in the corporate governance evaluation** of state-run enterprises for five consecutive years
- Established a **risk management framework** and a **Risk Management Commission** to identify potential risks, conduct analyses and propose control measures
- The average attendance rate of board meetings was 96% for directors and 94% for independent directors
- Established **systems for Enterprise Resource Planning (ERP), Supply Chain Management (SCM), and Warehouse Management (WMS)**

2 Corporate Governance



▶ The Implication of Corporate Governance

Sound corporate governance and management strategies are the foundation of corporate value creation. For this reason, Taipower is committed to responding to risks and opportunities, and continues to refine its business strategies. It will strengthen internal auditing and control, and implement mitigation and adaptation measures to proactively address potential risks and opportunities. Taipower upholds the spirit of integrity to ensure the stable operation and long-term development of the organization. It is also continuing to strengthen information disclosure and work with suppliers to create a responsible value chain.

▶ Major Investments

- Implemented three lines of defense for internal control to ensure integrity management
- Implemented risk assessment and response planning to ensure operational stability
- Promoted digital transformation of the supply chain to advance from automation to intelligence

2.1 Taipower's Organizational and Governance Structures

2.2 Risk Management Mechanisms and Control Measures

2.3 Integrity and Compliance

2.4 Operational Performance

2.5 Strengthening Supplier Management

▶ Future Plans

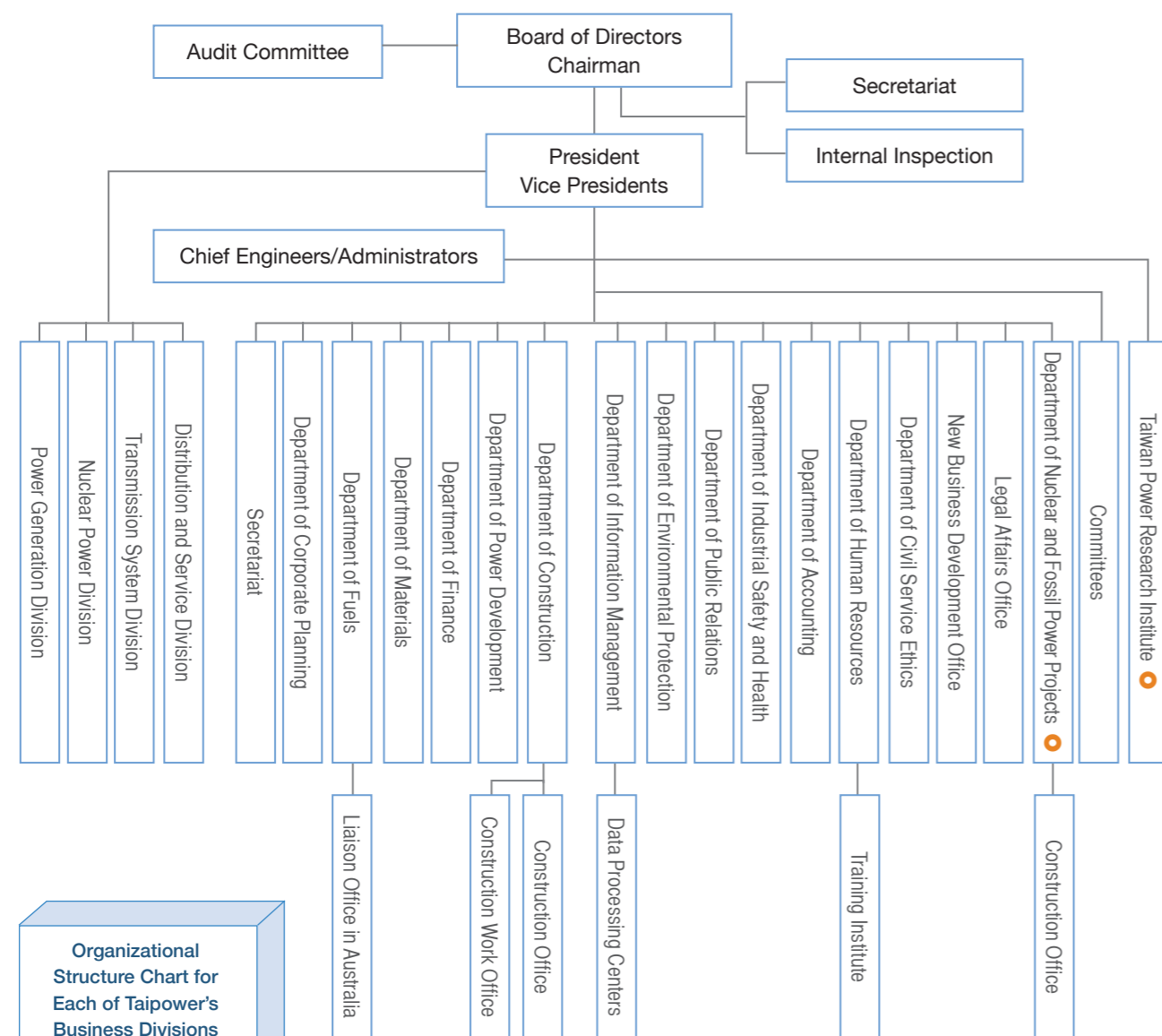
Taipower will continue to enhance its financial efficiency by refining operational efficiency, developing diversified businesses, improving fuel procurement performance, and controlling its operating expenses. Taipower will continue to uphold the spirit of integrity and compliance, implement corporate responsibility, and enhance the value of sustainable supply chains through cooperation with suppliers.

2.1 Taipower's Organizational and Governance Structures

2.1.1 Organizational Structure

Taipower currently has 16 departments and offices along with four business divisions that include the Distribution and Service Division, the Transmission System Division, the Nuclear Power Division, and the Power Generation Division. Taipower has also established various subordinate units and committees to meet its business needs, such as the Taiwan Power Research Institute and the Department of Nuclear and Fossil Power Projects. In response to the latest amendment of the Electricity Act, Taipower is planning to transform into a holding company that consists of two subsidiaries: a Generation Company (Genco) and a Transmission, Distribution and Retail Company (TD&R Co.).

Taiwan Power Company - Organizational Structure Chart



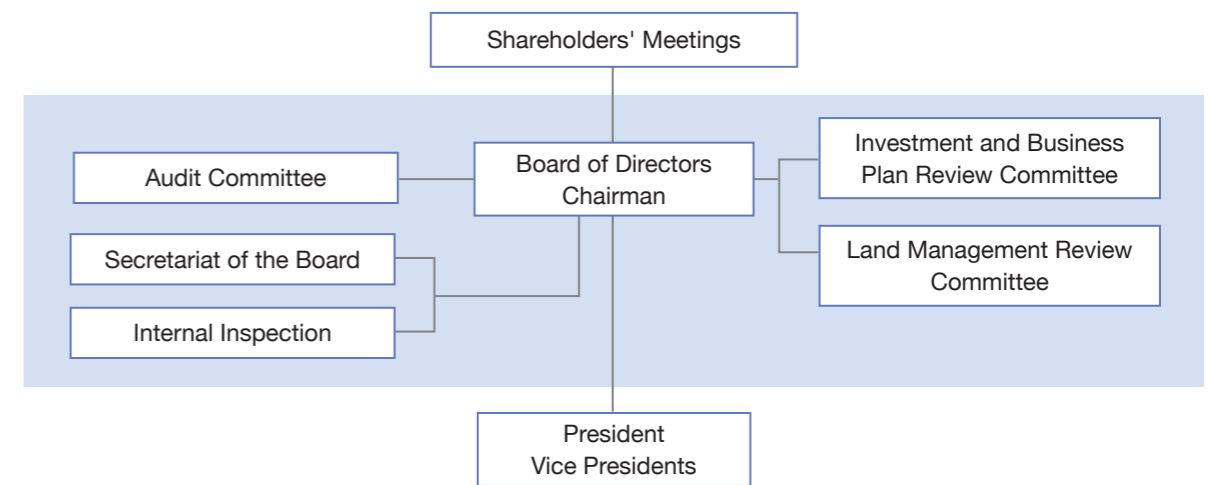
Note: 1. ● Denotes units that are not located at the headquarters.
2. The Taiwan Power Research Institute reports to the President directly.

2.1.2 Board of Directors

The Structure of the Board of Directors

According to Taipower's Articles of Association, the Board of Directors consists of 15 directors that are elected at the shareholders' meeting. In accordance with the provisions of the Securities and Exchange Act, the Board shall reserve three seats for independent directors, who also make up the Audit Committee. The Board of Directors shall elect five managing directors from among the directors, one of whom must be an independent director. The term of service for directors (including independent and managing directors) is two years, and they are eligible for re-election. According to the Administrative Law of State-Owned Enterprises, at least one-fifth of the directors of each state-owned enterprise that represent state capital shall be recommended by the labor union. Thus, Taipower's Board of Directors consists of 15 directors, including five managing directors (one of whom serves as an independent director), three independent directors, and three labor directors.

Board of Directors Organization Structure Chart



Diversity of Board Members

The Directors of Taipower are nominated by the Ministry of Economic Affairs in accordance with the Guidelines for the Management of Directors, Supervisors and Other Important Officers Assigned by the Ministry of Economic Affairs and Subordinate Units to Public and Privately-Held Businesses and Foundations, and are appropriately nominated in accordance with Taipower's operational needs. They shall also be elected at the Shareholder's Meeting. In recent years, the Company has been actively implementing the government's gender equality policy and has increasing the number of female directors. Overall, the professionalism, experience, and gender ratio of Taipower's directors are diversified. The Board members of the current term (June 2019 to June 2021) are as follows:



- Professional background:** In addition to the basic qualifications of the industry, many new areas of expertise have been added to the board of directors to meet the medium and long-term strategic needs of energy transition. These areas of expertise include smart grids, intelligent technologies, big data, green energy, energy, environmental protection, sustainability, electrical and mechanical engineering, civil engineering, economics, IT, finance and accounting, and law, etc.



- Industry and academic experience:** The directors include nine representatives from the government, academia, three independent directors, and three directors from the labor union.



- Gender:** The Company currently has two female directors, an increase of one female director from the previous term. This represents a breakthrough from having only one female director in the past. In the election of the directors in July 2021, the Company has achieved the goal of having no less than one-third of our directors of either gender (5 female directors).

