

Risk Management Scope, Organization Structure and Operation Situations:

Risk Management Policy

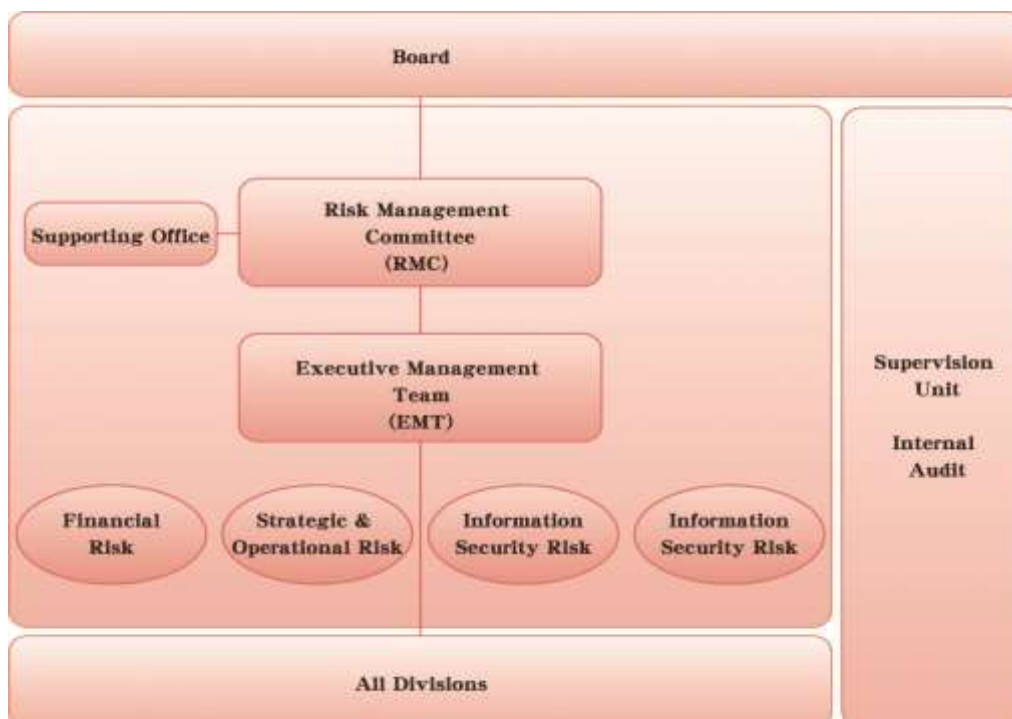
In order to implement corporate risk management, the Company refers to the framework of the international standard "ISO 31000 Risk Management – Principles and Guidelines" and formulates "Risk Management Policy" ("The Policy") in accordance with the P-D-C-A model. The Policy has been approved by the board of directors as the guiding principle for all divisions to follow. Every year, all divisions conduct regular risk assessments based on the materiality principle, with consideration of economic, environmental and social aspects of corporate governance issues that have significant impact on customers, investors and other stakeholders, and develop risk management strategies and plans.

Corporate Risk Management Scope

To safeguard company assets, reduce impact on business, maximize business gains, and ensure the sustainability of the Company, FET restructured its risk management organization and approved by the Board of Directors. The RMC aims to implement enterprise risk management from a more comprehensive perspective that encompasses scopes including financial risk, strategic and operational risk, information security risk, and environment and energy risk. This is done through the design and operation of multi-layer organizations and management mechanisms, including: (1) all divisions; (2) the Executive Management Team (EMT); (3) the RMC; and (4) the Board of Directors and Internal Audit. It features the flexibility of risk management and supervision as well as risk response, to better control risks in a rapidly changing business environment while achieving the Company's strategic goals

Organization Structure and Responsibilities

FET Risk Governance Organization



In addition to the above organizations, in the event of a risk the relevant units shall immediately set up contingency management teams to respond promptly to various risk conditions and communicate with relevant internal and external stakeholders, to ensure compliance with laws and regulations and to

minimize potential losses and impacts.

Implementation situation:

1. The long-term performance of FET’s Stakeholders Communication Status was reported on the 14th board meeting of the 8th session on November 5, 2020.
2. The auditing department of FET reported the audit status of Risk Management Committee for the second quarter of 2020 on the 12th board meeting of the 8th session on July 31, 2020.

Key sustainability risk assessment

The FET CSR committee holds a meeting quarterly and each committee member proposes to discuss in view of the related domain. The Company has also appointed the CSR Division Department as designated unit with the responsibility of enforcing CSR actions and measures within the organization. At the end of 2015, the board of directors resolved to incorporate CSR topics as part of the meeting agenda. Starting from 2017, FET has established the “Blueprint for 2018-2025 Sustainable Development Strategy”, continues to take 5 GO(Go Prosperous, Go Innovative, Go Caring, Go Inclusive and Go Eco), as the main driving forces for sustainable development . Members in the “CSR Committee” came from various departments to ensure interdepartmental communication, coordination, and resource usage. The group supervises projects, focuses on execution and work schedules, and pushes for results. In addition, implementation results on yearly basis are presented at regular intervals to the board of directors.

To ensure that the Company's sustainability strategies are able to withstand long-term challenges, FET continuously observe the ICT industry trend, technology development, policy and socio-economic changes, then compared the results with corporate operating strategy and development directions to identify four key emerging risk factors. In response to the potential impacts and business opportunities presented by the risk factors, FET have devised proper operational strategies to ensure the sustainability of the organization.

