

2015 FET Corporate Social Responsibility Report

Preface

As the compilation of corporate social responsibility (CSR) reports enters the mainstream, there are a growing number of benchmark companies around the world that have chosen to publish their financial and non-financial performance, as well as their overall sustainability development strategy, in the form of Integrated Reports (IR). This helps to improve communication with stakeholders, especially investors; and at the end of 2013, the International Integrated Reporting Council (IIRC) formally published its International IR Framework. This framework helps to provide companies with general guidelines on how to integrate their reporting of financial and non-financial information.

FET strongly believes that sustainability should be integrated into its core business as a telecommunications service provider. As such, a CSR report should not only be used for disclosing a company's environmental, social and governance (ESG) performance over the past year, but should also highlight the challenges and opportunities it faces on the road to sustainability, along with the strategic response from management. For this reason, we made reference to the International IR Framework, in addition to the GRI G4 Guidelines, to compile for the second year in succession an integrated report that presents a comprehensive view of our past, present and future. Within the report, we also seek to articulate our corporate values to investors and other stakeholders. We aspire to be a pioneer when it comes to the publication of IR in Taiwan, encouraging interest and discussion amongst other businesses, as well as further promoting international trends in information disclosure.



It is recommended reading with smartphones; readers can directly link to FET website through scanning QR codes in this report for more information.

Table of Contents

About This Report	04
From the Chairman	05
From the President	06
Overview of 2015 Operations	07

1 Overview of FET Development Strategy	09
1.1 Value Creation Model	10
1.2 FET Sustainability Strategy	12
1.3 FET Sustainability Goals	15

2 Operating Context Analysis	17
2.1 External Environment Analysis	18
2.2 Stakeholder Engagement and Materiality Analysis	23

3 Business Strategy and Operational Model	30
3.1 Go Prosperous	31
3.2 Go Innovative	36
3.3 Go Caring	43
3.4 Go Inclusive	58

4 Corporate Governance	73
4.1 Corporate Governance Structure	74
4.2 Corporate Social Responsibility Governance	80
4.3 Ethical Corporate Management	81
4.4 Operational Risk Management	82
4.5 Compliance	83
4.6 External Participation	83

5 Future Outlook	84
GRI G4 Index	86

About This Report

This is the fifth CSR report published by Far EasTone Telecommunications Co., Ltd. and its subsidiaries (hereinafter referred to as "FET"). It is also our second Integrated Report (IR).

Report Cycle and Period

FET's IR is published on an annual basis. The previous report (2014) was published in June 2015. From 2015 onwards, we seek to publish our CSR report by June 30th 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 (for the 2016 cycle) will be published in June 2017.

The report which follows here encompasses information related to FET in 2015 (January 1, 2015 to December 31, 2015), including management approach, material issues and performance. To provide readers with a better grasp of the reported information, data for the past three years has been presented for comparison purposes.

Report Boundary

In consideration of their financial materiality and relations, the boundary of this report encompasses 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 revenues of these three companies constitutes 96% of FET's consolidated revenue. Financial data presented within this report is derived from the CPA-audited consolidated financial report for FET and its subsidiaries. Please refer to the 2015 Consolidated Financial Report for information on individual entities included within the consolidated reports. As for the scope of greenhouse gas emissions data presented within this report, it aligns with that of the ISO 14064-1 Verification Opinion Statement. For information on FET's individual and affiliated entities, as well as investments, please refer to the 2015 Annual Report.

From 2010 onwards, after NCIC had agreed to entrust all of its operations to FET following on from an extraordinary shareholders meeting, all references to "FET" or "the company" in this report refer to both FET itself and NCIC. Unless explicitly mentioned, FET refers to all entities within the report boundary, namely FET, NCIC and ARCOA. The scope of information and data within this report includes the financial, environmental and social performance of these three companies. Financial information that represents consolidated data will be indicated accordingly. Information and performance data that are presented separately in this report for FET, NCIC and ARCOA

remain comparable. Any changes to the scope or calculation methods of information and data are explained in corresponding chapters, and data from previous years will have been recalculated accordingly.

Report Content Management and Auditing

Contents of the FET IR are compiled and provided by the business units. To ensure that the contents of the report are correct and meet the expectations of stakeholders, the FET CSR Committee regularly reviews the report and makes recommendations. The contents were approved by the heads of business units and approved by the President before publication.

Report Format and Third-party Verification

The format of this report follows the International IR Framework published by the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (core option), and the G3.1 Sector Supplement for the Telecommunications Industry (Pilot Version).

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

Contact Information

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

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

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

Telephone: +886-2-7723-5000 ext. 17635 (Ms. Chen)

Email: pr@fareastone.com.tw

FET CSR
Website



FET CSR on
Facebook



FET CSR
Survey



From the Chairman

Overturning Management Thinking to Enable Corporate Sustainability to Take Root

As the waves of the digital generation hit the world, the global landscape is reshaped; the rise of mobile network and Internet of Things (IoT) makes “sharing and connecting” penetrate people's daily life. The emerging millennium generation was born to be Digital Natives – a group of people who are familiar with a variety of high tech products and challenge daily existing consumer behavior expectations. As digital technology blurs the boundary of industries, and as competitors are able to emerge from multiple different channels, enterprises find themselves faced with a multitude of new challenges. To overcome these challenges, management models must evolve, and conventional management thinking has to be reversed in order to lay the foundation for sustainable growth.

Far EasTone (“FET”) is dedicated to being the Preferred Partner in Digital Life. In 2015, FET's IoT and cloud big data application businesses experienced rapid growth and communications service further penetrated every aspect of citizen's lives. In addition, the rise of smart home, smart commerce, and smart city is transforming consumer lifestyles and creating whole new digital life experiences.

In the midst of such change, FET became the first Asian telecom operator to provide 700/1800/2600MHz tri-band service, illustrating FET's position as Taiwan's leading telecom operator. Since the formal launch of 2600MHz in March 2016, we have already transitioned from 4G to 4.5G age. Moving forward, we seek to offer the most compelling Internet speeds with our quad band technology. We will continue to drive to achieve the highest speed possible with quad band technology. Some of the technologies which were only previously seen in Sci-Fi movies; such as mobile networks, automation of intellectual

work, advanced robots, driverless cars, next generation genetic technologies, and energy storage systems, will come to reality with the evolution of digital technology.

Developing Group Synergy to Take On the New Digital Age

As Alice's Adventures in Wonderland suggests: “it takes all the running YOU can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!” In the face of consistently changing political and economic situations, as well as technologies, FET has continued to transform itself and dared to enter new industries to try new things that leverage its core capabilities. Internally, we regularly review positive abandonment, enhance resource allocation, and cultivate innovative ability to link industries in the Group to develop synergies. Externally, FET targets at demand of customers to provide differentiated services and innovative products, and allow consumers to become their own producers through enhanced interactions and online media to cope with challenges of digital age.

We seek not only to provide a higher quality of service to over 7 million subscribers in Taiwan through the collective efforts of all of our employees and suppliers, but also hope to gain comprehensive affirmation from our shareholders and stakeholders as we look to realize the vision of “FET Connects and Enriches Life” together.

Douglas Hsu
Far EasTone Chairman

徐旭東



From the President

Charging Forward and Advancing on the Road of Success

In 2015, public opinion and changing regulation from the Financial Supervisory Commission fueled an explosive growth in the number of enterprises publishing Corporate Social Responsibility Reports in Taiwan. As companies compete to publish CSR Reports, FET has stayed ahead of the curve by publishing Taiwan's first Integrated Report that effectively combined financial and the non-financial information while emphasizing risks and future operating strategies. The report thoroughly analyzed the holistic picture of enterprise sustainable management, and stands as a pioneering report. It triggered enthusiastically positive responses and stressed FET's determination and accomplishments in corporate governance transparency and sustainable management.

For implementation of sustainability governance, we have established the 4G Sustainability Strategy — “Go Prosperous”, “Go Innovative”, “Go Caring”, and “Go Inclusive”. The CSR Committee held several meetings to confirm action plans and future goals, develop comprehensive digitized and mobile services, foster corporate sustainability, and implement corporate social responsibility.

Our efforts have been positively recognized. In 2015, we successfully obtained the highest honor as one of the TCSA's “Ten Most Sustainable Company Award”. For two consecutive years, we were rated as top 5% of companies in the Corporate Governance Evaluation ranking system instituted by the Financial Supervisory Commission. In terms of customer service, we have, for four years in a row, been awarded a gold medal in “Chain Telecommunications Channel” in the Service Survey organized by the Commercial Times.

Leveraging the FET Brand to Expand our CSR Influence

In recent years, FET has worked to encourage society at large to positively communicate and care for one's family, friends and communities through the “Express your love. Let it be heard” brand influence. Internally, the core value of “Trustworthy, Proactive, Innovative, Accountable, Collaborative” is carried through. We emphasize career development for our employees and we promote a culture of positive communication and expression, moving towards the goal of becoming employees' choice of “Best Company to Work For”.

To actively implement corporate social responsibility, and transform our brand influence into actual influence, we called upon society to focus on air pollution with the “Cherish the Earth, Spread Love Far” series of activities in 2015. We also actively promoted digital picture book competitions and volunteer teaching program to promote environmental education. We focused on youth issues by supporting campus EQ seminars and fund-raising campaigns for “Save Abandoned Children”. When natural disasters batter Taiwan, we always stand with Taiwan, and we strive to provide maximum support by dedicating our manpower, physical, and financial resources. As Typhoon Soudelor struck the country or as southern Taiwan was shaken by a large earthquake, our personnel immediately went into the disaster areas to perform emergency repair work.

Looking ahead, FET's 4G Sustainability Forces will continue to be our driving force on the path of corporate sustainability. We hope to grow with our stakeholders, improve life quality with innovative applications and services, and stress the importance of positive communication within our society. With the spirit of the “Express your love. Let it be heard” campaign, FET aspires to be a force that helps drive progress and positive change within Taiwan.



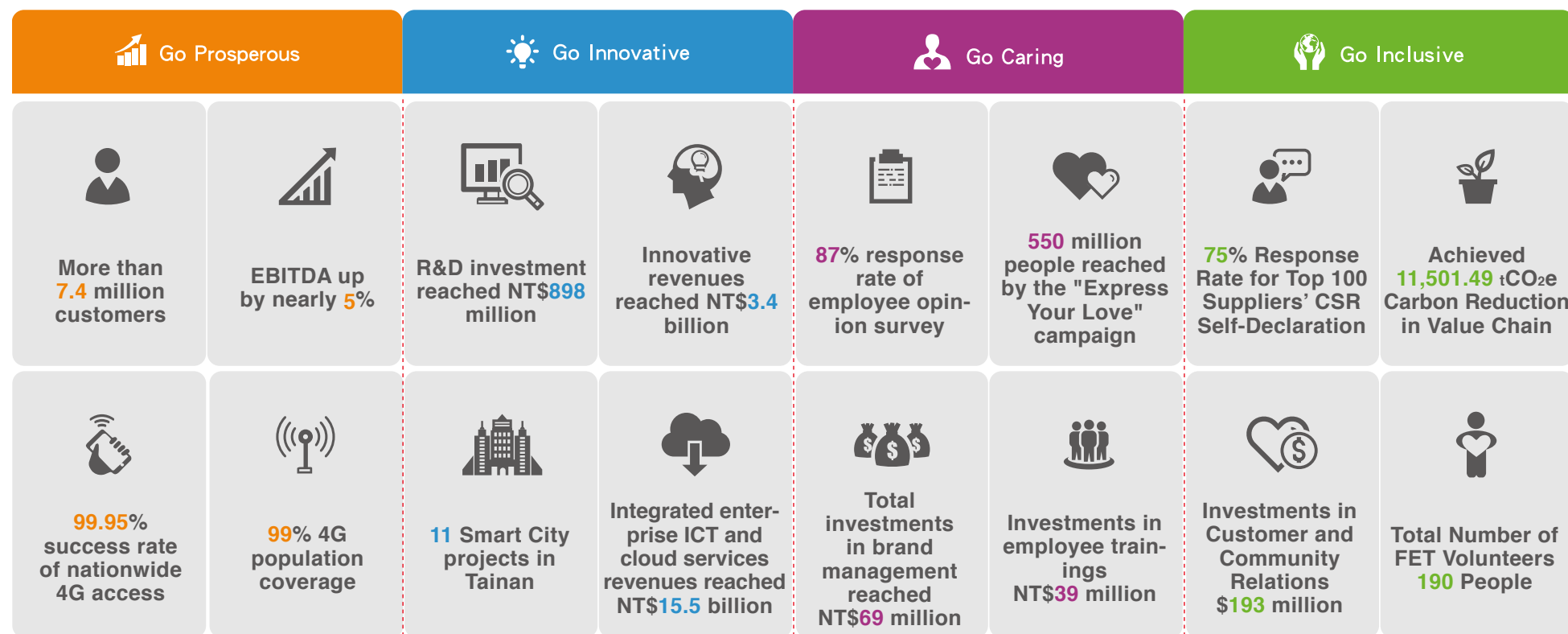
Yvonne Li
Far EasTone President

A handwritten signature in black ink, consisting of stylized Chinese characters, enclosed in a large right-facing curly bracket.