Members of Taipower's Board of Directors in 2020

Information accurate as of December 31, 2020

| Title | Name | Concurrent Position |
|---|-------------------|---|
| Chairman (Managing Director) | Yang, Wei-Fuu | Chairman of Taipower |
| President (Managing Director) | Chung, Bin-Li | President of Taipower |
| Managing Director | Lin, Faa-Jeng | Chair Professor, Department of Electrical Engineering, National Central University |
| Managing Director | Chang, Tien-Chin | Professor, Institute of Environmental Engineering and Management, National Taipei University of Technology |
| Managing Director (Independent Director) | Fang, Liang-Jyi | Member of the Atomic Energy Council, Executive Yuan |
| Director (Independent Director) | Hsu, Jyh-Yih | Professor, Department of Management Information Systems and Department of Applied Economics, National Chung Hsing University |
| Director (Independent Director) | Liu, Chi-Chun | Professor, Department of Accounting, National Taiwan University |
| Director | Liu, Pei-Ling | Distinguished Professor, Institute of Applied Mechanics and Director of the Center of Innovation and Synergy for Intelligent Home and Living Technology, National Taiwan University |
| Director | Lin, Tze-Luen | Associate Professor, Department of Politics, National Taiwan University and Deputy CEO of the Office of Energy and Carbon Reduction, Executive Yuan |
| Director | Chiang, Ya-Chi | Associate Professor, Graduate Institute of Intellectual Property and Patent Licensing and Technology Transfer Center, National Taipei University of Technology |
| Director | Cheng, Eng-Two | Head of Division, State-Owned Enterprise Commission |
| Director | Chuang, Ming-Chih | Head of Planning Division, Bureau of Energy, Ministry of Economic Affairs |
| Director (Labor Director) | Peng, Chi-Tsung | Inspector, Department of Power Supply, Taipower |
| Director (Labor Director) | Liao, Chan-Ping | Technical Specialist, Taitung Branch Office, Taipower |
| Director (Labor Director) | Lu, Te-Sheng | Technical Specialist, Mingtan Power Plant, Taipower |

Function and Effectiveness of the Board of Directors

The Board of Directors leads Taipower towards its goal of "transformation into a prominent, trustworthy world-class power utility group." The Board is committed to stakeholder accountability by leading Taipower's operational strategies, supervising management direction and actions, and implementing the spirit of integrity management and sustainable governance. In recent years, Taipower has gradually strengthened the Board of Directors' supervision of environmental, social, and governance (ESG) issues in accordance with the FSC's Corporate Governance Roadmap 3.0. The Company have arranged for the relevant departments to report to the Board of Directors regularly on implementation status, including sustainable development strategies and implementation, ethical management policies and annual work overview, and risk management and strategies. Taipower will continue to follow the policies of the supervisory authorities and relevant regulations of the Ministry of Economic Affairs to strengthen the functions of its Board of Directors in accordance with the Company's business requirements. The operations and effectiveness of the Board of Directors are explained below:

The Board of Directors

As a principle, the Board of Directors holds a regular meeting once a month, and ad hoc meetings are convened when necessary. In 2020, twelve Board meetings were held. The average attendance rate of directors was 96%. The records of the Board meetings are disclosed on both Taipower's intranet and its official website. All decisions resolved at the meetings are recorded and statuses are tracked on a case-by-case basis by respective divisions.

Managing Directors Meetings

Managing directors are required to assemble and exercise their powers as directors in accordance with pertinent regulations, the Articles of Association, shareholders' meeting resolutions, and Board meetings resolutions during recesses of the Board of the Directors. Five Managing Directors Meetings were convened in 2020. The average attendance rate of the managing directors was 100% as they effectively supported the Board of Directors in performing its functions.

Functional Committees

The Audit Committee

Taipower's Audit Committee is solely comprised of independent directors. The committee is responsible for the review, revision and effectiveness of Taipower's internal control systems, acquisition and disposal of assets, major loans, the appointment or dismissal of heads of finance, accounting, internal audit, and financial reporting, among other significant matters. A total of six Audit Committee meetings were convened in 2020. The independent directors actively participated in the operations of the Audit Committee with an average attendance rate of 94%. Pursuant to the Securities and Exchange Act, if the independent directors raise dissenting or qualified opinions at Board meetings, the said opinions shall be duly noted in the meeting minutes, and published on the "Market Observation Post System" (MOPS). There were no dissenting or qualified opinions from the independent directors in 2020.

The Investment and Business Plan Review Committee

The Committee is a functional organization established by Taipower to meet the needs of major investment projects and other business requirements. Prior to the Board meetings, this committee is required to submit preliminary reviews and detailed opinions on important proposals to the Board of Directors. Proposals include the Company's major construction investment projects, operating budget, business operations and management, additions and amendments to important articles of association, and performance evaluations of the investees. A total of eight meetings were held in 2020.

The Land Management Review Committee

The Committee was set up by Taipower for land purchases and sales. Prior to Board meetings, the committee is required to submit preliminary reviews and detailed opinions on important proposals to the Board of Directors. Proposals include the Company's land purchases and sales, exchanges of property rights, joint developments, participation in urban renewals, creation of superficies, feedback on changes in urban planning, land valuations, and land use plans. A total of eight meetings were held in 2020.

Effectiveness of the Shareholders' Meeting

Taipower's Board of Directors convenes a general shareholders' meeting every year in accordance with the Company Act and the Securities and Exchange Act to discuss mandatory motions and to elect directors. Taipower held its Shareholders' Meeting on May 22, 2020. At the meeting, the Company reported to the shareholders, acknowledged and discussed specific matters with participants. The following topics were discussed: the presentation of the 2019 Business Report, the Audit Committee's 2019 Financial Statement and Loss Appropriation Report, the 2018 Closure of Accounts and Loss Appropriation Report that was also reviewed and certified by the National Audit Office, the 2020 Partial Adjustments to Property, the Plant and Equipment Durability Report and the 2019 Corporate Bond Report. The meeting record was disclosed on both the Company's official website and MOPS.

Performance Assessment of the Board of Directors

Taipower established the Taiwan Power Company Board of Directors Performance Assessment Criteria in 2016 to implement corporate governance and increase the effectiveness of the Board of Directors. The assessed entities include the Board of Directors as a whole and as individual directors. The Company also implemented continuous reviews in 2020 and added assessment items to strengthen the assessment indicators for each functional committee.

With regard to the performance assessment of the Board of Directors as a whole, the assessment includes the Board's participation in the operations of the Company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the Directors, and internal controls. At the end of each year, the Company's Board of Directors (including the Audit Committee, the Investment and Business Plan Review Committee, and the Land Management Review Committee) conducts a performance assessment in accordance with the assessment procedures and indicators described above. The results of the performance assessment are reported during the Boarding meeting at the end of March of the following year. The results of the performance assessment of the Board of Directors and functional committees for 2020 were excellent, and they were duly disclosed in the "Corporate Governance/Board of Directors" section on Taipower's official website.

The performance assessments of individual directors are implemented in accordance with related regulations in the Operational Guidelines for the Implementation of the Independent Director System by Subordinate Units under MOEA and the Guidelines for the Management of Directors, Supervisors and Other Important Officers Assigned by the Ministry of Economic Affairs and Subordinate Units to Public and Private-Run Businesses and Foundations. The assessments include the directors' understanding of the Company's targets and missions, knowledge of their duties as directors, participation in the Company's operations, management of internal relations and communications, professionalism and continuous education as directors, and internal controls. Individual directors shall provide a self-assessment in accordance with the procedure at the end of each year and submit results to the Ministry of Economic Affairs as the basis for evaluation and nomination.

Disclosure and Transparency of Corporate Governance Information

Taipower's official website includes a Corporate Governance section. Information on the organization and operation of the Shareholders' Meeting, Board of Directors, Audit Committee and other functional committees is published on the website and included in the annual report for Taipower's Shareholders' Meeting in accordance with laws and regulations. The annual report is also disclosed on the Market Observation Post System. For more information on Taipower's corporate governance results, please scan the QR Code.



Mechanism to Avoid Conflicts of Interest

Pursuant to Taipower's Board of Directors Meeting Bylaws, directors are required to declare any conflicts of interest they may have regarding issues on the agenda for Board meetings. Directors must recuse themselves from participating in and voting on matters in which they have conflicting interests. The recused directors are also not allowed to represent other absent directors in such votes as their proxies. Prior to each Board meeting, reminders of these conflict-of-interest recusal rules are stated in-meeting notifications.

Remuneration Policy

Taipower is a state-owned enterprise, and hence, the standards for remuneration of its directors, including the Chairman, are set by the competent authorities (the Ministry of Economic Affairs) and reported to the Shareholders' Meeting in the absence of a Remuneration Committee. Apart from monthly compensation, independent directors may not collect earnings distributions, year-end bonuses, or other forms of compensation. As directors designated by the labor union fall under the category of Taipower employees, their compensation is determined in accordance with the Basic Principles of Employee Compensation Authorization for State-Owned Businesses and the Management Guidelines Governing Remuneration for Employees of Subordinate Units under MOEA. They may not collect the same remuneration as other directors. In 2020, the remuneration for Taipower directors (including the chairman, independent directors, and labor directors) constituted 0.0712% of the Company's net income after tax.



