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Corporate Governance



◆ Development Vision

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 remains law-abiding and adheres to a spirit of integrity to ensure stable operation and long-term development. The Company constantly reinforces the disclosure of various information, and enhances the value of sustainable supply chains through cooperation with suppliers.

Taipower will continue to respond to significant challenges such as energy transition, organizational transformation, and digitalization. The Company will follow the policy direction of the competent authorities through ongoing reviews and refinements, and enhancement of the function of its Board of Directors particularly in its role of providing sustainable management policy supervision over the environment, society, and governance. The Company will also strengthen the diversity of the professions and gender equality of directors, and continue to promote the functioning of the Audit Committee. Taipower will continue to enhance the supervision and internal communication of directors (including independent directors), refine the professional training of corporate governance directors and corporate governance personnel, and deepen the corporate governance culture. Taipower persistently strives to provide a high standard of sustainable power services.

◆ Performance Highlights

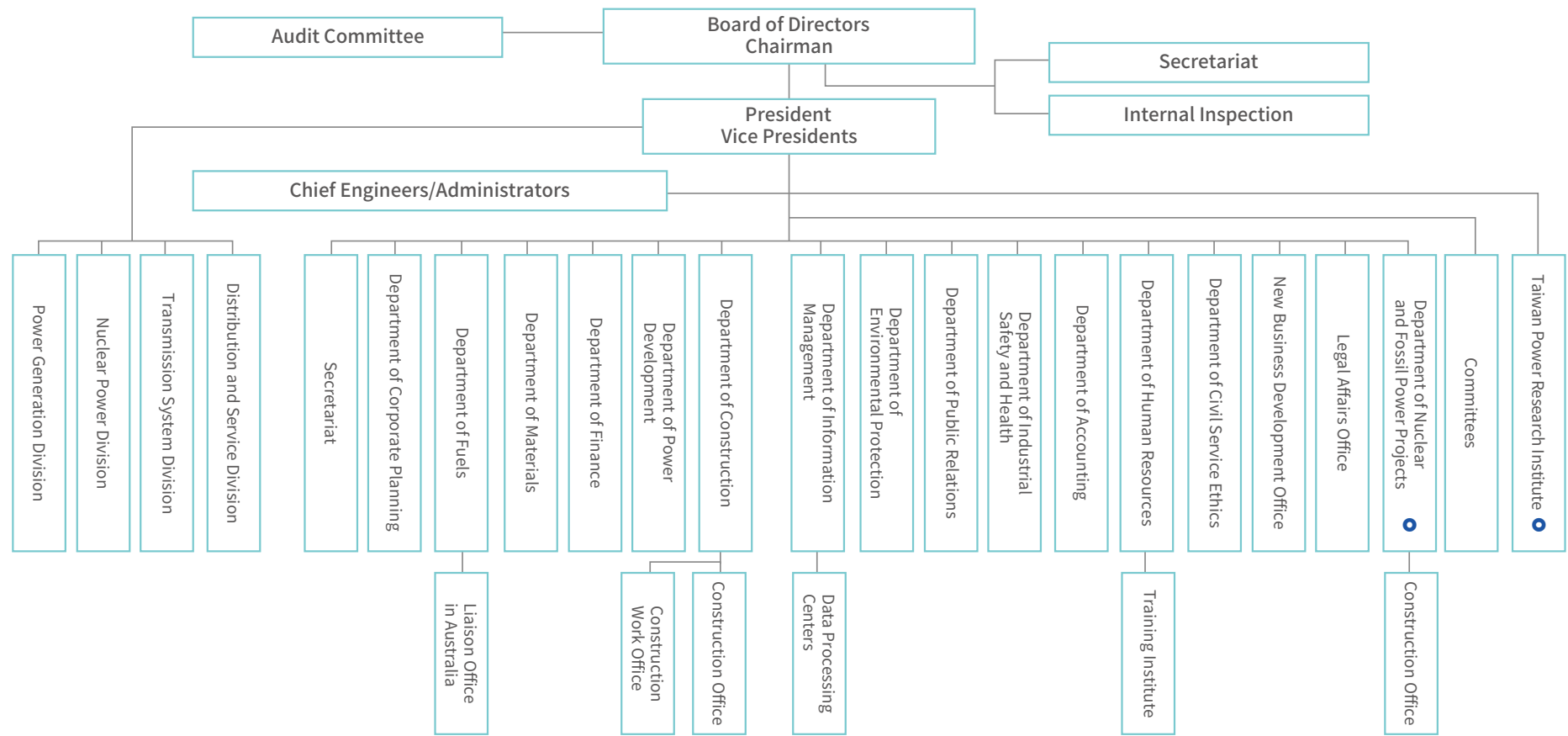
- Ranked **first in the corporate governance evaluation** of state-owned enterprises under the Ministry of Economic Affairs for six consecutive years.
- The average attendance rate of board meetings was **99%** for Directors and **100%** for independent directors.
- Professional corporate training on governance for Directors (including independent directors) totaled **210 hours**.

2.1 Taipower's Organizational and Governance Structures

2.1.1 Organizational Structure 102-18

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. The Company has also established various subordinate units and committees to meet its business needs. These include 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.

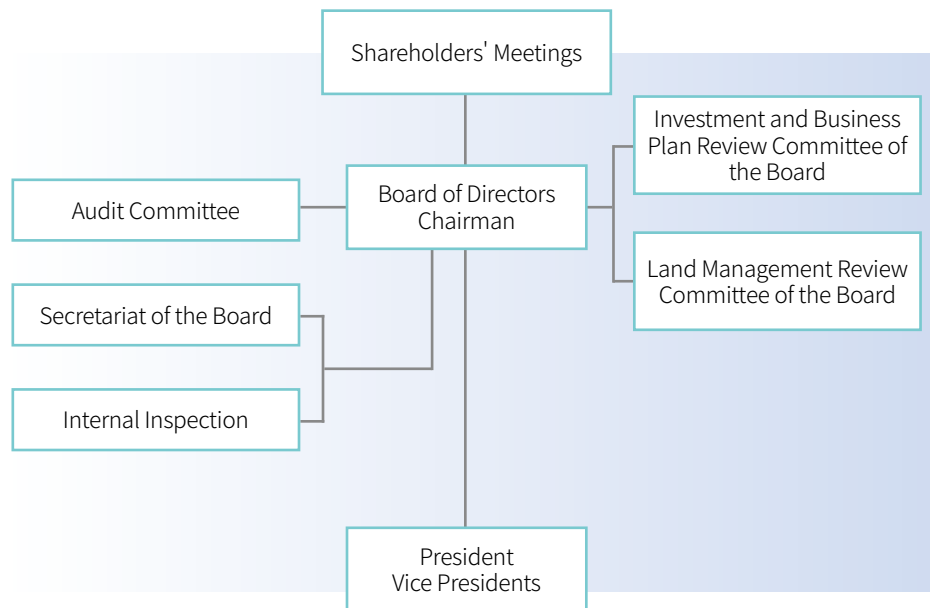
2.1.2 Board of Directors

The Structure of the Board of Directors

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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 both 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 (July 2021 to July 2023) are as follows:



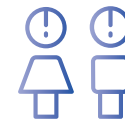
Professional backgrounds

In addition to experience within the industry, many new areas of expertise have been added to the Board of Directors. These skills will help meet the long-term strategic needs of energy transition. Areas of expertise include smart grids, circular economy, intellectual property, green energy, energy, environmental protection, electrical engineering, civil engineering, economics, IT, accounting, land administration, 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

Taipower currently has five female and 10 male directors on the board. This is an increase of three female directors from the previous term and has now reached the target percentage of gender diversity.

Members of Taipower's Board of Directors in 2021

Information accurate as of March 8, 2022 (Note)

Title	Name	Concurrent Position
Acting Chairman (Managing Director)	Tseng, Wen-Sheng	Vice Minister, Ministry of Economic Affairs
President (Managing Director)	Wang, Yao-Ting	President of Taipower
Managing Director	Lin, Faa-Jeng	Dean, College of Electrical Engineering & Computer Science, National Central University
Managing Director	Chang, Tien-Chin	Professor, Institute of Environmental Engineering and Management, National Taipei University of Technology
Managing Director (Independent Director)	Chou, Shya-Li	Vice President, Taiwan Institute of Economic Research
Director (Independent Director)	Liu, Chia-Wen	Professor, Department of Accounting, National Taiwan University
Director (Independent Director)	Liu, Chih-Wen	Deputy Director, Green Energy and Environment Research Laboratories, Industrial Technology Research Institute
Director	Lin, Tze-Luen	Associate Professor, Department of Politics, National Taiwan University
Director	Chiang, Yau-Chi	Associate Professor, Graduate Institute of Intellectual Property and Patent Licensing and Technology Transfer Center, National Taipei University of Technology
Director	Chuang, Ming-Chih	Director, Bureau of Energy, Ministry of Economic Affairs
Director	Guo, Xiao-Rong	Director, Northern Region Branch, National Property Administration, Ministry of Finance
Director	Luo, Cui-Ling	Executive Secretary, Ministry of Economic Affairs and Executive Secretary, Legal Affairs Committee
Director (Labor Director)	Ding, Zuo-Yi	Senior Specialist, Department of Power Repair, Taipower
Director (Labor Director)	Peng, Chi-Chung	Inspector, Department of Power Supply, Taipower
Director (Labor Director)	You, Zheng-Da	Section Chief, Chiayi Branch Sales Office, Taipower

Note: The former Acting Chairman Wei-Fuu Yang and President Bin-Li Chung were discharged on Mar. 8, 2022, while Wen-Sheng Tseng took over as Acting Chairman and Yao-Ting Wang as President.

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 a Shareholder's Area are 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.

Continuing Education for Directors

Taipower is a public offering company but not listed on TWSE or TPEX. However, to assist the directors in effectively implementing sound corporate governance, the Company actively arranges continuing education for directors in accordance with regulations and the continuing education system for the Implementation of Continuing Education for Directors and Supervisors for TWSE and TPEX Listed Companies. In 2021, Taipower directors (including independent directors) participated in corporate governance-related courses for a total of 210 hours, with an average of 14 hours for each director. This met the threshold proscribed in the aforementioned standards. Participation in external lectures, seminars, and forum totaled 128 hours (accounting for 61%), and participation in internal training totaled 82 hours (accounting for 39%). The topics covered included ESG (Environment, Social, and Governance), finance, technology, regulations, management, forums, and seminars.

Mechanism to Avoid Conflicts of Interest

According to Taipower's board meeting policy, for any proposals in which directors (including independent directors) or the juridical person they represent are an interested party, the director shall explain the critical content of their interest at the meeting. When their interest is likely to harm the interests of Taipower, directors shall not participate in the discussion and avoid voting on the proposal. They are also unable to act on behalf of another director. 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 the MOEA. They may not collect the same remuneration as other directors. In 2021, the remuneration for Taipower directors (including the Chairman, independent directors, and labor directors) constituted 0.1019% of the Company's net income after tax.

2.2 Risk Management and Response

2.2.1 Risk Management Mechanism 102-11 103-2 103-3

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. In 2021, a series of incidents attracted a lot of public attention. These included the May 13 and May 17 power outages, damage to the Taichung Thermal Power Plant on June 10, an accidental shutdown of NPP2 on Jul 27, and the Wanlong Substation outage of December 12. Through those incidents, Taipower has had the opportunity to reflect deeply, review its risk management and internal control mechanisms, and initiate improvements and reviews from various aspects. In response to the challenges of domestic energy transition and the international community's embrace of a low carbon approach to climate change after the 26th UN Climate Change Conference (COP26), Taipower will continue to implement risk control, reinforce personnel risk awareness, and identify, evaluate, review and respond to potential internal and external risks on a continuous basis to reduce operational risks.