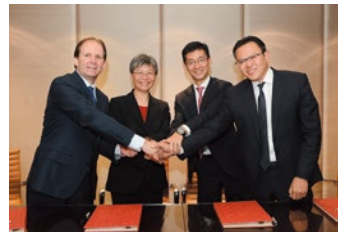
Overview of Operations in 2015

Far EasTone Telecommunications Co., Ltd. (the parent company) was established with the approval of the Ministry of Economic Affairs on April 11, 1997. Leveraging its strength in technical resources and sound finances, FET secured two mobile licenses in 1997, with the roll-out of the network proceeding rapidly thereafter. Official operations commenced on January 20, 1998. The parent company was listed on the GreTai Securities Market on December 10, 2001, and has been trading on the Taiwan Stock Exchange since August 24, 2005 (TWSE: 4904).

With 4G services becoming increasingly popular in Taiwan, FET obtained four LTE frequency bands in 2015 in order to provide consumers with ever faster and broader coverage of 4G Internet services. Adhering to our brand spirit of "Closing the Distance," we are dedicated to providing consumers with a better quality of service and responding to their diversified demands for smart mobile devices, application services, and cross-platform digital integration, as well as realizing our corporate social responsibility.



- Review of Corporate Responsibility Implementation
- Business Development Milestones



Chapter 1

► Overview of FET Development Strategy

- 1.1 Value Creation Model
- 1.2 FET Sustainability Strategy
- 1.3 FET Sustainability Goals

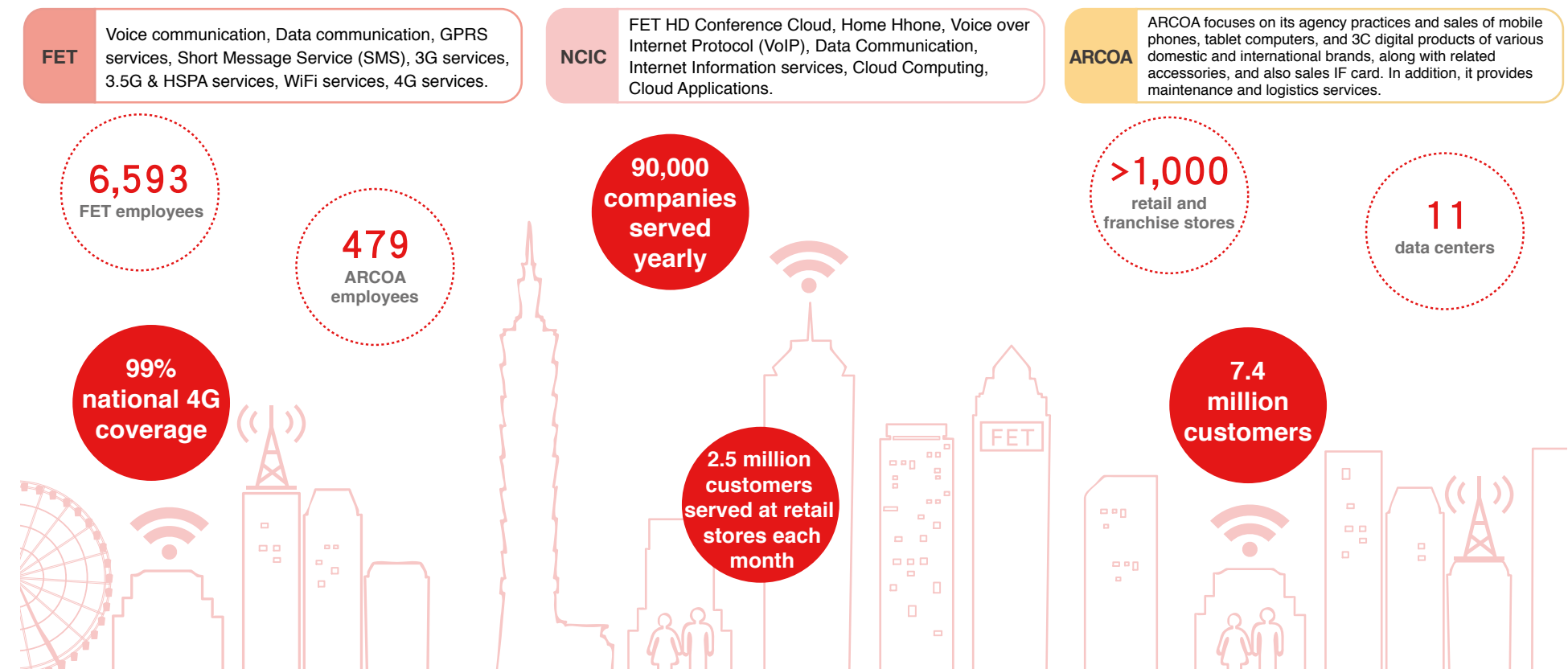


1 Overview of FET Development Strategy

1.1 Value Creation Model

1.1.1 FET Business Model

FET and its subsidiaries, NCIC and ARCOA, operate predominantly in Taiwan and provide seven main services: mobile service communications, fixed line communications, Internet access services, circuit rental services, sales of communication equipment and accessories, maintenance services and logistics services. Our business model and services are as follows:



1.1.2 The FET Advantage

WOW! Service that Exceeds Customer Expectations

Given that telecommunication services are characterized by high product homogeneity and intense competition, here at FET we strive to differentiate our brand through personal and caring services. Our corporate spirit of "Closing the Distance" is not only what the communications industry is ultimately all about, but is also realized through our customer service. By delivering a service with a wow factor, we breathe life into the FET brand. Our customer service center provides 24/7 support, and consumers can seek assistance by phone, email, or via the FET Self-Care App. Due to the popularity of mobile Internet, we also have a "online chat" service to enable consumers to receive service-related information anytime, anywhere. In addition, we have also set up a mobile phone experience room in our customer service center. This provides our customer service personnel with hands-on service opportunities. Customer service personnel here at FET understand the difficulties that consumers encounter when using smart devices, and by having the ability to communicate issues and solutions with customers, professional capabilities are enhanced and our service is driven to become the benchmark for the industry.

Asia's First 700/1800/2600MHz Tri band Service

For a satisfactory user experience to be met, high-quality communication services for subscribers is key. As such, we have continued to optimize the communications quality of 3G/3.5G/4G by building infrastructure and base stations, increasing coverage of broadband and Internet, and expanding Internet capacity. We formally entered the 4.5G mobile Internet era on March 31, 2016, becoming the first operator to provide 700/1800/2600MHz tri-band services in the Asian telecoms market. Integration of tri-band enables consumers to experience super high-speed Internet access of up to 375Mbps. FET's 4G LTE population coverage has reached 99%; as of the end of February 2016, our 4G postpaid user penetration rate has reached 50%, dominating the industry. Looking towards the future,

FET will be the only operator with quadband dual-technology (700/1800/2600MHz, as well as FDD and TDD frequency band), as we seek to rise to the challenge of providing the fastest Internet speed. With innovative networking applications and high-quality mobile value-added services, we are in a position to become the Preferred Partner in Digital Life for consumers, at the same time as maintaining our leading position within Taiwan's telecoms industry.

Integrated Smart Application Services

Advances in global ICT have spurred the development of smart mobile applications. Telecoms businesses of the future will evolve and move towards "integration." FET is actively transforming itself, and has rolled out a variety of cloud applications. This includes the introduction of the friDay mobile lifestyle brand which helps to provide consumers with even more integrated services. As well as consolidating resources and R&D activities within the Group, we are also integrating Big Data applications and strengthening 4G communications technology to create smart cities and position ourselves at the forefront of

the areas of smart transportation, smart health, smart security, and smart commerce applications. Our efforts are aimed at becoming the leader of smart applications in Taiwan.

Strengthening the social influence of the brand

We have consistently worked to deliver better services to consumers, as we look to fulfill our brand vision of "FET Connects and Enriches Life." Against a more conservative Oriental backdrop, where consumers tend to be less open about their feelings, FET launched the three-year "Express your love, Let it be heard" brand campaign in 2013, which encourages 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 one's love in Taiwan and overseas, thereby enriching the value of communications.

FET 4.5G
Services



1.2 FET Sustainability Strategy

The Importance of Sustainable Development to FET

For FET, sustainable development is a part of the enterprise's future commitments. FET wants to create innovative value for society, shareholders, employees, and the environment. Only through attaining the balance between company growth, ecological environment, and social responsibility, can a company's business model be developed for long term under the changing environment.

To actualize our corporate sustainability management approach, since 2015 FET has upheld "Go Prosperous", "Go Innovative", "Go Caring", and "Go Inclusive" as the four pillars of our sustainability strategy. We have combined our corporate sustainability strategy with our core operating strategy so that we are aligned with international sustainable development trends, manage critical risks of corporate sustainability, and make good on short, medium and long-term sustainability goals. We hope that this will fulfill our corporate vision of "FET Connects and Enriches Life" and make us the "Preferred Partner in Digital Life" for everyone. FET has also established its "Corporate Social Responsibility Best Practice Principles" to provide a steer in helping us to actively implement corporate social responsibility.

The pursuit of growth and profitability is fundamental to business operations. In the context of rapid technological changes, the key to profitability in the telecoms industry is having the power to innovate. For this reason, the infinity symbol is used to represent the complementary relationship between these two aspects. At the same time, the key to providing personable services and to building a corporate brand hinges on our ability to communicate, as it is critical to the development and promotion of our strategy. Beyond that, the ability to leverage our core capabilities to influence our business partners, as well as society at large, is essential to our pursuit of sustainable development. As such, we have determined the aforementioned "4G" as the pillars of our sustainability strategy. This will be used help to assess FET's six types of capital, as well as help internalize CSR as a fundamental driver of our sustainable competitive edge.



The Six Capitals



Financial Capital



Business performance is at the root of corporate sustainable development. Being a TWSE-listed company means that the operations and development of FET depends on the support of local and foreign investors. Financial capital and its linkages with other types of capital helps investors understand the company's long-term trajectory.



Manufactured Capital



The bulk of FET's manufactured capital lies in the investments, operating and maintenance of stores and ICT infrastructure. This includes base stations and data centers. We follow the principle of long-term investment and efficiency improvements in infrastructure maintenance as a way of ensuring the stability and continuity of ICT services.



Intellectual Capital



FET's ability to carry out corporate reform, cross-industry integration, and technological innovation depends on the accumulation of intellectual capital. Having previously accumulated extensive experience in voice communications, we are now building our intellectual capital in digital and Internet-related technologies and services.



Human Capital



Talent development is critical because our employees' ability to adapt to changes in the ICT environment determines our ability for continued innovation. FET will continue to recruit and retain talent who possess industry foresight, while emphasizing potential development.



Social Capital



FET's social capital includes brand value, customer loyalty, our value chain partners, and long-term partnerships with other stakeholders. At present, customer and social relations are managed through brand campaigns, charity activities, infrastructure investments in remote areas, and free electromagnetic wave measurement services. We will focus on branding, learning from customers' experiences and requests, and cultivating close relationships with our customers.



Natural Capital



Energy consumption and associated greenhouse gas emissions are key constituents of FET's natural capital. To cope with growing data traffic, we will continue to engage in energy management and focus on improving energy efficiency.

Relevance to FET's Sustainability

Financial Capital

Total consolidated revenues reached NT\$97.293 billion

Manufactured Capital

Investment in telecoms infrastructure equipment reached NT\$9.96 billion
24 new retail/franchise stores added

Intellectual Capital

R&D spending reached NT\$898 million

Human Capital

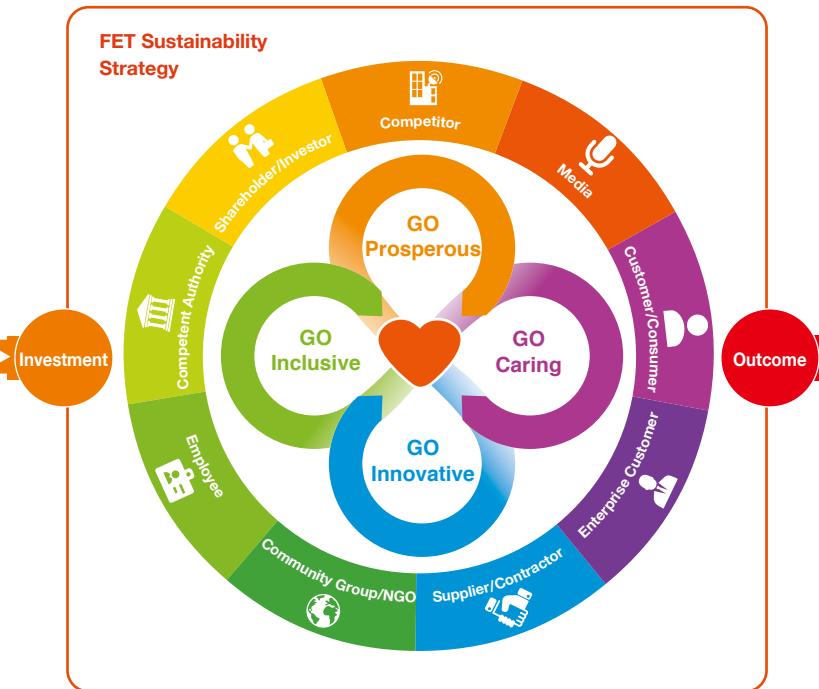
Investment in employee benefits and training of around NT\$7.07 billion

Social Capital

Investment in customer and community relations management of around NT\$193 million
Investment in brand management of around NT\$69 million

Natural Capital

Cost of reducing environmental impacts of around NT\$115 million
Green procurement spending reached around NT\$875 million



Financial Capital

NT\$12.2 billion of cash dividends paid

Manufactured Capital

99% national coverage of 4G services
Over 99.95% success rate of 4G access nationwide
The first operator to provide tri-band services

Intellectual Capital

Innovative revenues reached around NT\$3.4 billion
Integrated enterprise ICT and cloud services revenues reached around NT\$15.5 billion

Human Capital

Average of 59 training hours per employee
31.29% New Hire rate
ICT team formally established

Social Capital



Market share of 4G subscribers: 27% (top 2 in the industry)
Penetration of 4G postpaid subscribers: industry leading 45%
Ranked No.2 in Brand favorability

Natural Capital

Estimated 11,501 tCO₂e reduction achieved

1.3 FET Sustainability Goals

To implement our sustainability strategy, which addresses environmental, social and governance issues, FET has set ten targets for the four pillars of our sustainability strategy, Go Prosperous, Go Innovative, Go Caring, and Go Inclusive. Corresponding annual action plans have also been established. 2015 targets and performances, along with 2016 targets, are summarized below. For further information about FET's sustainability governance and management mechanism, and how this helps to track the implementation of the 4G sustainability strategy, please refer to 4.2 "Corporate Social Responsibility Governance".