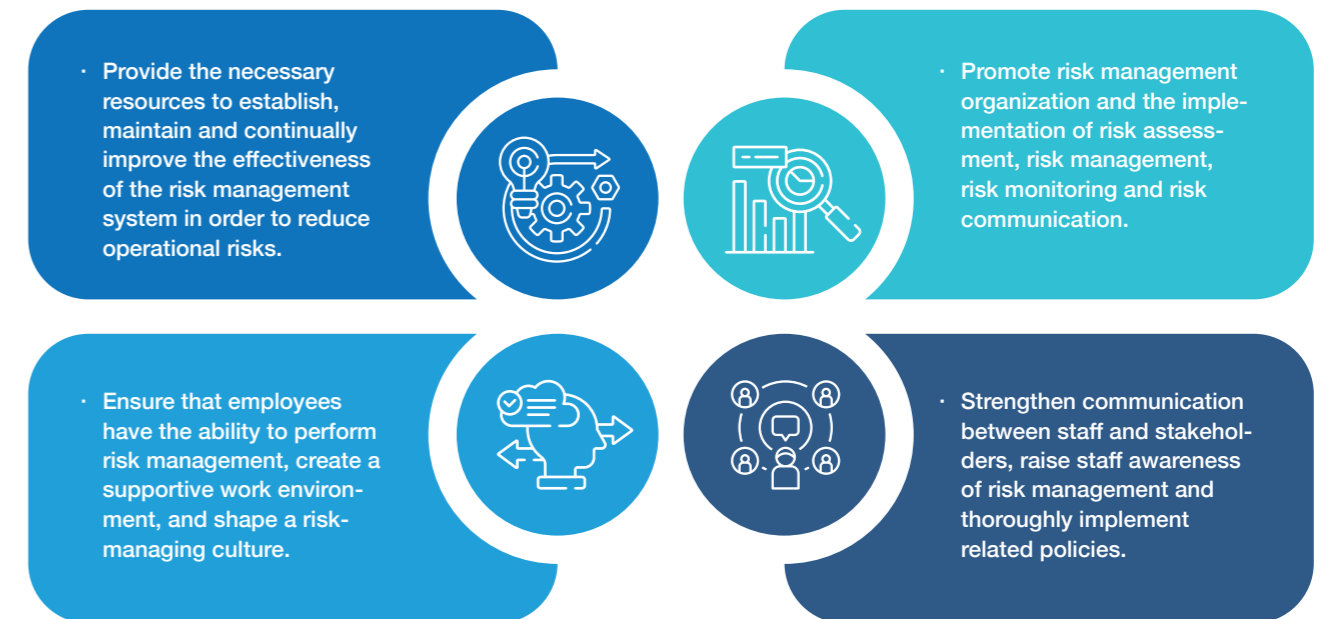
2.2 Risk Management Mechanisms and Control Measures

2.2.1 Risk Management

Corporate management inevitably involves both the impact of external risks and potential opportunities for development. Taipower constantly reflects on its business and makes improvements to effectively identify potential external risk factors while searching for opportunities for development and creating effective guidelines for response. Regarding the Paris Agreement, the implementation of Taiwan's Nuclear Free Homeland Policy, amendments to the Electricity Act, referendums in 2021 on reactivating the Longmen Nuclear Power Plant and algal reef protection, and other international and domestic sustainable development trends, Taipower has identified, ranked, and responded to potential internal and external risks with a sound risk management system and has begun to identify and seize potential opportunities as a new turning point for the sustainable development of Taipower.

Risk Management Policies

Taipower has established four risk management policies as guidelines for organizational risk management. They are as follows:



Risk Management Structure

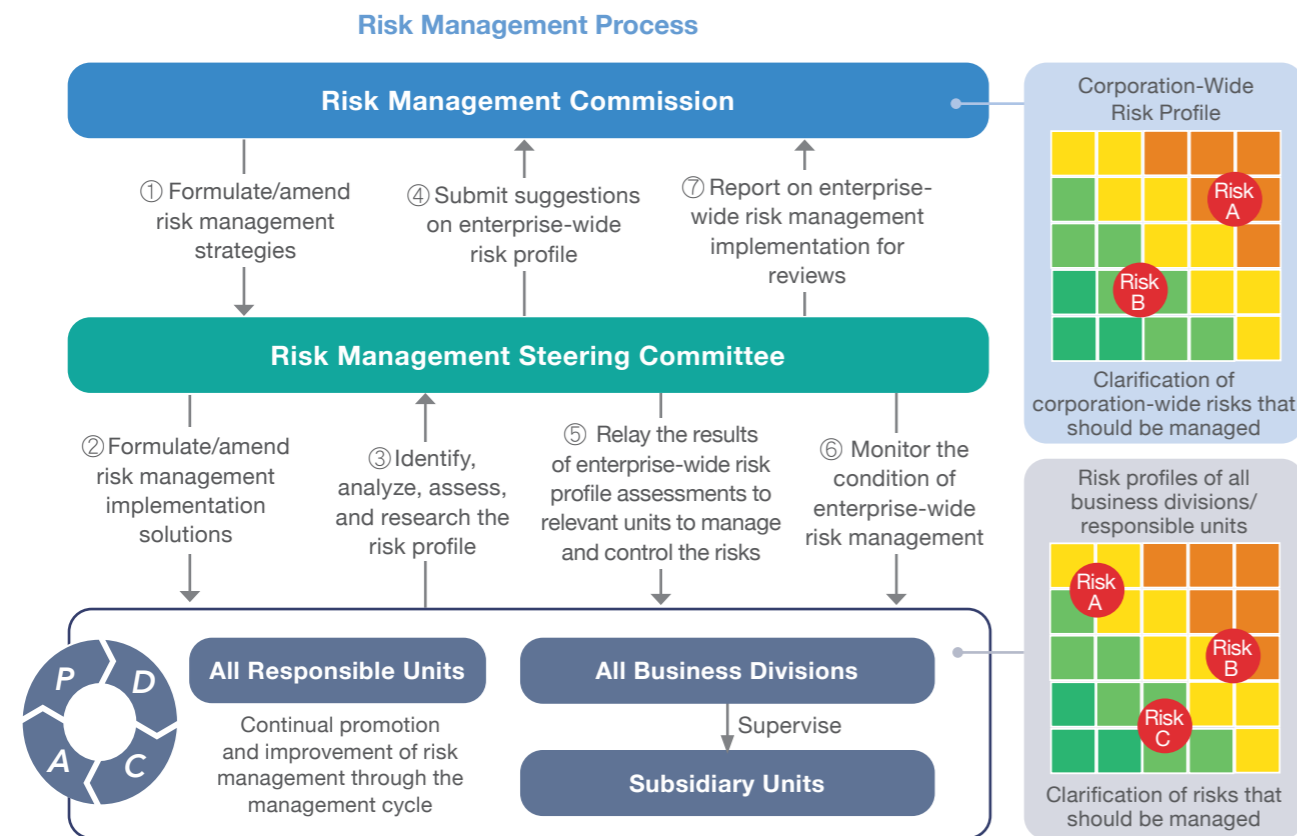
Under Taipower's risk management structure, the Chairman acts as a supervisor, and the President acts as a committee director and the Risk Management Commission operates as a task force. The Commission is composed of the CEOs from the four major divisions (Power Generation, Nuclear Power, Transmission System, and Distribution & Service) and VPs and Chief Engineers/Administrators from the four major systems (Strategic Administration, Financial Resources, and Construction & Engineering, and Digital Development). The Chief Engineers/Administrators are also members of the commission. The Commission operates through subordinate risk management promotion teams, which are comprised of first-tier units that are responsible for the identification of potential risks and the establishment of risk management policies and corresponding responses. Scan the QR code for the risk management organization structure.



The Risk Management Process

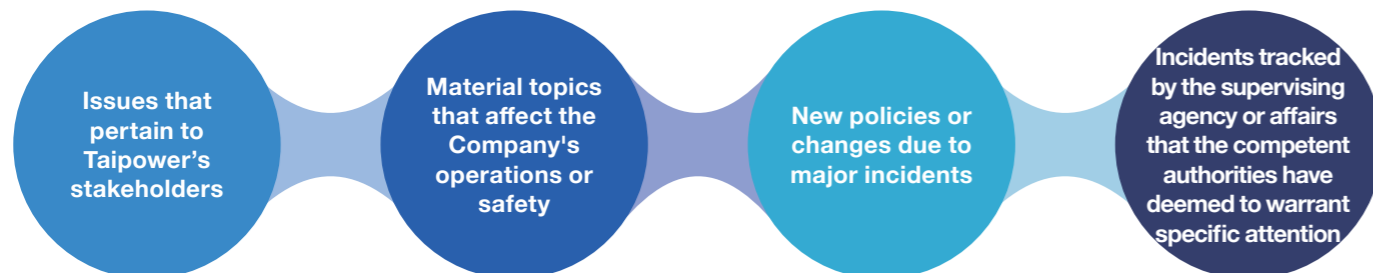
Taipower's risk management process begins with strategies established by the Risk Management Commission. Subsequently, the Risk Management Taskforce formulates corresponding risk management implementation solutions to be delivered to relevant first-tier units before they are analyzed and included in the Company's risk profiles. These risk profiles are then compiled by the Risk Management Taskforce into a company-wide risk profile to be submitted to the Risk Management Commission for review. After the review, the Risk Management Taskforce relays the results of the review back to all supervisory units for risk control.

The Risk Management Taskforce is also responsible for monitoring company-wide risk management status and reporting periodically to the Risk Management Commission. Each year, the Risk Management Taskforce reports on risk handling and control results. These reports are reviewed by the Risk Management Commission. Risk management policies are reviewed and revised depending on changes in the internal and external environments.



2.2.2 Risk Assessment and Identification

During the process of risk identification and profile analysis, Taipower will take the following factors into consideration:



Risk Incidents and Countermeasures

Taipower uses its risk assessment mechanism to monitor potential risks. When an incident is classified as extremely high risk, it will be listed as a top priority; incidents classified as high-risk are the second priority and may require specific plans so that necessary resources are provided before they are fixed. Risks at the medium level are simply monitored continually by the relevant departments. Low-level risk indicators are handled in accordance with the Company's general procedures.

