FAR EASTONE
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Go Inclusive
Go Caring
Go Innovative
Go Prosperous

2014 FET Corporate Social Responsibility Report

FET 4G
Closing the Distance

About This Report

This report is the 4th CSR report published by Far EasTone Telecommunications Co., Ltd. and its subsidiaries (hereinafter referred to as "FET"). It is also the 1st CSR report compiled by FET based on the International IR Framework.

Report Cycle and Period

TThe FET CSR report is published on an annual basis. The previous report (2013) was published in July 2014. Starting from 2015, FET will publish its CSR report by June 30 of each year in accordance with the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies". The next report (2015) will be published in June 2016.

This report encompasses information related to FET in 2014 (January 1, 2014 ~ December 31, 2014) including financial information, material issues and performance. To provide readers with a better grasp of the reported information, data for the past 3 years are presented for quantitative context.

Report Boundary

Due to financial materiality and industry correlation, the boundary of this report encompasses the Far EasTone Telecommunications Co., Ltd. ("FET"), the parent company; as well as two key subsidiaries, New Century InfoComm Tech Co., Ltd. ("NCIC") and ARCOA Communications Co., Ltd. ("ARCOA"). The financial data for business performance came from the CPA-audited consolidated financial report for FET and its subsidiaries. For information on the individual entities included within the consolidated reports please refer to the 2014 Consolidated Financial Report.

As an extraordinary general meeting of NCIC in 2010 agreed to entrust all of its operations to its parent company, FET, all references to" FET" or "our company" in this report refers to FET itself and NCIC. Where individual entities are not explicitly specified in this report, FET should be taken to refer to all entities within the report boundary, namely FET, NCIC and ARCOA. The scope of information and data in this report includes the financial, environmental and social performance of these three companies. Some of the financial information sourced from consolidated information of FET and its subsidiaries will be marked as consolidated accordingly. The scope and boundary of this year's report was expanded but most of the performance data are disclosed separately and are still comparable. Any changes to the scope or data basis will be indicated in the remarks for that chapter and the data from previous years has been re-compiled as well.

Report Format and Third-party Verification

The format of this report follows both the International IR Framework published by the International Integrated Reporting Council, and the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (core option) as well as its sector supplement for the Telecommunications Industry.

This report was also verified by SGS Taiwan, an independent third-party certification institution, as being in accordance to GRI G4 core option and AA1000 (AccountAbility) Type 2 High Level.

Contact Information

If you have any questions regarding the content of this report, please contact the following:

Secretariat of CSR Committee, Far EasTone Telecommunications Co., Ltd.

Address: No. 468 Ruiguang Rd., Neihu District, Taipei City

Telephone: +886-2-7723-5000

Email：pr@fareastone.com.tw

FarEasTone CSR website:

http://www.fetnet.net/cs/Satellite/eCorporate/ecoSociety

Preface

Now that the compiling of corporate social responsibility (CSR) reports has gone mainstream, an increasing number of benchmark enterprises around the world are choosing to publish an Integrated Report (IR) to better communicate crucial financial/non-financial performances and overall sustainability development strategy to their stakeholders – and especially investors. The International Integrated Reporting Council (IIRC) formally published its International IR Framework at the end of 2013. The framework provides corporations with general guidelines on how to integrate their reporting of financial and non-financial information.

FET believes that sustainability should be integrated into its core business as a telecommunications service provider. A CSR report should not be just for disclosing a company's environmental, social and governance (ESG) performances over the past year. What truly matters is the demonstration of the challenges and opportunities faced by the company on the road to sustainability and the management's future direction. For this reason, FET began referring to the International IR Framework in addition to the GRI G4 Guidelines this year to compile an IR that presents the past, present and future of FET. It will also communicate FET's corporate values to investors and other shareholders. FET hopes to serve as the pioneer for IR in Taiwan, encouraging interest and discussion among businesses domestically and further connecting with the international trends in disclosure.

🔗 See more in specific chapter in the report   🌐 See more on external website   ▶ Watch the video

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It is never too far when you are on the right track

FET believes that the promotion of corporate social responsibility (CSR) does not just amplify business charity throughout society. It is also a tangible show of respect for the source of our fortunes that will lay the foundations of happiness for generations to come.

A journey of a thousand miles begins with a single step. FET has gradually built up our CSR energy over the years while also continued to pursue innovation and breakthrough. This year, we led the industry in publishing the first report based on the Integrated Reporting framework. We hope this holistic, integrated disclosure of financial and non-financial performance will give stakeholders a clearer picture of corporate sustainability at FET and help us connect with the world.

In the face of challenges in sustainable development, FET continued to embrace "Chic environmental protection, Creative responsibility" as our two main CSR themes and won numerous leading CSR awards in Taiwan throughout 2014: Role Model of Environmental Protection in the Global Views magazine's CSR Award, the Progress Award in the CommonWealth magazine's CSR Award, and the Taiwan Corporate Sustainability Awards organized by the Taiwan Institute for Sustainable Energy. The three top awards highlighted growing public recognition of how much FET invests in governance, environment and society.

Creating Unique Brand Image

2014 was a very fruitful year for 2014. Our success in the roll-out of the Ideal Dual-band 4G network is there for all to see. Apart from achieving 99% national coverage by the end of the year we also became the first operator in the world to offer 700MHz+1800MHz dual-band services. Our subscriber numbers were fast approaching the million-user mark and show no sign of slowing down.

Apart from providing quality 4G communication services, FET also strives to provide a peerless customer experience. We not only won the Next Magazine and Commercial Times' top awards for service awards but also published Warmth without

Distance, a compilation of heart-warming stories in customer service. Our goal is to become the No.1 telecommunications company in customer satisfaction.

There is an English saying: "The more we do, the more we can do". FET has long strived to incorporate the five core values of "Trustworthy, Proactive, Innovative, Accountable and Collaborative" into every level of our operations. We have been successful in creating a positive corporate culture that effectively enhances the happiness of our employees. More than that, we believe that happiness in business should be spread far and wide and from the inside out to our customers and the general public. Happiness will therefore continue to live on through good and kind communications. To this end, FET has been promoting the brand concept of "Express your love. Let it be heard" for two straight years. This was successful in establishing our corporate image and inspired a new cross-strait social movement on courageously expressing love.

FET has long been focusing on children and juvenile issues. We support charities through actual action: We partnered with the Homemakers United Foundation to promote environmental education and sent volunteers to remote rural schools; co-organized the "Express your love. Listen with your heart" campus EQ seminar with the John Tung Foundation to promote emotion management; after the Kaohsiung gas explosion in August last year, FET offered assistance to the disaster victims right away. We also worked with the Teacher Chang Foundation to develop and publish the BoBi BaBy illustrated book for emotional healing to help students in the disaster area deal with trauma.
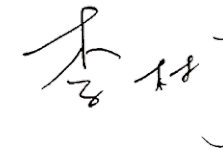
Shaping New Lifestyle in the Future

The rapid development of 4G is not only driving the prosperous growth of the telecommunications industry but also transforming it. As the leading brand in the information & communications technology (ICT) industry, FET will aggressively move into services and R&D into Internet-of-Things (IoT), vehicle networking, wearable devices, mobile payment and 5G to target emerging opportunities in communications service.

No matter how technology progresses it must ultimately return to its roots: FET must focus on the user experience in order to win over consumers and become their best partner for mobile living. By following the 3-step process of "Serve them well",

"Bond with them" and "Bring them wow", FET will create a brand experience in which "the customer comes first".

As the pace of technological change accelerates and industries are being re-defined, FET will embrace the path of transformation by making "4G" its central theme for sustainable development. Through Go Prosperous, Go Innovative, Go Caring and Go Inclusive, FET hopes that the sustainable drive of "4G" will guide our continued growth and realize the corporate vision that FET Connects and Enriches Life. At the same time, FET will also continue to use brand communication along the theme of "Express your love. Let it be heard." to gradually bring people together and realize the brand ideal of "Closing the Distance".

Far EasTone President

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▶ Garnered more than 20 Information Security certificates and is the only recipient of the CSA STAR gold award

▶ Winner of "Industry A Group" at the 7th "Taipei Energy Conservation Awards" organized by the Taipei City Government

▶ The first telecommunications company in Asia to receive SGS BS 8477 customer service management certification.

▶ Role Model of Environmental Protection at the 10th Global Views Magazine Corporate Social Responsibility Awards

4G LTE

FET 4G network activated with industry-leading 75% coverage.

FET 4G 1800MHz band activated making FET the first 700+1800Mhz dual-band 4G service provider in the world

▶ Ranked No.1 by Next Magazine in the "Top Service Award 2014" for the telecommunications industry and winner of a gold medal for all industries; the ARCOA subsidiary was ranked No.2 in the 3C appliances category

▶ Ranked in top 5% in the 1st Corporate Governance Evaluation

2014 02 04 05   **06**   07   **08**   09   10   11   **2015**   03   04

▶ "Express your love, Let it be heard" received the One Show Advertising Merit Award in New York

▶ Winner of the "Best Investor Relations" and "Most Committed to a Strong Dividend Policy" awards from FinanceAsia.

▶ Awarded the gold medal in "Chain Telecommunications Channel" for three years in a row in the Service Survey organized by the Commercial Times.

▶ Won the Progress award at the "2014 Excellence in Corporate Social Responsibility Awards" of the CommonWealth magazine

▶ Won 1 gold medal and 2 silver medals at the "2014 Taiwan Corporate Social Sustainability Awards"; top award for creative communications, silver medal for the "Taiwan Top 50 CSR Reports", and 2nd place in the "Transparency and Integrity Awards".

▶ Winner of the "Best Managed Company", "Best Corporate Governance", "Best Investor Relations" and "Most committed to a strong dividend policy" in Taiwan from FinanceAsia.

▶ Winner of the "Best CEO", "Best CSR" and "Best Investor Relations Company (Taiwan)" awards of "The 5th Asian Excellence Recognition Awards 2015" from Corporate Governance Asia.

▶ Highest possible A++ rating in the "11th Information Transparency and Disclosure Rankings".

▶ Winner of the "Best CEO", "Best CSR", "Best Investor Relations Company (Taiwan) and "Best Investor Relations Manager" awards from Corporate Governance Asia.

▶ Won award for "promoting high-speed broadband infrastructure for remote districts" from the National Communications Commission

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1.1 Company Profile

1.1.1 Company History

FarEasTone Telecommunications Co., Ltd. (the parent company) was established with the approval of the Ministry of Economic Affairs on April 11, 1997. FET is headquartered in Taipei City, Taiwan, and is a publicly-listed company (TWSE: 4904). FET used its strength in technical resources and sound finances to secure two mobile licenses in 1997. Network roll-out proceeded rapidly and official operations commenced on January 20, 1998. The parent company was listed on the Gre Tai Securities Market on December 10, 2001, and has been trading on the Taiwan Stock Exchange since August 24, 2005.

The telecommunications industry in Taiwan entered the 4G age in 2014 and FET's success in rolling out its Ideal 4G Dual-band network is there for all to see. FET has always embraced the spirit of "Closing the Distance" by working to provide consumers with even better quality of service, and responding to consumers' diverse requirements on smart mobile devices, application services, cross-platform digital integration and CSR fulfillment.

1.1.2 Investments

FET mainly invests in companies that are closely related to its core telecommunications business. The goals of these investments are to integrate resources, boost business performance, expand sales and develop new markets. It is hoped that this will improve core competitiveness and establish a complete telecommunications empire. FET did not invest in any new companies in 2014. The entities and affiliates included in the consolidated financial statements are as follows:

Investment	Policies
New Century InfoComm Tech Co., Ltd.	To integrate the network resources to improve operational performance and competitiveness.
Far Eastern Electronic Toll Collection Co., Ltd.	To Expand businesses dimensions to enhance overall returns for shareholders.
ARCOA Communication Co., Ltd.	Strategic investment for vertical integration of the mobile business.
Q-ware Communications Co., Ltd.	To expand Wi-Fi business and enhance FET shareholders' overall returns.
KGEx.com Co., Ltd.	To enhance overall network & fixed asset utilization.
iScreen Corporation	To expand FET's business dimensions and enhance company's competitiveness.
Far Eastern Info Service (FEIS) (Holding) Ltd.	An offshore holding company.
E. World (Holdings) Ltd.	An offshore holding company.
Far EasTron Holding Ltd.	An offshore holding company.
Omusic Corporation Ltd.	To enter the music content provider industry to expand business scopes of the company.
Ding Ding Integrated Marketing Service Co., Ltd.	To integrate marketing and operation development of the Conglomerate.
FarEastern Electronic Commerce Co., Ltd.	To consolidate the strength of the Conglomerate to explore e-Commerce business opportunity.
Yuan Cing Co., Ltd.	To continue to expand out-sourcing care service business
Hiiir Co., Ltd.	To develop commercial applications in Social, Community, Content & Commerce services.
Yaun Hsin Digital Payment Co., Ltd. ("YHDP" hereinafter)	To develop marketing, digital tickets and payment tools.
Alliance Digital Technology Co., Ltd.	To promote the NFC application market so as to expand the business.

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1.1.3 Business scope

The major business items and services provided by FarEasTone and its' subsidiaries - NCIC& ARCOA are as follows:

1. Mobile Service Communications:

- Type I Telecommunications Enterprise: Providing mobile phone, 2G, 3G and 4G voice and data communication services and value-added services; the voice services are categorized as postpaid and prepaid services according to the payment methods; value-added services include the FET eBook Town, FET SMart, FET Video Store, Omusic, FET Mobile TV and so forth. In addition, telecommunication lease circuit revenue mainly relates to domestic circuit lease line services. For enterprise customers, the Company provides MVPN service, Ethernet VPN service (ELAN), cloud applications, and information security communication.

- Type II Telecommunication Services: Non-E.164 internet phone, wholesale resale, simple voice resale (ISR), intranet communication services and internet access services.

2. Internet Access Services:

ISP Service for "FET Big Broadband-ADSL" and Optical Networks.

3. Fixed Line Communications:

This includes domestic call service, long-distance internet call service, 007 international call service, and 070 software call service, Wagaly Talk cost-saving service, etc.

4. Sales of communication equipment and accessories:

This includes the sales of equipment and accessories for voice and video communications via telephone switchboard as well as digital convergence, alone or in a package with telephone number.

5. Maintenance services:

Maintenance servicess provided by ARCOA retail stores, clients, services stations and FarEasTone retail stores.

6. Logistics Service:

Goods delivery, return, pick-up, processing, storage and document management services.

FarEasTone	Voice Communication, Data Communication, GPRS Service, Short message service, 3G Service, 3.5G & HSPA Service, WiFi Service, 4G Service
NCIC	FET HD Conference Cloud, Home Phone, Voice over Internet Protocol, Data Communication, Internet Information service, Cloud Computing, Cloud Application
ARCOA	ARCOA focuses on its agency practices and sales of mobile phones, tablet computers and 3C digital products of various domestic and international brands, along with related accessories, and also provides maintenance and logistics services.

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1.2 External Environment Analysis

The Industry Report of Telecommunications for 2014 from Taiwan Institute of Economic Research indicated that the declining market of fixed-line and mobile voice communication services was caused by the growth and development of instant messenger application and social media. However, revenues from optical fiber network and mobile value added service were still growing. In addition, the number of user was booming after the launch of 4G service in the second half of 2014. Therefore, in general, the total value of telecommunication industry maintained slight growth. In 2015, while 4G service gives positive momentum to this sector, it is expected that fixed-line and voice communication service will continue to decline and the price competition among carriers will diminish the profit margin of the industry.

1.2.1 Industry Overview

The growth of global 4G LTE for business	Unit: units
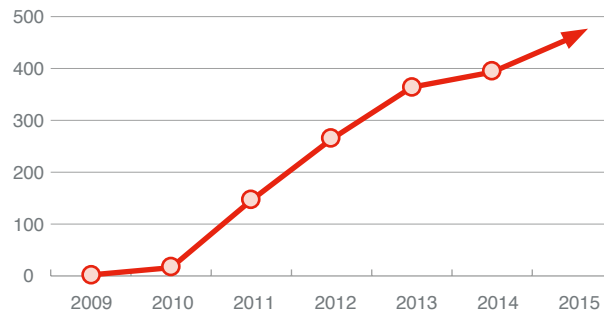
Deregulation and loosened government controls has allowed the telecommunications industry to move towards liberalization and greater competition. The total number of mobile users reached 26.54 million subscribers at the end of 2014, and the Mobile Phone Account Penetration Rate was over 113%. With the growing popularity of mobile devices such as smartphones and tablet PCs, smart-watches, smart glasses and other wearable devices are heating up in the market. Together with the prevalence of Mobile Apps, a new turning point was reached by the telecommunications industry.

> **The World's most rapid 4G expansion-**
> **4G** service reached **25%** penetration in Taiwan one year after launch

Regarding corporate mobile communications, in recent years enterprises have been forced to make more prudent investments due to uncertainties of the global economy such as the European sovereign debt crisis, misgivings caused by the cancellation of the U.S. quantitative easing policy, trouble caused by financial deadlock and slowed growth of emerging economies. All of these have made operation of the corporate mobile communication market more challenging. In this era in which new mobile devices are continually brought out and of continuous innovation in mobile applications and management, requests from the enterprise customers are no longer limited to reducing the cost of mobile communication. Instead, the mobile communication applications for enterprises' internal APP video conference, the integration of mobile network and Fixed Mobile Convergence (FMC), and the development of value added mobile solutions are more important. In addition, enterprises are also paying much attention to Mobile Device Management (MDM), Mobile Application Management (MAM), Mobile Content Management (MCM) and mobile security applications and development.

> **The World's highest 4G Monthly Data Transmission-**
> **4G** users in Taiwan have a monthly data transmission average of **10GB.**

As the market comes to a mature stage, operators usually focus on value-added services and heavy users. Take leading international mobile operator Vodafone for example – with market growth slowing, it decided to shift its focus from general consumers to enterprise customers. Over the next few years, FET will focus on integrated development of 4G mobile and cloud technology. We will provide customers with a greater variety of integrated service plans in order to meet customer demand for ubiquity, mobility and real-time capability, thereby helping our customers to improve the company's competitiveness.

> **The World's shortest lead time-**
> After the release of the **4G** Spectrum, carriers in Taiwan launched service in 7 months.

With the development of broadband networks and the Triple Play service, traditional phone call services will be gradually replaced by an IP network service. The VPN market in Taiwan is at the brink of saturation. Sales depend on how well the service is provided by individual service providers and how stable service quality is. In an effort to improve product stability and provide better service for clients, a complete backbone backup mechanism has been established and the existing flow analysis reports have been improved for ADSL VPN traffic analysis, so as to increase the stability of search quality, customer satisfaction and in turn market competitiveness.

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Disadvantages of Future Developments

► **After the implementation of Mobile Number Portability, competition on SIM card sales intensifies**

Local consumers' need for mobile numbers has peaked in the last two years. Mobile number growth is expected to slow down. However, since the Mobile Number Portability was launched in November 2005, in order to increase number sales operators compete with each other by raising commission and handset subsidies or deploying "Same price for on-net and off-net" rate plan. Such vicious competition not only squeezes the space for profitability, it also results in more numbers switching and higher churn.

► **Overall revenue shrunk due to NCC restriction on telecom market pricing**

The National Communication Commission (hereinafter referred to as NCC) is vested with the administrative power over pricing regulation to Type I telecommunication operators, which leaves no room for negotiation but is passively followed by operators. This one-standard model without consideration of operators' various cost/profit/expenditure structure will not only lead to revenue shortages on the part of operators but also lead operators to tighten up capital investment, which results in a lose-lose situation for consumers and service operators.

► **CHT's "Last-mile" advantages in broadband network and fixed net services**

Due to the sluggish pace at which the competent authorities governing telecommunication services had been moving towards the creation of a fair competitive environment in the domestic telecommunication market and the fact that CHT has imposed various restrictions on network interconnectivity and subscriber lines, FET's attempts at lowering relevant costs have met with little success, and significant breakthroughs in the expansion of subscriber base have been limited at best. Not only that, cable TV operators have been capitalizing their advantages in broadcasting system and broadband network integration to secure their share in the broadband service

market with extremely low prices and they pose a significant threat to FET's development of broadband business operations.

► **The fading of Type II telecom service**

In recent years, with the rapid expansion of mobile networks and mobile devices, every network provider has sought to promote integrated added-value service plans. Now with the rise of 4G, Type II telecom services have been increasingly squeezed out and operators are planning to step out of markets.

► **The changes of consumer behavior**

The market share of phones with high function-price ratios is rising, which will, together with lukewarm sales of accessories, make product gross profit decline year by year; simultaneously, after 4G comes onstage the proportion of products sold together with phone numbers will increase, and consumer brand loyalty will rise; the three major system suppliers opening a large number of their own stores will squeeze ARCOA's market share across the board.

1.2.2 Market Competition

FET

As operators' investment in network infrastructure and hardware is usually enormous, all operators try to expand customer base to reach an economically sustainable scale. Three national operators, FET, CHT and TWM, basically share the market.
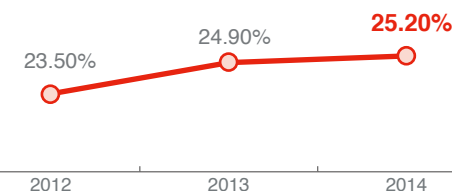
The similarity of the services provided by the operators is high. Various rate plans, mostly charged by the second, were designed to attract different user segments. Two payment methods prepaid and postpaid, are offered for customer to choose. Added-value services include mobile messenger (text message and media message), mobile internet (information browsing, smart phone applications, and multimedia downloads) and mobile payment (mobile bank and micropayment). As the service content provided by different operators is very similar,

in order to increase ARPU, advertisements and promotions are mostly designed to enhance customer loyalty and establish a clear market position.

Far EasTone is constantly adding more innovative elements into mobile digital content, mobile applications, mobile payment and commerce. In terms of digital content, it provides curation type value-added service; in the service field of digital applications, it emphasizes bringing users a simple, direct user experience. Furthermore, it more actively serves to increase the service distribution in mobile payment and mobile commerce. The provision of these digital services will make us the best partner for consumer mobile applications, mobile payment and commerce.

In 2014, FET expanded its market share by means of tailored pricing to each customer segment, rich and customer-oriented digital content, clear branding and efficiently controlling costs.

Market share : Users

23.50%   24.90%   **25.20%**

2012   2013   2014

Market share: Mobile Telecommunication Service Revenues

27.60%   27.30%   **28.40%**

2012   2013   2014

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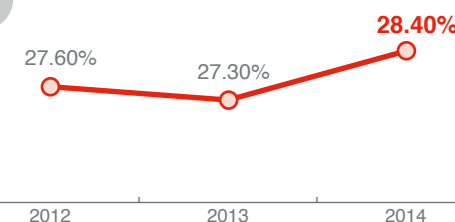
NCIC

Difficulties in establishing fixed-line networks over the last mile persist. All three fixed network providers (the NCIC, Taiwan Fixed Network and Asia Pacific Telecom) cover a market share of just 5.4% for landline network subscribers, as opposed to the proportion of 94.6%[1] claimed by Chung Hua Telecom. The ups and downs of market share in the future will depend on whether it is possible to provide clients with network and communications of good quality, with diversified solutions, content services and applications.

On the other hand, in the "Household Broadband Market" (including ADSL, Fiber and Cable modem), at the end of 2014, the market share of each in this market: stood at: CHT: 66% and NCIC: 3%. If cable modem were excluded from the market, the market share of those two companies would be CHT 84% and NCIC: 4%[2].

[1] Source: Number of users comes from NCC statistical data at end of 2013. Latest NCC data is from end of 2013.

[2] Source: Number of users and telecom revenue comes from NCC statistics and the disclosure of each company at the end of 2014

ARCOA

ARCOA currently has 124 branches (as of December 2014), including direct retail outlets and sales counters within larger stores and franchise stores. Besides, products are also channeled through FET direct or franchise stores via its purchasing services.

In terms of foreign workers channel business, the company's sales maintained their No.1 position in the market in four industry-leading countries: Indonesia, the Philippines, Thailand, and Vietnam, both in terms of popularity and in use of phone numbers.

1.2.3 Technology Development

The number of global 4G LTE subscribers is growing fast, making this service the mainstream for mobile communication technology in the next decade. With the boom of 4G and every conceivable kind of high-speed transmission service to come, it can be expected that telecommunication service providers will provide service anytime anywhere at increased bandwidth, which will drive the growth of digital service revenue and bring new energy to the growth of corporate operations.

Presently, the majority of global telecommunication service operators have adopted LTE technologies for the construction of their 4G networks, which proves LTE is becoming the mainstream standard in the future. Furthermore, with the rise of emerging fiber access to internet, FTTx will gradually replace ADSL as the mainstream to the next generation. Value added services to FTTx shall be key focus to ISPs due to its high speed download availability

On the other hand, BYOD (Bring Your Own Device, where employees bring their own devices to work) is sweeping across the world. According to the recent Ovum report, BYOD has become very popular among multinationals in the Asia-Pacific, and mobile applications have doubtless become the key for enterprises to enhance productivity and competitiveness. As such, many corporations are now actively involved in the development of mobile applications that would enhance productivity for their employees.

Apart from the mobile communication among people, the IoT (Internet of Things) has also entered a period of rapid growth and development. It has even developed into an IoE (Internet of Everything) made of the convergence of people, processes, documents and devices. In the future, any new technology products will take connectivity into consideration at the design phase. This will bring an enormous demand for connection and is expected to bring other opportunities for the telecommunication industry.

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1.2.4 The FET Advantage

► WOW! service that exceeds customer expectations

Telecommunication service is characterized by high product homogeneity and intense competition so FET strives to differentiate our brand through personal and caring service. Our corporate spirit of "Closing the Distance" is not only what the communications industry is all about, but is also realized through our customer service. By delivering a service that makes customers go "Wow!" we breathe life into the FET brand.

► Strengthening the social influence of the brand

FET has always worked to deliver better service to consumers and fulfill our brand vision of "FET Connects and Enriches Life". Conservative Oriental culture means people tend to be less open about their feelings. That's why FET launched the "Express your love. Let it be heard" brand campaign last year that encouraged people to express their positive feelings with FET as the "connector" that brings them closer together. The campaign successfully inspired a new social movement for expressing your love in Taiwan and overseas.

► Generating synergies by consolidating group resources

Advances in global ICT have spurred the development of smart mobile applications. FET is now aggressively transforming itself into one of the leading enterprises within the Far Eastern Group. Apart from consolidating the resources and R&D of the group members, we are also integrating big data applications and strengthening 4G communications to create smart cities and establish ourselves in smart transportation, smart health, smart security and smart commerce applications. We aim to become the leader in smart applications in Taiwan.

1.2.5 Critical Corporate Sustainability Risks

FET knows that business management is closely linked to environmental and stakeholder developments. The sustainability of a company therefore depends on its ability to respond to critical sustainability risks. FET has therefore identified 5 critical risks so that appropriate business strategies can be developed to ensure sustainable development.

Technological Development and Digital Convergence

The rapid pace of industry and technological development today means customers change how they communicate very quickly, product lifecycles have become shorter and competition in telecommunications has intensified. Apart from other telcos, FET must also face challenges from fast-growing online and mobile service providers including messaging software and social networks. How FET consolidates its market and takes the initiative while maintaining a high standard of information security will be critical to our future success.

Policy and Economic Trends

Telecommunications is a franchise industry overseen by government regulators so policy changes can change the shape of industry development. As FET operations are mainly based in Taiwan at the moment, geographic constraints mean that our operating risks are closely related to national policy and economic development.

Climate Change and Energy Scarcity

The crises and scarcity of environmental resources caused by climate change have led to growing social awareness of accountability. Apart from continuing to improve the efficiency of internal resource usage, FET can also provide smart solutions for improving energy efficiency to help other industries reduce their greenhouse gas emissions. By becoming everyone's partner and spurring society's adoption of low-carbon, sustainable power sources, FET will also build up green energy for our own sustainable development.

Talent Recruitment and Cultivation

Taiwan's aging population and shrinking workforce means that business expansion and competitiveness is dependent on the ability to recruit, cultivate and retain a sufficiently large pool of high-quality talent. Telecommunications is a fast-changing industry. Whether employees can keep up with the times, respond to market and technology trends while continuing to engage in internal innovation will be particularly critical to FET's continued industry leadership.

Stakeholder Engagement

The rise of social networks has increased the diversity and complexity of stakeholder communications for business. While it brings businesses and stakeholders closer together, it also makes information more difficult for businesses to control. Being constantly on the defensive makes brand management more difficult. FET's approach to brand development is to take one step at a time. We respond to stakeholder expectations through open channels and with an open attitude to connect the FET brand with the public trust and reduce brand risks.

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1.3 Stakeholder Engagement

FET referred to the AA1000 Stakeholder Engagement Standard as a reference for identifying stakeholders and material issues. In this way, FET accurately identified major environmental, social and corporate governance issues of concern to stakeholders, and then developed management policies and initiatives that respond to stakeholder requirements and expectations.

