# The Innovative Cloud
## Our Sustainability Promise

2012
Coporate Social
Responsibility
Report

Mobile    Broadband    Media    International Service

# FET CSR REPORT 2012

**2012 FET**
**Corporate**
**Social**
**Responsibility**
# Report

## About This Report

This is the second corporate social responsibility report of Far EasTone. We look forward to providing stakeholders in all sectors with the results of our efforts related to commitment to corporate social responsibility through these annual published reports.

## Reporting Period

This report discloses all the Far EasTone CSR performance information regarding CSR management approach, CSR key issues, responses, and activities from January 1, 2012 to December 31, 2012. However, to maintain consistency between activities and plans in certain activities of this report, such activities are disclosed and reported based on the initiation date.

Far EasTone 2011 CSR Report publication date: July 2012 (First report)
Far EasTone 2013 CSR Report publication date: July 2014 (next report)

## Reporting Limits and Scope

The limit of this report encompasses Far EasTone Telecommunications Co., Ltd. The scope of report information includes the financial, environmental, and social performance of Far EasTone. Financial information is based primarily on Far EasTone. But some of the content involves information about mergers between Far EasTone and some subsidiaries which are elaborated upon within the special merger notes of this report.

## Reporting Format and Confirmation

This report was written according to the GRI 3.1 guidelines of the Global Reporting Initiative and the AA1000 standard and was confirmed by a third party certification institution (SGS-Taiwan) to conform to G3.1 application level A+.

## Contact Information

We would be happy to receive any comments you might like to make about the "Far EasTone 2012 Corporate Social Responsibility Report."

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## ▶The Innovative Cloud - Our Sustainability Promise

The most beautiful scenery of Taiwan is people.

Guided by our five corporate core values "Trustworthy, Proactive, Innovative, Accountable and Collaborative" and pursuing sustainability with the dual themes of corporate social responsibility "Eco-fashion, Creative responsibility", we continue to cultivate this land and move forward with Taiwan with the spirit of innovation. Our five corporate core values are expressed in a multitude of ways: we attach importance to the promises we make to investors and pursue complete and transparent corporate governance; through innovative and diverse products and services, the level of customer satisfaction is increased; we initiatively care for disadvantaged groups and show solicitude for children's issues; at the same time, we take advantage of strengths in ICT industry to save energy and reduce carbon; more importantly, we emphasize the nurturing of talent, strengthening Taiwan's future competitiveness.

We also tirelessly promote the idea of "Eco-fashion, Creative responsibility". In 2012, Far EasTone organized the first "Green Kung-Fu" microcinema competition, combining eco-advocating, APP and creative multimedia, a breakthrough event that combined ICT power and innovative thinking and called on the public to become involved in environmental protection. Also, we don't just attach importance to green procurement, we were the first company in the industry to have the head office and data center ISO 50001 certified at the same time. Over the past eight years we have achieved an electricity usage saving of 40%, showing that energy saving and carbon reduction isn't just a slogan for Far EasTone.

In this age of mobile communications and cloud operation, the ICT industry is changing rapidly. Only by constantly adding value to products and innovating software/hardware services, stores, digital content and environmental public benefit work can brand power be maintained. We believe, moreover, that "talent" are not only the most valuable asset of Far EasTone, but also the key to sustainable development.  Since the beginning, we have attached importance to employee learning and growth and each employee is able, through exclusive education and training and innovative learning tools, to continually absorb new knowledge through in class learning or e-training. In addition, we also fulfil our corporate social responsibility by actively nurturing outstanding talent for the industry and providing a high quality environment in which university students can take internships, allowing students to accumulate knowledge through industry-academia cooperation, and thus doing our bit to increase Taiwan's future competitiveness.

We also strive to create well-being and equality in the workplace environment and atmosphere; with a focus on body, mind and spirit, we put our people-first corporate spirit into practice. Our efforts have been rewarded by a high level of employee satisfaction. Also, holding family days and long-term sponsorship of the Parent and Child Club have made families an important spiritual pillar for the company. The best evidence for this is provided by the fact that a higher percentage of our employees are women than men, and the figure is highest of the top three telecommunications companies.

Brand spirit and corporate concepts can only be deeply internalized and converted into action through continual communication. Every person who enters the workplace is like a piece of crude jade that, ground and polished by core values and work environment, begins to sparkle. We hope that all our employees walk forward with Far EasTone with the same spirit and spread the five corporate core values; and, at the same time, to fulfil our firm commitment to social responsibility, continue to work hard for investors, customers, employees, social benefit and the environment; and, with professional ability and excellent service, promote the upgrading of the ICT industry in Taiwan, moving towards the next era of innovative cloud.

**Far EasTone President**

# ▶ FET 2012 Milestones

**2012**
## 01

Received four major awards from Corporate Governance Asia including "Best Investor Website", "Best Investor Relations", "Asia's Best CEO" and "Asia's Best CFO".

Published the first online edition of corporate social responsibility report with the concept of "Eco-fashion, Creative responsibility" which symbolizes the movement of Far EasTone towards sustainable development and social responsibility.

**2012**
## 06

Selected by "Business Next" magazine as Top 10 of 2012 "Taiwan's Top 100 Technology" and "Asia's Top 100 Technology" companies.

Through the sustainability concept of "Eco-fashion, Creative responsibility" actively promoted the concept and practice of environmental protection and introduced the "Connect Your Green Kungfu" nano film collection event to solicit innovative ideas of environmental protection.

**2012**
## 08

Held the "2012 Far EasTone Developer Conference" to explore an international perspective of the domestic mobile phone software development industry. Invited globally renowned companies such as Angry Birds and LINE to share their keys to success.

**2012**
## 10

Received Qualicert service certification from the internationally renowned SGS Group certification institution in Switzerland to become the only telecommunications company in Asia to introduce SGS Qualicert service certification for seven consecutive years.

| 2012 01 | 2012 02 | 2012 03 | 2012 04 | 2012 05 | 2012 06 | 2012 07 | 2012 08 | 2012 09 | 2012 10 | 2012 11 | 2012 12 |

**FET**
**future**

**2012**
## 05

Received seven major awards from "Finance Asia's 12th Best Asia Company", Taiwan's "Best Managed Company", "Best Corporate Governance", "Best Investor Relations", "Best Corporate Social Responsibility", "Most Committed to Creating a Dividend Policy", "Best CEO" and "Best CFO".

**2012**
## 07

Forging a trustworthy mobile lifestyle, account service received ISO 9001 quality certification from the internationally renowned SGS Group certification institution in Switzerland and became the only company with account service received ISO 9001 quality certification among the three major Taiwan telecommunciations companies.

**2012**
## 09

Allied with Asus to introduce the "Super-Cloud Far EasTone Enterprise Storage" to provide a one step integrated technology and flexible service model from cloud to client to achieve a seamless office environment. Received the "2012 Cloud Innovation Award" presented by the Cloud Computing Association in Taiwan in December.

**2012**
## 11

The first "Far EasTone Corporate Social Responsibility Report" received the "Rookie Award" at the "2012 Corporate Sustainability Report Awards" ceremony held by the Taiwan Institute for Sustainable Energy.
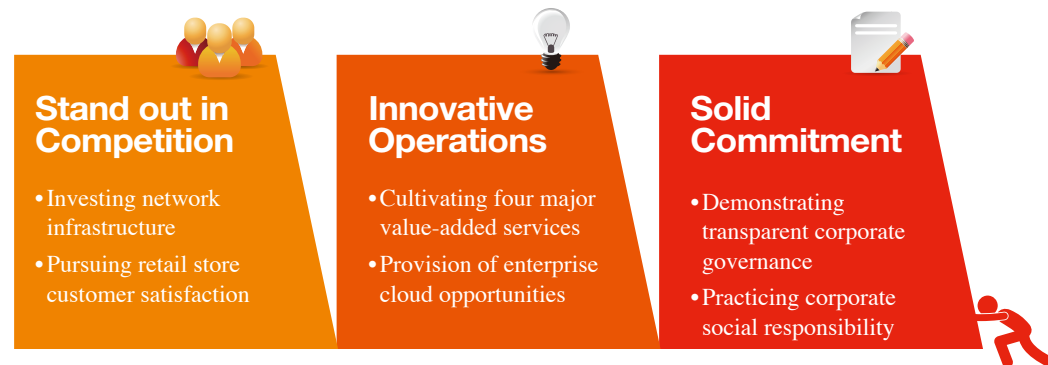
# ▶ About Far EasTone

Far EasTone Telecommunications (hereinafter abbreviated to Far EasTone) was founded on April 11, 1997, a public offering of shares listed company in Taiwan, stock code is 4904. Through considerable technical resources and comprehensive financial capability, it acquired two mobile communications operation permits (GSM900 and GSM1800) in 1997, engaged in rather rapid network construction, and began formal operations in January 1998.

In 2012, in the face of rapid changes and competition in the global mobile communications market and with an incoming tide of smart mobile devices, application services, and cross-platform integration, Far EasTone stands firm at the head of the trends with the spirit of "stand out in competition, innovative operations, solid commitment," and continue to adopt to innovation and change to respond to the diverse needs of the consumer market.

## Stand out in Competition
- Investing network infrastructure
- Pursuing retail store customer satisfaction

## Innovative Operations
- Cultivating four major value-added services
- Provision of enterprise cloud opportunities

## Solid Commitment
- Demonstrating transparent corporate governance
- Practicing corporate social responsibility

### ▶ Corporate Vision
FET Connects and Enriches Life

### ▶ Corporate Mission
FET aims to stand firm in Taiwan, while looking to the global Chinese market, and providing outstanding information, communication, and digital contents integration services

### ▶ Core Value
Trustworthy, Proactive, Innovative, Accountable and Collaborative

### ▶ Our Commitment
Surpass client expectations with innovation and passion
Become the enterprise of choice for employees
Create the highest value for our shareholders
Dedicated to CSR and the sustainable development of the environment

### ▶ Brand Spirit
With the brand spirit of "Closing the Distance", we are committed to constant innovation and advancement. By reinforcing the firm's corporate governance, we are actively engaging in social welfare, giving back to society and helping disadvantaged minority groups

## ▶ Organization Chart
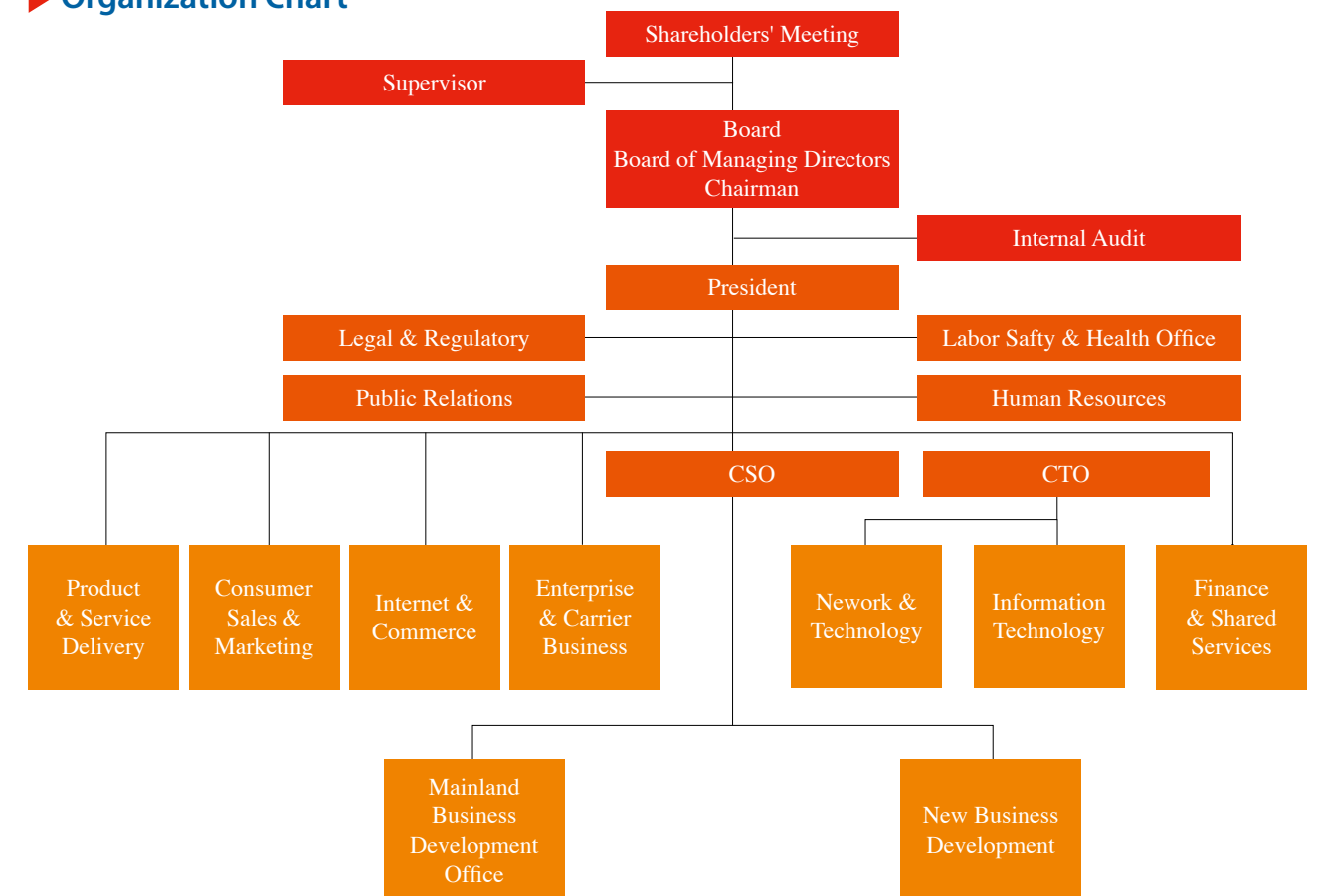


| Far EasTone Telecomunications Co., Ltd. at a Glance | |
|---|---|
| Founding Date | April 11, 1997 |
| Headquarters Address | No. 468, Rueiguang Road, Neihu District, Taipei City |
| Primary Business Operations | Telecommunications Services, Communications, Internet (Tire 1&2 Communication) |
| Area of operation | Taiwan |
| Consolidated Total Assets (NT$ 1,000) | $98,167,232 |
| Consolidated Business Revenues (NT$ 1,000) | $86,745,290 |
| Directly Operated Retail Stores | 171 |
| Users (thousands of accounts) | 6,618 |
| Employees | 5,873 |

## ▶ Divisions and Duties

| Division | Name | Position | Main Duties |
|---|---|---|---|
| President Office | Yvonne Li | President | Responsible for developing and implementing the overall corporate strategy and directions of the company. Develop, maintain and supervise all operations and its organization. |
| Legal & Regulatory | Jessica Chen | Vice President | Responsible for legal litigation, IP, regulatory, contract management, corporate security and the public affairs. |
| Public Relations | Alison Kao | Director | Responsible for corporate communications, the public relations for corporate and corporate image promotion. |
| Human Resources | Joann Chang | Vice President | Responsible for Human Resources Management, Human Resources Development, Compensation & Benefits Management, Employee Services, Employee Relations and Human Resources Information System with Payroll Administration. |
| Product & Service Delivery | Eton Shu | Executive Vice President | Responsible for the logistic support to consumer mobility services, the development & enabling of all new services & products, andcustomer services planning. |
| Consumer Sales & Marketing | Maxwell Cheng | Executive Vice President and Chief Sales & Marketing Officer | Responsible for developing and managing channels and consumer marketing as well as all merchandizing in branded stores. |
| Internet & Commerce | Charlene Hung | Executive Vice President | Responsible for creating synergy on eCommerce and developing business opportunities. |
| Enterprise & Carrier Business | Mike Lee | Executive Vice President | Responsible for the business (ICT) planning & sales of Enterprise BU, customer relationship management, also define the operation strategies for Carrier function. |
| CSO Office CTO Office | Jeffey Gee | CSO & CTO | Responsible for strategic alliance & business development. Responsible for Network & Technology, Information Technology, and related matters. |
| Network & Technology | Herman Rao | Executive Vice President | Responsible for Mobile/Broadband/ISP Network planning, development and operation, technology strategy, planning and development. |
| Information Technology | Magdalina Lin | Executive Vice President | Responsible for company information technology system strategic planning, development and operations. Providing IT services for store, customer care, billing, financial and decision analysis information to enhance business competence. |
| Finance & Shared Services | T.Y. Yin | Executive Vice President & CFO | Responsible for finance, accounting, investor relations, procurement, process control and general administration. |
| Internal Audit | Jennifer Liu | Chief Auditor | Responsible for assisting the BOD and management team to identify the deficiency of the internal control system, to assess the effectiveness and efficiency of the operation, and to provide appropriate improvement suggestions to ensure the effectiveness of internal control system as well as for continuous improvement. |

## ▶ Organizational Chart of the Affiliates
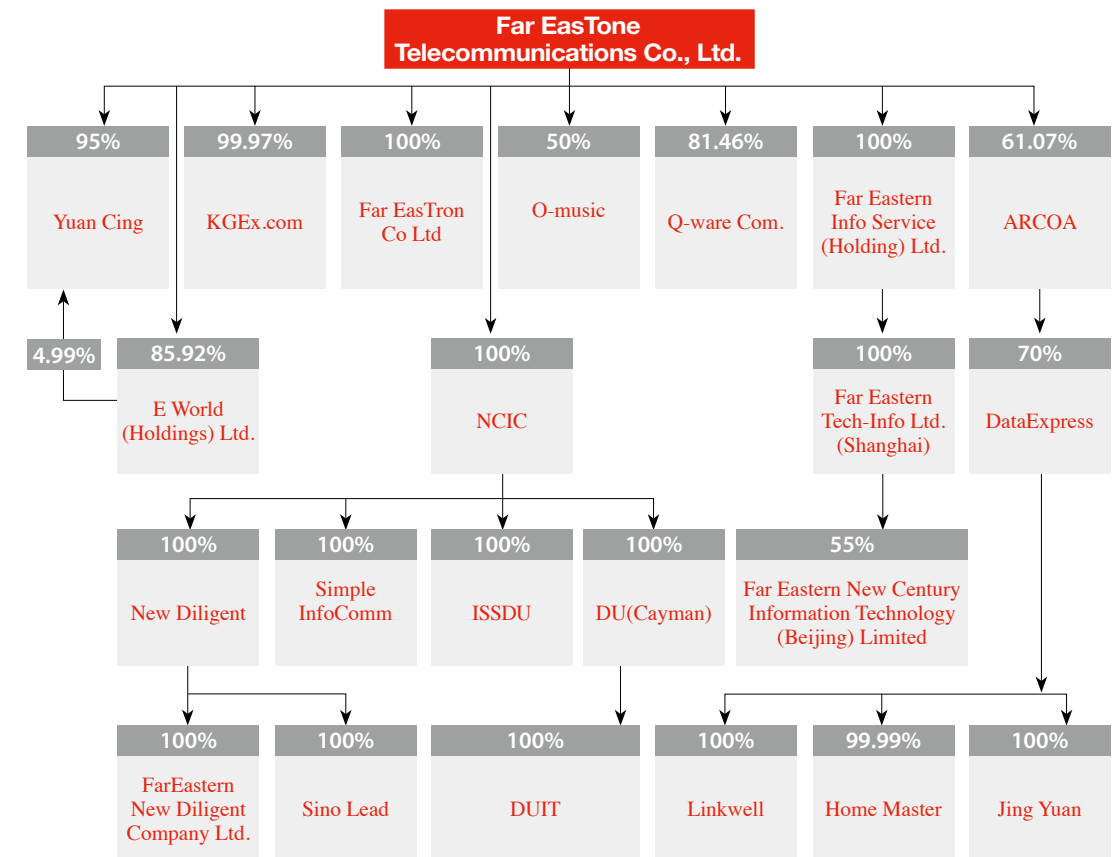


## 2010 ~ 2012 Operational Performance
Unit : NT$1,000

| Year | 2010 | 2011 | 2012 |
|---|---|---|---|
| Operating revenue | 63,435,905 | 75,748,831 | 86,745,290 |
| Operating costs and expenditures | 52,261,567 | 64,232,301 | 72,996,554 |
| Operating profit | 11,174,338 | 11,516,530 | 13,748,736 |
| Non-operating revenue and gain | 637,817 | 479,830 | 553,562 |
| Non-operating expense and loss | 846,650 | 1,121,799 | 1,297,639 |
| Earnings before taxes | 10,965,505 | 10,874,561 | 13,004,659 |
| Income tax expenses | 2,102,137 | 1,947,745 | 2,374,676 |
| Net income | 8,863,368 | 8,926,816 | 10,629,983 |

Source : Consolidated financial statement

## Direct Economic Performance

Unit : NT$1,000

| Year | 2010 | 2011 | 2012 |
|---|---|---|---|
| Personnel Expense | 4,196,355 | 5,194,460 | 6,066,164 |
| Retained Earnings | 19,076,653 | 19,811,394 | 22,366,064 |

Source : Consolidated financial statement

### Dividends
(Unit : NTD)

Source : Consolidated Financial Statements

2.50

3.00

3.50

Year 2010

2011

2012

### 2010~2012 Market Share

User Market Share

Mobile Teleommunications Services Revenue Market Share

23.0%  26.0%

23.0%  26.6%

23.5%  27.6%

Year 2010

2011
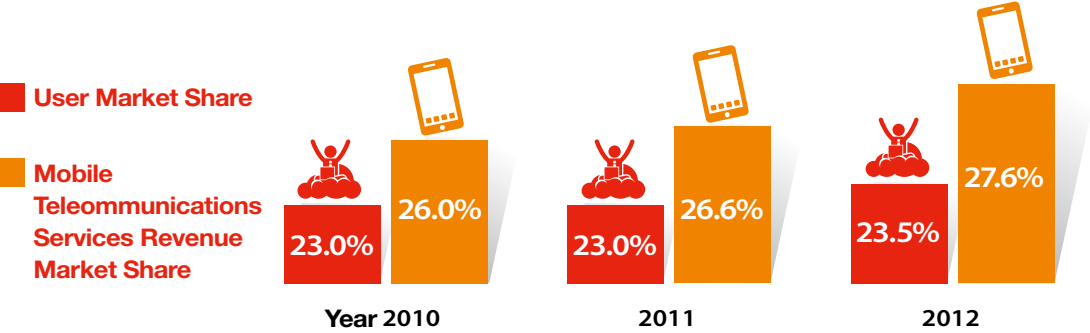
2012

Source : NCC statistics, public information monitoring station and information announced by various firms (2010 ~ end of 2012).

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## ▶ I. Key CSR Performances

FET hopes to become a leading telecommunications operator brand by connecting the vast consumer group with their work and leisure lives. As far as we are concerned, this represents shouldering the corporate social responsibility of all interested parties. In 2011, we established a dedicated CSR (Corporate Social Responsibility) organization to plan and promote various CSR actions with a clear theme and strategy. From the very start we began to build a firm foundation as a prerequisite for ensuring our long term success.

Corporate Social Responsibility has received wide public attention in recent years. Only by achieving the profit target and fulfilling the moral responsibility can a company create its sustainable value. With the efforts of all FET staff, we carried out numbers of corporate social responsibility initiatives in 2012. In order to clearly demonstrate and explain the progress of FET in 2012 in terms of CSR this chapter will be presented mainly in the form of tables and performance diagrams. This will make it easy for the stakeholders to quickly browse through the key FET CSR issue implementation results.

### ▶ Innovation

1. One Call Resolution Reduced 8,059 repetitive customer service calls. Page 49
2. Pioneered the CSR theme initiative "Connect Your Green Kungfu." Communicate environmental philosophies through an APP. Page 88
3. Data center energy conservation The Neihu head office building was the first telecom operator that its data center and headquarter in Taiwan had both obtained ISO 50001 energy management system certification at the same time. Page55
4. Employee EPA Provided each employee six free professional counseling sessions every year while each session lasted one hour. Employee satisfaction was 98%. Page82

### ▶ Clouds

1. Pioneered the 360° Store Service to fulfill customer needs "FET 360° Store Service" brand satisfied the different needs of customers by offering thoughtful services that surpass their expectations. Page 42
2. Personal Information Protection Act E-learning Education & Training online Every employee learned about the Personal Information Protection Act from the online E-learning Education & Training course. Page 53
3. Focus on cloud technology to extend application services Promoted diverse cloud services such as the medical cloud, transport cloud and campus cloud. Extend Four Major Applications to reinforce corporate competiveness. Page 31

### ▶ Sustainability

1. Office building energy conservation Reduced energy consumption by 8% on each floor. Page 57
2. Base station energy conservation The carbon reduction achieved was equivalent to a year's worth of carbon sequestration by six Daan Forest Parks. Page 62
3. Employee satisfaction Employee satisfaction towards the firm increased by 4% compared to that in 2011. Page 76

### ▶ Promise

1. Employee educational training Eemployees received an average training time of 21.3 hours. Page 79
2. National online charity events Charity money raised grew by 80% compared to 2011. Page 89
3. Send Out Love-Support computer recycling program In response with the "Recycling Computers for New Hope", we donated 1,925 used computers and related equipment to become the top donor for the year. Page 92
4. Total amount of social investment The total amount invested was NT$11,323,314. Page 93

## ▶ II. Responsibility Management

In order to effectively associate FET's core competencies with CSR, we set the double CSR theme of "Eco-fashion, Creative responsibility" in 2011 to encourage the public to put "environmental protection" and "CSR" into practice by fashionable and innovative thinking. In order to embody this spirit, we launched the environmental activity "FET Mobile Domestic Film – Connect Your Green Kungfu" in 2012 to become the first firm to organize such activity in the country. For this event, we drew on our core communications competency to combine mobile devices with a video editing APP, in turn receiving much wider support and participation from our employees and the public.

### 2011
#### FET CSR **Dual Theme**

**Theme1**
**Eco-Fashion**

To coexist in symbiosis with the environment is the quintessential new living attitude for modern people. Faced with global environmental and energy issues, FET will capitalize on corporate core competency to advocate this cause in a more creative manner. We hope to become the green telecommunications industry yardstick through our innovative approach. We believe that environmental protection can be fashionable and that responsibility for this can be demonstrated by innovative means.
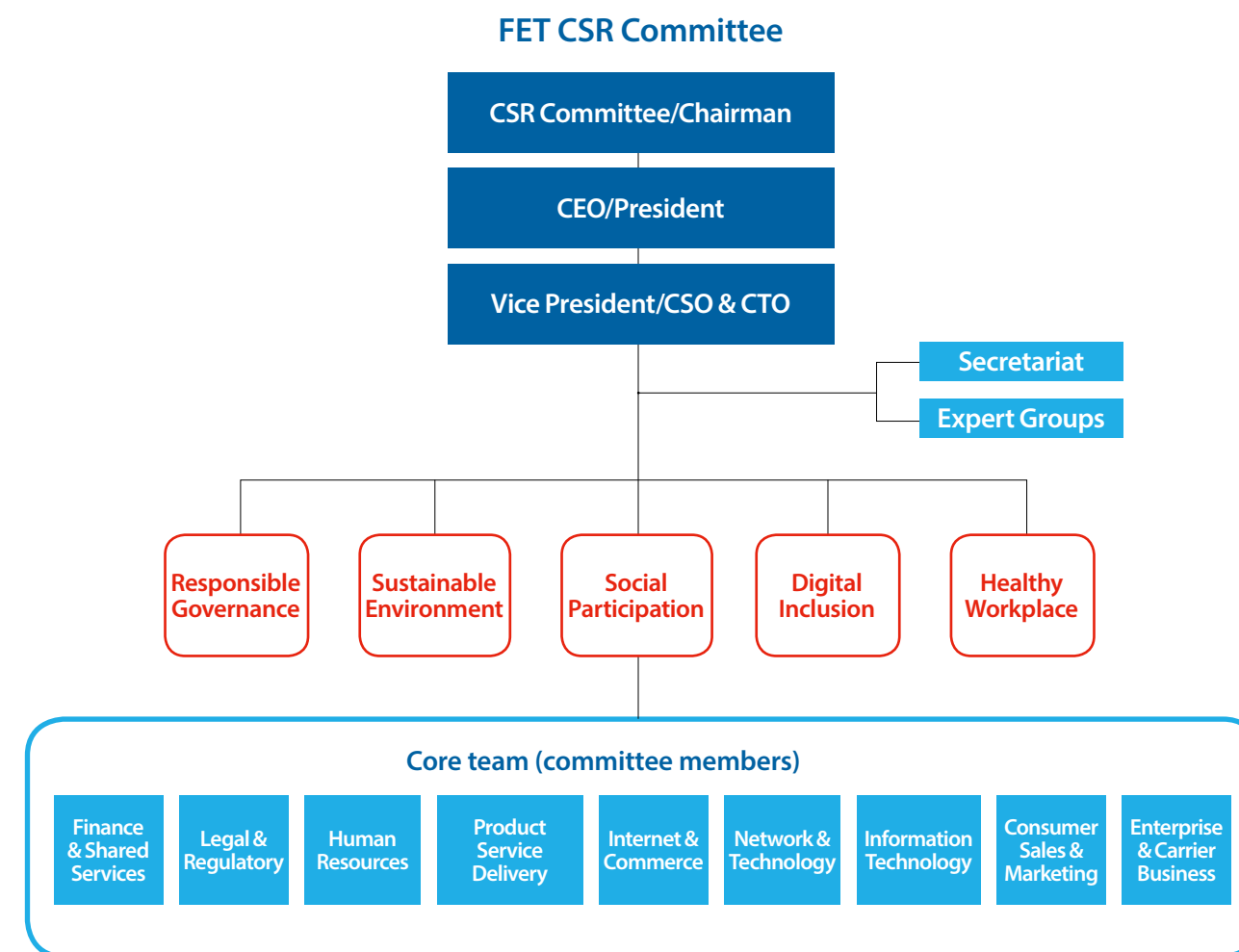
**Theme2**
**Creative Responsibility**

FET persists in the core values of "Trustworthy, Proactive, Innovative, Accountable and Collaborative", and our corporate vision is defined as "FET Connects and Enriches Life". We believe that in order for an enterprise to be socially responsible, it must constantly innovate in terms of awareness and behavior. Implementation of a culture of accountability through creative means can provide consumers with the best quality and most diversified services to create a more abundant and convenient mobile lifestyle.