FET 4G Sustainability Strategy	Top 10 Long-Term Targets	2015 Targets	2015 Performance	2016 Targets
 <p>Go Prosperous</p>	Steadily increase the 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	<ul style="list-style-type: none"> Aim to reach 3 million 4G subscribers; continue to enhance penetration rate and ARPU In terms of TDD and FDD technology, to have the most complete 4G band 	<ul style="list-style-type: none"> 3.11 million 4G subscribers in 2015 Penetration rate of 4G postpaid subscribers reached 45%, dominating the industry ARPU of postpaid subscribers grew by 3%, ahead of our peers In the bidding of 2.6GHz, FET successfully obtained D3 band 40MHz and D6 band 25MHz. Coupled with our current 20MHz L700 and 40MHz L1800, we now own a total of 125MHz 	<ul style="list-style-type: none"> Aim to reach a 63% 4G postpaid subscriber penetration rate, with continued focus on new customers and subscribers who renew contracts Make use of the 4G band and raise transmission speed through tri-band (700MHz/1800MHz/2600MHz) carrier aggregation technology
	Move towards sustainable governance and become a sustainable corporation from the perspective of international investors	<ul style="list-style-type: none"> Reorganize the CSR Committee by integrating it into the Management Meeting, and establish a clear sustainability strategy with corresponding KPIs 	<ul style="list-style-type: none"> Established the 4G sustainability strategy and assigned a member of the EMT to lead each division teams. CSR committee meetings integrated with Management meetings to enhance discussion efficiency and depth Established clear 2015 and 2016 KPIs for each team 	<ul style="list-style-type: none"> Introduce benchmarking assessment tools and develop response measures; review corporate sustainability related performance
	Motivate enterprise transformation to cope with technological changes and industry trends	<ul style="list-style-type: none"> Actively recruit talent in new fields (ICT/Internet/Big Data/smart home) and increase the ratio of revenues from these new fields 	<ul style="list-style-type: none"> Recruitment in new fields focused on ICT new product development. ICT team formally established to focus on five industries: transportation, retail, medical, manufacturing, and finance. Along with the government sector, we look to provide innovative IoT solutions Enterprise ICT and cloud integrated service revenues reached NT\$15.5 billion, while ICT revenues grew by 32%, accounting for nearly 10% of total enterprise customer revenue 	<ul style="list-style-type: none"> External recruitment of those below the age of 30 to account for over 3% of all departments Continue to develop smart programs, with revenue estimated to grow by 66%, accounting for 15% of total enterprise customer revenue
 <p>Go Innovative</p>	Smart lifestyle: continue to provide user-centric value-added services (digital content/mobile payment/e-commerce)	<ul style="list-style-type: none"> Integrate and establish smart lifestyle brand and service platform Develop user-centric digital content and services (video/entertainment/home monitoring and automation/health care). Construct m-commerce platform in combination with mobile payments Introduce smart home products and services 	<ul style="list-style-type: none"> Integrated with friDay digital brands, and introduced service platforms for online video streaming, mobile entertainment, live games, eBooks, and O2O shopping Introduced recommendations for video entertainment content through Big Data analysis of consumer behavior Analyzed App payment behavior and relevance of telecommunication subscribers' digital content consumption Continued to develop E-Wallet, integrate mobile payments, electronic ticketing, and membership management Planned smart home products and services 	<ul style="list-style-type: none"> Integrate smart life products and services, completely meet customer demand, and expand customer base along with increased retention Analyze integrated Big Data to understand customer needs and habits
	Smart commerce: provide high-value ICT integrated services to boost FET's market share for enterprise customers	<ul style="list-style-type: none"> Accelerate the formation of an ICT Team Establish the capability for enterprises to independently develop solutions Continue to develop enterprise solutions 	<ul style="list-style-type: none"> Provided PaaS platform for mobile enterprise application development, and linked internal applications services through APIs EMMA completed links with external applications/systems (Robot and Wechat) Planned for IoT applications, developed Internet of Vehicle (IoV) applications and eTag parking systems, and commercialized smart inspection related applications 	<ul style="list-style-type: none"> Transform into an ICT organization, cultivate project operations model and re-engineer project management processes to reach an annual growth rate of over 70% for ICT-related products and services. Cooperate with external parties to further expand ICT scale, capabilities and revenues Enterprise solution upgrades Integration of multiple payment systems EMMA-customized applications Integrated analysis of embedded API and Big Data

FET 4G Sustainability Strategy



Go Innovative

Top 10 Long-Term Targets

Smart city: maximize Group resources and gain leadership position in healthcare, transportation and security

- Actively participate in planning and development, as well as implementation of pilot projects, for the public sector and related associations
- Execute 4G smart city planning and build up Smart City Solution capabilities and performance

2015 Performance

- Demonstrated a Smart City Solution at the 2016 Smart City Exhibition
- Launched the 4G Smart City Flagship Plan in Tainan; major achievements include:
 - > 50 smart bus stops with 4G/Wi-Fi
 - > Established a dengue fever epidemic prevention monitoring platform and visualization of Big Data analysis
 - > Mobile management network infrastructure
 - > Built 10 pumping stations and real-time hydrological video surveillance platforms
 - > Cloud-based health monitoring station

2016 Targets

- Successfully complete the first single-city IoT and Big Data case; duplicate relevant experiences for other local governments
- Evaluate and gradually expand the scale of plans and cooperate with external institutions
- Build the FET Smart City Alliance Team with business partners
- Build a FarEast smart logistics management platform



Go Caring

Create a differentiated brand image and enforce stakeholder engagement

- Strengthen brand image management; brand liking ranked top 3 in the industry
- Track KPIs related to the "Express Your Love" series of advertising to ensure we are above industry average

- Ranked No.3 in the brand liking survey for mobile operators
- Positive brand image advertising indicators for second wave of advertising ("Because of love, keep your words sweet") rated significantly higher than the industry average

- Rank No.2 in the brand liking survey for mobile operators
- Rank as No.2 in industry with regards to positive brand image
- KPIs related to the third wave of advertising ("Encourage Taiwan with words of love") to be above the industry average

Provide an unparalleled high-quality customer experience and service on route to becoming the operator with the best customer satisfaction ratings

- 86% customer service satisfaction
- The lowest number of government-issued complaints among the three major telecoms operators
- Digitization and virtualization of retail services

- 88.9% customer service satisfaction achieved
- Complaints reduced by 25% compared to 2014, leading to lowest complaint numbers amongst the three major telecoms operators
- 20% of retail stores introduced digital services, including interactive multimedia, virtual product displays, wearable device areas, and establishment of an O2O operating model
- Increased self-help service items and share on virtual channels:
 - > Service items reached 46% of self-care app usage
 - > Self-help services accounted for 36% of all channel service volume

- 91% customer service satisfaction
- The lowest number of complaints among the three major telecoms operators
- Complete digitization of 30% of retail stores
- Increase self-help service items and their percentage share accessed through virtual channels:
 - > Self-help service items to reach 55% of self-care app usage
 - > Self-help services accounting for 40% of all service channel volume



Go Inclusive

Establish a clear climate change strategy and renewable energy targets

- Assess the implementation of ISO 14064-1
- Assess increase the use of renewable energy

- Established ISO 14064-1 GHG inventory and verification boundaries (FET/NCIC/KGEX and scope 1 and 2)
- ISO 50001 carbon reduction performance: Neihu headquarters EUI reduced by 1.1%, and PUE reduced by 0.44%
- Voluntarily purchased 100,000 kWh of green electricity

- Implement ISO 14064-1, conduct related trainings and obtain ISO 14064-1 certification
- Evaluate the implementation of ISO-14001
- Purchase 100,000 kWh green electricity
- ISO 50001 Neihu headquarters EUI and PUE targets: to reduce by 0.24% and 0.775% respectively

Integrate industry value chain and promote sustainable development of the ICT industry as a whole

- Require 100% of new suppliers to complete the Supplier CSR Self-Declaration
- Require 70% of existing top-100 FET suppliers to complete the Supplier CSR Self-Declaration

- 100% of new suppliers completed the CSR Self-Declaration
- 75% of existing top-100 FET suppliers completed the CSR Self-Declaration

- Require 80% of existing top-100 FET suppliers to complete the Supplier CSR Self-Declaration
- Conduct supplier audits
- Execute green procurement projects

Chapter 2

► Operating Context Analysis

2.1 External Environment Analysis

2.2 Stakeholder Engagement and
Materiality Analysis



2 Operating Context Analysis

2.1 External Environment Analysis


According to an industry report from the Taiwan Institute of Economic Research, fixed and mobile voice service revenues continued to decline in 2015 at the same time as expenditures increased due to bidding for the 2500MHz and 2600MHz bands, which began at the end of 2015. Nevertheless, as a result of higher enterprise and consumer demand for high-speed Internet access, fiber-optic networks, and mobile Internet value-added services, revenues continue to grow in those areas, leading to a slight rise in the total output value of the industry. As we move through 2016, 4G and fiber-optic network services are expected to become more popular still, and will continue to drive substantial growth. The number of individuals leasing 4G and fiber-optic services will increase, and value-added service revenues are expected to continue to climb. 4G construction expenditures will weigh on telecom operators, and due to intense rate plan competition and substitution in favor of smart phones and instant messaging software and hardware, the downtrend in fixed-line and voice services is likely to persist.

2.1.1 Industry Status and Trends

Deregulation and the easing of government controls have allowed for the liberalization of the telecoms industry and greater competition with existing and new competitors. The total number of mobile subscribers reached 29.37 million by the end of 2015, and the Mobile Phone Account Penetration Rate was over 125%.

With the rise of emerging fiber access to the Internet, FTTx will gradually replace ADSL as the mainstream to the next generation. Since FTTx provides higher bandwidth and a more stable speed than ADSL, operators are now able to offer 100–300M high-speed download services. Value-added services for fiber-optic grade applications will be a key focus for Internet Service Providers (ISPs) in terms of broadband fixed-line development. Furthermore, mobile devices such as

smart phones and tablet computers are increasingly popular; accordingly demand for consumer wireless Internet access continues to grow. Taiwan's operators currently offer 3.5G HSPA and 4G LTE as they look to meet customer demand for mobile Internet access.

 **4G will become the industry mainstream, with wireless data being the engine for growth.**

In terms of enterprise mobile communications, weak economic growth in developed countries and slowing momentum in developing countries has led to an increased degree of caution with regard to business investment. This has created headwinds for the communications market at an enterprise-level. That said, new opportunities are still available to telecom operators. Over the past two years, sales of smart mobile devices (mobile phones and tablet computers) have grown rapidly, whilst wearable devices such as smart watches and smart glasses have also been an area ripe for development. The popularity of mobile apps has also helped to provide a degree of insulation to carriers.

Domestic telecom operators began to roll out 4G LTE services in mid-2014, and in line with the rising penetration of smart devices, we will continue to invest in those 4G and value-added services which offer higher ARPU for both the personal and enterprise mobile communication segments.

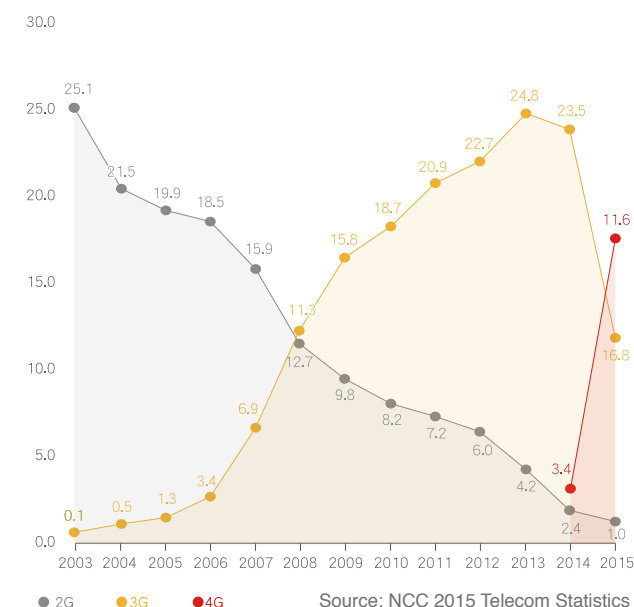
 **Implementing mobile innovations to become Preferred Partner in Digital Life.**

By the end of 2015, the total number of 3G mobile phone users in Taiwan stood at 16.78 million (down 28.4% when compared to the previous year). By comparison, the number of 4G mobile phone subscribers rose by 235.4% from previous year to reach 11.57 million. As such, it is apparent that 4G is entering the mainstream for mobile

communication technology. With the boom of 4G, we remain committed to actively increasing bandwidth and boosting 4G service coverage in order to provide ubiquitous service to consumers, and to help drive data revenue growth.