Stakeholder Identification and Communication

The relevant units were brought together by the CSR Committee for stakeholder identification. The criteria were based on five aspects of their relationship with FET: dependency, influence, tension, responsibility and diverse perspectives. These were then screened in terms of their importance to identify the following nine key stakeholders. FET has different dedicated communication channels for each stakeholder that can be used to receive and respond to stakeholder requirements. FET's stakeholder communication channels, methods of response as well as communication performance in 2014 are tabled below.
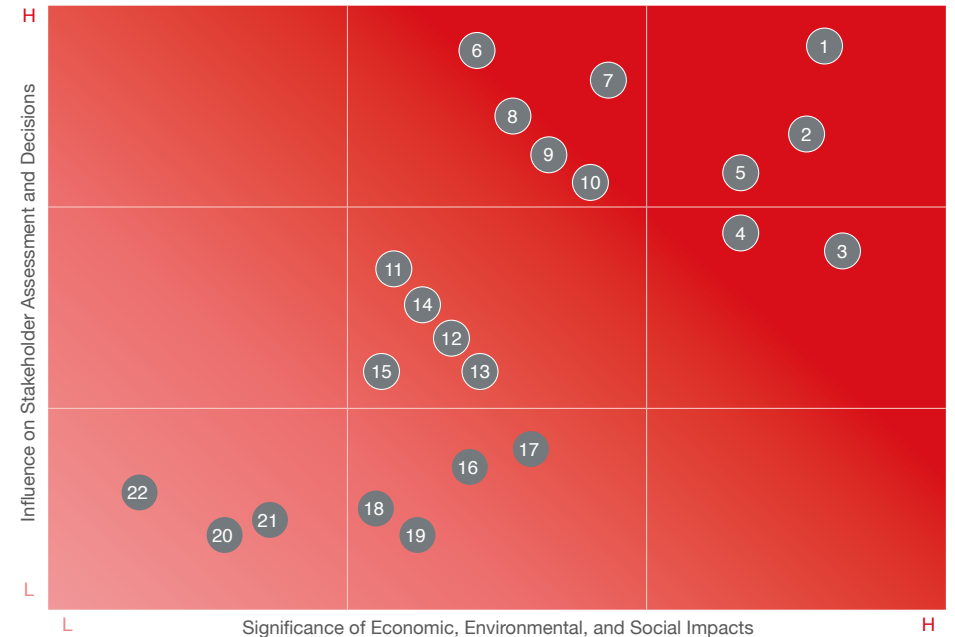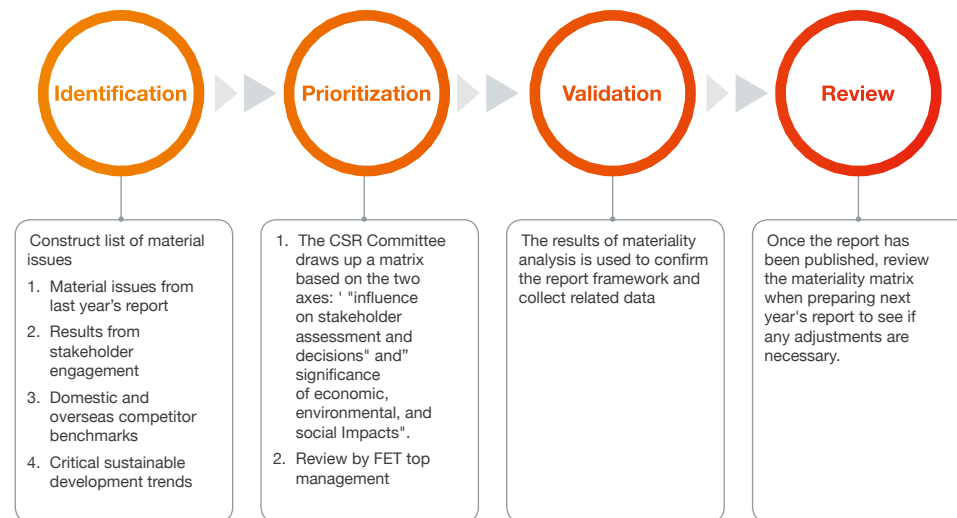

Competitor — Media — Customer/Consumer — Enterprise Customer — Supplier/Contractor — Community Group/NGO — Employee — Competent Authority — Shareholder/Investor — FET Stakeholder

Stakeholder	Response and Communication Channel		Communication Performance in 2014
Employees	• On-the-job training • Annual performance evaluation • Town Hall Meeting (quarterly) • Employee Opinion Survey (ad hoc) • Employee grievances mailbox	• Lantern Legend Meeting (quarterly) • Employee Conference (annual) • Employee Welfare Committee • FET e-Express/FET e-Paper • FET e-Newsletter	• FET e-Express used to announce volunteer accomplishments for the year to all employees. • In 2014, a total of 23 employee suggestions were received through the intranet and e-mail. • Employee Opinion Survey re-defined as "Connect for Best" to emphasize employee engagement. • Further details on communication efforts can be seen in Chapter 3.4.6 "Friendly Enterprise – Friendly Workplace" of this report.
Customer/Consumer	• In-store face-to-face communication • Product conferences and marketing events • Telephone survey on in-store service satisfaction • Online real-time service fan page • Customer complaints channel • Customer satisfaction survey • Second advertising campaign "Because of love, keep your words sweet" in 2014.		• Every direct store had their own FB fan group and Line account by their end of 2014. The 130 stores chosen for the pilot each had over 500 people on average. • The "Express your love. Let it be heard" brand campaign has so far increased brand preference by 30%, with widespread support in the cross-strait region and online. Monthly customer counts were up 8% in 2014. • After the launch of the 2nd "Because of love, keep your words sweet" brand advertisement, it accumulated more than 5 million views on YouTube and Facebook in Taiwan. It also achieved more than 300 million views on Tencent, a popular video website in China. • Call center: 16,499,845 calls/year • FETnet website/Self-Care app/ Online Chat: 122,807 cases/year • Serious customer complaints are forwarded to the customer relations management team by the customer service unit manager within 2 hours. The customer is contacted within 4 hours of notification to resolve their complaint. • Further details on communication efforts can be seen in Chapter 3.3 "Wow! Service" of this report.

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Stakeholder	Response and Communication Channel	Communication Performance in 2014
Enterprise Customer	• Business visits • Call center	• Call center: 426,250 calls/year • Further details on communication efforts can be seen in Chapter 3.3 "Wow! Service" of this report. 🔗
Competent Authorities	• Business meetings and administrative inspections by the National Communications Commission (NCC) • Fair Trade Commission investigations (ad hoc) • Official correspondence (ad hoc)	• Took part in 342 NCC business meetings and 42 administrative inspections. No violations were reported. • There were 7 cases under investigation with the FTC in 2014. All cases have been closed as of the date of publication and none found in violation of the Fair Trade Act. • Received 1,918 official correspondences in 2014 with the bulk being from business meetings related to mobile communications (including 2G/3G/4G).
Suppliers/ Contractors	• Hosted the first Suppliers Conference • Formal announcement of the FET Supplier Chain Guideline for Social Responsibility • Developers Convention	• Further details on communication efforts can be seen in Chapter 3.4 "Friendly Enterprise" of this report 🔗
Shareholders/ Investors	• Annual general meeting • Investor-related conferences • Communication through dedicated units (ad hoc) • Investor relations section added to website	• Hosted one general shareholders meeting in 2014 • Hosted 4 global investor telephone conferences for direct communication with top executives in 2014. • Took part in domestic/overseas face-to-face institutional investor meetings for communicating with investors. • Published monthly non-audited revenue, profit and operating statistical data a total of 12 times in 2014. 🌐
Competitors	• Communication with competitors in the Taiwan Telecommunication Industry Development Association (TTIDA) (ad hoc) • Competition/market survey	• Attended 117 meetings in 2014 including 61 on various issues and 56 for the base station working group. • Further details on communication efforts can be seen in Chapter 3.3 "Wow! Service" of this report. 🔗
Media	• Press releases/conferences (ad hoc) • Communication through dedicated unit	• Hosted 10 press conferences by ourselves and issued 193 press releases in 2014 🌐
Community Group / NGO	• Information meetings/ symposiums/ forums • Sponsorships and collaborations	• Further details on communication efforts can be seen in Chapter 3.4 "Friendly Enterprise" of this report 🔗

▶
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1.4 Material Issues Identification and Response

To ensure that the report and FET's future CSR activities encompass as many issues that stakeholders were most concerned about as possible, FET used the results of aforementioned stakeholder identification process and brought together relevant units through the CSR Committee to identify and analyze material issues.

Our materiality analysis was based on GRI G4 Guidelines on defining material aspects and boundaries. The issues of concern to each stakeholder were assessed by FET units based on the two axes of "Influence on Stakeholder Assessment and Decisions" and "Significance of Economic, Environmental, and Social Impacts". After discussion by the executive secretary of the Committee and top executives, the results of the assessment were divided into the "Material Issues Group" if they were highly relevant to FET's core operations, and the "Secondary Issues Group". The strategic planning and disclosure of FET focuses on responding to the material issues to ensure that corporate resources are effectively allocated to critical matters. All effort is nevertheless made to satisfy the basic expectations of stakeholders on matters related to secondary issues.

Influence on Stakeholder Assessment and Decisions (vertical axis, L to H)
Significance of Economic, Environmental, and Social Impacts (horizontal axis, L to H)

Identification ▶▶ **Prioritization** ▶▶ **Validation** ▶▶ **Review**

Identification
Construct list of material issues
1. Material issues from last year's report
2. Results from stakeholder engagement
3. Domestic and overseas competitor benchmarks
4. Critical sustainable development trends

Prioritization
1. The CSR Committee draws up a matrix based on the two axes: ' "influence on stakeholder assessment and decisions" and" significance of economic, environmental, and social Impacts".
2. Review by FET top management

Validation
The results of materiality analysis is used to confirm the report framework and collect related data

Review
Once the report has been published, review the materiality matrix when preparing next year's report to see if any adjustments are necessary.

1	Communication quality and network infrastructure
2	Innovation in technology and service
3	Business strategy and key performance
4	Business continuity and risk management
5	Brand image management
6	Personal information security and protection
7	Rate plan transparency and communication
8	Customer complaints management
9	High-quality and unique customer service
10	Telecommunications universal service
11	Electromagnetic radiation issue
12	Energy conservation and carbon reduction
13	Implement corporate social responsibility and sustainable development
14	Government policy and regulation appliance
15	Low-carbon smart products and services
16	Community care and social welfare contribution
17	Supply chain management
18	Employee compensation and benefits
19	Employee communication and engagement
20	Employee education and career development
21	Work environment and diversification
22	Waste and water resource management

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A total of 15 material issues and 7 secondary issues were identified by FET. The results of the material identification process showed that most of the issues of concern to stakeholders were concentrated around FET's core telecommunication business and service quality. These included communications quality, infrastructure development, service quality and uniqueness, as well as society's expectations of the telecommunications industry on protection of personal information, transparency on service rates, handling of customer grievances, universal telecommunication services, electromagnetic radiation, energy and GHG management, and regulatory compliance. The intensification of industry competition with the launch of 4G services in 2014 meant innovation in technology and service was determined to be a material issue for FET for the first time. This along with other issues such as business continuity and risk management, business strategy and performance, and corporate image and brand management, demonstrates that FET is satisfying the expectations of all stakeholders by fulfilling its CSR and sustainable development through continuing improvements and advances in its core services and technical capabilities.

FET believes that material issues in environment, society and governance (ESG) must be integrated with our core telecommunication business to maximize the social benefits. For example, the identification results showed that stakeholder expectations on FET's responsibility in environmental protection emphasized our ability to provide low-carbon products and services as well as everyday energy and GHG management. FET is therefore working actively to reduce the GHG emissions generated in the value chain of the services we provide in addition to our own internal energy-saving.

The material issues and their boundaries identified by FET are as follows:

Material Issue	Issue Materiality	GRI Aspect	Corresponding Chapter	Internal Boundary		External Boundary			
				FET *Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
Communication quality and network infrastructure	Material Issue	EC Indirect Economic Impacts IO Infrastructure	3.1.4 Infrastructure Investments 3.2.3 Software Development and Technological Innovation	●				●	●
Innovation in technology and service	Material Issue	TA Resource Efficiency	3.4.3 Reducing the Environmental Impacts of Operations	●				●	
Business strategy and key performance	Material Issue	EC Economic Performance EC Market Presence	2 Overview FET Development Strategy 3.1.1 Review of Important Financial Performance 3.4.2 Supplier Management	●	●		●		
Business continuity and risk management	Material Issue	EC Economic Performance Corporate Governance (G4-34~58) SO Anti-corruption SO Anti-competitive Behavior SO Public Policy	3.1.1 Review of Important Financial Performance 4 Corporate Governance	●		●			
Brand image management	Material Issue		3.4.2 Supplier Management	●		●	●	●	●
Personal information security and protection	Material Issue	PR Customer Privacy	3.3.3 Service Support System	●	●		●	●	

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Material Issue	Issue Materiality	GRI Aspect	Corresponding Chapter	Internal Boundary		External Boundary			
				FET *Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
Rate plan transparency and communication	Material Issue	PR Product and Service Labeling PR Marketing Communications	3.3.2 Service Development and Training	●			●	●	
Customer complaints management	Material Issue	HR Human Rights Grievance Mechanisms SO Grievance Mechanisms for Impacts	3.3.4 Service Management and Metrics	●	●		●	●	●
High-quality and unique customer service	Material Issue		3.3 Wow! Service	●	●			●	
Telecommunications universal service	Material Issue	EC Indirect Economic Impacts PA Bridging the Digital Divide	3.1.4 Infrastructure Investments 3.3.1 Service Axis Defined	●				●	●
Electromagnetic radiation issue	Material Issue	PR Customer Health and Safety IO Health and Safety Practices PA Communication on EMF Issues SO Grievance Mechanisms for Impacts on Society	3.4.4 Reducing the Social Impacts of Operations	●					●
Energy conservation and carbon reduction	Material Issue	EN Emissions (GHG) EN Energy EN Overall	3.4.3 Reducing the Environmental Impacts of Operations	●	●	●	●		
Implement corporate social responsibility and sustainable development	Material Issue	Corporate Governance (G4-34~58)	4.2 Sustainable Corporate Governance	●		●	●	●	●
Government policy and regulation appliance	Material Issue	EN SO PR Compliance	4.5 Compliance 3.4.4 Reducing the Social Impacts of Operations	●		●	●	●	●
Low-carbon smart products and services	Material Issue	EN Energy EN Emissions (GHG) EN Products and Services TA Resource Efficiency	3.4.5 Reducing the Environmental Impacts of Products	●				●	●

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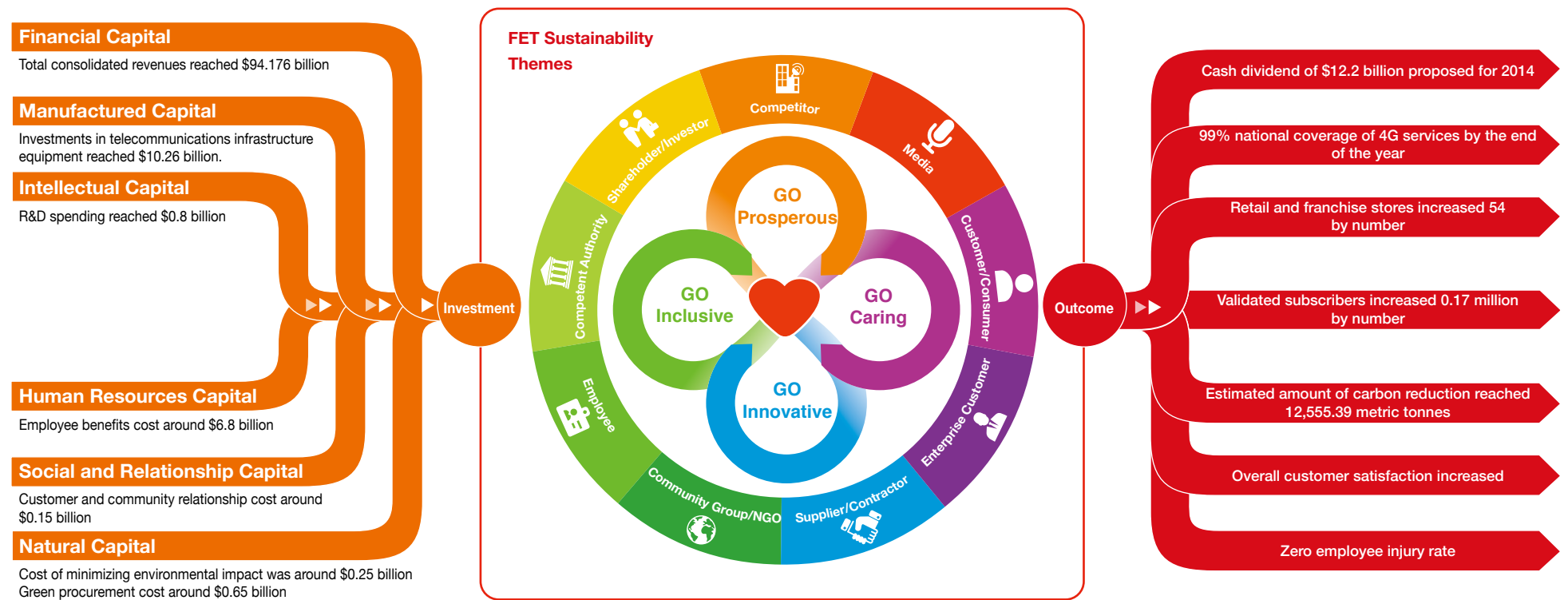| Material Issue	Issue Materiality	GRI Aspect	Corresponding Chapter	Internal Boundary		External Boundary			
				FET *Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
Community care and social welfare contribution	Secondary Issue	EC Economic Performance EC Indirect Economic Impacts SO Local Communities PA Content Restriction and Protection	3.4.7 Supporting Social Welfare					●	●
Supply chain management	Secondary Issue	EC Procurement Practices LA Occupational Health and Safety EN LA HR SO Supply Chain Management-related aspects	3.4.2 Supplier Management	●	●	●	●		
Employee compensation and benefits	Secondary Issue	LA Employment LA Equal Remuneration for Women and Men	3.4.6 Friendly Workplace	●	●				
Employee communication and engagement	Secondary Issue	LA Labor/Management Relations LA Labor practices Grievance Mechanisms HR Freedom of Association and Collective Bargaining HR Forced or Compulsory Labor	3.4.6 Friendly Workplace	●	●				
Employee education and career development	Secondary Issue	LA Training and Education	3.4.6 Friendly Workplace	●	●				
Work environment and diversification	Secondary Issue	LA Diversity and Equal Opportunity LA Equal Remuneration for Women and Men HR Non-discrimination	3.4.6 Friendly Workplace	●	●				
Waste and water resource management	Secondary Issue	EN Effluents and Waste EN Overall	3.4.3 Reducing the Environmental Impacts of Operations	●	●	●	●		●

2

Overview of FET Development Strategy

FET defined "Go Prosperous", "Go Innovative", "Go Caring" and "Go Inclusive" as its four main strategic areas of sustainability based on the issues of concern to stakeholders. Corporate sustainability strategy is combined with core operational strategy to cope with critical corporate sustainability risks. We hope this will fulfill the corporate vision of "FET Connects and Enriches Life" and make us the "Preferred Partner in Mobile Life" for everyone.

The pursuit of growth and profits is fundamental to business operations. In an age where technology is always changing rapidly, the key to profitability in the telecommunications industry is innovation power. The symbol of infinity is therefore used to represent the complementary relationship of these two aspects.

At the same time, the key to caring service and the building of corporate image lies in FET's emphasis on communication. Whether it is the internal integration of corporate culture or accurately gauging the needs of external customers, FET's strategy will continue to hinge on improvements to communication. Beyond that, FET will use its influence in the value chain and leverage its core capabilities to lift up its business partners or even boost social and environmental friendliness. These will play an essential role in the sustainability of the telecommunications industry.

Financial Capital

Total consolidated revenues reached $94.176 billion

Manufactured Capital

Investments in telecommunications infrastructure equipment reached $10.26 billion.

Intellectual Capital

R&D spending reached $0.8 billion

Human Resources Capital

Employee benefits cost around $6.8 billion

Social and Relationship Capital

Customer and community relationship cost around $0.15 billion

Natural Capital

Cost of minimizing environmental impact was around $0.25 billion
Green procurement cost around $0.65 billion

FET Sustainability Themes

Investment

Competitor
Media
Shareholder/Investor
Customer/Consumer
Competent Authority
Enterprise Customer
Employee
Supplier/Contractor
Community Group/NGO

GO Prosperous
GO Inclusive
GO Caring
GO Innovative

Outcome

Cash dividend of $12.2 billion proposed for 2014

99% national coverage of 4G services by the end of the year

Retail and franchise stores increased 54 by number

Validated subscribers increased 0.17 million by number

Estimated amount of carbon reduction reached 12,555.39 metric tonnes

Overall customer satisfaction increased

Zero employee injury rate

The Six Capitals	Relevance to FET Sustainability
Financial Capital	Business performance is the root of corporate sustainability. Being a TWSE-listed company means the operation and development of FET depends on the support of local and financial investors. Financial capital and its linkage with other types of capital helps investors understand the company's long-term trends.
Manufactured Capita	The bulk of FET's manufacturing capital is made up of investing in and the running of stores and ICT infrastructure such as base stations, server rooms and data centers. FET follows the principle of long-term investment and efficiency improvement for infrastructure maintenance to ensure the stability and continuity of ICT services.
Human Resources Capital	Talent development is critical to FET because employees' ability to adapt to changes in the ICT environment decides FET's ability for continued innovation. FET will continue to recruit and retain talented personnel with an emphasis on potential development.
Intellectual Capital	FET's ability to carry out corporate reforms, industry integration and technical innovation depends on the accumulation of intellectual capital. Having previously accumulated extensive experience in voice communications, FET is now building its capital in digital and network-related technologies and services.
Natural Capital	The most important natural capital to FET is electricity as well as the associated energy consumption and GHG emissions. To cope with growing traffic, FET will continue to carry out energy management and focus on improving energy efficiency.
Social and Relationship Capital	FET's social capital includes brand value, customer loyalty, value chain partners and long-term partnership with other stakeholders. FET will focus on branding, learning from customers' experience and requirements, and creating customer intimacy.

Competitor

- Innovation in technology and service
- Communication quality and network infrastructure
- High-quality and unique customer service
- Rate plan transparency and communication
- Business strategy and key performance

Media

- Rate plan transparency and communication
- Electromagnetic radiation issue
- Personal information security and protection
- Customer complaints management
- Communication quality and network infrastructure

Customer/Consumer

- Customer complaints management
- Personal information security and protection
- Communication quality and network infrastructure
- Rate plan transparency and communication
- High-quality and unique customer service

Enterprise Customer

- Communication quality and network infrastructure
- Personal information security and protection
- Rate plan transparency and communication
- Customer complaints management
- High-quality and unique customer service

Supplier/Contractor

- Supply chain management
- Communication quality and network infrastructure
- Innovation in technology and service
- Business continuity and risk management
- Telecommunications universal service

Community Group /NGO

- Community care and social welfare contribution
- Waste and water resource management
- Implement CSR and sustainable development
- Electromagnetic radiation issue
- Low-carbon and smart products and services

Employee

- Business strategy and key performance
- Employee compensation and benefits
- Work environment and diversification
- Employee communications and engagement
- Employee education and career development

Competent Authority

- Government policy and regulatory compliance
- Personal information security and protection
- Rate plan transparency and communication
- Electromagnetic radiation issue
- Communication quality and network infrastructure

Shareholder/Investor

- Business strategy and key performance
- Business continuity and risk management
- Communication quality and network infrastructure
- Brand image management
- Telecommunications universal service

FET Sustainability Forces and Top 10 Targets

GO Prosperous

- Steady increase in number of 4G subscribers and the profitability of mobile services. Work actively to roll out a next-generation network that will transform IT system platforms.
- Move towards corporate sustainability governance and become a sustainable enterprise in the eyes of foreign investors.
- Motivate corporate transformation in response to technological changes and industry trends.

GO Caring

- Create a different brand image; enforce stakeholder communication and cooperation.
- Provide a peerless customer experience and service to become the No.1 telco in customer satisfaction.

GO Innovative

- Smart life: Continue to provide user-oriented value-added serves (digital content / mobile payment / e-commerce).
- Smart commerce: Provide high-value ICT integration services to boost share of corporate market.
- Smart city: Maximize Group resources and expand presence in medicine, transportation and public security to seize the initiative.

GO Inclusive

- Establish a clear climate change strategy and set renewable energy as the goal.
- Integrate the industry value chain to promote sustainable development of the ICT industry as a whole.

3

Business Strategy and Model

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3.1 Go Prosperous   3.2 Innovating Thinking – Go Innovative   3.3 Wow! Service – Go Caring   3.4 Friendly Enterprise – Go Inclusive

3.1 Go Prosperous

International political and economic upheaval and domestic competition within the telecommunications industry has intensified in the past year. Nevertheless, FET still managed to keep growing by controlling costs, focusing on our strengths and expanding our business. The continued expansion of our business and telecommunications coverage has produced outstanding results.

3.1.1 Growth in All Area

FET continued to expand our direct stores and roll-out our fiber network in the key metropolitan regions through 2014. This included the "6th generation store" upgrade that integrates virtual/physical sales and services with more than 50 stores added in 2014. Apart from continuing to provide integrated services for the data and communications market, we are also working to develop mobile application products and actively strengthening the front-line service quality in our stores so that consumers can experience our innovations in communication products, voice, broadband data and value-added services.

In response to the vibrant development of smart communication products and in order to expand the influence of 4G Internet, we have continued to upgrade our store displays and tailor our store formats to the different target markets. Apart from establishing our presence in department stores, transfer stations and night market districts, in 2012 we began opening telecom stores targeted at female consumers. Trend culture was incorporated into the Ximending store as well as the "FET Station Outlet", the first telecom outlet center in Taiwan. Apart from supplying opened 3C products at greatly discounted prices, we also offer a 3-month warranty from all FET stores throughout Taiwan. This channel offers bargain hunters the best prices and guarantees.

As of the end of 2014, there were more than 1000 FET, ARCOA and Data Express stores. The extensive and comprehensive service means that the general public can appreciate the professional and caring service of FET everywhere.

Marketing Channel

FET is continuing to examine the allocation of resources by Group subsidiaries to maximize Group synergies. To increase the profitability of direct ARCOA stores, we have progressively converted street-front ARCOA stores into FET franchise stores. The integration of marketing channels has led to significant improvements in customer numbers and profitability.
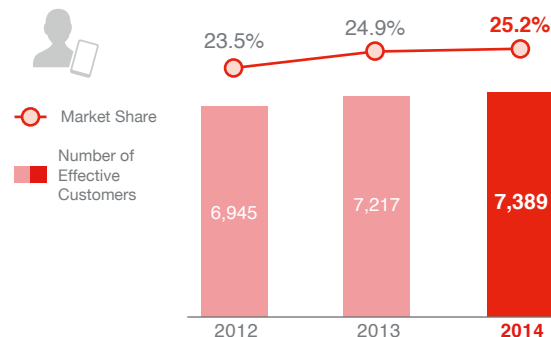
FET stores   Unit: Number of stores

	2012	2013	2014
Total	865	956	964
ARCOA	166	170	124
FET Franchises	432	437	453
FET Retails	267	349	387
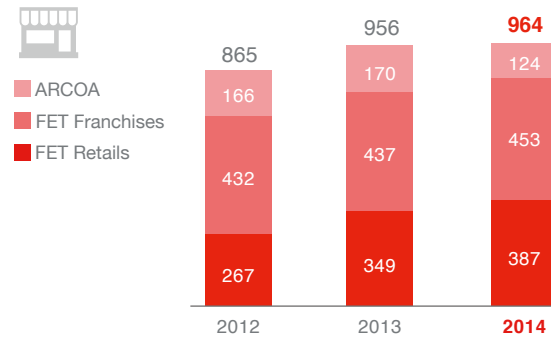
Effective Customers   Unit: Thousands of Persons

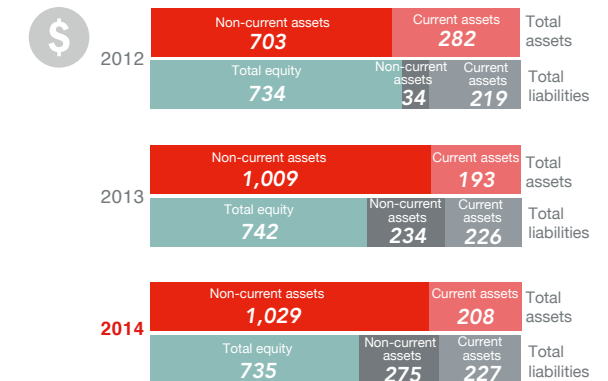|	2012	2013	2014
Market Share	23.5%	24.9%	25.2%
Number of Effective Customers	6,945	7,217	7,389

Asset Growth

FET has always maintained a sound financial structure. Major changes in recent years included issuing three tranches of unsecured corporate bonds with a total value of $20 billion. In October 30, 2013, we successfully bid $31,315 million for the (4G) mobile services license and spectrum rights. This greatly increased our intangible assets and amortization commenced after the launching of 4G services in 2015.
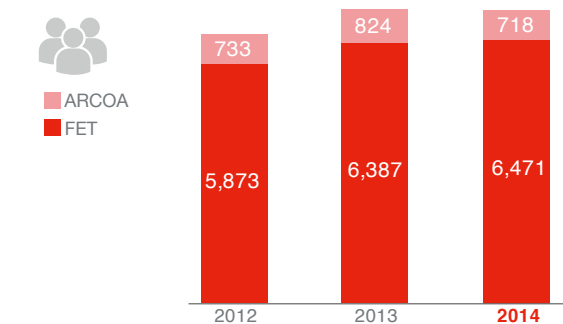
Assets and liabilities   Unit: 100 Million NTD

Year	Non-current assets	Current assets	Total assets	Total equity	Non-current assets	Current assets	Total liabilities
2012	703	282		734	34	219	
2013	1,009	193		742	234	226	
2014	1,029	208		735	275	227	

Number of Employees   Unit: Persons

	2012	2013	2014
ARCOA	733	824	718
FET	5,873	6,387	6,471

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3.1.2 Key Financial Indicators

The collective zeal of all FET employees saw our consolidated revenue reach $94.176 billion in 2014, up 5% from last year. The consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) and net income for the year were $25.601 billion and $11.567 billion respectively. Earnings per Share (EPS) were $3.52. Total market value grew by 11% to reach $237.9 billion at the end of the year and continued to steadily create growing value for shareholders. Due to the launch of 4G service, FET's user base grew by 2% to reach 7.38 million people in 2014.

	2012	Growth (%)	2013	Growth (%)	2014
Total Revenue	$86.666 billion	3	$89.671 billion	5	$94.176 billion
Net Income	$10.634 billion	12	$11.906 billion	- 3	$11.567 billion
EBITA[3]	$24.371 billion	5	$25.599 billion	0.01	$25.601 billion
Total Market Value[4]	$241.5 billion	-12	$213.4 billion	11	$237.9 billion

	2012	2013	2014
ARPU[5] (NTD)	$ 748	$ 730	$ 724
Earnings per Share	3.25	3.63	3.52
ROA(%)	10.95	10.94	9.72
ROE(%)	14.52	16.07	15.66

[3] EBITDA: Earnings before interest, tax, depreciation and amortization.
[4] Number of shares x Closing price at the end of each year
[5] ARPU (Average revenue per user): Monthly average revenue per user.

FET's total revenue grew by 3% and 5% in 2013 and 2014 respectively. Telecommunication services, merchandising or other operating items including revenue from maintenance and logistics all reported a certain amount of growth. The decline in net income was due to the amortization of 4G licensing costs and related infrastructure in the second half of 2014. The launch of 4G services means greatly increased Internet speeds for mobile phones and greater penetration for mobile services. FET will continue to expand the content of mobile services in the future with an emphasis on digital convergence and application services to increase revenue from increased traffic.

Domestic fixed communication service revenue

International communication service revenue

Data telecommunication services revenue

Sales and other operating revenue

Mobile telecom service revenue

2012: 23%, 4%, 4%, 2%, 67%
2013: 24%, 4%, 4%, 2%, 66%
2014: 26%, 4%, 4%, 2%, 64%

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3.1.3 Earnings Allocated to Stakeholders

FET is committed to building a happy enterprise that shares the fruits of its operations with all stakeholders. The dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; while cash dividend declared by the Company shall be no less than fifty percent (50%) of the total dividends distributed that year; provided, however, depending on whether the Company has any financial structure improvement or major capital expenditure plans in the year, the earning unallocated and accumulated in the preceding year may be distributed, and the payout ratio and percentage of cash dividend may be raised or lowered by a resolution adopted at the shareholders' meeting. On February 13, 2015, the FET Board of Directors approved the 2014 dividend distribution plan. Undistributed Earnings from 2014 will be distributed as cash dividend at a rate of $3.167 per share. The capital surplus from the issuing of shares that exceed their face value will be issued as cash dividend as well for $0.583 per share. Each share will therefore receive $3.75 in cash. For employee-related welfare data and description, please see Chapter 3.4 "Go Inclusive". 🔗
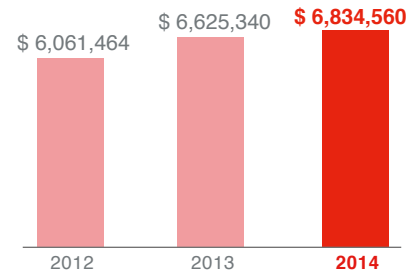
Feedback to Society

FET embraces the spirit of feedback to society. We not only pursue revenue growth but also ways of giving back to society. Please refer to Chapter 3.4 "Go Inclusive" for a description of our social investments. 🔗
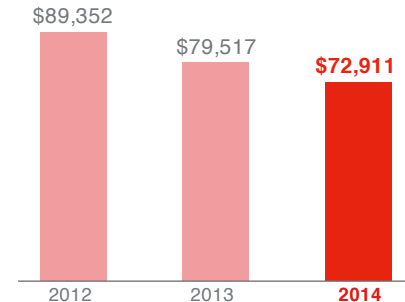
In 2014 most of FET's cash donations were to academic exchange funds, supporting the Far Eastern Group's fund-raising campaign for the Kaohsiung gas pipe explosion, and sponsoring the "Big Data and Digital Convergence Innovation Center" project at the Yuan Ze University from 2014 through to 2016.