### 2012
#### FET Mobile Domestic Film
#### Connect Your Green Kungfu

At FET we incorporate telecommunications expertise to realize the concept of "Eco-fashion, Creative responsibility". Setting out from our core competency in communications, we have combined mobile devices with a video editing APP to break through the limitations of time and space. Through "Your Green Kungfu" APP on smart mobile devices, contestants are able to shoot and record any good ideas about environmental protection they might come up with during their daily activities. These ideas can be uploaded at anytime, from anywhere, to transform the practice of the contribution and documentation of good environmental protection ideas into a national exercise.

*Reference page : 88*

## ▶ Sophisticated CSR Organization

The "FET CSR Committee" is the highest authority for CSR strategy planning and discussion. It is headed by the Chairman, with the President as the CEO and various division heads as members. In addition, a secretariat exclusive to CSR has also been created and expert teams have been invited to provide professional suggestions.

The "FET CSR Committee" convenes regularly every year when the members of the committee propose an agenda relevant to CSR, and various communications channels are used to strengthen the cooperation between the different stakeholders. The responsibilities of FET as a corporate citizen are carried out through different actions related to society and environmental protection.

The committee is comprised of the heads of divisions who promote and execute the five major CSR goals of FET: responsible governance, a sustainable environment, social participation, digital inclusion and a healthy workplace. Focus is on key CSR issues relevant to the stakeholders, we have regular discussions at the FET CSR Committee meeting depending on the urgency and importance of the issues.

### FET CSR Committee

- CSR Committee/Chairman
- CEO/President
- Vice President/CSO & CTO
  - Secretariat
  - Expert Groups

- Responsible Governance
- Sustainable Environment
- Social Participation
- Digital Inclusion
- Healthy Workplace

**Core team (committee members)**

| Finance & Shared Services | Legal & Regulatory | Human Resources | Product Service Delivery | Internet & Commerce | Network & Technology | Information Technology | Consumer Sales & Marketing | Enterprise & Carrier Business |

### Establish Communication Mechanism to Respond to the Needs of Stakeholders

We gathered different views and suggestions of stakeholders through various channels. We used a substantial actions and verification mechanism to ensure that our responses and measures, from such aspects as operational performance, corporate governance to social feedback, cater to the needs of the different stakeholders. In 2012, we created a communications mechanism, in accordance with the AA1000 Standards, to maintain a transparent and smooth communications channel for the systematic management of suggestions proposed by parties interested in FET each year. Meanwhile, Public Relations Division acts as the CSR window and regularly collects and responds to the needs and the issues proposed by external stakeholders.



## Opinions and Feedback by stakeholders of FET in 2012

**Stakeholders : Government**
**Feedback : The first to support the government's energy conservation and carbon reduction initiative**

FET abides by environmentally related laws and all the relevant international standards and regulations in an effort to adequately protect the natural environment and achieve a properly sustainable environment while carrying out our business activities.

► We were the first in the industry to support the 26°C air conditioning policy.

► We attended the voluntary energy conservation petition signing convention organized by the Bureau of Energy, Ministry of Economic Affairs and the Taiwan Green Productivity Foundation. During this event, we vowed to join the government's voluntary energy saving initiative and agreed on a goal to reduce power consumption by 5% within three years. We will contribute towards energy conservation and carbon reduction by affirmative action.

► We have made substantial investment in high-tech energy-saving equipment to build a more energy-efficient base station environment and effectively decrease air conditioning power consumption in summer. We have received the gold prize for the Taipei Energy Conservation Competition three years in a row. This clearly demonstrates our long term commitment to energy conservation and carbon reduction.

**Stakeholders : The general public**
**Opinion Feedback : Electromagnetic testing service**

► Electromagnetic tests were conducted 159 times during 2012.

**Stakeholders : Academic institutions**
**Feedback : Industry-academia collaboration**

In 2012, FET collaborated with the Centre for Innovation, Synergy and Intelligent Home and Living Technology in a population management and behavioral analysis project. The project involved observation of consumer behaviour for one day and was designed to assist FET with research on the introduction and development of new products tailored more closely to the needs of the consumer.

**Stakeholders : Investors**
**Feedback : Putting CSR into practice**

In 2012 investors wanted to know how FET goes about putting CSR and sustainable management into practice. Our response was that FET holds the utmost respect for social ethics and the rights of all other stakeholders and maintains strict corporate and social responsibility. While we pursue sustainable management and profitability, we also emphasize the elements of the environment, society and corporate governance by incorporating them into management and operations. In addition, we regularly publish CSR reports and maintain effective communication with the general public.

**Stakeholders : Employees**
**Feedback : Smooth communication channels**

Any employee at FET can click on "I want to file a complaint" on the company Intranet to provide feedback or report violations. Other reporting channels include:

► Supervisor email: supervisor@fareastone.com.tw

► Internal Auditor email: ia@fareastone.com.tw

► Procurement & Supplier management team customer complaint email: feg_complaint@feg.com.tw

### Grasping Key Issues to Enhance CSR Performance

In 2012, we combined suggestions proposed by stakeholders, including the expectations of FET for conducting CSR, with internal employee investigation and CSR project promotion reviews to determine the key issues for the annual CSR report. Our goal is to gain complete and clear understanding of CSR issues and recommendations by internal and external stakeholders before each annual CSR Committee meeting for use as references for the next year. We believe that by doing this we will be able to improve CSR performance and quality and at the same time look after the benefits of the firm and all stakeholders to achieve a win-win situation.

### 2012 Key CSR Issues and Responses

| Stakeholders | Investors | Customers (consumers) | Employees | Suppliers | Local communities and NGOs | Media | Government |
|---|---|---|---|---|---|---|---|
| **2012 Key Issues** | Profitability | Product and service Price and quality Product, service, marketing information transparency | Remuneration and employee benefits | Supply chain labour and environment management | Public welfare feedback Donation | Industry operation and development dynamics Low carbon products and services | Legal compliance |
| **Key Response Issues** | Corporate governance Risk management | Trustworthy management | Career development and work environment Health, safety, and balance between work and life Learning and growth | Occupational safety and health management | Corporate image Enterprise volunteers | Corporate image Product service information | Public policy participation Feedback to society |

### Establish a Foundation of Trust to Jointly Accomplish CSR Goals

FET believes that with attention and participation from all stakeholders, we will be able to build a long term foundation of bilateral trust and develop a clearer understanding of the operations of FET. In addition, dialogue and interaction with the stakeholders also serves as a source of inspiration for CSR activities. This is the perfect interface for establishing partnerships and to help us materialize our CSR theme and thinking.

## Table of Issues Proposed by Stakeholders

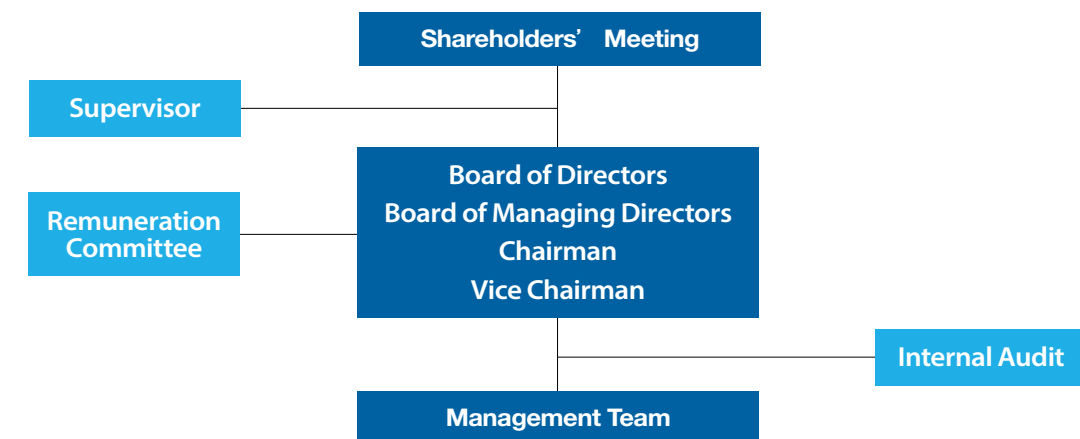| Category | Target | Concerned Issue | Communication Method | 2012 Accomplishments |
|---|---|---|---|---|
| Investors | General shareholder Corporate shareholder Assessment institute | 1.Profitability 2.Corporate governance, risk management 3.CSR implementation 4.Stock value 5.Information disclosure transparency | Shareholders' meeting Questionnaire response Regular face to face communication | ● 4 global investor telephone conferences were held to communicate directly with executive management. ● 12 statistical reports concerning unaudited sales, profits and operations were released. ● Attended domestic and foreign face to face investor meetings to communicate with investors. ● Actively communicate relevant issues through telephone or email. |
| Customers (consumers) | Existing clients Potential clients | 1.Product/service price and quality 2.Product, service and marketing information transparency 3.Trustworthy Management | Consumer satisfaction survey | ● Customer service unit surveyed 153,104 persons about telephone customer satisfaction. ● The company outsourced 3,272 surveys. ● Conducted 562,895 telephone customer satisfaction surveys. |
| Employees | Manage-ment General employees Temporary workers | 1.Remuneration and benefits 2.Career development 3.Work environment health and safety 4.Balance between work and life 5.Learning and growth | Labour management meeting Employee opinion survey (please refer to P. 76) | ● 2 remuneration committees were convened. ● 4 Magic Lamp (labour management) meetings were convened. ● 1 annual employee conference was held. ● 28 management communications meeting were held. ● 33 employee recommendations were made. ● Overall employee satisfaction 79.48%. |
| Suppliers | Equipment suppliers, Construction contractors, Cleaning and maintenance contractors, Waste disposal contractors | 1.Price competitiveness 2.Supply chain labour environment management 3.Occupational safety and health management 4.Education & training | Supplier management team and customer complaint email | ● Help to deal with customer complaints about cleaning contractors. |
| Local community, NGOS | Community residents, local civil organizations, local civic organizations | 1.Public welfare, feedback and donation 2.Corporate image 3.Enterprise volunteers | Please refer to P.88-93 | ● Raised NT$1,868,328 with "I Love Kids Bag" in 2012. ● Organized six FET-Child Welfare League Foundation charity bazaars in north, central and south Taiwan. ● Stores participated in five voluntary community events. ● Donated over NT$150 million in cash and 700 electronics products. |
| Media | Print media, Traditional electronic media, Digital media, Newspapers Business magazines | 1.Industry management development dynamics. 2.Low carbon products and services. 3.Corporate image 4.Product & service information 5.Information transparency | Communication with responsible organization Announce major information at the press conference | ● 56 press conferences were organized. ● 1.87 million press releases were made to communicate important messages to the public and the media. ● Respond to the media via telephone, email or other channels. |
| Government | Supervising authority, various governmental agencies | 1.Legal compliance 2.Public policy participation 3.Feedback to society | Legal affairs unit Regular ommunications | NCC: ● Participated in 149 NCC meetings. ● Participated in 21 NCC administrative inspections. ● Participated in 179 coordination meetings between various municipal government consumer protection ombudsmen and consumers. (There were originally 272 coordination meetings. FET was able to resolve the issues in 93 instances and these complaints were withdrawn.) |

## ▶ All-encompassing Corporate Governance

We believe that an efficient board of directors is the foundation stone of company governance, to this end FET has established an all-encompassing mechanism for the board of directors to actively realize company governance practice and guarantee shareholders' rights. Consequently, FET has received several domestic and overseas corporate governance related awards, as well as the highest honour of "Information Transparency Disclosure Rankings for TSE & OTC Listed Companies" from the Securities and Futures Institute for six consecutive years. FET ranks in the top 10 of all the TSE & OTC listed companies in Taiwan.

"Titanium Award for Financial Performance and Investor Relations"

The Asset

Securities and Futures Institute

Ranked among the top ten in the A++ category of "Information Transparency Disclosure Rankings for TSE & OTC Listed Companies"

Institutional Investor

2012 Corporate Governance Related Awards

Far Eastone
Telecommunications Co., Ltd.

"Best Investor Relations Professionals"

Finance Asia

Corporate Governance Asia

"Best Investor Relations Website/ Promotion", "Best Investor Relations Company", "Asia's Best CEO" and "Asia's Best CFO"

"Best Managed Company", "Best Corporate Governance", "Best Investor relations", "Best Corporate Social Responsibility", "Most Committed to a Strong Dividend Policy", "Best CEO" and "Best CFO"

In order to ensure meticulous and professional overall consideration of all operational aspects, the FET board of directors and supervisors enlisted the help of 12 experts, including professional telecommunications managers, prominent international economists, financial accountants, financial circulation services experts, as well as experts and scholars specializing in telecommunications software and hardware development. In total, there are nine directors and three supervisors, including two independent directors and one independent supervisor. In 2012, in accordance with the company's articles of association, the board of directors and supervisors were re-elected, with Chairman Douglas Hsu assuming no executive position to guarantee the independence and impartiality of FET operations.

## FET's Board of Directors Organizational Chart

Shareholders' Meeting

Supervisor

Board of Directors
Board of Managing Directors
Chairman
Vice Chairman

Remuneration Committee

Internal Audit

Management Team



FET Board Members

**2012 FET**
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**022**

**2012 FET** Corporate Social Responsibility Report **023**

Each quarter, the board of directors regularly listens to reports from the management team, where the directors and supervisors propose their objective opinions based on their respective management expertise. The purpose is to guide the strategic direction of the firm in terms of economics, environment and society, and to assist the management team in adopting the most beneficial policies for the shareholders and society. If any subject under discussion by the board involves a conflict of interest, the board members concerned will recluse themselves and refrain from exercising the right to vote either themselves or by proxy.

In 2012, we convened a total of six meetings of the board of directors (including one board of managing directors meeting). These meetings are governed and comply with the "Rules and Procedures for Board of Directors Meetings". In addition, "FET Corporate Governance Best-Practice Principles" are stipulated to ensure the effective and healthy function of the mechanism. Various motions are voted upon during the shareholders' meetings and the voting results are documented in detail in the minutes of the meetings to allow all shareholders to exercise their rights.

**For the relevant operating procedure and regulations, please refer to Company Information/Corporate Governance on the FET website.**

**The Website link: http://www.fetnet.net/cs/Satellite/Corporate/coBODMeetingInfo**
**http://www.fetnet.net/cs/Satellite/Corporate/coRegulationRule**

### Professional Auditing - Examines Internal Control Mechanism

We abide by the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" to establish the Internal Audit, which is a subsidiary function of the board of directors. The main mission of the Internal Audit department is to implement auditing operations in accordance with the annual plan, and to assist the board of directors and managers in examination and re-examination of internal control flaws in FET as well as in all its subsidiaries. Furthermore, the operational performance and efficiency are also measured, while adequate improvement recommendations are also made. In addition, project audits are conducted depending on necessity in order to timely discover potential flaws in the internal control system and ensure the sustainable, effective implementation of the control system.

The Chief auditor presents the auditing report to a board of directors/supervisors meeting every quarter, to provide executive management information about the status of internal control. The annual FET audit plan formulation and approval procedures are fully disclosed on the FET official website in the section Company Introduction/Corporate Governance/Internal Audit Operations.

**The website link:**

**http://www.fetnet.net/cs/Satellite/Corporate/coInspect**

### Establishment of the Remunerations Committee to Assess Remuneration and Performance

To help the board of directors devise the overall company remuneration policy and structure and to attract, encourage, reward and retain outstanding talent, FET has established the "Remuneration Committee". This committee has three members who are responsible for all relevant matters as set out in the "Remuneration Committee Charter". The primary objective is to assist the board of directors in assessing and deciding salary compensation and making performance reviews of the company directors, supervisors and managers.

Two meetings were convened in 2012 to discuss motions such as: the variable bonus payment regulations for FET managers, and the measuring standard and remuneration payment method for directors and supervisors. Although the current method is to award remuneration based on performance appraisal, in the future environmental and social performance will also be considered and will exert a positive influence.

### Immediate and Transparent Information Disclosure

FET has established the "Investor Relations Division" in charge of holding dialogue with investors and shareholders and as a bilateral communications channel between management team and outside investors. By this means valuable suggestions from investors can be passed on to management as a reference for planning long term operational strategy.

Furthermore, to ensure symmetrical information disclosure, we regularly convene investor meetings to respond to problems and suggestions from the investors and shareholders. Also, in an effort to provide our domestic and foreign investors with transparent and immediate information, financial, sales and corporate governance related messages are promptly updated on the official FET website. The objective being to improve the convenience with which domestic, foreign shareholders and investors can obtain information. We offer the annual report as a bilingual handbook (Chinese and English) on M.O.P.S. and the FET company website.

The transparency and immediacy of FET information disclosure resulted in the company being ranked amongst the top ten as A++ in the category of "Information Transparency Disclosure Rankings" for TSE & OTC Listed Companies.

## Communication Interface with FET Investors/Shareholders

▶ Publishes the operating status of the company every month.

▶ Convenes investor meetings regularly every quarter.

▶ Convenes regular shareholders' meetings and issues annual financial reports.

▶ Shareholders can ask questions or give feedback by telephone or email.

▶ The corporate website provides instant stock price information and the investor service area allows the shareholders to: check financial information; access revenue disclosure information; access the annual report, operations analysis and event information. In addition, an investor contact window is also provided.

▶ Investor email: ir@fareastone.com.tw

## Transparent Communication on Rate Plan

Upon the introduction of new products and services, FET acts in accordance with relevant regulations of the rate plan information approved by competent authorities or after notifying competent authority, announcing the rate plan information prior to the implementation date and fully disclose through media, company website and on various service locations. Besides, our retail personnel will clearly inform rate plans and provide written application information for reference while customers applying for services to ensure customers are fully acknowledged with their relevant rights and obligations on rate plans.

## Trustworthy Management – Employee Code of Conduct

To establish a trustworthy corporate culture and to prevent dishonest behaviour, the board of directors has approved the "Procedures for Handling Inside Information", "Guidelines for the Adoption of Codes of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles", that prohibit board members, management, general employees and cooperating firms from pursuing self-interest. Furthermore, conduct codes and codes for employees receiving gifts or entertainment, as well as an employee declaration form and work ethics standards have also been established to regulate employee rights and obligations while they work for FET.

In addition to the FET internal e-Paper, which serves to advocate "Guidelines for the Adoption of Codes of Ethical Conduct", "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Best Practice Principles Agreement" these have also been incorporated into external business documents such as the "Supplier Information Form" to remind all stakeholders to abide by, and respect, the FET ethical and trustworthy standards.

### Participation in Major Industry Associations

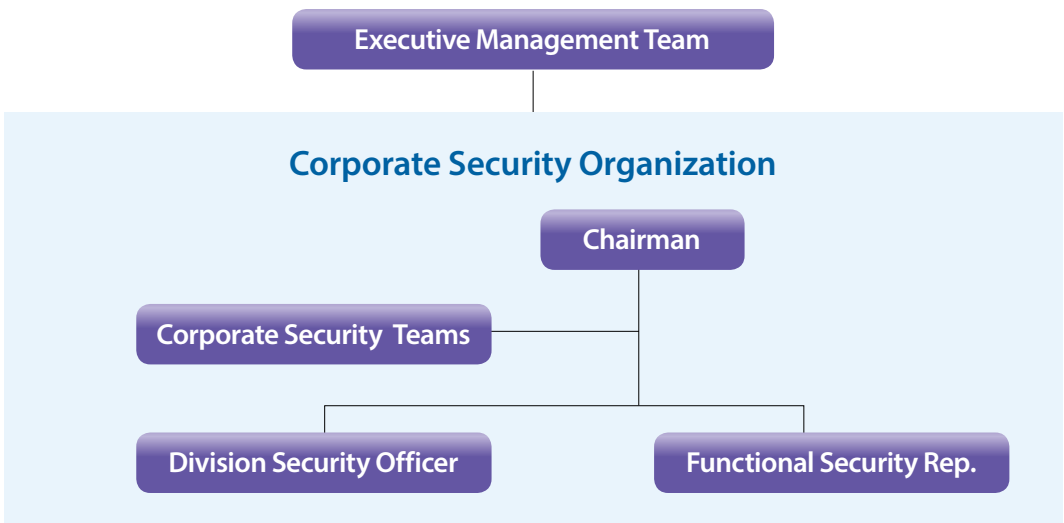| Name of Association | Nature and Function of Association | Acting as a Director or Supervisor |
|---|---|---|
| Taiwan Telecommunication Industry Development Association (TTIDA) | This is an association formed by telecom operators that speaks for the industry externally and acts as an internal dispute resolution platform for operators. The association is run by various work teams. | 4 directors 1 supervisor |
| Taiwan Internet Association (TWIA) | This is an association formed by ISPs; it is run by committees formed from the board of directors and supervisors. | 2 directors |
| Taiwan Digital Publishing Forum (TDPF) | This is an organization promoting digital publication. It congeals the strengths of the industry, government, academia and research sector to promote and develop the digital publication industry, in turn encouraging cross-industry collaboration between digital publication contents and information communication services. | 1 managing director |
| Taiwan Contact Centre Development Association (TCCDA) | The association is dedicated to enhancing the service quality and efficiency of call centres in Taiwan. | 1 managing director |
| The Cloud Computing Association of Taiwan (TCCC) | This association consolidates Taiwan's information & communications technology software and hardware manufacturers and service operators to develop a cloud system platform with a high degree of software and hardware integration. It also promotes three major cloud application services to transform Taiwan into an innovative base for cloud computing technology. | 1 director |
| Intelligent Transportation Society of Taiwan (ITS) | This association comprises intelligent transportation system related industries transcending industry, government, academia and research organizations to facilitate coordination and work distribution. | 1 director |

To be continued

| Name of Association | Nature and Function of Association | Acting as a Director or Supervisor |
|---|---|---|
| Taiwan Network Information Centre (TWNIC) | Contact window with China Internet Network Information Centre (CNNIC), Japan Network Information Centre (JPNIC) and Korea Network Information Centre (KRNIC). Upholding the spirit of neutral and mutual sharing of network resources, the centre provides services such as domain registration, directories, databases and promotion etc. | 2 directors |
| Taiwan Corporate Governance Association (TCGA) | TCGA is formed by the industry, government and academia; it specializes in integrating relevant resources and focuses on the theme of corporate governance. | None |
| Wireless & Information Technology Communication Leaders United Board (WIT Club) | Acts as an interactive platform between the industry and the Department of Industrial Technology, Ministry of Economic Affairs. It is also responsible for integrating industrial resources and is committed to innovating chips and terminal technology of the wireless communication industry chain, as well as the integrated development of systems and applications, professional R&D of intellectual property rights, standards and testing of cutting-edge research, intelligent living technology & diverse applications, Cross-Straits technology exchange and development etc. | None |
| Taipei Computer Association, Taichung Computer Association, Kaohsiung Computer Association (TCA, TCCA, KCA) | Organizes Computex to market Taiwan's computer industry globally. It also serves as a conduit between the government and the IT/communications industry to collect industrial intelligence and offer suggestions to the government and legislative organizations. | None |
| Taiwan Electrical and Electronic Manufacturers' Association (TEEMA) | Formed by the electrical and electronics industry. | None |
| GSMA | GSMA was originally formed by 15 mobile network operators. Its main function is to jointly develop the latest digital mobile communications system. Subsequently, GSMA evolved into an industry organization consisting of mobile network operators, manufacturers and suppliers. Together, their goal is to resolve policy and technical and business issues that might occur. | None |
| Cloud and Connect TV Forum (CCTF) | CCTF includes three work teams: the cloud structure and service platform team, the digital content and interactive applications team and the connect TV and digital terminal team. In resonance with government policy for the acceleration of digitization and digital convergence, a comprehensive digital TV and broadband online environment has been created, that promotes the connection of TV and cloud applications to foster cooperation between terminal devices, cloud equipment, digital content and the culture & creative industry, ultimately building a comprehensive cloud industry chain. | None |
| TeleManagement Forum (An international organization) (TM Forum) | The TM Forum is a global, non-profit industry association dedicated to improving service and offering the agility and innovation necessary for business operations. As a growing industry wisdom leader, the forum is committed to serving its members through consolidated strength. It has helped over 900 enterprises to resolve key business problems with its abundant knowledge resources, intellectual assets and industry standards. | None |

## ▶ Adequate Risk Management

Technology evolution and internet revolution have profoundly change telecommunication industry, resulting into complex and challenging operation environment. Telecom operators need to set up preventive and effective mechanisms to assess associated risk (or even opportunity) arise from those challenges, including fierce competitions, customer behavior changes, demanding regulations, and global warming that may impact telecommunication equipment.

Consequently, to ensure comprehensive control over the risks, we created an organization in 2012 dedicated to risk control and security management which is directly under the supervision of executive management.

## Role and Responsibilities of the Risk and Security Control Organization

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          ┌─────────────────────────────┐
          │  Executive Management Team  │
          └─────────────────────────────┘
                        │
┌──────────────────────────────────────────────────────┐
│          Corporate Security Organization              │
│                                                        │
│                  ┌──────────────┐                     │
│                  │   Chairman   │                     │
│                  └──────────────┘                     │
│       ┌──────────────────────────┐                    │
│       │ Corporate Security Teams │                    │
│       └──────────────────────────┘                    │
│  ┌──────────────────────────┐  ┌──────────────────┐  │
│  │ Division Security Officer │  │Functional Security│ │
│  │                          │  │      Rep.         │ │
│  └──────────────────────────┘  └──────────────────┘  │
└──────────────────────────────────────────────────────┘
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| Risk Management Organization | Rights and Obligations |
|---|---|
| Executive Management Team | Chaired by the President, the highest FET authority for corporate security policies. |
| Corporate Security Committee | This is FET's security policy decision-making unit, a cross-division committee formed by the EVPs of different divisions. |
| Operation Security Committee | This is FET's security policy management unit, it is formed by divisional security officers and functional security representatives of various divisions. |
| Corporate Security Teams | This is FET's security policy promotion unit, responsible for convening company security committee meetings and facilitating matters needing to be implemented. |

### Activate Business Continuity Management to Cultivate Ability to Respond

Enormous losses can be incurred if telecommunications services are interrupted during an emergency. This includes the potential risks from customer complaints and the loss of clients. To ensure the continual operation of the firm during such untoward events the "Major Disaster Contingency Management Regulations" have been implemented.

