

2.4 Integrity and Compliance

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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 promotes various ethics-related tasks. Taipower has also integrated these measures within the private sector, as the Company employs the highest integrity standards for itself and in its external interactions.

Every year, Taipower sets up a plan for supervising the integrity 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 2022, a total of 59 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 2022, a total of 69 Taipower units visited local prosecutors or chief prosecutors in their districts. Taipower invited prosecutors to give 23 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 has promulgated a set of Precautions on Interactions between Taipower Procurement Personnel and Other Businesses. The precautions not only provide specific guidelines for interactions between procurement personnel and suppliers, but also safeguard 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.

Taipower has established two procurement integrity platforms: the "2022 High-Calorific Value Coal Spot Purchase" and the "Offshore Wind Power Second Phase Project - Wind Farm Material Procurement with Installation." These platforms facilitate cross-sector communication and collaboration between Taipower, the Northern and Central Prosecutors' Offices, anti-corruption agencies, investigation units, and relevant vendors from both public and private sectors. Additionally, Taipower has set up a dedicated section called the "Procurement Integrity Platform" located on the Business Announcements/Information Disclosure section of its website. Through this platform, Taipower proactively provides relevant information on procurement cases for external scrutiny and oversight, aiming to enhance the planning and execution of procurement projects.

Procurement Integrity Platform ▶



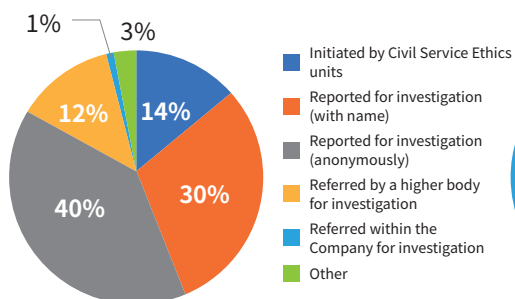
Promotion of Anti-Corruption Campaigns ▶▶

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 its suppliers to prevent corruption. The training sessions held in 2022 included the publication of a monthly integrity e-newsletter, employee integrity project promotion, online training courses, and integrity seminars.

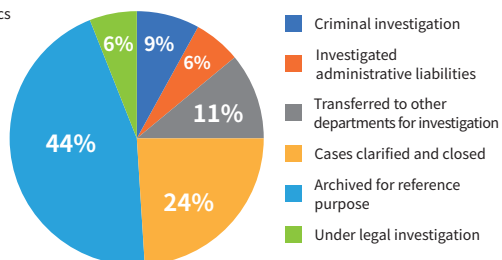
Cases Investigated in 2022 ▶▶

There were 492 ethical investigation cases closed in 2022. They were categorized according to the source of the cases, as shown in the figure below. Among them, the ratio of "anonymously reported" cases is still high at 40%. Nevertheless, as long as the content of reports is specific and has verifiable information, Taipower conducts proper investigations.

Sources of Corporate Ethics Cases in 2022



Handling of Corporate Ethics Cases in 2022



Cases in Which Employees Are Charged with Regulatory Violations ▶▶

In 2022, Taipower had one employee who was prosecuted for violating the Anti-Corruption Act. The case involved suspicions of accepting bribes related to the formulation of procurement regulations for a vendor. In response to the above incident, 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.

Cases in Which Employees Are Sentenced for Violating the Anti-Corruption Act ▶▶

In 2022, Taipower had one case where an employee failed to comply with procurement regulations. The employee colluded with a vendor to falsely report payment items for computer purchases and to misappropriate funds. This action constituted a violation of the Anti-Corruption Act, specifically the offense of embezzlement by a public servant taking advantage of their position. The court rendered a final judgment in this case, sentencing the employee to 2 years of imprisonment with a 5-year probation period.

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 2022.