As Taiwan's 4G network matures, subscribers have increasingly relied upon it to help drive efficiency in their daily lives at work, whilst shopping, and in recreational activities. Yet continuous improvement of communication quality and signal coverage is not enough to increase the number of subscribers. As such, we must provide more innovative value-added mobile services so as to become the Preferred Partner in Digital Life.

Trends in Number of Mobile Subscribers Unit: Million Subscribers



Trends in Related Regulatory Development

The telecoms industry in Taiwan continues to be affected by government legislation and policy planning. As it stood at date of publish of the 2015 Annual Report, the key domestic and international regulatory developments of 2015 that were significant from FET's perspective included:

Amendment of the Convergence Act

In the fourth quarter of 2015, the National Communications Commission ("NCC") released the convergence control framework and five drafts of the Convergence Act, which included the "Electronic Communication Act", the "Radio and Television Broadcasting and Channel Business Management Regulation", the "Multi-channel Platform Cable Business Management Regulation", the "Telecommunications Business Act", and the "Telecommunication Infrastructure and Resources Management Act". These were sent to the Executive Yuan for validation in February 2016. These 5 drafts pave the way for a transformation of the traditional vertical management model of the communications and broadcasting industry into a hierarchical control structure designed to improve the operational efficiency of the operators and encourage competition. Once enacted, they will have a significant impact on the industry, which is why we are paying close attention to the amendment schedule of these five drafts of the Convergence Act.

Release of Mobile Broadband 2600MHz Spectrum Business Licenses

In July 2015, the NCC announced relevant bidding information for the 2600MHz and 190MHz bandwidths. We obtained the UL/DL bandwidth at a cost of NT\$9.13 billion for a total of 65MHz radio frequency. The license is valid from the date of issue through to December 31, 2033. We are making use of the spectrum to increase data transmission capacity bands in the metropolitan areas and to offer subscribers comprehensive and higher speed mobile broadband Internet services.

Trends in Industry Technology Development

Users subscribing to global 4G LTE, the expected mainstream technology for mobile communications over the next 10 years,

have increased rapidly. In recent years, broadband infrastructure and the high transmission speed of mobile broadband services have facilitated multiple kinds of application services. Among them, the development of high-quality-resolution video has the potential to scale due to the fact it can offer real-time transmission and is mobile in its very nature. Intra-company and multinational video service, long distance health care, and multimedia video sharing application services all stand to bring new growth momentum to the telecoms industry.

At the same time, the concept of BYOD (Bring Your Own Device, where employees bring their own devices to work) is sweeping across the world. According to a recent Ovum report, BYOD has become very popular among multinationals in the Asia-Pacific, and mobile applications have doubtlessly become the key for companies to enhance productivity and competitiveness. In addition, companies are also paying more attention to Mobile Device Management (MDM), Mobile Application Management (MAM), Mobile Content Management (MCM), and mobile security applications and development. Enterprise customers are not just keeping a close eye on the costs of mobile communication, but also focused on developments in mobile communication applications for internal app video conferencing, the integration of the mobile network and Fixed Mobile Convergence (FMC), as well as the development of other value-added mobile solutions.

More recently, the Internet of Things (IoT) has gained traction. It has even developed into the Internet of Everything (IoE), encompassing the convergence of people, processes, data, and devices. Looking ahead, new technology products will take connectivity into account at the design phase, which will create a huge demand for connectivity. Moreover, increasing numbers of applications will combine with Big Data to develop even smarter applications that learn as you use them. The rising popularity of robotics will also bring greater demand for mobile connectivity and opportunities for a wide array of industries, which bodes well for the telecoms industry. To cope with the above industry technology trends, FET will take an integrated approach to the development of mobile and cloud technology, Big Data, and IoT.

We will provide customers with more integrated service plans in order to meet their demand for ubiquity, mobility, and real-time capability, thereby helping to improve their competitiveness.

Unfavorable Factors for the Industry

Following the implementation of Mobile Number Portability, competition on SIM card sales intensified

The need among local consumers for mobile numbers has peaked. To increase sales since the introduction of Mobile Number Portability in November 2005, operators have competed with each other by raising commissions and handset subsidies, or by deploying "same price for on-net and off-net" rate plans. Such cutthroat competition not only diminishes profitability but also impacts the operators' promotional marketing efforts and value-added services.

Reduced revenue due to the NCC's restrictions on rate plans

The NCC has been given the administrative power to oversee pricing regulation for Type I telecommunication operators. Operators passively abide by its rulings, and little room is left for negotiation. This one-standard model without consideration of the operators' various cost/profit/expenditure structure invariably leads to revenue shortages, which, in turn, indirectly impacts the operators' ability to invest in telecom equipment.

CHT's last-mile advantages in broadband network and fixed line services

Due to the slow pace at which authorities governing telecom services have been moving towards the creation of a fair competitive environment in the domestic telecoms market, and due to the fact that CHT has imposed various restrictions on network interconnectivity and subscriber lines, the industry's attempts at lowering relevant costs have met with little success, and significant breakthroughs in the expansion of the subscriber base have been limited at best. Furthermore, cable TV operators have been capitalizing on their advantages in the broadcasting system and broadband network integration to secure their share of the broadband services market with extremely low prices, thereby posing a significant threat to FET's development of its broadband business operations.

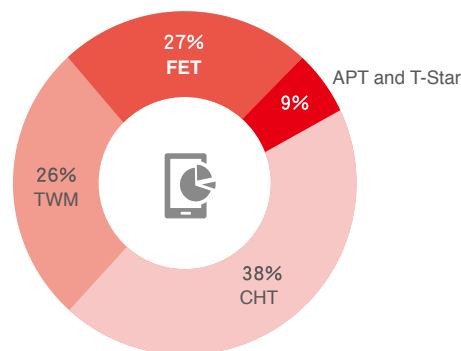
2.1.2 Market Competition

FET

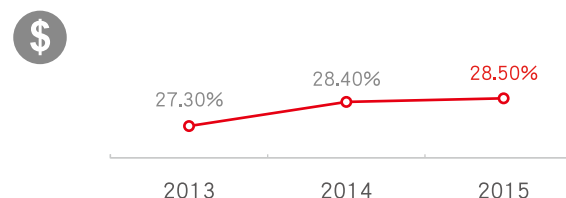
Requisite investment in base stations and related hardware by telecom operators is usually very large, and increasing numbers of subscribers are vital in order to secure economies of scale. Three national operators — FET, CHT, and TWM — share the market; and the similarity of the services provided by these operators is high. Various rate plans, mostly charged per second, have been designed to attract different user segments; and two payment methods — prepaid and postpaid — are offered to customers. Value-added services include mobile messaging (text and multimedia), mobile Internet (browsing, smart phone applications, and multimedia downloads), and mobile payment (mobile banking and micropayment). Considering that the service content provided by the various operators is somewhat similar, in order to increase the number of subscribers and ARPU, promotion of rate plans and phones are mostly designed to enhance brand loyalty and establish a clear market position.

At FET, we have consistently developed and expanded value-added services earlier than our peers, and we are constantly adding more innovations to mobile digital content, mobile applications, mobile payment, and commerce. With regards to digital content, this entails the curation of value-added services. In terms of digital application services, we emphasize providing subscribers with simple, direct user experiences. As for mobile payments and m-commerce services, we cater to consumers who are demanding better and more affordable services than ever before. In 2015, we succeeded in expanding our market share by offering tailored rate plans for each customer segment, rich and customer-centric digital content, clear branding, and improved cost-effectiveness.

Market Share in 2015: Number of 4G Subscribers



Market Share of FET Mobile Telecom Service Revenues



NCIC

Difficulties in establishing fixed-line networks over the last mile persist. All three fixed-line providers (NCIC, Taiwan Fixed Network, and Asia Pacific Telecom) cover a market share of just 5.72% for local network subscribers, as opposed to the 94.28% claimed by Chunghwa Telecom (CHT). Growth or contractions in market share in the future will depend on the ability to provide customers with good quality network and communications, diversified solutions, content services, and applications.

In the household broadband market (including ADSL, fiber, and cable modems), market share as at the end of 2015 was: CHT's

HiNet (67%) and NCIC (3%). If cable modems were excluded from comparisons, CHT HiNet's market share would be 84% while NCIC's would stand at 2.6%.

ARCOA



By the end of 2015, ARCOA had 42 branches, including retail and FET franchise stores. In order to integrate tidily into FET's marketing channels, ARCOA stores will gradually be transformed to FET franchise stores. Furthermore, procurement will also be channeled through FET directly or the franchise stores.




In terms of products and services for foreign workers, sales of our IF card maintained dominant position in the market both in terms of popularity and in the usage of phone numbers for users from four countries: Indonesia, the Philippines, Thailand, and Vietnam.



2.1.3 Critical Corporate Sustainability Risks

FET is aware that business management is closely linked to industry trends, developments in the economy, changes in the external environment, and shifting lifestyle patterns. The sustainability of a company therefore depends on its ability to respond to such critical risks. We have identified five of these risks so that their potential impacts and opportunities can be assessed and the appropriate response strategies can be put in place. Relevance between risks in the external environment and FET's operations is as follows:





Risk Factors	Impacts	Opportunities	Response Measures
 <p>Technology Development and Digital Convergence</p>	<ul style="list-style-type: none"> Changes in consumer behavior and communication patterns impact traditional telecom service revenues. Industrial restructuring and technology integration change the industry's ecological chain, and cross-industry competitors enter the telecoms business. Please refer to Section 2.1.2 (Market Competition) for details. Technology replacement and shortened product cycles lead to a substantial increase in R&D and investment costs which are sunk costs and therefore not easy to recover. In the Internet era, hacking and information security loopholes have already become a challenging issue for the ICT industry. 	<ul style="list-style-type: none"> Changes in consumer behavior and communication patterns can create innovative markets and application opportunities. Coupled with innovative technologies, products and services, we can meet or even create customer demand. We have been learning from mobile consumers for a long time; and data and experiences accumulated over this time have nurtured a thorough understanding of consumer behavior in us. Cross-industry collaboration and alliances provide us with the opportunity to expand the size of the market and explore new customers and consumer groups. 	<ul style="list-style-type: none"> Enhance Internet-attack protection mechanisms and information security education for all employees. Identify and target key development areas, defend the company's leadership position, and carry out more rigorous R&D and cost controls. Aggressively promote cross-industry technological development, strategic alliances, and accumulate innovative development experiences with core technologies, such as the cloud and Big Data. Drive transformation of the company to enhance flexibility and foster an innovative culture. Utilize Big Data accumulated from consumers' to analyze the concept of an all-mobile life. This will provide the basis for product design, communications, and marketing as we seek to deliver user-centric products and services. Master synergies within the Group and integrate telecommunications, physical retail, e-commerce, finance, and other fields to create future development niches that allow innovative business.
 <p>Policy and Economic Trends</p>	<ul style="list-style-type: none"> Regulatory changes cascaded by relevant authorities regarding bidding for spectrums, licensing, rate-plan policies, and reinvestment standards directly affect operating costs. Maturity of the telecom services market has led to saturation in the number of subscribers and slower growth. 	<ul style="list-style-type: none"> Telecom regulations are likely to be eased in the future. Changes such as the lifting of investment limits and ability for entry of new competitors into a previously regulated industry could bring new opportunities for cross-industry collaboration. Changes in economic and social trends can create new economic models or consumer groups. 	<ul style="list-style-type: none"> Closely track progress of new drafts, actively participate in policy seminars held by relevant authorities, and strengthen dialogue and communication through a public policy opinion platform. Change our competitive strategy to focus more on product and service quality as we aim to enhance customer stickiness and strengthen customer retention rate. Drive multi-user market expansion. This includes offering services to enterprise customers, providing roaming for tourists, and developing Internet marketing push notifications.