These regulations include prevention, the handling of major disasters and post-disaster recovery procedures. To enhance the contingency management skills of the company we conducted drills in 2012 on service continuity of the prepaid card activation and data center fire fighting systems to minimize the possible risks and their severity.

### The Reinforcement of Personal Information Protection to Implement Information Security

FET understands that personal information protection and information security are correlated and critical, In responding to consumer demands and public concerns over personal information protection, we have implemented necessary control mechanisms to ensure continuous and effective protection of sensitive information.

As we are in pursuit of information security and efficiency, we place great emphasis on management and the implementation of internal communication. In 2012, we upgraded the information security management by one level and increased the frequency of meetings. In addition, as a declaration of our determination to protect personal information, two new cross-division organizations, the "Corporate Security Committee" and "Operation Security Committee" were established directly under the jurisdiction of the President.

Furthermore, in an effort to standardize the measurement of information security operations, we have devised numerous key performance indicators(KPI) to regularly monitor and measure information security. Using measures that include data transmission encryption or password protection, FET can prevent the occurrence of information security breaches. To enhance the personal information protection policy and information security control, we have implemented comprehensive control over information and technology security, people security, physical & environmental security, and customer personal information protection:

| Item | Description |
|---|---|
| Information and Technology Security | 1.FET information and technology security control includes: data, system, procedure, network, server, terminal equipment maintenance and infrastructure management.<br>2.Regular inspection and evaluation of the operating risks to information security; continual cultivation of employee information security skills; activation of information security plans; establishment of an information security framework; documentation of policies and regulations, confirmation and verification of compliance. This materializes our guarantee and commitment towards information security maintenance as well as total information security management. |
| People Security | 1.Comprehensive and adequate management of all personnel information; declaration of employee security responsibility during recruitment and documentation of this in employment contracts. Furthermore, regular occupational safety education and training is held for employees on the job to strengthen their awareness of safety and responsibility.<br>2.All FET employees, suppliers, contractors, contract employees and consultants are required to sign the "Non-disclosure Agreement" or document of equal legal validity. |
| Physical and Environmental Security | 1.Different security standards are implemented for FET exclusive areas depending on the equipment, activities and information security level and importance.<br>2.By understanding the undesirable potential risk factors of the physical environment in advance, adequate security measures and barriers can be implemented for all the important business equipment, facilities and information. In addition, security personnel and warning & detection systems are installed together with a personnel identification system to prevent unauthorized entry, exit, interference or damage. Adequate protection systems, services and protocols are also used. |
| Customer Personal Information Protection | 1.Adequate security measures are taken for all soft/hardware, documents, internal personnel, outsourced operation suppliers and FET client personal information that has been exposed to contractors.<br>2.Clearly inform the clients of the purpose and application of collecting their personal information. Apply formal access control and verification procedures, hold regular employee personal information management education & training. In addition, we have also reinforced the promotion of protection responsibility awareness to make the protection of personal client information the responsibility of the entire company. |

## ▶ III. Innovative Application

Developments in Information Communications Technology (ICT) have had, and continue to have, an enormous effect upon the lives of the general public. Wherever and whenever one comes into contact with new ICT, one is presented with sometimes quite astounding development and transformation. The application of new technology is an important element of social innovation, and corporate needs also provide great impetus to many special technological developments.

| FET R&D Innovation Budget Table | | | Unit : NT$1,000 |
|---|---|---|---|
| Year | 2010 | 2011 | 2012 |
| Total Expenditure | 518,992 | 515,163 | 522,220 |

### ▶ The Cloud Service Offers Enterprise Innovation and Competitiveness

According to an MIC survey by the institute for information industry, the cloud services market in Taiwan is expected to grow to NT$10.3 billion in 2013. In the light of this flourishing development and the gradual shifts in consumer behavior, cloud services will need to constantly innovate to cater to the needs of the market.

In addition to a range of new products, FET is also actively expanding cloud services by the launch of innovative new ones with high added value. Focusing on the need for mobile services of our corporate clients, we have established eight intelligent cloud platforms and integrated cloud technology with the IOT (Internet of Things) technology. This has been applied to eight major fields: medical, transportation, environmental control, management, the office, services, sales and campus-related industries. These assist corporations by creating comprehensive information and communications capabilities and effectively achieve the goal of energy conservation through increased efficiency.
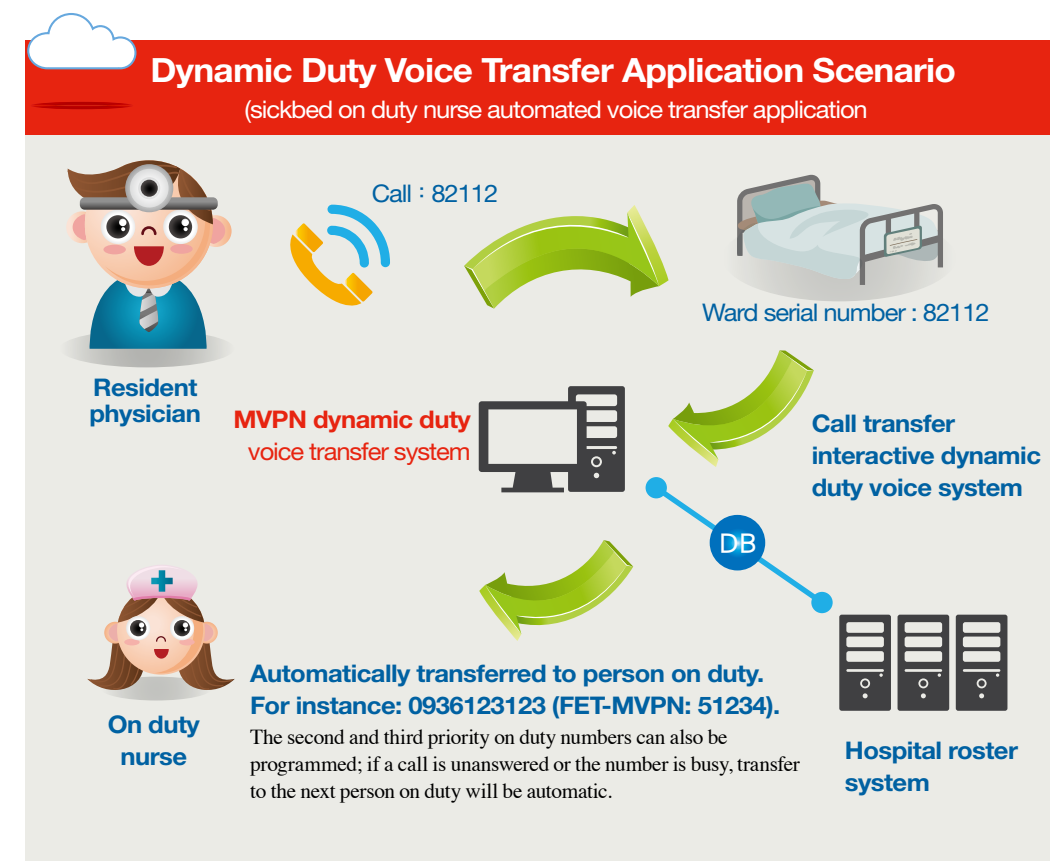
### Medical Cloud – Simplify Nursing Procedure

In the past, when patients or families had needs in the ward, contact with the nursing station had to be made. The nurse on duty was then requested to make contact with the family, resulting in inefficient nursing time management and service as well as a waste of time and labour. FET has unveiled the medical cloud mobile service FET: Dynamic Duty System (DDS) that targets efficient management applications in the hospital.

### Characteristics and Benefits

- When a nurse logs into the system at work, it automatically updates the dynamic duty personnel dialling list.
- When the patient or family calls the short code, the call is patched to the MVPN cell phone of the on duty nurse for immediate response to the patient's needs.
- The nurse on duty can communicate with the patient or family instantly or call back and arrange for handling, depending on the severity of the emergency, this avoids unnecessary waste of time and nursing manpower. Work efficiency is improved and interaction between the nursing staff, patients and their families is much better.
- When a doctor needs to check the status of a patient, he simply dials the virtual sickbed code to reach the duty nurse.



**Dynamic Duty Voice Transfer Application Scenario**
(sickbed on duty nurse automated voice transfer application

Resident physician

Call : 82112

Ward serial number : 82112

MVPN dynamic duty voice transfer system

Call transfer interactive dynamic duty voice system

DB

On duty nurse

**Automatically transferred to person on duty. For instance: 0936123123 (FET-MVPN: 51234).**
The second and third priority on duty numbers can also be programmed; if a call is unanswered or the number is busy, transfer to the next person on duty will be automatic.

Hospital roster system

## Transportation Cloud – Monitor Vehicie Effectively

Transportation is an integral part of many corporations in Taiwan, especially the logistics industry, which needs effective management to control costs. For example, determining if a vehicle has completed a mission correctly, if the vehicles are being driven safely, if they are speeding or using extra fuel by taking longer routes and so on, are all important matters that need to be addressed.

FET launched the "Cloud Fleet Management Service", which is focused on the needs of corporations, and integrates our core competency in communications with the industry resources and the technology and experience of our up and downstream manufacturers. The purpose is to assist them to increase income and reduce expenses, improve management performance and enhance operating quality to make vehicle management more effective by minimizing abnormal vehicle use.

### Characteristics and Benefits
- GPS technology and the GPRS network are utilized to keep track of the positions of company vehicles. Several monitoring modes are available: text, graphics and multi-window monitoring.
- The company can set up its most frequently used landmarks and maps in advance in order to quickly display the whereabouts of a vehicle.
- If a vehicle encounters an emergency during a journey, an SOS button can be pressed to send an alert, and the system will immediately notify company staff via an email and text message, to allow the firm to handle the emergency without delay.
- Using a variety of report management statistics and data, the company can control and manage the work process or travel expenses to effectively improve the efficiency of corporate operations and reduce operation costs.
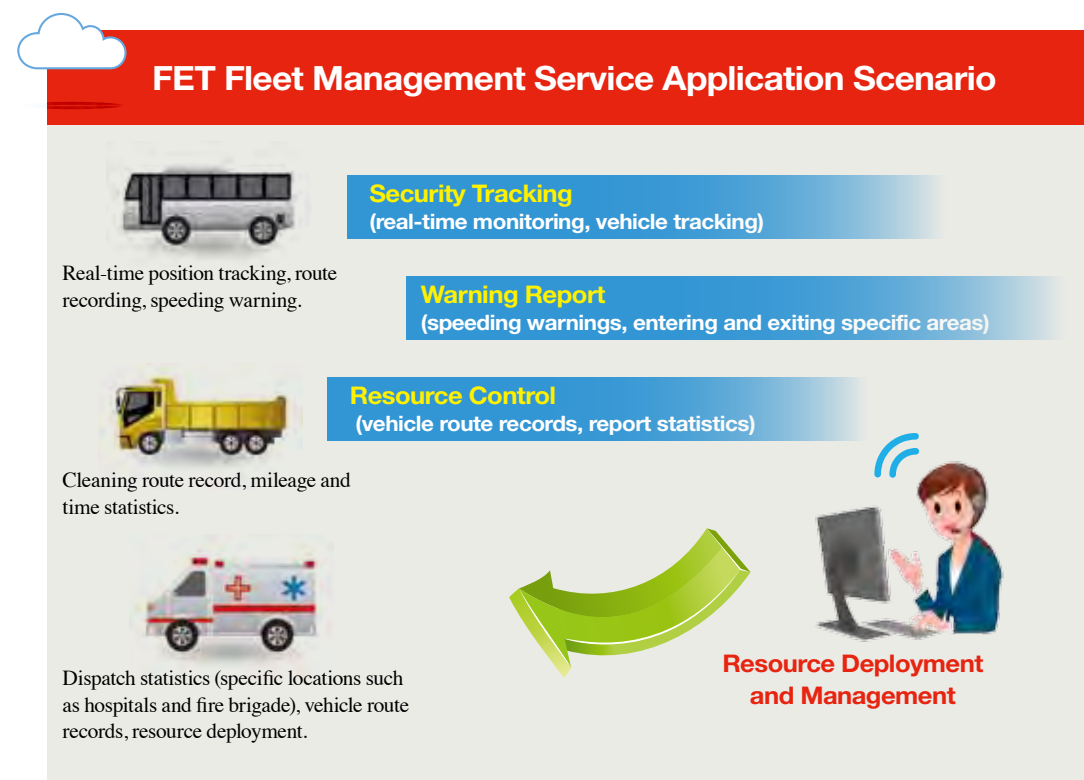
## Campus Cloud – Establish Security Protection and Immediate Reporting

As the public order situation becomes increasingly complex, campus environment security is also being challenged. In June 2012 FET launched the "Campus Care Network: Communication with Love and Close the Distance" program in collaboration with the China University of Technology. Here 3.5G wireless and fixed network technology was introduced to form an intelligent, diverse network system on the campus. By the end of last year close to 1,200 students and teachers had joined the program.

We connect teachers, students and parents to an established mobile platform to create a campus security protection network, the objective being comprehensive communications integration, personal and property safety, and a reduction of inter-campus distances to make instantaneous information dissemination economical and convenient. The system allows the school to react faster and more effectively to any kind of emergency, and also take action to prevent accidents.

### Characteristics and Benefits
- Provides ultra-low call rates to reduce communications costs and make teacher-student interactions more frequent.
- Offers a monthly free text messaging quota for announcing or disseminating messages.
- A group speed dial function has been established to effectively connect staff extensions with group cell phones, to allow fast communication between the teachers, students and parents.

### FET Fleet Management Service Application Scenario

Real-time position tracking, route recording, speeding warning.

**Security Tracking**
(real-time monitoring, vehicle tracking)

Cleaning route record, mileage and time statistics.

**Warning Report**
(speeding warnings, entering and exiting specific areas)

**Resource Control**
(vehicle route records, report statistics)

Dispatch statistics (specific locations such as hospitals and fire brigade), vehicle route records, resource deployment.

**Resource Deployment and Management**

## Business Application – Business Storage Cloud Allows Convenient Access

The use of digital data has grown at an explosive rate and the online environment has become more and more sophisticated with the popularization of smart phones and handheld devices. Global enterprises now have to deal with the impact of three major trends, towards Big Data Storage, BYOD (Bring Your Own Device) and the Mobile Office. Only by adopting the concept of the mobile office using cloud technology will corporations be able to resolve issues like Big Data management, the synchronization of various mobile devices and different platforms, backing-up, sharing, notes and printing application services.

In response, we have worked with ASUS to launch the "FET Super-Cloud Enterprise Cloud Storage" service, with which, based on customer requirements, we have devised different forms of cloud storage services for large, medium and small enterprises. This is a most sophisticated and versatile public/private cloud service.
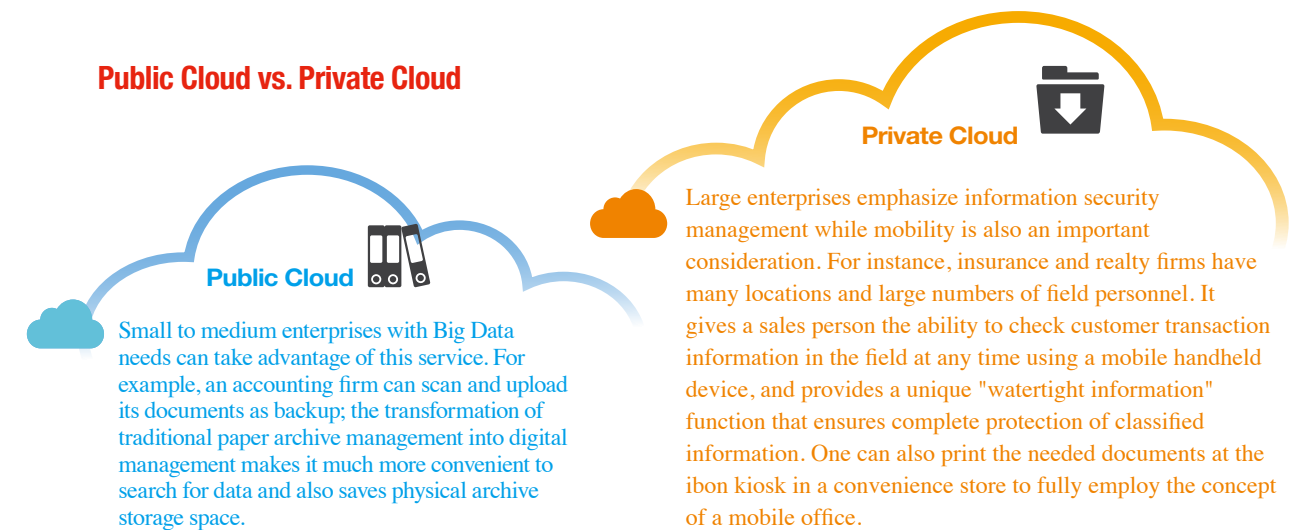
The application service received second place (platform category) at the "2012 Cloud Innovation Awards" ceremony organized by the Cloud Computing Association of Taiwan and MOEA.

### Characteristics and Benefits
• Seamless integration of soft/hardware, a single platform with multiple applications.
• Allows corporate employees to browse documents with their mobile devices. The system also allows for rights control and features multiple data security protection measures to ensure watertight information confidentiality.



## Public Cloud vs. Private Cloud

### Public Cloud

Small to medium enterprises with Big Data needs can take advantage of this service. For example, an accounting firm can scan and upload its documents as backup; the transformation of traditional paper archive management into digital management makes it much more convenient to search for data and also saves physical archive storage space.

### Private Cloud

Large enterprises emphasize information security management while mobility is also an important consideration. For instance, insurance and realty firms have many locations and large numbers of field personnel. It gives a sales person the ability to check customer transaction information in the field at any time using a mobile handheld device, and provides a unique "watertight information" function that ensures complete protection of classified information. One can also print the needed documents at the ibon kiosk in a convenience store to fully employ the concept of a mobile office.

## Exchanging and Sharing with Corporate Clients

For many years, we have been sharing the latest information, communincations trends and industry applications with large, medium, small or even micro enterprises as well as innovative groups in the country. We do this by means of seminars and forums, at which renowned EMBA lecturers, corporate user representatives, strategic partners and professional managers from FET are invited to speak.
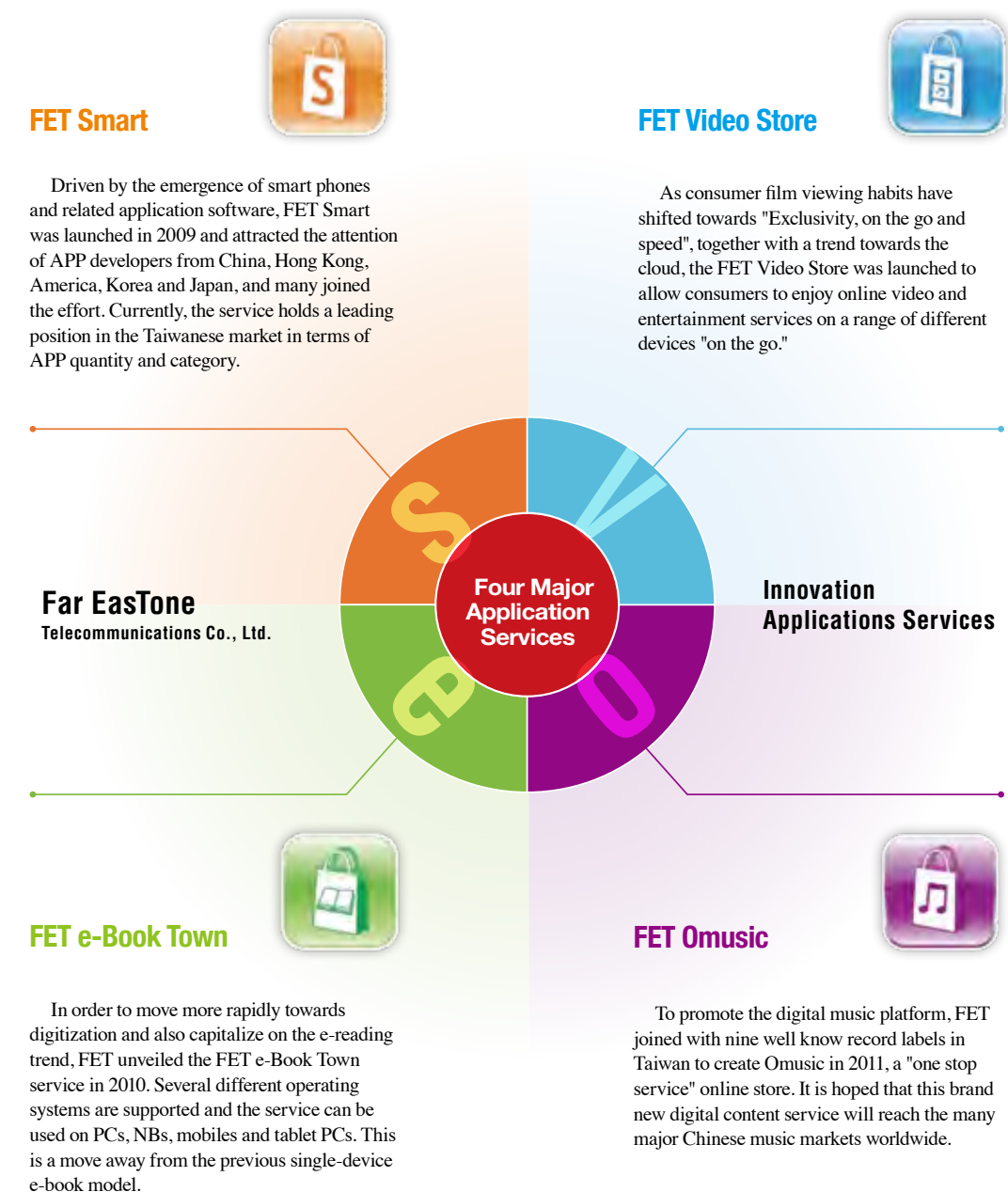
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2012 FET Corporate Social Responsibility Report 035

## Important Seminars Held by FET in 2012

| Topic | Date | Agenda | Target Audience |
|---|---|---|---|
| Management Next: 2012 Decisive Cloud Strategy Forum (co-organized with Business Next and Manager today) | 3/9～3/22 | "Master's Lecture" : Evolution of business management. Mobile Management: Enterprises share their tactics under the cloud strategy. Management Next: Dialogue on Business Management Evolution. | Executives from large, medium and small enterprises |
| Financial Industry IT Innovation Value Seminar –Fundamental Network and Integrated Mobile Enterprise Cloud Applications | 6/28 | Integrated communications and cloud solutions. Mobile business and mobile information security management solutions. Mobile synergy solutions. | Financial industry (banking, insurance), IT managers. |
| Far Eastern Group IT Cloud Forum – Create Enterprise Mobility with Cloud Applications | 7/20 | Enterprise private cloud trend and application. Enterprise mobility trend and application. | Far Eastern Group CIO |
| Technology Manufacturing Industry Mobility Seminar | 8/30～9/7 | Trends and applications of cloud switchboards in the manufacturing industry. Mobile business and mobile security management solutions. Enterprise mobility trends and applications. | Technology and manu- facturing industry IT managers |
| Create Differentiation – Service Industry Mobile Application Seminar | 10/16 | The Cloud office, build service mobility foundation. Bridge the information divide to accelerate service competitiveness. Safe mobile synergy creates high-efficiency mobile enterprises. | Service industry (chain, circulation, tourism industry) IT manager |
| SMME Winning Forum (Co-organized with Microsoft and TWNIC) | 9/25～10/4 | SMME winning formula. Mobility made easy for SMMEs – creating endless opportunities. Establish SMME mobile competitiveness. SMME innovation marketing is the key to unlocking higher revenue. | SMME owner, manager |



## ▶ Performance of FET Four Major Applications in 2012

As the Internet, smart mobile devices and cloud computing technology continue to gain prominence, the telecommunications industry is entering a new period of development and is adopting an application system and service oriented business model. To keep a finger on the pulse of the new Blue Ocean era, we are actively developing digital content and applications through four major services, "FET Smart", "FET e-Book Town", "FET Omusic" and "FET Video Store". In 2012, several application services had already demonstrated substantial results.



### FET Smart

Driven by the emergence of smart phones and related application software, FET Smart was launched in 2009 and attracted the attention of APP developers from China, Hong Kong, America, Korea and Japan, and many joined the effort. Currently, the service holds a leading position in the Taiwanese market in terms of APP quantity and category.

### FET Video Store

As consumer film viewing habits have shifted towards "Exclusivity, on the go and speed", together with a trend towards the cloud, the FET Video Store was launched to allow consumers to enjoy online video and entertainment services on a range of different devices "on the go."

**Far EasTone** Telecommunications Co., Ltd.

**Four Major Application Services**

**Innovation Applications Services**

### FET e-Book Town

In order to move more rapidly towards digitization and also capitalize on the e-reading trend, FET unveiled the FET e-Book Town service in 2010. Several different operating systems are supported and the service can be used on PCs, NBs, mobiles and tablet PCs. This is a move away from the previous single-device e-book model.

### FET Omusic

To promote the digital music platform, FET joined with nine well know record labels in Taiwan to create Omusic in 2011, a "one stop service" online store. It is hoped that this brand new digital content service will reach the many major Chinese music markets worldwide.

## ▶ FET Smart : FET Developers Convention Stimulates Exchange

To increase exchange opportunities, share successful corporate experience and provide developers and partners with more opportunities for cooperation, we held a convention for FET Developers in August 2012, to which all the FET APP developers were invited and more than 300 attended.

Public figures from across the Taiwan Strait and the international community, including the executive management of China Mobile, UUSee, Rovio Asia Ltd and LINE Global Business NHN Corp, were invited to share information and the opportunities of the gaming market across the Taiwan Strait. The direction and development of cell phone browsers, opportunities for content providers and how to maintain the success of games were all important topics discussed. The satisfaction rating for the event was almost 100%. FET also established a sharing platform to promote international business opportunity and information exchange and the developers all understood the global marketing capability of FET Smart. Many developers had high praise for the concept and encouraged us to provide more such high standard sharing platforms next year. FET will continue to organize these gatherings to foster connection and opportunity for further exchange across the industry chain.



## ▶ FET Smart : APP Star Awards Promote Digital Culture & Creative Soft Power

In order to encourage developers to continue creating high quality APPs and cultivate Taiwan's digital culture and creative soft power, the annual "FET Smart APP Star Awards" were held when the service was launched in 2010. Unlike conventional APP contests, the "FET Smart APP Star Awards" not only assess the overall presentation of an APP, but other aspects such as the production team, UI design, the planning process, and sound effects are also given credit. It is hoped that this concept will improve professionalism in the APP industry, in turn assisting related micro development teams to design more quality APP products.

Constant innovation is the key, and the idea behind the 2011 "FET Smart APP Star Awards" is to unite the entire APP industry by inviting participation of the public. By generating upstream development in the

APP industry as well as in downstream partners and end users, progress will become more sophisticated. It is hoped that such large events will result in an upgrade of the APP industry in Taiwan from OEM level to professional production, and also lead to the development of proprietary brands.

In 2012, the special feature of the event was that all shortlisted submissions could win prizes; depending on the category entered, shortlisted designs were entitled to an NT$10,000 or NT$50,000 cash prize. In order to gain insight into future trends, the Smart TV APP award will be augmented to provide for outstanding submissions.