Risk Management Policies

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

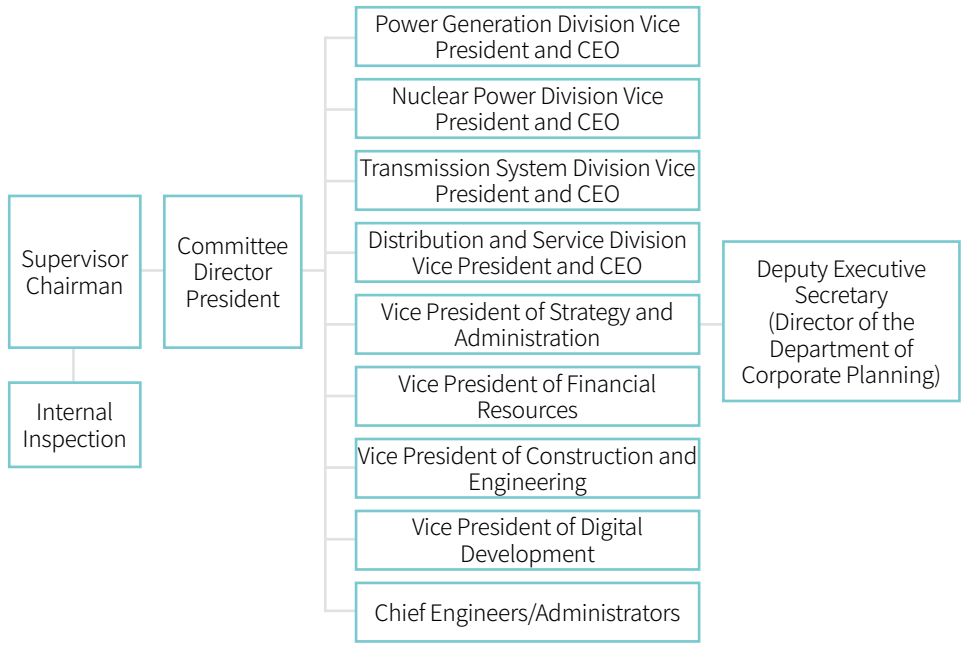


Risk Management Steering Committee

Under Taipower's risk management structure, the Chairman acts as a supervisor, 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, Construction & Engineering, and Digital Development). The Chief Engineers/Administrators are also members of the commission. The Vice President in charge of the Department of Corporate Planning also serves as the executive secretary with a deputy executive secretary that assists with the relevant staff and administration of the Commission.

The Risk Management Commission has established a risk management implementation plan, including corporate level risks, unit level risks, an auditing mechanism, employee training, and other management mechanisms. The plan integrates the design and implementation of internal controls for each operation. The commission submits reports to the Board of Directors on the implementation of the project annually. The Board of Directors and the management department of Taipower have established a division of authority and responsibility between the Board of Directors and the management department, and other related regulations are implemented accordingly.

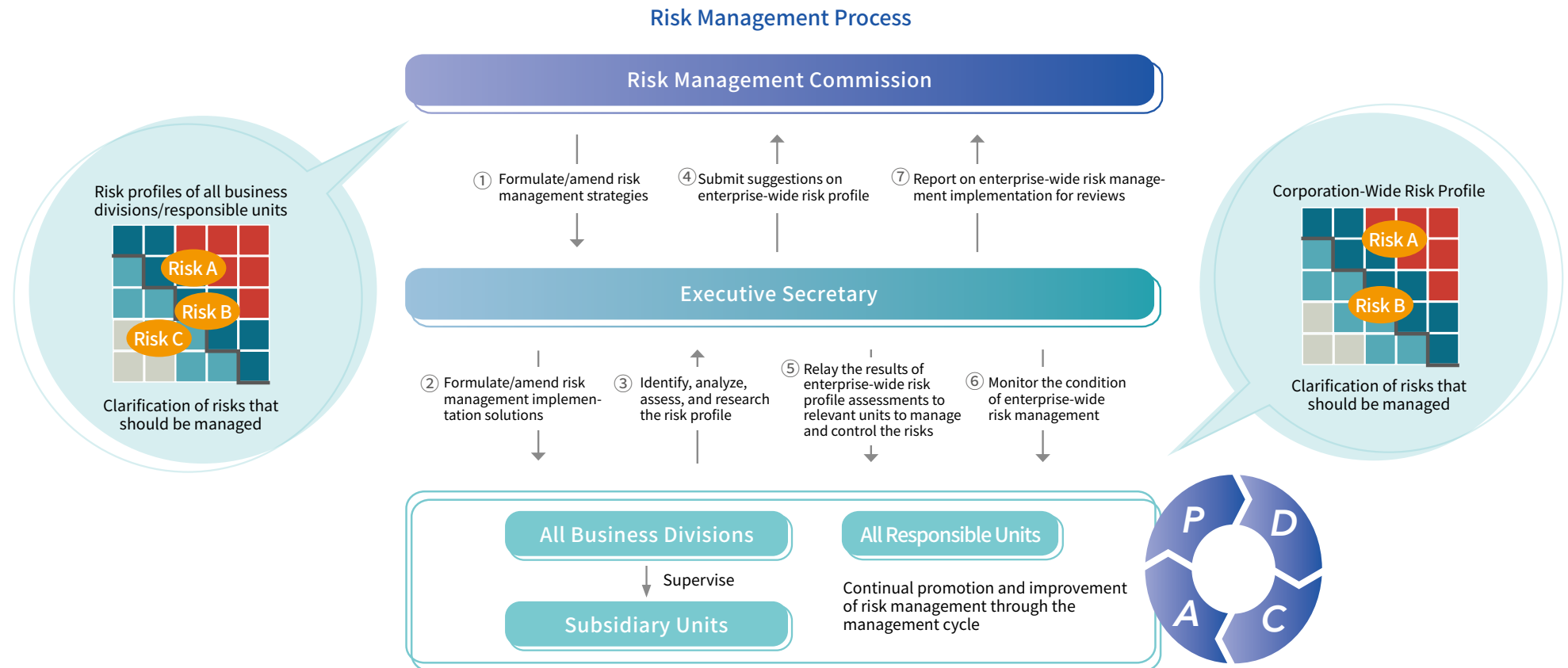
Taipower's Risk Management Organization Structure



The Risk Management Process

Taipower's risk management process begins with strategies established by the Risk Management Commission. Subsequently, the Department of Corporate Planning 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 Department of Corporate Planning 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 Department of Corporate Planning is also responsible for monitoring company-wide risk management status and reporting its implementation results periodically to the Risk Management Commission. Each year, the Department of Corporate Planning reports on risk handling and control results. These reports are reviewed by the Risk Management Commission. The Risk Management Plan is reviewed and revised for the next year based on changes to internal and external environments.