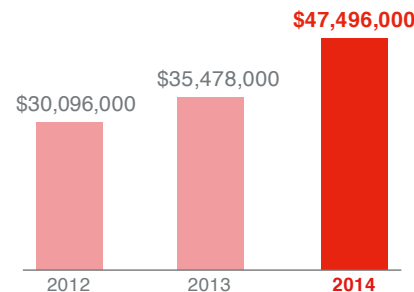| Payments to employees	Unit: 1,000 NTD

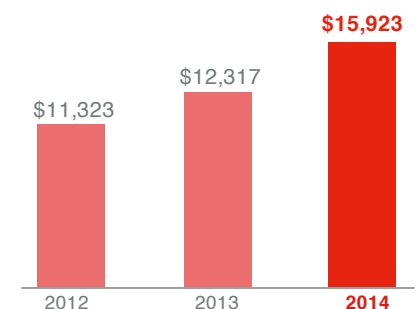$ 6,061,464 $ 6,625,340   **$ 6,834,560**

2012   2013   **2014**

Payments to suppliers	Unit: 1,000 NTD

$47,496,000

$30,096,000 $35,478,000

2012   2013   **2014**

Payments to shareholders	Unit: 1,000 NTD

$ 11,404,753 $ 12,219,378   **$ 12,219,378**

2012   2013   **2014**

Government grants[6]	Unit: 1,000 NTD

$89,352 $79,517   **$72,911**

2012   2013   **2014**

Social investment	Unit: 1,000 NTD

$15,923

$11,323 $12,317

2012   2013   **2014**
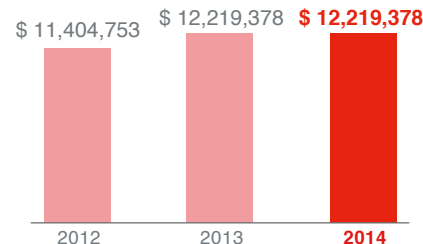
Payments for income tax	Unit: 1,000 NTD

$2,030,975

$1,564,067 $1,926,126

2012   2013   **2014**
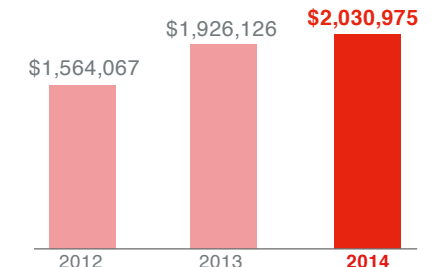
[6] FET supports the government's industry development plan. The income from government subsidies each year mainly comes from the Industrial Development Bureau of the Ministry of Economic Affairs' Taiwan application promotion project as well as e-book and carrier application service project.

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FET became a long-term supporter of the Environmental Protection Administration's "2nd-hand Computer Recycling and Donation Project" in 2005. The project, inspired by environmentalism and charity, hopes that the recycling and donation of 2nd-hand computers will help improve the learning environment of disadvantaged students, help minority groups and narrow the digital divide between the city and the countryside. This will in turn maximize the use of IT equipment and fulfill our CSR. We have collaborated with the Triple-E Institute in recent years. This included being the top industry donor for 4 straight years and donating a total of more than 10,000 computers over 6 consecutive years.

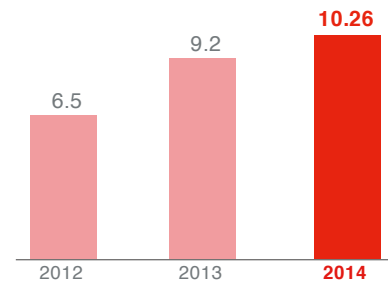| Donation of Second-hand Equipments | | | | Unit: Pcs |
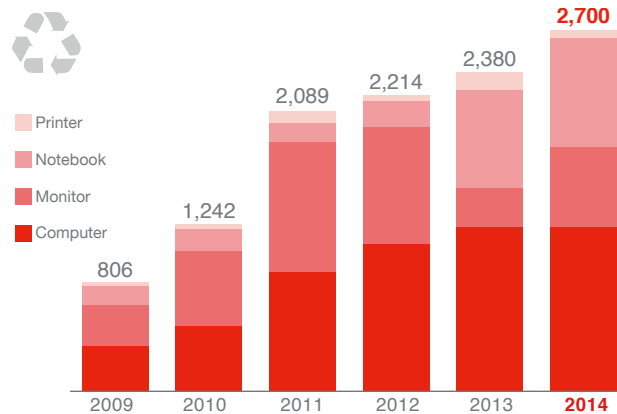
Unit: Pcs	Computer	Monitor	Notebook	Printer	Total
2009	336	303	146	21	**806**
2010	478	565	164	35	**1,242**
2011	891	964	145	89	**2,089**
2012	1,103	868	193	50	**2,214**
2013	1,220	295	732	133	**2,380**
2014	1,225	600	820	55	**2,700**
Total	**5,253**	**3,595**	**2,200**	**383**	

3.1.4 Infrastructure Investment

| Investment in Telecommunications Infrastructure | Unit: Billion |

Telecommunication service is all about using ICT to make life more convenient and bring people together. FET is actively investing in the building and maintenance of ICT infrastructure to ensure that communication quality is not affected by natural disasters or urban/rural differences. In 2014, FET invested a total of $138,594,000 in rural infrastructure developments based on the principle of "universal service" for telcos.

| Investment in Rural Areas | Unit: Million |
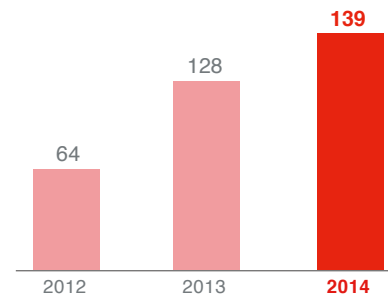
3.1.5 Future Business Development Plan

FET has worked aggressively to expand our 4G coverage since the launch of 4G mobile services. We now have a presence in all 367 administrative districts in Taiwan (townships, towns, cities and districts).Our network has been rolled-out to all 18 townships and cities on offshore islands to achieve 99% coverage of Taiwan's total population.

FET will continue to strengthen our 4G mobile telephony services to provide customers with faster and better quality data/voice services. We will also target different customer segments with appropriate promotions and marketing strategies. At the same time, we will consolidate our market position by expanding our market share, developing new sales channels, as well as building a more comprehensive network of stores, offices and distribution methods.

Apart from continuing to increase our island-wide 4G coverage, FET is also upgrading transfer rates to keep up with the demand for online multimedia from smart phones and tablets. We will also roll-out WiFi hot spots to provide a better user experience in areas with high traffic and user density. Network architecture with WiFi and 4G running in parallel will also be used for traffic management and cost reduction through load-balancing.

As the boundary among fixed networks, mobile networks, the Internet and digital media becomes increasingly blurred, the ability to coordinate and integrate all of these elements will be crucial to market dominance. In response to the trend towards digital convergence, FET will continue to use strategic alliances and the consolidation of internal resources to combine our fixed networks, mobile telephony and Internet businesses. We will also draw on the power and resources within the telecom group to continue increasing our share of the residential market and consolidate our position in the residential broadband market.

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3.2 Innovating Thinking – Go Innovative

Over the past few years, in the wake of ever-increasing change in technology, the traditional competition over specifications between telcos is no longer sufficient to meet the needs of the market. FET believes that constant innovation is what's needed to achieve exceptional customer satisfaction as well as the best consumer experience, thereby differentiating us from other competitors and creating sustainable brand value.

3.2.1 Improve the Standard of Telecom Education

The FET innovation strategy takes a three-pronged approach. It starts with the basics by improving the standard of telecommunications education and then goes on to provide a R&D platform for focusing the innovative energies in society on software development and technological innovation on a continuous basis. This, in turn, raises the overall standard of innovation at FET.

FET believes that innovation is driven by "people". Improving the overall standard of telecom education is the only way for the industry to cultivate even more talented people and for FET to prosper along with society. In response to the coming of the communications age, the Far EasTone Technology Development Foundation was established in March 1999. The "FET Education Center" was also set up at the same time to provide the latest equipment and technologies together with industry practice and experience for cultivating communications professionals. It is also intended to assist with the research and development of communications and information technologies in Taiwan.

At the moment the courses offered by the FET Education Center are mainly intended for FE Group employees and are aimed at improving the overall standard in the telecommunications industry. More than 40 telecom technology training courses

were completed in 2014 and attended by around 2,000 people. Apart from internal cultivation of telecom specialists we also took part in many external seminars and campus events. We also took part in the Ministry of Education's "Rural Digital Care Promotion Plan" to promote comprehensive communications education.

> **The Mission of the FET Education Center** 🌐
> - To assist with cultivation of telecommunications professionals in Taiwan
> - To offer tailored telecommunications training
> - To establish a self-learning environment and promote diversified learning channels
> - To provide advanced, professional and complete experimental networks

3.2.2 Fostering Innovation in Society

Experimental platform

FET is the only telco in Taiwan to have its own multi-net experimental network incorporating GSM, WCDMA, LTE and fixed line technologies. Apart from pre-market research of new systems and value-added services in a completely independent experimental network, we have also set up an inter-operability testing (IOT) environment at T-Park in Taipei to serve as an experimental platform for local terminal makers, chip vendors, digital content providers and academic research units. FET has now conducted the IOT testing with a number of terminal chip manufacturers. We have also carried out several research projects with academic units such as the National Chiao Tung University, Yuan Ze University, the Institute of Industrial Technology, and the Institute for Information Industry. These included the indoor cell network and software technology development plan, preliminary planning for tele-healthcare

demonstration services, and the application of programmable array antenna to wireless communications. In the future, we will continue to follow the 3-party approach of industry-academic-research cooperation support the continued development of Taiwan's wireless communications industry in the most economical way. We will then jointly hold the key to global success.

Open Innovation

FET has demonstrated its determination to promoting "Open Innovation" and revolutionizing business models. We hope that we will be able to cooperate with more industries and businesses then create a dedicated enterprise messaging software (EMMA) that provides a Machine-to-People and People-to-Machine API interface. We will collaborate with these companies to develop innovative application content and eventually forge EMMA into the best innovation platform for building corporate mobile applications. To encourage businesses to provide innovative ideas, if the idea proposed by any company is included within the EMMA development blueprint then FET will provide 100 EMMA user licenses with 2 years of free use. Businesses can then share in the benefits of open innovation, boost their corporate and industrial competitiveness, and discover limitless opportunities.

The Best Partner for Developers

FET has hosted the "Developers Conference" and "SMart Star Awards" for 5 consecutive years. By actively networking and sharing with industry experts in Taiwan and overseas, we bring new app business models and global trends to our local partners and app developer (vendor) communities. FET strives to improve the overall standard of the mobile industry in Taiwan and to use soft power to drive economic hard power. In 2014, FET partnered with our subsidiary Hiiir to host the "2014 friDay App Developer Conference" and explore the third-party channel market in Taiwan with industry leaders; the app developer community was also invited to look at the market challenges and opportunities faced by transnational apps and mobile

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games. Games and application developers from Japan, Korea and other countries were invited to the conference to share their experiences of success in the hope of inspiring new business models from local developers (vendors).

To energize the local app market in Taiwan and help developers find more opportunities for profit, FET and Hiiir co-developed the friDay App assistant service. The friDay App assistant is not just a mobile entertainment download center. It can also make phones run more smoothly by helping users with managing apps, removing useless documents and releasing memory; the friDay App assistant also offers themed app collections to help users find apps relating to current events. At the same time, FET continued to sponsor the communications challenges organized by the MOEA Industrial Development Bureau to encourage app development and innovative applications. This provides local app developers with a stage to showcase their efforts.

3.2.3 Software Development and Technological Innovation

FET has continued to invest in R&D to become the new leader in innovation. Nearly 800 Million NTD was invested in 2014, an increase of 50% over the previous year. The popularity of smart devices and the 4G mobile network rollout is dramatically changing consumer behaviors and lifestyles. Due to

developments in the communications industry, the four aspects of "Value-added service", the "Internet-of-Things", "Wearable Devices" and "Digital Convergence" are now key areas of research for FET on a short, medium and long-term basis. In the future, FET will continue to invest in the development of innovative products and services.

Value-added Service

4G mobile Internet access is now entering a phase of rapid development. FET will step up the development of related value-added services to optimize customers' communication experience and increase their brand loyalty.

The Internet-of-Things

The coming of the IoT will bring massive amounts of online data and new management models. It will also involve many different applications and vertical industries. FET will continue to invest in advances of our core ICT capabilities and in-depth partnership with strategic partners. Further integration of local and remote connectivity functions and services will be used to establish an IoT ecosystem.
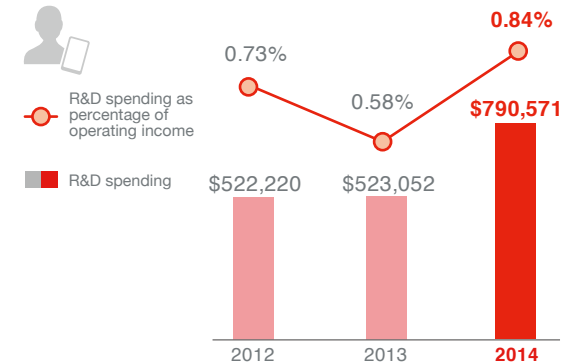
Wearable Devices

Mobile/wearable devices are the rising stars of the communications industry. FET is continuing to collaborate with wearable device vendors to testing their performance and stability on our wireless broadband networks. We hope to provide consumers with a user experience that makes them go "Wow!" in the future.

Digital Convergence

Digital convergence means that users can access the information they need in any place through any network and device. The fusion of mobile and fixed networks will therefore be accelerated even more. Since 2008 FET has been responding to this trend by progressively integrating our mobile and fixed networks to form a common network backbone and access network.

R&D spending   *Unit: 1000 NTD*

	2012	2013	2014
R&D spending as percentage of operating income	0.73%	0.58%	**0.84%**
R&D spending	$522,220	$523,052	**$790,571**

Technological Innovation x Communication Quality

FET acquired both the 700MHz and 1800MHz spectrum for its 4G mobile service because they complement each other. By exploiting the characteristics and resources of each spectrum we can provide all mobile subscribers with the most complete, high-quality and high-speed 4G service. The lower-frequency 700MHz spectrum has a longer range, providing complete coverage outdoors and deep within buildings. The higher-frequency 1800MHz spectrum has higher bandwidth so it is used to provide the high-speed transmission capacity needed by internet users. LTE's Carrier Aggregation (CA) function means all spectrum resources can be put to good use. When CA is used to stitch the 700MHz + 1800MHz spectra together FET can provide 20MHz of contiguous spectrum that increases the maximum theoretical transfer rate to 150 Mbps. There are now 1800 stations in Taiwan with 700MHz + 1800MHz CA.

LTE SON (Self-Organizing Network) was introduced into FET's 4G network infrastructure to realize self-repairing wireless network functionality, reducing the large amount of manpower previously needed for optimizing wireless parameters and data. The ability to respond quickly to network optimization requirements reduces operating costs.

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Technological Innovation x Smart Lifestyle

FET is continuing to develop and expand our "digital mobile content and applications", "mobile payment" and "mCommerce" content to create an even more convenient smart lifestyle for consumers.

Video on Demand (VOD)

FET launched the FET Video Store service in 2011, moving into the video market by providing movies. The "One Cloud to multi-Screens" strategy and support for different devices (PCs, mobile phones, tablets and smart TVs) matched the market trend and the service was provided through both web pages and application software to enhance the actual user experience. We have now built up nearly 300,000 subscribers and thousands of movies after four years of development. Content service emphasizes diversity to satisfy different consumer tastes. We have strategic partnerships with first-release cinemas and major domestic film festivals such as the Golden Horse, the Taipei Film Festival, the Women Make Waves Film Festival and direct broadcast from the Asian Games to reinforce our image as a consumer brand with rich content. FET is continuing to invest in improvements to the user interface such as big data analysis and remote media streaming (Chromecast) to provide consumers with better and more varied content.

♦ Live broadcast from the Incheon Asian Games through mobile TV attracted more than 500 thousand viewers at the same time

Omusic

Omusic is the first digital music platform set up as a joint venture between a telco and Taiwan's top 9 record companies. It has acquired more than 500,000 registered members since it was launched in 2012 and uses a subscription-based model to provide a wide variety of trendy product packages to expand the value of digital music. The quality of conventional online music streaming is limited by network access and traffic. Omusic launched the first CD-quality digital media streaming service on the market in July 2014, enhancing the quality of music streams with high-quality music files that rival CDs in quality; the arrival of high-speed 4G network access means the new service can deliver higher quality streamed music. Between July and December 2014, the CD quality section was used around 280,000 times.

Ordinary users may feel that there are too many playlists or don't know what they want to listen to so mood-oriented playlists were launched in May of the same year. Simply press to play on the phone or shake to find a song that matches your mood anytime, anyplace. There is music for work, broken hearts, travel, exercise and reading. It can automatically check the date and time to deliver great music for any mood; between May and December, 2014, the Music for Life service was used around 310,000 times and listener activities[7] increased by 6%. Omusic will continue to adhere to the concept of the personal mobile music database while optimizing the user interface and providing a quality user experience.

[7] Listener activity = Active subscribers who listened to music that month/Number of active subscribers for that month

Google Play Carrier Billing

The popularity of smart phones has made mobile apps and games indispensable for everyday tasks and entertainment. Data published by Google shows that its Google Play app market now offers more than 1 million free and paid apps, with more than 50 billion downloads to date and more than 2 billion downloads per month.

Direct carrier billing offers many consumers who don't have credit cards or don't want to use their credit cards another payment option. Google Play now has billing arrangements with nearly 100 telcos worldwide. In keeping with our sprit of customer-oriented service, the FET team contacted Google headquarters directly and successfully negotiated to become the first telco in Taiwan to offer direct carrier billing for Google Play in May 2014. FET users can now enjoy a fast, convenient and secure payment method. Between its successful launch on May 12 and December 31, 2014, the Google Play direct carrier billing service has been used by more than 300,000 FET users in over 3 million transactions, making it the best example of customer-oriented innovation at FET.

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Mobile Payment

Alliance Digital Tech Co., a joint venture set up between the top 5 telcos (including FET) and EasyCard Investment Holdings Corp., announced on December 25, 2014, that the Trusted Services Management (TSM) platform integrating mobile payments for telecommunications, transportation and finance would go live in 2015 Q2. The platform would be the first in Taiwan to be accepted by all top 5 telcos.

To effectively integrate our resources for the promotion of a more convenient and low-carbon mobile digital lifestyle, FET conducted a NFC service pilot project in 2013 that brought together various stakeholders including FET, service providers (including credit card companies, EasyCard and food & beverage industry), mobile phone suppliers and SIM card technology partners. The joint project studied how mobile technology could change consumer lifestyles. During Phase 1 of the pilot FET continued to compile the user experience and suggestions of participants. Many services and processes have been subsequently optimized.

In 2014, FET partnered with the Taiwan Cooperative Bank (TCB) to develop a NFC experience for VISA EasyCard co-branded card. This became the first card in Taiwan to feature automatic EasyCard charging without the NT$3000 transaction limit of sensor-type credit cards, as well as two-factor authentication with Wallet App and Visa PassCode. This NFC mobile phone credit card ensured the security of the card-holder's transactions. The trial was limited to TCB and FET employees to validate and learn more about the mobile transaction security, NFC card setup system, system interface mode, and compatible mobile phones for VISA Easy-Card co-branded credit cards. This will ensure the best mobile payment service for consumers once NFC is formally launched in the future.

SoLoMo Application Enhancement Syndication Platform: Qbon Discount Wall

Google research found that 95% of smart phone users in Taiwan use their phones to search for local information with 83% putting that information to further use. For this reason, FET partnered with Hiiir to create a "SoLoMo Economy" platform. Using the team's core communications, graphics and LBS (Location-based service) technology, we created the largest mobile lifestyle discount network in Taiwan. The system uses the consumer's location and requirements to distribute promotions and discount coupons to syndicated apps. Consumers can therefore receive related information through their preferred apps. Over 6,000 types of coupons, 200 chain brands and 13,000 preferred service locations throughout Taiwan have joined since 2014!

friDay Shopping

FET has long been involved in the mobile services market and has partnered with Hiiir to take advantage of social networks. Using consumer insight and the concept of mobility as a guide, FET has pioneered a business format based on "Curation mCommerce" and "Great Shopping, Great Browsing, Great Fun". Content navigation and a unique interface were used as the basis for designing exhibitions targeted at different social "lifestyles". The result was the friDay mobile lifestyle brand aimed at becoming the No.1 brand for mobile shopping for consumers. After the service was launched in October 2014 it has attracted on average 1 million visitors a month and featured more than 150,000 products as of March, 2015. FET will continue to upgrade our mobile shopping and retail sectors to become the leading brand in mCommerce.

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## Innovative Service & Advanced Technology Drive Smart Business

One of FET's core missions is to improve business operational efficiency. We strive to provide enterprises with a comprehensive solution through technological innovations such as video conferencing, video cloud service for business as well as cloud network management and storage technologies.

Mobile Device Management Solution for BYOD

The omnipresence of mobiles has given rise to the craze of Bring Your Own Device (BYOD). A Gartner Survey indicates that by 2016, 38% of companies will have stopped providing staff with mobile devices, and by 2017 50% of staff will be requesting that they bring their own device to use at work. On top of that, with the rapidly increasing number of instant message users, not only is the use of social networks phenomena amongst individuals, but is also an issue that organizations must deal with. FET relies on its years of experience providing enterprise mobility solutions and ICT integration to clients and companies to go all out in pursuit of business opportunities, and in May 2014 launched Taiwan's first BYOD experiencing center, becoming a market leader in recommending BYOD telecommunication plans, allowing enterprises to see clearly the benefits brought about by cloud, mobility and Mobile Device Management (MDM), building the most suitable plans for enterprises, which respond to staffs' demands to bring their own devices and help mitigate against any doubts or misgivings, as well as build a secure and private social networking and cloud-based mobile office environment. It also effectively assists businesses with the rapid implementation of a cross-platform dedicated environment for mobile devices as well as integration with key enterprise IT systems including personal information and e-mail systems. It also ensures the transmission and IT security of the mobile devices.

The experiential content at the BYOD experiencing center includes popular enterprise cloud services like enterprise paperless meeting, FET video cloud service for business, and enterprise storage cloud. FET can also provide tailor-made solutions which integrate with existing systems and standard user devices. Through cloud platform identity verification they perform as well-rounded security mechanisms, and they also allow data to be easily distributed or deleted remotely. The BYOD experiencing center has attracted close to a hundred companies wanting to try it out for themselves, including large financial services organizations. BYOD tablet devices are used as demonstration tools for services including on-site mobile device installation and verification, issuing receipts, deploying safety protocols, and safe app download and usage. IT administrators are therefore able to personally experience what effective management and contingency planning of BYOD looks like.

Enterprise Mobility Messaging Assistant - EMMA

| Company Address Book | Instant Information | Company Bulletin |
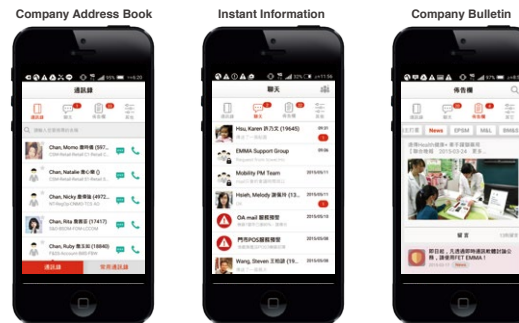
Whether a consumer or company, the extent to which instant messaging software is relied upon is increasing. Reacting to concerns about the safety of free messaging apps, in 2014 the Executive Yuan banned their use by civil servants. In light of this, FET set straight to work developing EMMA (Enterprise Mobility Messaging Assistant), an instant messaging service for special use by organizations. EMMA is a private communications platform offering a high level of security, which not only possesses instant messaging functionality but is also able to link to a company address book and improve communication performance by sending messages according to group and classification. The key aspect of EMMA is that it uses the company's privately owned internal infrastructure, along with encrypted transmission, to improve organizational operational efficiency. At the same time, it also lowers communication costs, and prevents exposure of confidential and sensitive company information, thereby ensuring a high degree of safety. Since May 2014 it has become the first choice for many businesses and government departments. This includes Tainan City Department of Health, and Taoyuan International Airport, which have both officially adopted EMMA. One of the most prominent chain store brands, Family Mart, is also looking to FET's EMMA as a way of solving its internal communication requirements.

Smart Shop

Aside from enterprise mobility, FET is also putting effort into developing smart shops. By combining facial recognition and smart technology with indoor geo-location positioning and wireless transmission, data harvesting and analysis can be undertaken. By integrating this usage into mobile apps, this may help retailers across different channels to provide increasingly focused marketing services. This includes geo-positioning of individuals and cars, directions inside shopping malls, push promotion, reservation reminders, reward schemes, live marketing, as well as other novel and environmentally friendly digital advertising functions. The above are just some of the ways in which big data can be harnessed to help improve marketing and increase customer loyalty. FE Group's initial Big City plan to introduce smart shops began in 2014.

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Innovative Technology and Service Lead to Smart City

The increasing influence of cloud and mobile technology means that IoT (the Internet of Things) is not only "The Next Big Thing", but indeed will significantly influence and change the nature of urban living. FET has consistently strived to place itself at the cutting edge of innovation by driving to combine the latest IT and business developments to develop applications that "make a difference" to users and enterprises. In the age of 4G and IoT, the spirit of "open innovation" is being embraced, and FET is now working alongside strong partners and technical alliances to promote and build hospitable and convenient smart cities facilitated by technology.

Smart Health

Health+

Recognizing the demand for health management services in Taiwan, FET has entered into a partnership with Far Eastern Memorial Hospital to launch the first nationwide Health+ service that involves hospitals, pharmacies and enterprises. Blood sugar and blood pressure trends are recorded on cloud platforms where they may be consistently monitored by medical professionals thanks to convenient Health+ service stations, NFC monitoring equipment, real-time recording and consultation platforms along with Personal health cards and mobile apps. This process helps to simplify the process of taking and checking results, and facilitates self-management of health issues. Taking the mantra of "prevention is better than cure" at its core, it helps citizens to combat major illnesses in the convenient way as expected by citizens today. As of December 31, 2014, the service had signed up 29,495 trial members and 4,529 paying members.

Health+ was recognized with a gold award at the 15th Click Awards, and moving forwards FET plans to integrate the service with wearable devices as they look to popularize it across Taiwan. The provision of will look to create a national health safety and prevention net.

All-round, individual cloud-based health management services

Personal health cards

Health+ service stations

Monitoring on cloud platform
Any time. Any where

Health+ APP

Health check in Health+ service stations
(Partnership with hospitals/clinics/pharmacies)

Health+ Enterprise Healthcare Cloud

FET and Far Eastern Memorial hospital altered the Health+ service to become the Enterprise Health Management Platform. For companies who make use of Far Eastern Memorial Hospital for employee health examinations, as well as health examinations as required by labor laws, results are uploaded to the cloud-platform. From here, selected access is granted to relevant hospitals, companies, and employees. Because each of the three different profiles have different access authority, therefore this helps businesses to implement employee health management services, and also helps to drive up productivity.

FET's highly capable data center provides cloud computing services to The Enterprise Healthcare Cloud platform, which is situated on VM (virtual machines) in Far Eastern Memorial Hospital's own cloud. This helps to ensure multilayered IT security protection. The data center's software, hardware, and operation team all conform to strict international standards.

In September 2014, the global body Cloud Security Alliance (CSA) awarded FET Taiwan's first gold medal for STAR cloud security. In addition, the Health+ service also passed ISO 27001 IT security certification, confirming FET's ability to provide rigorously protected individualized health data trusted by enterprise users. As of December 31st, large organizations such as SOGO have entered into partnerships with Far Eastern Memorial Hospital to adopt this service, and have so far benefitted more than 3,000 employees.

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Smart Transportation

Smart Transportation Network

In 2014, FET unveiled the "Smart Traffic Detection Platform" in Taichung City. By using RFID to build smart vehicle detection and traffic direction systems which were then integrated with information from other transport platforms, drivers were given personalized and localized driving information that spanned regions. Likewise, the "Smart Bus and Bus Stop" programs operating in Tainan City and Kaohsiung City combine a selection of live databases and tracking information to help establish a public transport planning and assistance platform. 4G mobile networking is also used to provide the bus with live video transmission, geo-positioning and WiFi access, along with helping to provide information on bus movements, public transportation routes, and tourist information. The integration of a robust and quick transport network has helped satisfy the vision of happy and smart cities.

Smart Airport APP

In 2014, FET had an active role in constructing and promoting Taoyuan International Airport's smart transportation system. The "Smart Airport App" provides travelers entering and leaving the country, as well as members of the general public, with an innovative and caring service.Along with live queries such as flight status, airport transport and facilities, the most up-to-date shopping discounts within the airport, as well as other useful tourist information including currency conversion rates, weather forecasts, time zone checks, and a translation guide to common phrases, it also supports multiple languages. Localized travel information such as Smart Tourism and YouBike also integrates into the service to help take "Smart Airport" onto a new level.

Smart Safety Inspection

Smart Security

In the age of super-fast 4G internet, the constant emergence of new applications has a relevance to law enforcement policy, and is a matter of concern to each and every citizen. In 2014, police departments in central Taiwan started to make use of Smart Security. eTag RFID technology is used to help scope technical specifications, big data analysis, and for the integration of information about vehicles as they cross-regions. A forward-looking mobile vehicle detection was also developed. If used in combination with handheld eTag detection equipment, an agile vehicle detection system is spread out which leaves suspects with no chance to escape.

Smart Patrol

In industries that require regular audits or inventories of locations/goods/equipment such as environmental management, security, supply chain and logistics, or large organizations, the NFC electronic inspection system can help to provide clear information. It can help to track rates of employee attendance, as well as help streamline the management process by allowing on-site problems to be immediately dealt with as a way of reducing risk.

3.2.4 Future Development Plan

FET's current R&D strategy places an emphasis upon technological developments related to 4G. This includes research and experimentation into 4G micro-cells, as well as lays out a plan to gain accreditation for the 4G wireless network's functional research and testing lab. The microcell research plan will be carried out jointly with other large telecommunication firms, and involves long-term validation of the LTE micro-cell functionality, as well as analysis of network roll-out. Testing in the laboratory with local vendors to confirm the ability of operation between systems has now been completed, and the next stage will be to work with vendors on the testing of outdoor microcells. The expected improvement of such cells are improved outdoor coverage and quicker data rates.