### APP Star Awards Performance Result

| Year | Number of Entries | Number of Awards | Total Prize |
|------|-------------------|------------------|-------------|
| 2010 | 113 | 10 | NT$1.6 million |
| 2011 | 162 | 15 | NT$2 million |
| 2012 | 133 | 29 | NT$1.3 million |

## ▶ FET Smart : Bad Piggies Set a New Record with 30,000 Downloads in One Month

In September 2012, FET Smart launched the innovative APP game "Bad Piggies" in sync with the world to become the first APP platform in Taiwan to make the game available on the market. The APP game is fun and educational, allowing the user to experience components with different materials and power as well as the Physics of Mechanics. Seeing how objects move and their trajectory brings loads of fun for mobile users.

Using both virtual and real integrated marketing we have combined Internet APP downloading with store channel check-in activities to enhance user participation. As a result, the APP achieved more than 30,000 downloads in one month and set the high record for a single game in 2012.

2012 FET
Corporate
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2012 FET Corporate Social Responsibility Report 039

## ▶ FET e-Book Town :
### Green Reading Reduces Carbon Emission to Enhance Environmental Protection

The mission of FET e-Book Town is to offer an innovative more eco-friendly, more convenient and more efficient green reading service. Since FET e-Book Town was launched in July 2010, the service has seen 4.5 million books downloaded. This is the equivalent of a saving of 1,350 tonnes of paper and a CO2 reduction of 1,607 tonnes. This sets a new green reading example and precedent for protection of the environment and carbon reduction.

The concept of the FET e-Book Town digital reading platform is the provision of the most economical, convenient and energy-saving e-book reading method available. We currently house a collection of 30,000 books from more than 250 publishers and our members can enjoy the complimentary download of more than 1,000 great books. FET e-Book Town supports many different devices and all the available books on FET e-Book Town can be read using a PC, iPad, Android Tablet, iPhone or Android Phone.

**Tips : The calculation logic of carbon dioxide data is provided as below:**

Paper accounted for 75% of the total $CO_2$ emissions generated from the printing process, while others accounted for 25%.
1 tonne of paper will release 1.19 tonnes of $CO_2$ during the printing process (approximately 1:1.19).
Taking one book weight as three hundred grams for calculation, 4.5 million times of downloads will be converted to about 1,350 tonnes of book weight. Therefore, calculating backward, saving 1,350 tonnes of printing paper is as of reducing 1,607 tonnes of $CO_2$ emissions.
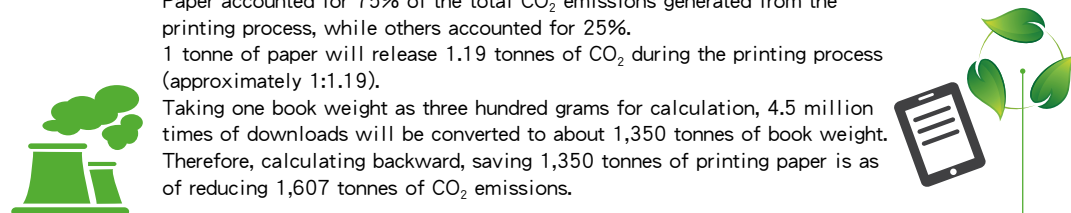


## ▶ FET Video Store :
### Watching Movies on the Mobile Phone and Enhance Digital Content Services

Cloud applications have become the mainstream of technology development, and consumer video viewing habits are also shifting towards "Exclusivity, on the go and speed." In August 2012, we became the first operator to launch a Video on Demand service across a range of mobile devices; there is no longer a worry to return videos, providing single tariff with full range of services to satisfy avid user needs.

In October 2012, we collaborated with Samsung on Smart TV to become the first operator to allow users to watch video on smart TVs through an APP. A FET Video Store digital content service is also available from FET stores. To fulfil our corporate social responsibility and enhance the culture and creative industry, we have taken part in many social and cultural events. We have also sponsored the Taipei

Golden Horse Film Festival and Awards.

Furthermore, we worked with the National Quemoy University to host the University Film Festival. FET sponsored event lotteries by providing more than 1,000 sets of trial serial numbers and FETVideo Store half-year packs (valued at more than NT$1,000) as prizes.

The FETVideo Store offers extensive and legal video content to consumers at a reasonable price. We provide an ideal alternative for the general public who love movie culture, but cannot afford the usual rather steep expense.



## ▶ Omusic : Sharing Great Songs with no Distance and Unlimited Digital Music

In this prospering age of digital technology, listening to music is no longer limited to playing songs on a computer platform. The Omusic On Line Music Streaming Service allows unlimited use of the available music on computers or cell phones (supports iOS and Android devices). Furthermore, a single user account can be used on several different devices to listen to fine music from a comprehensive and professionally categorized Omusic database, which is enough to satisfy all the needs of any music lover.

In May 2012, this innovative music service platform was combined with the Digital Star Chasing Event. Twenty-four singers have currently signed up for the unlimited Omusic On Line Music Streaming Service. The singers can edit the song list and users are able to access the recommended songs and engage in an interactive and close experience with their idols.

At the same time, Omusic will post one single song prior to release of the album every week to allow users to enjoy the latest music firsthand. Users can also easily share great songs with their friends and families, so that everyone can enjoy the most popular music together at anytime, anywhere. Omusic brings digital music closer to customers' lives.

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## ▶ IV. Customer Service

Upholding the vision of "FET Connects and Enriches Life," FET is dedicated to providing customers with diversified high quality services that create a convenient and rich mobile lifestyle. We take care of our customers by launching many different high quality and thoughtful FET user services that will completely satisfy all their requirements.

The products and services we offer are highly related to customers' everyday life. When delivering them, FET not only abides by all the related marketing regulations, we also uphold the attitude of total transparency with respect to marketing and advertising information, because that way we can provide the consumer with really immediate, fair, transparent and convenient services.

### ▶ FET 360° Store Service Satisfying Customers' Needs

To satisfy all the special needs and expectations of our consumers, we initiated the "FET 360° Store Service" in 2012 and launched several innovative services including the monthly consumer course, the open-all-year FET service center, in-store automated payment service, and 10-minute Service Promise, offering customised services to meet customers' different needs in terms of time, location and product. We established this service brand and offer bespoke services to consumers depending on their time, location and product needs. We make every effort to fulfil the expectations of every customer with innovation and passion and offer thoughtful services that exceed their expectations.

FET 360° Store Service Connects You and Me

### Self-care App

**My Rate Plan**
Keeps you abreast of the current tariff information, and change service is also provided.

**My Bill**
Provides query service about bill amount, unbilled amount and data transmission volume.

**Call Service**
Provides convenient services for you to apply for, such as bill amount query, unbilled amount, and data transmission volume, meeting your needs for life.

**Payment**
You can complete the payment without going out.

**Leaving and Returning the Country**
No need to worry about what service to turn on or off while leaving and returning the country. You can complete the setting with only one finger touch.

**Cell Phone Operation**
Helps you to export the phonebook and allows you to organize and update the phonebook with no worries.

**Exclusive Deals and Offers**
Introduces exclusive tailored deals and offers that are available to check at any time.

**SMS/Setting**
Makes your password change and security management more immediate.

### FET 360° Store Service

| Services | Service Description | Implementation Results in 2012 |
|---|---|---|
| Monthly Consumer Course | Courses are presented by full-time lecturers to demonstrate the latest functions and applications of phones to the users | Since this service was offered from March, total 38 courses have been held while 217 people have completed the free learning courses |
| Open-all-year FET Service Center | 365-day service is available at service centers in northern, central and southern Taiwan. | Since this service was offered in March, an average increase of 855 service cases each month, total annual service volume increased 11,802 cases. |
| In-store Automated Payment Service | Industry-leading self-service payment kiosks are being installed throughout Taiwan where real-time system connection allows quick payment and also circumvents the hassle of waiting at a counter. | Average annual self-service payment accounted for 28% of total payment retail store payment. |
| Home Delivery Service for Platinum Members | FET platinum members can request service online, and our professional contract couriers will pick up the product to be serviced at your home to save travelling and waiting time. | Provided monthly average of 18 times of service; annual service totalled 220 times of service. |
| Retail Store Reservation Service | For specific services, our customers only need to make a phone call without waiting on the phone or in a queue. | A total of 43,734 people took advantage of the reservation annually |
| 10-minutes Service Promise | If a customer has to wait for more than 10 minutes in a store, NT$1 will be deducted directly from the customer's next month's bill, for every additional minute they spend waiting. | A average total of 1,112 bills were deducted per month; 13,469 bills were discounted annually |

## Significant Improvement in Customer Satisfaction

One week within a customer's visit our retail store, the system will automatically contact the customer to conduct a service satisfaction survey. Between the first and fourth quarter of 2012, the general customer satisfaction index rose from 9.07 to 9.19, while the paying customer satisfaction index rose from 8.87 to 9.06, showing clearly that the FET 360° Store Service had indeed improved service quality and customer satisfaction.

### In-store Customer Service Satisfaction Index
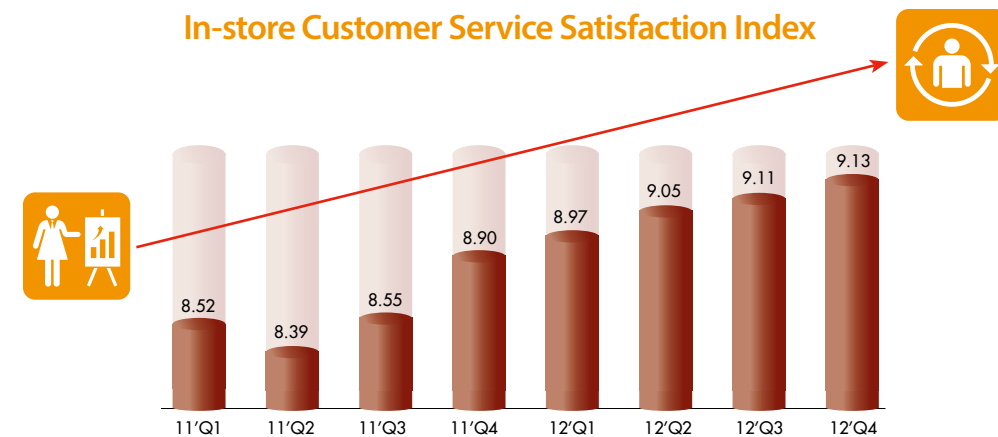


| Service Category | 11'Q1 | 11'Q2 | 11'Q3 | 11'Q4 | 12'Q1 | 12'Q2 | 12'Q3 | 12'Q4 |
|---|---|---|---|---|---|---|---|---|
| General Customer | 8.64 | 8.71 | 8.76 | 9.02 | 9.07 | 9.13 | 9.19 | 9.19 |
| Paying Customer | 7.82 | 8.07 | 8.34 | 8.78 | 8.87 | 8.97 | 9.03 | 9.06 |
| Average Performance | 8.52 | 8.39 | 8.55 | 8.90 | 8.97 | 9.05 | 9.11 | 9.13 |

### ▶ Attentive In-Store Service

#### Highlight of 2012 Retail Store Service

- March - Innovation of exclusive thoughtful service: Consumer training course services were progressively launched; all year round service, earliest opening store and latest closing hours in Taiwan; a free un-restricted Wi-Fi service.
- June – Received a golden award from Commercial Times's service industry appraisal: FET stores received a gold prize in the first "The Best Service in Taiwan" held by the Commercial Times.
- July – Pioneered the first store service brand in the Taiwan telecommunications industry, the "FET 360° Store Service", to create convenient and more thoughtful in-store services.
- October – The FET's telecommunications stores and service centers passed SGS service accreditation for the sixth time.

## Store Location Expansion – Consistent Service Brings More Convenience

To provide consumers with more convenient, thoughtful and complete services, we have actively expanded our wholly owned store locations in recent years to cater for the increase in consumer expectations. In addition to offering services of a high standard at these widely distributed, wholly owned stores, we are also enhancing the management quality of our franchise stores. Here such matters as store retrofitting, the installation of brand image counters, wall display areas and central island displays are receiving attention. Besides reinforcing our hardware facilities, we have implemented regulations in our franchise stores equivalent to those used in wholly owned stores to manage service quality and provide consistent service.

In 2011 the number of stores was increased by 61 and by 108 in 2012. By 2013, we expect to reach the goal of 1,000 FET stores nationwide. This will ensure easy public access to a convenient service nationwide.

### FET Wholly-Owned Retail Stores Expansion Number



**178** Wholly Owned Stores 2011

**270** Wholly Owned Stores 2012

## Retail Store Type Update – Experience the Best Customer Service

As the consumption pattern has changed along with society transformation, since 2012, we've opened specialty retail stores with brand display area especially for different types of customers to provide more comprehensive service for their unique needs. Each retail store is equipped with real machine experience environment to provide mobile smart life experience platform for customers. Free mobile device courses are also offered to satisfy customers' need for smart life. Meanwhile, FET 360° Store Service is implemented throughout Taiwan to allow customers to enjoy the best service and a with barrier-free product experience.



Retail Store Implementation of Real Machine Interactive Experience
**100%**

Completed 38 Free Courses with Attendance at 217 throughout Northern, Central and Southern Taiwan from March 2012 till End of 2012

**2012 FET Retail Store Model Update**

Interactive Experience

Cousumer Course

360° Store Service

Brand Display Area

Wholly-owned Retail Stores Implementation of Brand Display throughout Taiwan
**60%**

**100%**
Retail Stores Implementation of FET 360° Store Service throughout Taiwan

## Specialty Store : Largest Flagship Store in Southern Taiwan – the Kaohsiung Ruifeng Store

The flagship FET store near Ruifeng Night Market in Kaohsiung is currently the largest of our flagship stores in south Taiwan. It is also the first store designed with APP elements in south Taiwan. The floor area is 200-ping and it was built at a cost of NT$15 million. The strong brand effect has resulted in the store's revenue being 30~40% higher that of the conventional stores. Innovative service not only introduces a brand new shopping experience to the consumers, but the shop also attracts many non-FET customers who come to buy accessories, or visit merely to look around and experience the service. There is a consumer training classroom in the store where customers are regularly offered the latest product information and experience.

## Specialty Store : The 7-Eleven of the Telecommunications Industry Taipei Main Station Wholly-owned Store

To serve the increasing number of consumers, FET has opened a wholly-owned store in the Taipei Main Station that is open for business from 07:00 to 23:00 each day. It has been called the "7-Eleven of the telecommunications industry" and has the longest opening hours of any telecommunications shop in Taiwan. Furthermore, in an effort to facilitate the shopping convenience of station commuters, the accessory display area in this new shop is twice as big as that of conventional street stores and displays 30%~50% more products. Our wide range of products is constantly being updated to fulfil the needs of consumers who pursue the latest telecommunications trends.

### Diverse Education and Training Ensures the Efficiency of Key Services

As a response to the trend towards the constant evolution of smart phones, we place great importance on the expertise and service quality provided by our frontline store personnel. We plan to launch store personnel smart product education and training in 2013. "Product Pro" certification, that will measure professionalism, will also be introduced to further enhance management service quality.

Besides, in order to manage salespersons' service quality, in 2013, we are investing NT$ 1.2 million in "interactive service training program," a 360° Store Service consultative sales and service educational training course designed particularly for new employees, salespersons, senior salespersons, sales managers and regional managers.

### Smart Product Training Course

| Training | Training Content |
|---|---|
| New Employees | Basic expertise, product function setup/operation, network adapter installation, network configuration, hands on demonstration |
| Mobile Smart Pro | Rehearsing of basic functions, product installation and application, troubleshooting/application/demonstration |
| Mobile Smart Expert | Consultation style sales demonstration, professional brand product training |

### Education and Training Course Key Points

| New Store Employee Training Key Points | Senior Store Employee/Manager Training Key Points |
|---|---|
| • Experience of serving and being served | • Rethink the nature of the service industry |
| • Seeing telecommunications services from a customer's perspective | • Rethink the impact of soft/hardware service on the service industry |
| • Creating service consensus and service empathy | • Rethink our customers' expectations towards FET |
| • Evolution of key service fundamentals to be more thoughtful and diligent | • Rethink adjustments needed in our stores |
| • Internalize the values of the 360° Store Service | • Rethink our commitment to the customer |

### Comprehensive and Multidimensional Performance Measurement of Retail Store Service and Professional Skills

Moreover, we also conduct telephone surveys to gather consumer opinion about the attitude, professionalism, efficiency and troubleshooting abilities of our store staff. At the same time, through the service DVR system/customer complaint management, mystery shopper, and professional product testing (hands on testing), we can evaluate the service quality and skills of our store staff and implement any incentive mechanism needed.

| Assessment Tool | Assessment Key Points | Incentive Mechanisms | 2012 Implementation Result |
|---|---|---|---|
| Telephone Survey | Consumer experience assessment based on attitude, professionalism, efficiency and troubleshooting skills. | Relative comparison of satisfaction score is combined with KPI (Key Performance Indicator) to determine incentive. | Compared to 2011, annual average performance score grew from 8.59 to 9.06. |
| Service DVR/ Customer Complaint Management | Measures the implementation of key services and management of customer complaints. | Punishment is calculated based on incidents of negligence and it is combined with KPI to deduct points or service commission as punishment. Punishment is meted out based on the severity of negligence and complaint (general/severe/violation). | Completed 4,628 checks in 2012. |
| Mystery Shopper | 3P (Proactive, Professional, Problem Solving) | Service commission incentive is implemented based on standard scores. | Completed 1,879 mystery shopper visits in 2012. |
| Product Professionalism Testing (Hands On Testing) | Professional, Problem Solving | Service commission incentive is implemented based on standard scores. | Completed 900 hands-on tests in 2012. |

## ▶ Excellence in Consumer Satisfaction

Understanding customer satisfaction, service trends and service quality is our number one priority. To track user experience and perception, we not only hosted market surveys by outside research agency but also required service units to run internal satisfaction surveys. By continuing to track customer satisfaction with each product and service, we are able to hear the voices of our customers and use them as a reference for future business strategy and improvements. We aim to provide customers with appropriate and satisfactory service that increases their user experience and satisfaction.

### Customer-oriented Services to Meet the Needs of Each Customer Segment

In order to meet the needs of different subscribers, FET has set up a 24-hour customer service. Users are able not only to request services or give feedback by telephone or e-mail, but can also use a smart phone to access the "FET 360° Self-Care App".

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### Self-Care App Making Self-service Universal

With the popularity of smart phones and tablets, people use personalization self-service APP has become universal. We deeply understand the customers' needs, therefore, FET launched FET Self-Care APP, building up zero-distance 360° personalized self-service for customers.

**Enjoy Your Zero-distance 360° Customer Service**

The Self-care App lets you manage your mobile usage anytime, anywhere.

Self-care App

My Bill    Payment    My Rate Plan

Call Service    Leaving and Returning the country    Exclusive Deals and Offers

FET 360° Store Service    Cell Phone Operation    SMS/Setting

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FET offers special rate plans to the people with disability. For example, "Genial 195 program" provides favorable text message rates and free intranet text messages, and "Genial 365 program" provides 50% off on monthly fee. FET also offers a 50% discount on monthly fee to the senior citizens.

Meanwhile, we have established a multiple languages service for foreigners in Taiwan, providing four languages including Hindi, Vietnamese, Thai and English, so when they call the customer service center they will receive online consulting service with their selected language via automated voice system (IVR).

### Multiple Mechanism to Monitor Customer Satisfaction in Service Center

The FET customer service center has been conducting customer service satisfaction surveys since 2003. In 2012, we became the first in the industry to introduce a voice recognition system that allows consumers to rate the services over the phone. Consumers can give service praise, suggestions for improvement and service complaints. The real-time and objective feedback on quality helps us continue to improve the standard of our services.

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We track customer satisfaction with products and services by the following means:

1. **Customer satisfaction surveys through the automatic voice recognition (IVR) system :** When customers finish a call to the service center, a customer service representative can transfer the call to the IVR system for a service satisfaction survey.

2. **Customer satisfaction survey through the Auto Dialler :** System users who have called the customer service center are picked at random and asked to take the customer service survey.

3. **Telephone interview :** If a customer leaves negative feedback or comments, they are called by dedicated staff who record the details and suggestions and immediately report the information to an expert unit for action and an effort is made to rebuild relations with the customer.

4. **Customer satisfaction survey through the Voice Recognition system :** The system picks outside callers at random, after they have completed a service call, to conduct an interactive survey.

### FET Customer Service Center Satisfaction Survey

| Year | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| Customer Satisfaction (Note 1) | 87.9% | 88.5% | 90.7% | 90.3% 89.9% (Note 4) |
| Service Level (Note 2) | 66% | 74% | 83% | 79.0% |
| One Call Resolution Rate (Note 3) | 88.2% | 97.0% | 97.4% | 92.0% |

Note : 1. "Customer satisfaction" refers to the rating of the service by a customer who has made a call to the service center. The results shows average ratings of satisfactory or higher for "Attitude", "Ability", "Resolution", "Waiting Time" and "Overall Quality of Service".

2. "Service Level" refers to customer calls that have been answered within 20 seconds.

3. "One Call Resolution Rate" refers to an incident where the customer confirms satisfactory resolution of the problem on the "first call".

4. Refers to data from a customer satisfaction survey conducted by the automated voice recognition system.

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### Solving Customer Problems in One Call

In the latest survey, many customers complained about the capability of customer service representatives to solve a problem right away and the customer service department introduced the "One Call Resolution" plan to improve the situation. In 2012 a series of initiatives such as the trouble-shooter and process simplification were introduced to improve the skills of customer service representatives. We succeeded in reducing the number of repeat service calls by 8,059. FET aims to solve all customer problems with one call.

## Retail Store Satisfaction Surveys towards A-class Service

Every customer who visits FET retail store will receive a satisfaction survey automatically dialed by the system within one week. We collect large number of opinions and large amount of advice regarding service attitude, professional knowledge, efficiency and problem solving ability that will be used as reference for further improvement. Since 2010, we have also made the survey result a key element of performance indicators and incentive for business department performance, continuing to stirve for high quality performance.

| Year | 2010 | 2011 | 2012 |
|------|------|------|------|
| Customer Satisfaction Survey (Note 1) | 7.99 | 8.59 | 9.06 |

Note : Customer satisfaction surveys are conducted over the phone after each customer visits one of our retail stores and the surveys focus on customer perception of the attitude of store staff, professional knowledge, service speed, problem-solving ability.

## External Satisfaction Survey to Grasp the Overall Company Service Performance

In addition to conducting internal surveys proactively, we also commission outside market research firms to conduct satisfaction surveys amongst all mobile telecom subscribers twice a year. In addition to checking the performance of FET, and other operators, to provide a yardstick for improvement, the survey also covers the network quality, customer telephone service, in-store service, value for money and billing services. The survey provides us with a comprehensive picture of customer satisfaction within each service area and a directional input for FET teams on improving the overall quality of telecommunications services.

In recent years, FET has worked tirelessly to improve our overall service. The results of each survey include not only improvements proposed by each department, but are also reviewed and implemented with senior managements' full attention. The improvements are reflected in our customer satisfaction ratings that have continued to rise since 2008.

## Overall Customer Satisfaction Survey, 2008 ~ 2012



| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|------|------|------|------|------|------|
| | 6.92 | 6.90 | 7.00 | 7.18 | 7.13 |
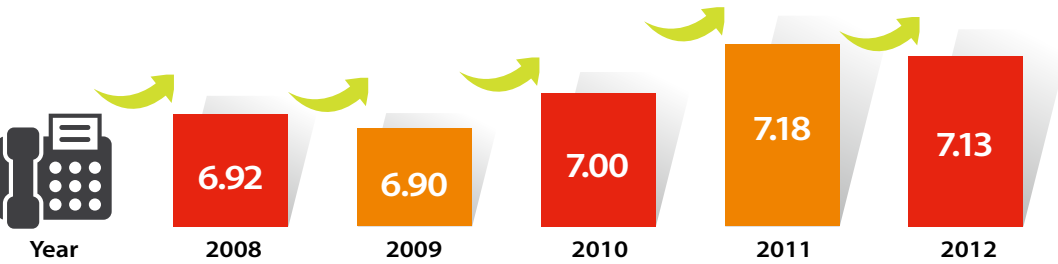
Note : Satisfaction surveys are conducted by phone with customer satisfaction being measured on a "10-point" scale (10 is the highest rating while 1 is the lowest rating). This score is the result of the second half of each year.

## ▶ Effective Customer Complaints Management

To improve our monthly operational efficiency, we listened to what our customers had said, and in 2012 FET began the regular tracking of customer complaints and related issues, after which we drew up measures for improvement.

We regularly make an inventory and approve the service and key processes of each department to ensure proper response to changes in the internal and external environment. Key service indicators have also been defined based on the three dimensions of "Accuracy", "Timeliness" and "Completeness", including number resources, logistics, number activation, billing and payment services. We have become an efficient provider of a very good user experience for all internal and external customers and the total number of complaints has been reduced by over 56% since the tracking process was put in place. (Note 1)

Note 1: (Beginning number of complaints − Ending number of complaints) ÷ Beginning number of complaints X 100% = Reduced number of complaints

We will continue to make improvements, listen to customer problems and complaints with an open mind, and uphold the FET mission of "Closing the Distance". We will show our customers that we care, continue to enhance business efficiency and minimize the number of customer complaints.

## Customer Complaint Classification Management

To reduce the chance of customer complaints and legal action, we have added a customer complain classification and punishment principle. Customer complaints classification, response mechanism, management principles and disciplinary actions have now been defined to deter illegal activity inside and outside the company.

## Establish Designated Hotline to Standardize the Handling of Customer Complaints

To process customer feedback in a timely manner, improve customer satisfaction and boost our ability to respond to emergencies, we have standardized the procedure for handling customer complaints. Trained personnel gather and document information from the customer and this is sent to the relevant units for action without delay. The competent unit then reviews the process and results for further analysis and improvement.

To check service quality and validity, random customer satisfaction surveys are conducted. Customers are asked to provide opinions and feedback about services received to ensure that the customer complaints handling process is optimal and consistent.

## ▶ Trustworthy Personal Information Protection

The rising popularity of the Internet and the increasing use of smart mobile devices means that consumers can now use telecommunications services and applications to deal with everyday matters such as paying bills, accessing bank records and social networking. However, the convenience of these on-line services is overshadowed by user's concern about personal privacy. The provision of convenient services while at the same time protecting customer privacy is therefore a major and longstanding concern for FET.

FET knows that the personal information of our customers is an important business asset. The company is also responsible for the protection of the personal details and the privacy of all customers. We have adopted the following measures to create a trustworthy personal data protection and privacy environment.

Additionally, FET began a study of the issues of notification about the collection of personal data, consent for this, no advertising, and user rights, before the "Personal Information Protection Act" took effect. This has resulted in the establishment of trust between FET and our customers, who have become more willing to hand over personal information.

### Comprehensive and Sound IT Security Management System

In 2005, FET was the first mobile telecom operator in Taiwan to receive "Information Security Management System" (ISMS) certification from the British Security Institute (BSI).

By the time the "Personal Information Protection Act" took effect in October 2012, FET had already conducted an inventory of personal data throughout the company and had set up a system for the collection, processing and use of personal data.

In 2012, we expanded the scope of our ISMS certification to include the entire core of company operations (including customer support and exchange server room). Once FET reaches 4,500 people, the various personal data privacy act protective measures will be put into place.

As some customer details are obscured on the computer screens of frontline FET employees, the computer equipment may not be connected to portable storage media, cameras or mobile phones, and e-Mail and internet connection is restricted.

The operating system and service platform permissions are regularly checked and security vulnerabilities patched on a regular basis. Employees are constantly reminded and educated about the importance and legal responsibility of protecting customer privacy. Internal auditors conduct regular checks of the implementation of privacy protection as well.

| Customer Data Protection Procedure | Customer Data Protection Control |
|---|---|
| Personal data auditing, notification of personal data collection and user consent mechanism. | Customer data is given "top secret" protection. All FET employees are required to sign a "Confidentiality Agreement" and their direct superior is required to bear joint responsibility. Where outsourced operations involve business secrets, the contractor and its employees must also sign the relevant confidentiality agreements. |

### Personal Information Protection Training for All Employees

We conducted a series of training programs based on the "Personal Information Protection Act" passed in 2010 to help employees in every department assigned to managing customer details understand the requirements of the Act and ensure that all the appropriate measures are taken.