2.2.2 Risk Assessment and Identification 102-11 102-15 103-2 103-3





In conducting risk identification and analyzing risk image, 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 to ensure 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.

In 2022, Taipower identified 13 risk events. Each risk event has its own risk scenario and corresponding control measures planned in advance. The effectiveness of control measures and their risk changes are reviewed on a continuous basis to improve the effectiveness of prevention beforehand and response afterward. Through this systematic risk management, Taipower is able to analyze risks and sustainability issues, strengthen risk awareness, master opportunities, and move toward its vision of sustainability.

Risk Category	Risk Identified
 <p>Power Supply Operation Risks</p>	<ul style="list-style-type: none"> • Short-term imbalance between supply and demand • Damage to safety and resilience of critical power facilities • Medium and long-term major power generation projects behind schedule • Medium and long-term major transmission and substation projects behind schedule
 <p>Environment and Climate Change Risks</p>	<ul style="list-style-type: none"> • Impact of environmental pollution • Lower-than-expected carbon emission reduction
 <p>Legal Compliance and Issue Risks</p>	<ul style="list-style-type: none"> • Severe safety and health accidents • Negative news expansion • Violation of major regulation • Outbreaks of labor-management disputes and employee protests
 <p>Strategic and Financial Risks</p>	<ul style="list-style-type: none"> • Accrual of losses resulting in greater impacts to the Company's operations • Insufficient cultivation of core technology • Failure of protection in the information system

Environment and Climate Change Risks

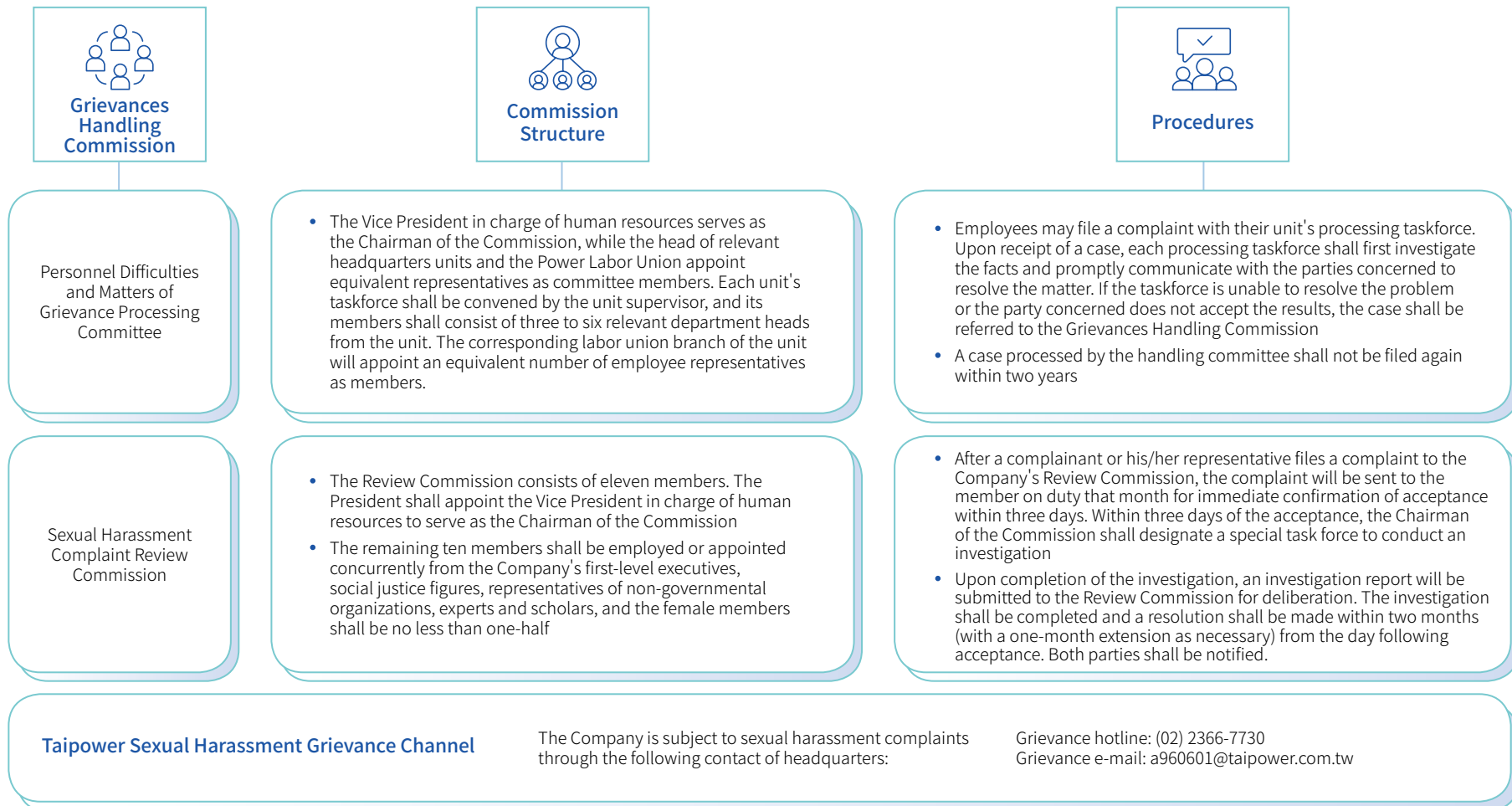
Global environmental and extreme climate threats are becoming increasingly serious. Taipower has responded by making reference to the guidelines of the Global Risk Report issued by the World Economic Forum and by conducting risk assessments on climate change issues with an eye to both adaptation and mitigation. Adaptation seeks to maintain control of facility failures caused by natural disasters through exploring scenarios in which there is damage to safety and resilience of critical power facilities. Mitigation seeks to make advances on the issues of environment and climate change and to proactively take further risk management actions. In addition to an event aimed at environmental pollution impact, Taipower will also include an event in 2022 that explores a net zero carbon reduction that is not as expected.