Looking towards 2015, FET will continue to improve products and services. Following a dual strategy of improving value-added services related to telecommunications and multimedia services based on the Internet, we will take part in strategic research projects which lead to for future developments and help promote industry growth. We will also continue to expand the range of devices compatible with our multimedia services, and look to serve many end-user markets.

NFC mobile phone, and other technologies, will be used to develop physical channel payment services as a way of taking advantage of the opportunities that arise from the rapid growth of e-commerce. For internet channels, we will look to refine our cash flow service platform as a way of offering consumers flexibility. By continuing to upgrade UI (User Interfaces) for One Cloud across multi-screens, we will thereby be able to gain access to digital merchandising channels.

FET will diligently draw up strategies for social networking services, consumer cloud platforms, and IP-integrated communications. By grasping the opportunities offered by disruptive innovation, we will provide customers with the best service possible as a way of developing long-term loyalty.

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3.3 Wow! Service – Go Caring

Eighteen years have passed for FET and its customers since its launch. FET has always moved forward together with our users through the many revolutions and advances in mobile technology. Our customers' smile of satisfaction is what keeps FET going. FET in turn believes that we must treat every customer's preferences and requirements seriously for our service to touch their hearts. From "servant-style service" to a service that makes customers go "Wow!", FET is gradually closing the distance on service and creating a "FET customer service philosophy that is even more caring than family".

FET knows that good service depends on good management. Service management is actually a process of continuous refinement. Through the PDCA (Plan-Do-Check-Action) process, FET is continuing to improve and optimize our service. FET has a comprehensive set of guidelines and practices in place from service management at stores to the training of our partners. It is this solid and detailed service management process that lets FET channel its service philosophy into all kinds of channels for customer contact and ensures consistent standards of service from all frontline staff throughout Taiwan.
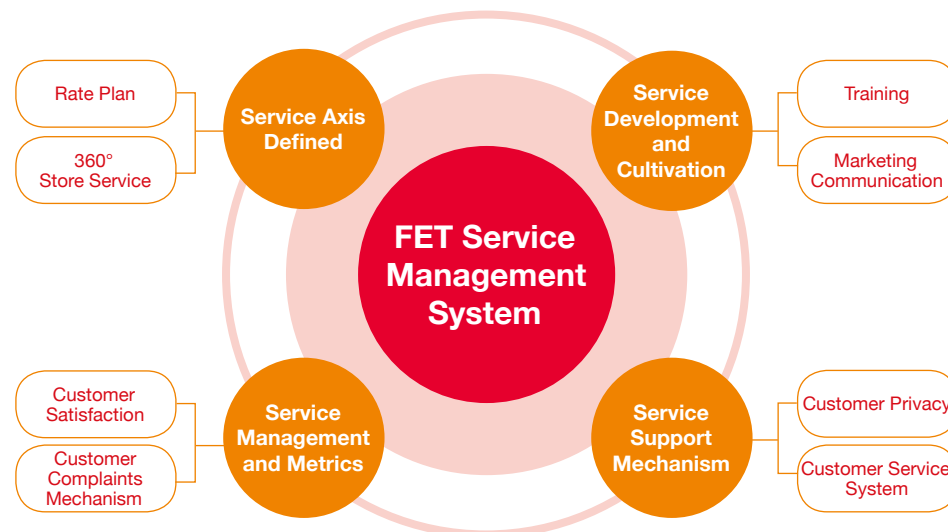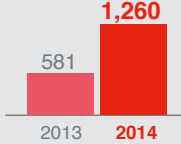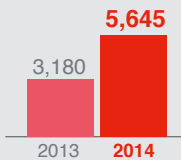
3.3.1 Service Theme Defined

360°Store Service

FET launched the "360° Store Service 🌐 "concept in 2012 by integrating four existing key services and also releasing new innovative services every year. These provide service content tailored to different consumers' time, locations and product requirements. In the Next Magazine's 2014 "Top Service Awards" FET was crowned twice, not only winning 1st place in mobile and communications but also the gold medal for best service in the top 20 industries. This represented widespread recognition of FET's people-centric, customer-first service philosophy.

Active Store Services

Caring Service	Service Content	2014 Performance		
Crafting the best and most efficient store service experience (spans all rows)				
Store Reservation Service	Reserve online or through mobile devices to shorten waiting times.	Total amount of reservation	1,828 (2013)	**3,845** (2014)
10-minute Service Promise	If a customer has to wait for more than 10 minutes to be served in a store, FET promises to deduct NT$1 for every additional minute they spend waiting from their next bill.	Average amount adjusted / Average number of billing adjustments per month	$25 / 1,458 (2013)	**$24** / **2,200** (2014)
Self-service Kiosk	Self-service kiosks are being installed at stores throughout Taiwan.	In 2014, a self-service kiosk was added to the Zhengyi Beimen Store in Sanchung. Amount of usage	500 (2013) / triple	**1,800** (2014)
Unrestricted Free Wi-Fi Service	Free Wi-Fi service is offered at each FET store	**FREE Wi-Fi** 📶		

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After-Sales Service

Caring Service	Service Content	2014 Performance
Home Delivery Service for Platinum Members	FET Platinum VIP members can call customer service for courier pick-up of product requiring RMA.	Courier pickups in 2014 **287**
Consumer Training Course	Consumers of different ages are provided with free mobile phone, tablet and cloud application courses in northern, central and southern Taiwan after product purchase.	Consumer training classes held 581 (2013) **1,260** (2014)
Open-all-year FET Service Center	FET service centers throughout Taiwan are open all-year round to repair products more quickly and efficiently.	Weekend cases accounted for 16% of all repairs in 2014 **16%**
Red Box	When the customer purchases a new mobile phone in store, this device can be used to transfer data from the old mobile phone to the new mobile phone.	The device was used **10,319** times between January and October. From November onward the Red Box was upgraded to software form.
Mobile Phone Trade-in	FET assesses the trade-in value of customers' unused or obsolete phones against the value of their purchase. This is also better for the environment.	Amount of mobile phone trade-ins. 3,180 (2013) **5,645** (2014)

New Services in 2014

FET values every moment we spend with the customer. After the launch of 4G FET stores began offering "Upgraded" 4G innovation services. This suite of 8 fast, convenient, professional and thoughtful services included free 4G road test, 4G roaming rental, home 4G signal testing, fast 4G applications, 4G mobile service counter, 4G lifestyle courses, 4G tutoring service, and mobile phone trade-ins for 4G. 🌐

遠傳 4G LTE

Free 4G road test	7-day free trial of 4G SIM card/mobile phone. A total of 94,317 customers road-tested the new high-speed technology.

4G mobile service counter	Mobile counter staffed by 4G experts equipped with tablets. A total of 388 stores in Taiwan provide professional consultation and on-demand service.

4G roaming rental	Rental of mobile phones for international roaming and for foreigners to use 4G services in Taiwan.

4G lifestyle courses	A total of 795 customers took part in related classes.

Home 4G signal testing	Technicians were sent to take professional measurements at customers' homes. At-home testing is available from 846 stores around Taiwan.

4G tutoring service	Buy and use without any hassles! A total of 24,795 customers took advantage of the 4G expert tutoring service.

Fast 4G applications	A dedicated application process recommends the most suitable plans without having to wait in line at stores

Mobile phone trade-in for 4G	Consumers who bring their old 3G mobile phones to FET and ARCOA stores throughout Taiwan receive credit on their purchase of new devices and accessories.

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Diversified Rate Plans 🌐

As 4G products offer stable and high-speed Internet access, FET released 4G rate plans based on "simplicity, value, diversity, satisfaction". The tiered plans are designed for consumers with different lifestyles. Diversity rate plans were also offered at the request of the National Communications Commission, the telecommunications regulator, to meet the needs of special groups and society's expectations.

In consideration of the needs of low-income and special groups, FET not only offers low-cost prepaid cards to lower the threshold for telecommunications service but also provide special rate plans for minority groups to ensure that everyone have the right to basic communications. The low-cost prepaid cards require no contracts or monthly subscriptions so users can have more flexibility on telecommunications service and keep within their means; FET also offers dedicated plans for economically disadvantaged groups such as the disabled and foreign workers to meet their basic communications requirements.

🎓 Student

1-Dollar Prepaid Network Plan

For students with limited resources who rely on social networks to share their experiences, this plan lets those who use the internet sparingly pay for what they use and still enjoy high-speed wireless access. Pressure-free plan for online research, Facebook check-ins or keeping up with friends over Line.

- Data traffic is just $1 per 1MB
- Can be used for Internet/calls/SMS
- 1-dollar: Send 50 Line messages, upload 1 photo for Facebook check-in, or receive 10 e-mails

Back-to-School 4G Ideal Plan

Present student ID card (junior high school/elementary school students may apply by showing their enrollment receipt or proof of study) to apply. Number porting users who show their original bill from other telco receive discounts on Internet access/SMS if they choose the 4G 799 plan.

👷 Foreign Worker

Prepaid cards are available for foreign workers in Taiwan. Apart from a customer service hotline in their native language, foreign workers will also enjoy discounted international and local calls.

👥 Seniors over the age of 60

Evergreen Plan

- Seniors over the age of 60 may apply for a 50% discount on monthly plans.
- A special telephone service is available for seniors receiving aid from the Genesis, Huashan and Homeless foundations. For just NT$65 per month, a seniors-only mobile phone is provided for free.

♿ The Physically and Mentally Handicapped

Genial Plan

1. Holders of the Handicapped Handbook may apply for a 50% discount on designated rate plans
2. FET has partnered with the Chinese National Association of the Deaf to offer special rates on data plans designed for the hearing-impaired
   - Unlimited 3G Internet - NT$363/month
   - Monthly 3G Voice - NT$45/month

零距離的溫暖
比家人更貼心的遠傳待客學

服務，就是認真對待眼前的每個人；
就算顧客沒想到，遠傳也用心做到，
持續用心，才能永遠守護顧客的心。

謝其濬 編著

On October 30, 2014, FET published Warmth without Distance: The FET Service Philosophy, the first book on service in Taiwan to use the telecommunications industry as its example. The book is a record of FET's service practices and real-life stories of how FET employees put the service philosophy into practice over the years. FET infuses service with warmth through its "people-centric" approach and thinks outside of the "telecommunications industry" box. FET's president and top executives shared the "FET WOW! Service" philosophy. Top store managers used their hard-won experience in frontline service to give tips on how to handle all kinds of customer problems. ▶

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3.3.2 Service Development and Training

Education and Training

Retail Store Management

The growth of FET stores and rapidly changing telecommunications products means the ability of frontline staff to reliably provide professional and efficient services is crucial to FET's service-oriented brand image. In 2014, the FET education and training team used the existing four pillars of service, operations, sales and merchandise to develop the "2x3" system for providing a consistent and professional standard of service.

The "2x3" system training course is divided into two aspects, knowledge and skills. Each aspect is further broken down into the three phases of basic development skill cultivation and diversity training. "Basic development" is training for new employees while the other two phases are in-service training. In 2014, store staff received on average 78 hours of training. The linking of the three phases enabled the training of well-rounded store service staff.

Apart from the formal training channels, FET has also included social networks into our internal communication channels. Store staff can ask questions in the "Solve it with FET!" fan group 🌐 and have them immediately answered by 3C experts from FET Channel Management. All effort is made to ensure that our frontline partners are kept up to date on the latest professional developments in the quickest and most flexible way.

Franchise Store Training

To ensure that the service quality of franchise stores is consistent with that of retail stores, in 2014 FET Franchise & Indirect Channel continued to work with franchisees through providing the venue for around 5 communication meetings each month. Training in product information was also organized to improve franchisees' ability to run high-quality stores. A national franchisee conference is also hosted every year to promote exchanges and communication between FET and franchisees.

♦ FET passed ISO29990 Learning Services Certification

Marketing Communication

Product and Service Sales SOP

FET conforms to all NCC and Fair Trade Commission (FTC) regulations regarding the marketing and promotion of products and services. Standard operating procedures ensure that all products and services are sold legally. The roll-out of the 4G mobile network and increasing number of smart phone users in 2014 meant that consumer focus was now on the 4G mobile network. Consumer questions on 4G service are answered right away by the call center and scripts provided to ensure that customers receive the correct information in full.

Print media reports "Unlimited and Uncapped 4G Plans Until End of October Only"

Hello! Media report of "Unlimited and uncapped plans until 10/31" refers to the expiry date of the LTE plan. If you have already applied for unlimited and uncapped 4G you will not be affected! If you have not yet made your application, you should hurry and apply at a FET store right away!

Print media reports "3G Base Stations Removed to Promote 4G? Users Complain of No Signal"

Hello! All of our 4G signals are delivered through upgrading existing 3G base stations so no 3G stations were removed to install 4G coverage. If the signal at your location has become poor, please provide your address and we will immediately forward the situation to engineering.

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Products and services sold by FET are all legal products supplied by contracted TWSE/GTSM-listed companies. Consumers are entitled to product warranties provided by the original manufacturer. For after-sales services, warranty services are provided for all mobile phones and related merchandise sold by FET. Consumers can also contact the warranty service provider or send the damaged products to the distributor for repair. ARCOA has 15 repair stations all around Taiwan. The statistics for after-sales service in 2014 are shown in the table below:

Month	Value
103/01	36,328
103/02	34,705
103/03	45,370
103/04	46,563
103/05	46,849
103/06	46,003
103/07	46,873
103/08	46,826
103/09	45,981
103/10	47,279
103/11	41,454
103/12	45,962
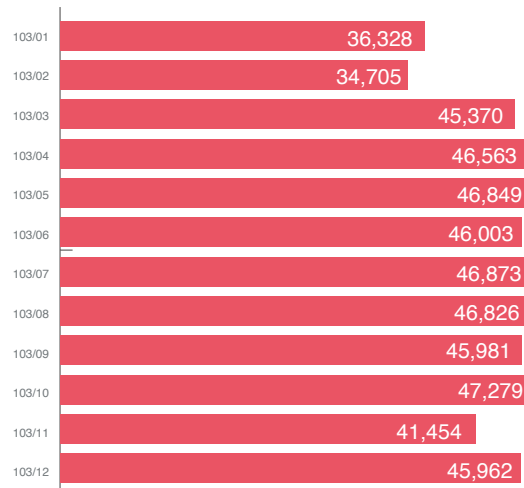
Rate Transparency and Customerized Communication

Transparent rate plans and full communication effectively reduce consumer complaints due to incomplete understanding of the product or service and increases consumer confidence. As FET is one of the leading telcos in the industry, the rate plans for new products and services must be submitted to the competent authority for approval or their reference in accordance with the "Standard Operating Procedure for

Reporting of Telecommunications Rate Plans to the Competent Authority". It is then published before coming into effect as required by law and full disclosure is provided in the media, on the corporate website and at each business site. The store staff also explains the content of the rate plans in detail when consumers are applying for a service. Written information such as the service application form is also provided for the customer's reference to ensure they understand the rights and obligations related to the plans.

Consumers with expiring contracts are offered a variety of contract renewal plans. The customer is notified via SMS, phone calls and promotional offers included with their bills. Consumers can also see what promotions and contract renewal discounts are available through the FET website or self-care app. When a customer calls the call center, if they qualify for contract renewal then the customer service representative will actively suggest related promotions. They can also apply

for calling discounts or phone purchase plans online to make contract renewal easier.

To enable special groups to enjoy the same service as the general public, the FET store service handbook has service guidelines defined for customers with special needs including the infirm, elderly, young children, visually/physically/hearing-impaired or those with language or product difficulties that cover interactions and service reminders.

FET encourages all stores throughout Taiwan to develop their own community care plans based on local requirements. At the Tucheng retail store in Dali, for example, the "Senior Passport" initiative provides special classes for seniors wary of smart phones to teach them about smart phones and apps. The 25 Senior Passports were issued after 3 months enriched the digital lifestyle of the elderly.

Full explanation of product information related rights (7-day trial period, contract start date, duration, contract expiry rate, contract fees, special subsidies)	▶	**Confirm consumer intention**	▶	**Secure consumer agreement, conduct online check then complete contract signing or renewal**	▶	**Recite content of added service content and related rights**

FET's Customer Philosophy: Flexible Service

Many of customers who visit the FET Xining-Nanmen outlet are local foreign spouses. Store manager Tsai Pei-chun noticed that these customers often showed signs of homesickness when they came to pay their bills or ask for help with their phones. After talking it over with her team, the Xining-Nanmen outlet launched a help service for video-conferencing. This helped the foreign spouses far from their home country with their homesickness. The additional service bridged the gap between FET outlets and customers as well.

Offshore Retail Stores

FET's retail stores have always embraced the philosophy of "giving back to society". The Jingcheng and Magong retail stores were therefore established on the major offshore islands of Kinmen and Penghu in 2015. This will hopefully provide the residents of offshore islands with the same standard of service enjoyed by people in Taiwan and improve their quality of life.

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3.3.3 Service Support System

Customer Privacy

Providing users with a secure and trusted communications environment is the basic principle of telecommunications service. It is also the key to maintaining customer relations and improving consumer confidence. FET has therefore long been committed to managing and enforcing personal data protection and information security. In 2014, FET continued to optimize our IT service process as well as enforce our management of information security and personal data protection. In September 2014, we passed the 4-in-1 ISO 27001 Information Security Management System certification, ISO 20000 Service Management System certification, BS 10012 Personal Information Management System certification and the Cloud Security Alliance's top STAR gold medal certification. These amply demonstrated FET's accomplishments in implementing information security and personal data protection. In the future, FET will continue to rigorously manage customer data and information security to meet consumers' and society's requirements for protection of personal data..

BS10012
Personal Information Management System certification

To ensure personal data protection, in 2014 FET became the first telecommunication company to expand the scope of BS10012 Personal Information Management Certification from retail stores in the Northern district to all retail stores throughout Taiwan. The certification process included customer service application, collection of customer data and data processing at the front-end, as well as rating and mailing of bills at the back-end. The number of people examined during the certification was expanded from 600 to more than 2,100 people. FET voluntarily expanded the scope of certification to ensure that customer data receive the strongest protection.

ISO 27001
Information Security Management System certification

In 2005, FET began applying for ISO 27001 Information Security Management System certification,which covers mobile and fixed networks' operating processes such as number activation, change of service, billing and payment, fraud prevention, collection management, and customer service. The development and maintenance of the operations support system as well as the operation of the Internet data center were also included. More than 4,000 people were included in the certification process and 2014 marked the 10th consecutive year in which FET passed this rigorous information security certification.

ISO 20000
Service Management System certification

For ISO 20000 Service Management System Certification, in 2014 FET voluntarily expanded the scope of certification from 2G/3G to 4G activation services in order to provide fast, high-quality 4G data services. The service management certification was achieved for the 6th consecutive year.

CSA STAR
cloud service security certification

CSA STAR cloud service security certification is divided into Level 1 and Level 2. Level 1 is a self-assessment while FET took part in Level 2 which has more demanding conditions and has to be certified by an independent third-party. The scope of certification included the Quanta Ankang Cloud and Vmware Taiping Cloud of FET's IaaS service. All received the STAR gold medal certification.

In addition to actively introducing the above international standards to ensure that the information security and personal data protection systems at FET are in line with international guidelines, FET has also set up an information security monitoring system that manages technology security, personnel security, physical and environmental security, and customer data protection.

► **Information and Technology Security**

Includes the maintenance of information, systems, processes, servers and terminal devices as well as infrastructure management; regular inspection and assessment of operating risks from information security; the continued cultivation of information security skills for all personnel; validation and verification of policy/regulation documentation and conformity; these ensure that our guarantees and commitments to information security are met. From July 11 to August 1, 2014, FET organized online training and testing. Employees in all units passed the training.

► **Personnel Security**

All human resources files are fully and properly managed by FET. Personnel's security responsibilities are stated at recruitment and in the employment contract. All FET employees, suppliers, contractors, contract workers and consultants are required to sign a "Non-Disclosure Agreement" or document with the same legal force.

► **Physical and Environmental Security**

A system of zones with different levels of security has been established based on the equipment, activities, information confidentiality and importance of areas controlled exclusively by FET. A personnel identification system prevents unauthorized access and tampering. Sufficient protective systems, services and procedures are in place to protect physical assets and environmental security.

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▶ Personal Information Management for Customers

To ensure that FET's management of customers' personal information conforms to the requirements of the Personal Information Protection Act, FET has issued guidelines for the collection, processing, use and archiving of customer data. Use of customer data must follow the principles of "relevant, appropriate, and restrained". Actual management of personal data is reinforced through education, training, planned audits and improvement procedures. Customers are fully informed of the purpose and scope of personal information being collected. Processing and use follow a formal access control and certification process. Due to the introduction of the Personal Information Protection Act, FET is now minimizing the number of physical contracts with sales channels and stepping up controls on contract flow. Electronic forms (paperless) are now being promoted to improve overall customer data management. (For more information, please refer to Chapter 3.4 "Go Inclusive") 🔗

Customer Service System

To ensure that service quality remains consistent even as new stores are added at a faster pace, the FET store systems team applied "Data Mining" to convert the experience of store staff into the FET database. Apart from helping store staff quickly understand the customer's requirements, the resource integration platform stabilizes service quality by making up for the inexperience of new employees.

In 2013, FET launched the FET self-care app to offer customers a more convenient and refined user interface. To increase its utility, the app was overhauled in 2014 and usability analysis used to design a more appropriate set of core functions and the user interface.

3.3.4 Service Management and Metrics

FET maintains open bi-directional channels of communication with our customers. To ensure that we respond to every customer's voice and feedback, we have set up a comprehensive complaints and management mechanism. FET also conducts regular customer satisfaction surveys to continually refine our service processes or content to meet consumer expectations.

Customer Complaints Mechanism

FET introduced ISO 10002 complaints management certification in 2013 to provide a basis for continued internal process improvements so that consumer complaints can be processed and satisfactorily resolved in a timely, systematic manner. At the same time, FET has made reaching a consensus in complaints resolution a major goal. By optimizing the complaints management process, strengthening customers' understanding of the Personal Information Protection Act and Consumer Protection Law, and providing competency training on problem resolution, FET has established a systematic complaints process for customers. The FET customer center was successfully re-certified with the ISO 10002 customer complaints management system in November, 2014.

FET offers the following six main channels for customer complaints:

Complaints Channel	Complaint Management	Responsible Unit	Complaints in 2014	
Official Correspondence	FET has a complete internal customer complaints management system for handling official complaints from local governments and consumer protection groups.	Customer Relations Management Team	2013: 2,414 / 2014: 3,083	Increased by 669 cases compared to 2013
Arbitration Meeting			2013: 331 / 2014: 398	Increased by 67 cases compared to 2013
Customer Service Inbound 🌐	Complaints are delivered in the form of messages. These are handled by dedicated staff at the call center and responses are sent via e-mail.	Online Consultation Team	2013: 24,433 / 2014: 23,499	Decreased by 934 calls compared to 2013
FETnet Website 🌐	The FETnet website and Self-Care app were revamped in October, 2013, allowing consumers to click on "Complaint" for immediate feedback.		2013: 11,961 / 2014: 5,556	Decreased by 53.5% compared to 2013
Self-Care App 🌐				
Online Chat 🌐	Online chat was launched in 2013. This improves accessibility for special groups as customers can now receive the same service as telephone support through real-time text messaging. By December 31, 2014, this had been downloaded more than 2.8 million times. It has also been used by more than 3.5 million people an average of 850,000 times a month.		Service provision reverts back to live call if there is a consumer dispute.	

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The increase in number of complaints from some of the channels in 2014 was mainly due to initial 4G signal coverage and iPhone 6 waiting times. Consumer complaints regarding signal coverage, iPhone 6 delivery schedule and related promotions all led to an increase in disputes over signal and sales related problems.

- Signal-related complaints: FET has set up an inter-departmental liaison scheme to speed up the resolution of signal issues. Resolution time will be reduced from the current 5 working days to 3 working days to ensure a timely response.

- Sales disputes: Training, internal education and sharing of sales details were used by stores to improve communication. By helping consumers to understand their rate and contract duration, disputes due to miscommunication or misunderstanding were reduced.

Customer Satisfaction Survey

FET's customer satisfaction survey is divided into internal and external third-party surveys. External surveys help FET measure itself against competitors and continue to improve. To establish a strong link between employee performance and company operations, "customer satisfaction" is included in our performance indicators to help us track service quality.

Internal Survey

► Store Satisfaction Survey

To learn more about consumer satisfaction with our store's services, in 2010 FET set up the system to call customers within one week of their visit to FET's stores to ask them how satisfied they were with FET store's service attitude, professional knowledge, efficiency and problem-solving ability. Large amounts of consumer suggestions and criticisms are compiled to serve as a basis for further service improvements. This service indicator is also used for the rewarding or penalizing of business units.

The results from monthly telephone surveys, mystery shoppers and digital video recordings of store staff are incorporated into the monthly service management system for the issuing of cash bonuses or penalties. It also counts towards their quarterly and annual performance reviews.

► Telephone Customer Service Survey

FET has been conducting customer satisfaction surveys since 2003 to ensure that customer experience service is "professional", "enthusiastic" and "attentive". The results and feedback from the satisfaction surveys are used to continuously improve service processes or content. A voice recognition system was introduced by FET in 2012 with an oral survey conducted with lifelike machine speech, making it more convenient for customers to rate our service.

For customers who leave messages or a negative rating during the satisfaction survey, FET calls back to ask them the reason for the negative feedback. Improvements or explanations are given to repair FET's relationship with the customer.

quantify their operational performance. This provides call center managers with a basis for evaluating personnel performance in order to continue improving service quality, optimizing processes and adjusting service delivery.

♦ FET Ranked No.1 by Next Magazine in the "Top Service Award 2014" and awarded the gold medal in "Chain Telecommunications Channel"

Overall positive feedback of international satisfaction survey

84.4%

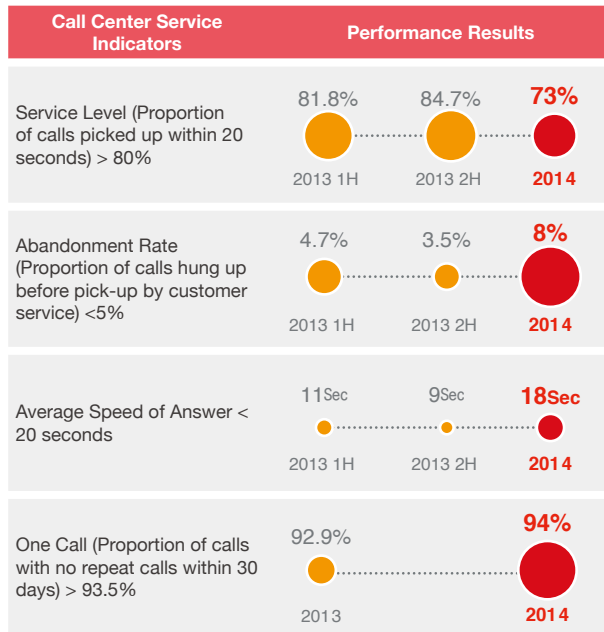*Note: 353,715 validated phone calls in total*

Total number of positive messages on service satisfaction

3,402

Number of Winback calls

237million

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Call Center Service Indicators	Performance Results		
Service Level (Proportion of calls picked up within 20 seconds) > 80%	81.8% 2013 1H	84.7% 2013 2H	**73%** **2014**
Abandonment Rate (Proportion of calls hung up before pick-up by customer service) <5%	4.7% 2013 1H	3.5% 2013 2H	**8%** **2014**
Average Speed of Answer < 20 seconds	11Sec 2013 1H	9Sec 2013 2H	**18Sec** **2014**
One Call (Proportion of calls with no repeat calls within 30 days) > 93.5%	92.9% 2013		**94%** **2014**

The network outage in May, the launch of 4G services, SMS fraud and micro-payment disputes in June, and iPhone 6 waiting times in September all led to an increase in customer calls and complaints that impacted on the overall standard of service. To reduce caller traffic and waiting times, the following improvements are planned:

- Estimate the impact on customer waiting time before anticipated increases in traffic due to unplanned outages and upcoming promotions to have the necessary manpower in place or re-assign available manpower as necessary.

- Accelerate the recruitment and training of service personnel

- Continuing to promote the self-service channels (FETnet/ Self-Care app/ Online Chat)

External Survey

▶ Overall Satisfaction Survey

Since 2002, FET has commissioned external market survey firms to conduct two satisfaction surveys of mobile phone subscribers in April and October each year. Each survey interviews 1,636 subscribers to track service providers' performance in terms of communications quality, rates, billing, store service, telephone customer service and complaints. These results are then translated into customer satisfaction of each service aspect and provided to each department as a reference for further improvement. Before the surveys, FET invites employees in the marketing, sales, support, customer service and online departments to participate in the design and discussion of the questionnaire. Improvement plans are then developed once the survey results are known to continually strengthen customer relations management. Consumer surveys also help FET determine how we fare against our competitors in each service aspect. This survey targeted at mobile phone users aged between 15~64 who used the top 5 telcos including FET. A sample is chosen for telephone interviews and a 10-point scale used to gauge customer satisfaction, with 10 being "very satisfied" and 1 being "very dissatisfied". In 2014, FET continued to be in the top 3 of the top 5 telcos in terms of service satisfaction.
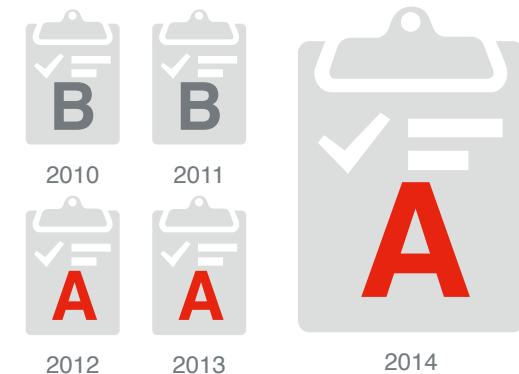
Overall Satisfaction Survey

	2009	2010	2011	2012	2013	**2014**
	6.9	7.1	7.18	7.13	7.37	**7.37**
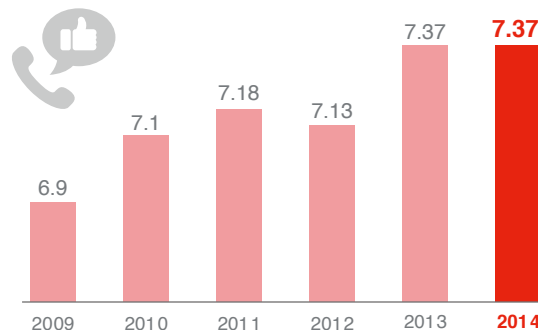
▶ Billing Satisfaction Survey

FET began improving our billing format in 2009. To make it more customer-friendly, costs were divided into six blocks and the text adjusted for clarity. In 2012, disclosure of unit costs and total data usage was added. In 2013, disclosure was improved by allowing users to use the FET website and Self-Care app to query their calling record. In 2014, customer experience was improved by including recommended rate plans on the bill and presenting data usage in a table format. Providing customers with a clearer picture of usage increased their trust and satisfaction with their bills.