In 2012 FET launched physical and online e-learning training classes that cover the Personal Information Protection Act's regulations. These are a requirement for each department to inventory the personal information they hold. This includes source, scope and method of use, internal response and the strengthening of existing personal information protection schemes. All employees must take an exam after completing the course. We have now reached our target that 100% of the employees have been trained.

In addition to internal training, during 2010 and 2012, experts from the Ministry of Justice Department of Legal Affairs as well as forensic experts from the top four accounting firms in Taiwan were invited to address our employees on topics such as "The Personal Information Protection Act" and "The Application of Forensic Technology to Personal Information Protection", with nearly 200 employees in attendance. Such trainings give employees a complete picture of the impact and applications of the law. The FET Internet privacy policy is also published on our official website.

Please see: http://www.fetnet.net/cs/Satellite/FETnet/FnPrivacy
http://www.fetnet.net/cs/Satellite/FETnet/FnPrivacy

| Physical Classes | | |
|---|---|---|
| Organizer | Sessions | People |
| HR | 5 sessions | 172 people |
| Request to L&R from demand unit | 11 sessions | 315 people |
| Total | 16 sessions | 487 people |

### Protect Customer Rights with Evidence Management System

Apart from establishing a Personal Data Usage reporting and Abnormal Access Activity alerting, we have also defined guidelines to provide logs for evidence collection. The appropriate measures are in place to ensure that all access to personal information is properly logged, including who, how, when, where and what. If necessary, the collected log can provide the necessary evidence to protect the interests of the customer.

**Audit log should record the who, how, when, where and what**

**AP Log Enable**
· AP Log Identify
· AP Log Enable

**Audit Log Analysis**
· Audit Log Management Mechanism
· Log Collection
· Log Filter
· Alert by scenario

**Report Mechanism**
· Audit Log Review Mechanism
· Simplifying Compliance
· Enhance Security
· Optimizing Operation

## ▶ V. Green Telecommunications

Climate change has increased the incidence of typhoons, flooding and other natural disasters around the world. Businesses should therefore step up their risk management with regards to climate change.

According to the report, "Smart 2020: Enabling a low carbon economy in the information age", of the Global e-Sustainability Initiative (GeSI), the information-communications technology (ICT) industry to which FET belongs can provide other industries with ways of improving energy efficiency. The ICT industry therefore plays an influential role in countering climate change and global warming.

### ▶ Proactive Response to Climate Change

The ICT industry may be able to help reduce greenhouse gas (GHG) emissions, but it is also especially sensitive to natural disasters and attention has to be paid to this eventuality and the necessary responses.

Possible impacts include the loss of mobile communications equipment, such as base station infrastructure, server rooms and cabling, the loss of revenue from service interruption and increases in maintenance costs as well as higher costs due to changes in temperature from climate change that requires air-conditioning for data centers and increased electricity consumption. It is clear that we must take a more serious look at the direct impact of climate change and include regulatory risks from natural disasters and natural change in our cost calculations.

In 2012 the "IT system disaster recovery exercise" was introduced, as required by the ISO 27001 information security management standard, as part of our response to climate change. The purpose of the exercise was to ensure that the IT departments had the proper procedures in place for effective and correct recovery from disaster.
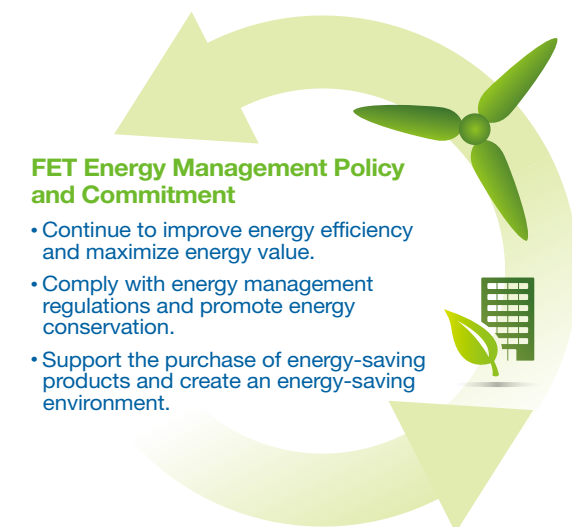
### Introduction of the ISO 50001 Energy Management System

To fulfill our corporate social responsibility and realize our targets for continuous improvement of energy efficiency, FET is committed to providing accessible resources to achieve the following:

As part of our push for effective energy management, we introduced the ISO 50001 energy management system for the offices and server rooms at our Neihu headquarters building in 2012. The ISO 50001 standard was used as the basis for establishing a complete energy management system within the company using the PDCA (Plan, Do, Check and Action) management cycle.

To ensure the comprehensive and continuous integration of both internal and external resources, we introduced the "Energy Management Committee" and issued the "Energy Management Regulations" to define a clear energy management policy, expand the energy management organization, establish energy management baselines and targets, define energy management initiatives and action plans as well as to audit and verify the effectiveness of our energy management efforts.

The Energy Management Committee is convened by the energy management representative on a quarterly basis. They discuss and report the operation and energy performance of the previous quarter to ensure systematic implementation of energy management policy and continuous improvement in energy performance.

**FET Energy Management Policy and Commitment**
- Continue to improve energy efficiency and maximize energy value.
- Comply with energy management regulations and promote energy conservation.
- Support the purchase of energy-saving products and create an energy-saving environment.

### Fuel Cell Test Station to Reduce Equipment Loss

Climate change and the frequency of natural disasters may lead to the loss of server rooms and base stations. As part of the MOEA Bureau of Energy technology development plan, two 5KW methanol-water reformer fuel cell generators were installed in Hsinchu and Taichung in November, 2011. The demonstration plant will run for two years to test feasibility and evaluate the cost- effectiveness of replacing conventional batteries and generators.

## Organization of the Energy Management Committee

| Name | Responsibility |
|---|---|
| Executive Meeting | • Ensure the effective implementation of the FET energy policy and check regularly on current progress |
| Chairman | • Define the energy policy<br>• Establish energy targets and programs<br>• Provide the necessary resources<br>• Approve of committee resolutions |
| Management Representative | • Establish, maintain and continuously improve the energy management system<br>• Operation of the Energy Management Committee<br>• Report regularly to the chairman |
| Executive Secretary | • Carry out committee resolutions and directions from the management representative<br>• Organize energy courses<br>• Coordination of committee affairs |
| Energy Audit Team | • Audit energy consumption records<br>• Verify the results of corrective action |
| Education Team | • Design energy conservation awareness material<br>• Organize energy conservation awareness and related activities |
| Information Team | • Set up an energy management platform<br>• Help with the collection of computer equipment power consumption statistics |
| Administrative Environmental Team | • Responsible for coordinating, publishing, implementing and confirming the results of employee-related energy management plans<br>• Promotion of environmental activities<br>• Promotion of recycling and tracking of statistics<br>• Promotion of office greening |
| Large Data Center Team | • Energy diagnostics window for office, server rooms and IDC server rooms<br>• Manage and record the operation of energy facilities<br>• Compilation and revision of energy management procedure documentation<br>• Formulation, confirmation, execution and auditing of energy-saving plans |
| Small Data Center Team | • Confirm the energy consumption of small data centers and base stations<br>• Assist with the assessment of the feasibility of energy-saving adjustments to small data centers and base stations as well as energy-saving proposals<br>• Formulation, confirmation, execution and auditing of small data centers and base station energy-saving plans |
| IDC Team | • Confirm the energy consumption of IDC server equipment<br>• Assist IDC customers with monitoring and calculation of energy consumption<br>• Formulation, confirmation, execution and auditing of energy-saving plans for IDC server equipment |
| Store Team | • Confirm the energy consumption of FET-owned stores<br>• Assist FET-owned stores with the assessment and feasibility of facility adjustments and energy-saving proposals<br>• Formulation, confirmation, execution and auditing of energy-saving plans for FET-owned stores |
| Purchasing Strategy Team | • Evaluate and adjust the purchasing strategy for energy management systems |
| Communications Team | • Review information for public release<br>• Coordinate media affairs |

## Introduction of Energy-saving Plan at Neihu Headquarters Building

The goal of the "Integrated Energy-saving Plan" is to reduce the EUI (Energy Use Intensity), or energy consumption per unit of floor area, by at least 5% in the office areas. Current savings now amount to 8%. EUI in server rooms is to be reduced by 3% over the next 3 years. The calculation of the above energy baselines, energy performance and targets took variations in energy use or consumption into account but still needs to be standardized.

The current energy-saving plan consists of five main areas: LED lighting in public areas, air-conditioning, load reduction, automatic energy management and behavioral improvements. Total energy savings for the year amounted to 397,510 kWh.

## Energy-saving Performance at FET Headquarters in 2012

| Energy-saving Program Category | Energy-saving Performance (kWh/year) |
|---|---|
| LED lighting in public areas | 85,711 |
| Air-conditioning: Completed the installation of two high-efficiency air-conditioners | 157,424 |
| Load Reduction | 87,600 |
| Automatic Energy Management (air-conditioning and lighting controlled automatically) | 504 |
| Behavioral Improvement | 66,271 |
| Total | 397,510 |

Note : The energy-saving targets and scope were for the Neihu headquarters building

### Awarded the 2012 Commercial Building Energy-saving Mark

The introduction of energy-saving and carbon reduction measures at the FET Neihu headquarters building in 2012 reduced total power consumption for the year by 9.3% and FET was subsequently awarded the "2012 Taipei City Energy-saving Commercial Building Mark" by the Department of Economic Affairs of the Taipei City Government.

### Energy-saving Targets for the Entire Company

• Reduce office EUI by 2%
• Reduce IDC EUI by 2%
• Reduce MSC EUI by 2%
• Reduce average EUI at FET stores by 2.5%
• Reduce EUI of telephony operations (MBs) at each BTS/Access Site by 44%

## Energy-efficiency Improvement Initiatives

### Initiative 1 : Energy-saving Measures at the Ankang Data Center

A medium to long term plan for efficient energy management and improvement was introduced at the FET Ankang IDC data center in Neihu as part of the vision for green data centers. After several years of hard work by the electrical and mechanical support team, significant energy saving continued to emerge in 2012, greatly reducing power consumption at the data center. Planning is now under way for a large scale IDC data center at Banqiao and this is expected to enter service in 2015.

▶ Replacement of the UPS (Uninterruptible Power Supply) to improve system stability and boost efficiency from 90% to 92%.

▶ Replacement of the UPS will save 117,384 kWh a year (13.4 kw x 24 x 365).

**Energy-saving measures at the Ankang data center**

1

4

2

3

▶ Solar power equipment installation is planned for 2013.

▶ Computer Room Air Conditioning (CRAC) was upgraded with a Precision Air-Conditioner, boosting air-conditioning efficiency by 3~6%.

### Initiative 2 : Creation of an IDC Farm by Linking all the IDCs in Taiwan

Having built the first green IDC cloud service center at Ankang in Neihu, we are now building the first "IDC Farm" in Taiwan targeted at corporate online data center application services. 10G fiber-optic cables will be used to link the IDCs throughout Taiwan into one common platform. The provision of "one site, remote administration" service tailored to customer requirements, will be the first step towards realizing the "Cloud Taiwan" project.

The IDC Farm service will allow users to connect multiple remote IDCs throughout Taiwan over the Intranet. "Remote control" and "Remote backup" will also help reduce the travel costs for support technicians.

The FET "IDC Farm" will allow corporate IT engineers to use the new powerful IP KVM equipment purchased by FET to create a Virtual Local Area Network (VLAN) using remote servers at different sites. Servers and databases at remote server rooms can also be controlled via a web interface to realize the five core requirements of cloud data centers: high availability, high scalability, service-on-demand, low-cost and virtualization. The FET slogan "Closing the Distance" perfectly describes the core philosophy of this new service model. The development comes as a major boon for content providers in central and southern Taiwan because they can now locate their servers in central/southern IDCs and even if the servers are located in northern IDCs their technicians will still have the immediate access to them despite the distance.

The "IDC Farm" also represents a new milestone for the FET remote backup service because corporate databases can now be spread between servers at different sites. In the event of an equipment failure at site A, site B can immediately take over without any service interruption. FET also provides an ICT Outsourcing (ICTO) service. Certified engineers can follow the SOP provided by customers to assist with equipment or system maintenance, and thus customers can safely entrust the responsibility of server maintenance to the professional teams at FET.

### "One-stop" E-commerce Platform for Financial Services

The increasing popularity of online transactions means that "one-stop" financial service provided by businesses to physical and online stores is now inevitable. The three key advantages of FET are: off-site data centers, remote control and collaborative operation; and the five key design features are: shock-resistant cabinets, thermal cycling, plug and play power, equipment racks and pre-wired cabinets, as well as earthquake resistant design rated up to 7 on the Richter scale, to provide an e-commerce platform with the best backup.

FET is the only telecom company in Taiwan with its own independent IT security service, and our data centers also received ISO 27001/27011 IT security certification. The service was immediately adopted by leading payment companies in Taiwan upon launch. The payment company moved its data center to the FET advanced IDC and it now provides a fully integrated payment service from the front-end users (businesses, consumers or stores) to the banking systems at the back-end, and even during peak periods thousands of transactions are still reliably processed every minute, which shows that FET is truly a dependable partner for e-commerce platforms.

### Initiative 3 : IT Equipment Virtualization and Legacy System Replacement

Intensifying competition in the telecom industry and the increasing number of different information services used within businesses is putting pressure on existing IT infrastructure. Every new service requires new servers to support, and new server means more resource consumed that include server repair and maintenance, electricity, space, network nodes and air-conditioning. The servers in data centers are now obsolete and require replacement. However, the purchase of new servers means higher operating cost and more resource consumed. Due to space and energy-saving considerations, we decided to solve the current issues by introducing a cloud virtualization system platform to build a stable, secure and more easily managed IT infrastructure.

FET has launched the IT virtualization project since 2009 and the number of virtual servers has increased from 56 to 599 in 2012. The deployment includes all IT service systems including billing function, the contact center and retail stores. Virtualization not only establishes new IT services, but also replaces legacy servers to save space and power. The transfer resulted in significant savings for data centers in terms of storage space, electricity and the actual number of physical servers. These translated into energy savings, carbon reduction and space savings for FET. We will continue replacing old hardware in the future.

Using virtualization management technology, we have now transferred many of the services to virtual servers and distributed them throughout the cloud infrastructure. The nature of cloud technology has also allowed us to reduce service interruptions. Virtualization also allows server resources to be optimized and balance on each server, and reduces the total number of servers required.

Previously 110 servers, with a total electricity consumption of 49,500W, were required. But since 2012 we have only needed 19 Blade servers running under a virtualization environment with a total power consumption of just 19,285W. The server cluster now uses 39% of the power used by the old servers and takes up just 10% of the space.

For the next phase, FET will continually focus on the cloud and virtualization. We will greatly reduce the number of servers and storage to the use of low-energy green servers. We will provide this server infrastructure for the use of applications that will realize our three main targets: energy saving, carbon reduction and space saving.

## Initiative 4 : Flexible Equipment Leasing

Green product and energy require better and newer hardware. To achieve it, FET leases computer equipment and also donate decommissioned computers to charitable causes. FET introduced computer leasing in 2011, and by the end of 2012 the program had 3,614 PCs, 660 NBs and 3,519 monitors. Further expansion of the IT hardware leasing is scheduled for future.

## IT Equipment Leasing Program Achievement
### Unit: units

| PC | NB | Monitor |
|---|---|---|
| IT Hardware Leasing | IT Hardware Leasing | IT Hardware Leasing |
| 3,614 | 660 | 3,519 |

### Total  7,793
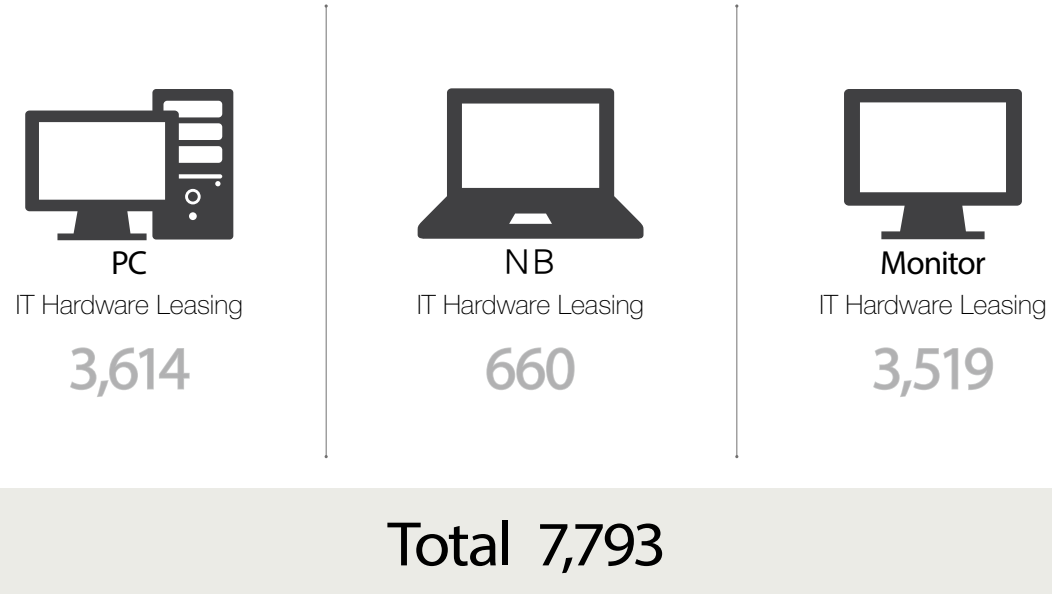
## Initiative 5 : Build Green Data Centers and Improve Server Performance

The variety of telecom services provided by FET means the number of servers and databases has grown as well, leading to a shortage of space in server rooms and greater management complexity. In 2012 we set the goal of establishing green data centers. We now face brand new challenges in system design and personnel management due to complexity and the need for greater efficiency.

### Energy-saving Measures at Data Centers

| Category | Item | Initiatives |
|---|---|---|
| Large Data Centers (IDC, MSC, LS, MO, DO) | Energy Efficiency Record | Power Usage Effectiveness (PUE) monitoring and monthly review of changes. |
| | Environmental Energy Management | Use an energy balance graph to regularly adjust the distribution of cooling and power. |
| | Power Demand Monitoring | Calculate the optimal contract capacity each year and limit power consumption during peak periods when rates are high. |
| | Air-Conditioning Improvement | Progressively replace low-efficiency units with highly sensible heat and hydrostatic pressure units. |
| | Server Room Power Supply Improvement | Consolidate low-load UPS/SMR to improve utilization efficiency. |
| | Facility Optimization | Use energy-saving systems to control the number and run-time of active units. |
| | Lighting Efficiency Improvement | Stop use of conventional fluorescent lamps and replace them with T5 or LED lights. |
| | Use Renewable Energy | The latest high-efficiency 5kW PV panels should be installed on the roof of the Ankang data center by mid-2013. The electricity from them will be used to power the lighting system. |
| Small Data Centers (BTS, Access Site) | Time-of-Use Rate | FET will apply to change flat-rate plans to time-of-use rates as the data centers operate around the clock and this will help reduce power costs. |
| | Upgrade to Inverter Air-Conditioner | Replace fixed-frequency air-conditioners with inverter units and also optimize the tonnage of air-conditioners at some stations. |
| | Natural Ventilation System | Introduce make-up air units to use outside air when conditions permit to reduce the need for air-conditioning. |
| | Temperature Increase Project | Increase base station temperature settings to reduce the need for air-conditioning. |

## Initiative 6 : Increase Base Station Power Efficiency and Reduce Carbon Emissions

Base stations currently account for 63.3% of all operational power consumption. Increasing the power efficiency of base stations will not only reduce power costs but also help to reduce carbon emissions. We have drawn up an annual energy-saving plan for base station energy-saving initiatives and the savings are tracked on a monthly basis.

✓ **Develop an energy-saving and carbon reduction strategy for base stations.**

✓ **Develop and evaluate energy-saving and carbon-reduction technologies and equipment.**

✓ **Promote energy-saving and carbon reduction initiatives for base stations.**

✓ **Track the performance of energy-saving and carbon reduction initiatives for base stations.**
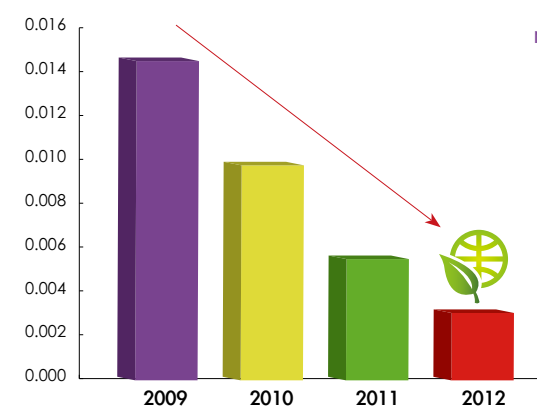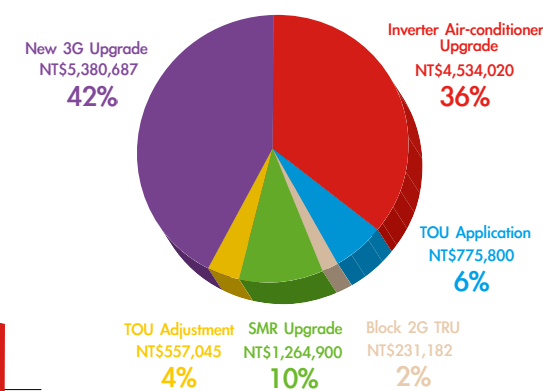
## • Base Station Power Consumption Analysis

Air-conditioning accounted for 47% of power consumption while communications equipment accounted for 53%. Increasing the power efficiency of base stations will therefore require improvements in both air-conditioning and communications equipment in order to maximize energy-savings and carbon emission reduction.

We have set up a power bill management system to record the monthly power consumption and costs for each base station in our network. The information is used for statistical analysis of power consumption. We have also set up a database for base station energy management to turn off some of the base station transmitters during off-peak periods. The efficiency of rectification equipment at base stations is also being monitored. Our efforts improved the power efficiency for each 1MB of voice and data traffic by 62% between 2009 and 2012.

**Decline in Power Consumption per 1MB between 2009 ~ 2012**

**Energy-saving Performance of Base Stations in 2012**

New 3G Upgrade NT$5,380,687 **42%**
Inverter Air-conditioner Upgrade NT$4,534,020 **36%**
TOU Application NT$775,800 **6%**
TOU Adjustment NT$557,045 **4%**
SMR Upgrade NT$1,264,900 **10%**
Block 2G TRU NT$231,182 **2%**

### Energy-saving Performance of Base Stations in 2012

| Energy-Saving Action | Power Savings (NT$) | Power Savings (kWh) | Carbon Emission Reductions (Tonnes/$CO_2$e) | Percentage |
|---|---|---|---|---|
| Installation of Time-of-Use Meters | 775,800 | 221,657 | 141.42 | 6% |
| Inverter Air-conditioner Upgrade | 4,534,020 | 1,295,434 | 826.49 | 36% |
| Low-power Consumption 3G Base Station Upgrade | 5,380,687 | 1,537,339 | 980.82 | 42% |
| Contract Capacity Adjustment | 557,045 | 159,156 | 101.54 | 4% |
| High-efficiency Rectifier Upgrade for Base Stations | 1,264,900 | 361,400 | 230.57 | 10% |
| Turning off 2G Transmitters During Low Traffic Periods | 231,182 | 66,052 | 42.14 | 2% |
| Total | 12,743,634 | 3,641,038 | 2,323 | 100% |

Note 1 : 2011 Taiwan Power "emission intensity of electric power" data placed carbon emissions at 536 g$CO_2$e/kWh.

Note 2 : The COA Forestry Bureau estimated that each hectare of forest can absorb up to 14.9 tonnes of carbon per year. The Da-an Forest Park in Taipei City for example can absorb around 386 tonnes of carbon a year.

Note 3 : The carbon reductions for 2012 were equivalent to the amount of carbon absorbed by six Da-an Forest Parks in one year.

### Future Direction and Targets in Energy-saving for Base Stations

▶ Increase the number of 2G transmitters turned off during low traffic periods.

▶ Increase the conversion efficiency of rectifiers at base stations.

▶ Energy-saving base station design: FET plans to install 500 sets of ventilation systems in base stations in 2013. When outside temperature is below 32℃, using natural ventilation instead of air-conditioning should reduce power consumption by 25%.

▶ No air-conditioning for new base stations: The new generation of base stations can tolerate higher operating temperatures and new base stations built in 2013 will use a special ventilation system for cooling instead of air-conditioning.

▶ Continue to upgrade low-power consumption 3G base stations: The new generation of base stations reduce power consumption by 25%, and there's no need of air-conditioning. Therefore, the new ones can save about 50% of energy than old ones.

▶ Continue to upgrade to high-efficiency rectifiers at base stations: The conversion efficiency of rectifiers at new base stations is 20% higher than old models and this will reduce the power consumption of the base station as well.