Taipower identified 14 potential risk incidents in 2021, and planned corresponding control measures for each risk incident based on predetermined risk conditions. Taipower also conducted continuous reviews of the effectiveness of its control measures and the changes in risks to increase the effectiveness of both prevention before incidents and of response after incidents. Taipower analyzed risks and sustainability issues through systematic risk management to enhance risk awareness, capitalized on opportunities, and achieved its vision of sustainable management.

| Risk Category | Risk Identified |
|---|--|
| Strategic and Financial Risks | <ul style="list-style-type: none"> Accrual of losses resulting in greater impacts to the Company's operations Failure to meet policy targets as a result of insufficient grid connection of renewable energy projects Failure to complete the transformation within the legal time frame which leads to penalties imposed by the competent authority |
| Legal Compliance and Issue Risks | <ul style="list-style-type: none"> Safety or health incidents at the Company that result in casualties or losses of assets Negative publicity from risk incidents that has an adverse impact on the image of the Company Incidents of employee corruption Outbreaks of labor-management disputes and employee protests |
| Operational Risks | <ul style="list-style-type: none"> A high turnover rate of employees or failure to develop the Company's electricity enterprise and digital transformation technologies that prevents the smooth progression of core businesses Power supply shortages, affecting system stability and safety Paralysis of the IT system Delayed power plans, affecting the Company's power supply capabilities Progress of grid construction falling behind, affecting grid power supply |
| Environment and Climate Change Risks | <ul style="list-style-type: none"> Environmental impact caused by environmental incidents Natural disasters, causing damage to power facilities |

2.2.3 Environment and Climate Change Risks

Taipower supports global sustainable development trends and refers to the World Economic Forum's Global Risks Report when taking climate change and environmental risks into account. Taipower identified two major environmental and climate change risk events, including environmental impact caused by environmental incidents and damage to power facilities caused by natural disasters. The Company conducts risk assessments and responses for different risk scenarios and implements continuous reviews of changes in external environmental risks to adjust relevant control measures with the aim of mitigating the impact and effects of environmental and climate change.

| Risk Incident and Scenario | Main Management and Control Measures (Excerpts) |
|--|---|
| ► Environmental impact caused by environmental incidents | |
| Failure to meet statutory environmental control targets, resulting in the violation of environmental regulations | <ul style="list-style-type: none"> Monthly review of power generation and greenhouse gas emission results Promote demand response measures Conduct training on environmental protection regulations and inspection to strengthen awareness |
| Pollution or ecological incidents | <ul style="list-style-type: none"> Implement the "Ecological Audit Operation Plan" Implement environmental monitoring plans and maintenance of monitoring equipment |
| ► Damage to power facilities caused by natural disasters | |
| Climate change causes unexpectedly severe natural disasters | <ul style="list-style-type: none"> Conduct risk assessments and research to identify power facilities with high risks of climate impacts Conduct a comprehensive climate risk assessment of plants and take actions to improve the resilience of the power facilities to reduce the probability of damage to facilities |
| Electricity transmission equipment damaged and unable to operate normally | <ul style="list-style-type: none"> Inspect transmission lines and substation equipment for typhoon and flood prevention preparation Establish an emergency response center based on the scale of the disaster Implement natural disaster drills and report conditions in operation units |
| Distribution equipment damaged and unable to operate normally, which causes power outages for customers | <ul style="list-style-type: none"> Conduct a detailed inventory of emergency repair manpower, vehicles, and equipment for each area and office (including contractors) Establish Mutual Support Mechanisms for Extraordinary Disaster Areas to create mutual support capabilities between different areas and offices Organize regular disaster prevention and rescue drills and power repair drills to strengthen emergency response capabilities |
| Hydroelectric equipment damaged and unable to operate normally | <ul style="list-style-type: none"> Reduce the risks of damage to hydroelectric equipment and generators in accordance with the Principles for Hydroelectric Generator Operations during Typhoons and Floods Formulate disaster response measures for equipment safety, emergency evacuation and life support response measures for possible damages caused by concentrated heavy rainfall and extremely heavy rainfall |
| Thermal power generation equipment damaged and unable to operate normally | <ul style="list-style-type: none"> Prepare sufficient spare parts and construction equipment to restore facilities and power generation equipment for rapid resumption of power generation Conduct disaster prevention campaigns and drills |
| Wind power generation equipment damaged and unable to operate normally | <ul style="list-style-type: none"> Build a big data analysis system for wind farms to track the status of wind turbines, improve equipment maintenance, and optimize maintenance schedules Implement regular inspections of wind turbines |
| Solar PV power generation equipment damaged and unable to operate normally | <ul style="list-style-type: none"> Process the damage in accordance with the Solar PV Equipment Maintenance Procedures of the Department of Renewable Energy Strengthen training for disaster prevention, rescue operations, and incident reporting |
| Emergency at a nuclear power plant | <ul style="list-style-type: none"> Implement enhancements to prevent emergencies at nuclear power plants caused by natural disasters such as typhoons, strong earthquakes, and floods Conduct Annual emergency response drills at each nuclear power plant |
| Radiation released from nuclear waste facilities | <ul style="list-style-type: none"> Perform relevant response operations in accordance with the Typhoon Prevention Procedures, Flood Prevention Procedures, and other relevant natural disaster response procedures Implement related reporting procedures in accordance with the corresponding incident |

2.3 Integrity and Compliance

2.3.1 Ethical Management

Ethical Code

All personnel



All Taipower employees shall abide by laws and regulations such as the Code of Ethics for Personnel under the Ministry of Economic Affairs and the Directions on Lobby Registration and Checks for the Executive Yuan and its Subordinate Agencies. Any employee who requires clarification on any ethical issue or has legal compliance-related questions may consult specialists from Taipower's Department of Civil Service Ethics, with full protection of their rights and interests.

Procurement personnel



Taipower's procurement shall abide by the Company's Ethical Guidelines for Procurement Personnel, and the Points of Attention for Interaction between Procurement Personnel and other Businesses. The Company offers frequent training for its procurement personnel to help them perform their duties fairly, honestly and in compliance with pertinent laws without giving, asking, or expecting favors. Taipower has also established an Anti-Corruption and Legal Affairs Office to offer consultation services. The Company emphasizes fair and open procurement processes in order to improve procurement efficiency, performance, and quality.

Management



Taipower seeks to ensure that reviews for individuals with administrative liabilities or suspected in fraud or bribery cases are dealt with in a timely, effective and fair manner. As such, the Company reviews the administrative liabilities of both individuals involved in fraud/bribery and their managing supervisors to ensure the implementation of Taipower's integrity management.

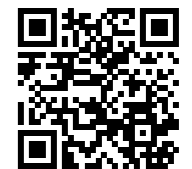
Anti-Corruption Measures

As a state-owned enterprise, Taipower executes specific policies and measures from the Executive Yuan's National Integrity Building Action Plan. Taipower has implemented the Ministry of Economic Affairs' Guidelines for the Implementation of the National Integrity Building Action Plan in its planning and promotion of various ethics-related tasks. Taipower has also integrated these measures through a consensus on anti-corruption within the private sector, as the Company employs the highest integrity standards for itself.

Every year, Taipower sets up a plan for the integrity supervision of its business administration. Part of this plan seeks to implement Management by Wandering Around (MBWA). Through on-site visits, case file investigations, and comprehensive seminars, Taipower is able to ensure the understanding and implementation of civil service ethics within each unit. The aforementioned tasks are conducted in order to improve work deficiencies, enhance work performance, and demonstrate the function of civil service ethics within the organization. In 2020, a total of 18 units were inspected and the civil service ethics units have effectively implemented tasks related to civil service ethics.

Additionally, Taipower holds an Ethics Conference once a year. Attendees are responsible for planning the Integrity Work Plan, as well as performing consultation, supervision, and evaluation of the subsequent implementation of the ethical operations. For the details on the conference, please refer to the Ethics Conference section of Taipower's official website.

The Ethics Conference section



Taipower's Anti-Corruption regulations



Taipower launched a Business Risk and Integrity Investigation Authority Communication Platform in 2019. The platform seeks to reduce integrity risks and eliminate inappropriate interference. The Company has organized regular meetings and visits, invited prosecutors to give speeches, and held business transparency seminars to ensure smoother business operations for Taipower. In 2020, a total of 70 Taipower units visited local prosecutors or chief prosecutors in their districts. Taipower invited prosecutors to give 15 lectures and held three seminars to promote business transparency at the Taipower Headquarters, the Taichung District Office, and the Dalin Power Plant. The Company will continue to pursue good relations with judicial authorities and to promote business transparency.

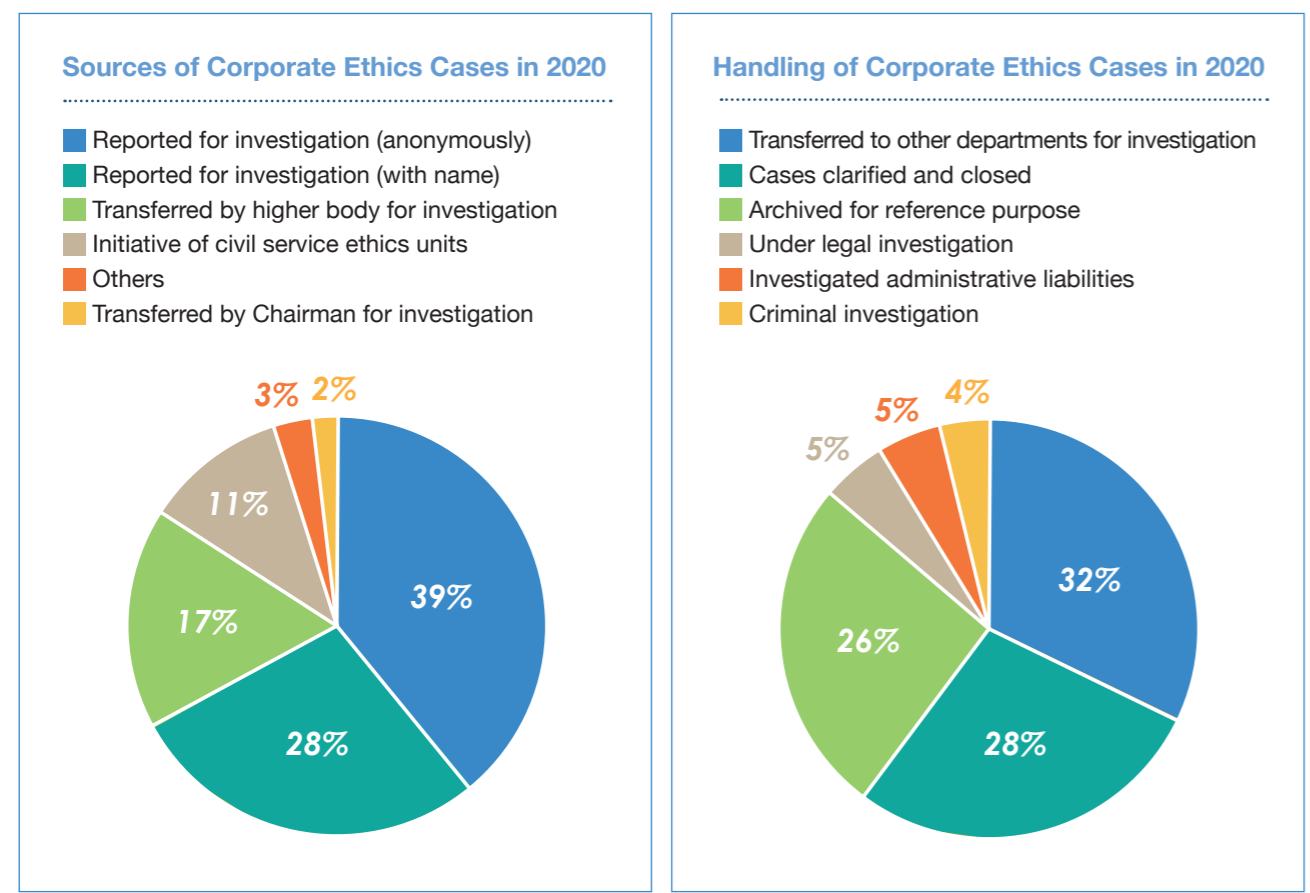
Regarding interactions between procurement personnel and suppliers, Taipower makes reference to the Ethical Code for Personnel under the Ministry of Economic Affairs and promulgated Precautions on Interactions between Taipower Procurement Personnel and Other Businesses. The precautions not only provide specific and feasible guidelines for interactions between procurement personnel and suppliers, but also protect the professionalism, integrity and reputations of procurement personnel. The Company continues to strengthen employee integrity education and training and to promote avoidance of conflicts of interest in accordance with the Implementation Plan for the Enhanced Dissemination of Civil Service Ethics at Taipower.