In 2014, the number of calls related to billing inquiries decreased by 1.96 million compared to the previous year. This represented an average decrease of 160,000 calls per month. A billing satisfaction survey conducted by a market research firm gave us a rating of Grade A for 2014. The survey looked at three main aspects in billing, these being accuracy, clarity and punctual delivery each month.

Results of the Billing Satisfaction Survey for 2010-2014

B 2010	B 2011	A 2014
A 2012	A 2013	

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3.3.5 Major Event Support Station

Resource Platform

Timely Communications Support

Post-Disaster Counseling

FET believes strongly in corporate social responsibility and we have extended our "Service" from customers to everyone in society who needs help. At FET, service is not just limited to the SOPs of our stores. It is also what we practice in everyday life. In the early morning of August 1, 2014, a devastating gas explosion occurred in Kaohsiung. FET immediately went to the disaster area to assist with the rescue efforts. A "Kaohsiung Gas Explosion Incident Center" was also set up by FET later that morning to conduct a swift inventory of network outages and affected circuits caused by the gas explosion. Mobile communications vehicles and other means of adding network capacity were dispatched to assist with communications and rescue efforts. On August 4, 2014, FET reported to the NCC that all fixed networks and mobile network base stations had been repaired.

To ensure unobstructed communications, FET immediately moved into the disaster area after the gas explosion and set up the "FET Post-Disaster Support Center" in the emergency command center set up at Wuquan Elementary School. A plentiful stock of chargers and power banks were on-hand to provide the local people with emergency power; for those unable to visit the command center in person, nearby FET stores also provided charging points and back-up phones. For disaster victims, FET delayed the sending of bills and extended their payment deadline. We also provided emergency communication services and free SIM card replacements.
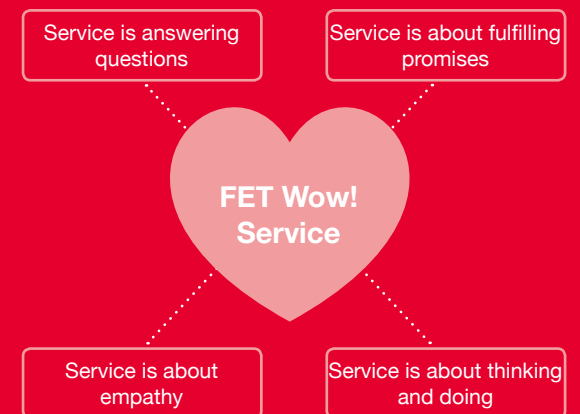
To provide the people of Taiwan with a secure and convenient channel for donations, FET leveraged its core communications capability and partnered with the Red Cross Foundation to set up the 55135 voice donation short code. FET also encouraged our workforce of more than 6,000 employees to donate to help the affected residents rebuild their homes as soon as possible. In just 11 days the 55135 hotline raised more than NT$1.2 million.

For post-disaster psychological counseling, FET partnered with the Teacher Chang Foundation to offer counseling services. Life seminars were held at affected schools in the Qianzhen and Lingya districts, and a BoBi BaBy illustrated handbook for emotional healing produced to provide support to young students in the disaster area and help them come to terms with the traumatic experience. In 2014, 4,489 copies of BoBi BaBy were distributed at 11 senior/vocational high schools, junior high schools and elementary schools in Kaohsiung City. The emotional healing campus seminars were held at 6 schools and attended by 335 people.

3.3.6 Future Development Plan

"Practice service in life so it becomes more than just a job" is a concept that FET is always conveying to frontline employees. By promoting the core philosophy of our corporate service culture through a comprehensive training and management framework, we imbue sterile management tools with flexibility. The connections between people become stories of heart-warming service in turn. The communication of warmth on the frontline and emotional connection with our customers shall become FET's most treasured social capital.

To actively improve the service quality of our frontline stores and establish a solid foundation for store training courses, training for FET store staff was divided in 2015 into four aspects: "Service Professional", "Merchandise Professional", "Operations Professional" and "Sales Professional". These help our employees stay flexible and professional in a fast-changing industry.

Service is answering questions

Service is about fulfilling promises

FET Wow! Service

Service is about empathy

Service is about thinking and doing

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3.4 Friendly Enterprise – Go Inclusive

3.4.1 Friendly Program for Connecting the Value Chain

The upstream suppliers of FET can be divided into three categories: equipment suppliers, product suppliers (such as mobile phones and accessories) and service suppliers. Our relationship with downstream customers is through a complete service network formed by our comprehensive customer service system, physical stores and management system, online store system, logistics and maintenance system. The closely integrated upstream and downstream relationships form the FET value chain. FET recognizes that sustainable development is closely linked to climate change and social risks. We have worked actively in recent years to reduce the impacts generated at each link in the value chain. Starting with the inspection of existing management methods, we have gradually deepened our interaction with each link in the value chain to increase our control over their environmental and social impacts. FET is exerting its corporate influence to minimize the potential impacts within the value chain and fulfill the ideal of sustainable development both inside and outside of our company. An overview of FET's socially-friendly and environmentally-friendly program:
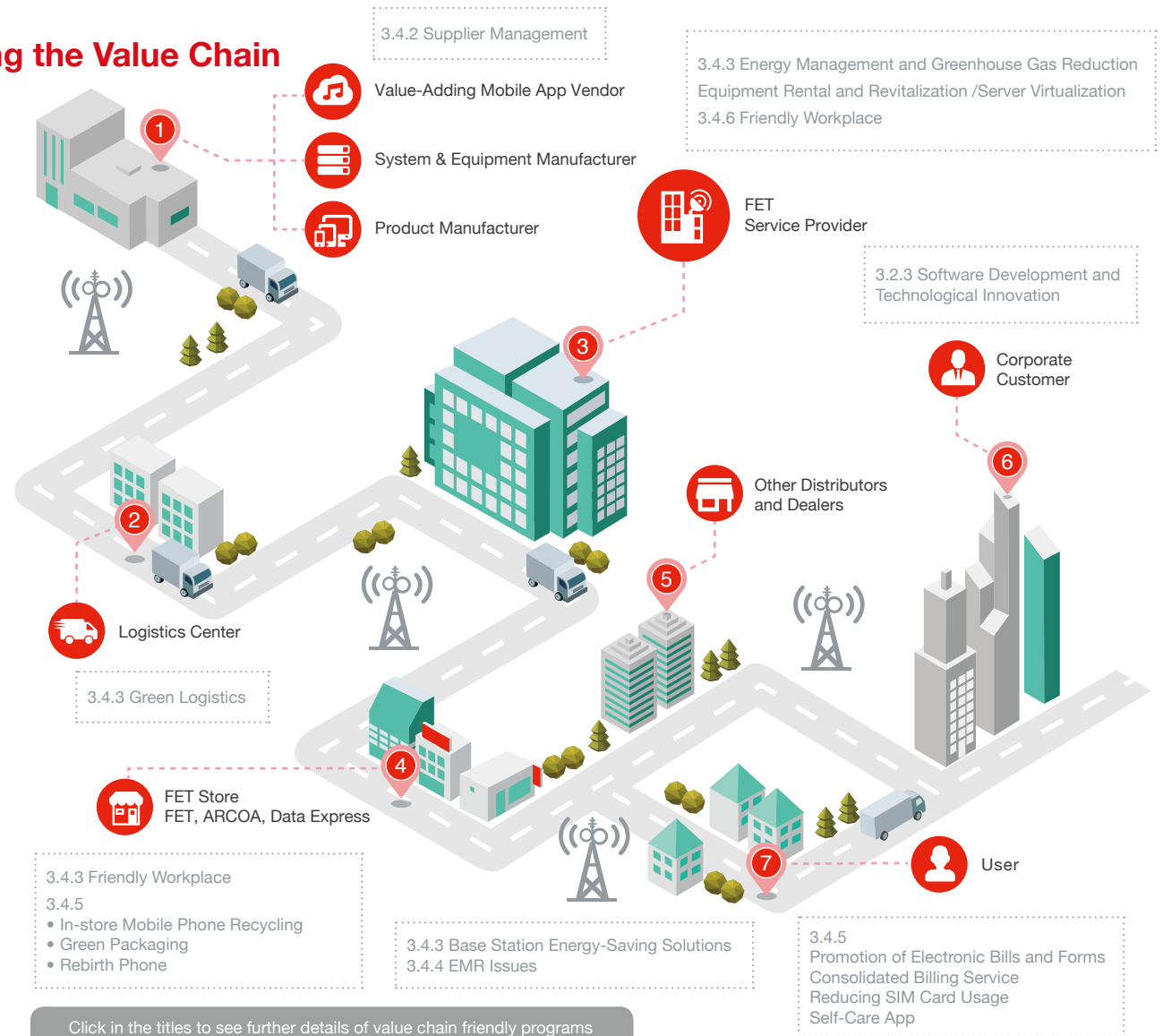
FET Value-Chain Energy-saving Solutions	Anticipated Carbon Reduction (Tonnes/Year)
Green Logistics	↓180.97
Server Virtualization	↓109.00
Data Center and Office Energy-Saving Solutions	↓383.40
Green Packaging	↓165.00
Mobile Phone Recycling	↓34.74
Base Station Energy-Saving Solutions	↓11,596.00
Paperless Bills and Forms	↓70.58
Consolidated Billing Service	↓7.67
Self-Care App	↓8.03
2014 Value chain carbon reduction results	12,555.39

3.4.2 Supplier Management

3.4.3 Energy Management and Greenhouse Gas Reduction
Equipment Rental and Revitalization /Server Virtualization
3.4.6 Friendly Workplace

① Value-Adding Mobile App Vendor

System & Equipment Manufacturer

Product Manufacturer

FET Service Provider

3.2.3 Software Development and Technological Innovation

Corporate Customer

Other Distributors and Dealers

② Logistics Center

3.4.3 Green Logistics

④ FET Store
FET, ARCOA, Data Express

3.4.3 Friendly Workplace
3.4.5
• In-store Mobile Phone Recycling
• Green Packaging
• Rebirth Phone

3.4.3 Base Station Energy-Saving Solutions
3.4.4 EMR Issues

User

3.4.5
Promotion of Electronic Bills and Forms
Consolidated Billing Service
Reducing SIM Card Usage
Self-Care App

Click in the titles to see further details of value chain friendly programs

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3.4.2 Supplier Management

Supplier Management Guidelines

Purchasing costs account for around 60% of FET's total expenditure. If employee salaries and bonuses are excluded then it is as high as 80% and still growing. In 2014, FET purchasing costs totaled NT$47.5 billion and involved more than 800 suppliers. FET believes that supplier management is an important part of corporate sustainability. 2014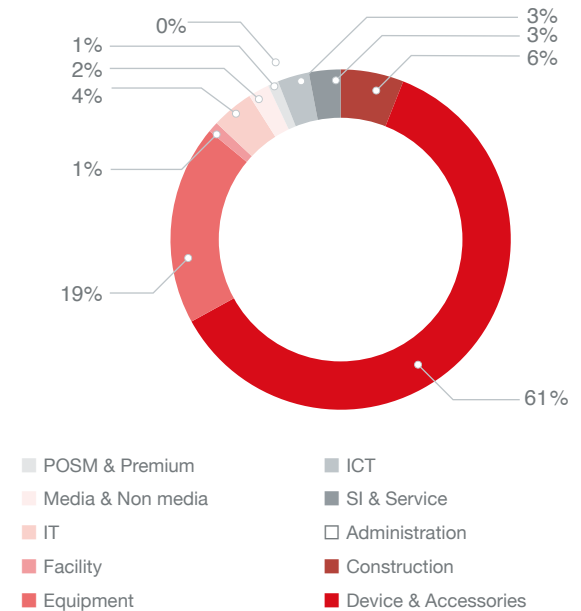 was therefore designated as Supplier Management Year Zero. In April, Finance & Shared Services BU issued the "FET Supplier Chain Guideline for Social Responsibility" to formally include environmental, social and governance (ESG) requirements into our supplier chain guideline. Suppliers were also required to sign a declaration for business ethics. All FET contracts now explicitly require suppliers to conform to environmental legislation such as the "Emissions Control Act", "Noise Control Act", "Waste Disposal Act, and other relevant laws. Appropriate prevention and control measures must also be taken. The disposal and treatment of waste are carried out in accordance with the regulations set by the local authorities. All waste must be properly disposed of. For labor safety, vendors must adhere to the labor safety and health regulations, and sign the "Contractor Declaration on Labor Safety, Health and Environmental Protection" and the "Contractor Statement on Environmental Hazards in the Workplace", and read through the "Contractor Labor Safety and Health Management Guidelines". Under the "Regulations for Labor Safety and Health Organization Management and Self-Check", contractors are expected to carry out all OSH management and disaster prevention tasks to avoid harm to worker health and safety through improper practices. FET conducts regular supplier assessments to ensure that suppliers conform to the relevant rules, expanding the scope of CSR at FET.

FET Supplier Chain Guidelines for Social Responsibility" published — April. 2014

FET Supplier CSR survey conducted — July. 2014

Supplier CSR Networking and Feedback — Oct. 2014

Supplier Conference convened — Nov. 2014

Further dynamic in-depth interaction — **2015~**
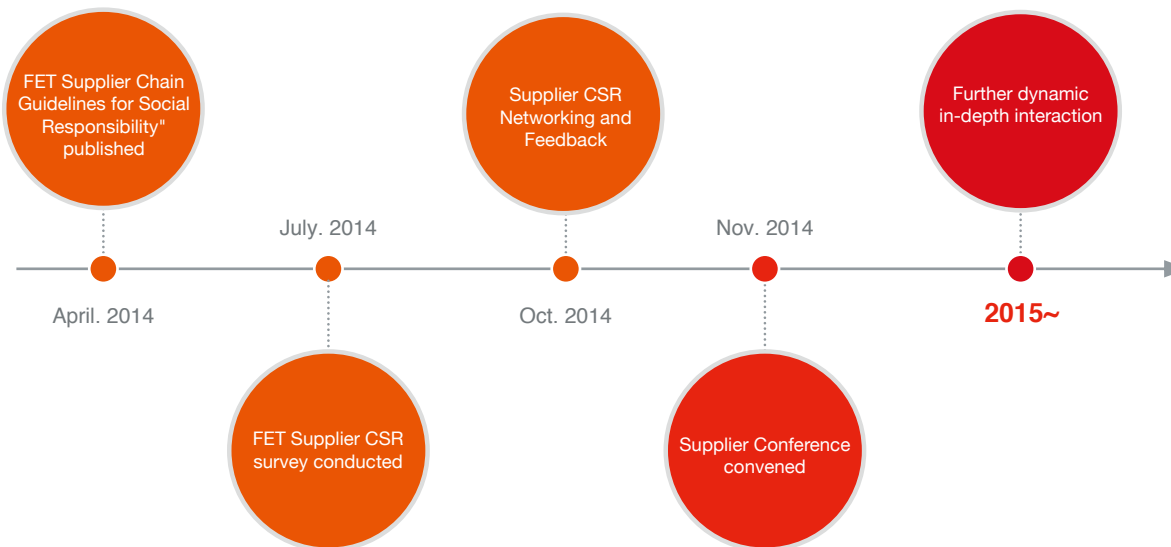
Distribution of Procurement Expenditure

- POSM & Premium
- Media & Non media
- IT
- Facility
- Equipment
- ICT
- SI & Service
- Administration
- Construction
- Device & Accessories

Green Supply Chain

To accelerate the promotion of the green supply chain, FET requires suppliers in all categories or their upstream and downstream partners to adhere to FET's green procurement guidelines. The procurement department also consults with the energy-saving team and conduct an energy efficiency assessment according to the SOP. Energy-saving specifications are therefore included in the bidding specification. Since 2012, a tracking mechanism has been set up for each order to monitor the results of green purchasing in a timely and accurate manner. This provides FET with a full picture of the efforts made by FET and the partner with regard to green purchasing. The Purchasing Department can also use the reports to encourage more vendors to supply high-quality products with the green mark.

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The purchasing of mobile phones and accessories accounted for 61% of FET's total procurement expenditures. If equipment procurement is included then it is as high as 80%. In 2014, FET not only continued to supply high-quality mobile phones and devices produced by international brands to consumers but also encouraged foreign companies to set up offices in Taiwan and contribute to local economic development. We hope that the Taiwanese subsidiaries of foreign brands will become an important business presence with FET. In addition, FET is also committed to supporting local industries. If orders with foreign brands are excluded, 2014 purchases from local Taiwanese companies[8] accounted for 99.42% of FET's total procurement.

FET Procurement values employees' skills as well so is continuing to encourage and subsidize the acquisition of professional procurement certification by employees in support of our company's purchasing operations. We now have two Certified Purchasing Manager (CPM) certificates issued by the Institute for Supply Management and seven Certified Purchasing Professional (CPP) certificates issued by the Supply Management Institute of Taiwan.

[8] Refers to companies registered in the R.O.C. (including Taiwanese subsidiaries)

Value of Green Purchasing   *Unit: NTD*

645,595,396

323,406,595

2013   **2014**
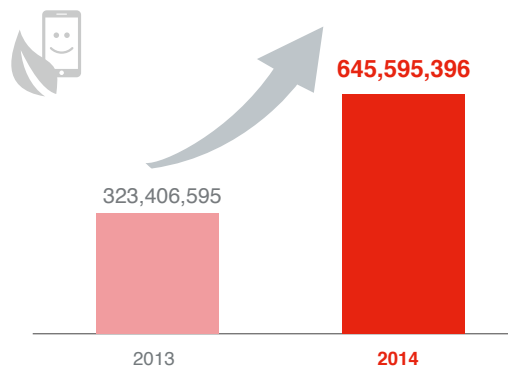
Supplier Evaluation

▶ FET

FET's annual supplier evaluation focuses on their quality assurance ability and the establishing of long-term partnerships. After the assessment is conducted, FET publishes the results of annual evaluation on the procurement system's external website and at the suppliers' communication meeting. Apart from recognizing quality vendors, outstanding performance suppliers are invited to share their experience at regular procurement meetings. Important vendors whose scores are more than 5% lower than the previous year and score less than 70% are targeted for re-assessment. Once the improvement plan has been carried out, they will be re-assessed. A total of 121 vendors were participated in the assessment in 2014 and together accounted for 95% of FET's total purchasing. The assessments found 2 vendors that scored higher than 90 (out of 100), 118 vendors fell between 70-89 points and 1 below 60-69 points. The overall results were better than 2013 especially in the reduction of vendors scoring less than 70 points from 6 vendors in 2013 to 1 in 2014, demonstrating the progress made by FET's supplier assessment operations.

Annual Supplier Evaluation	CSR Maturity Assessment
Quality Cost Delivery Service	CSR Maturity Assessment Labor Practices and Ethical Standards Respect for Human Rights Health and Safety Green Procurement
121 suppliers (accounting for **95%** of annual procurement)	**112** suppliers (accounting for **76%** of annual procurement)

In 2014, FET also conducted a CSR maturity assessment of key suppliers for the first time. The assessment is aimed at determining suppliers' maturity in managing various ESG aspects including labor rights, ethical standards, respect for human rights, safe and healthy working environment, green purchasing as well as environment-related management, materials and product liability. The survey also verified that suppliers have read through the "FET Supplier Chain Guidelines for Social Responsibility" to ensure that the FET procurement policy has been fully communicated. The first survey received responses from 112 suppliers whose orders accounted for 76% of total purchasing amount for the year.

The 2014 CSR maturity assessment showed that supplier responses were more mature in two aspects: ensuring labor rights and ethical standards were upheld as well as respect for human rights and safe/healthy working environment. Around 85% of the suppliers had corresponding internal policies, processes and governance. Suppliers were, however, weaker on management related to green purchasing and only 35% of suppliers had relevant rules in place. FET will further examine and promote the fulfillment of CSR by suppliers in the future.

▶ ARCOA

ARCOA assesses suppliers on quality, cost, delivery and service every year. The 2014 ARCOA supplier assessment switched to the "Online Supplier Assessment System" to improve efficiency and reduce paper waste. A total of 50 suppliers were assessed and the response rate was 100%. Supplier assessment scores were divided into four intervals. Those that scored over 90 points were excellent suppliers in line for larger orders and cultivation as long-term partners; those between 75-89 points were qualified suppliers whose orders will remain the same; those between 60-74 points were probational suppliers who must correct their deficiencies by the given deadline or be cut off once the contract expires or their order is delivered; those below 60 were disqualified suppliers who will be eliminated. The average score in the 2014 assessment was 86.1, with 20% (10 vendors) qualifying as excellent suppliers, 80% (40 vendors) qualifying as qualified suppliers, and none placed on probation or disqualified.

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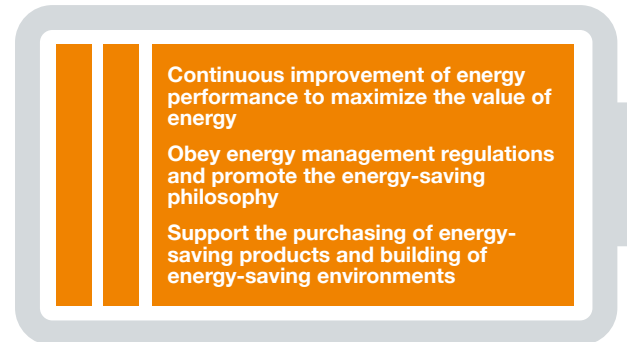# 3.4.3 Reducing the Environmental Impacts of Operations

Energy Management and Greenhouse Gas Reduction

Environmental protection is inextricably linked to telecommunications. According to the research report "Smart 2020: Enabling the Low Carbon Economy in the Information Age" published by GeSI (Global e-Sustainability Initiative), even though the ICT industry itself has limited room for reduction, it can use its technology to help other industries improve their energy efficiency by up to 7 times its own emissions. For this reason, FET not only sets an example by using ICT to aggressively implement effective energy management at each business site and reduces GHG emissions, but also aims to provide innovative and low-carbon services that fulfill the requirements of environmental friendliness.

In response to the impact of global climate change and to support the government's energy-saving and carbon reduction policies, FET set up the "Energy Management Committee" to enforce effective internal energy management. The Committee meets every quarter to discuss energy-related targets and performance. Such a top-down management model at the headquarters will hopefully encourage all units to become involved in energy-saving and carbon reduction. The Energy Management Committee is headed by the Chief Financial Officer. Its membership includes vice presidents of different departments to ensure that every department enforces the FET energy policy. FET has also defined the "Energy Management Regulations" used to govern energy management measures at all business sites, promote energy-saving action plans as well as audit and verify actual performance.

In addition, FET began progressively introducing the ISO 50001 Energy Management System in 2011 to support the creation of a practical, effective and easy-to-manage energy management
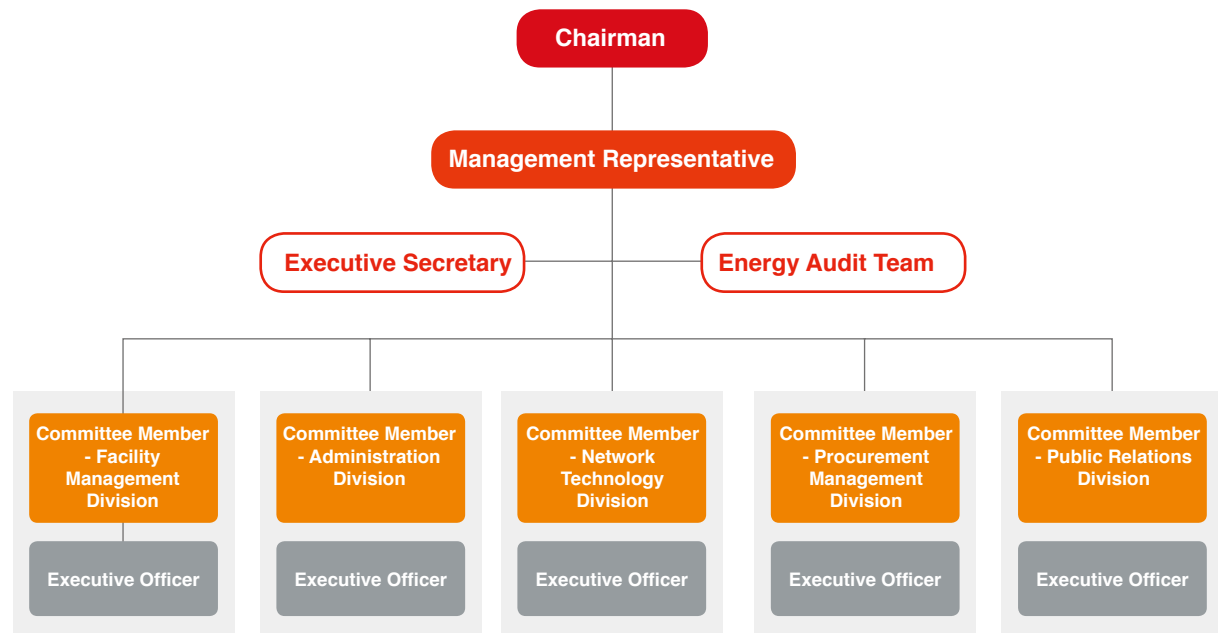
The 3 tenets of the FET energy policy are as follows:

Continuous improvement of energy performance to maximize the value of energy

Obey energy management regulations and promote the energy-saving philosophy

Support the purchasing of energy-saving products and building of energy-saving environments

2014 FET Energy-saving Accomplishments

- Excellence Award, MOEA Excellence in Energy-Saving Awards
- Role Model of Environmental Protection, 10th Global Views CSR Awards
- Environmental Governance Implementation Award, BSI GRC, Strategic Management Conference
- 1st Place in Industry A Group, Taipei Energy Conservation Awards (first telco to win the award)
- Taipei City Energy-Saving Building Mark (NH468, NH218)
- 1st Place, Taipei City Energy Manager Competition
- Excellence Award in Retail Channel category, Top Green Bands 2014, Business Next

Energy Management Committee Organization and Responsibility


```
Chairman
   |
Management Representative
   |
   +--- Executive Secretary        Energy Audit Team
   |
   +--- Committee Member - Facility Management Division --- Executive Officer
   +--- Committee Member - Administration Division --- Executive Officer
   +--- Committee Member - Network Technology Division --- Executive Officer
   +--- Committee Member - Procurement Management Division --- Executive Officer
   +--- Committee Member - Public Relations Division --- Executive Officer
```

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mechanism and framework. FET is the first carrier in Taiwan to have both its first IDC and corporate headquarters pass external certification.

FET has defined separate energy management targets for office areas and server areas based on their operational characteristics under the FET "Energy Management Regulations". The energy baseline is set as 2013 and office areas must reduce their energy use intensity (EUI; kWh/m2) by 5% within 3 years; power usage effectiveness (PUE) of server areas must be reduced by more than 5% within 3 years.

When compared to the previous year, EUI at FET offices decreased from 131 kWh to 128 kWH, a 2.29% reduction in power consumption that saved NT$952,000. For the server room, an increase of 5.2% in power consumption by IT equipment in 2014 saw PUE increase by just 0.53%. A review of our overall energy-saving performance showed that since the launch of the energy-saving and carbon reduction campaign in 2005, FET's Neihu headquarters power consumption in 2014 was just 60% of that of 2004. The winning of energy-saving awards from various agencies affirmed the success of FET's energy-saving policy.
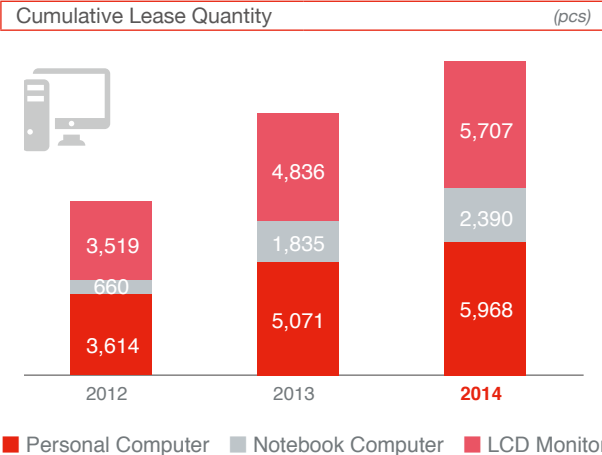
Dictionary:

$$\text{Power Usage Effectiveness (PUE)} = \frac{\text{Server room total power consumption (IT equipment + AC system + Lighting + Power conversion loss)}}{\text{IT equipment's power consumption}}$$

(Power Usage Effectiveness)

Concrete Energy-Saving Measures

▶ FET – Equipment Rental and Revitalization

In 2011, FET began replacing less efficient existing computer equipment, reducing procurement and donating retired computers to improve IT utilization. Equipment rental figures for 2012-2014 are as follows:

Cumulative Lease Quantity   *(pcs)*

	2012	2013	2014
LCD Monitor	3,519	4,836	5,707
Notebook Computer	660	1,835	2,390
Personal Computer	3,614	5,071	5,968

■ Personal Computer ■ Notebook Computer ■ LCD Monitor

▶ FET – Server Virtualization

FET began adopting server virtualization in 2009, increasing the number of virtualized servers from 56 in 2010 to 1,539 in 2014 (593 new servers were added in 2014). The server virtualization strategy means the number of physical servers required each year has continued to decrease. As of 2014, the requirement for 200 physical servers consuming 721,000W of power originally anticipated has been reduced to just 152 units consuming 512,160W. This translates to a 29% reduction in total server power consumption, equivalent to 208,840W. Investment in server virtualization amounted to NT$39 million in 2014.

▶FET – Other Server Room and Office Energy-Saving Solutions

→ Up to NT$2,061,196 spent with carbon reduction of up to 383.4 tonnes anticipated.

EUI ↓**2.29**%
PUE ↑**0.53**%

EUI: Energy usage per unit of ground floor

PUE: Power Usage Effectiveness

Participating Business Sites	Energy-Saving Project or Item	Annual Electricity Savings (KWH)	Equivalent Carbon Reduction (Tonne/ Year)[9]
Neihu 468 IDC Server Room	Replacement of high-efficiency pump	89,571	46.8
Ankang IDC Server Room (1~5F)	Server room lighting management • Replacing dual lamps with single lamps • Switching off excess circuits	481,800	251.5
Neihu 218 Office	Improvement of AC conduits	101,615	53
Ankang IDC Server Room (B1 & B2F)	Switching off excess circuits	21,024	11
Taiping Server Room	T8 lamps replaced with T5	26,280	13.7
Taiping Server Room B1F	Switching off excess circuits	9,460	4.9
Taiping Server Room	Installation of PV system	4,753	2.5
Total		**734,503**	**383.4**

[9] *Calculated using the emission coefficient of 0.522 kgCO2e/kWh for externally purchased electricity published by the Executive Yuan's Environmental Protection Administration each year.*

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▶ FET – Green Store

FET began upgrading energy-saving measures at our stores in 2010. Around NT$1.5 million is budgeted each year for upgrading to inverter AC and energy-saving lighting. In 2014, nearly 400 retail stores were converted to energy-saving stores. Equipment with the eco-friendly energy-saving mark is now specified for new stores as well. The new generation stores are all fitted with energy-saving devices such as T5 energy-saving lighting, inverter AC, and LED emergency exit lights. Digital interactive multimedia equipment is also used at stores instead of the traditional posters to not only catch consumers' attention but also reduce resource consumption. Energy-saving stores are up to 15% more efficient than the previous generation. A total of 36 stores were refurbished in 2014 at a cost of NT$1.15 million.