Risk Incident	Risk Scenario	Main Management and Control Measures
Damage to safety and resilience of critical power facilities	Facility failure caused by natural disasters	<p>Supply system:</p> <ul style="list-style-type: none"> Conduct regular meetings to review follow-up on system electromechanical outage, annual lightning damage and salt fog damage management plans, as well as outage prevention management plans for underground transmission cable lines <p>Nuclear power plants:</p> <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 <p>Hydrothermal power plants:</p> <ul style="list-style-type: none"> Review, complete, and execute the Principles for Hydroelectric Generator Operations during Typhoons and Floods to reduce the risk of damage to hydroelectric equipment and generators Formulate disaster response measures for equipment safety, emergency evacuation and life support response measures for possible damage caused by concentrated heavy rainfall and extremely heavy rainfall 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 <p>Power Distribution system:</p> <ul style="list-style-type: none"> Strengthen the relevant prevention and contingency measures related to typhoons, floods, and torrential rains for secondary substations in each jurisdiction before the flood and typhoon seasons Carry out disaster prevention drills
Impact of environmental pollution	Violation of environmental laws and regulations (1) Violation of Air Pollution Control Act (2) Violation of Water Pollution Control Act (3) Violation of other environmental laws	<ul style="list-style-type: none"> Implement the integration of the environmental management system and on-site operations, and track the improvement of non-conformities Carry out inspections of environmental laws and regulations and improve deficiencies from annual environmental penalty cases Enhance training on environmental protection regulations Survey the latest control trends in domestic and international environmental regulations and advanced pollution prevention control technologies to respond to new, amended, and tightened emission standards of domestic environmental laws and regulations
Lower-than-expected carbon emission reduction	No clear strategic blueprint is defined for net zero emission	<ul style="list-style-type: none"> Continue to discuss a strategic blueprint, and establish a strategic driving direction and scheduled target from the supply, grid, and demand sides
	Carbon capture and storage demonstration project falls short of expectations *Sequestration environmental impact fails to pass as scheduled, and has nowhere to go after CO ₂ capture	<ul style="list-style-type: none"> Establish an execution plan related to required data for carbon sequestration environmental impact assessment to improve the quality and completeness of review documents Establish a checkpoint mechanism to regularly review and control required data for carbon sequestration environmental impact assessment
	International cooperation on hydrogen co-firing and ammonia co-firing in thermal power plants is not progressing as expected	<ul style="list-style-type: none"> Set up a Net Zero Emissions Task Force in the Department of Generation and an MOU Task Force with Siemens AG to promptly communicate promoted issues and actively handle matters related to technical cooperation Track monthly business implementation of the introduction of ammonia co-firing technology
	Failure to reach the benchmark electricity carbon emission factor in the previous period	<ul style="list-style-type: none"> Convene a meeting of the Company's Carbon Emission Factor Benchmark Task Force and discuss with all relevant units the reduction of the electricity carbon emission factor. Continuously review the 2022 power purchase portfolio

Processes to Remediate Negative Impacts

To assist employees in solving difficulties that cannot be resolved by other administrative systems, Taipower has set up a Personnel Difficulties and Matters of Grievance Processing Committee and formulated Guidelines for Processing Matters of Grievances Concerning Working Personnel. Please refer to 7.2.2 Labor-Management Communication and Collective Bargaining for the key points.

Taipower has committed to putting an end to sexual harassment. To create an environment that is safe from sexual harassment for all Taipower employees and visitors, Taipower formulated Guidelines for Measures of Prevention, Complaint, Investigation, and Punishment of Sexual Harassment. In addition to continuing to disseminate information on sexual harassment and its prevention to all units, Taipower has set up a grievance channel. The dedicated Sexual Harassment Complaint Review Commission (hereinafter referred to as the Review Commission) is responsible for handling sexual harassment complaints. The structure, procedures, and grievance channel for the Commission are as follows:



2.2.3 Internal Risk Control

The internal control system is designed and implemented by the management department. The first and second lines of defense are reviewed, adjusted, and improved on a continuous basis according to risk identification and self-assessment results. To further confirm the effectiveness of the internal control system, the internal control of a third line of defense is carried out. 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 Economic Affairs, Taipower's Internal Inspection Office of the Board of Directors devised and executed an Annual Inspection Plan in 2021.

The Annual Inspection Plan identifies the risks of the units based on the implementation results of corporation-wide risk stated in the Taipower Risk Management Plan, the result of the previous inspection, and important recent business. The units being selected for patrol inspection were based on risk assessment results. The inspected items in 2021 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.

In 2021, patrol inspections took place at 54 units. There were also an additional 15 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 2021 Annual Internal Control System Statements. Future improvements in internal auditing are proposed as follows.

(I) Assist in implementation of internal control audits and control of high-risk matters

- Assist the Business Division in promoting internal control audits, verify the risk issues of the Business Division or the issues valued by the CEO. Hold an annual internal control audit review meeting to share and exchange information.
- Strengthen the inspection and tracking of high-risk internal control issues by using patrol inspections, project inspections, and the internal control information platform. Assist the management department in implementing internal control of high-risk issues.



(II) Examine immediate responses to risks, reinforce prevention management, and enhance the value of inspections

- Assist in reviewing the Company's relevant outage prevention mechanism and establishing a special inspection to check the horizontal deployment of each related unit. Plan for intensifying management of high-risk issues through internal controls, and immediately initiate inspections and pandemic measures of control in response to confirmed cases in the headquarters building.
- In line with the Company's objectives of corporate transformation, energy transition, and digitalization, Taipower has developed review directions that focus on the five primary businesses of the company in 2021, namely organizational transformation, smart grids, project progress, industrial safety, and environmental protection. This will help to assist units in preventive management and enhance operational efficiency.

2.3 Integrity and Compliance

2.3.1 Ethical Management 102-11 102-16 103-2 103-3 205-1

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 procurements 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. The Company 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 2021, a total of 61 units were inspected through on-site and phone interviews. 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 an Integrity Work Plan, as well as performing consultations, supervision, and evaluations of the subsequent implementation of the ethical operations. For details on the conference, please refer to the Ethics Conference section of Taipower's official website.

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 also organized regular meetings and visits, invited prosecutors to give speeches, and held business transparency seminars to ensure smoother business operations for Taipower. In 2021, a total of 61 Taipower units visited local prosecutors or chief prosecutors in their districts. Taipower invited prosecutors to give 5 lectures to promote business transparency. 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.

The Ethics Conference Section



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 2021 included the publication of a monthly integrity e-newsletter, online training courses, bribery prosecutions for vendors, and the arrangement of 1-2 hour integrity promotion and on-the-job training courses (including training courses for supervisors at all levels).