#### Initiative 7 : Energy-saving Measures at Cable Stations
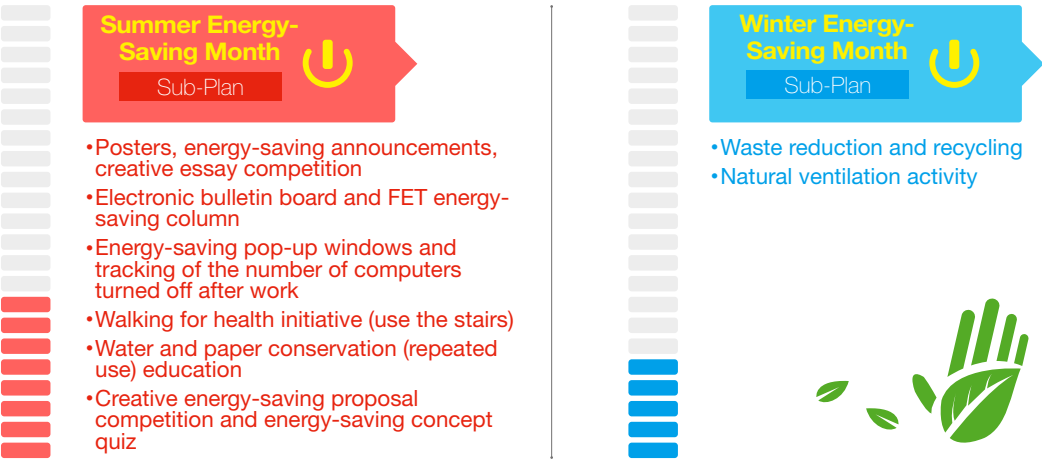
The cable station's chiller system was upgraded by linking the primary and secondary plate heat exchangers. This reduced the power consumption of the capacitance of air-conditioning CHP (45kWh) chiller pumps. Actual energy-savings was measured at 1,243 KWh per day, 37,290 kWh per month or 453,695 kWh per year. This translates into an annual saving of NT$1,324,789.
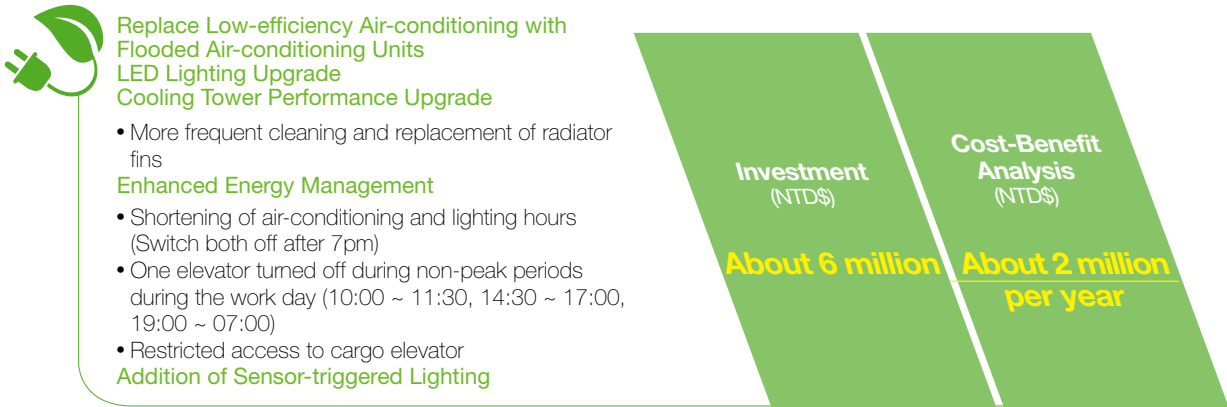
## Initiative 8 : Energy-saving Education Promotion and Practice by Employees

In 2012, energy-saving education took the form of written material. Customer service also played PA broadcasts twice a week asking everyone to turn off the lights and air-conditioning when not in use. The education campaign consisted of two phases in summer and winter. The plan was as follows:

**Summer Energy-Saving Month**
Sub-Plan

- Posters, energy-saving announcements, creative essay competition
- Electronic bulletin board and FET energy-saving column
- Energy-saving pop-up windows and tracking of the number of computers turned off after work
- Walking for health initiative (use the stairs)
- Water and paper conservation (repeated use) education
- Creative energy-saving proposal competition and energy-saving concept quiz

**Winter Energy-Saving Month**
Sub-Plan

- Waste reduction and recycling
- Natural ventilation activity

### Action Plan

**Replace Low-efficiency Air-conditioning with Flooded Air-conditioning Units**
**LED Lighting Upgrade**
**Cooling Tower Performance Upgrade**
- More frequent cleaning and replacement of radiator fins

**Enhanced Energy Management**
- Shortening of air-conditioning and lighting hours (Switch both off after 7pm)
- One elevator turned off during non-peak periods during the work day (10:00 ~ 11:30, 14:30 ~ 17:00, 19:00 ~ 07:00)
- Restricted access to cargo elevator

**Addition of Sensor-triggered Lighting**

**Investment** (NTD$)
About 6 million

**Cost-Benefit Analysis** (NTD$)
About 2 million per year

## Initiative 9 : Retail Energy-saving Action Plan

Current energy-saving projects:

| Region | Item | Initiatives |
|---|---|---|
| Office Retail Stores | Environmental Energy Management | The three principles of setting office temperature to 26℃, reduced duration and reduced area were implemented in accordance with energy-saving restrictions for air-conditioning, lighting and elevators. |
| | Lighting Efficiency Improvement | Incandescent lamps, halide lamps and conventional iron-core fluorescent lamps are banned in new stores. Existing stores must switch over to T5 or LED lamps within 3 years. |
| | Air-Conditioning Improvement | New units must be of the inverter-type or have automatic capacity adjustment. Existing air-conditioners must be replaced within 5 years. |
| | Basic Maintenance | Air-conditioning, lighting and power equipment must be kept at 80% of original performance. Water piping and air-conditioning ducts must be regularly inspected and not inspected only when repairs are needed. |
| | Standby Power Management | PCs, common OA equipment and water coolers must be set to standby mode and should power-off automatically after hibernating for some time. |

## Initiative 10 : UC Platform for Virtual Meeting Solutions

As Internet applications become more widespread, the speed of information transmission has become a key indicator of competitiveness. Requiring employees to communicate with each other at specific locations using specific devices is not only a waste of time and a waste of energy on transportation but also affects competitiveness. E-mail has also become rather inadequate for "real-time" communication and does not support other more efficient forms of collaboration.

FET launched the "Unified Communication Platform" (UCP) in 2010 to improve organizational collaboration and allow employees to communicate with each other via text, voice, video, and shared files on their PCs through a single user interface.

The UCP not only reduces time and energy wasted on inter-regional conferences, but also reduces the amount of physical meeting room space and energy required. The result is better competitiveness and productivity.

Since the official introduction of UCP in April 2012, now an average of 1,500 virtual meetings are held by employees on UCP each month. Voice communications traffic has also reached 420 hours while an average of 210,000 text messages are sent each month. Voice, video, text and the desktop can now be shared through the PC, leading to significant savings in transportation and time. The creation of UCP saves time, power and energy resources, as well as reducing carbon emission and saving meeting room space.

## ▶ Reducing the Environmental Impact of Products and Services

FET has launched a series of initiatives to reduce the impact of our business activities on the climate and environment. In the future, FET also hopes to help our customers find ways of reducing their energy consumption and carbon emissions by using our products and services.

### Mobile Phone Recycling

FET has always supported environmental protection. All FET and franchise stores around Taiwan have waste mobile phone and battery recycling bins. The collected waste is recycled by first-grade waste contractors. Users are reminded to erase their personal data or ask for the assistance of the store staff before discarding their old mobile phones. In 2012, a total of 393 scrapped mobile phones, 21kg of waste batteries and 55kg of miscellaneous wiring was processed. The program is continuing to grow.

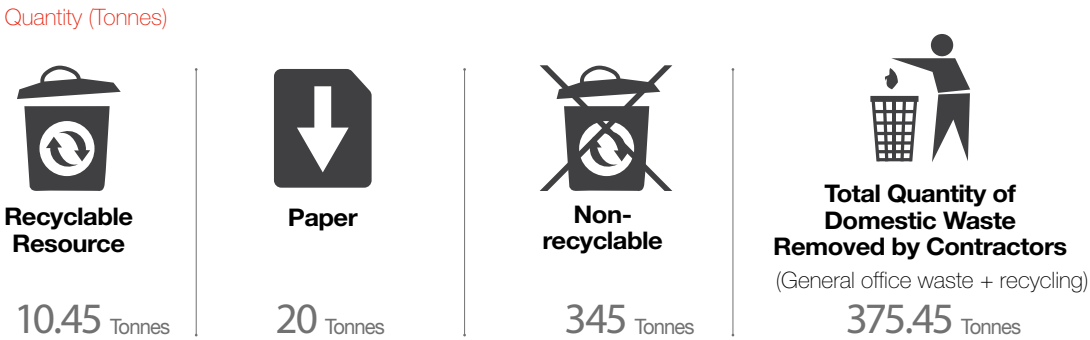| Item | Scrapped Mobile Phone (units) | Waste Lithium Battery (kg) | Miscellaneous Wiring (kg) |
|------|------|------|------|
| Quantity | 209 | 7 | 7 |
| | 184 | 14 | 48 |
| Total | **393** | **21** | **55** |

### Reduce the Amount of Waste Generated

Waste is processed by authorized waste disposal companies. General industrial waste (glass, plastic, paper... etc.) is sorted and then handed over to EPA-authorized recyclers. Hazardous waste (scrap metals) is disassembled and sorted before recycling.
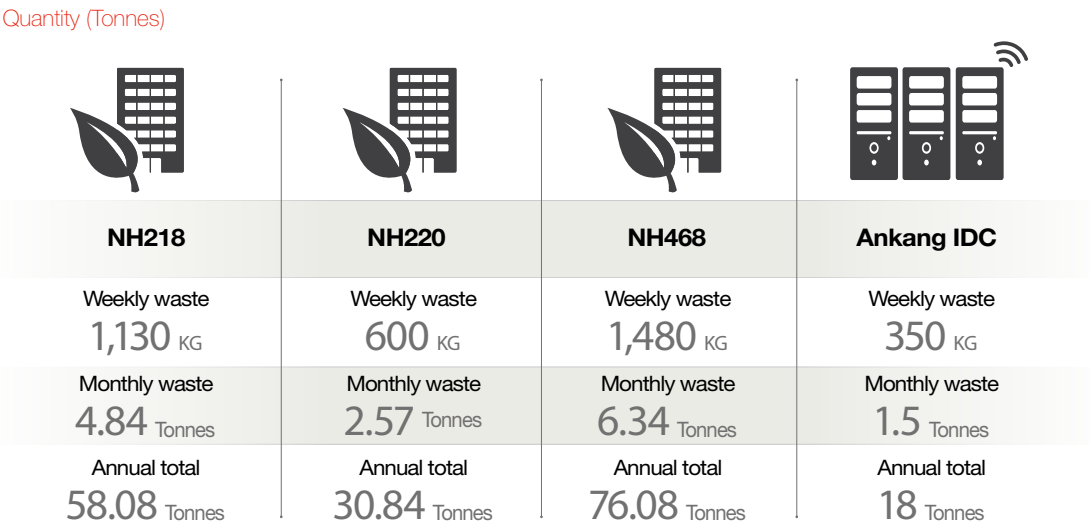
Waste generated by FET operations consists mainly of domestic waste. This can be further broken down into recyclable resources, paper, non-recyclables and industrial waste. In 2012, a total of 375.45 tonnes of waste was produced. Contractors removed 183 tonnes of waste from FET offices in 2012.

## FET Main Offices' Waste Classification
Quantity (Tonnes)

| Recyclable Resource | Paper | Non-recyclable | Total Quantity of Domestic Waste Removed by Contractors (General office waste + recycling) |
|------|------|------|------|
| 10.45 Tonnes | 20 Tonnes | 345 Tonnes | 375.45 Tonnes |

## Average Amount of Waste in FET Main Offices
Quantity (Tonnes)

| NH218 | NH220 | NH468 | Ankang IDC |
|------|------|------|------|
| Weekly waste 1,130 KG | Weekly waste 600 KG | Weekly waste 1,480 KG | Weekly waste 350 KG |
| Monthly waste 4.84 Tonnes | Monthly waste 2.57 Tonnes | Monthly waste 6.34 Tonnes | Monthly waste 1.5 Tonnes |
| Annual total 58.08 Tonnes | Annual total 30.84 Tonnes | Annual total 76.08 Tonnes | Annual total 18 Tonnes |

## Paperless Billing and Mobile Customer Service

To make it more continents for customers, we provide different ways of bill view, SMS and bill-by-email (collectively digital bill) and pay over the years. Starting from October 2012, all customers can view and download their bills from FETnet portal. Considering high penetration of smart phones and mobile devices, FET further launched "Self-Care App" late 2012,which provides 24-hours all-year-round nonstop and seamless services to customer in need.

Customers can check not only their change items, voice call and data usage details, but also pay bill directly in App, anytime and anywhere. All these are confinement to customers and friendly to environment. Toward the end of year, we are expecting close a million customers using our digital bill and App service, a well recognition from the consumer community.

## E-Customer Service System to Improve Customer Usage

In addition to paperless billing, FET stores have also switched to an e-customer service system using SEF electronic forms to further reduce paper consumption and carbon emissions. By reducing paper consumption, simplifying forms, improving system utilization, reducing data leak concerns and improving the corporate image, a mutually beneficial outcome can be achieved for customers, FET and retail stores.

### Benefits of the E-customer Service System

| Target | | Benefits |
|---|---|---|
| SEF system | Retail Store | • Reduces paper consumption (energy savings and less carbon emission)<br>• Scan documents in case of loss (CD)<br>• System protection to ensure all required signatures and documentation are completed<br>• Confirm SA within 7 days of activation (recovery operations usually last for 60 days)<br>• Signature plus photo to reduce consumer disputes<br>• Simplifies procedure and avoid mailing parcels to avert loss<br>• Store launch management to prevent disputes from incomplete documentation<br>• Reduces the incident of FD cases (photo) |
| | Channel | • 60% reduction in paper usage by systematization (Printer SA, copy ID)<br>• Improves system utilization<br>• Reduces the risk of information leakage<br>• Boosts the corporate image<br>• Mutually beneficial outcome (customer, company, and retail store) |
| | Consumer | • Prevents duplication and misuse of photocopied documents<br>• Reduces the incidence of forged applications (Photograph)<br>• Impossible to crack the electronic signature |

## Energy-saving Retail Store Design Saves Power and Protects the Environment

For environmental protection and reduction the impact of business operations on environment, FET is using the following energy-saving items in the new generation stores: T5 low energy lighting, energy-saving inverter air-conditioners, and LED emergency exit lights.

Starting in 2009, FET began regularly to budget each year for inverter air-conditioning upgrades. By 2010 the environmental mark had become a standard contractor item and by 2012, 56 stores had upgraded their air-conditioning. Between 2013 and 2015, one million dollars will be budgeted for further upgrades each year.

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### Environmental Friendly Action at Retail Stores

| | |
|---|---|
| Air-conditioning | From 2010, environmental mark made a part of contracting standards for new stores<br>From 2009, regularly budget allocated towards inverter air-conditioning upgrades each year |
| | 2009 : 11 stores / 2010 : 11 stores / 2011 : 18 stores / 2012 : 16 stores / 2013 ~ 2015 : One million NTD budgeted for upgrades each year |

## Promote Green Procurement and Encourage Vendors' Support

Green procurement is an important part of social responsibility. To better track the results of green procurement, we set track mechanism on every order through the FET procurement system in 2012. The forms not only provide a full picture of the efforts of FET and the suppliers towards green procurement, but can also be used by the procurement department to encourage more suppliers to provide quality products with environmental mark.

The green procurement system has now entered a new era and 2012 was a very successful year. According to the latest green procurement environmental mark, FET and New Century InfoComm completed NT$551,000,000 of green procurement in 2012, more than doubling previous result of 2011. The different sub-categories clearly demonstrate our efforts towards energy-saving and environmental protection from the office to the server room. FET was also named a green procurement benchmark enterprise by the Environmental Protection Bureau of Taipei City Government.

### Green Procurement Performance
Unit : NTD

| Unit/ Year | 2011 | 2012 |
|---|---|---|
| FET | 200,490,969 | 359,348,127 |
| NCIC | 46,798,622 | 192,503,877 |
| Total | 247,289,591 | 551,852,004 |

### Amount of Green Procurement by Category in 2012
Unit : NTD

| Unit/ Category | OA Equipment | General Supplies | Energy-saving product | IT Product | Total |
|---|---|---|---|---|---|
| FET | 3,390,000 | 15,567,998 | 40,503,700 | 299,866,429 | 359,348,127 |
| NCIC | 600,000 | - | 6,502,068 | 185,401,809 | 192,503,877 |
| Total | 3,990,000 | 15,567,998 | 47,005,768 | 485,288,238 | 551,852,004 |

### Electromagnetic Wave Measurement

To reduce the public concern about electromagnetic wave, TTIDA set a base station work group to carry out electromagnetic wave education as one of their jobs. The group helped NCC to set a hotline for electromagnetic wave related issues, which provided 482 consultations and 285 measuring services among all telecommunication companies in 2011. FET accounted for 159 of these measuring services.

### ▶ Quality Supplier Management

FET is devoted to supporting local industry, and continuing to provide high quality mobile phones and equipment services. The local purchasing percentage was up to 99.59% in 2012, if not counting the purchase of international brands of mobile phones and equipment services.

Supplier evaluation is one of the key tasks of the supplier management. FET has around 100 suppliers from different fields that must be evaluated by the relevant FET department each year. A total of 122 suppliers were evaluated in 2012. The importance of the evaluation can be shown by the fact that these suppliers accounted for 95.3% of all FET orders for the year. The results of the evaluation are used as the main basis for supplier reward and sanction. The standards determined by the annual supplier evaluation ensure that suppliers will continue to improve the quality of the products and services they provide. This, in turn, ensures that FET will be able to fulfil our customer commitments.

### Supplier Evaluation

| Year | 2010 | 2011 | 2012 |
|---|---|---|---|
| Number of Suppliers | 109 | 95 | 122 |
| Percentage of Total Order Amount | 90.7% | 91.7% | 95.3% |

### Supplier Communication

- A purchasing area was set up on the FET website to make it convenient for new suppliers to register online.

- An electronic tendering system ensures all contracts are open and transparent.

- Supplier evaluation is done by the personnel who submitted the requisitions, and the quality, service and other attributes of the suppliers are rated on a regular basis.

- If suppliers feel that their rights or interests have been harmed in any way during the tendering process, they may submit a complaint to the "Supplier Management Team Customer Complaints Mailbox" of the FET Purchasing Planning Committee.

### ▶ Overall Environmental, Safety and Health Management

A sound corporate safety culture not only protects the safety and health of employees but also reduces operating costs, improves business performance, enhances the corporate image and results in outstanding competitiveness.

FET values all life as well as the safety and health of employees. Hazard education is used to improve the risk awareness of employees and strengthen their ability to respond to an emergency. We cooperate actively with the requirements of all laws and with the regulatory authorities by promoting disaster prevention activities and encouraging all employees to become involved in the prevention of occupational accidents. The goal is to create an injury-free workplace.

We have set up a "Labor Safety and Health Committee" made of up 13 employees from each unit and including 8 management representatives (63%). The Committee meets every 3 months to discuss, coordinate and define labor safety and health related affairs and policy.

| | | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| | Injury Rate (IR) | 0.0244 | 0.0403 | 0.068 |
| | Occupational Disease Rate (ODR) | 0 | 0 | 0 |
| | Lost Day Rate (LDR) | 0.1464 | 0.0404 | 2.1539 |
| | Absentee Rate (AR) | 3,698.02 | 3,825.70 | 4,620.16 |

IR= 200000* Total number of injuries / Total hours worked

LDR= 200000* Total number of lost days / Total hours worked

ODR= 200000* Total number of occupational disease cases/ Total hours worked

AR= 200000* Total number of missed (absentee) days over the period / Total number of workforce days worked for same period

Note : In 2012, there are 5,873 employees, 250 working days, 11,746,000 working hours, and 1,012 occupational injury hours (126.5 days).

### Establish Safety Protection to Prevent Occupational Accidents

FET has prepared the "Labor Safety and Health Management Plan" to identify known hazards and prevent accidents in the work environment. The plan provides for the establishment of operational safety and ensures that all the necessary safety precautions are put into place before any operations are undertaken. FET has also set out an "Auto-Inspection Plan" for examination of the environment, equipment, tools and safety gear for the front, middle and back-end of certain operations. FET also strives to ensure safe operations and audits are now undertaken to ensure that all inspections are carried out properly.

### Emergency Notification to Strive for the Golden Hour

FET has set up an effective notification system to maximize the "Golden Hour" on-site treatment to ensure any employee who requires emergency help as a result of an accident or illness gets the proper care. The circumstances and outcome of the accident is then analyzed and the plan is scrutinized to find a preventive measure and avoid similar accidents in the future.

## Disaster Response Education to Strengthen Employee Risk Awareness

To strengthen the ability of FET employees to respond to disasters, protect their safety at work and recover the hardware, FET has set up an inter-departmental Emergency Response Center. The ERC monthly conducts fire drills, response to typhoons, flooding and other possible disasters.

To cope with disasters, FET requires all employees and contractors to undergo rigorous industrial labor safety and training. FET is able to share the resources of the "Labor Safety Health Institute" and the "Labor Safety & Health School". The access to labor safety is actually less complex than expected and real-world occupational injury examples are also shared with employees by the competent authority. Lave a deep impression in the minds of employees using real case studies to strengthen their danger awareness.

## Sound Contractor Management for Accidents Prevention

To prevent occupational injuries and accidents during outsourcing, a "Contractor Management Scheme" has been established to handle all the coordination, organization, command, control and contract management, hazard identification, auto-inspection, education and safety information.

Outsourcing at FET consists mainly of security, cleaning, maintenance, equipment and data cable installation and removal, circuit testing, interior decoration and installation and operations support. Contractor ESH training, IT security training and disaster recovery drills were conducted in 2012 and 90 people received security training. Certain frontline personnel were also given training concerned with the introduction of the ISO 27001 personal data protection standard.

## Summary of Environmental Expenditure

| Quantitative Indicator | Unit | Remarks/ Description | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Total Recycled Waste | Kg / Year | Resource recycling, paper | NA | NA | 10.45 tonnes / 20 tonnes |
| Waste Disposal Costs | 10,000 NTD / Year | Waste disposal contract / 345 tonnes | 818,246 (before tax) | 903,660 (before tax) | 944,107 (before tax) |
| Environmental Management Costs | 10,000 NTD / Year | Outsourced cleaning staff, regular cleaning and pest control contract | 18,770,705 (before tax) | 17,844,750 (before tax) | 17,460,522 (before tax) |

| Item | Amount (NTD) | Remarks |
|---|---|---|
| Purchase of 38 Green OA Multi-function Devices | 3,990,000 | Unit price of NT$100,000. General OA multi-function devices with green and energy-saving marks. The documentation and environmental certification were provided by the vendor at the time of purchase. |
| Waste Disposal Contractor Cost | 439,200 | - |
| Consultation Cost for Introduction of ISO 50001 Energy-saving Committee | 0 | Funded by full grant from the Energy Bureau. |

## ▶ Environmental Data Overview

| Power Consumption | | | | | |
|---|---|---|---|---|---|
| Quantitative Indicator | Unit | Remarks | 2010 | 2011 | 2012 |
| Total Power Consumption | tonnes $CO_2e$ / year | Note1 | 143,862 | 151,818 | 166,612 |
| Total Power Consumption of Telecom Server Room | tonnes $CO_2e$ / year | Note1 | 51,917 | 55,291 | 61,052 |
| Total Power Consumption of Base Station | tonnes $CO_2e$ / year | Note1 | 82,629 | 85,933 | 93,558 |
| Total Power Consumption of Office | tonnes $CO_2e$ / year | Note1 | 6,596 | 6,650 | 5,972 |
| Total Power Consumption of Retail Store | tonnes $CO_2e$ / year | Note1 | 2,720 | 3,944 | 6,031 |
| Diesel Consumption | tonnes $CO_2e$ / Year | Note3 | 55 | 13 | 29 |

### Water

**Tap Water Consumption**
tonnes $CO_2e$ / Year
Remark : Note 2
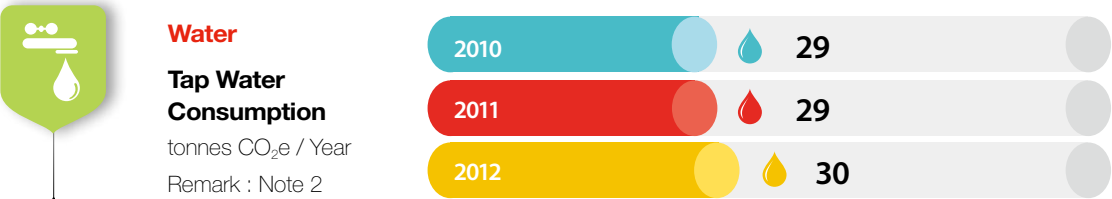
| 2010 | 29 |
| 2011 | 29 |
| 2012 | 30 |

| Energy Conservation Measures | | | | | |
|---|---|---|---|---|---|
| Quantitative Indicator | Unit | Remarks | 2010 | 2011 | 2012 |
| Energy Savings from UPS + SMR Upgrades (e.g. old equipment replaced with more efficient hardware) | tonnes $CO_2e$ / year | Note1 | 344 | 848 | 712 |
| Energy Savings from Lighting and Air-conditioning Upgrades | tonnes $CO_2e$ / year | Note1 | 416 | 10 | 862 |
| NHHQ Energy-saving Management Measures | tonnes $CO_2e$ / year | Note1 | 27 | NA | NA |
| Total Energy-saving Management Measures | tonnes $CO_2e$ / year | Note1 | NA | NA | 149 |

Note 1 : In 2011 Taiwan Power "emission intensity of electric power" data placed carbon emissions at 536 $gCO_2e$/kWh.

Note 2 : According to Taiwan Water Corporation's 2011 data, one tonnes water is equivalent to 0.167kg $CO_2e$.

Note 3 : According to Environmental Protection Administration of Executive Yuan, the suggested emission factor is 2.6060$kgCO_2$/L

# VI. Employee Relations

Our outstanding employees are responsible for the fact that FET has managed to firmly stand its ground in the ever-changing telecom industry. Our goal has always been to provide our employees with a safe, sound, healthy and people-friendly working environment. We strive to create a flexible human resource system based on professional principles and it is our hope that every employee will achieve their career ambitions and personal dreams through this system.

We work fastidiously to improve the comfort and safety of the working environment and at the same time use our assistance plans to promote the healthy physical and mental development of our employees. We will continue to launch new initiatives to transform FET into a company everyone longs to join. In accordance with Taiwan's labor legislation, FET not only bans the use of child labor but also all other forms of coerced labor as well.

### FET Awards in 2012

- "Injury-free working hours at the Neihu 468 Office"
- "Best Corporate Partner for Employment of the Physically Challenged" - Department of Labor, Taipei City Government
- "2012 Outstanding Employer of Visually Impaired Masseurs" - Department of Labor, Taipei City Government
- "Healthy Workplace Self-Certification and Health Promotion Mark" - Bureau of Health Promotion, Department of Health, Executive Yuan
- "Quality Breast-feeding Room Certification" - Department of Health, Taipei City Government

## Positive Labor Relations through Diversified Communication Channels

FET promotes an organized company culture that emphasizes diversity and innovation. FET has also continued to create transparent channels for communication and establishment of a positive labor-employer relationship. To strengthen the efficiency and results of employee communications, we offer a range of different ways in which employees can connect with one another. We have also defined a code of conduct where supervisors lead by example. The interlinking of core values with vision and mission reinforce our core corporate values.

### Physical Communication Channels

| | |
|---|---|
| Magic Lamp Meeting | Promotes employee communicatio to enhance harmony within the organization, and improve corporate competitiveness, bring into core value and provide constructive advice to promote organization for a better tomorrow for FET. The conference is held once every quarter and extra-ordinary meetings can be convened in special cases. |
| Employee Conference | Annual meeting of all members. The event is hosted by the president and used to share business developments in order to boost communications and understanding. |
| Joint Employee Benefits Committee | Meets quarterly or as necessary to promote improvements to employee welfare and organizational harmony. |
| Town Hall Meeting | Executives of level 2 and above meet quarterly and are given a presentation on the company business strategy. Any questions or suggestions can also be voiced at the meeting to be answered directly by high-level executives to establish interactive communications. |
| Employee Opinion Survey (EOS) | Allows employees to express their opinions, feelings and suggestions to company executives and managers. |
| Internal Communications Meeting | Regular or irregular meetings are convened for direct communication, enhancing mutual trust and cooperation among employees. |

### Electronic Communications Channels

| | |
|---|---|
| FET Magazine (e-Newsletter) | Published monthly to promote organizational learning and sharing. |
| FET e-Paper | Published every Wednesday. Contains summaries of important company and industry news. |
| FET e-Express | Immediate delivery of important news or information that requires immediate action by FET employees. |
| Pop Up Window | Automatically pops up when intranet pages are clicked to increase exposure to important information. |
| Employee Suggestion | Creative proposals beneficial to company operations. |
| Complaints | Employees may submit complaints through this channel when their complaints have not been dealt with to their satisfaction from the responsible unit or supervisors. |

## Magic Lamp for Better Labor Management Communications

To promote communication between the employer and employees as well as complement the values and culture of FET, we have renamed the "Labor-Management Meeting" to "Magic Lamp Meeting". Our vision is to maintain positive and effective communications, cultivate a harmonious labor-management relationship, pursue continued increases in productivity and create a better working environment.

FET began shaping our corporate culture and ideals through the Magic Lamp Project in 2000 by emphasizing positive, proactive and constructive communications. The Magic Lamp Meeting embraces these values by encouraging employees to approach and deal with problems in a positive manner, and makes being a Magic Lamp Meeting representative an honor and responsibility.

For the meeting, issues include labor-management relations, promoting labor-management cooperation, labor conditions, labor benefits and increased productivity; agendas include company finance, business conditions and benefits and health and safety.

## Employee Satisfaction Increased 4% in 2012

In cooperation with College of Management of Yuan Ze University, 2012 FET Employee Satisfaction Survey included 6 aspects, 15 items and 72 questions on job satisfaction, compensation and performance measurement, directors, leadership effectiveness, organization synergy and total satisfaction, as well as open feedback. To ensure a fair result that we entrusted College of Management of Yuan Ze University to directly collect original data from online survey, carry out analysis, and report to our highest level of managers.

The results of the 2012 Survey showed that overall satisfaction with the company had increased by 4% compared to 2011. The biggest improvements being in three particular aspects: Leadership, Compensation and Performance Management, and Organizational Synergy. The results of these annual surveys provide useful information with respect to employee opinions about their work, business and management initiatives, and whether the company has invested their resources in the right places. The information is also used as a guide for further improvement and action plans. We hope that future improvement will help FET continue to boost competitiveness.