→ Received the excellence award in the retail channel category at the Business Next's "Top Green Brands 2014"

Average electricity consumption per store   *kWh*

4,158 (2012)
3,277 (2013)
3,285 (2014)
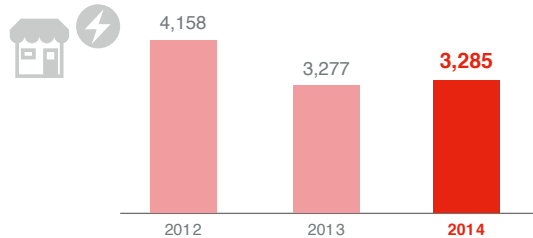
In addition, FET took part in the summer service industry energy-saving event organized by the Economic Development Department of New Taipei City. During the summer (June-September) of 2014, energy-savings of up to 14.92% were successfully achieved through store self-management measures such as upgrading constant-speed AC to inverter AC, keeping room temperature above 26 degrees, washing AC filters every two weeks, adopting of zoned lighting, and putting advertising signage on timers.

▶ FET – Green Logistics

FET has nearly 1000 retail and franchise stores all with different opening hours. Logistics routes can be optimized using big data analysis and the opening hours of each FET store. Ignition must also be switched off during deliveries to save on fuel. If deliveries are made to 600 stores a day and the ignition is switched off for 3 minutes during each delivery, an estimated 18 tonnes of carbon emissions can be avoided each year through optimized logistics. [10]

To prevent single-order deliveries from increasing the number of logistics trips that must be made, in 2007 FET separated the logistics for "Marketable Merchandise" (mobile phones and accessories purchased by customers) and "Auxiliary Merchandise" (DM, POSM, SIM card) to reduce transportation costs and environmental pollution.

Energy-saving and Carbon Reduction Measures	2014 Performance
Auxiliary merchandise is concentrated into two deliveries to stores each month. All same-day orders for the same store are shipped together	Around 160 orders can be consolidated each day. Consolidated shipping of auxiliary merchandise reduces deliveries to 100 stores each day. This means the number of cartons transported is reduced by 68,640 cartons each year, equivalent to a carbon reduction of 120 tonnes[11] ; with consolidated shipments, if each store is equal to 2km of traveling avoided then up to 52,800 km can be saved in a year, the equivalent of 11.83 tonnes in carbon emissions.
Picking changed from conveyor-belt to manual picking	Replacing 4 hours of conveyor belt operation each day saves around 226 kWh of electricity. This translates into annual savings of 59,664 kWh, and carbon reduction of 31.14 tonnes.

[10] The hourly fuel consumption of idling medium vehicles (with AC turned-off) was as assumed to be 1.0L/hour; 22 working days assumed per month; New Taipei City low-carbon living network's petrol emission coefficient is 2.263KG/L.

[11] 1 carton = 1.88 $kgCO_2$ in carbon emissions, so 31680*1.88 = 59.558 CO_2, the equivalent of 59.56 tonnes.

▶ ARCOA

| Office Building	Logistics Center	Store
• The server room area changed from time-of-use rate to contract capacity as of December • Electricity consumption between January ~ March 2015 reduced by NT$11,469 compared to the same period last year.	• All lighting was upgraded to T5 energy-saving lamps. Monthly electricity savings were estimated to be 9,700 kWH, or annual savings of NT$403,442. • High-voltage contract capacity reduced from 400kw to 350kw for an annual saving of NT$83,000.	• Stores refurbished to use only energy-saving lighting • AC past their service life replaced with green inverter AC units. • Changed the contract capacity at 3 stores for estimated savings of NT$16,000 per month.

Note: The figure for annual electricity savings at the logistics center is an estimate based on the difference in power after the lighting upgrade.

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▶ Base Station Energy-Saving Solutions

The energy consumption of base stations accounts for the bulk of energy consumed by FET sites and facilities, and so is considered critical to our energy-saving and carbon reduction efforts. By replacing older, more energy-intensive telecommunications equipment, upgrading to inverter AC, improving ventilation systems, switching off excess 2G equipment, upgrading 3G base stations, turning off base station AC and removing 2G TRX, the energy efficiency of base stations is increased. A total of NT$88,677,000 was invested in 2014. Electricity savings of 22 million kWh and carbon reductions of 11,596 tonnes are expected.

Electricity Consumption of Base Station per 1MBs / kWH

	2012	2013	2014
	0.002134	0.001122	0.000660
		-47%	-41%
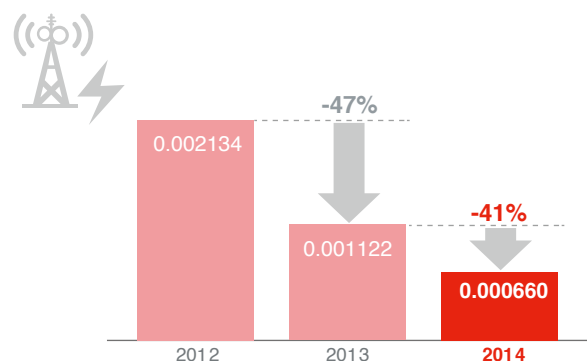
Energy-saving and carbon-reduction measures will continue to be expanded in 2015. Newly-built base stations will include equipment that is more tolerant of high temperatures, smaller racks and high-performance fans for cooling telecommunications equipment to reduce the need for AC. 500 stations have been completed so far and a further 300 will be added; energy-saving upgrades are also being carried out at existing base stations. Trials are already underway at 200 stations and energy consumption at each should be reduced by 15-20%. The conversion efficiency of power supplies is also being upgraded. The target is 10% reduction in electricity consumption at each of 400 stations.

Summary of Key Environmental Figures – FET

Direct energy consumption [12]

	2012	2013	2014
Diesel (1000 L/year)	11.2	46.71	23.09
Gigajoules (GL)	393.63	1,641.65	811.51
GHG Emissions in CO_2e (Tonnes/Year)	29.19	121.73	60.17

Note: According to the Energy Bureau's 2013 Energy Statistics – Heat Content of Energy Products, 1000L of diesel = 35.15 Gigajoules

Water consumption [15]

	2012	2013	2014
Water consumption (KL/year)	234,831	239,482	249,408

Indirect energy consumption [13]

	2012	2013	2014
Office Building Electricity Consumption (MWh)	13,058	12,783	12,688
Total Server Room Electricity Consumption (MWh)	133,288	137,162	144,995
Base Station Electricity Consumption (MWh)	175,370	186,225	190,245
Total Store Electricity Consumption (MWh)	15,244	19,023	20,498
Total Electricity Consumption (kWH)	336,959	355,194	368,425
GHG Emissions in CO_2e (Tonnes)[16]	180,610	188,963	192,318

Total GHG Emissions [14]

	2012	2013	2014
Energy Intensity (Unit/Effective Customer)	49	49	50
CO_2 Emission Intensity (g/Effective customer)	30.27	43.06	34.13
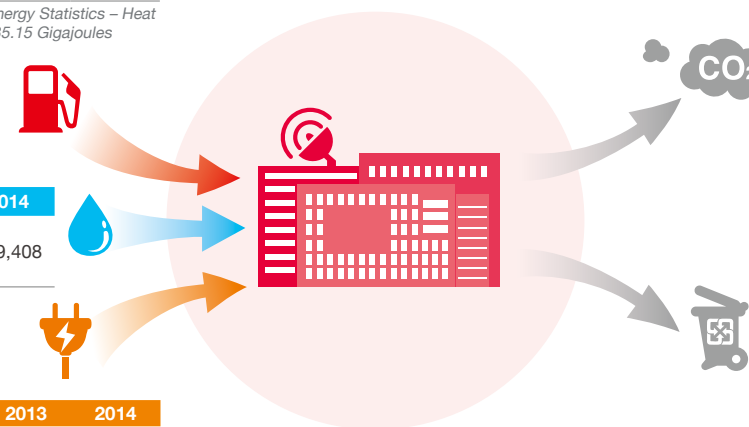
Waste (Tonnes) [16]

	2012	2013	2014
General Waste	183	191.7	243.84
Paper	20	39.92	23.73
Other Recyclable Resources	10.45	5.8	6.87

[12] Diesel consumption is estimated from amount purchased.

[13] The boundary of this annual report includes the ARCOA subsidiary so the figures from previous years were re-compiled. The statistics for electricity consumption for office buildings and stores includes both FET and ARCOA; the server room and base station statistics include FET, NCIC, and KGEx.

[14] Calculated using the emission coefficient of 0.522 kgCO2e/kWh for externally purchased electricity published by the Executive Yuan's Environmental Protection Administration each year.

[15] As ARCOA's water consumption for 2012 and 2013 was not recorded, this table shows only the figures for FET, NCIC and KGEx. The 2014 water consumption of ARCOA was 16,91 KL.

[16] Includes FET, NCIC and KGEx. All waste is disposed of by licensed waste contracts. The data includes the 9 main office sites.

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3.4.4 Reducing the Social Impacts of Operations

In order to alleviate the concerns of local residents and consumers over electromagnetic radiation from base stations, FET has always communicated with stakeholders and followed relevant NCC policies to ensure that the construction of base stations and the services they provide do not impact on the local environment. By approaching stakeholder concerns with an open mind, we increase the trust of local residents and consumers while also fulfilling our environmental commitments as a carrier company.

FET Base Station Guidelines

FET's base station and antenna installations must satisfy the relevant government regulations. Co-construction, co-location and common antennae are also used where possible to greatly lower the number of antenna required and reduce waste. We also use greening and landscaping around base stations and antennae to reduce or even eliminate their visual impact altogether. In 2014, 65% of FET's base stations were co-located, 29% were co-constructed and 6% were stand-alone.

No fines were levied against FET due to electromagnetic radiation (EMR) in 2014. Fines over the set up of base stations totaled NT$38 million over 75 cases. To protect our corporate image and reputation as well as to be accountable to our stakeholders, FET will continue to support access to public buildings as well as continue to monitor the situation with regard to fines, review past mistakes and make future improvements.

> **Telecom Knowledge:**
>
> **Co-location:** One or more mobile service operators having base stations at the same building.
>
> **Co-construction:** One or more mobile service operators having base stations that share the same antenna, or reserving antenna ports and rack space that other operators can use to set up a base station.

EMR Issues

FET is cooperating fully with "Base Station Working Group" of the "Taiwan Telecommunication Industry Development Association" (TTIDA) set up by the NCC and telcos on public awareness and communication on electromagnetic radiation from base stations. To reduce public concerns over the safety of electromagnetic radiation emitted by base stations, the TTIDA assists telcos with EMR awareness initiatives such as:

▶ 0800 EMR Measurement and Awareness Hotline

The hotline is used for answering public questions on electromagnetic radiation and organizing home electromagnetic radiation measurement services. In 2014, the EMR hotline handled 920 inquiries regarding electromagnetic radiation and arranged the electromagnetic radiation measurement service 475 times. Apart from the 114 cases passed to FET for measurement, we also accepted 28 measurement requests direct from the public. The 142 electromagnetic radiation measurement service calls cost a total of NT$681,600. The results were all below the limit for EIRP (Equivalent Isotropically Radiated Power) and electromagnetic power density.

Cost of EMR Measurement
681.6 Thousands

No. of Base Stations Measured forElectromagnetic Radiation by FET

2012	2013	2014
159	140	**142**
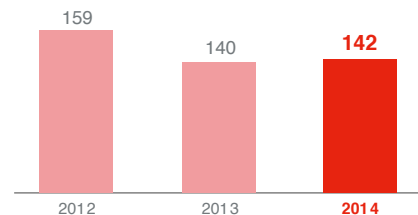
The airing of CF on electromagnetic radiation from base stations, the hosting of electromagnetic radiation seminars, the production of promotional materials and diaries educated the general public on electromagnetic radiation and avoided unfounded fears.

Chapter 3 of the free booklet "30 Questions and Answers – General Knowledge on Mobile Communications" published by the Telecommunication & Transportation Foundation in 2013, covered the issue of electromagnetic radiation in some depth. The electronic version of the book is now available for free to the general public on the Foundation's website and the FET Education Center, a subsidiary website.

Continued education and measurement services means resistance to base stations is showing signs of leveling off compared to previous years. Media coverage statistics for the past 9 years also showed that reporting has gone from being overwhelmingly negative to being more balanced. FET will continue to invest in communication and education on electromagnetic radiation issues in order to establish a positive relationship based on mutual trust and prosperity with local communities and residents in the future.

Online Safety

FET partnered with Cyber Angel's Pick (CAP) to set up the "Family Cybersecurity Hotline" in 2012 to provide care, consultation and referral services to families affected by internet addiction or dysfunctional communication between parents and children. FET also sponsored IT media study camps and instructor training camps for remote areas in Taitung to help reduce the urban and rural digital divide. In 2014 FET joined the "Institute of Watch Internet Network" (iWIN), a domestic cybersecurity self-regulation association. FET President Yvonne Li attended the directors' meeting in person to help promote a free and safe Internet that ensures the sound physical and mental development of children and juveniles.

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3.4.5 Reducing the Environmental Impacts of Products

In-store Mobile Phone Recycling

In an age where new smart phones are constantly being released, electronic waste is now an issue that telcos and consumers must confront. To make it easier for the general public to recycle waste mobile communications devices and promote the reuse of resources, FET signed a memorandum of understanding (MOU) on the recycling of waste mobile communications products with the EPA. All FET stores in Taiwan have now set up a mobile phone recycling bin. Waste mobile phones, PDAs, GPS, their chargers or other accessories can all be dropped off for free regardless of their brand then passed to qualified contractors for recycling.

Recycled Mobile Phones (pcs)
Recycled Batteries/Chargers/Cables (kg)
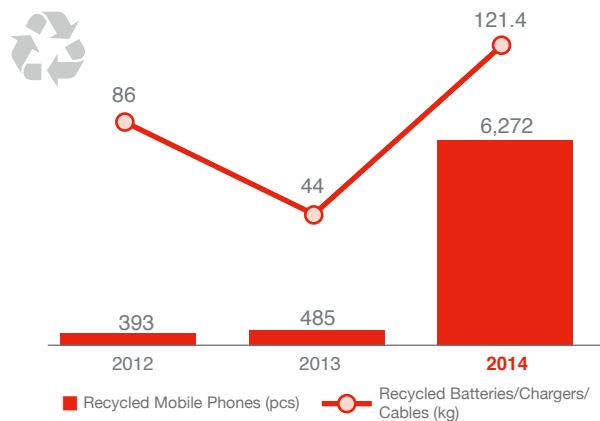
Promotion of Electronic Bills and Forms

FET continued to increase the number of electronic billing users in 2014. The contents of the SMS and e-mail notifications are continuously being refined and enhanced to make them easier to use and understand. Links to frequently used customer functions have been added along with discounts from vendor partners and reward schemes to attract new customers and improve stickiness.

Electronic bill usage in 2014 increased by 8.84% compared to 2013. Over 1.8 million users are now using electronic bills. This is estimated to save 54 million sheets of paper each year, equivalent to carbon reduction of 65.34 tonnes.[17] By the end of 2014 electronic forms were used 65.5% of times. More than 450 service sites now use only electronic forms for processing data and this reduces carbon emissions by about 5.24 tonnes.

	Electronic Bills		Electronic Forms	
	Subscribers (Thousands of persons)	CO_2 Emission Reduction (Tonne/Year)	Usage	CO_2 Emission Reduction (Tonne/Year)
2012	906	32.88	44%	2.67
2013	1,235	44.82	52%	4.02
2014	1,800	65.34	65.5%	5.24

[17] Calculated using the EPA figure of 1.21g CO_2 per sheet of A4 paper.

Consolidated Billing Service

The consolidated billing function of our POS system can directly combine new numbers for existing customers with their original bill. SMS notification is also used to consolidate the bills of customers with multiple numbers billed separately, making it easier for customers to manage their telecom bills. It also saves energy and reduces carbon emissions by making it unnecessary for customers to print and send multiple bills. Between October 2013 and December 2014, FET consolidated bills for 422,960 numbers. This means the number of bills that have to be printed and sent each year has been reduced by 211,480, equivalent to a carbon reduction of 7.67 tonnes.

Reducing SIM Card Usage

SIM cards used by mobile phones diversified after 2010. The SIM card types now in general use include Mini, Micro and Nano. In 2015, FET will launch a 3-in-1 SIM card for general use with every SIM card pack containing the Mini, Micro and Nano versions. Due to factors such as customers changing SIM cards when changing mobiles, store sales and safe inventory levels, this should reduce card procurement by 20%. It will also improve operating efficiency by simplifying the sale and management of SIM cards for frontline staff. Around 5 million SIM cards were purchased in 2014. Once the 3-in-1 SIM card is launched this should reduce procurement quantity by 1 million cards. The SIM card carbon reduction data provided by the vendor suggests that this will reduce the use of plastics (ABS & HPVC) by around 5,500 kg (equivalent to 11,000 kg of crude oil19), reduce carbon emissions by 50 kg (electricity consumption) and eliminate pollution that would otherwise be result from producing 1 million pieces of packaging and their printing ink.

[19] Assuming 2kg of crude oil is required to produce 1kg of ABS plastic.

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Self-Care App

遠傳行動客服APP
邀您一起用行動愛地球

遠傳
行動客服

FET is continuing to think innovatively on energy-saving and carbon reduction. In 2012, we launched the "FET Self-Care App" that enabled customers to check their bill or data traffic at any time without having to visit a store or make a call. Apart from eliminating the carbon emissions associated with travel, it also provided customers with direct mobile service. The self-care app had been used by 2.8 million users as of 2014. Around 60,000 people also pay through the app, eliminating 60,000 printed bills and 3.48 tonnes of carbon emissions. If the 4.55 tonnes of carbon emissions saved on delivery are added, the total carbon reduction was 8.03 tonnes[18].

[18] According to the EPA and Environmental Quality Protection Foundation, a printed bill uses around 20g of paper. 1kg of paper releases 0.242 kg of CO_2 and each physical bill also generates around 6.32g of CO2 during postage and delivery.

Green Packaging

Printing is an energy-intensive industry. Its raw materials, printing processes and processing all produce environmental pollution in the form of emissions, effluents and waste. FET is aware of the environmental impacts caused by printing so our shipments all use recycled cartons with no printing to minimize packaging and protect the environment. Around 1/3 of the cartons are recycled as well. With 1000 stores throughout Taiwan, assuming 1 carton is delivered to each store each day then this represents a saving of 333 new cartons per day. This means a saving of 87,912 cartons in one year, equivalent to carbon reduction of 165 tonnes.

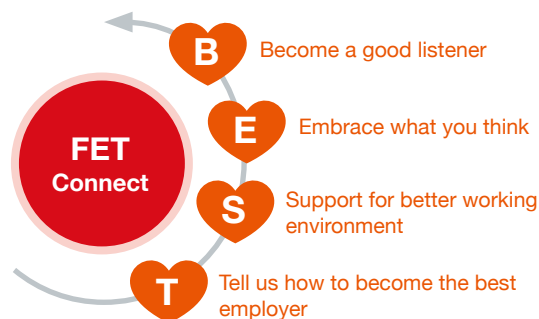## The First Outlet Store in the Telecom Industry

The first outlet in Taiwan was launched in 2013. This not only gave demonstration phones, end-of-season phones and accessories a new lease of life but also opened up a secondary market for special customer segments that reduced product attrition. A total of 3,025 mobile phones were reclaimed in 2014 for a carbon reduction of 34.74 tonnes [19] .

[19] EPA data indicates that recycling one mobile phone produces energy savings of 22 kWh. The latest electricity emissions coefficient is 0.522 kg CO_2e/kWh.

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3.4.6 Friendly Workplace

Employees are among FET's most important stakeholders. FET believes that positive employee relations and benefit policies not only enhance employee rapport and loyalty, but also deliver tangible benefits for the company. For this reason, FET is committed to creating a sound work environment with good remuneration and benefits, open communication between the employer and employees, an equal opportunity workplace and diverse career development and training opportunities that will help us retain our most important corporate asset.

To fulfill the mission of becoming "the preferred employer", FET revamped our employee opinion survey to become "Connect for Best". Our focus is now on not only listening to employees' voices but also understanding employee motivation, as well as comparing ourselves against top employers in Taiwan and the Asia-Pacific telecommunications industry as a whole. The all new design of the survey gives FET a more detailed understanding of the factors that influence employees' achievement motive and their views on work-related aspects. The analysis and guidance of professional consultants will help the management view employee reactions objectively, effectively select critical improvement plans and establish a better working environment so that we can:

FET Connect

B — Become a good listener

E — Embrace what you think

S — Support for better working environment
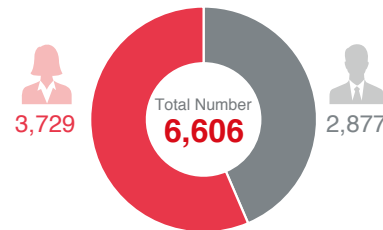
T — Tell us how to become the best employer
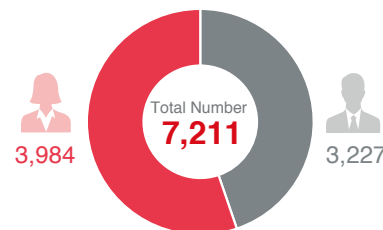
Employment Overview

In the spirit of "Stable growth, innovative thinking, WOW service", FET is always fine-tuning our recruitment policy based on business strategy. The fast-changing telecommunications industry and our development requirements have led to FET actively recruiting talents in ICT service integration fields such as telecommunications, multimedia, cloud and big data in recent years.
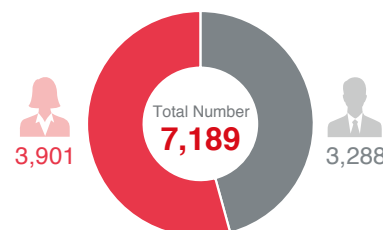
Total Number of Employees

2012

3,729   Total Number **6,606**   2,877

2013

3,984   Total Number **7,211**   3,227

2014

3,901   Total Number **7,189**   3,288

Apart from the recruitment of professionals through the job market, FET also actively cultivates talent through industrial-academic cooperation with universities. We have industry-academic cooperation programs with the Yuan Ze University, Oriental Institute of Technology, the Chihlee Institute of Technology and Shu-Te University to integrate campus resources, narrow the gap between theory and practice, and cultivate professionals in the field.

	2012	Percentage	2013	Percentage	2014	Percentage
Indefinite	6,601	100%	7,208	100%	7,186	100%
Fixed-Term	5	0%	3	0%	3	0%
Total Number of Employees	**6,606**		**7,211**		**7,189**	

	2012	Percentage	2013	Percentage	2014	Percentage
Local	6,596	99.8%	7,204	99.9%	7,182	99.9%
Overseas	10	0.2%	7	0.1%	7	0.1%
Total Number of Employees	**6,606**		**7,211**		**7,189**	

Employment of Disabled People	2012	2013	2014
ARCOA	7	9	11
FET and NCIC	39	38	39
Total Number of Employees	**46**	**47**	**50**

Academic Background	No. of people (2014)		Total
	M	F	
Vocational/Senior High School	343	747	1,090
Bachelor's	2,467	2,895	5,362
Master's	470	258	728
Ph.D.	8	1	9
Total	**3,288**	**3,901**	**7,189**

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Age Distribution of Management/ General Employee

General Employee

	Male	Female	
Under 30	42.26%	59.74%	**2,084**
30~50	43.87%	56.13%	**4,130**
Over 50	74.58%	25.42%	**59**
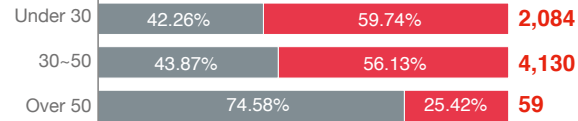
■ Male ■ Female

Manager

	Male	Female	
30~50	62.59%	37.41%	**719**
Over 50	79.17%	20.83%	**72**
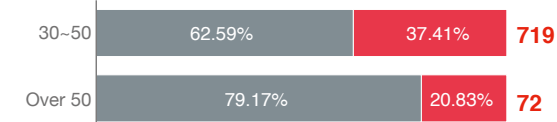
■ Male ■ Female

Director

	Male	Female	
30~50	71.43%	28.57%	**70**
Over 50	72.73%	27.27%	**22**
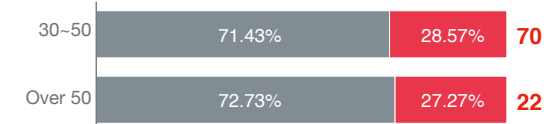
■ Male ■ Female

Vice-president and higher

	Male	Female	
30~50	46.15%	53.85%	**13**
Over 50	70%	30%	**20**
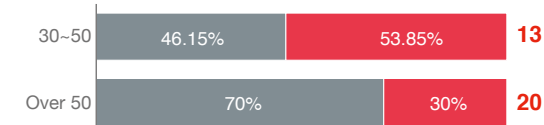
■ Male ■ Female

	New Hires			Resigning employees		
	M	F	Total	M	F	Total
Under 30	647	827	1,501	577	778	1,355
30~50	403	387	790	421	534	955
Over 50	2	-	2	13	2	15
Total	**1,079**	**1,214**	**2,293**	**1,011**	**1,314**	**2,325**

Parental leave	2014		Total
	M	F	
No. of people who qualified for unpaid parental leave (A)	335	570	**905**
Actual number of applicants for unpaid parental leave (B)	6	145	**151**
Application rate (B / A)	1.8%	25.4%	**16.7%**
Number of employees returning from unpaid parental leave (C)	11	183	**194**
No. of return applications (D)	6	86	**92**
Return rate (D / C)	55%	47%	**47%**
Total number of unpaid parental leave applications in 2014 (E)	10	69	**79**
Number of employees in 2014 who remained for 1 year after returning to work (F)	9	61	**70**
Retention rate (F / E)	90%	88%	**89%**

	Average Age			Average Seniority		
	M	F	Total employees	M	F	Total employees
FET	36.65	33.63	**35.06**	7.32	6.29	**6.78**
ARCOA	35.20	33.20	**33.90**	3.60	5.90	**5.20**

Employee Compensation and Benefits

At FET, there is no pay gap between men and women in its compensation and benefits policy. FET pays employees above the legal minimum wage and the starting salaries of entry positions at ARCOA and FET are 24.5% and 23% higher than the minimum wage respectively. Annual bonuses, performance bonuses, sales bonuses and special incentives are also included in the compensation policy.

For retirement benefits, FET offers a retirement scheme for regular employees based on the Labor Standards Act. Pension payments are based on length of service and the average salary over the 6 months prior to retirement. A contribution equivalent to 2% of the employee's monthly salary is made every month and placed under the management of the Labor Retirement Fund Supervision Committee. The contributions are deposited with the Bank of Taiwan by the Committee. After the new "Labor Pension Act" took effect on July 1, 2005, FET began making contributions equivalent to 6% of monthly coverage to the Labor Insurance Bureau for employees that chose the new scheme. At the end of 2014, FET has pension liabilities amounting to NT$690,298,000. Pension costs in 2014 amounted to NT$328,988,000.

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# Employee Education, Training and Career Development

FET

FET strives to improve and enhance the quality of our employee training. After introducing a new training system in 2013, the focus in 2014 was on examining the quality and suitability of the training courses and framework. FET also aims for equality in core competency training so that all employees can enjoy the growth offered by training. FET has drawn up a detailed training blueprint based on the competency system. Courses corresponding to the blueprint have been developed and applied to all employees based on their required job skills. This provides all employees in the same pay-grade with equal access to training and development with no bias due to gender or preference. This avoids the "glass ceiling" phenomenon caused by competency imbalance in the workplace. In addition, FET also practices human rights education. These are implemented through three main areas: training on the Personal Information Protection Act during IT security education; internal and external training for labor safety education and recruit training; and cultural seminars on public welfare.

The five main categories in the FET training system are: Talent/Career Development, Core Competency Training, Specialist Training (including telecommunications technology and department operations), Self-Development Training (including cultural seminars and assistance for continuing studies), and New Employee/Manager Training. In 2014 and 2013 FET organized 2,007 and 1,156 training classes respectively. These were attended by 116,120 and 90,168 people at a total cost of NT$29,611,584 and NT$28,333,000 respectively. The FET training framework, number of employees trained, training hours and gender distribution are as follows.

Type	Sessions
Internal Training – New Employee Training	180
Internal Training – Seminar	15
Internal Training – Telecommunications Technology	66
Internal Training – Management (including management and new managers)	32
Internal Training – Individual Professional Skills (including personal performance, project management and legal affairs)	101
Internal Training – Department Professional Skills (including store staff classes)	1,402
Off-site Training	211
Total	**2,007**

| Total employee training costs /Total number of employees	Total employee training hours/Total number of employees
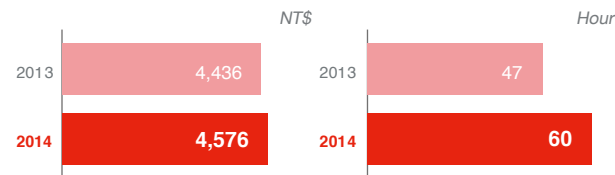
	Female		Male	
	Number of Employees	Average Training Hours	Number of Employees	Average Training Hours
General Employee	3,120	66.91	2,496	63.37
Manager	261	19.49	475	24.14
Vice-President and higher	36	30.32	83	22.52
Total	**3,417**	**62.9**	**3,054**	**56.16**

To encourage employees to continue furthering their education, in 2014 FET utilized the in-service continuing education subsidy rules to pay 50% of employees' enrollment and tuition fees. Employees are encouraged to apply to local or overseas universities to continue their education. This policy balanced the company's needs for professional training and employees' career development, improving employees' satisfaction with their professional development.

Continuing Education / Subsidy amount
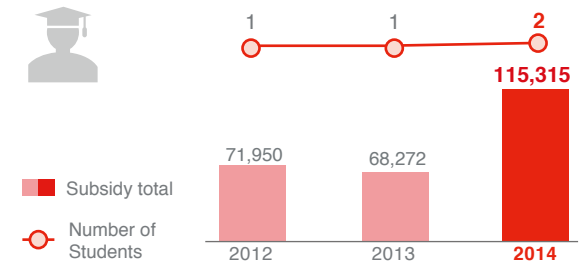
ARCOA

People are what drive organizational growth. In 2014 ARCOA carried out its future leader identification program. This involved inventorying and communication with internal talent and providing the needed development plan. At the same time, a variety of development methods were used to cultivate leaders that have the abilities needed by the organization. This will equip the organization to adapt, compete and change in order to stay competitive.

A series of organizational initiatives were rolled out starting with the definition of the five core values. The president and BU heads met to discuss the definition and implications of each core value so that they can be implemented in business decision-making. Managers led by example on achieving targets while organizational incentives were combined with related applications. All were closely integrated with the company vision and mission.

For employee learning, ARCOA set up internal courses on management, general knowledge, professional skills and soft seminars based on the core competencies expected of employees. There were also training courses for new employees as well as team-building camps tailored to the needs of specific teams. In 2014, a total of 48 internal and external training classes were held. A total of 631 people took part in 353 hours of training at a cost of NT$1,272,008.