Cases Investigated in 2021

There were 474 cases of ethical investigation closed in 2021. They were categorized according to the source of the cases, as shown in the figure below. Among them, the ratio of "anonymous reported" cases is still high at 33%. Nevertheless, as long as the content is specific with verifiable information, Taipower will properly handle it.



Cases in Which Employees Are Charged with Regulatory Violations

In 2021, there were three cases in which Taipower employees were prosecuted for allegedly violating corruption regulations. These cases were suspected of violating the Anti-Corruption Act. The causes of the cases were accepting bribes from contractors and fraudulent payment of forged documents. The above cases have been prosecuted by the district attorney' office and are under administrative litigation. In response to the above incidents, Taipower reiterated its anti-corruption position and approach. In accordance with its anti-corruption policy, Taipower will reinforce integrity education and training and anti-corruption related advocacy for its employees and vendors to prevent the recurrence of similar incidents.

2.3.2 Compliance 205-3 307 419

Taipower is a state-owned public utility and its operations are governed by the Company Act, the Securities and Exchange Act, and other general laws and regulations, in addition to the Administrative Law for State-Owned Enterprises and the Electricity Act. Consequently, Taipower's organization, accounting, auditing, budgeting, business planning, utility rates, and 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

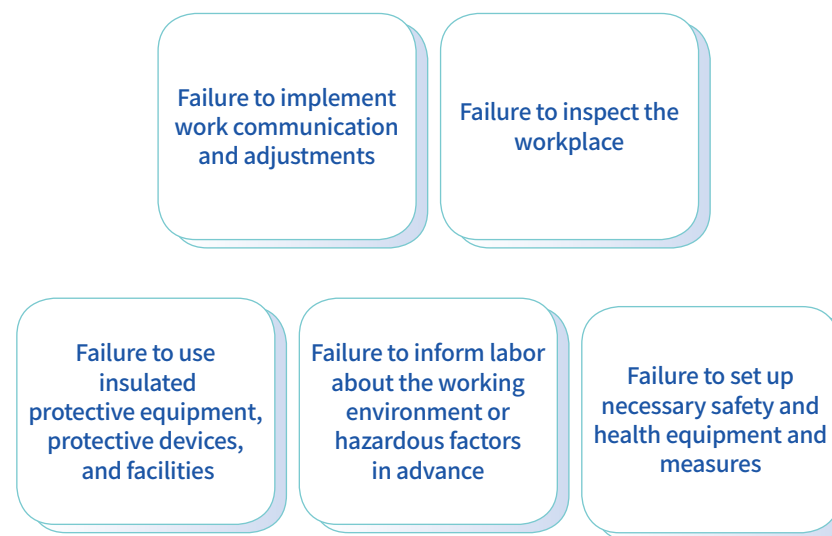
In 2020, three labor penalty cases occurred within the scope of this report (the cases were directly connected to Taipower rather than related legal entities). All three cases were associated with violations of the Labor Standards Act. Key points are as follows:

1. A penalty was imposed for failing to include a nightly fee in the average salary calculation of a retired employee. This resulted in a fine of NT\$300,000. The fine mainly resulted from a 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.
2. The Company was fined NT\$20,000 for violating the labor law over days off. According to the law, employees shall have at least one regular day off every seven days. In this case,

the employee failed to report overtime attendance in advance. The unit recognized the employee's hard work and provided overtime remuneration afterward. Nonetheless, the Company failed to find out in time that the employee had been on duty continuously. In the future, the Company will strengthen measures associated with the relevant labor laws and regulations to avoid a recurrence of similar incidents.

Administrative Sanctions for Industrial Safety

Taipower received 18 penalties for industrial safety in 2021 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.

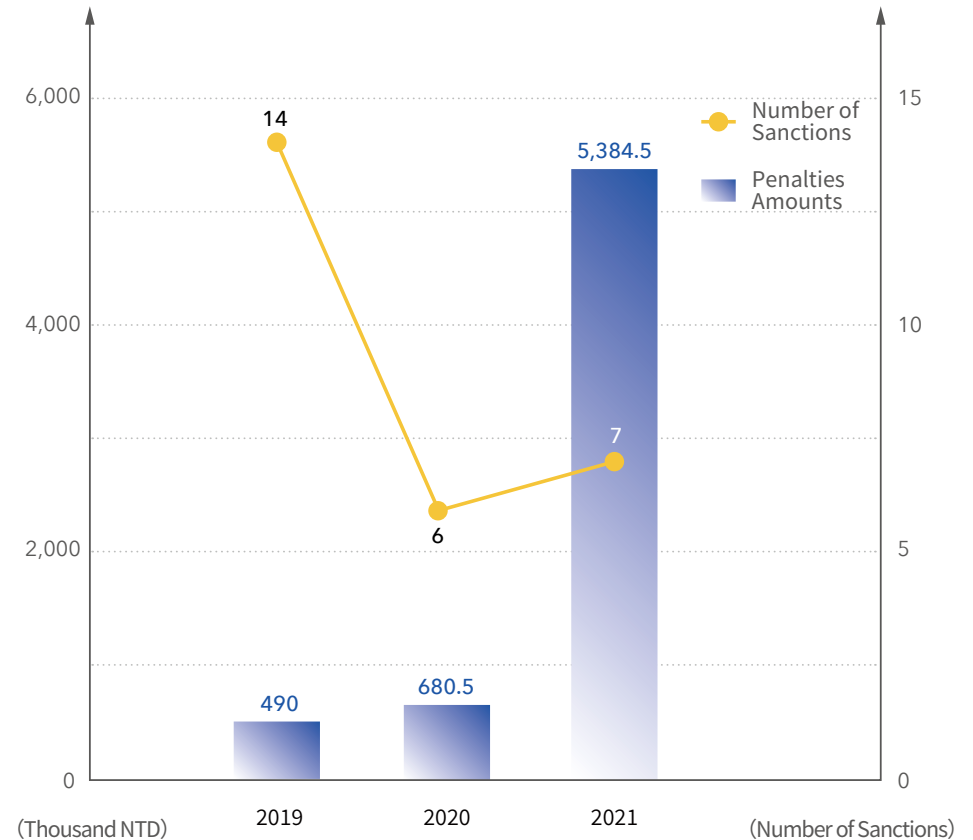
In 2021, Taipower continued to participate in the Ministry of Labor's Inter-ministerial Platform Conference on Disaster Reduction of State-owned Public Enterprises and the Ministry of Economic Affairs' Disaster Reduction Working Group. Taipower will continue to participate in quarterly conferences to discuss and review matters related to industrial safety and disaster reduction and will promote the implementation of occupational safety and health in its business.