Promotion of Anti-Corruption Campaigns

Taipower actively conducts anti-corruption advocacy for employees and suppliers, enhances understanding of the ethics and laws among relevant personnel, and consolidates an anti-corruption consensus between Taipower and suppliers to prevent corruption. The training sessions held in 2020 included an Integrity Promotion Seminar for New Employees, a Supplier Integrity Seminar for suppliers and procurement personnel, publication of a monthly integrity e-newsletter, and the arrangement of 1-2 hour integrity promotion courses and on-the-job training courses (including training courses for supervisors at all levels).

Cases Investigated in 2020

A total of 418 ethics-related cases were closed in 2020. The figures below show the breakdown of cases by reporting source. The percentage of anonymous reports is still relatively high at 39.23%, but Taipower processes all reports that include concrete and verifiable information or data in a prudent and unbiased manner, regardless of the form of submission.



Cases in Which Employees Are Charged with Regulatory Violations

In 2020, there were two cases in which employees were prosecuted for corruption. Both cases were filed based on the intent to accept bribes in the line of duty. The District Prosecutor's Office filed public suits against the employees for violation of the Anti-Corruption Act. Both were charged with accepting bribes from a contractor on a procurement project to facilitate smooth contract performance.

In 2020, there was one case in which an employee was sentenced for corruption. The employee had cooperated with a contractor to forge documents and received bribes from a supplier. The employee violated professional obligations by accepting the bribes and was also a co-conspirator in causing a public official to make false entries on a public document. The case was finalized without appeal, and the employee was sentenced to imprisonment for four years and ten months. The employee has been sent to jail for the sentence.

Internal Risk Control




In accordance with the Financial Supervisory Commission's Regulations Governing the Establishment of Internal Control Systems by Public Companies and the Enforcement Rules for Internal Inspection of National Corporations under the Ministry of the Economic Affairs, Taipower's Internal Inspection Office of the Board of Directors devised and executed an Annual Inspection Plan in 2020. The inspected items in 2020 included: internal control management and self-regulatory mechanisms, risk management, effect and efficiency of major operational target projects, information, communication and reporting, compliance with relevant laws and regulations, items required by the Board of Directors/Audit Committee/Inspection Office of the Board, and corrections or instructions from superior authorities.

Taipower's 2020 Annual Inspection Plan included each unit's civil service ethics department in the scope of inspection. These departments were engaged in patrol inspections to audit the actual implementation of the operation and to ensure the effectiveness of the three lines of defense.

Three Lines of Defense for Internal Auditing and Control



In 2020, patrol inspections took place at 62 units. There were also an additional 24 special project inspections. The Company then completed an annual internal control system self-assessment report. The scope of the assessments included all of Taipower's operating units, allowing the Board of Directors and the President to assess the effectiveness of the Company's overall internal controls. The report also served as the primary basis for the Company's 2020 Annual Internal Control System Statements. Future improvements in internal auditing are proposed as follows:

- 
Strengthening inspections for preventative management and increasing the value of inspections
 Coordinate with the Company's key future businesses in the areas of industrial safety, environmental protection, smart grids, project progress, organizational transformation, and other goals. All units will be assisted with preventative management and improving operational efficiency. Consulting services will be actively provided to all units, to create win-win situations and increase the value of auditing.
- 
Assisting in strengthening all departments' attention to internal controls
 Implement a rotation program between senior auditors in the Auditing Office, the Board of Directors and managers of various departments. This will aid auditors in maintaining familiarity with the Company's operation. The program will also promote internal controls through managers from various departments that return to their original departments after their rotations. Training on internal controls will continue to be implemented.
- 
Expanding auditing expertise in response to organizational transformation
 The auditors will continue to take relevant internal audit courses to enhance their auditing skills. This will help to facilitate the smooth transformation into a parent-subsidary company and promotion business audits.

2.3.2 Compliance

Taipower is a state-owned public utility and its operations are governed by the Company Act, Securities and Exchange Act, and other general laws and regulations, in addition to the Administrative Law for State-Owned Enterprise and the Electricity Act. Therefore, the establishment of Taipower's organization, accounting, auditing, budgeting, business planning, utility rates, and its development and management of electricity resources must be approved by the Ministry of Economic Affairs. Specifically, the Ministry's State-owned Enterprise Commission is responsible for supervising and managing the various operations at Taipower. The Bureau of Energy is the regulatory authority for the electricity industry, and is responsible for communicating and transmitting relevant instructions to other ministries, such as the National Development Council, or the National Audit Office. The implementation of corporate policies must comprehensively account for the provisions of various laws and regulations and their impacts on policy development.

Legal Compliance and Awareness Campaigns

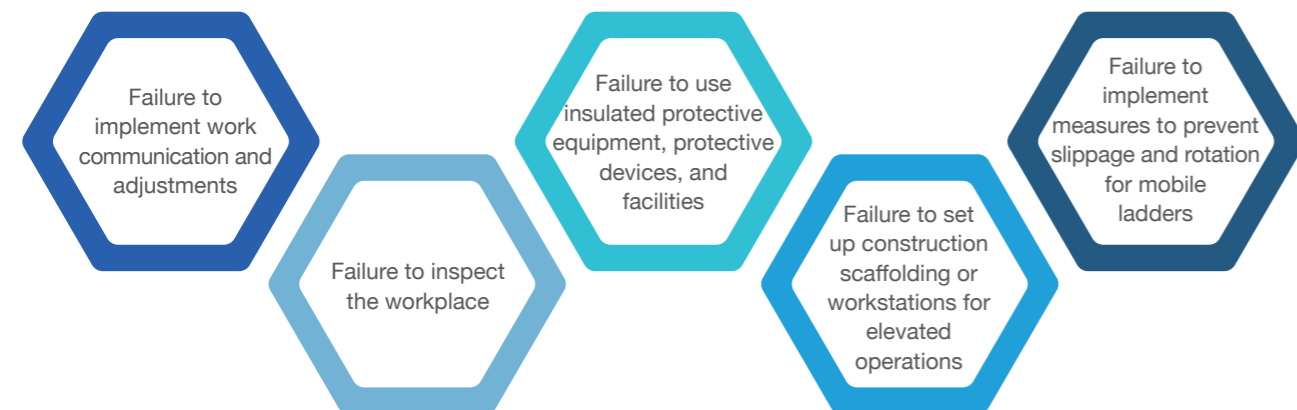
In an effort to boost employee awareness of the Company's legal affairs and to ensure compliance, the Legal Affairs Office organizes multiple sessions of the Practical Legal Issues – Case Studies and Solutions Seminar at different units along with other training events each year. The office also provides legal consultation services to help units address and resolve legal issues in their operations and to ensure that all employees abide by the pertinent regulations.

Administrative Sanctions for Labor Issues

In 2020, there were three labor penalty cases within the scope of this report (connected to Taipower, not to its related legal entities) for violations of the Labor Standards Act. The penalties were imposed for failure to comply with the regulations on the payment of wages for extended working hours and holidays, and failure to comply with the regulations on the payment of labor pension derived from extended working hours. In these cases, the Company was fined NT\$20,000, NT\$40,000, and NT\$300,000, respectively. The former fines mainly resulted from the difference in the recognition of the scope of wages and extended working hours between Taipower and the labor authority. The payroll and overtime management of Taipower's employees are governed in compliance with the Administrative Law of State-Owned Enterprise and regulations of superior authorities. The Company has a single salary system and the scope of wages cannot be decided solely by the Company itself. In addition, overtime work must be managed in accordance with related management procedures. All preceding cases have been appealed in accordance with the legal administrative relief procedures. The appeals in two cases were dismissed and are under administrative litigation. The Company has reviewed the penalties and proposed response strategies to reaffirm the Company's position and practices.

Administrative Sanctions for Industrial Safety

Taipower received 13 penalties for industrial safety in 2020 and the types of cases are categorized as follows:



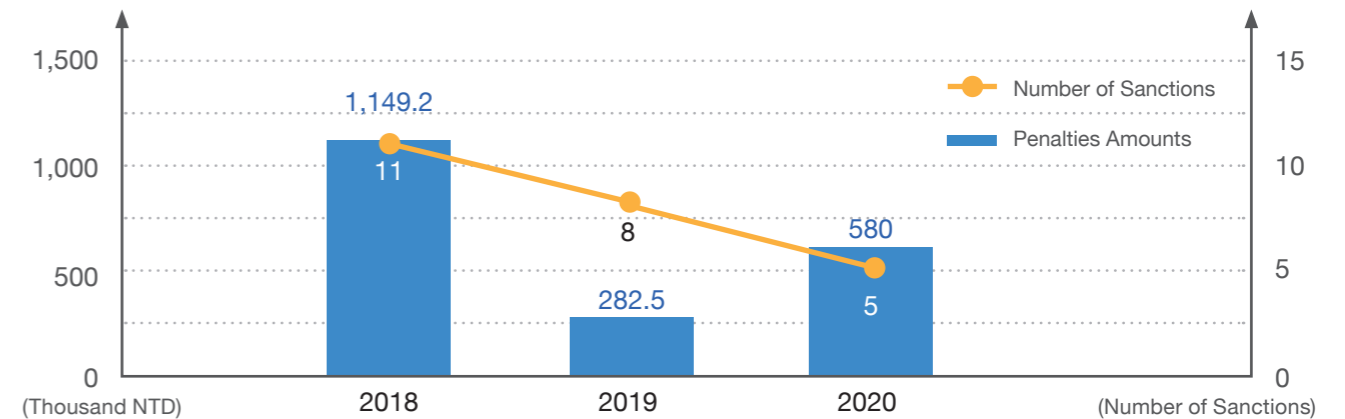
In response to the aforementioned violations, Taipower has planned training (re-education) sessions and strengthened pre-job training for employees in accordance with the Guidelines for Enforcement of Violation of Safety and Health Regulations by Contractors of Taiwan Power Company Limited. When the same types of failures or violations of the Terms and Conditions of Safety and Security of the Ministry of Economic Affairs occurs, the Company rigorously imposes additional fines. In addition, based on the result of big data analyses, units with more violations or serious cases will be selected for enhanced inspection and listed as targets of enhanced inspection for the year.