### The Company's Overall Satisfaction

Unit : %

75.2%
79.48%

2011    2012
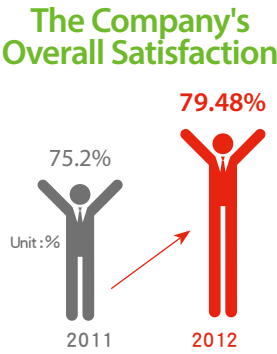
## ▶ The Personalized Employee Development Plan

The continuous acquisition of knowledge about new technical developments and innovation by the employees is crucial to maintaining competitiveness in the telecommunications industry because progress is so fast these days. FET provides employees with leadership, specialty, basic and telecom technology courses depending on the particular core skills required for their roles. FET also provides "General Productivity" courses for new employees from which they can all benefit as well as training programs tailored to the needs of particular teams. Talent development is divided into three aspects for planning and execution :

1. **Priority Talent :** Talent distribution and requirements are analyzed based on the direction of the organization. Development opportunities and methods are evaluated to enhance the future skills of gifted personnel with an emphasis on leadership and response.

2. **Management Talent :** Management competencies are developed along a specific training roadmap to help personnel with management talent cultivate the knowledge and skills for future leadership roles. Separate courses are designed for potential managers at low, mid and high-levels. Newly promoted managers are trained in basic management concepts, introduced to the relevant company policies and operations, and mentored by their direct superiors at work.

3. **Professional Talent :** The first type involves specialization in core competencies where managers help employees with completing their annual targets, and also work together with them according to a personal training and development plan. The second type involves specialist training courses in skills such as communication technology, product information and services.

## Recruit Talents and Specialists

In keeping with our three core ideals of "Proactive innovation, service centric and profitable growth", FET knows that customer satisfaction depends on employee satisfaction. Recruitment should therefore take changes in the telecom industry and the needs of corporate development into account by constant review and adjustment of recruitment strategy. In the future, we will focus on recruiting talents in telecommunications, multimedia, cloud and ICT integration service technologies.

In addition to recruiting specialists through the job market, we also work more closely with universities. In 2011, our customer support unit set up industry-university partnerships with the Oriental Institute of Technology, Ling Tung University, the Tung Fang Design Institute and Shu-Te University to consolidate campus resources, narrow the gap between theory and business practice, and cultivate professional talent. The cadet program introduced in 2006 also recruits 4 to 6 cadets at a time who undergo rigorous recruitment, cultivation and performance evaluation. After the cadets have completed their training they are assigned to key roles in their departments to raise the human resources quality.

## Recruitment System

When there is an organizational requirement for more personnel, the departmental managers submit their requirements to the human resources department for review. Approved vacancies are posted on the FET corporate and internal websites through the e-Recruitment system.

## Employee Training and Career Development

| Employee Training and Career Development | | | | | |
|---|---|---|---|---|---|
| | | Specialist | Low-level Manager | Mid-level Manager | High-level Manager |
| Organization Core | Outstanding Leadership | - | Management Skills, Ability Training | Development of Management and Leadership Skills | Talent Development |
| | Personal Interaction | Trust Building, Communications and Teamwork | | | |
| | Emphasis on Results | Customer Orientation, Problem Analysis and Decision-making, Project Management | | | |
| | Urge to Change | Service,Innovation | | | |
| Functional Competency Training | | Skills Training Required by Each Function, On-job Training | | | |
| Basic Training | | Trends in Telecommunications Development, Legal Affairs Training,Corporate Culture and Value, New Recruit Training | | | |

1. **Basic Training for New Recruits :** To help new FET employees become familiar with the company, we provide training in the following areas: introduction to FET vision, values and executives; work-related knowledge that includes personal data protection and IT security and work safety as an introduction to internal systems as part of their work.

2. **Professional Competency Development :** FET continues to provide the knowledge and skills needed by employees, with the ultimate goal of enhancing professional competency. The training includes communications skills, problem analysis and solutions, project management, telecommunications technology and service techniques. Employees are able to steadily improve their professional and technical skills through learning.

3. Leadership Cultivation : To enhance the knowledge and abilities of future leaders, we have designed a training roadmap based on the leadership skills required for low, mid and high-level managers. An annual manager leadership evaluation is used to provide an objective look at the leadership skills that need the most development. The personal direction of development is then used as the basis for selecting a suitable training program for the year.

4. "Life and Law" Educational Training Course : To help employees understand issues relating to law, we began developing the "Life and Law" course in 2011, and 5 training classes were held in 2012. The course content included how to handle car accidents and wealth management. A total of 220 people attended and as the content proved popular, FET has planned 6 related training courses for 2013 to give all our employees the opportunity to gain more knowledge about "Life and Law".



**Life and Law Courses Content and Attendees in 2012**

Topic

Life and Law Courses

• Life and Law - Car Accidents
3 sessions
**130** Attendees

• Life and Law - Property
3 sessions
**90** Attendees

**Life and Law Courses Scheduled for 2013**

Topic

Life and Law Courses

• Life and Law - Property
**4** sessions

• Life and Law - Identity Act
**2** sessions

5. Continue to Cultivate Employees' Skills in Different Fields :

**A. Humanities Lectures for Sharing and Networking**
FET respect mental and physical balance for employees. Classes with different themes are organized each year including: inspiring creativity, aesthetic living, family relations and LOHAS interactions. Experts are also invited to our main offices in northern, central and southern Taiwan to share their experiences. The acquisition of new knowledge and experience serves to trigger inspiration and new ways of thinking.

**B. Online Learning Anytime and Anywhere**
FET values continuous learning for employees, therefore, we not only provide actual physical classes, but have also set up online courses in legal affairs, IT security, computer skills and improving personal productivity to improve employee knowledge in these areas. Apart from not being limited by time and location, online learning is flexible and efficient and also allows employees to track their own progress.

**C. In-service Education Subsidies to Encourage Employees to Learn**
To encourage outstanding employees to receive further education, FET introduced the in-service subsidy where FET pays for half the registration and school fees. This encourages employees to apply for further education at local and overseas universities. In 2012, FET continued subsidizing further education for one employee, and added new subsidy for another employee.

**D. Internal Instructors to Share Practical Experience**
FET strongly supports our internal instructor scheme that gives employees an opportunity to enhance their professional and general knowledge in different fields. These instructors help to shape FET as a diverse learning organization.

| Average Hours of Study | | | | | | |
|---|---|---|---|---|---|---|
| Gender | Female | | | Male | | |
| Level/ Average study hour | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| Senior Manager and Above | 11.1 | 12.9 | 18.8 | 19 | 14.8 | 21.8 |
| Manager | 15.8 | 16.4 | 17.8 | 14.6 | 19.1 | 20.8 |
| General Employee | 17.7 | 34.5 | 21.3 | 12.7 | 36.1 | 23.6 |

## Regular Performance Review to Discover Talented Employees

To better understand and evaluate the development potential of our employees, we regularly review employee work performance and use it as basis for performance evaluation. All employee performance bonuses are based on an evaluation made at the end of each year. Employees with potential (around 42% of all employees) are then provided with a personalized development plan.

| Personal Development Plan | Female | Male | Total |
|---|---|---|---|
| Senior Manager | 7 | 22 | 29 |
| Manager | 110 | 219 | 329 |
| General Employees | 914 | 1,236 | 2,150 |
| Total | 1,031 | 1,477 | 2,508 |

## Recognize Outstanding Employees through FET Excellence Award

Each year employees with outstanding performance are selected from each department for public recognition. This recognition for exceptional performance, which raises them to the status of role model, is also instrumental in inspiring other FET employees to embrace the spirit of being service-centric and proactive innovation. Employees are also encouraged to uphold FET core values in their work and continue developing the FET vision. In 2012 there were three award categories that included sales, non-sales and customer service personnel. A total of 154 employees received these awards (subsidiaries not included).

## ▶ Comprehensive Employee Compensation and Benefit Program

A FET employee welfare committee was established as required by law to plan and provide several different employee benefits that include the Lunar New Year bonus, and the wedding and childbirth bonuses. FET employees not only receive labor and national health insurance and pensions, but subsidies are also provided for hospitalization and illness as well as many club activities and travel. To maintain a balance between the physical and mental well-being of our employees, we also provide group insurance, self-funded dependents group insurance and regular health examinations for all employees. Other benefits include the clinic, employee service center, EAP employee support center, and employee cafeterias at Banqiao and Neihu. We also hold health and safety seminars and provide subsidized phones and employee mobile phone preferential plans. These plans include a set number of free calls each month.

In addition to providing competitive salaries and annual bonuses, which is higher than local minimum wage, we continue to introduce new human resources schemes to inspire FET employees. These include target completion bonuses, sales bonuses and special performance bonuses. To help employees relax and improve productivity, FET set up a free massage service in the office in 2004. The facility is staffed by visually-impaired people, not only to fulfill our CSR, but also to satisfy the Department of Labor's requirements for the employment of physically challenged people.

In 2012, the massage service employed 17 masseurs. In addition to giving employment to the visually-impaired, it also helps our employees with stress relief, and provides opportunities for employees to interact socially with the visually-impaired. Both FET employees and the masseurs are able to benefit from this mutual care and support. In January 2012, the Taipei City Department of Labor acknowledged FET as the best corporate partner employing the visually impaired and in October of the same year FET was named "Best employer of visually-impaired masseurs".

### Expand Life Circles through Club Activities

Club activities for FET employees can be roughly divided into three categories: sports, arts and humanities, stress-relief and networking. The clubs include the Digital Photography Club, Family Club, Northern Film Club, Painting Club, Badminton Club, Basketball Club, Yoga Club, Fitness Club, Flower Arranging Club, Wine Tasting Club, Baseball Club and Golf Club. The largest club has over 250 members. Club management and funding is organized by the employee welfare committee.

The low birth-rate in Taiwan means that the children in many families have no peers from whom they can learn. To help counteract this deficiency, FET set up the "FET Family Activity Club" where children have the opportunity to learn from their peers and socialize. The monthly club events also enable employees to share their insights on child-rearing and balance the needs of work with those of their social lives. In the Photography Club members study the art of photography and its techniques and the club also promotes normal recreational activities. By photographing the beauty of nature and the current environment, employees can foster friendships, expand living circles, improve the quality of life and cultivate aesthetic appreciation.

### Encourage Employee Networking through Family Day

To boost employee interactions and loyalty as well as strengthen their bonds with friends and relatives, FET organizes activities that help employees understand the core value and culture of the company. These promote better rapport in team work and enhance their enthusiasm and work performance. In August 2012, we organized 13 Family Day events throughout Taiwan over a period of three weeks. The events were well supported and around 6,500 employees and their families attended.

### Staff Trip to Relieve Work Stress

To promote employee physical and mental health as well as relieve stress, the FET Employee Welfare Committee organizes many different domestic and foreign staff trips between April and December each year. These trips promoted employee interaction and the attendance rate was over 97%.

### Employee Retirement Benefits Mechanism

FET retirement regulations for full-time employees are based on the Labor Standards Act and pension payments are based on years of service and the average salary over the last six months before the date of retirement. Monthly pension fund contributions are 2% of the salary and this is paid into the pension fund and managed by the Labor Retirement Fund Supervision Committee. The money is deposited by the committee with the Bank of Taiwan.

All FET retirement regulations comply with the law. If an employee selects the old scheme the relevant calculations and payments will be based on Article 56 of the Labor Standards Act. If the employee selects the new scheme then contributions will be based on the relevant articles of the Labor Pensions Act.

### Caring for Employee Health and Building a Safe Workplace

The health of our employees is important to us. FET employees not only receive a health examination with wider coverage than required by law every two years, but also have access to health seminars, screenings and health promoting activities organized by FET in conjunction with government agencies and community hospitals and clinics. These include pap smears, hypertension, blood sugar and cholesterol screening, as well as CPR technique training, breast feeding, health and fitness, healthy weight management and advice for the family, work and life. The goal is to enhance the health knowledge and skills of the employees as well as to provide courses and activities that promote physical and mental wellbeing. FET also took part in the "Healthy Lifestyle Camp for Neihu District, Taipei City" to support and build a living environment that promotes workplace health.

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In addition to helping employees look after their own health, we also encourage them to care for others as well. Blood donation events are held every year and FET hopes to save more lives with our enthusiasm.

To provide employees with a comfortable working environment, FET not only assigns professional mechanical and electrical engineers to manage the air-conditioning equipment but also engages professional environmental testing organizations to measure the $CO_2$ concentrations in the office areas every 6 months.

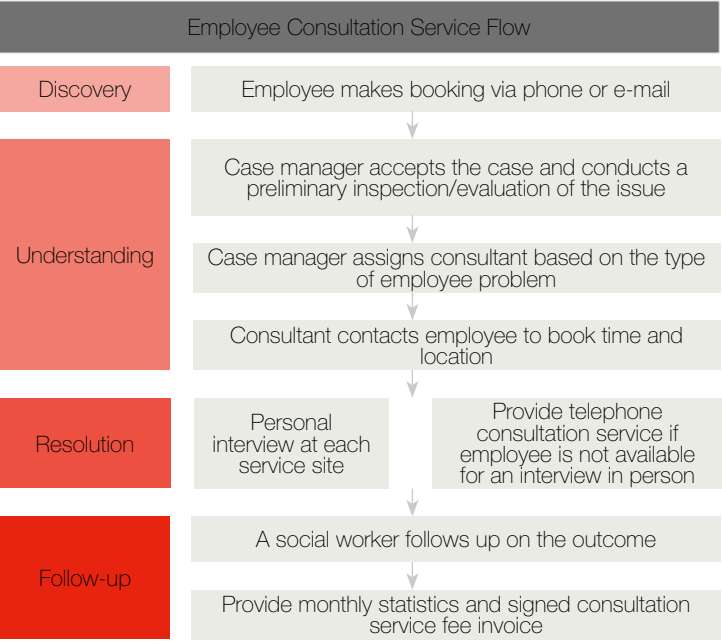## Promoting Health Management through the Cloud

To integrate the results of employee health examinations into the corporate health system, FET is now working with Far Eastern Memorial Hospital to develop and validate the "Corporate Healthy Living Network" service. FET hopes to incorporate hospital health management into a cloud platform which can be delivered directly to businesses and employees. If this service is validated, FET employees will not only receive a written report after each health examination, but this information can also be stored in the cloud. Employees will be able to log into the platform through their personal account any time to compare or monitor health changes.

FET also promotes self-health management for employees. By using the cloud platform to promote the health risk assessment table, employees can use this system to learn about their own personal health risks and develop the skills necessary to stay healthy through exercise and diet control.

In the future, FET will use cloud technology to analyze the overall health of employees on a departmental basis. The health requirements for employees vary due to differences in the nature of their work. For example, male engineers are prone to becoming overweight. This system will be able to arrange for follow-up checks and health improvement suggestions tailored to the nature of each department, making health care more sophisticated and suited to employee needs.

### Providing Professional Advice through the Employee Assistance Program

The mental health of the employees is just as important to FET as their physical health. The popular "Employee Assistance Program" (EAP) has long worked with Life Line Hsinchu to provide employees with professional consultation services concerning family, parent-child relationships, marriage, personal relationships, romance, career and stress. FET has nearly 6,000 employees and each one is entitled to six free one hour long consultations per year irrespective of their grade. Employees have only to call the EAP hotline to make contact with a professional consultant for assistance and advice. The process and content is strictly confidential and all costs are met by FET. We also look after the health of the future generation. Female employees who are breast-feeding have two 30-minute breastfeeding breaks

**Employee Consultation Service Flow**

| Discovery | Employee makes booking via phone or e-mail |
| Understanding | Case manager accepts the case and conducts a preliminary inspection/evaluation of the issue |
| | Case manager assigns consultant based on the type of employee problem |
| | Consultant contacts employee to book time and location |
| Resolution | Personal interview at each service site / Provide telephone consultation service if employee is not available for an interview in person |
| Follow-up | A social worker follows up on the outcome |
| | Provide monthly statistics and signed consultation service fee invoice |

during working hours each day. A spacious, safe, private, comfortable, high-quality environment that also has milk expressing equipment is provided so breast-feeding mothers can concentrate on their work while raising a new and healthy generation.

Since 2009 the various measures FET uses to promote the physical and mental health of employees have been repeatedly recognized by the Department of Health "Healthy workplace self-certified health promotion mark" as well as the "Quality breast-feeding room certification of the Taipei City Government".

## Analysis of Employee Satisfaction with EAP Consulting in 2012

| Subject | Score |
| --- | --- |
| The consultant had a warm and sincere attitude | 98 |
| The consultant understood my problem | 97 |
| The consultant guided me to discuss my problem openly | 98 |
| After meeting with my consultant, I now have a better idea of what I should strive for | 97 |
| I am willing to accept the consulting service again | 98 |
| Average | 98 |

Source: Life Line Hsinchu

### Integrated Physical and Mental Care for Female Employees

According to the 2012 manpower utilization statistics published by the Director-General of the Budget, Accounting and Statistics, average labor participation was 58.35%, up 0.18% from 2011. Female labor participation reached 50.19%, exceeding 50% for the first time. At the end of 2012, the proportion of FET male to female employees was 46:54. This made FET the only one of the three top telecom companies in Taiwan with more female employees than men. The average age of female employees was 34.5 years. They not only represent the backbone of society but are also part of the "sandwich generation".

To help female employees achieve a balance between work and life, FET provides an integrated solution to their physical and mental issues from company policy, software/hardware, employee welfare committee through to physiological/psychological counseling. This helps to improve harmony at home and allows employees to retain control over their own lives.

#### Titanium-grade Gender Equality Policy

FET has spared no effort when it comes to promoting gender equality in the workplace. Apart from total equality in selection, cultivation, training, assignment, retention and performance evaluation, employees also have access to menstrual leave, paid maternity leave, paid paternity leave, pregnancy leave as well as unpaid parental leave, breast-feeding breaks and family leave. It is worth noting that FET even provides flexible working hours; employees can choose different working times to increase the range of commuting options. FET also introduced "sexual harassment prevention training" and a procedure/mechanism for processing sexual harassment complaints to ensure gender equality.

#### Women-only Facilities Provide a Thoughtful Touch

As FET is the only company out of the three top

telecom operators in Taiwan with more female employees than men, FET also provides many women-only facilities including:

A. Women-only changing rooms and personal lockers.

B. Women-only showers for the convenience of employees who cycle to work.

C. Breast-feeding rooms have been set up in all offices around Taiwan to provide employees with a safe and comfortable milk-expressing environment.

D. FET has partnered with 197 Hess kindergartens and daycare centres around Taiwan to provide childcare subsidies as well as child care discounts for employees. This reduces the expense burden of using child care.

**Mental and Spiritual Balance Seminar**

FET hosted 13 internal spiritual seminars with consultants, Prof Lan Hong from the National Central University and Prof Weiwei Huang from Cyber Angel's Pick to speak on topics such as family education and stress-relief.

| Overview of Mental and Spiritual Balance Seminars | |
|---|---|
| Seminar Topic | Cooperation Unit |
| Brain and Life | Prof Lan Hong, National Central University |
| Family Education: Network security for youths to prevent Internet addiction | Cyber Angel's Pick |
| Have fun at work and nothing is more fun than work | Wenhua Wang, Asir International Management Consulting |
| Catwalk vs. Theatre - The Fashion of Dance | National Theatre Hall |
| Shakespeare's Fantasy | National Theatre Hall |
| Types of Metabolism - Eat right and slim down the natural way | Excellent Consulting Company |
| Creating Own Sky | Excellent Consulting Company |
| Relax and Energize | Excellent Consulting Company |
| Attitude Determines Achievement | KValley Corporation |
| Finding the Balance between Work and Life | Life Line Hsinchu |
| Guide to Family Relations | Life Line Hsinchu |
| Health Fitness and DIY Exercise | Health and Exercise Association ROC. |
| Breast-feeding and Common Pediatric Skin Diseases | Neihu District Health Centre |

## ▶ Employee Code of Conduct

FET provides equal employment opportunities and gender equality is emphasized as well. Male and female employees are given the same rate of pay that also far exceeds the minimum wage. Compensation and promotion after employment are both based on individual ability and performance without discrimination with respect to age, race, skin color, gender or sexual preference.

To provide employees with a workplace free from gender discrimination, FET arranged for information sessions throughout Taiwan immediately after the Gender Equality in Employment Act was implemented. A "Sexual Harassment Complaints Committee", that has proper procedures for handling complaints, was also set up as soon as the Sexual Harassment Prevention Act became law. These, along with an

employee complaints mailbox are all part of our efforts to maintain a healthy working environment free of harassment and discrimination.

The implementation of these measures resulted in the absence of a single case of gender discrimination, harassment or violation of employee rights in 2012.

The FET "Code of Ethics" and "Ethical Corporate Management Principles" have now been formally approved by the Board of Directors. All managers, employees and decision-makers are prohibited from directly or indirectly providing, promising, soliciting or accepting any form of improper benefit in their work. These include kickbacks, commissions and bribes, as well as providing/accepting any form of improper benefits to/from customers, dealers, contractors, suppliers, civil servants or other stakeholders. The internal e-newsletter also publishes an annual reminder to employees to follow these rules.

## ▶ Human Resources Data

### Manpower Overview

| Year | | 2010 | | 2011 | | 2012 | |
|---|---|---|---|---|---|---|---|
| No. of Employees | | 4,072 | | 4,940 | | 5,873 | |
| Local Employees | Total | 4,064 | 99% | 4,931 | 99% | 5,863 | 99% |
| | Male | 2,013 | 49% | 2,337 | 47% | 2,700 | 46% |
| | Female | 2,051 | 50% | 2,594 | 52% | 3,163 | 54% |
| Foreign Employees | Total | 8 | 1% | 9 | 1% | 10 | 1% |
| | Male | 4 | 0.5% | 5 | 0.6% | 6 | 0.6% |
| | Female | 4 | 0.5% | 4 | 0.4% | 4 | 0.4% |
| Full-time Employees | Total | 4,072 | 100% | 4,940 | 100% | 5,873 | 100% |
| | Male | 2,017 | 49% | 2,342 | 47% | 2,706 | 46% |
| | Female | 2,055 | 51% | 2,598 | 53% | 3,167 | 54% |
| Open-ended Contract | Total | 4,068 | 99% | 4,936 | 99% | 5,868 | 99% |
| | Male | 2,014 | 49% | 2,339 | 47% | 2,702 | 46% |
| | Female | 2,054 | 50% | 2,597 | 52% | 3,166 | 53% |
| Fixed Contract | Total | 4 | 1% | 4 | 1% | 5 | 1.0% |
| | Male | 3 | 0.7% | 3 | 0.7% | 4 | 0.7% |
| | Female | 1 | 0.3% | 1 | 0.3% | 1 | 0.3% |

Unit : person

### Employee Nationality

| Nationality | Taiwan | Sweden | Indonesia | Thailand | Malaysia | Vietnam | Singapore | Korea |
|---|---|---|---|---|---|---|---|---|
| 2010 | 4,064 | 1 | 1 | 1 | 2 | 1 | 1 | 1 |
| 2011 | 4,931 | 1 | 1 | 1 | 3 | 1 | 1 | 1 |
| 2012 | 5,863 | 1 | 3 | 1 | 1 | 1 | 1 | 2 |

Unit : person

## Employee Percentage by Gender and Occupational Rank

| Occupational Rank / Age | | 2010 | | | | | 2011 | | | | | 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Male | % | Female | % | Total | Male | % | Female | % | Total | Male | % | Female | % | Total |
| Number of General Employees | Under 30 | 217 | 32% | 455 | 68% | 672 | 391 | 33% | 811 | 67% | 1,202 | 615 | 34% | 1,212 | 66% | 1,827 |
| | 30~50 | 1,268 | 48% | 1,370 | 52% | 2,638 | 1,391 | 48% | 1,537 | 52% | 2,928 | 1,523 | 47% | 1,689 | 53% | 3,212 |
| | Over 50 | 21 | 91% | 2 | 9% | 23 | 31 | 84% | 6 | 16% | 37 | 32 | 80% | 8 | 20% | 40 |
| Number of Managers | Under 30 | 0 | 0% | 0 | 0% | 0 | 0 | 0% | 2 | 100% | 2 | 0 | 0% | 1 | 100% | 1 |
| | 30~50 | 392 | 68% | 184 | 32% | 576 | 397 | 66% | 202 | 34% | 599 | 403 | 65% | 213 | 35% | 616 |
| | Over 50 | 40 | 89% | 5 | 11% | 45 | 46 | 90% | 5 | 10% | 51 | 47 | 84% | 9 | 16% | 56 |
| Number of Senior Managers | Under 30 | 0 | 0% | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| | 30~50 | 47 | 65% | 25 | 35% | 72 | 49 | 71% | 20 | 29% | 69 | 50 | 72% | 19 | 28% | 69 |
| | Over 50 | 10 | 71% | 4 | 29% | 14 | 13 | 76% | 4 | 24% | 17 | 15 | 79% | 4 | 21% | 19 |
| Number of Vice Presidents | Under 30 | 0 | 0% | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| | 30~50 | 9 | 50% | 9 | 50% | 18 | 9 | 50% | 9 | 50% | 18 | 6 | 38% | 10 | 62% | 16 |
| | Over 50 | 13 | 93% | 1 | 7% | 14 | 15 | 88% | 2 | 12% | 17 | 15 | 88% | 2 | 12% | 17 |

Unit : person

## Employment of the Physically-Challenged

2010 No. of Employees **29**

2011 No. of Employees **29**

2012 No. of Employees **39**

## New Employment by Gender and Age Group

| Age | 2010 | | | | 2011 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | % | Female | % | Male | % | Female | % | Male | % | Female | % |
| Under 30 | 127 | 3.1% | 273 | 6.7% | 432 | 8.7% | 781 | 15.8% | 659 | 11.2% | 1,076 | 18.3% |
| 30~50 | 336 | 8.3% | 376 | 9.2% | 250 | 5.1% | 306 | 6.2% | 310 | 5.3% | 339 | 5.8% |
| Over 50 | 16 | 0.4% | 5 | 0.1% | 3 | 0.1% | 1 | 0.0% | 2 | 0.0% | 2 | 0.0% |
| Total | **1,133** | | | | **1,773** | | | | **2,388** | | | |

Unit : person

## Employee Turnover Rate

| Year | 2010 | | | | 2011 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | % | Female | % | Male | % | Female | % | Male | % | Female | % |
| Under 30 | 49 | 1.2% | 171 | 4.2% | 171 | 3.5% | 308 | 6.2% | 339 | 5.8% | 529 | 9.0% |
| 30~50 | 176 | 4.3% | 381 | 9.4% | 188 | 3.8% | 232 | 4.7% | 226 | 3.8% | 298 | 5.1% |
| Over 50 | 13 | 0.3% | 2 | 0.0% | 4 | 0.1% | 3 | 0.1% | 25 | 0.4% | 5 | 0.1% |
| Total | **792** | | | | **906** | | | | **1,422** | | | |

Unit : person

## Unpaid Parental Leave Applications and Reinstatements

| Year | 2012 | | |
|---|---|---|---|
| | Male | Female | Total |
| 2012 Number of people eligible for unpaid parental leave (A) | 318 | 466 | 784 |
| Number of actual unpaid parental leave applications (B) | 4 | 71 | 75 |
| Application rate for unpaid parental leave (B/A) | **1.3%** | **15.2%** | **9.6%** |
| 2012 Number of reinstatement-to-be from unpaid parental leave (C) | | 284 | |
| 2012 Number of applying for reinstatements (D) | 5 | 60 | 65 |
| 2012 Reinstatements rate (D/C) | | **35.33%** | |
| 2011 Number of reinstatements (E) | 7 | 49 | 56 |
| 2011 Number of employees that continued working for one year after reinstatement (F) | 7 | 45 | 52 |
| 2011 Return Rate (F/E) | **100%** | **92%** | **93%** |

Note : 1. 2012 Number of people eligible for unpaid parental leave: Between 2010 and 2012, employees who had applied for maternity or parental leave.
2. Number of actual unpaid parental leave applications: Employees who were still on unpaid parental leave in 2012.
3. 2012 Number of reinstatement-to-be from unpaid parental leave: Number of employees who took unpaid parental leave between 2010 and 2012 – Number of employees who applied for reinstatement in 2010 & 2011

## ▶ VII. Community Engagement

FET believes that a business should establish a good relationship with society. It must also share the fruits of economic and business development with society through the products and services it provides. At FET, we observe the developments in society and take the lead in finding suitable strategic partners for planning and promoting various community engagement initiatives.