Administrative Sanctions on Environmental Protection Issues

In 2021, a total of NT\$5,384,500 in environmental fines was imposed on Taipower. The number of penalties (excluding policy penalties) is increased in this year. The largest of the fines, at NT\$ 5 million, was imposed on Taichung Power Plant for a coal conveyor belt that caught fire and burned during the transportation of coal in the coal storage yard. The case was followed up, and preventative improvements were completed on July 21, 2021. 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

The Company's thermal power plants and engineering units are committed to continue to improve the operational processes that have failed to fulfill environmental regulations. Unit supervisors and deputy supervisors have also been asked to strengthen on-site environmental protection management by wandering around and verifying compliance with environmental protection regulations.



Note: The number of penalties in the table has excluded policy-related penalties. The statistics for the past three years are as follows:

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.

In 2021, there were three policy-related fines and the amount of fines was NT\$650 thousand.

2.4 Strengthening Supplier Management

As a state-owned enterprise, Taipower manages all types of suppliers based on the requirements of laws and 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.

2.4.1 Supplier Management 102-9 102-10

Taipower's suppliers include 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 different types of suppliers is described as follows:







CPC Corporation LNG Taichung Receiving Station

Fuel Supplier Management


The main fuels used in Taipower's thermal power plants are natural gas, coal, 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	<ul style="list-style-type: none"> • Supplied 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
 Coal	<ul style="list-style-type: none"> • Caps are set on coal originating from each single coal source country and single suppliers for long-term contracts
 Fuel Oil	<ul style="list-style-type: none"> • Fuel oil is supplied by CPC Corporation • Diesel fuel is supplied by both CPC Corporation and Formosa Petrochemical Corp.
 Nuclear	<ul style="list-style-type: none"> • Spread out nuclear fuel processing across 2-3 suppliers


Long-Term Supply Contracts

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




LNG

- Signed fixed-term contracts with CPC
- Plans 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




Coal

- Fixed-term contracts for 70-80% of the coal supply with the remainder replenished by spot contracts



Fuel Oil


- Procured from local suppliers through fixed-term contracts to guarantee security of supply



Nuclear


- Given that current long-term contracts and inventories are sufficient to accommodate demand, uranium procurement has been suspended
- Signed long-term contracts for all nuclear fuel enrichment services

Safe Inventories




LNG

- In accordance with the stipulations of the Taipower and CPC Contract and Early Warning Mechanism for LNG Supply and Demand, Taipower urges CPC to maintain ready LNG inventories of more than 80,000 and 100,000 tons for dispatch to the CPC Yong'an and Taichung Plants respectively
- Planned corresponding responses with CPC in the event of accidents and established terms agreed to by both parties




Coal

- 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 40 days of inventory as its planned basis for 2022, in which one day of inventory is defined as the average daily usage of coal in the previous year



Fuel Oil

- The operating stock of fuel oil for the Hsieh-ho power plant is 120,000±40,000 kilobin, while the operating stock of the other power plants on the outlying islands is determined according to the supply and transmission conditions of each power plant
- The diesel inventory is established in accordance with the specific supply and transmission conditions at each power plant



Nuclear

- 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 3.13 million tons of coal with a 10.89% shipping ratio in 2021. The self-management of coal transportation ensures stable fuel supply and dispatching

Natural Gas Procurement

In response to the current energy transition policy, Taipower's thermal power generation has entered an era of primarily gas with coal as support. As a result, the steady supply of natural gas has a critical influence on the stability of electricity supply. At this stage, all of Taipower's natural gas is supplied by the CPC Corp. (hereinafter referred to as CPC). Hence, Taipower is actively working with CPC to establish an even more complete contact mechanism to cope with the impact of the external environment on electricity supply. Taipower's natural gas expenditure reached \$131.8 billion in 2021.

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 Hsieh-ho 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, Hsieh-ho and Tonghsiao Phase 2 power plants. This not only enables Taipower to have greater autonomy in its sourcing of LNG to reduce 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.



CPC Corporation LNG Taichung Receiving Station

Natural Gas Supply and Demand Contact Mechanism and Early Warning System for Taipower and 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 monthly estimates of total gas consumption and 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"> Before the 25th of each month (N), Taipower sends a "Planned Daily Gas Consumption Table" for the next two months (N+2) and its planned monthly gas consumption for the next three months (N+3) to CPC by letter. 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 ensures 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 the Legal Affairs Office. In addition, to make decisions more comprehensive and information more transparent, external experts in energy, economics, and legal affairs are invited to serve as advisory committee members. Under the premise of conforming with environmental protection requirements, high-quality coal is provided to all coal-fired power plants.

2021		
Coal Expenditure (Billion)	82.078	
Coal Source	Total Procurement Quantities (Unit: Ten Thousand Tons)	Ratio (%)
Indonesia	1,222	43%
Australia	1,499	52%
Russia	92	3%
Colombia	54	2%
South Africa	8	0%

To reduce the cost of coal purchase, Taipower has improved the competitiveness of its bids by amending the procurement specifications, increasing the sources of bunker coal, and purchasing. In 2021, expenditures on coal reached \$82.078 billion. The coal that year was sourced from Indonesia, Australia, Russia, Colombia, South Africa, and other countries.

Fuel Supply

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 appropriate operating stock of fuel oil and diesel oil is set according to the supply and transmission conditions at each power plant, and the fuel expenditure in 2021 reached \$18.1 billion.

Nuclear Fuel

The procurement of nuclear fuel involves the purchase of uranium and subsequent processing services for conversion, enrichment, and fabrication. To comply with the government's nuclear-free homeland policy, Taipower has suspended uranium procurement as the current inventory is sufficient for the operation 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. In 2021, nuclear fuel expenses reached \$1.653 billion.