Risk Factors	Impacts	Opportunities	Response Measures
 <p>Climate Change and Energy Scarcity</p>	<ul style="list-style-type: none"> Extreme climate conditions exacerbate the impact of natural disasters and results in disruption of operations and services. Maintenance of the network, data centers, and base station operations requires abundant supplies of electricity. Therefore, energy use and greenhouse gas emissions could increase potential operating costs. Climate change-related regulations may impact the company's operations. 	<ul style="list-style-type: none"> Effective energy and greenhouse gas management can demonstrate and enhance FET's brand image focusing on sustainability. Development of energy-saving technologies helps to reduce operating costs, and can provide energy-management opportunities that create revenues. 	<p>Internal Energy Savings</p> <ul style="list-style-type: none"> Accurately estimate demand for electricity; with electricity usage to become an integral KPI for energy monitoring and management purposes. Boost efficiency of power equipment usage, make use of energy-saving equipment, and accelerate development of resource saving initiatives. Take green materials and technology into account when exploring business opportunities and participating in projects. Advocate employee recognition of the importance of environmental protection, and raise awareness of their responsibilities through training, publicity, and communication. <p>External Initiatives</p> <ul style="list-style-type: none"> Continue to promote e-billing and encourage consumers to save energy where possible. Actively expand mobile office and smart traffic to seize smart energy-saving opportunities.
 <p>Talent Recruitment and Cultivation</p>	<ul style="list-style-type: none"> Taiwanese society is aging. Lower birth rates and more retirees mean that there is a widening talent and technology gap, which can lead to higher training costs. The overall quality of employees could be negatively affected if suitable talent cannot be successfully hired or retained. Specialization of talent must grow in accordance with industry and technological demands, otherwise the company's competitiveness will be negatively impacted. 	<ul style="list-style-type: none"> The talent gap can be an opportunity for reorganization and self-examination, as it offers us an opportunity to rethink innovative retention measures and foster innovative internal strategies. As a new generation of employees joins the company it can create more possibilities for the company to harness their ideas and enthusiasm. 	<ul style="list-style-type: none"> Systematically and strategically change human resource policies, emphasize focus on R&D and innovation, and encourage employees to become more entrepreneurial. Strengthen the employee training system, work to cultivate leadership, and tap in to the talent pool to assist employees in career planning. Optimize employee remuneration, benefits and incentives; create a humane working environment, and enhance employees' sense of identity. Check and continuously improve processes to help reduce manpower operation demand. Talent cultivation and cooperation between industry and academia.
 <p>Stakeholder Engagement</p>	<ul style="list-style-type: none"> In the Internet era, public opinions on social media can spread swiftly, making it difficult for a company to respond in real time. If customer complaints and negative events are not properly handled, our brand image can be seriously affected, thereby negatively impacting customer loyalty. The number of alternative operators and products has increased in the market, and consumers are easily swayed by media information as well as mutual influence among peers, friends and family when it comes to selecting telecom operators. Residents are concerned about the electromagnetic radiation issue and resist the establishment of base stations. 	<ul style="list-style-type: none"> Through social media, we can track and grasp customer information more effectively, as well as respond to and manage crises in order to maintain our positive brand image. We can use Big Data analysis of market trends to promote brands more accurately and efficiently. 	<ul style="list-style-type: none"> Grasp major social issues, understand consumer needs, and continue to focus on Internet quality, rate plans, and pricing that our customers care about by leveraging Big Data analysis. Continue to participate in the validation of complaints-handling processes, regularly analyze the handling of customer complaints, and continue to improve and reduce incidents of customer complaints. Proactively care about customers who are dissatisfied with our service and have unresolved problems, explore their causes, and make essential improvements. Regularly hold cross-unit complaints-handling meetings, enhance internal communications, and continue optimization of products and processes. Clearly communicate our strategic goals related to sustainable development to the media and stakeholders, thereby enhancing our brand image.






2.2 Stakeholder Engagement and Materiality Analysis

2.2.1 FET Stakeholder Engagement

FET highly values its communication and engagement with various stakeholders, and considers “Go Caring” as one key aspect of our sustainability strategy. Following the principles of AA1000 Stakeholder Engagement Standard, we have identified nine stakeholders crucial to our operations, and ensure that we have dedicated communication channels to respond to our stakeholders’ requests and expectations in our daily operations. Moreover, we have established a stakeholder CSR survey and dedicated communication channels on our official website to solicit feedback. Current FET communication channels for different stakeholders, as well as key communication results for 2015, are explained in “3.3.1 Stakeholder Communication Performance” section of this report.

Stakeholder	Importance to FET	Communication Strategy and Response	Material Issues of Concern
 Consumers	One important mission for FET is customer satisfaction. Customer support is key to such satisfaction and is the cornerstone of FET's sustainable growth.	Communicate transparently, listen to every customer, and provide service with warmth and sincerity.	<ul style="list-style-type: none"> · Customer complaint management · Information security and customer privacy protection · Communication quality and network infrastructure · Rate plan transparency and communication · High-quality and unique customer services · Brand image management
 Enterprise Customers	Meeting the unique operational and management needs of enterprise customers is a key to FET's continual review and innovation of our digital services.	Nurture customer relationship, provide customized solutions according to each enterprise customer's unique management needs.	<ul style="list-style-type: none"> · Smart products and services · R&D investments and technological innovation · Information security and customer privacy protection · High-quality and unique customer services · Brand image management
 Investors/ Shareholders	Investors/shareholders support FET's operations, and the company strives to continuously create value for them in return.	Transparently disclose FET's development strategy and major operating changes to maintain investor/shareholder confidence.	<ul style="list-style-type: none"> · Business strategy and performance · Risk management and business continuity · Corporate governance and integrity · Brand image management · R&D investments and technological innovation
 Competent Authorities	Competent authorities are responsible for supervising Taiwan's telecom industry. FET actively engages these authorities when planning new products and services.	Actively respond to policy trends and engage in policy development processes.	<ul style="list-style-type: none"> · Response to government policy and regulatory changes · Communication quality and network infrastructure · Telecommunications universal service · Electromagnetic radiation issue · R&D investments and technological innovation

¹The FET CSR Committee evaluated and identified the nine stakeholders in 2013 based on five principles: dependency, influence, tension, responsibility and diversity of perspective. The categories were approved by senior management. FET reviews and adjusts stakeholder categories every year; For example, customers were further divided into enterprise customers and consumers in 2014 in response to feedback from stakeholders. The stakeholder categories remain the same in 2015.

Stakeholder	Importance to FET	Communication Strategy and Response	Material Issues of Concern	
 Employees	Talent is the driving force for FET to keep moving forward. Dedicated to employee skill cultivation and rights protection, FET aims to build a happy working environment together with our employees.	Enhance employee loyalty and sense of identification, cultivate innovative corporate culture, and implement two-way communication.	<ul style="list-style-type: none"> · Business strategy and performance · Talent recruitment and retention · Workplace environment and diversification 	<ul style="list-style-type: none"> · Employee communication and care · Employee training and career development
 Suppliers/ Contractors/ Developers	Support and cooperation from suppliers/contractors/developers enable FET to smoothly provide its services and products, making them important partners in FET's value creation.	Maintain stable partnerships with suppliers/contractors, perform supply chain impact management, and develop products and services with developers.	<ul style="list-style-type: none"> · Supply chain management · Business strategy and performance · Communication quality and network infrastructure 	<ul style="list-style-type: none"> · R&D investments and technological innovation
 Community Groups/ NGOs	FET desires to influence Taiwanese society in a positive manner. Community groups/N-GOs are important platforms and partners to help FET give back to society.	Maintain partnerships, jointly promote social welfare, and create social value.	<ul style="list-style-type: none"> · Community care and social welfare contribution · Electromagnetic radiation issue · Brand image management 	<ul style="list-style-type: none"> · Telecommunications universal service · Energy and greenhouse gas management
 Media	Media serves as a mirror for FET to reflect upon itself. Apart from understanding external perceptions of FET, FET hopes to leverage media to further exert its positive influence.	Actively express FET opinions, communicate transparently, create positive corporate image.	<ul style="list-style-type: none"> · Business strategy and performance · Rate plan transparency and communication · Communication quality and network infrastructure 	<ul style="list-style-type: none"> · R&D investments and technological innovation · Electromagnetic radiation issue
 Competitors	Competitors play an important role in encouraging FET to keep moving forward. FET expects to drive industry development and create value with its competitors.	Maintain competition relationships, discuss major industry issues.	<ul style="list-style-type: none"> · Business strategy and performance · Rate plan transparency and communication · R&D investments and technological innovation 	<ul style="list-style-type: none"> · Communication quality and infrastructure · High-quality and unique customer services

2.2.2 Response to Critical Issues

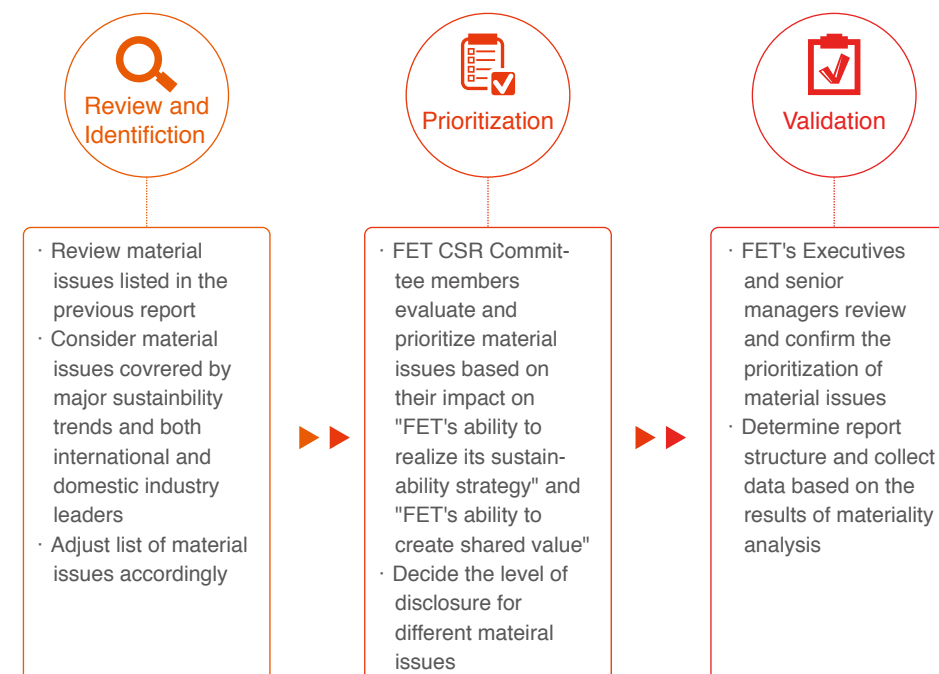
In 2015, major sustainable development issues, news, and events that were of concern to our stakeholders included: FET's collaboration with CNS, climate change and the use of renewable energy, as well as several customer-complaint cases. FET's response to these issues was as follows:

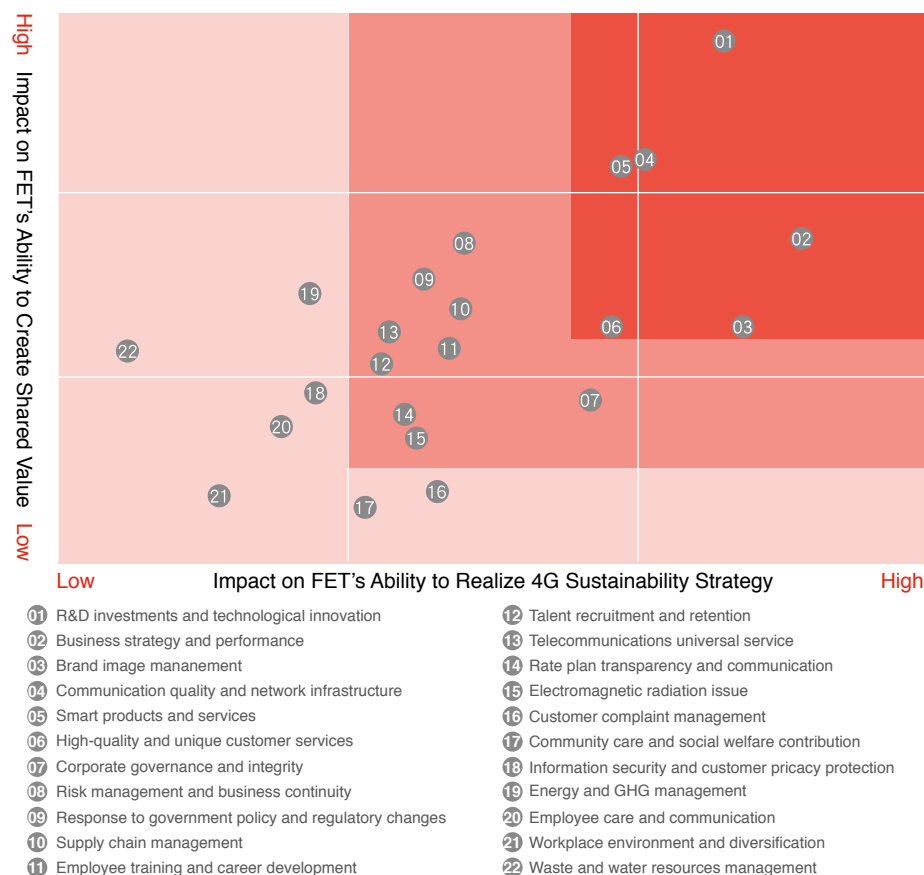


2.2.3 Materiality Analysis

To better understand how each material issue impacts FET's value creation process, and thus be able to better allocate resources and align with our sustainability strategy and goals, FET has adjusted the methods used in materiality analysis this year. In addition to following GRI G4 Sustainability Reporting Guidelines, FET also refers to the International Integrated Reporting <IR> Framework.

Materiality analysis in the year under review is based on the two axes of "Impact on FET's ability to realize its sustainability strategy" and "Impact on FET's ability to create shared value". Members of FET's Corporate Social Responsibility Committee assess and deliberate on each issue to understand their importance to the Company's 4G sustainability strategy, and their potential in helping FET to create the six capitals for the company and society. Finally, issues are then further categorized into three levels of materiality — Key, Important, or Basic — which then warrant different levels of disclosure in the report.