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Occupational Safety and Labor Health

FET

FET has set up the "Labor Health and Safety Committee" as well as dedicated labor safety and health units to make improvements to the working environment and ensure work safety. The LSH Committee is made up of 13 members, including the business operator or their proxy, LSH personnel, department heads, supervisors, controllers, LSH engineering or medical personnel, and labor representatives. The Committee has 8 labor representatives, or 60% of all seats.

The responsibility of the FET LSH Committee is to oversee the formulation of the occupational disaster prevention plan and the self-inspection plan, to meet regularly to review LSH improvements, to appoint regional safety & health supervisors, and to engage in communication and management on disaster prevention. Additionally, FET LSH units also communicate the concepts of disaster prevention to all and selected personnel at different times. Various types of safety training are also hosted to provide selected personnel with relevant LSH training.

	2012	2013	2014
Injury Rate (IR)	0.068	0.032	0.077
Occupational Disease Rate (ODR)	0.00%	0.00%	0.00%
Absentee Rate (AR)	1,561	1,653	2,023
Lost Day Rate (LDR)	2.051	0.026	0.723

ARCOA

ARCOA provides regular health check-ups and relevant safety training for all personnel. Fire drills are also regularly held to reduce the risks of fire to employees and property. Plant administration personnel are trained to protect the safety of the warehouses as well.

	2012	2013	2014
Injury Rate (IR)	0.00	0.00	0.00
Occupational Disease Rate (ODR)	0.00%	0.00%	0.00%
Absentee Rate (AR)	2,366	2,305	2,550
Lost Day Rate (LDR)	0	0	0

Note:
Injury Rate = (Injury Frequency x Total Work Hours) x 200,000
(Based on 50 weeks per year, 40 work hours per week and ratio for every 100 employees)
Note: IR calculations don't include traffic accidents during journeys to and from work

ODR = (Occupational disease frequency/Total work hours) x 200,000
(Based on 50 weeks per year, 40 work hours per week and ratio for every 100 employees)

Lost Day Rate = (Total Lost Days x Total Work Hours) x 200,000
(Based on 50 weeks per year, 40 work hours per week and ratio for every 100 employees)
Definition of Lost Day: Employee is unable to work due to occupational injury or disease. This refers to occupational injury leave.

Absentee Rate = (Total Days Absent/Total Work Days) x 200,000*
(Based on 50 weeks per year, 40 work hours per week and ratio for every 100 employees)
Definition of Absenteeism: Employee is away from work because they are unable to work (but not due to occupational injury or disease). This includes sick leave and personal leave, but does not include approved holidays, maternity leave and paternity leave and bereavement leave.

Gender Equality and Sexual Harassment Prevention

FET is an equal-opportunity employer and emphasizes gender equality. Male and female employees receive remuneration equivalent to or better than the minimum wage. Employee remuneration and promotion are all based on personal ability and performance and are not influenced by age, race, skin color, gender or sexual preference.

To ensure that employees could concentrate on their work in a gender-equal workplace, FET and ARCOA immediately conducted road tours and conferences at all operation bases and stores in Taiwan when the government introduced the

Gender Equality in Employment Act. When the "Sexual Harassment Prevention Act" was implemented, FET also set up a "Sexual Harassment Complaints Committee", a complaints process and a complaints mailbox in order to create a healthy working environment free from harassment and discrimination. There were no incidents of sexual harassment at FET in 2014.

Anti-Corruption Work Rules

In the rules governing employee ethics and integrity, FET expects all employees to follow the FET "The Code of Business Conduct" and "The Code of Ethics". All managers, employees and decision-makers may not directly or indirectly provide, promise, ask for or receive improper benefits while undertaking their duties. These include rebates, commissions, bribes or the use of other means such as having the customer, dealer, contractor, supplier, civil servant or other stakeholders provide or accept improper benefits. There were no incidents of ethics-related violations at FET in 2014.

ARCOA added anti-corruption clauses to the standard merchandising contract in August 2014 that are intended to ensure that none of our personnel, their proxies or assignees may ask for, request, promise or pay bribes, commissions, percentage-based fees, brokerage feeds, gratuities, rebates, gifts, hospitality or other improper benefits.   Apart from suspending or terminating the offender's contract in the event of violation of these clauses, the excess and benefits will be deducted from payment for goods purchased in connection with such violations. Offenders will be also held liable for any damages.

Labor Relations and Complaints Channel

FET

To promote communication between employer and employees as well as complement the values and culture of FET, the "Labor-Management Meeting" has been renamed the "Lantern

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Legend Meeting" in 2000. The Lantern Legend Meeting is used to shape the corporate culture and ideals while encouraging employees to face and deal with problems in a positive manner. Becoming a Lantern Legend representative has become an honor and responsibility. The cultivation of harmonious labor relations creates a better working environment.

At the same time, FET provides employees with communication channels they can trust. The corporate intranet has "I Have a Suggestion" and "I Want to Complain" feedback areas. Employee feedback is kept strictly confidential and handled by dedicated units.

A total of 23 employee feedbacks were received through the intranet and e-mail in 2014 in three main categories: employee benefits, product services and facility administration. Topics included calling rates, flexible work hours, single-number mobile phone options for employees upgrading to 4G, 4G high-speed internet applications, recommendation to offer family-based rate plans, online rate calculator for customer applications, water coolers, disinfection of carpets, and suggestions on use of the breastfeeding room. All have received a response through the appropriate channels on their practicality and were handled accordingly. In 2014, 4 cases were received through the "I Want to Complain" mailbox. All were duly investigated and dealt with in accordance with company procedures and the employees who complained were contacted in an appropriate manner. All cases have been closed as of May 13, 2015, and no violations of labor or human rights were found.

Channel	2014 Agenda
Lantern Legend Meeting	Convened on a quarterly basis but extraordinary meetings may be convened in special circumstances. The agenda includes discussion on the company's current business position, future expansion plans and related labor relations issues.
Employee Conference	Offers employees a chance to communicate in person with top executives on the company's performance last year and business direction in the new year
Employee Welfare Committee	Generally convened once every two months with extraordinary meetings as necessary. Its mission is to promote better benefits and organizational harmony. All benefits are regularly announced on the intranet website where they can be viewed by all employees. Mailbox available for two-way communication.
Town Hall Meeting	Communicates business direction and performance. Managers can raise business-related questions during the meetings and have them answered directly by high-level executives to establish interactive communication.
Employee Opinion Survey	The EOS was revamped in 2014 to become "Connect for Best". Apart from listening to employees' voices, it also examined employee motivation, as well as comparisons against top employers in Taiwan and the Asia-Pacific telecommunications industry.
Other Electronic Communication Channels	The weekly FET e-Paper and monthly FET e-Newsletter help employees learn about the company's activities and provide another channel for employee interaction.

ARCOA

ARCOA communicates with employees through the following channels:

Channel	2014 Agenda	Channel	2014 Agenda
External Employee Opinion Survey (ad hoc)	Employee satisfaction surveys are commissioned as necessary to learn more about employee's actual feelings and provide a basis for continued improvement by the company	**ARCOA E-Newsletter**	Currently published on an ad-hoc basis to promote organizational learning and sharing
Annual Employee Conference	Annual meeting of all employees chaired by the President to boost communication and understanding through sharing business developments and new directions.	**"I Want to Complain" Mailbox**	Employees may submit complaints through this channel if not satisfied with the responsible unit or supervisor's handling of their complaints
Employee Welfare Committee	Meets quarterly or as necessary to promote improvements to employee welfare and organizational harmony		

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3.4.7 Supporting Social Welfare

For social welfare, in 2014 FET continued to partner with NGOs to host charity events and use our corporate resources to help disadvantaged groups in society. An overview of FET's spending on social welfare and NGO partners in 2014 is provided below. Total amount spent was NT$9,386,799, total amount raised was NT$6,536,627 and total volunteer participation was 130 people: ▶

Total Amount Spent: 9,386,799 NT Dollars

Total Amount Raised: 6,536,627 NT Dollars

Total Volunteer Participation 130 people

FET

John Tung Foundation / "Express your love. Listen with your heart" Campus EQ Seminar ▶

As part of our "Express your love. Let it be heard" brand campaign, FET partnered with the John Tung Foundation on organizing campus EQ seminars that encourage students to show empathy and express their positive feelings.

Number of Beneficiaries

A total of 4833students took part

List of Beneficiaries

20 junior high and elementary schools in the Greater Taipei region

The 8th Child Welfare League / "Save Abandoned Children" Fundraising Campaign ▶

FET has sponsored 7,837 children given up for adoption to date. Our donations have accounted for over 40% of the amount raised for the Child Welfare League for two consecutive years.

Number of Beneficiaries

Assisted 1,062 children given up for adoption by the Child Welfare League (FET donations go mainly towards baby formula and nappies to the tune of NT$5,000 per person per month).

List of Beneficiaries

Child Welfare League host families

Red Cross Foundation / "55135 Kaohsiung Gas Explosion Donations"

FET leveraged its core communications capability to set up the 55135 donation short code in partnership with the Red Cross Foundation to provide people throughout Taiwan with a secure and convenient channel for donations.

Number of Beneficiaries

2914 donations over 12 days.

List of Beneficiaries

Families affected by the Kaohsiung gas explosion

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Teacher Chang Foundation / "Kaohsiung Gas Explosion 'Care and Heal' Program"

For post-disaster psychological counseling, FET partnered with the Teacher Chang Foundation to offer counseling services. Life seminars were held at affected schools in the Qianzhen and Lingya districts, and a BoBi BaBy illustrated handbook for emotional healing produced to provide support to young students in the disaster area and help them come to terms with the traumatic experience.

Number of Beneficiaries

In 2014, 4,489 copies of BoBi BaBy were distributed at 11 senior/vocational high schools, junior high schools and elementary schools in Kaohsiung City. The emotional healing campus seminars were held at 6 schools and attended by 335 people.

List of Beneficiaries

Students affected by the Kaohsiung gas explosion.

Homemakers United Foundation / "Green Storybook Train"

To promote environmental education from an early age, FET partnered with the Homemakers United Foundation to use green storybooks to help children understand what things are now affecting or worsening the global environment, and learn about what they can do to help. This grew into the "Children's Green Storybook Train Promotion Project".

Number of Beneficiaries

A total of 21 Green Storybook Train sessions were held. These were attended by 580 people (including 562 children, 18 adults); 25 people completed the study camp.

List of Beneficiaries

Families and external volunteers in the Greater Taipei region

The 3rd Green Kungfu "I Draw, I Tell, Therefore I Love"

FET has now hosted the "Green Kungfu" environmental protection promotion project for 3 consecutive years. The 2014 events included the Eco-Friendly Digital Picture Book Competition, Green Mobile Photo Contest and the rural storytelling campaign. Our core communications capability and volunteers were leveraged to reduce the urban and rural digital divide. Green Kungfu received a total of 499 original submissions. The 11-winning eco-friendly digital picture books and the 3 environmental animations adapted from the picture books were all made available on the FET e-Book Town and Video Store websites. Parents and teachers can download and them for environmental education for free.

Number of Beneficiaries

The rural storytelling campaign involved 5 schools and 274 elementary students (32 from Xingzhong, 34 from Jianshan, 69 from Taoyuan, 89 from Huzhu, and 50 from Xiulin); FET e-Book Town and Video Store were viewed 16,300 times.

List of Beneficiaries

Kaohsiung City's Xingzhong Elementary School, Jianshan Elementary School and Taoyuan Elementary School; Nantou County's Huzhu Elementary School and Xiulin Elementary School; FET Video Store and e-Book Town users; Homemakers United Foundation (free teaching materials for environmental education)

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Cyber Angel's Pick / Web Safety Program for Children and teens

FET has long taken an interest in cybersecurity for children. We are a long-term sponsor of the CAP "Family Cybersecurity Hotline" and media teacher camps.

Number of Beneficiaries

The Family Cybersecurity Hotline recorded 336 calls and provided counseling to 43 people. Around 150 elementary and junior high school students took part in the study camps (90 from the Ruifang, Gongliao, Shuangxi and Pingxi elementary schools in New Taipei City, and 60 from Binmao Junior High School in Taitung).

List of Beneficiaries

1. Ruifang, Gongliao, Shuangxi and Pingxi Elementary Schools in New Taipei City 2) Binmao Junior High School in Taitung 3) Teachers, social workers, parents, counselors, adults and college students with an interest in children's cybersecurity issues

Fulin Elementary School Baseball Team in Taipei City / "Xinlong Cross-Strait Baseball Tournament"

Subsidy provided to the Fulin Elementary School Baseball Team for attending the "Xinlong Cross-Strait Baseball Tournament" in Beijing.

Number of Beneficiaries

The 18 students in the Fulin Elementary School Baseball Team.

List of Beneficiaries

Fulin Elementary School

Technology Development Association for the Disabled / "Mobile Smart Living for the Visually-Impaired Teaching Project"

A total of 3 Android smart phone training classes were held over 9 days.

Number of Beneficiaries

Training was completed by 14 visually-impaired people.

List of Beneficiaries

Visually-impaired mobile phone instructor

BCSD / Lighting the Community Together

Help disadvantaged students experience the environment.

Number of Beneficiaries

The 157 participants including 35 students from the lower years, 60 students from the middle years and 62 students from the higher years.

List of Beneficiaries

Fu-an Elementary School, Shilin District, Taipei

Wordwave Festival

Illustrated book reading event held at the Huashan 1914 Creative Park in Taipei and the Pier 2 Art- Center in Kaohsiung.

Number of Beneficiaries

Attended by more than 100 parents and their children.

List of Beneficiaries

Families in Taipei and Kaohsiung

ARCOA

Material Donations to Children's Homes Because of Love - A Delicious Feast

ARCOA calls during the New Year and on special holidays to ask what supplies are needed. Employees or their families and friends are then asked to donate these supplies. In 2014, ARCOA employees used Facebook and internal channels to raise large amounts of winter clothing, children's items, toys, and books as well as NT$90,000 in cash for buying everyday supplies and goods those orphans lacked. An additional NT$31,000 in cash was also raised. ARCOA store managers planned a buffet based on what children like so they can sample delicious food and enjoy a bumper feast.

Donation for Huashan Social Welfare Foundation's New Year Banquet

When the Huashan Social Welfare Foundation reaches out to elderly people living alone through New Year meals each year, ARCOA uses its intranet and eternal network to raise donations from ARCOA employees and their families and friends. ARCOA employees throughout Taiwan come together to donate through cash or wire transfers so that elderly people living alone can enjoy a hot, heart-warming feast on New Year's Eve.

4 ▶ Corporate Governance

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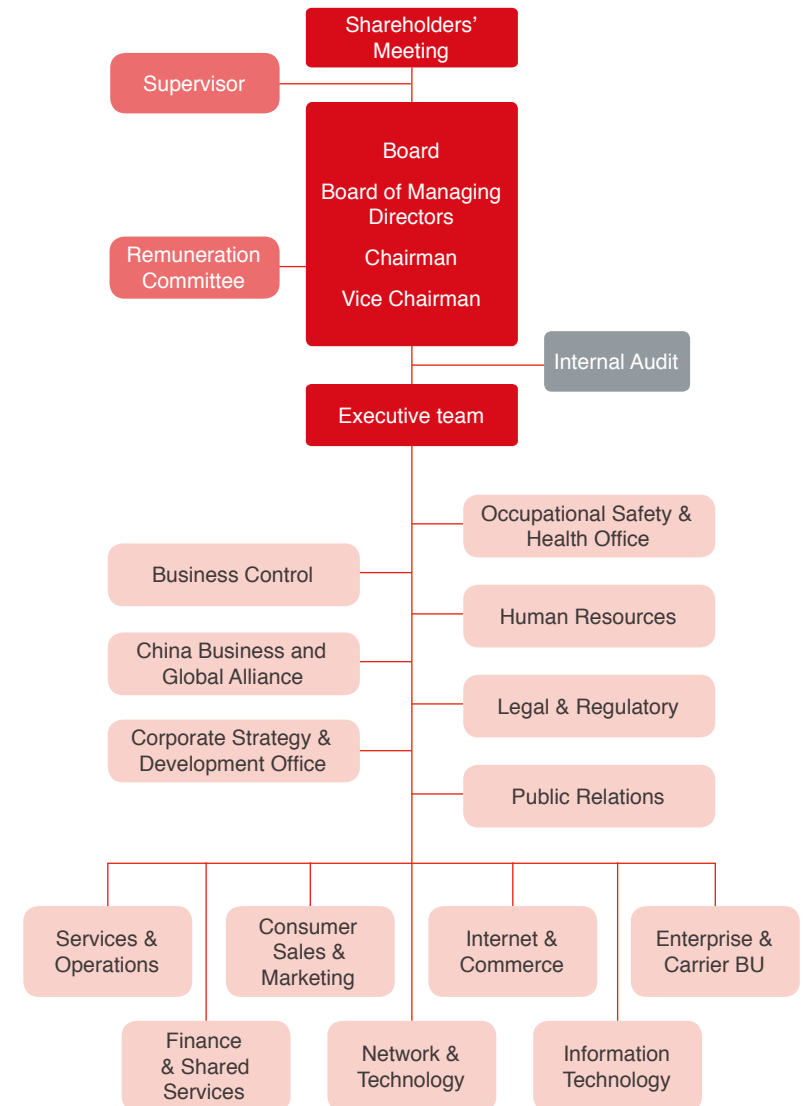# 4.1 Corporate Governance Structure

A sound corporate governance structure is fundamental to sustainable management and the very foundation of consumer trust. Far EasTone Telecommunications Co., Ltd. (FET) has worked to build sound corporate governance and supervision structure since it was established in 1997. FET strives to follow the principle of trustworthy management and communicates actively with stakeholders. Consumer and investor expectations regarding transparency in corporate governance have gradually increased since the financial crisis. In response to this global trend, FET established the Corporate Social Responsibility (CSR) Committee in 2011 to incorporate CSR within our corporate governance structure and make it a key core business strategy. Through sustainable corporate governance, FET aims to integrate related sustainability issues with FET's business strategy and culture, and hopes that corporate governance will enable more responsible and systematic action in response to the concerns of consumers and investors.

FET's Board of Directors (BoD) is FET's highest governance body charged with appointing and supervising the management team, monitoring performance, preventing conflicts of interest and ensuring compliance with laws, regulations, and the Articles of Incorporation of FET. Conforming with the "Securities and Exchange Act", FET set up the "Remuneration Committee" to ensure the reasonable distributions of salaries. Moreover, The Audit Committee will officially operate when the 7th term Board of Directors is elected into the office in June of 2015 and shall make up of three of Independent Directors. The Audit Committee is expected to supervise business risks, internal audit and regulations, and further strengthen FET's internal control and system.

FET has a clearly-defined organizational structure with different business groups under the President's management that work together to realize FET's core business philosophy. The Chairman of the BOD is isolated to establish a governance structure that is objective of independent from management. The existing organizational structure and the responsibilities of each unit in FET are shown as follows. For more details please see the Annual report of 2014.

Corporate Governance Structure

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Board of Directors Governance Principles

The FET Board of Directors consists of 9 Directors and 3 Supervisors, including 2 Independent Directors who ensure the independence of governance and stakeholder inclusiveness. Opinions provided by Independent Directors are always thoroughly taken into considerations. If there are circumstances referred to resolutions of the directors' meetings objected by Independent Directors or subject to qualified opinion, the circumstances should be recorded and FET should make announcement to investors. The Board of Directors was convened 4 times in 2014. Average attendance of Directors was 94% and average attendance of Supervisors was 75%.

To ensure the diversity and professionalism of the Board, FET has enlisted Directors and Supervisors with extensive world-class management experience or academic credentials. Their different fields of expertise provide FET's management with professional, objective experience that guide FET's strategic direction with regard to environmental, social and governance (ESG) issues, so that the best decisions for shareholders and society can be made.

To protect Directors from individual liability and financial loss brought by third-party lawsuits in the course of their duties, the company plans to purchase liability insurance for Directors after the Board is elected in June 2015.

The "FET Corporate Governance Best Practice Principles" ensure the sound and effective operation of the system. Item-by-item voting and electronic ballots were adopted in 2012 with the votes for each motion disclosed on the FET website. A motion was also passed in 2013 to amend the Articles of Incorporation of FET to adopt the nomination system for all candidates in the Board elections and ensure that shareholder rights can be exercised in full. In 2015, FET plans to amend the Principles to include a policy of the diversified composition of Board members in order to maintain sound and effective governance.

Directors and Supervisors

Title	Name	Nationality	Major Education & Experience	Current Position with Other Company
Chairman	Douglas Hsu, Representative of Yuan Ding Co., Ltd.	ROC	President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation Chairman of Asia Cement Co., Ltd. Chairman of Far Eastern Department Stores Ltd. Chairman of Oriental Union Chemical Corp. Chairman of U-Ming Marine Transport Corp. Chairman of New Century InfoComm Tech Co., Ltd. Vice Chairman of Far Eastern International Bank
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	Sweden	Vice Chairman of Far Eastone Telecommunications Co., Ltd.; President of Far Eastone Telecommunications Co., Ltd.; Sr. Executive VP of Satelindo Telecom Indonesia;	None
Managing Director & Independent Director	Lawrence Juen-Yee Lau	Hong Kong (China)	Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Stanford University; Vice-Chancellor (President) of The Chinese University of Hong Kong; Chairman of CIC International (Hong Kong) Co., Limited;	Ralph and Claire Landau Professor of Economics, the Chinese University of Hong Kong; Independent Non-executive Director of CNOOC Limited in Hong Kong; Independent Non-executive Director of Hysan Development Company Limited in Hong Kong Independent Non-executive Director of AIA Group Limited in Hong Kong
Independent Director	Kurt Roland Hellstrom	Sweden	President and CEO of Ericsson Group;	Director of the European Institute for Japanese Studies(Sweden) Director of International Advisory Board of Altimo(Russia)
Director	Champion Lee, Representative of Yuan Ding Investment Co., Ltd.	ROC	President of Yuan Ding Co., Ltd.; Sr. EVP of Far Eastern New Century Corporation	Supervisor of Far Eastern New Century Corporation Supervisor of Asia Cement Co., Ltd. Director of U-Ming Marine Transport Corp
Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	ROC	Vice President of Ding & Ding Management Consultants Co. Ltd.	Vice Chairman of Far Eastern New Century Corporation Director of Asia Cement Co., Ltd. Supervisor of U-Ming Marine Transport Corp.
Director	Johnny Shih, Representative of Yuan Ding Co., Ltd.	ROC	Director of Far Eastern International Bank	Vice Chairman of Far Eastern New Century Corporation Vice Chairman of Oriental Union Chemical Corp. Chairman of Everest Textile Director of Asia Cement Co., Ltd. Independent director of CTCI Corporation
Director	Toon Lim, Representative of Yuan Ding Investment Co., Ltd.	Singapore	Chief Operating Officer, SingTel Group	Advisor, SingTel Group Board Director, APT, Satellite, HK
Director	Keisuke Yoshizawa, Representative of U-Ming Marine Transport Co., Ltd.	Japan	General Manager, AOMORI Branch, NTT DOCOMO, INC.	Executive Director, Strategic Alliance, Global Business Division, NTT DOCOMO, INC
Supervisor	Chen-En Ko	ROC	Dean of the College of Management, National Taiwan University Chairman of Taiwan Corporate Governance Association	Independent Director of E. Sun Financial Holding Co., Ltd□ E.Sun Bank Chang Type Industrial Co., Ltd. and Novatek Co., Ltd.
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	ROC	Vice President of Citibank;	Director & President of Far Eastern International Bank
Supervisor	C.K. Ong, Representative of Asia Investment Corp.	Singapore	Business administration, Nanyang Technological University, Singapore	President of U-Ming Marine Transport Co.,Ltd. President of U-Ming Marine Transport Co.,Ltd.(Singapore)

Source: 6th term of Board of Directors

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Communications among Supervisors and the Company's Chief Auditor

FET Internal Audit performs annual audit plan and is responsible for assisting the BOD and management team to identify deficiencies in the internal control system, to assess the effectiveness and efficiency of business operations, and to provide appropriate improvement suggestions to ensure the effectiveness of internal control system as well as continuous improvement.

Supervisors hold Supervisors' Meeting each quarter and keep minutes of these meetings. The Directors, President and the Company's top management are then notified of important discussions and resolutions. There were four Supervisors' Meetings this year. Supervisors attended on each occasion and the Chief Auditor also reported on audit operations and major internal audit matters, including execution, reporting, and tracking of Supervisors' instructions at the meetings. In addition, Supervisors obtained audit reports submitted by the Chief Auditor on a monthly basis.

Preventing conflicts of interest

No FET Board members are in a cross-shareholding relationship with major suppliers. Article 11 of Regulations for the Board of Directors Meeting specifies that all Directors shall strictly discipline themselves and if any Director or a juristic person represented by a Director is an interested party with respect to any agenda item, the Director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the Director may not participate in discussion or voting on that agenda item, and further, shall recuse themselves during discussion and voting on that item and may not act as another Director's proxy to exercise voting rights on that matter. In the event that a Director violates the principle of withdrawal and joins the voting, his/her voting power is null and void. In the 11th Meeting of the 6th term of the Board of Directors on October 28th, 2014, FET discussed and approved the donation of NT$6 million to Yuan Ze University for the "Innovation Center

for Big Data and Digital Convergence" project. Due to Chairman Douglas Hsu and Director Peter Hsu being the Directors of Yuan Ze University's BoD, therefore both of them needed to withdraw themselves from discussion and resolution to avoid a conflict of interest. The donation was been approved by all of the other Board Directors in attendance.

Remuneration Committee

The FET Remuneration Committee has 3 members, including one Independent Director, and met twice in 2014 with an attendance of 100%. Currently, the main role of the Remuneration Committee is to assess the link between financial performance and compensation. Environmental and social performance is being considered for future inclusion. Please see 2014 Annual Report for more details related to the Conformity of Independence for members in the Remuneration Committee.

The policy, criteria, composition and process to set remuneration for the Board of Directors and Supervisors and the correlation with operational performance and future risk:

There are three kinds of remuneration: compensation, remuneration paid from distribution of earnings and operating allowance. The recommendations in connection with remuneration for directors and supervisors shall be submitted for resolution by Remuneration Committee and the Board of Directors. Operating allowance is a major component of transportation allowance, which is based on consideration of the high tech industry, and is approved by the Board of Directors. The remuneration is determined and adjusted in terms of criteria, structure and system based on not only historical operational performance but also future risk factors, i.e. if in an economic downturn or the operational risk for the Company is rising, the remuneration for the Board of Directors and Supervisors will be lowered accordingly. For remuneration paid from distribution of earnings, the standard is set according to the Articles of Incorporation of the Company. The number of votes each one has received in the election of directors and supervisors, and the effort each has made with regard to the Company's affairs are carefully considered for the purpose of arranging remuneration. In addition, the Remuneration

Committee of the Company will also review and evaluate the salary and remuneration for Directors and Supervisors periodically and submit suggestions to the Board of Directors in order to achieve a balance between sustainable business and risk control.

	2013	2014
The percentage of remuneration paid to the Board of Directors over net income after tax	1.07%	1.06%
The percentage of remuneration paid to the Board of Supervisors over net income after tax	0.06%	0.06%

The policy, criteria, composition, process to set remuneration for President and Vice Presidents and the correlation with operational performance and future risk:

There are three kinds of remuneration paid to the President and Vice Presidents: salary; bonuses and special allowance; and bonuses to employees paid from the distribution of earnings. As salary is compensation paid according to duties performed, macroeconomics and the market standard, which shall fully represent working performance. As items like bonuses and special allowance are a major component of transport allowance, three options can be chosen: fixed amount allowance; rental cars; or allowance by mileage. Bonuses to employees are paid from distribution of earnings according to the Company Articles of Incorporation. Since the bonuses are taken as a fixed percentage of the annual earnings, the amount paid as bonuses is highly correlated with operational performance of the Company. The remuneration is determined and flexibly adjusted in terms of criteria; structure and system based on not only industry standard and historical operational performance but also actual operating situation and amendments to laws / regulations and shall not guide the managerial officers toward bringing risk to the Company solely for higher remuneration. In addition, the Remuneration Committee of the Company will evaluate the salary and remuneration of President and Vice Presidents periodically and submit suggestions to the Board of Directors in order to achieve a balance between sustainable business and risk control.

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	2013	2014
The percentage of remuneration paid to President and Vice Presidents over net income after tax	1.42%	1.64%

Information Disclosure

To provide domestic and foreign investors with accurate and detailed information, the FET website publishes up-to-date financial, business and CSR information. To improve access to information for domestic and foreign shareholders, as well as stakeholders, FET's annual report, meeting agenda, M.O.P.S. notices and website are all available in both Chinese and English. 🌐

Due to the transparency and timeliness of its information disclosure, FET has received the highest possible A++ rating in the "Information Transparency and Disclosure Rankings" from

the Securities & Futures Institute for consecutive 7 years. In 2014, FET was awarded "Best Investor Relations" and "Most Committed to a Strong Dividend Policy" by Finance Asia and "Best CEO", "Best CFO", "Best Investor Relations" and "Best Investor Relations Professional" by Corporate Governance Asia.

Investor Information

As of December 31, 2014, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.28% of Far EasTone's shares. Since Far Eastern New Century and its subsidiaries have the power to cast majority of votes at the meeting of Far EasTone's Board of Directors, Far Eastern New Century has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

Top 10 Major Shareholders on 20 April, 2015:

	Percentages of shares
Yuan Ding Investment Co., Ltd.	32.73
Fubon Life Insurance Co., Ltd.	6.24
NTT DOCOMO INC.	4.71
Cathay Life Insurance Co., Ltd.	3.31
Yuang Tung Investement Co., Ltd.	3.08
Shin Kong Life Insurance Co., Ltd.	3.07
Taiwan Post Co., Ltd.	2.86
Nan Shan Life Insurance Co., Ltd.	1.51
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	1.26
An Ho Garment Co., Ltd.	1.25

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4.2 CSR Governance

The "FET Corporate Social Responsibility Committee" (CSR Committee) was formed in 2011 and is the highest authority in CSR strategic planning and discussions within FET. The chairman of FET serves as the Chairman of the CSR Committee, the president of FET serves as the CEO, and division heads serve as Committee members. There is also a dedicated CSR Secretariat and Expert Groups to provide professional advice. Together, they work to promote and carry out the four main strategic perspectives of sustainability: "Go Prosperous", "Go Innovative", "GoCaring", and "Go Inclusive".

The FET CSR Committee meets regularly to discuss relevant CSR issues and proposals. Various communication channels are also used to strengthen communication with stakeholders. A variety of social, charity and environmental protection initiatives are also used to fulfill FET's CSR goals. In addition to the dedicated CSR Committee, FET has also defined a "FET Corporate Social Responsibility Policy" in accordance to the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" issued by the TWSE and GSTM. The new policy was approved as the guiding principle of FET CSR policies at the 5th meeting of the 6th Board of Directors on April 26, 2013.