Suppliers of Materials and Equipment

The Materials Supply Chain

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 digitalization 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 to construct a comprehensive system.

The Equipment Supply Chain

Taipower used ISO 9001 to integrate its evaluation/re-evaluation/inspection/feedback steps on defects when executing supplier management and auditing. This ensures 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. The Company 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. Starting in 1996, Taipower was permitted to purchase thermal electricity generated by independent power producers (IPPs) in accordance with an 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. 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 now be announced by the electricity industry's regulatory authority in assessing the power supply. When there is electricity demand, a 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 2021, Taipower has signed contracts with nine independent power producers (IPPs), 49 co-generation power providers, and has 42,788 contracts for renewable energy including solar power, wind power, hydropower, and others. A full 59.7kWh of electricity was purchased from external sources in 2021.



2.4.2 Creating a Sustainable Supply Chain

Review and Procurement Standards for Taipower Suppliers

Supplier Review Standards Pursuant to the Government Procurement Act

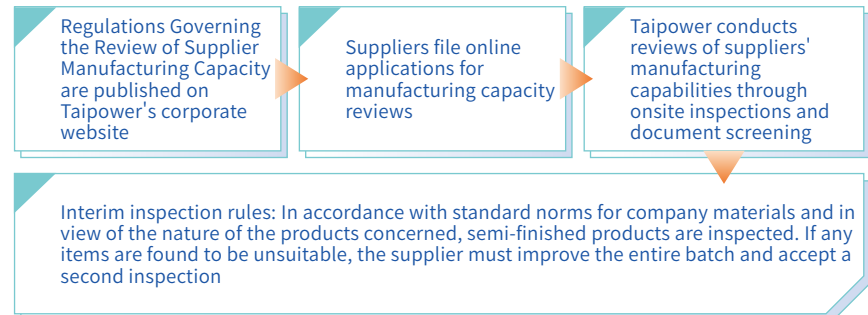
To ensure material quality, maintain power supply safety, and improve procurement efficiency, Taipower reviews the bidding documents of suppliers in keeping with the Government Procurement Act. If the Company has doubts about the contents of documents provided by suppliers that participate in bidding, 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 2021, Taipower received a total of 3,120 material procurement tenders from 1,118 domestic suppliers and 56 foreign suppliers, or a total of 1,174 suppliers. A total of approximately NT\$83.4 billion in tenders was awarded. Domestic tender awards totaled approximately NT\$73.8 billion and accounted for approximately 88% of the Company's procurement of property. Among them, the tender awards for selective tendering came to roughly NT\$52.7 billion and accounted for approximately 63% of Taipower's total procurement of property. There were 77 contracted suppliers (the tender awards for items that fell under the purview of the localization policy came to approximately NT\$27 billion and accounted for approximately 32% of Taipower's total procurement of property.) The tender awards for other types of tenders amounted to approximately NT\$30.7 billion which accounted for approximately 37% of Taipower's total procurement of property.

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

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.

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 wishing to participate in a bidding process must obtain a Certificate of Manufacturing Capacity. When applying for manufacturing capability review, the supplier shall provide the company's relevant equipment list, independent inspection report, incoming material inspection, independent inspection form, maintenance plan, and other documents. In addition, the supplier's quality management system must be certified by relevant local professional organizations to ensure its performance capability, manufacturing quality, and safety.

Supplier Evaluations and Audits

Taipower conducts supplier re-evaluation based on Re-evaluation Guidelines of Power Equipment and its Review of Supplier Capability and Management of Qualified Manufacturers policy. 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.

During 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 are issued Certificates of Manufacturing Capacity. When suppliers fail to meet 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 2021, Taipower strengthened its auditing of material suppliers. Among 151 qualified suppliers in selective bidding, 29 were re-evaluated which accounted for 19%* (The eligibility period of re-evaluation was three years, and the eligibility cycles of different materials from the same supplier were also different, therefore the re-evaluation was conducted on those who had expired eligibility periods of re-evaluation). Among the 156 qualified selective tendering suppliers, 31 were chosen for re-assessment which accounted for 20% of the suppliers. All of the re-assessed suppliers met Taipower's requirements. In addition, the Company conducted inspections during the manufacturing process and on-site audits of suppliers a total of 434 times.

Note: In 2021, 29 supplier risk assessments were conducted, accounting for 19% of 151 selective bidding suppliers and 2.5% of 1,174 domestic and foreign suppliers (1,118 domestic and 56 foreign suppliers).

Implementation Plan of Taipower's Anti-corruption Procurement Platform

Taipower has established an anti-corruption platform to improve risk prevention, incorruptibility, public-private cooperation, administrative transparency, national supervision, and other factors that help ensure that procurement projects can be completed on schedule and at the appropriate quality. The anti-corruption platform has established a transparent procurement system that facilitates cross-domain cooperation, ensures compliance and appropriateness of various decisions and operations, avoids disputes, and increases audit frequency. In cases where there are reasonable doubts, these are handled immediately to avoid risk expansion.

Throughout the implementation of this plan, Taipower regularly visits relevant units to ensure their compliance in decision-making and operations. The Company also establishes cross-domain communication channels and invites the Prosecutors Office, the Agency Against Corruption, and investigative agencies to participate in procurement processing. Taipower also invites professional institutions, external experts, scholars, and civic groups to participate.

To demonstrate its dedication to open and transparent information, as well as its rejection of the interference of illegal forces, Taipower held a public announcement event called "Public and Private All in Power Transparency" on October 19, 2021. The event was presided over by Taipower's acting Chairman Wei-Fuu Yang, along with Director-General Ming-Chian Cheng of the Agency Against Corruption, Chief Prosecutor Tai-Chao Hsing of the High Prosecutors Office, Chief Prosecutor Ban-Liang Lin of the Taipei District Prosecutors Office, Chief Prosecutor Hsiu-Tuan Yu of the Changhua District Prosecutors Office, Deputy Director Yi-Cun Huang of the Investigation Bureau, and other heads of the judiciary. The event invited suppliers and VIPs from across industries to attend. Taipower hopes these efforts will help ensure that its 2022 Ultra-high Calorific Value Bituminous Coal Spot and Phase 2 Offshore Wind Power - Wind Farm Property Procurement and Installation projects will be completed on schedule and with the required level of quality.