Significance of Material Issues to FET

Business strategy, product innovation, brand image and high-quality service are "key" material issues that are highly related to FET sustainability strategy and our ability to create social shared value. Addressing these issues over time not only differentiates us from our peers, but can also transform society to one that is low-carbon, smart, and digitized in a way that changes people's lives and communication behaviors. This would be in line with our vision of "FET Connects and Enriches Life." These issues are the focus of this latest integrated report, which details our policy objectives, management, performance, and outlook on these key material issues.

"Important" material issues refer mostly to material issues related to operations and management, including risk management, regulations, human resources, and corporate governance. Our report fully describes management approach, performance and for these material issues. As for "basic" material issues, they are mostly relating to basic management matters and daily operations. The report only discloses major changes in management approach and outlines relevant performance metrics for tracking these issues.

FET deeply understands the potential impact of climate change, and considers this an important aspect of its "risk management and business continuity". According to the latest SMARTer2030 study of the Global e-Sustainability Initiative (GeSI), the potential effect of carbon-emission reduction efforts initiated by ICT industries for society at large is 10 times greater than their own carbon emissions. It is for this reason that "smart products and services" are of higher materiality level than our "energy and greenhouse gas management". FET will elaborate on the management and performance of "key" and "important" material issues in following chapters of the report.

Key Material Issues in 2015

R&D investments and technological innovation

Communication quality and network infrastructure

Smart products and services

Business strategy and performance

High-quality and unique customer services

Brand image management

Importance to FET

In the wake of the growing popularity of mobile devices, new technologies continue to come to market. FET continues to emphasize technological research and development, and is committed to creating sustainable value through investing and accumulating know-how and capabilities for innovation, thereby providing our users with better experiences of various digital services than our peers.

Excellent communication quality is the basis of all telecommunication and application services. Through expansion and upgrade to network infrastructure, FET is committed to providing fast, stable and high-coverage voice and data services, in order to optimize user experiences and drive customer loyalty.

As users have higher expectations for service mobility today, we believe that creating value differentiation and realizing our goal of "Being the Preferred Partner in Digital Life" is possible only through providing innovative smart products and services, coupled with excellent communications quality.

As sound economic performance is the cornerstone for the sustainable management of our business, our business strategy serve as an important guideline to how we can create economic and shared values. By observing industry and market trends at home and abroad, as well as considering our own competitive niche and corporate vision, we formulate our development strategy to include economic performance as an important indicator of our strategic effectiveness.

Our customers' trust and satisfaction are key drivers of sustainable growth for the Company. We aim to provide consumers with "360° services" through diversified channels that meet a variety of their demands and enhance user experiences.

Our stakeholders' sense of identification, trust, and loyalty are critical in realizing value creation. We actively manage a positive brand image to provide stakeholders with a better understanding of our market positioning, core values, vision, and to spread positive influence.

Material issues and their boundaries identified by FET are as follows:

Material Issue	Level of Materiality	GRI Aspect	Corresponding Chapter	Corresponding Page Number	Internal Boundary		External Boundary			
					Far Eastone *Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
R&D investments and technological innovation	Key	TA Resource Efficiency	3.2 Go Innovative	36	•				•	
Communication quality and network infrastructure	Key	EC Indirect Economic Impacts IO Investment IO Health and Safety Practices IO Network Infrastructure	3.1.4 Excellence in Communication Quality 3.1.5 Infrastructure Investments	34 35	•				•	•
Smart products and services	Key	EC Indirect Economic Impacts TA Resource Efficiency	3.2 Go Innovative	36	•				•	•
Business strategy and performance	Key	EC Economic Performance EC Market Presence	1. Overview of FET Development Strategy 3.1 Go Prosperous	10 31	•	•		•		
High-quality and unique customer services	Key	Other Considerations	3.3.3 Service Without Distance	51	•	•			•	
Brand image management	Key	Other Considerations	3.3.1 Stakeholder Engagement	43	•		•	•	•	•
Risk management and business continuity	Important	EC Economic Performance	2.1.3 Critical Corporate Sustainability Risks 4.4 Operational Risk Management	21 82	•		•			
Response to government policy and regulatory changes	Important	EN SO PR Compliance	2.1.1 Industry Status and Trends 4.5 Compliance	18 83	•		•	•	•	•
Supply chain management	Important	EC Procurement Practices LA Occupational Health and Safety EN LA HR SO Related Considerations of Supplier Assessment IO Health and Safety Practices	3.4.1 Supplier Management	59	•	•	•	•		

Material Issue	Level of Materiality	GRI Aspect	Corresponding Chapter	Corresponding Page Number	Internal Boundary		External Boundary			
					Far Eastone *Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
Telecommunications universal service	Important	EC Indirect Economic Impacts PA Bridging the Digital Divide	3.1.5 Infrastructure Investments 3.3.3 Service Without Distance	35 51	•				•	•
Employee training and career development	Important	LA Training and Education	3.3.3 Service Without Distance	51	•	•				
Talent recruitment and retention	Important	LA Labor Relations LA Equal Remuneration for Women and Men	3.3.3 Service Without Distance	51	•	•				
Corporate governance and integrity	Important	SO Anti-corruption SO Anti-competitive Behavior SO Public Policy	4.1 Corporate Governance Structure 4.3 Corporate Ethics	74 81	•	•				
Rate plan transparency and communication	Important	PR Product and Service Labeling PR Marketing Communications	3.3.3 Service Without Distance	51	•			•	•	
Electromagnetic radiation issue	Important	PR Customer Health and Safety IO Health and Safety Practices PA Customer Relations SO Grievance Mechanisms	3.4.2 Reducing the Environmental Impacts of Operations	61	•					•
Energy and greenhouse gas management	Basic	EN Emissions EN Energy EN Overall	3.4.2 Reducing the Environmental Impacts of Operations	61	•	•	•	•		
Waste and water resources management	Basic	EN Effluents and Waste EN Products and Services EN Overall	3.4.2 Reducing the Environmental Impacts of Our Operations 3.4.3 Reducing the Environmental Impacts of Products	61 66	•	•	•	•		•
Information security and customer privacy protection	Basic	PR Customer Privacy	3.3.3 Service Without Distance	51	•	•		•	•	

Material Issue	Level of Materiality	GRI Aspect	Corresponding Chapter	Corresponding Page Number	Internal Boundary		External Boundary			
					Far Eastone *Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
Employee care and communication	Basic	LA Labor Relations LA Grievance Mechanisms HR Freedom of Association and Collective Bargaining HR Forced and Compulsory Labor	3.3.2. Friendly Workplace	46	●	●				
Customer complaint management	Basic	HR Grievance Mechanisms SO Grievance Mechanisms	3.3.3 Service Without Distance	51	●	●		●	●	●
Workplace environment and diversification	Basic	LA Employee Diversity and Equal Opportunities LA Equal Remuneration for Women and Men HR Non-discrimination	3.3.2. Friendly Workplace	46	●	●				
Community care and social welfare contribution	Basic	EC Economic Performance EC Indirect Economic Impacts SO Local Communities PA Access to Content	3.4.4 Creating Social Influence	68					●	●

Chapter 3

► Business Strategy and Operational Model

3.1 Go Prosperous

3.2 Go Innovative

3.3 Go Caring

3.4 Go Inclusive



3 Business Strategy and Operational Model

3.1 Go Prosperous

FET maintained its growth momentum in 2015 despite the saturation of the domestic telecommunications market and stiff competition among operators' rate plans. The Company's solid operating performance was driven by the 4G trend, growth in fiber-optic broadband and value-added services, and leveraging of its spectrum resources, while continuing to integrate channels, expanding its geographic coverage, and providing universal access to telecommunications services.



3.1.1 Growth in Operational Scale

FET continued to expand its stores in the major metropolitan areas. This included the upgrade of its "Sixth-Generation Stores," which integrate O2O (Online to Offline) sales and services. In addition to introducing integrated ICT services, FET is also committed to developing mobile application products, and actively strengthening the front-line service quality in 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 stores to different target markets. Apart from establishing our presence in department stores, transfer stations and night market districts, since 2012 we have also opened specialty stores such as Taiwan's first outlet telecommunication store in the form of the "FET Station Front Outlet." In 2015, our New Generation Flagship Store was launched at the Syntrend Taipei Information Park. The store combines the five elements "Cloud, Future, Digital, Innovation, and Motion sensing" with 4G mobile communication technologies. It boasts full-screen service counters, physical sensory controls, floating projection ticket machines, and a wearable devices section, thus setting the trend for new generation of retail stores.

As of the end of 2015, there were more than 1,000 FET, ARCOA, and Data Express stores providing comprehensive, professional and attentive services for everyone.

Integrated Marketing Channels

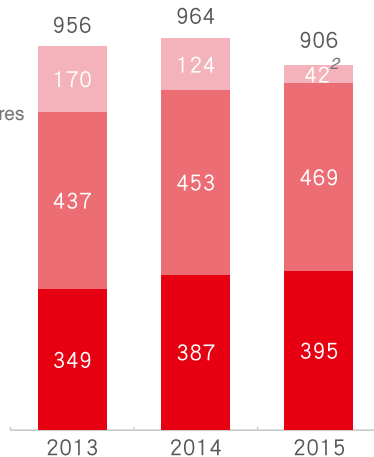
FET continues to examine the allocation of resources among its subsidiaries to maximize synergies to the Group. To increase the profitability of ARCOA stores, we have progressively converted street-front ARCOA stores into FET franchise stores. ARCOA have since 2015 undergone this transformation into FET franchise stores and the process will be completed in 2016. The integration of marketing channels has led to significant improvements in customer numbers and profitability, and widened FET's store coverage, thereby providing users with even more convenient and professional services.

Storefronts

Unit: Number of stores



ARCOA
FET franchise stores
FET retail stores



Low promotional prices from new 4G players affected the churn rate of users among the top-three telecommunication companies, which was higher in 2015 than 2014. Prepaid card users were more price sensitive. As a result of price competition among peers and a decline in unlimited Internet access monthly fees in recent years, some prepaid card users were attracted to postpaid products, leading to an overall rise in the loss rate of prepaid card users. 2016 average churn rate of postpaid customers is estimated at 1.5%, and 4.2% for prepaid customers.

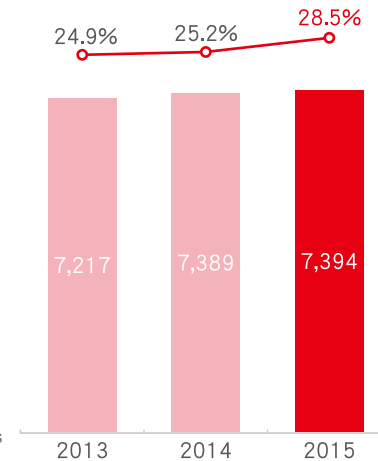
²Of the 42 ARCOA stores, 11 are retail stores and 31 are ARCOA-owned franchise stores.

Active Customers

Unit: Number of people (in thousands)



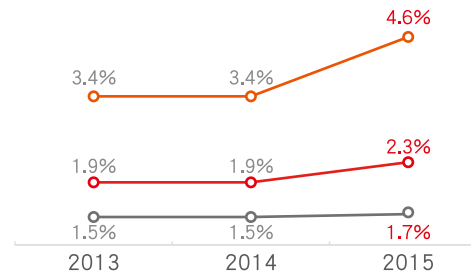
Market share
Number of active customers



Churn Rate of Customers



Average churn rate of customers
Average churn rate of postpaid customers
Average churn rate of prepaid customers



New Talent Expansion

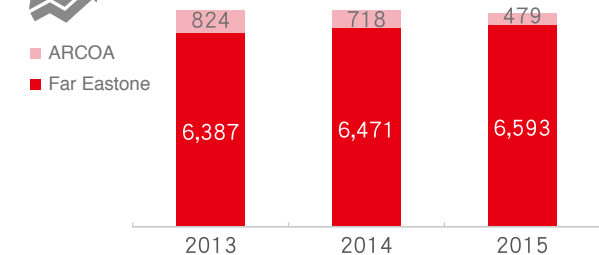
To facilitate FET's transformation and new businesses development, we actively recruited new, young talents in 2015, specifically in the realms of digital convergence, internet, big data, smart home and more. The number of employees in 2015 has increased as a result to 2014.

Employee Overview

Unit: Number of people



ARCOA
Far Eastone

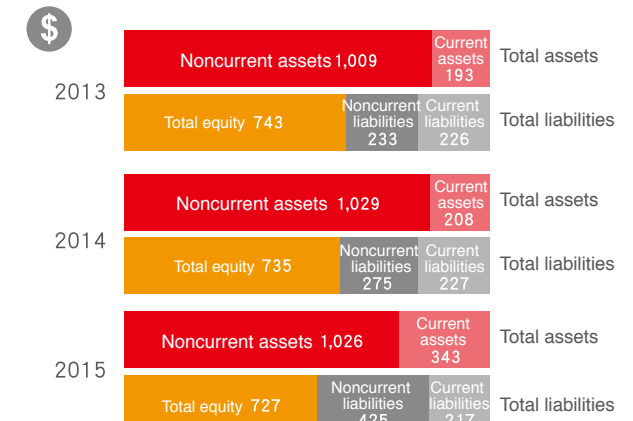


Asset Growth

In 2015, current assets and non-current liabilities increased, mostly due to FET obtaining the chartered rights to the fourth-generation broadband mobile services (4G) 2600MHz band through a bidding process in December 2015. To pay for the bid in early 2016, FET made use of long-term loans at the end of 2015, which resulted in cash and cash equivalents and long-term borrowings to increase significantly from the previous year.