FET is committed to continued innovation and improvements in our community initiatives. Creativity will be combined with core ability to give back to society through social welfare and the sponsorship of disadvantaged groups.

### ▶ Green Kungfu to Promote Environmental Awareness

Young people today are bold, innovative, creative and always ready to support worthy causes. The concept of "Eco-fashion, Creative responsibility" was therefore chosen by FET to promote new environmental protection ideas. To awaken environmental awareness in the general public through relaxed, simple and stylish initiatives, young people who were invited by FET to use their technical creativity came up with everyday ways to be environmentally friendly that nobody had ever thought of before.

We suggested the use of mobile devices to turn creative environmental protection ideas into videos so that environmental initiatives could be promoted at any time and place. To this end, we designed the "Your Green Kungfu" app and invited the general public to participate in producing creative moblie domestic films. More than NT$4 million was invested in the campaign. The app was downloaded 2,603 times and a total of 215 videos were submitted. The videos from participants attracted 13,137 views while the official promotional video attracted 20,214 views.

### ▶ Supporting Social Welfare

**Partnership with the Child Welfare League Foundation**

FET has been involved in the cause of abandoned children for seven years. In addition to a partnership with the Child Welfare League Foundation in the "Saving Abandoned Children" charity sales and spare change donation campaign, FET has also been actively involved in promoting parent-child relationships and child-care events. FET hopes that the creative application of modern technology will contribute to the education of future generations.

To uphold our philosophy of "Eco-fashion, Creative responsiblity", FET launched the channel charity program and invited all FET and franchise stores throughout Taiwan to support the "Happiness Pump", "Love Child Pack" and "Spare Change Donation". The program aimed at bringing charitable initiatives to FET customers. Apart from encouraging the general public to donate in-store, volunteers were also recruited by FET to not only host an opening sale event at the Xinyi-Viewshow shopping district in Taipei, but also to solicit donations and make charity sales on the street. A number of fund-raising events were also held at the New Taipei City Government square, the Banqiao Fuzhong business district, and the Taichung Fengjia and Kaohsiung Xinjuejiang Night Markets.

FET also activated the 380 "I want to help" donation hotline and launched the "National e-Donation" campaign. Whenever a subscriber signed up for electronic billing or direct debit, FET donated $10 to the Child Welfare League Foundation. A total of 73,100 applications were submitted between October and December 2012 and FET donated NT$731,900. Altogether, NT$3,360,688 was raised when charity sales and other donations were included, an increase of 80% compared to the previous year.

FET has observed that while today's parents take education more seriously than ever, parent-child relationships have become increasingly distant. FET therefore partnered with the Child Welfare League Foundation to hold a Children's Day carnival. The five key issues of "Education, Health, Media, Recreation and Career" were used as a basis for different activities that provided children with a broad range of experiences. This raised awareness and engagement with the five key issues in child-rearing in Taiwan. Children from an elementary school in the remote rural region of Chengling were also invited to take part in the carnival.

FET also hosted the "Saving Abandoned Children" charity sale, a fund-raising event in Citizen's Square, New Taipei City and the Far Eastern Group lighting event. A total of NT$1,765,567 was invested into these charity events.

## Total Amount Raised for the "Saving Abandoned Children" Campaign in 2012

Unit: NTD

| Time | Event Name | Subtotal |
|---|---|---|
| Oct ~ Dec | Donation for successful electronic billing/direct debit applications | $731,990 |
| 10/6 | First "Saving Abandoned Children" charity sale - proceeds and donations of spare change | $145,414 |
| 11/1~12/31 | Charity sales and spare change donations from all FET and franchise stores throughout Taiwan | $2,330,904 |
| | 380 mobile phone donation | |
| 12/1~12/2 | FET volunteer fund-raiser at New Taipei City Citizen's Square - Charity sale and spare change donations | $105,872 |
| 12/5 | FET Group lighting event - Charity sale and spare change donations | $16,092 |
| 12/1~12/24 | Charity Sale at FET Store<br>·Kaohsiung Xinjuejiang Shopping District-Charity sales and spare change donations<br>·Taichung Fengjia Night Market-Charity sales and spare change donations<br>·Banquia Fuzhong Business District-Charity sales and spare change donations | $30, 416 |
| Total | | $3,360,688 |

## Child Welfare League Foundation "Saving Abandoned Children" Donations Utilitzation Status

| Year | Donations (NTD) | Number of Beneficiaries | Beneficiaries |
|---|---|---|---|
| 2006 | 562,018 | 192 | Abandoned Children |
| 2007 | 2,884,808 | 961 | Abandoned Children |
| 2008 | 1,851,352 | 612 | Abandoned Children |
| 2009 | 3,682,696 | 2,200 | Family with Children affected byTyphoon Morakot Disaster |
| 2011 | 1,868,328 | 623 | Abandoned Children |
| 2012 | 3,360,688 | 1,344 | Abandoned Children |
| Total | 14,209,890 | 5,932 | |

Note : Formula - Based on the actual amount of living expenses that the Child Welfare League Foundation provided for abandoned or fostered children for that year.



### Omusic Online Music Service Actively Supports Charity

To give back to society and support charitable activities, FET joined forces with record companies and artists to draw the attention and compassion of society to disadvantaged groups. Apart from placing charity songs in prominent locations and showing the full name of the charity event, the online Omusic service also produces large promotional graphics to better communicate the charity's message. Several singers took part in 2012 including Mia Liu with the song "Hope" recorded for the "Taiwan Life Caring and Animal Rescue Organization", HERO with the song "Love is Here" recorded for the "Children Welfare League Foundation", and Christine Fan with the music video "Moved Is Not Far Away". FET helped Christine Fan set up a press conference for her role as the charity spokesperson for the Saint Mary's Hospital in Luodong. FET hoped this would help the hospital raise more funds towards the construction of the senior medical building.

### Supporting Cyber Angel's Pick for Children's Internet Safety

In a study on the use of social networking by children and teenagers, the Digital Culture Laboratory of the National Chengchi University found that the understanding of online intellectual property rights by children and teenagers, as well as their ideas about the protection of personal and information privacy, remained relatively weak. Parents were not able to provide their children with proper guidance on Internet behaviour. This showed that all members of the digital e-family needed to strengthen their understanding of proper online conduct.

In 2012, Cyber Angel's Pick set up the "Family Internet Safety Hotline" to provide support, consultation and referral services to Internet-addicted teenagers and their families. Supporting services was also provided for parents and children having communication difficulties. FET believes in the importance of CSR and supports Cyber Angel's Pick directly by sponsoring the call-in Family Internet Safety Hotline and volunteer training camp in Taitung.

### Free Charity SMS to Encourage Public Participation

To encourage the general public to support charitable causes, FET provides free SMS services to charities. This included a donation of 20,000 free SMS to Cyber Angel's Pick to promote their Internet Safety hotline. FET also gave 50,000 free SMS for the Taiwan Liver Research Foundation to publicize free hepatitis and liver cancer screening. FET hoped that our promotion of charitable causes will encourage the general public to take part as well.

### Helping Charities by Sponsoring the cnYes.com Charity Events

FET began supporting the cnYes.com charity events in 2010 and now supports more than ten charities. In 2012, we used material donations, financial donations and purchases of charity merchandise to sponsor the Tsu-Hsin Children's Home in Taichung, the Nantou centre of Taiwan Fund for Children and Families (TCFT), the Puhsian Children's Home in Yilan, the New Dawn children's home in Hualien and the Heng Chun Christian Hospital. The sponsorships had a total value of NT$50,000.

In 2013, we supported the Pingtung centre of TCFT, the Federation for the Welfare of the Elderly, the St Martin de Porres Hospital in Chiayi, and the Heng Chun Christian Hospital. The sponsorships took the form of rehabilitation treatment for injured children, donations of warm clothing and medical devices, and meal deliveries for old people living alone. Total value of sponsorships was about NT$50,000.

### Inviting Disadvantaged Groups to Host Charity Sales

The FET employee welfare committee hosts internal sales at different times throughout the year. Apart from actively looking for quality vendors, we also invite charities such as the Happy Home Institute to take part. The 2012 Family Day supplied snacks produced by the Eden Social Welfare Foundation and also invited the foundation to set up a charity sales stall on the day.

### ▶ Support for the Computer Recycling Program

FET supported the "Recycling Computers for New Hope" project of the Triple-E Institute by donating used computers. The project donated refurbished computers to disadvantaged groups in order to maximize resource utilization and help those in need. This also helped to reduce pollution and conserve resources.

In 2012 FET donated a total of 1925 used computer and peripherals(957 PCs, 766 monitors, 163 NBs and 39 PRT). FET was the top donor of the year and was invited to attend the "2012 Recycling Computers for New Hope-End of Year Thanksgiving Event". FET will continue to support this charity program in the future as part of our commitment to CSR.

## Total Social Investments in 2012

| Category | Expenditure (NTD) | Beneficiaries/ Groups |
| --- | --- | --- |
| Mobile Domestic Film Competition | $4,188,228 | 8 (No. of prize winners) |
| FET App Star Awards | $1,300,000 | 29 awards, include one special award Winners/Group: BabyLife, Chen Min-biao, IQ Technology, Moaibot Inc., Ke Bo-wen and Mei-HWA Multmedia Technology Co., Ltd, Brogent Technologies Inc., Lee Li-wen, Mitake Inc., Moaibot Inc., Papago Inc., HyXen Technology, Zong Chin Technology Corporation, Hongku Info Co., Ltd, Lin Chong-wei, Funny Lab studios, Inc., Moaibot Inc., Brogent Technologies Inc., Auer Media & Entertainment Corp., Knowledge Universe Technology Inc. |
| Children Welfare League Foundation 2012 "Save Abandoned Children" Fund-raising Campaign | $3,360,688 | 1,344 people |
| Collaboration between Industry and School | $2,000,000 | NTU Insight |
| Cyber Angel's Pick Event | $210,470 | 50 people |
| Free SMS for Charity | $84,000 (Note) | Cyber Angel's Pick and Liver Disease Prevention & Treatment Research Foundation |
| cnYes Charity Event | $50,000 | Tsukuang Foundation, T.F.C.F., Yilan Puian Orphanages, New Dawn Educare Center and Heng Chun Christian Hospital |
| Other (Sponsorship of the Syin-Lu Social Welfare Foundation, charity sale stalls for disadvantaged groups, donations of second-hand books/clothing) | $129,928 | Sylin-lu Social Welfare Foundation, Catholic Kuang Jen Social Welfare Foundation and Kanner Support Group |
| Total | $11,323,314 | |

Note : Total 70,000 SMS, 1.2 NTD for one SMS.

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# ASSURANCE STATEMENT

**SGS TAIWAN LTD.'S INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTONE TELECOMMUNICATIONS CO., LTD.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2012**

**NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by FAR EASTONE TELECOMMUNICATIONS CO., LTD. (hereinafter referred to as FET) to conduct an independent assurance of the Corporate Social Responsibility Report of 2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in FET's operational sites in Taiwan of this report.

The information in the FET's Corporate Social Responsibility Report of 2012 and its presentation are the responsibility of the superintendents, CSR committee and the management of FET. SGS has not been involved in the preparation of any of the material included in the FET's Corporate Social Responsibility Report of 2012.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all FET's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines and the AA1000 Assurance Standard. These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organization.

This report has been assured using our protocols for:

- evaluation of content veracity at a moderate level of scrutiny;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (2011);
- evaluation of the report against Global Reporting Initiative Telecommunications Pilot Sector Supplement; and

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at headquarter of FET in Taipei City in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

**STATEMENT OF INDEPENDENCE AND COMPETENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirms our independence from FET, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with QMS, EMS, SMS, EnMS, GPMS, SA 8000, GHG Verification Lead Auditors and experience on the SRA Assurance service provisions.

**VERIFICATION/ ASSURANCE OPINION**

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within FET's Corporate Social Responsibility Report of 2012 verified is accurate, reliable and provides a fair and balanced representation of FET sustainability activities in 01/01/2012 to 12/31/2012.

The assurance team is of the opinion that the report can be used by the Reporting Organization's Stakeholders. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting. The report is the second to be assured by an independent assurance team and FET has taken a bold step by offering the report to evaluation against both Global Reporting Initiative's G3.1 guidelines and the AA1000 Assurance standard. This shows a deserved confidence in their reporting process. In our opinion, the contents of the report meet the requirements of Global Reporting Initiative G3.1 Application Level A+ and AA1000 Assurance Standard type 1, moderate level.

**AA1000 ACCOUNTABILITY PRINCIPLES CONCULSIONS, FINDINGS AND RECOMMENDATIONS**
**Inclusivity**

FET has demonstrated a strong commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, consumers, investors, local communities, suppliers, media, NGOs and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. It is recommended to have higher degree of direct involvement of stakeholders during future engagement.
**Materiality**

FET has implemented appropriate process for determining issues that are material to the organization. We believe the report has addressed the great majority of FET's material issues at an appropriate level to reflect their importance and priority to the stakeholders. It is recommended that the process and criteria applied to assess materiality to be formalized and documented to ensure better consistent result in future reporting.
**Responsiveness**

FET is committed to being responsive to stakeholders and their concerns. Future reporting may refocus on how the contribution is making to sustainable development outcomes. The amount of information on environmental aspect may be increased in next report.

**GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCULSIONS, FINDINGS AND RECOMMENDATIONS**
**Principles, Standard Disclosures and Indicators**

The report, FET Corporate Sustainability Report 2012, is adequately line with the GRI Application level A+. Contents of Disclosure on Management Approach may have more clearly defined goal for each aspect. It is also recommended to have more disclosure on the performance of supplier chain management, green house gases emission, and organizational governance.

**Signed:**
**For and on behalf of SGS Taiwan Ltd.**



**Dennis Yang, Chief Operating Officer**
**Taipei, Taiwan**
**20 June, 2013**
**WWW.SGS.COM**



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## ▶ VIII. GRI G3.1 Index

● indicates full disclosure ◑ indicates partial disclosure ○ ndicates none disclosure

| Standard Disclosures | | Disclosure Items | Page | Disclosure level |
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| | 1.2 | Description of key impacts, risks, and opportunities. | 4, 28 | ● |
| Organizational profile | 2.1 | Name of the organization. | 1 | ● |
| | 2.2 | Primary brands, products, and/or services. | 8,9 | ● |
| | 2.3 | Operational structure of the organization. | 9 | ● |
| | 2.4 | Location of organization's headquarters. | 9 | ● |
| | 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | 9 | ● |
| | 2.6 | Nature of ownership and legal form. | 11 | ● |
| | 2.7 | Markets served. | 9 | ● |
| | 2.8 | Scale of the reporting organization. | 9 | ● |
| | 2.9 | Significant changes during the reporting period regarding size, structure, or ownership. | No significant changes | |
| | 2.10 | Awards received in the reporting period. | 22, 74 | ● |
| Report parameters | 3.1 | Reporting period for information provided. | 1 | ● |
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| | 3.3 | Reporting cycle. | 1 | ● |
| | 3.4 | Contact point for questions regarding the report or its contents. | 1 | ● |
| | 3.5 | Process for defining report content. | 20-21 | ● |
| | 3.6 | Boundary of the report. | 1 | ● |
| | 3.7 | State any specific limitations on the scope or boundary of the report. | No relevant limitation | |
| | 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | No relevant issues | |
| | 3.9 | Data measurement techniques and the bases of calculations. | Refer to each chapter | |
| | 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement. | No re-statement | |
| | 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | No significant changes | |
| | 3.12 | able identifying the location of the Standard Disclosures in the report. | 96 | ● |
| | 3.13 | Policy and current practice with regard to seeking external assurance for the report. | 1,94-95 | ● |
| Governance, commitments, and engagement | 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | 23 | ● |
| | 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | 22 | ● |
| | 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. | 22 | ● |
| | 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | 19, 25 | ● |
| | 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance. | 24 | ● |
| | 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | 24 | ● |
| | 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics. | 22 | ● |
| | 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | 8 | ● |
| | 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance. | 17 | ● |
| | 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | 24 | ● |
| | 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | 28-29 | ● |
| | 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | 91-92 | ● |
| | 4.13 | Memberships in associations and/or national/international advocacy organizations. | 26-27 | ● |
| | 4.14 | List of stakeholder groups engaged by the organization. | 21 | ● |
| | 4.15 | Basis for identification and selection of stakeholders with whom to engage. | 18 | ● |
| | 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | 21 | ● |
| | 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns. | 20-21 | ● |

To be continued

| Economic | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Disclosure on Management Approach | | | 22 | ● |
| Economic performance | EC1 | Direct economic value generated and distributed | 11,12,93 | ● |
| | EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | 54 | ● |
| | EC3 | Coverage of the organization's defined benefit plan obligations. | 81 | ● |
| | EC4 | Significant financial assistance received from government. | No financial assistance from government. Government is not present in the shareholding structure. | ● |
| Market presence | EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. | 80 | ◑ |
| | EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | 70 | ● |
| | EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | 77 | ◑ |
| Indirect economic impacts | EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | 91-92 | ● |
| | EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | 91 | ◑ |

| Environmental | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Disclosure on Management Approach | | | 54 | ● |
| Energy | EN1 | Materials used by weight or volume. | FET is a telecommunication service industry company | ● |
| | EN2 | Percentage of materials used that are recycled input materials. | FET is a telecommunication service industry company | ● |
| | EN3 | Direct energy consumption by primary energy source. | 73 | ● |
| | EN4 | Indirect energy consumption by primary source. | 73 | ● |
| | EN5 | Energy saved due to conservation and efficiency improvements. | 58-62,73 | ● |
| | EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | 57,66,73 | ◑ |
| | EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | 66,68 | ◑ |
| Water | EN8 | Total water withdrawal by source. | 73 | ● |
| | EN9 | Water sources significantly affected by withdrawal of water. | All water is used for domestic purpose. Wastewater discharged into local sewage treatment | ● |
| | EN10 | Percentage and total volume of water recycled and reused. | FET is a telecommunication service company , therefore we do not use recycled or reused water. | ● |
| Biodiversity | EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | No operating facilities built in a protected area | ● |
| | EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | No operating facilities built in a protected area | ● |
| | EN13 | Habitats protected or restored. | No operating facilities built in a protected area | ● |
| | EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | No operating facilities built in a protected area | ● |
| | EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | No operating facilities built in a protected area | ● |
| Emissions, effluents, and waste | EN16 | Total direct and indirect greenhouse gas emissions by weight. | 73 | ◑ |
| | EN17 | Other relevant indirect greenhouse gas emissions by weight. | No statistics available currently, yet is expected to disclose in the future | ● |
| | EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | 58-65 | ● |
| | EN19 | Emissions of ozone-depleting substances by weight. | FET is a telecommunication service company, therefore no relevant emissions | ● |
| | EN20 | NO, SO, and other significant air emissions by type and weight. | FET is a telecommunication service company, therefore no relevant emissions | ● |
| | EN21 | Total water discharge by quality and destination. | All water is used for domestic purpose and discharged into the local sewage system for treatment, therefore no calculation | ● |
| | EN21 | Total water discharge by quality and destination. | All water is used for domestic purpose and discharged into the local sewage system for treatment, therefore no calculation | ● |

To be continued

## Environmental

| Environmental | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Emissions, effluents, and waste | EN22 | Total weight of waste by type and disposal method. | 67,72 | ● |
| | EN23 | Total number and volume of significant spills. | FET is a telecommunication service company, therefore there are no relevant issues | ● |
| | EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | FET is a telecommunication service company, therefore there are no relevant issues | ● |
| | EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | All water is used for domestic purpose and discharged into the local sewage system for treatment, therefore there is no effect on habitats | ● |
| Products and services | EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | 66-70 | ● |
| | EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | 66 | ◐ |
| Compliance | EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. | No relevant issues | ● |
| Transport | EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | FET is a telecommunication service company, therefore transporting products and members of workforce does not have significant environmental impacts. | ● |
| Overall | EN30 | Total environmental protection expenditures and investments by type. | 69,72 | ● |

## Labor Practices and Decent Work

| Labor Practices and Decent Work | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Disclosure on Management Approach | | | 74 | ● |
| Employment | LA1 | Total workforce by employment type, employment contract, and region. | 85 | ● |
| | LA2 | Total number and rate of employee turnover by age group, gender, and region. | 87 | ◐ |
| | LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | 80-82 | ● |
| | LA15 | Return to work and retention rates after parental leave, by gender. | 87 | ● |
| Labor management relations | LA4 | Percentage of employees covered by collective bargaining agreements. | FET does not have trade unions | ● |
| | LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. | FET acts in accordance with the Labor Standards Law | ● |
| | LA6 | Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs. | 71 | ● |
| | LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region. | 71 | ● |
| | LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | 80 | ● |
| | LA9 | Health and safety topics covered in formal agreements with trade unions. | FET does not have trade unions | ● |
| Training and education | LA10 | Average hours of training per year per employee by employee category. | 79 | ● |
| | LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | 77-78 | ● |
| | LA12 | Percentage of employees receiving regular performance and career development reviews. | 79 | ● |
| Diversity and equal opportunity | LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. | 85-86 | ● |
| | LA14 | Ratio of basic salary of men to women by employee category. | 84 | ● |

## Human Rights

| Human Rights | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Disclosure on Management Approach | | | 74 | ● |
| Investment and procurement practices | HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. | No relevant investment agreements during the reporting period | ● |
| | HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. | No statistics available currently, yet is expected to disclose in the future | ● |
| | HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | 26 | ◐ |
| Non-discrimination | HR4 | Total number of incidents of discrimination and actions taken. | No discrimination incidents happened during the reporting period | ● |

## Human Rights (continued)

| Human Rights | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Freedom of association and collective bargaining | HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | 74 | ● |
| Child Labor | HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | 74 | ● |
| Forced and compulsory labor | HR7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. | 74 | ● |
| Security practices | HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | No information | ○ |
| Indigenous rights | HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | No relevant issues during the reporting period | ● |
| Assessment | HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | No statistics available currently, yet is expected to disclose in the future | ● |
| Remediation | HR11 | Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms. | No relevant issues during the reporting period | ● |

## Society

| Society | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Disclosure on Management Approach | | | 88 | |
| Local communities | SO1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities. | FET is a telecommunications service company, therefore there is no significant impacts on communities thus no relevant assess has been conducted. | ○ |
| Corruption | SO2 | Percentage and total number of business units analyzed for risks related to corruption. | No statistics available currently, yet is expected to disclose in the future | ● |
| | SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | No statistics available currently, yet is expected to disclose in the future | ● |
| | SO4 | Actions taken in response to incidents of corruption. | No relevant incidents happened during the reporting period | ● |
| Public Policy | SO5 | Public policy positions and participation in public policy development and lobbying. | Participated in the public policy of price adjustment factor X value | ● |
| | SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | No relevant incidents happened during the reporting period | ○ |
| Anti-competitive behavior | SO7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | No relevant incidents happened during the reporting period | ● |
| Compliance | SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | No significant fines | ● |
| Local communities | SO9 | Operations with significant potential or actual negative impacts on local communities. | FET is a telecommunications service company, therefore there is no potential negative impacts on communities | ● |
| | SO10 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | FET is a telecommunications service company, therefore there is no potential negative impacts on communities, thus no relevant prevention measures implemented. | ● |

## Product Responsibility

| Product Responsibility | | Disclosure Items | Page | Disclosure level |
|---|---|---|---|---|
| Disclosure on Management Approach | | | 42 | ● |
| Customer health and safety | PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | 70 | ● |
| | PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | No relevant incidents happened during the reporting period | ● |
| Product and service labeling | PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | 47 | ● |
| | PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | No relevant incidents happened during the reporting period | ● |
| | PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | 48-51 | ● |
| Marketing communications | PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | 42 | ◐ |
| | PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | No relevant incidents happened during the reporting period | ● |
| Customer privacy | PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | No relevant incidents happened during the reporting period | ● |
| Compliance | PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. | No relevant incidents happened during the reporting period | ● |

# Telecommunications Industry Industrial Additional Indicators

| | | |
|---|---|---|
| IO1 | Capital investment in telecommunication network infrastructure broken down by country/region. | To continue providing better customer services, FET had invested more than NT$ 6.5 billion dollars in the network infrastructure investment in 2012. |
| IO2 | Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low income groups, which are not profitable. | Invested NT$ 64 million dollars on remote area signal enhancement |
| IO3 | Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals. | 70-72 |
| IO4 | Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency (RF) emissions from handsets. | Handsets selling comply with NCC regulations |
| IO5 | Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations. | Base stations comply with NCC regulations |
| IO6 | Policies and practices with respect to Specific Absorption Rate (SAR) of handsets. | Provide 159 numbers of electromagnetic measurements service and promoted electromagnetic knowledge to local communities together with NCC and telecommunication industry development association |
| IO7 | Policies and practices on the setting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts. | In addition to meet the regulations of the competent authority regarding base station and setting of masts, FET also continued to use co-construction of stations, shared sites, and co-masts to dramatically reduce necessary numbers of masts. Besides, we strengthened the surrounding green landscape of base station to decrease or even eliminate the visual impact of base station and masts to the environment. |
| IO8 | Number and percentage of stand-alone sites, shared sites, and sites on existing structures. | Shared sites: 67%<br>Co-constructed sites: 26%<br>Stand-alone sites: 7% |
| PA1 | Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. | In response to the government policy of every village equipped with broadband and reducing the gap between rural and urban cities, FET participated in this program since 2009 to enable people in the remote areas to access to quality internet and local calls services |
| PA2 | Policies and practices to overcome barriers for access and use of telecommunication products and services. | 48 |
| PA3 | Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time. | To ensure communications products meet consumer expectations, we offer seven days warranty period.<br>Invested capitals to strengthen the signal in the remote areas |
| PA4 | Quantify the level of availability of telecommunications products and services in areas where the organization operates. | User market share: 23.5%<br>Market share of mobile telecommunications service revenue: 27.6% |
| PA5 | Number and types of telecommunication products and ser-vices provided to and used by low and no income sectors of the population. | Students can apply "FET student special offers program" with no cost, containing domestic SMS, MMS and transfer fees at half price. FET also provides students with special offers such as half monthly fee for voice message and monthly internet fee for NT$ 499 dollars. |
| PA6 | Programs to provide and maintain telecommunication products and services in emergency situations and for disaster relief. | FET provides high anti-disaster communications platform and mobile base station communications vehicles |
| PA7 | Policies and practices to manage human rights issues relating to access and use of telecommunications products and services. | The human rights issue in telecommunications industry is monitoring activities. FET provides equipment to related units of government according to the law. |
| PA8 | Policies and practices to publicly communicate on EMF related issues. | Provide 159 numbers of electromagnetic measurements service and promoted electromagnetic knowledge to local communities together with NCC and telecommunication industry development association |
| PA9 | Total amount invested in programs and activities in electromagnetic field research. | 1. Electromagnetic measurements: NT$ 2 million dollars<br>2. Donation to Telecommunications and Technology Transportation Foundation: NT$ 7 million dollars<br>3. Remote area signal enhancement: NT$ 64 million dollars |
| PA10 | Total amount invested in programs and activities in electromagnetic field research. | 25 |
| PA11 | Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use. | 42,48 |
| TA1 | Provide examples of the resource efficiency of telecommunication products and services delivered. | 30-41 |
| TA2 | Provide examples of telecommunication products, services and applications that have the potential to replace physical objects. | 30-41 |
| TA3 | Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above. | 30-41 |
| TA4 | Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development. | 30-41 |
| TA5 | Description of practices relating to intellectual property rights and open source technologies. | 38-39 |

**2012 FET**
Corporate
Social
Responsibility
**Report**

**100**

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