Administrative Sanctions on Environmental Protection Issues

Although the total penalties for Taipower's environmental protection violations increased in 2020, the number of penalties decreased from the previous year (excluding policy-related fines). Moreover, there were no violations of water consumption or water quality regulations. In spite of the revision of environmental protection laws and regulations, the continuous implementation of major development projects for electricity facilities, and an increase in the intensity and severity of law enforcement, Taipower has been able to maintain a high level of compliance. Environmental penalties are particularly prone to negative evaluation by the general public and seriously affect the Company's image and operations. Therefore, the following proactive actions for environmental protection will be continued to effectively inhibit environmental penalties and maintain the Company's image:

- Implementation of an environmental management system and follow-ups on items that did not meet requirements
- Inspections on environmental protection for on-site operations without prior notice
- Annual discussions of cases of environmental protection violations
- Construction of indoor coal bunkers and the improvement of wastewater treatment plants
- Promotion of the setting of prices for individual environmental protection facilities and implementation requests
- Continuous guidance to the Company's thermal power plants and engineering units on improving operational processes that failed to fulfill environmental regulations; Requests that unit supervisors and deputy supervisors strengthen on-site environmental protection management by wandering around and verifying compliance with environmental protection regulations

Number of Sanctions and Penalty Amounts for Environmental Protection Violations



Note: The number of penalties in the table has excluded policy-related penalties. The statistics for the past three years are as follows: In 2018, there were seven policy-related fines and the amount of fines was NT\$3,589 thousand. In 2019, there were 17 policy-related fines and the amount of fines was NT\$105,089 thousand. In 2020, there were seven policy-related fines and the amount of fines was NT\$5,761 thousand.

Product Responsibility and Personal Information Protection

Taipower's main product is electricity. Electricity prices and payments must be handled in accordance with government laws, regulations, and policies. As such, Taipower deals with all customer information, electricity payments in arrears, and suspension of electricity services in accordance with the Personal Information Protection Act and the Electricity Act. Taipower conducts an annual inventory of personal data files and systems, reviews necessary fields, and revises relevant business regulations. For the confidentiality of customer-related data, Taipower has formulated a confidentiality mechanism and operations method according to different targets. It abides by the regulations on the handling of personnel data by various units to ensure the protection of customer data related to business execution. For example, to prevent inadvertent leakage of a customer's personal information and violation of law by the service personnel that fail to follow the operations method, Taipower has stipulated handling procedures to check the identification of applicants or to verify their IDs when the personal data of customers or their entrusted persons are involved during the power consumption inquiry process. These inquiries may be made through face-to-face encounters, via telephone, fax, online query, or by printing out the results of such queries. For important databases, Taipower has established a database activity monitoring system to audit and protect data. Through real-time monitoring and event

analysis, the system reports abnormal records to the maintenance department for review and inspection every month. The results of the quarterly review in 2020 were all normal. There were no violations of laws or regulations due to the provisions and use of these products and services.

Information Security Protection Plan

Taipower has identified six major focus areas in developing smart grids. One of these – Information and Communication Infrastructure – is aimed at improving data quality, analyzing applications, and ensuring the safety of information systems and program control systems. To manage these endeavors, Taipower has formulated an Information and Communication Security Policy and established an Information and Communication Security Promotion Group. The policy objectives and guidelines of the Information and Communication Security Policy are as follows:



- IT assets and critical IT infrastructure must be regularly inventoried, classified, and graded. Risk assessments will be conducted for important IT assets and critical IT infrastructure. The Company must implement appropriate protective measures based on the results of these risk assessments.



- The collection, processing, and utilization of personal data must meet the requirements of the Personal Data Protection Act.



- Unit supervisors must pay close attention to the identification and management of confidential and sensitive information. They are responsible for the supervision, implementation, and auditing of unit compliance with information security policies, related laws, and operational regulations. They must also ensure implementation in the units' routine operations and employees' daily tasks.



- The Company will establish comprehensive reporting and emergency response measures for information security incidents and hold regular information security drills to ensure continuous business operations.



- All employees will be fully aware of the purpose of the information security policy and their duties.



- The Company will regularly review the effectiveness of the information security management system.



- The Information and Communication Security Policy and related operational regulations will be revised in accordance with changes in business operations, developments in information technology, and risk assessment results.

2.4 Operational Performance

Strategy for Sustainable Financial Operations

Taipower will maintain reasonable electricity rates and diversified management practices to achieve the multiple goals of a stable power supply, energy conservation, carbon reduction, and financial stability in response to changes in power generation and sales structures, fuel price volatility, and uncertainty in electricity rate adjustments.

2018-2020 Taipower Financial Performance Targets and Results

Unit: NT\$ million

| Year | Total Assets | Operating Revenue | Equity | Income Before Tax |
|------|--------------|-------------------|---------|-------------------|
| 2018 | 2,028,132 | 587,327 | 288,619 | 30,037 |
| 2019 | 2,072,525 | 594,185 | 304,614 | 17,326 |
| 2020 | 2,145,085 | 604,648 | 325,886 | 23,445 |

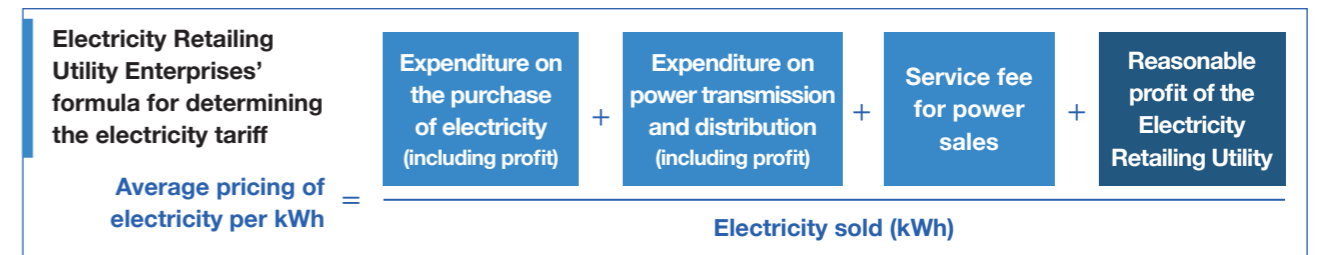
Note: 1. Taipower is a state-owned enterprise and, according to law, its final accounts are subject to review and certification by the National Audit Office. At the time of publication, the actual performance for 2020 has not been reviewed and certified by the National Audit Office and is thus reported according to the numbers reviewed and certified by certified public accountants.
2. The numbers for 2019 are reviewed and audited final accounts which are not the same as the basis of disclosure for the 2020 Sustainability Report.

Electricity Tariff Review Mechanisms

According to the International Energy Agency (IEA), the latest statistics (2020) from Enerdata and the Electricity Tariffs of Neighboring Countries, Taiwan's residential and industrial electricity tariffs were both ranked fourth lowest in the world in 2019. Taipower is committed to remaining the driving force behind industries and people's livelihoods by providing a stable supply of electricity for Taiwan's social development and economic growth. Refer to Taipower's official website for information on the residential and industrial electricity tariffs of neighboring countries.



Under the mandate of stabilizing the power supply and meeting the needs of the public, the review mechanisms for electricity tariffs will continue to be a critical issue for Taipower. In accordance with Article 49 of the Electricity Act, the competent authority lays out calculation formulas and adjustment mechanisms for the electricity tariff. The current formulas were announced on November 6, 2017. According to the regulations, the electricity tariff is reviewed every six months. During the review process, Taipower may devise a review plan for the electricity tariff, and adjust the tariff after obtaining approval from the Electricity Tariff Examination Council. The process allows electricity prices to immediately reflect international fuel price volatility and Taipower's operational performance.



The electricity tariff is reviewed and adjusted twice a year. In principle, increases and decreases cannot exceed 3% in each adjustment. However, when the cost of the electricity supply continues to rise or fall sharply, the Electricity Tariff Examination Council may adjust the electricity tariffs based on the status of the electricity tariff stability reserve.

The Ministry of Economic Affairs held electricity tariff review meetings in March and September 2020. Taipower submitted an electricity tariff review proposal with +1.83% and +0.18% adjustments. After evaluating international oil prices, reassessing the total cost of nuclear energy back-end operations, and evaluating the price stabilization policy and Taipower's currently stable operations, the Company concluded that the electricity tariff should remain unchanged and therefore not be adjusted.

The average prices of residential, industrial, and commercial electricity in 2019 and 2020

Unit: NT\$/kWh

| Year | Residential | Industrial | Commercial | Other | Grand total |
|------|-------------|------------|------------|--------|-------------|
| 2019 | 2.5256 | 2.4738 | 3.2381 | 2.6637 | 2.6190 |
| 2020 | 2.5596 | 2.4461 | 3.1787 | 2.6586 | 2.5986 |

Note: Other refers to electricity consumption that occurs outside the three aforementioned items. It includes street lights, schools, government institutions, and other non-business electricity consumption.