FET CSR Committee Structure

FET CSR Committee Structure
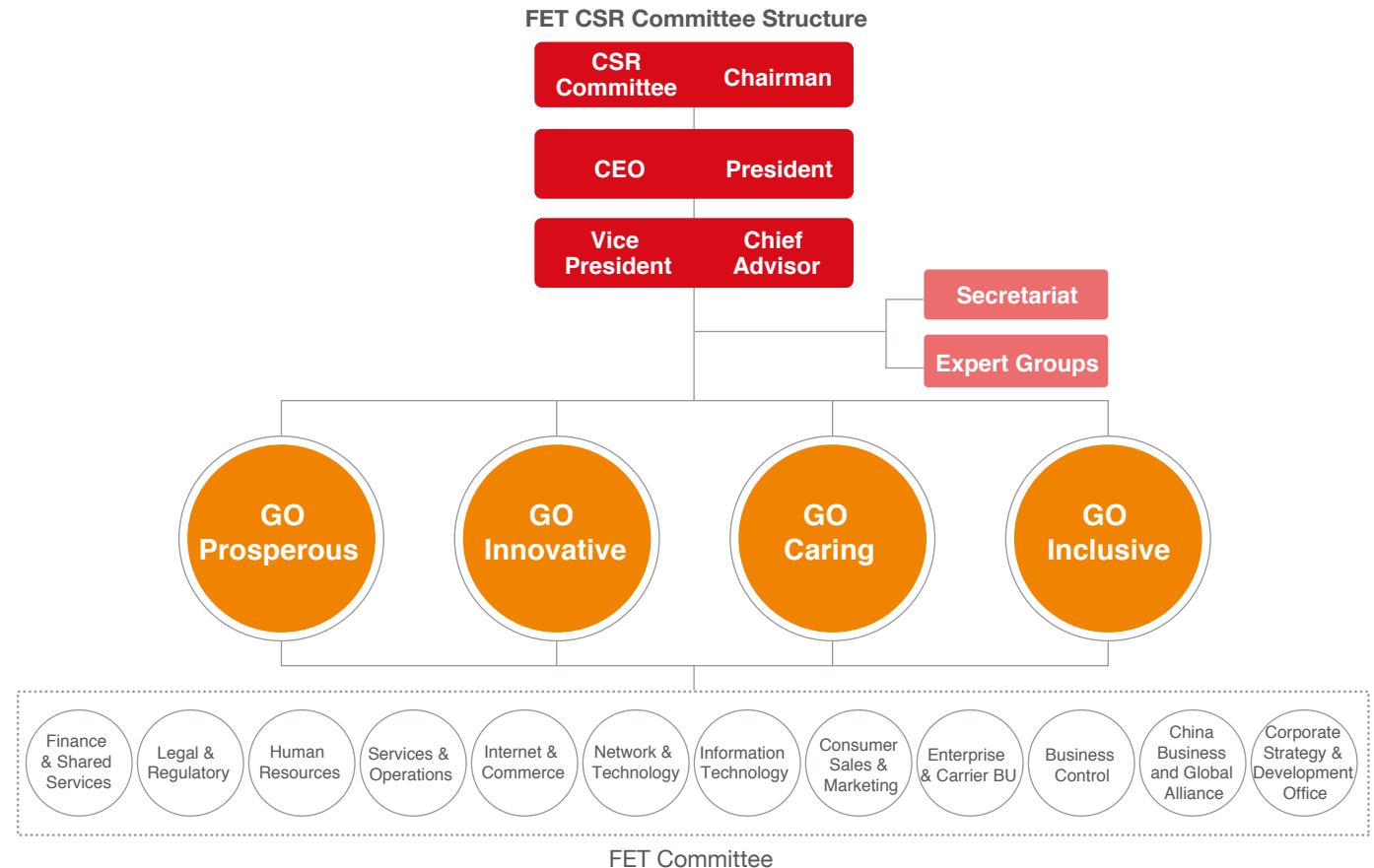
FET Committee

The FET Committee is responsible for formulating FET's CSR vision and strategy, focus areas, the promotion, monitoring, and demonstration of CSR related programs as well as communicating with stakeholders on behalf of the company. Representatives from each unit under the committee are in charge of planning and executing CSR programs. In 2014, the FET CSR Committee has developed the sustainability roadmap covering the period from 2015-2017 and will continue discussion in 2015 to further determine roles and responsibilities of each unit together with detailed action plans.

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4.3 Trustworthy Management

FET practices the highest-level corporate governance principle of trustworthy management through the "The Code of Business Conduct" and "The Code of Ethics". To ensure the transparency of corporate governance, FET also provides disclosure through the FET website, annual reports, public statements and M.O.P.S. The FET e-Paper is used to increase exposure as well. In terms of external governance, FET has incorporated the "The Code of Business Conduct Agreement" into business documents for external use, such as the "Supplier Information Form," to remind stakeholders to obey and respect FET's ethical and integrity standards. FET released the Supplier CSR Guidelines in 2014 to ensure external CSR communication and commitment. The Guidelines incorporate environmental, social and governance elements into the requirement for suppliers. Please see Chapter 3.4 "Go Inclusive" for more details.

In addition, according to the Procedures of Related Party Transaction Management, any donation made by FET to Related Parties should be approved by the Board of Directors. FET has established an ethical corporate culture to prevent unethical conduct: apart from communicating "The Code of Ethics" and "The Code of Business Conduct" through the FET e-Paper, FET also remind staff of the issues of anti-corruption and trustworthy management, and to follow code of conduct from the perspective of daily operation,

The Code of Business Conduct

To establish a corporate culture of trustworthy management that will serve as a keystone of sustainable management, FET defined the "FET Code of Business Conduct" in April 2011. The Guidelines are applicable to all subsidiaries, any trusts that receive over 50% of their funding directly or indirectly from FET, and other entities over which FET has effective control.

The Code of Business Conduct covers bribery, illegal political contributions, and improper charity donations or sponsorships as well as unethical business conduct such as the providing or receiving of unreasonable gifts, hospitality or improper benefits. The Guidelines were used as a guide when defining operating procedures and best practices. The Company will consider the legality of agents, suppliers, customers, or other business counterparties and find out whether these parties have any records of dishonest behaviors before engaging in business contact to avoid making transactions with counterparties with records of dishonest behaviors. When the Company enters into any important contract with another party, the contract shall include clauses of being in conformity with honest business conduct policies and clauses regarding the termination or dissolution of the contract if the counterparty is involved in any dishonest behavior. When the Company's staff conduct business, they shall not directly or indirectly offer, promise, ask or accept any form of illegitimate benefits, including kickbacks, commissions, facilitation fees, nor shall they offer/accept illegitimate benefits to/from customers, agents, suppliers, public servants, or other stakeholders through other channels. For sound management of honest business conduct, HR Department is in charge of stipulation of honest business conduct policies and precautions and regularly reports to the Board of Directors. When the Company's staff find any fact of violation of honest business conduct, they should voluntarily report this to supervisors, managers, internal auditors, HR Department or other appropriate officers. The Company will properly keep the identity of reporters and content of reports confidential.

The Code of Ethics

To provide FET's Directors, Supervisors and employees with a guide to acceptable ethical behavior, FET defined the "FET Code of Ethics" in April 2011, to provide an explicit code of ethical behavior for the FET Board, executives, employees and partners.

The Code of Ethics covers areas such as preventing conflicts of interest, bans on personal gain, maintaining the confidentiality of company and customer data, and fair trade. Other employees' rights and responsibilities during employment are defined in the Guidelines on Employee Hospitality or Reception, Employee Notices and Professional Code of Ethics.

Reporting Pipeline

To implement trustworthy management, FET has set up reporting pipeline for breaches of discipline and the code of ethics. Employees of the company can express their opinions or report offenses against related regulations with the "I Want to Complain" function on the intranet. Other reporting channels include:

Supervisor's e-mail: supervisor@fareastone.com.tw

Internal Audit e-mail: ia@fareastone.com.tw

Procurement Management e-mail: feg_complaint@feg.com.tw

Arcoa's staff can voice their opinions or report transgressions via the 'Speak Your Mind' letter box

About FET   Overview of FET Development Strategy   Business Strategy and Model   **Corporate Governance**   GRI Content Index

4.1 Corporate Governance Structure   4.2 CSR Governance   4.3 Trustworthy Management   **4.4 Corporate Risk Management**   4.5 Compliance   4.6 External Participation
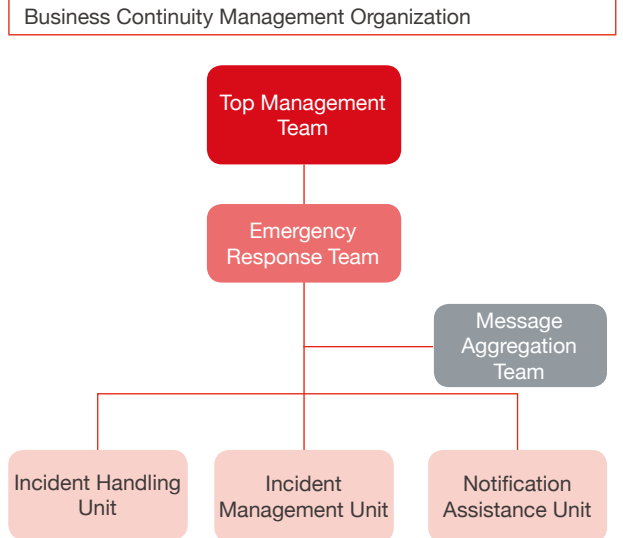
4.4 Corporate Risk Management

The telecommunications industry is highly driven by the development of internet technology, and its operations are becoming ever more complex and dynamic. The impacts of intense competition in the industry, changes in consumer behavior, restrictions imposed by national laws and regulations and natural disasters caused by climate change all require systematic prevention and management mechanisms, so as to appropriately evaluate the risks and opportunities that they present. FET has specially established a corporate security organization to safeguard company assets, reduce potential impact on business, maximize business gains and ensure the sustainability of the company. This security organization designs corporate security policies and frameworks in the areas of operations information, technology, physical security and human resources. In each security domain, consideration is given to the management of security governance, the upholding of necessary standards and regulations, personal information protection, risk management, business continuity management and crisis management. The security organization has already put into effect substantive risk management targets through its solid operation and management.

In 2012, the Corporate Security Committee and Operation Security Committee started to convene periodic security meeting and host trainings and examinations to enhance FET's security management. From 2013, the bi-monthly Information Security e-Paper was published to raise awareness of corporate security issues in the Company. Moreover, FET has reinforced Business Continuity Management since 2014 in order to increase FET's capability to handle emergencies, further mitigating the impact caused by incidents or any disastrous damage.
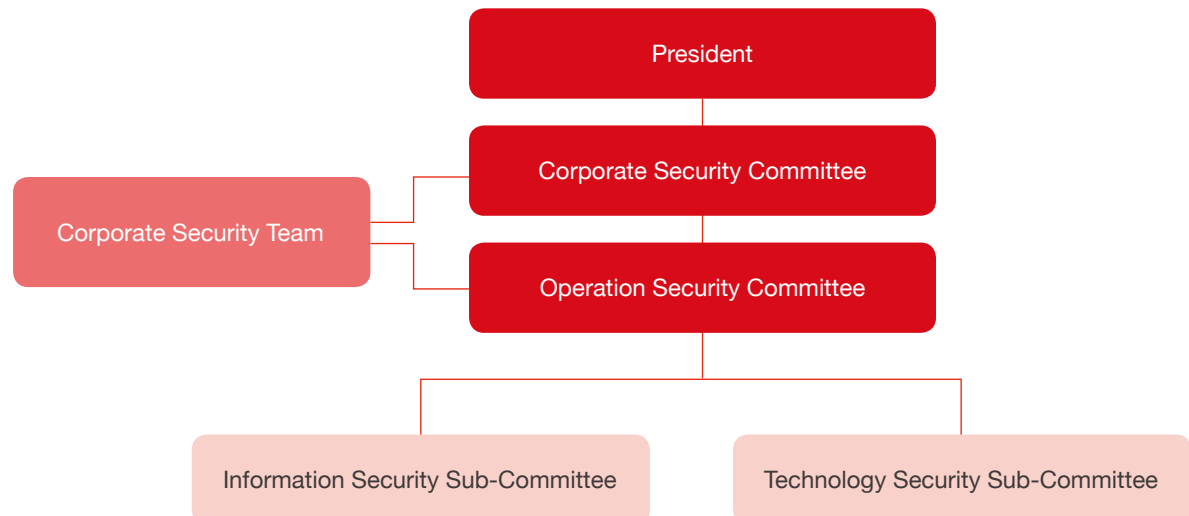
In 2014, FET initiated a project to review incidents which have occurred in the past and established a cross-functional management team, which consists of employees from Retail Stores, Customer Service, Technical and Supporting units,

and integrated mechanism for reporting major disasters and responding to them. To test the mechanism, FET also held training courses and scenario exercises. Through simulation, all units involved can understand their roles and responsibilities clearly and how to communicate with other units in the mechanism. Since March of 2014, FET has already implemented the mechanism on incidents of network service outage and typhoon disaster. With the integrated system, FET can respond instantly and reduce the impact to customers and business operations.

The Corporate Security Committee is the highest unit managing Business Continuity Management. When an incident occurs, the Message Aggregation Team consolidates information from the Incident Management Unit and the Notification Assistance Unit, providing the Emergency Response Team to decide whether to initiate response procedures and reporting to the Top Management Team.

Business Continuity Management Organization

Top Management Team → Emergency Response Team → Message Aggregation Team; Incident Handling Unit, Incident Management Unit, Notification Assistance Unit

The Corporate Security Organization and responsibilities are as follows

President → Corporate Security Committee → Operation Security Committee; Corporate Security Team; Information Security Sub-Committee, Technology Security Sub-Committee

About FET   Overview of FET Development Strategy   Business Strategy and Model   **Corporate Governance**   GRI Content Index

4.1 Corporate Governance Structure   4.2 CSR Governance   4.3 Trustworthy Management   4.4 Corporate Risk Management   **4.5 Compliance**   **4.6 External Participation**

4.5 Compliance

FET fully abides by the relevant regulations and faithfully fulfills our duties through compliance trainings. In 2014, FET delivered two compliance brochures to members of the Board of Directors along with the meeting minutes of the 9th Meeting of the 6th term of Board of Directors on 25th of April and the 11th Meeting of the 6th term of Board of Directors on the 28th of October and announced related compliance topics to all employees via FET e-Paper.

No violation of FET's anti-bribery or anti-trust policy occurred in 2014. However, a penalty of NT$7,200,000 was imposed on the subsidiary New Century InfoComm Tech Co., Ltd ("NCIC" hereafter) by the NCC as a result of NCC inspection finding that NCIC deployed fixed telecommunications network equipment without the NCC's prior approval during 2006~2009. FET announced Material Information on TWSE "Market Observation Post System" on 29 January, 2014 and 13 June, 2014. Subsequently NCIC submitted the improvement plan to replace the relevant equipment, and the deployment has been accomplished with the NCC's approval on 23 December, 2014.

Material changes of policies and regulations in Taiwan and foreign countries published between 2014 and the report's date of publication:

► **Amendment of Telecommunications Act and Convergence Act**

In response to the maturity and development of the convergence environment, the Executive Yuan has amended the Telecommunications Act and 3 bills concerning the broadcasting business and completed adjustment and legal background needed for a regulatory framework for digital convergence through the "Digital Convergence Policy", which was approved in May, 2012. For this, the NCC is going to successively investigate all issues in digital convergence regulation, consulting public opinion and convening a series of public fearing.

► **Releasing 2600 MHz spectrum for Mobile Broadband Businesses Licenses**

The National Communications Commission has set the annual budget and plans to sell 190MHz of bandwidth at 2600MHz. The 2600MHz wireless frequency spectrum is a high-frequency spectrum, suitable for serving as a capacity band in urban areas, and we intend to bid, in order to provide clients with a comprehensive, faster mobile broadband Internet service.

4.6 External Participation

Apart from the active implementation of internal corporate governance, FET also closely monitors the latest developments in domestic and foreign industry as well as playing an active role in related telecommunications industry and CSR associations. These actions ensure that FET's corporate governance is capable of responding to important proposals and initiatives in Taiwan and overseas, as well as the latest industry developments, in order to boost business competitiveness. FET was a member of the following associations in 2014.

External Associations	Participation
Taiwan Telecommunication Industry Development Association (TTIDA)	Director : 3 Supervisor : 1
Taiwan Internet Association (TWIA)	Director : 2
Taiwan Communications Society (TCS)	Director : 1
Taiwan Corporate Governance Association	
Taiwan Network Information Center (TWNIC)	Director : 1
Taiwan Digital Publishing Forum(TDPF)	Director : 1
Taiwan Contact Center Development Association (TCCDA)	Executive Director : 1
Intelligent Transportation Society (ITS)	Director : 1
Taiwan Cloud Computing Consortium (TCCC)	Director : 1
GSM Association (GSMA)	
Mobile First (former SIG_Special Interest Group)	
Taiwan Internet and E-Commerce Association (TiEA)	
Chinese National Association of Industy and Commerce, Taiwan (CNAIC)	Executive Director
Business Council for Sustainable Development of Taiwan (BCSD Taiwan)	
Taiwan Intelligent Aerotropoli Association (TIAA)	

GRI Content Index

Note: All indices disclosed in this report are verified by an external organization; please see the declaration in the appendix for further details. There are no omissions in the indices in Specific Standard Disclosure.

General Standard Disclosure			
Indicator	**Indicator Description**	**Corresponding Chapter**	**Other Remarks**
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	From the President	
G4-2	Description of key impacts, risks, and opportunities	1.2 External Environment Analysis	
Organizational Profile			
G4-3	Name of the organization	1.1.1 Company History	
G4-4	Primary brands, products, and/or services	1.1.3 Business Scope	
G4-5	Location of organization's headquarters	1.1.1 Company History	
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	1.1.3 Business Scope	
G4-7	Nature of ownership and legal form	1.1.1 Company History 4 Corporate Governance	
G4-8	Markets served	1.1.3 Business Scope	
G4-9	Scale of the organization	3.1.1 Growth in All Areas	
G4-10	Total workforce by employment type, gender, employment contract and region	3.1.1 Growth in All Areas 3.4.6 Friendly Workplace	
G4-11	Percentage of employees covered by collective bargaining agreements		FET does not have a union
G4-12	Describe the organization's supply chain	3.4.1 Friendly Program for Connecting the Value Chain	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, or ownership or its supply chain		No major changes at FET in 2014. See 2014 Annual Report for details
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	4.4 Business Risk Management	

General Standard Disclosure			
Indicator	**Indicator Description**	**Corresponding Chapter**	**Other Remarks**
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	4.6 External Participation 3.4.4 Reducing the Social Impacts of Operations	
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations	4.6 External Participation	
Identified Material Aspects and Boundaries			
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents	About This Report 1.1.2 Investments	
G4-18	Process for defining report content and the Aspect Boundaries and explain how the organization has implemented the Reporting Principles for Defining Report Content	About This Report 1.4 Material Issues Identification and Response	
G4-19	List all the material Aspects identified in the process for defining report content	1.4 Material Issues Identification and Response	
G4-20	The Aspect Boundary within the organization	1.4 Material Issues Identification and Response	
G4-21	The Aspect Boundary outside the organization	1.4 Material Issues Identification and Response	
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements	About This Report	The data that involved changes in boundary were clearly marked as such as in the report and past data
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	About This Report	
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization	1.3 Stakeholder Engagement	
G4-25	Basis for identification and selection of stakeholders with whom to engage	1.3 Stakeholder Engagement	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	1.3 Stakeholder Engagement	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Overview of FET Development Strategy	
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About This Report	
G4-29	Date of most recent previous report	About This Report	
G4-30	Reporting cycle	About This Report	
G4-31	Contact point for questions regarding the report or its contents	About This Report	

General Standard Disclosure			
Indicator	**Indicator Description**	**Corresponding Chapter**	**Other Remarks**
G4-32	The 'in accordance' option the organization has chosen, the GRI Content Index for the chosen option and the reference to the External Assurance Report	About This Report	
G4-33	Policy and current practice with regard to seeking external assurance for the report	About This Report	
Governance			
G4-34	Governance structure of the organization	4.1 Corporate Governance Structure	
Ethics and Integrity			
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	4.3 Trustworthy Management	

Specific Standard Disclosures				
Material Aspects	**DMA and Indicators**	**Indicator Description**	**Corresponding Chapter**	**Reason for Omissions**
Economic Aspect				
Economic Performance	DMA		3.1 Go Prosperous	
	G4-EC1	Direct economic value generated and distributed	3.1 Go Prosperous	
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	4.4 Business Risk Management 1.2.5 Critical Corporate Sustainability Risks	
	G4-EC3	Coverage of the organization's defined-benefit plan obligations	3.4.6 Friendly Workplace	
	G4-EC4	Significant financial assistance received from governmen	3.1 Go Prosperous	
Market Presence	DMA		3.4.6 Friendly Workplace	
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	3.4.6 Friendly Workplace	
	G4-EC6	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		100% of FET employees are local nationals

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Specific Standard Disclosures				
Material Aspects	**DMA and Indicators**	**Indicator Description**	**Corresponding Chapter**	**Reason for Omissions**
Indirect Economic Impacts	DMA		See EC7 and ECB8	
	G4-EC7	Development and impact of infrastructure investments and services supported	3.1.4 Infrastructure Investment	
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	3.1.3 Stakeholder-related Expenditure 3.3.1.2 Diversified Rate Plans 3.2.3 Fostering Innovation in Society	
Purchasing Practices	DMA		3.4.2 Supplier Management	
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	3.4.2 Supplier Management	
Environmental Aspect				
Energy	DMA		3.4.3 Reducing the Environmental Impacts of Operations	
	G4-EN3	Energy consumption within the organization	3.4.3 Reducing the Environmental Impacts of Operations	
	G4-EN5	Energy intensity	3.4.3 Reducing the Environmental Impacts of Operations	
	G4-EN6	Reduction of energy consumption	3.4.3 Reducing the Environmental Impacts of Operations	
	G4-EN7	Reductions in energy requirements of products and services	3.4.3 Reducing the Environmental Impacts of Operations	
Emissions	DMA		3.4.3 Reducing the Environmental Impacts of Operations	
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	3.4.3 Reducing the Environmental Impacts of Operations	Converted from EN3 statistics
	G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	3.4.3 Reducing the Environmental Impacts of Operations	Converted from EN3 statistics
	G4-EN18	Greenhouse gas (GHG) emissions intensity	3.4.3 Reducing the Environmental Impacts of Operations	
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	3.4.3 Reducing the Environmental Impacts of Operations	

Specific Standard Disclosures				
Material Aspects	**DMA and Indicators**	**Indicator Description**	**Corresponding Chapter**	**Reason for Omissions**
Effluent and Waste	DMA		3.4.3 Reducing the Environmental Impacts of Operations	
	G4-EN23	Total weight of waste by type and disposal method	3.4.3 Reducing the Environmental Impacts of Operations	
Products and Services	DMA		3.4.5 Reducing the Environmental Impacts of Products	
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	3.4.5 Reducing the Environmental Impacts of Products	
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	3.4.5 Reducing the Environmental Impacts of Products	
Compliance	DMA			
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No related incidents in 2014
Overall	DMA		2 Overview of FET Development Strategy	
	G4-EN31	Total environmental protection expenditures and investments by type	2 Overview of FET Development Strategy	
Labor Practices and Decent Work				
Employment	DMA		3.4.6 Friendly Workplace	
	G4-LA1	Total workforce by employment type, employment contract and region	3.4.6 Friendly Workplace	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	3.4.6 Friendly Workplace	
	G4-LA3	Return to work and retention rates after parental leave, by gender	3.4.6 Friendly Workplace	
Labor/Management Relations	DMA			
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		FET does not have a union
Occupational Health and Safety	DMA		3.4.6 Friendly Workplace	
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	3.4.6 Friendly Workplace	

		Specific Standard Disclosures		
Material Aspects	**DMA and Indicators**	**Indicator Description**	**Corresponding Chapter**	**Reason for Omissions**
Training and Education	DMA		3.4.6 Friendly Workplace	
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	3.4.6 Friendly Workplace	
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	3.4.6 Friendly Workplace	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	3.4.6 Friendly Workplace	All employees undergo regular performance reviews
Diversity and Equal Opportunity	DMA		3.4.6 Friendly Workplace	
	G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	3.4.6 Friendly Workplace	
Equal Remuneration for Women and Men	DMA		3.4.6 Friendly Workplace	
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	3.4.6 Friendly Workplace	
Labor Practices Grievance Mechanisms	DMA		3.4.6 Friendly Workplace	
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	3.4.6 Friendly Workplace	
Human Rights Aspect				
Non-discrimination	DMA		3.4.6 Friendly Workplace	
	G4-HR3	Total number of incidents of discrimination and actions taken		No such incident in 2014
Freedom of Association and Collective Bargaining	DMA		3.4.6 Friendly Workplace	
	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights		No such incident in 2014
Forced or Compulsory Labor	DMA		3.4.6 Friendly Workplace	
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor		No such incident in 2014
Human Rights Grievance Mechanisms	DMA		3.4.6 Friendly Workplace	
	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	3.4.6 Friendly Workplace	
Society Aspect				

		Specific Standard Disclosures		
Material Aspects	**DMA and Indicators**	**Indicator Description**	**Corresponding Chapter**	**Reason for Omissions**
Local Communities	DMA			
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	3.3 Wow! Service 3.4.7 Supporting Social Welfare	
Anti-Corruption	DMA		4.3 Trustworthy Management	
	G4-SO4	Communication and training on anti-corruption policies and procedures	4.3 Trustworthy Management	
	G4-SO5	Confirmed incidents of corruption and actions taken		No such incident in 2014
Anti-competitive Behavio	DMA		4.3 Trustworthy Management	
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		No such incident in 2014
Compliance	DMA		4.5 Compliance	
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.5 Compliance	
Grievance Mechanisms for Impacts on Society	DMA		3.3.4 Service Management and Metrics	
	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		No such incident in 2014
Product Responsibility				
Customer Health and Safety	DMA		3.4.4 Reducing the Social Impacts of Operations	
	G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvemenr	3.4.4 Reducing the Social Impacts of Operations	
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		No such incident in 2014
Product and Service Labeling	DMA		3.3 Wow! Service	
	G4-PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	3.3 Wow! Service	
	G4-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 such incident in 2014
	G4-PR5	Results of surveys measuring customer satisfaction	3.3.4 Service Management and Metrics	

Specific Standard Disclosures				
Material Aspects	DMA and Indicators	Indicator Description	Corresponding Chapter	Reason for Omissions
Marketing Communications	DMA		3.3.2 Service Development and Training	
	G4-PR6	Sale of banned or disputed products	3.3.2 Service Development and Training	
	G4-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	3.3.2 Service Development and Training	
Customer Privacy	DMA		3.3.3 Service Support System	
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No such incident in 2014
Compliance	DMA		3.4.4 Reducing the Social Impacts of Operations	
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	3.4.4 Reducing the Social Impacts of Operations	

Telecommunications Sector Supplement				
Material Aspects	Indicator	Indicator Description	Page and Remarks	Reason for Omissions
Investments	IO1	Capital investment in telecommunication network infrastructure broken down by region	3.1.4 Infrastructure Investment	
	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.	3.1.4 Infrastructure Investment	
Health and Safety	IO3	Practices to ensure health and safety of personnel involved in installation, operation and maintenance of masts, base stations, laying cables and other outside plant.	3.4.2 Supplier Management	
	IO5	Compliance with ICNIRP standards and guidelines on exposure to radiofrequency (RF) emissions from base stations.	3.4.4 Reducing the Social Impacts of Operations	
Infrastructure	IO7	Actions to decide the siting of masts and transmission sitesincluding:stakeholder consultation, site sharing, and initiatives to reduce visual impacts.	3.4.4 Reducing the Social Impacts of Operations	
	IO8	Number and proportions of stand-alone, shared sites and sites on existing structures	3.4.4 Reducing the Social Impacts of Operations	

Telecommunications Sector Supplement				
Material Aspects	**Indicator**	**Indicator Description**	**Page and Remarks**	**Reason for Omissions**
Bridging the Digital Divide	PA1	Polices and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas.	3.1.4 Infrastructure Investment	
	PA2	Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include an explanation of business models applied	3.3.1.2 Diversified Rate Plans 3.3.2 Service Development and Training	
	PA3	Strategies and actions to ensure the availability and reliability of telecommunications products and services and quantify	3.1.4 Infrastructure Investment 1.2.4 The FET Advantage 3.2.4 Software Development and Technological Innovation	
	PA4	Level of availability of telecommunications products and services in areas where the organisation operates.	3.1.4 Infrastructure Investment	
	PA5	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population.	3.3.1.2 Diversified Rate Plans	
	PA6	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief	3.3.5 Major Event Support Station	
Access to Content	PA7	Strategies and actions to manage human rights issues relating to access and use of telecommunications services	3.3.1.2 Diversified Rate Plans 3.4.4 Reducing the Social Impacts of Operations 3.4.7 Supporting Social Welfare	
Customer Relations	PA8	Strategies and actions to publicly communicate on EMF-related issues	3.4.4 Reducing the Social Impacts of Operations	
	PA9	Investments in activities in electromagnetic field research	3.4.4 Reducing the Social Impacts of Operations	
Resource Efficiency	TA1	Examples of resource efficiency of telecommunications products and services delivered	3.2.3 Software Development and Technological Innovation	
	TA2	Examples of telecommunication products, services and applications that have the potential to replace physical objects	3.2.3 Software Development and Technological Innovation	
	TA3	Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above.	3.2.3 Software Development and Technological Innovation	
	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. This may include social consequences as well as environmental.	3.2.3 Software Development and Technological Innovation	
	TA5	Describe actions in intellectual property rights and open source technologies	3.2.2 Fostering Innovation in Society	

SGS

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 2014

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 (hereinafter referred to as CSR Report) of 2014. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables contained in this report.

The information in the FET's CSR Report of 2014 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 CSR Report of 2014.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of assurance 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 (hereinafter referred to as GRI) Sustainability Reporting Guidelines and the AA1000 Assurance Standard (2008). 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 the report content veracity at a high level of scrutiny for FET and subsidiaries;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the GRI Sustainability Reporting Guidelines (G4 2013); and
- evaluation of the report against Global Reporting Initiative Telecommunications Pilot Sector Supplement.

The assurance comprised a combination of pre-assurance research; interviews with relevant superintendents, CSR office members and the senior management at headquarter; 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 ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation 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 CSR Report of 2014 verified is accurate, reliable and provides a fair and balanced representation of FET sustainability activities in 01/01/2014 to 12/31/2014.

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 fourth to be assured by an independent assurance team and FET has taken a bold step by offering the report to evaluation against both GRI G4 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 GRI G4 Core Option and AA1000 Assurance Standard (2008) Type 2, High level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES CONCULSIONS, FINDINGS AND RECOMMENDATIONS
Inclusivity
FET has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, media, government authorities, and NGOs, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. FET may consider having more direct two-ways involvements of stakeholders to identify relevant issues for future reporting.
Materiality
FET has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.
Responsiveness
The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS
The report, FET's CSR Report of 2014, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, G4-17 to G4-27, are correctly located in content index and report. More disclosures on the short-term goals and targets for each material aspects are recommended. It may also be considered to have more disclosures on governance GSDs, and the supply chain screening and assessment SSDs may be further enhanced in future reports.

Signed:
For and on behalf of SGS Taiwan Ltd.

AA1000
Licensed Assurance Provider
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Dennis Yang, Chief Operating Officer
Taipei, Taiwan
11 June, 2015
WWW.SGS.COM

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