Assets and Liabilities

Unit: NT\$100 million



3.1.2 Key Financial Indicators

FET's consolidated revenues in 2015 reached NT\$97.29 billion, up 3% from 2014. Consolidated EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) was NT\$26.81 billion, up by almost 5% from 2014. Net income of NT\$11.49 billion was achieved and the EPS in 2015 was NT\$3.52, which was unchanged from 2014, while total market capitalization at the end of 2015 reached NT\$220.3 billion and continued to steadily create value for shareholders.

	2013	Growth %	2014	Growth %	2015
Total revenue	896.71	5	941.76	3	972.93
Net income	119.06	-3	115.78	-1	114.89
EBITA ³	255.99	0.01	256.01	5	268.13
Total market capitalization ⁴	2,134	11	2,379	-7	2,203

	2013	2014	2015
ARPU ⁵	730	724	725
Earnings per share (NT\$)	3.63	3.52	3.52
Return on assets (%)	10.94	9.72	9.13
Return on equity (%)	16.07	15.65	15.78

³ EBITDA: Earnings Before Interest, Tax, Depreciation, and Amortization

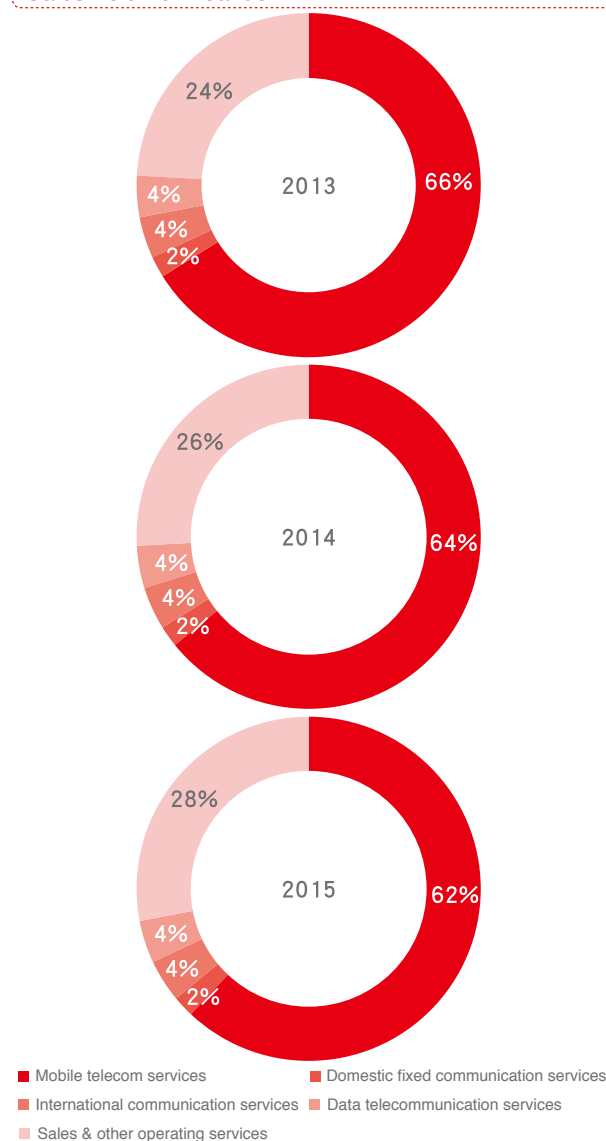
⁴ Market cap is shares outstanding as at year-end multiplied by the closing price

⁵ ARPU: average revenue per user

The total number of FET's subscribers continued to grow through 2015, reaching 7.39 million by year-end. In addition to a larger user base, FET also continued to expand its 4G business, as it actively transferred existing customers to 4G services and thereby achieved a higher ARPU. The number of 4G effective customers grew rapidly and surpassed 3 million by the end of 2015. Our market share of 4G subscribers ranks second place in the industry. The penetration rate of 4G postpaid subscribers reached 45%, exceeding all of our peers.

FET's total revenue rose by 5% and 3% in 2014 and 2015, respectively. Telecommunication services revenue, especially for mobile services, posted robust growth. The decline in net income in the period was due to the amortization of the 4G-spectrum bidding costs, 4G-related licensing and construction costs, as well as rate plan competition and phone subsidy costs. In 2016, the number of domestic 4G subscribers is likely to continue rising. FET will not only keep expanding its 4G business but also leverage its industry-leading position in providing value-added services to increase mobile services and mobile value-added service revenues.

Sales Volume Breakdown



3.1.3 Distribution of Economic Value

Allocation to Shareholders

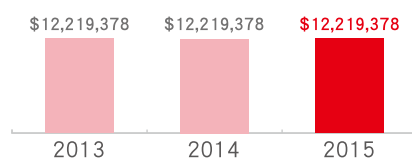
FET is committed to sharing the fruits of its operations with all stakeholders as it pursues sustainable growth. The dividend payout ratio is no less than 50% of the after-tax profit of the fiscal year after withholdings for previous losses, if any, legal reserve, and special reserve as required by law. The Board of Directors passed a resolution on February 17, 2016 to approve the 2015 dividend distribution plan. Undistributed earnings from 2015 will be distributed as a cash dividend at a rate of NT\$3.174 per share. The capital surplus from the issuing of shares that exceed their face value will be issued as a cash dividend as well for NT\$0.576 per share. Each share will therefore receive \$3.75 in cash.

Allocation to Society

FET embraces the spirit of contributing to society. We not only pursue revenue growth but also seek out ways of giving back to society. Please refer to 3.3 "Go Caring" and 3.4 "Go Inclusive" for details of our employee benefits, supplier engagements, and charitable activities.

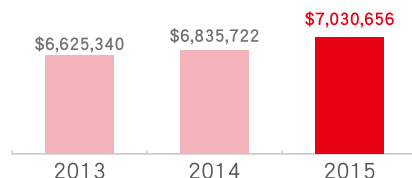
Payments to shareholders

Unit: NT\$ thousands



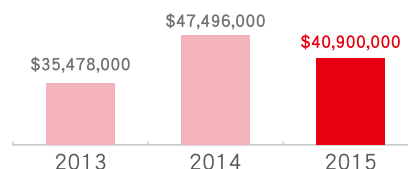
Payments to employees

Unit: NT\$ thousands



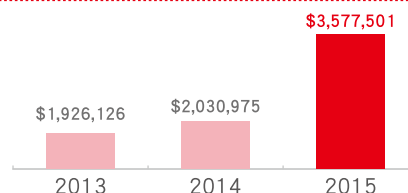
Payments to suppliers

Unit: NT\$ thousands



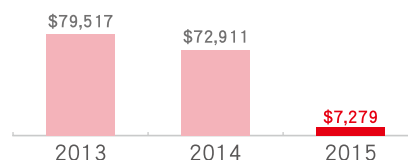
Payments for income tax

Unit: NT\$ thousands



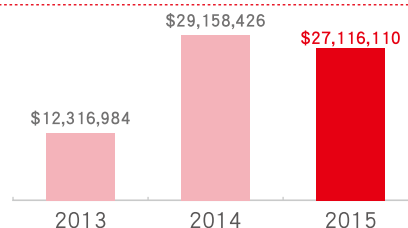
Government grants received⁷

Unit: NT\$ thousands



Social investments⁸

Unit: NT\$



⁶Please see 2015 FET Annual Report for FET's Dividend Policy.

⁷FET supports the government's industry development plans. The income from government subsidies each year mainly comes from the Industrial Development Bureau of the Ministry of Economic Affairs' 4G broadband application promotional projects, as well as e-book and carrier application service projects.

⁸Spending on public charity projects; includes public fundraising and cash donations.

3.1.4 Excellence in Communications Quality

Communications quality is the basis of all telecommunication and related application services. Whether voice, wireless, or data services, FET is committed to continuously improve network stability and reception quality in order to optimize the user experience and loyalty of customers.

Voice Services

In addition to tracking areas with reception problems that customers have complained about, FET regularly undertakes actual road tests to analyze wireless signal strength and the signal-to-noise ratio distribution. We check antenna feeder cables in areas with poor signals, adjust coverage of antennae, and adjust and optimize wireless parameters to improve reception quality in problematic areas. The dropped-call rate (DCR) of FET's 4G nationwide voice service has been stable at 0.25%.

Wireless Services

In the wake of fast-growing 4G services, subscribers increasingly demand and depend on data transmission speed. FET continued to deploy 4G base stations in 2015, including in rural, remote, and metropolitan areas, to gradually bring its coverage up to a par with 3G networks. Meanwhile, FET is also dedicated to optimizing and extending indoor signal coverage and expanding capacity in metropolitan areas to improve signal congestion and enhance the access speed, capacity and success rate of 4G wireless services. Currently, FET's success rate of 4G access has reached stable performance of over 99.95%.

In terms of 3G services, apart from continuous improvements to the 3G network and resolving complaints in areas without signal, in 2015, FET also increased the capacity of the second and

third carrier frequencies and successfully raised the capacity and speed of data services (e.g., 42Mbps). At present, FET's success rate of nationwide 3G voice and packet access has reached a stable performance level of over 99.5%.

While improving the communications quality of 3G and 4G network services, FET's network engineering department has also continuously optimized and adjusted network parameters, and upgraded software versions to enable new features. Such optimization work has been done on base stations, transmission and core networks, and wireless networks. Moving forward, FET will continue to improve the communications quality of its 3G and 4G services.

Data Services

In 2015, FET acquired the complementary 700MHz and 1800MHz spectra for its 4G mobile services. By exploiting the advantages of high/low-frequency dual-bands, we can provide all mobile subscribers with the most complete, high-quality and high-speed 4G services. The lower-frequency 700MHz spectrum has a longer range, providing complete coverage outdoors and deep within buildings. The LTE 700M frequency band can provide a wide and deep first layer of 4G basis network, while 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, and 20MHz of contiguous spectrum is available, which increases the maximum theoretical transfer rate to 150 Mbps.

FET also continued in 2015 to evaluate and validate new functions of its 3G and 4G base stations, activate various functionalities, and upgrade important software versions. More than 10 new functions were activated in 2015, which created significant benefits for increasing user data transmission speed.

In 2015, the National Communications Commission (NCC) entrusted the Telecom Technology Center (TTC) to undertake consumer 3G speed tests of telecom operators in all counties and cities. FET was ranked No. 1 in 8 out of 22 counties and cities for download speed, and won first place in all counties and cities for upload speed. The results show the effectiveness of FET's efforts to boost data transmission speed.

Efficient Use of Spectrum Resources

As an important resource for mobile service operators, FET obtained the new spectrum of 65MHz (2600MHz FDD/20+20MHz and 2600MHz TDD 25MHz) on December 7, 2015, and, to date, has obtained four LTE frequency bands (700MHz, 1800MHz, 2600MHz FDD/TDD). FET enables its users to experience up to 375Mbps of top 4G LTE download speed. FET plans to use the characteristics of high frequency and large band width for the newly obtained 2600MHz band to expand hot spot capacity in metropolitan areas and improve the overall online experiences of customers.

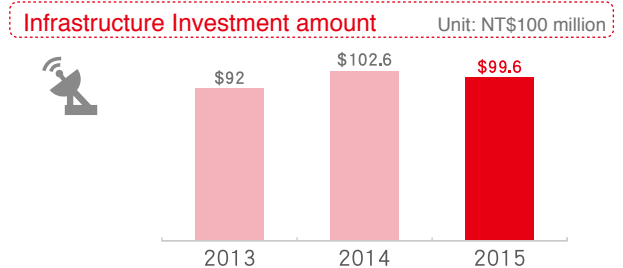
In response to the growing use of data in business analysis, FET introduced innovative network deployment strategies, such as small base stations, to gain better signal quality. We will also actively seek to connect with international spectra in the future. Network structure with high/low frequency and small base stations will pave the way for the future of 5G deployment to achieve a mobile service network with large bandwidth and excellent user experiences.

FET will continue to build on the newly obtained 4G 2600MHz band. After construction is completed, 3G and 4G communications quality will significantly improve for users, which will aid in our move toward the benchmark of becoming the network with the No. 1 quality in Taiwan's telecommunication industry.

3.1.5 Infrastructure Investments

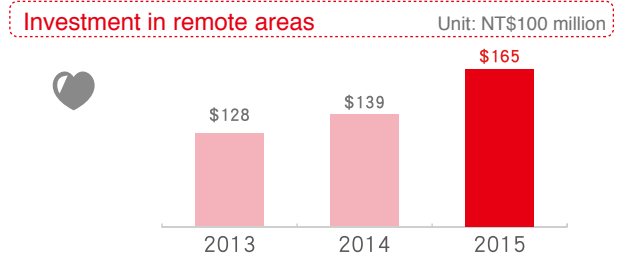
Investments in Telecommunication Infrastructure

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 differences in geographical location.