Diversified Management and Strategies

In the face of multiple challenges that include the opening of the electricity market and its organizational transformation, Taipower is pursuing an expansion strategy aimed at extending its original business in the electricity industry, strengthening asset revitalization, and entering spin-off businesses. Taipower will continue to provide a stable power supply and actively explore new business opportunities in the future. The Company exists not only for the purpose of profit, but also for the implementation of corporate social responsibility, assisting the government in promoting industrial development and environmental sustainability. Taipower homes to create a new entity that will benefit both society and the business by integrating external resources. Currently, Taipower is actively creating a variety of new businesses. These include real estate revitalization, a fiber optic circuit bandwidth rental business, electric equipment repair contracting, and cultural and creative businesses. In 2020, these new ventures brought in more than NT\$1.6 billion in revenue for Taipower. For more information on Taipower's diversified management and results, please scan the QR Code.



Improvement in Operational Performance

Taipower has actively strengthened its operations in recent years by setting targets and performance appraisals. It reviews performance indicators each year to ensure that general operational objectives have been met. In 2020, the Company achieved all 25 of its targets set for 2020. For 2021, 18 overall targets and KPIs were set to continue improvements. (Refer to Appendix P.137 for key performance indicators)

2.5 Strengthening Supplier Management

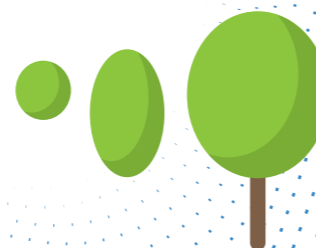
All Taipower's supplier management processes adhere to the pertinent regulations. Suppliers must satisfy all environmental, social, and other legal requirements for all services and materials they provide. The Company uses these regulatory criteria to select appropriate partners during its tendering and evaluation processes. Additionally, suppliers are required to sign a statement of compliance with environmental and social performance management criteria.

2.5.1 Supplier Composition

Taipower's suppliers include the providers of fuel, materials, and equipment necessary for power generation and as well as suppliers of external electric power. The Company monitors the potential risks of suppliers with different characteristics and manages their quality, output, and impact on the environment and society. Management of the suppliers is described as follows:

Fuel Supplier Management

The main fuels used in Taipower's thermal power plants are coal, natural gas, and fuel oil. Nuclear power plants also require nuclear fuel. Taipower adheres to the four strategies of energy supply diversification, long-term supply contracts, safe inventories, and stable coal transportation to ensure stable fuel supplies. The Company provides power plants with fuel promptly and at suitable quality and quantity to ensure the safety and stability of the power supply. Detailed measures and actions are described below.



Energy Supply Diversification

| LNG | Coal | Fuel Oil | Nuclear |
|---|---|---|--|
| <ul style="list-style-type: none"> Exclusive supply by CPC; Continual tracking of CPC's sources of supply CPC has long-term contracts with sources in Malaysia, Indonesia, Qatar, Australia, Papua New Guinea, and the United States to achieve the goal of energy supply diversification | <ul style="list-style-type: none"> Caps are set on coal originating from each country of origin and supplier for regular contracts Investment in offshore mining operations | <ul style="list-style-type: none"> Fuel oil is supplied by CPC Corporation Diesel fuel is supplied by CPC Corporation and Formosa Petrochemical Corp. | <ul style="list-style-type: none"> Spreading out nuclear fuel processing across 2-3 suppliers |

Fixed-Term Supply Contracts

By signing various fixed-term contracts, Taipower is able to reduce uncertainty in procurement and achieve a steady fuel supply.

| LNG | Coal | Fuel Oil | Nuclear |
|--|---|--|---|
| <ul style="list-style-type: none"> Signing fixed-term contracts with CPC Planning to construct LNG receiving stations at Taichung and Hsieh-ho power plants and to independently import LNG that will be used by some of the newly constructed gas units | <ul style="list-style-type: none"> Fixed-term contracts for 70-80% of the coal supply with the remainder replenished by spot contracts | <ul style="list-style-type: none"> Procured from local suppliers through fixed-term contracts to guarantee security of supply | <ul style="list-style-type: none"> Given that current long-term contracts and inventories are sufficient to accommodate demand, uranium procurement has been suspended Signing long-term contracts for all nuclear fuel enrichment services |

Safe Inventories

| LNG | Coal | Fuel Oil | Nuclear |
|--|--|---|--|
| <ul style="list-style-type: none"> In accordance with the stipulations of the Taipower and CPC Contact and Early Warning Mechanism for LNG Supply and Demand, Taipower urges CPC to maintain ready LNG inventories of more than 80,000 and 50,000 tons for dispatch to the Yong'an and Taichung Plants respectively. Planned corresponding responses in the event of accidents with CPC and established terms agreed by both parties | <ul style="list-style-type: none"> The law requires that coal inventory must be sufficient for at least 30 days of the average daily amount consumed in the previous year Taipower has adopted 38 days of inventory as its planning basis for 2021, in which one day of inventory is defined as the average daily usage of coal in the previous year | <ul style="list-style-type: none"> The operating reserve for fuel oil is 120,000 ± 40,000 kiloliters The diesel inventory is established in accordance with the specific supply and transmission conditions at each power plant | <ul style="list-style-type: none"> The safety stock for uranium is set at three year's volume of use All units at nuclear power plants require one batch of nuclear fuel components in inventory |

Stable Coal Transportation

Taipower's coal carriers transported approximately 6.18 million tons of coal with a 24.05% shipping ratio in 2020. The self-management of coal transportation ensures stable fuel supply and dispatching.

Fuel Procurement

Natural Gas Procurement

Taipower will disperse its procurement of natural gas in the future. In addition to purchasing LNG from CPC, Taipower plans to construct its own LNG receiving stations at the Taichung and Xiehe power plants. Related feasibility studies have been approved by the government and the government's approval has been granted to purchase LNG from the international market to be used by newly constructed gas-fired power generation units at the Taichung, Xiehe and Tongxiao Phase 2 power plants. This not only enables Taipower to have greater autonomy in its sourcing of LNG for reducing the overall cost of fuel procurement but also works to the Company's advantage in power dispatching and providing system characteristics that increase LNG supply stability and safety.

Currently, CPC is the most important supplier of gas for Taipower. As such, its influence on the stability of the power supply should not be underestimated. Consequentially, Taipower has been actively engaged in establishing a functionally linked mechanism with CPC.

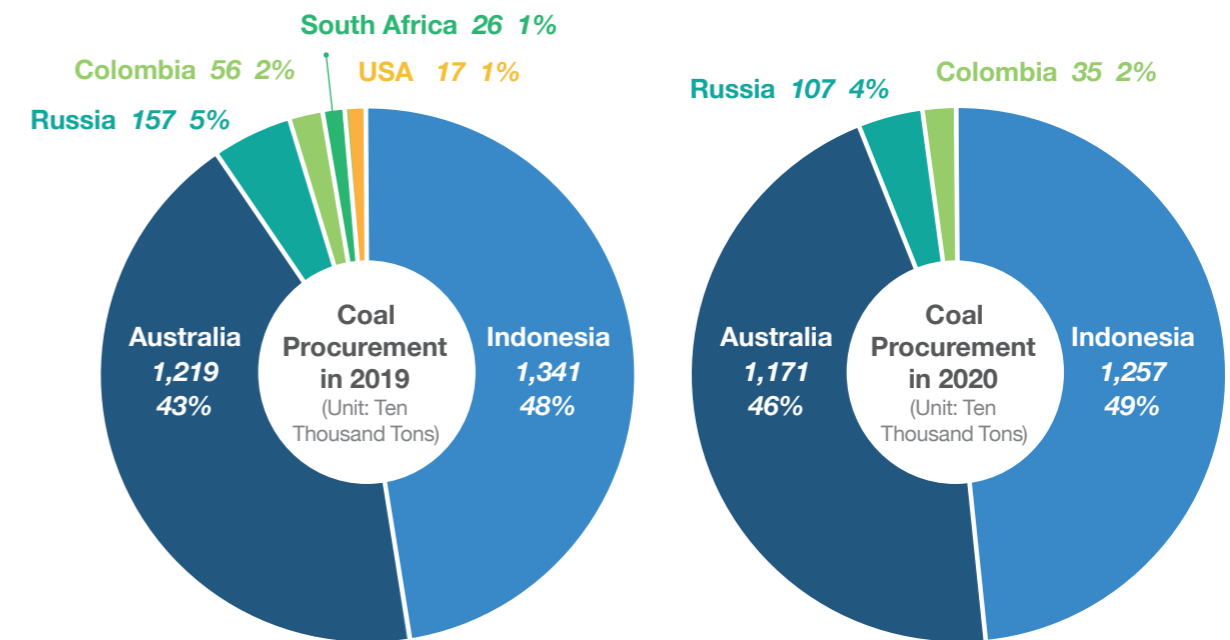
The Mechanism for Gas Supplied From CPC

| Frequency | Means of Communication |
|------------------------------------|--|
| Annually | <ul style="list-style-type: none"> Each year before the end of May, Taipower sends revised data to CPC if monthly estimates for gas consumption in the second half of the year require revision. Each year before August 20, Taipower sends CPC the monthly estimates of total gas consumption and the maintenance schedules for all gas units for the following year. Each year before the end of October, Taipower officially informs CPC of any revisions to its monthly estimates of total gas consumption. |
| Quarterly | <ul style="list-style-type: none"> Both parties take part in a quarterly supply coordination meeting to discuss relevant issues on LNG usage. |
| Monthly | <ul style="list-style-type: none"> Each month prior to the 10th, Taipower faxes a Daily LNG Requirement Table for the subsequent month to the CPC. In turn, CPC is required to verify its 45-day/90-day shipping schedule with international suppliers prior to the 15th of each month. This will ensure that appropriate dispatching is performed following Taipower's requests. |
| Daily | <ul style="list-style-type: none"> CPC updates its LNG usage and inventory notice by no later than 10:30 a.m. every day (including holidays) through fax or email. Prior to 4:00 p.m. on each workday, Taipower faxes its Daily LNG consumption estimates for the next fortnight to CPC. If the gas usage for the next fortnight affects LNG supply and the shipping schedule cannot be changed, CPC will contact Taipower and ask for appropriate adjustments to the daily estimates on LNG usage for the following two weeks. Should CPC's gas pipeline construction affect the normal LNG supply for Taipower, CPC will try to schedule construction during holidays and send notice to Taipower in advance so that Taipower can make relevant adjustments without compromising power supply safety. |
| Under Special Circumstances | <ul style="list-style-type: none"> As Taipower is responsible for supplying power to CPC's Yong'an and Taichung LNG storage systems, in the event of power outage/rationing that affects the supply of LNG, Taipower will coordinate with CPC first to make optimal arrangements. |

Coal Procurement

For coal procurement, Taipower has established a Coal Procurement Review Taskforce, with membership consisting of personnel from the Department of Materials, Procurement Regulation Enforcement, Procurement, and Legal Affairs Office. Through various meetings with external energy and economic experts, the task force formulates flexible coal procurement strategies and ensures an adequate supply of quality coal to all coal-fired power plants within the limitations of environmental protection regulations.