Organization		Responsibility
Highest decision-making and supervision	Board of Directors and Internal Audit	Board of Directors : <ul style="list-style-type: none"> • Approve risk management policies and framework. • Supervise the effective operation of the risk management mechanism. Internal Audit : <ul style="list-style-type: none"> • Perform audit • Report audit results to the Board of Directors.
Third-layer management	Risk Management Committee	<ul style="list-style-type: none"> • Review risk policies and framework, risk appetite, or tolerance level. • Review management reports on major risk issues. • Make timely reports to the Board.
Second-layer management	Executive Management Team	<ul style="list-style-type: none"> • Develop risk policies and framework; set risk tolerance and goals. • Implement Board of Directors decisions, allocate resources effectively, and manage the overall risks. • Establish risk management culture.

Organization		Responsibility
First-layer management	All Divisions	<ul style="list-style-type: none"> • Responsible for the identification, evaluation, management, and reporting of daily risks and taking necessary countermeasures. • Monitor risk situations, ensure the effective implementation of control procedures, and make timely reports of risk information to comply with relevant laws, regulations, and corporate policies. • Facilitate and promote relevant policies and regulations.

FET followed Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2019 to present a comprehensive inventory of key climate changes, energy risks and FET management, with a focus on corporate governance, strategy, risk management, indicators and targets. FET identified six major climate change risks, while also evaluating the process and scale of financial impacts related to those risks and related countermeasures in the event of an increase in global temperatures by 2 degrees Celsius.

Risk Assessment of Major Issues in 2020

Major Issues	Assessment Items	Risk Management Strategy
Climate change and changes in energy structure	Physical and transition risks caused by climate change	<ul style="list-style-type: none"> • We have completed climate risk identification and prioritization pursuant to the TCFD framework and understand how key risk factors would affect financial performance based on the risk path. We have begun to assess the scale of specific financial impact brought on by increased severity of typhoon and will continue to increase the evaluation items. • Strengthen the disaster resistant capability of core network facilities and increase the resilience of climate change adaptation.
	The introduction of 5G leads to an increase in total electricity consumption and electricity intensity.	<ul style="list-style-type: none"> • Introduce high-efficiency power conversion equipment. • Incorporate the proximity of new server room to direct supply of renewable energy into the assessment. • Promote energy management control System.
	There are increasing requirements from government's renewable energy policies and related regulations.	<ul style="list-style-type: none"> • New renewable energy business (Prime EcoPower Co., Ltd.) • Increase the capacity of renewable energy installations every year, which include the increases in the purchase of renewable energy certificates and the capability of self-owned certificates) and the planning on construction of solar stations in the future.

Major Issues	Assessment Items	Risk Management Strategy
Information security and customer privacy	The risk of cyber-attacks increases and the methods of attack change rapidly.	<ul style="list-style-type: none"> Regular planning and execution of continuous drills for key service operations. Strengthen the operation of emergency response organization and mechanism, timely response to various incidents and risk control.
	Customers' awareness on privacy protection leads to stricter requirements on personal information protection for corporations.	<ul style="list-style-type: none"> Continue to strengthen policy and information security protection management mechanisms. Strengthen the training and promotion of security education for all employees. Continue to pass international standard certifications on information security and personal data protection.
Policy, social, and economic trends	Continuous innovation in information communication technology	<ul style="list-style-type: none"> Integrate business partners from different industries to promote industrial applications. Combine new business opportunities, and encourage consumers to use new services and opt for online spending to make up for the declining revenue of traditional telecommunications services.
	Demographic changes, urbanization and digital divide	<ul style="list-style-type: none"> Proactively develop diverse application solutions and expand the corporate market segment. Continue to develop new business opportunities and attract users with innovative services and superior service quality.
Battles for talents and human resource planning under the transformation	Changes in telecommunication laws	<ul style="list-style-type: none"> Maintain good communication with competent authorities for early detection of regulatory changes to facilitate formulation of action plans. Minimize the impact of regulatory adjustments on FET operations, and be ready to adopt new regulations on a timely basis. The Telecommunications Management Act came into effect in July 2020. By laws, FET has a three-year transition period and will eventually be in full compliance of the new Telecommunications Management Act.
	Telecommunication industry restructuring and service	<ul style="list-style-type: none"> Set the theme for "Big Data, AI & IoT" talent training and development, initiate the digital transformation plan, and set the

Major Issues	Assessment Items	Risk Management Strategy
of telecommunications industry	diversification require talents possessing cross-industry thinking and strength in technology integration so as to respond to the rapid transformation of the telecommunications industry.	<p>goals for "innovation upgrade and transformation" as the core technology and capabilities buildup for transformation and upgrade.</p> <ul style="list-style-type: none"> • Launch 5G elite plan, recruit 24 marketing and technical talents, and introduce 18-month training programs covering industrial general knowledge, core competence training, department rotation, departmental project internship, etc. and supplemented with Mentor system to help colleagues grow rapidly. • In response to the continuously increasing demand from corporate customers in the future, we promote EBU Boot Camp to recruit new talents. We also provide information and corporate customer cross-departmental professional knowledge development, encouraging employees to participate in departmental projects while we supplement with the mentoring system to accelerate the growth of employees and prepare them for transformation.

Implementation situation:

The long-term performance of FET's corporate social responsibility was reported on the 14th board meeting of the 8th session on November 5, 2020.