In 2022, patrol inspections took place at 66 units. There were also an additional 18 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 2022 Annual Internal Control System Statements. Future improvements in internal auditing are proposed as follows:

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

1. Assist the Business Division in promoting internal control audits, verify the risk issues identified by the Business Division or the issues presented by the CEO. Hold an annual internal control audit review meeting to share and exchange information.
2. 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

1. Conduct project inspections based on Taipower's preventive mechanisms for power outage incidents, continuously monitor the progress of relevant units, strengthen control measures for high-risk internal control issues, and conduct in-depth investigations based on significant corrective actions from higher authorities such as the Audit Department and Control Yuan, to assess the improvements made by each unit.
2. Align with Taipower's 2023 annual goals of "stable power supply," "grid resilience," "financial sustainability," and "net-zero emissions," develop inspection directions and focus areas to assist units in preventive management and enhance operational efficiency.

2.4.2 Compliance

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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 its "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 2022, there were three labor penalty cases that fall 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) Taipower was fined NT\$50,000 for failing to include the "full attendance bonus" in the calculation base for hourly wages, resulting in inadequate payment for overtime hours. This case mainly arose due to the difference in wage categorization between Taipower and the labor authorities. The salary and benefits provided to Taipower employees are governed by the Administrative Law of State-Owned Enterprise and relevant regulations from superior supervisory authorities, implementing a unified salary system. The categorization of wages is not within the Company's authority and is determined by the authorities. The aforementioned cases have all been appealed through the statutory remedial procedures and are currently under administrative litigation. A review has been conducted on the previous penalties, and response strategies have been proposed, reiterating the Company's stance and practices.
- (2) Taipower was fined NT\$50,000 for failing to notify the labor union within the statutory 24 hours when employees' working hours exceeded 12 hours due to an unforeseen incident. Additionally, a fine of NT\$20,000 was imposed for not providing compensatory leave to employees within 7 days after suspending their rest days due to an unforeseen event. Furthermore, the Company was fined NT\$50,000 for failing to pay overtime wages for working on a "compensatory workday." In the future, the unit will enhance its promotion and awareness of relevant labor laws and regulations to prevent similar incidents from occurring again.

Administrative Sanctions for Industrial Safety ▶▶

Taipower received 21 penalties for industrial safety in 2022 and the types of cases are as follows:

- Failure to implement work communication and adjustments
- Failure to inspect the workplace
- Failure to use insulated protective equipment, protective devices, and facilities
- Failure to inform labor about the working environment or hazardous factors in advance
- Failure to set up necessary safety and health equipment and measures

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 Violations of Safety and Health Regulations by Contractors of Taiwan Power Company. 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 the future, Taipower will continue to participate in the Ministry of Labor's Inter-ministerial Platform Conference on Disaster Reduction at State-owned Public Enterprises and in 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 2022, a total of NT\$330,000 in environmental fines was imposed on Taipower. The number of penalties (excluding policy penalties) was a decrease from the previous year. The case with the highest environmental penalty amount in 2022 involved an electrostatic precipitator (EP) malfunction at Unit 3 of Taichung Power Plant. During the EP malfunction, the opacity level of the Continuous Emission Monitoring System (CEMS) exceeded the emission standards, violating Article 20, Paragraphs 1 and 2 of the Air Pollution Control Act. The Company was fined NT\$600,000. At the time of the EP malfunction, the Taichung Power Plant's ongoing operation was essential to maintaining a stable power supply and Unit 3 could not immediately be shut down. Consequently, the plant submitted a written report to the Taichung City Environmental Protection Bureau within the required timeframe, thus meeting the criteria for an exemption from penalties under Article 89 of the Air Pollution Control Act. Despite this, the Taichung City Environmental Protection Bureau insisted on imposing the penalty. The case was subsequently reviewed and settled on March 25, 2022, and it was determined that the violation was not attributable to factors directly within the control of the power plant but rather to policy factors.

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 taken to effectively prevent 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 of environmental protection for on-site operations without prior notice
- Annual discussions on 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 continuing to improve the operational processes that have failed to meet 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.

	Number of Sanctions	Penalties Amounts (Thousand NTD)
2020	6	680.5
2021	7	5,384.5
2022	3	330

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

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.

In 2022, there was one policy-related fine and the amount of the fine was NT\$600 thousand.