Coal Procurement from Different Regions and Total Procurement Quantities for 2019 and 2020



By revising procurement regulations for sources of coal, Taipower has improved the competitiveness of tenders, flexibly utilized buyers' options in terms of the agreed amount in each fixed-term contract, and promptly executed spot procurement strategies to reduce fuel procurement costs and improve fuel procurement performance. Compared with the price of coal in the Asia-Pacific region at the time of purchase, Taipower's coal procurement reduced expenditure by NT\$5.956 billion.

Fuel Supply

In terms of fuel (including fuel oil and diesel), Taipower currently purchases fuel oil exclusively from CPC, but diesel from both CPC and the Formosa Petrochemical Corporation. Both contractors have supply capability and conform to the relevant governmental laws and regulations. The fuel oil and diesel inventory levels are set in accordance with the specific supply and transmission conditions at each power plant.

Nuclear Fuel

The procurement of nuclear fuel involves the purchase of uranium and subsequent processing services for conversion, enrichment, and fabrication. Taipower is decommissioning its nuclear power plants to support the government's nuclear-free homeland policy (Item 18 of the National Sustainability Goals). Taipower has stopped all uranium procurement as the current uranium inventory is sufficient for the operations of nuclear power plants until they are decommissioned. Demand for Nuclear fuel processing services will exist until 2025, and has been covered by long-term contracts.

Suppliers of Materials and Equipment

Suppliers of Materials

Taipower provides professional internal training and consultation for issues associated with the Government Procurement Act. Training ranges from front-end material numbering, supplier capability reviews, and establishment of qualified supplier lists and management to requisition and demand management, procurement, acceptance, and logistics operations. Taipower is also actively implementing supply chain digital transformation and has established Enterprise Resource Planning (ERP), a Supply Chain Management (SCM) platform, and a Warehouse Management System (WMS) to achieve internal and external network collaboration and construct a comprehensive system.

The Equipment Supply Chain

Taipower integrated the evaluation/re-evaluation/inspection/feedback steps on defects with ISO 9001 to execute supplier management and auditing to ensure the quality, cost, and delivery of power-related equipment and devices provided by suppliers. Taipower also revised relevant regulations to establish a quality assurance program for electrical equipment. It requires suppliers to develop the capacity to design and supply qualified products and to prevent non-compliance from design to services.

Electricity Suppliers

To ensure a stable supply of electricity and to enhance economic vitality and flexibility, the government lifted restrictions on private power producers and adopted Taipower's avoidable costs generation as a pricing principle. Prior to 2016, Taipower was permitted to purchase thermal electricity generated by independent power producers (IPPs) in accordance with the announcement from the Ministry of Economic Affairs that allowed for the establishment of private power plants. The process works as follows: the Ministry of Economic Affairs first conducts qualification reviews, and qualified operators then submit their electricity prices for bidding before Taipower signs a contract with the winning bidder.

For the purchase of electricity generated through cogeneration and renewable energy, the procedure is governed by the Enforcement Rules of the Cogeneration System and the Renewable Energy Development Act. Taipower is obligated to purchase the electricity wholesale, but is not required to follow the bidding procedures outlined in the Government Procurement Act.

However, in January 2017, following the promulgation of the most recent amendments to the Electricity Act, the Ministry of Economic Affairs will no longer permit privately-owned power plant license applications. Taipower's power supply capacity will be announced by the electricity industry's regulatory authority in assessing the power supply. When there is electricity demand, the procurement procedure will be initiated. Contracts will be reviewed and the starting price for bidding will be set. Then public bidding will be handled following the provisions of the Government Procurement Act. A public meeting will be held to explain the bidding process to potential suppliers that are interested in bidding. The bidding will be closed and finalized after a qualification and specification review, as well as bargaining and comparing prices.

As of the end of 2020, Taipower has signed contracts with nine independent power producers (IPPs), 49 co-generation power providers, and has 34,997 contracts for renewable energy including solar power, wind power, hydropower, and others. A full 55.1kWh of electricity was purchased from external sources in 2020.

2.5.2 Creating a Sustainable Supply Chain

Review and Procurement Standards for Taipower Suppliers

Supplier Review Standards Pursuant to the Government Procurement Act

To ensure material quality, maintain power supply safety, and improve procurement efficiency, Taipower reviews the bidding documents of suppliers in keeping with the Government Procurement Act. If the Company has doubts about the contents of the documents provided by suppliers that participate in the bidding, it may notify the said suppliers and ask for further information. The procurement of electrical equipment (such as cables and gas-insulated switchgear, etc.) must also comply with pertinent government policies such as the Power Equipment Localization Policy. This essentially means that important components must be produced, assembled, or cut in domestic factories. Taipower evaluates supplier bids on this basis.

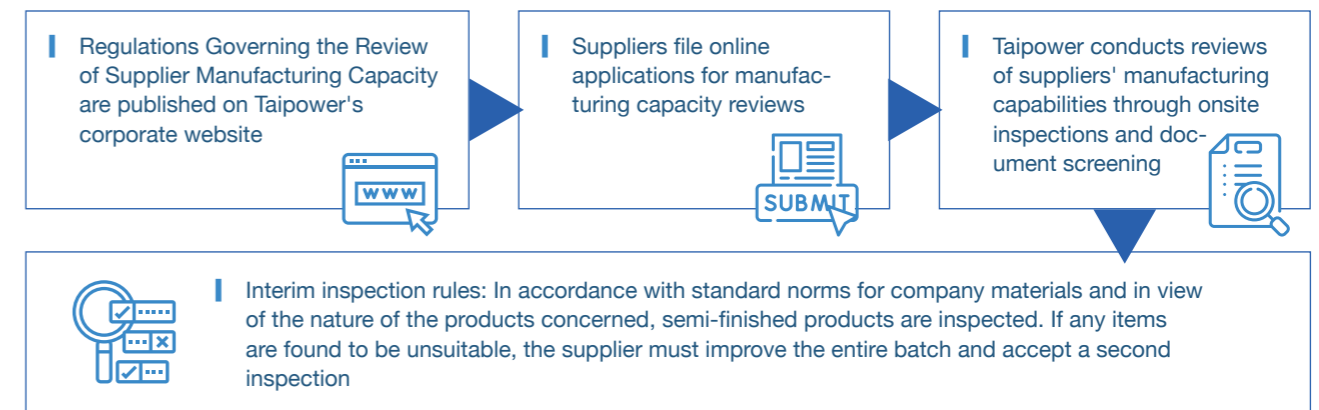


In 2020, Taipower received a total of 3,257 material procurement tenders from 1,184 domestic suppliers and 40 foreign suppliers, or a total of 1,224 suppliers. A total of approximately NT\$120.7 billion in tenders was awarded. Domestic tender awards totaled approximately NT\$111.2 billion and accounted for approximately 92% of the Company's procurement of property. Among them, the tender awards for selective tendering came to roughly NT\$33.8 billion and accounted for approximately 28% of Taipower's total procurement of property. There were 65 contracted suppliers (the tender awards for items that fell under the purview of the localization policy came to approximately NT\$19.8 billion and accounted for approximately 16% of Taipower's total procurement of property.) The tender awards for other types of tenders amounted to approximately NT\$77.4 billion which accounted for approximately 64% of Taipower's total procurement of property.

Process of Screening the List of Selectively Tendered Materials, Equipment and Qualified Suppliers of Taipower

To improve the effectiveness of management and control, Taipower has adopted the principle of centralized management. Where the utilization of equipment is frequent and numerous units intend to use the said equipment, the overall consideration of supply and demand must be reserved and the application of purchase, procurement, final acceptance, storage, and transportation of equipment should be handled in a unified manner to save costs. There were approximately 21,106 company-level material procurement contracts, centralized purchase contracts, and cross-department centralized purchase contracts in 2020 with a total contract value of approximately NT\$79.6 billion.

To facilitate the efficient processing of these tenders, Taipower has established a list of qualified material and equipment suppliers, who are screened according to the following process:



Taipower has established General Principles of Reviewing Supplier Equipment Manufacturing Capacity in Selective Tendering as a supplier selection mechanism. Suppliers who are included on the list of qualified manufacturers and allowed to participate in the bidding process must obtain a Certificate of Manufacturing Capacity, and must provide a list of relevant equipment belonging to the company, an independent inspection report, an incoming material inspection, an independent inspection form, and maintenance plans, etc. In addition, the manufacturer's quality management system must be certified by the relevant local professional institutions to ensure the supplier meets execution capability and quality safety standards.

Supplier Evaluations and Audits

Taipower conducts supplier evaluations based on its Application Guidelines for the Re-assessment of Electrical Equipment. Suppliers with Certificates of Manufacturing Capacity must conduct re-assessments before the expiration dates of their validity periods (up to three years) to maintain their qualifications.

Through the re-evaluation process, Taipower conducts a comprehensive evaluation of supplier manufacturing capacities, quality management systems, manufacturing equipment, and lists of equipment that require inspection, suppliers of components or raw materials, delivery conditions in the most recent three years, and improvement measures for misusing equipment. Suppliers that meet the requirements shall be issued Certificates of Manufacturing Capacity. When suppliers fail to meet the requirements, they are given a limited period in which they can propose improvement measures. Suppliers that fail to propose improvement measures without valid reasons are required to re-apply for their Certificates of Manufacturing Capacity.

In 2020, Taipower strengthened its audits of material suppliers. Among the 156 qualified selective tendering suppliers, 31 were chosen for re-assessment which accounted for 20% of the suppliers. The results of all supplier re-assessments met Taipower's requirements. In addition, the Company conducted inspections during the manufacturing process and on-site audits of suppliers a total of 456 times.

Note: The ratio of suppliers being re-reviewed for supplier risks accounted for 20% of the 156 selective tendering suppliers, which accounts for 2.5% of the 1,224 domestic and foreign suppliers (1,184 domestic suppliers and 40 foreign suppliers).