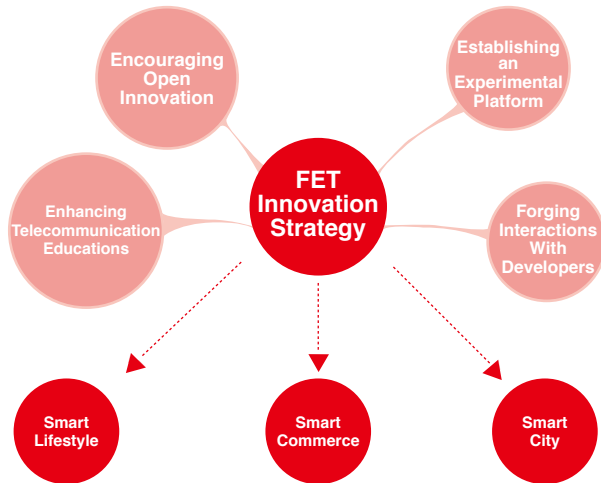


Investment in Remote Areas

FET's 4G network currently covers 99% of Taiwan's population, and signals have reached 367 townships. FET actively complies with the NCC's Telecommunications Universal Service Regulations. Every year, we continue to increase investments in universal telecommunication services with the aim to upgrade the data access speed in remote areas to be in line with that of broadband subscribers in metropolitan areas.



3.2 Go Innovative



With the growing popularity of mobile devices, consumers and corporate users have developed increasingly high expectations of service mobility. We recognize that innovation is the key cornerstone to creating shared values, both economic and otherwise. We aim to offer one-stop ICT integration solutions and to be the Preferred Partner in Digital Life. We aim to provide great consumer experiences, to continuously improve customer satisfaction, and thereby hope to consistently nurture a sustainable brand.

In accordance with our goals to sustain momentum in our innovations and grow our assets base, our R&D investments increased by 14% versus previous year in 2015. In order to keep abreast of new developments in the communications industry, we have focused on five major R&D investment areas:

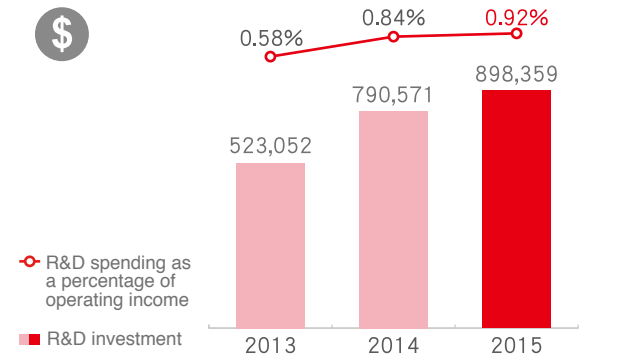
- > Value-added services: in response to the increasing popularity of 4G mobile services, and the more advanced functionality

of end devices, we will step up the development of related value-added services to optimize customers' communication experiences and increase their brand loyalty.

- > Internet of Things (IoT): the era of IoT will bring about vast amounts of online data and new management models. It will also involve many different applications and vertical industries. We have set up an ICT team to target five industries — namely, transportation, retail, healthcare, manufacturing, and finance — and we also continue to invest and cooperate with the government to nurture an IoT ecosystem.
- > Wearable devices: mobile/wearable devices are the rising stars of the communications industry. We will continue to collaborate with wearable device vendors to test their performance and stability on our wireless broadband networks. We hope to provide consumers in the future with user experiences with a wow-factor.
- > Virtualization of Internet functions: communication service types have become more diversified in recent years, and this requires matching network resources with various service characteristics. Some services demand large data traffic, whilst others produce a huge amount of online traffic. Faced with rapidly changing market competition and conditions, we will begin to implement virtualization technologies for network functions that allow our existing network resources to support diversified services in a flexible manner.
- > Digital convergence of mobile and fixed networks: with digital convergence, users can access the information they need anywhere, at any time, through any network and device. The fusion of mobile and fixed networks will therefore pick up pace. Since 2008, we have been responding to this trend by progressively integrating our mobile and fixed networks to form a common backbone for network access.

R&D Investment

Unit: NT\$ thousand



Apart from regular reviews of major R&D initiatives and active development of new innovative products and services, we are committed to building an environment that encourages innovation, prompting more internal and external professionals and partners to take part in the R&D process, thereby effectively expanding innovative resources and creating more opportunities for win-win cooperation.

Enhancing Telecommunication Educations

We believe that people drive innovation. Improving the overall standard of telecom educations is the only way for the industry to nurture more talented people and for FET to prosper along with society. As a result, in February 1999 we established the Far Eastone Technology Development Foundation and the Far Eastone Education Center as a way of ensuring we could provide the latest equipment and technologies, together with industry practice and experiences for cultivating communications professionals. It 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 overall standards within the telecommunications industry. The Far Eastone Education Center provides a diversified learning environment that includes online courses (e-Campus Digital Learning Center) and a curriculum that offers tailored telecommunications training for a comprehensive development program. In 2015, 42 physical training courses and 2 new employee training courses were completed. These were attended by 2,038 and 176 participants respectively. In addition, in response to new communications technologies and development trends, 4 seminars were held in 2015 to explore the development of VoLTE, SDN, LTE-A toward 5G, and telecom IP networks – 234 people attended seminars of this program.

In addition to cultivating telecom specialists within FET, we have also taken part in many external seminars and campus events, such as the Ministry of Education's Rural Digital Care Promotion Plan. We plan to open our e-Campus Digital Learning Center to those from outside of our company in future as a way of promoting overall communications education.

Encouraging Open Innovation

We are committed to promoting open innovation through leveraging external use and feedback of innovative applications that have been developed in-house. In addition to providing API interfaces, we hope to cooperate with more industries and businesses in creating a dedicated enterprise messaging software (EMMA) that facilitates collaboration of innovative application content. Examples of innovations in 2015 include: the integration of an e-Tag with our internal parking lot application, face-recognition technology integrated with our in-house cafeterias, smart store applications such as interactive advertising, marketing-related push notifications, and pedestrian survey applications. Going forward, we will develop these innovative applications so as to lead the industry, improve our competitiveness, and foster new business opportunities.

Establishing an 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. In addition to pre-market research of new systems and value-added services in a completely independent experimental network, it also serves as an experimental platform for local communications equipment makers, chip vendors, digital content providers, and academic research institutions.

In 2015, we completed more than 200 internal testing cases on the experimental platform. The testing scope included terminals and back-end exchange networks and service systems, while key testing plans encompassed the core network and base station equipment hardware and software upgrades, 3CC carrier aggregation, a public disaster prevention and early warning system (PWS), a number of vendor Smallcell product evaluations, as well as new mobile phone verification.

FET's experimental platform has served as a showcase to several domestic and foreign VIP visitors at international telecommunication exhibitions, such as the 2015 Cross-Strait

Communications Bridge Conference. Completion of the VoLTE, TDD/FDD-LTE 2CC CA, and TDD-LTE 3CC demonstrations has helped FET to become the leading domestic operator when it comes to development of LTE technology.

Promoting Interactions with Developers

We have now hosted the Developers Conference for six 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. In 2015, FET hosted the friDay App Developer Conference at the Huashan Creative Park, where we focused on new approaches to app marketing. Several industry leaders were invited to speak on the influence on marketing of video media and webcasts in the app market. Around 150 developers participated in the conference.



Far Eastone
Education Center



3.2.1 Smart Lifestyle

	Number of Subscribers/Downloads in 2015	2014–2015 Revenue Growth (%)	2015–2016 Projected Revenue Growth (%)
friDay Video ⁹	260,000	80%	29%
friDay Shopping ¹⁰	70,000	98%	166%
friDay PLAY ¹¹	890,000 downloads	1031%	11%
friDay Reading	67,000 downloads	-65%	5%
Omusic	150,000	33%	37%
Google Play Carrier Billing ¹²	650,000	251%	26%
Alley O2O Shopping	400,000 downloads	76%	252%

⁹ friDay Video was revamped and relaunched in November 2015 (formerly known as the FET Video Store).

¹⁰ friDay Shopping was launched in October 2014.

¹¹ friDay PLAY (formerly friDay App Assistant) was launched in November 2014.

¹² Google Play Carrier Billing was launched in May 2014.

Note: In 2015, paid subscribers had access to services including: friDay Video, friDay Shopping, Omusic, Google Play Carrier Billing; actual downloaded apps for services: friDay PLAY, friDay Reading, Alley O2O shopping.

FET is continuing to develop and expand our digital mobile content and applications, mobile payments, and m-Commerce content to create an increasingly smart and convenient lifestyle for consumers.

In 2015, we integrated our existing video, mobile payment, app market, and other mobile app services together as we built friDay into a mobile-lifestyle brand. Looking ahead, friDay will encompass three aspects — namely, m-Commerce, mobile applications, and digital content— as it plays the role of digital content aggregator, providing more services in niche mobile application markets at the same time as fulfilling consumer's demands for smart living.

friDay Video

We launched the FET Video Store service in 2011. Following the revamping of friDay Video in 2015, subscribers continued to grow, with nearly one million registered members. No online streaming brand has more domestic online video members, and it offers the highest quality content possible. We obtained the exclusive webcast rights to the 52nd Golden Horse Awards (better known as the Oscars of Chinese-language movies) for three consecutive years. During the campaign, we generated more than 500,000 views; and during the live streaming of the Award Ceremony nearly 40,000 viewers were simultaneously online at peak moments. Furthermore, 2,000 new paid subscribers for friDay Video were added as a result of the initiative.



friDay Mobile Wallet

FET expects to launch the friDay Mobile Wallet, which combines NFC (Near Field Communication) sensory and remote cloud services, in the second half of 2016. It will provide mobile payment services for subscribers in all areas of daily life.

The friDay Mobile Wallet has a multi-stage development strategy. In phase I, we collaborated with transit ticketing companies (such as EasyCard), and allowed subscribers to take public transportation and make payments at authorized stores with

friDay 影音

NFC sensor payment capabilities. In phase II, we will deepen the scope of retail usage by enhancing friDay Wallet's distinctive features and promoting mobile payment services to the Group's affiliates and subscribers. In Phase III, we will continue to expand payment functionality and usage scope by introducing value-added services and financial services.

friDay Shopping

With consumer insights and the concept of mobility as a guiding principle for friDay, we have pioneered a business approach based on the curation of m-Commerce by offering "Great Shopping, Great Browsing, Great Fun." Content navigation and a unique interface are used as the basis for designing exhibitions targeted at different lifestyles. Since launching in October 2014, friDay Shopping has attracted an average of one million visitors per month and featured 250,000 products (as of the end of 2015). During the second half of 2015, we introduced video shopping through push notifications. This video content aimed at generating traffic and increasing conversion rates.

friDay PLAY

Based on consumer demand for a third-party app market in Taiwan, friDay PLAY was launched. In combination with Big Data analysis, it provides an accurate and effective platform for local developers, while offering local and customized services to consumers in Taiwan. As a result, it lends itself to being the first stop for foreign app companies looking to enter the Taiwanese market.

Since its launch at the end of 2014, over 5,000 apps have been posted on friDay PLAY, including tools, videos, entertainment, and other types of apps. There have been more than two million app downloads, with an activation rate of over one-third. Furthermore, since working with major cross-strait game developers in 2015, friDay PLAY has generated substantial revenues for them as well.

friDay 購物

friDay PLAY

friDay Reading

The wide availability of tablets and large-screen phones has made e-reading a popular activity. friDay Reading offers a multi-device service account so subscribers can enjoy reading across a variety of mobile devices. The service has a diverse selection of products suitable for different reading groups, such as women, children, and families. For instance, there are themed packages for elementary and junior high school kids, lifestyle- and literature-related materials for creative hipsters, and fiction for romance fans. In addition, 36 picture books were made available for free download as part of the 2015 Eco-friendly Digital Picture Book Competition.



Omusic

Omusic was the first digital music platform to be set up as a joint venture between a telco and Taiwan's top eight music record companies. It has acquired more than 600,000 registered members, growing 78% compared to the previous year. Omusic offers online streaming music as its main business model, and includes music services such as downloads of singles and ringtones.



Paid -up members can listen to complete songs, while registered members can listen to five complete songs for free. In 2016, Omusic partnered with ACRCLOUD, and launched the exclusive song-identification feature, allowing for the recognition of more than 40 million songs. By simply executing the software and pressing the "identify" button, subscribers can pick out the song that they are listening to, as well as identify a song by simply humming it. With its identification capability also allowing recommendations to be made, Omusic truly offers a comprehensive music service.

Google Play Carrier Billing

The popularity of smart phones has made mobile apps and games indispensable for everyday tasks and entertainment. FET was the first telco in Taiwan to offer Google Play Carrier Billing in May 2014. Reflecting the demand for direct carrier billing, other telcos followed suit and launched their services in the third quarter of 2015. According to the well-known international research firm, App Annie, Taiwan's mobile app revenues in 2015 ranked fourth in the world, just behind Japan, the U.S., and South Korea. Having surpassed Germany in the second quarter of 2015, by the end of 2015, there were 750,000 accumulated non-repetitive paid subscribers to FET's Google Play Carrier Billing service, and 12 million transactions were processed, ranking it as industry leader.

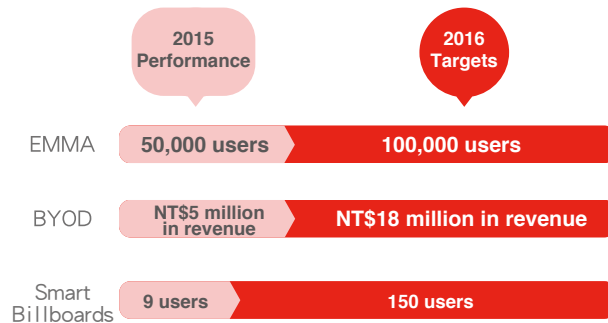


Alley: SoLoMo Application

Steered by a new online-to-offline (O2O) business model, FET launched the Alley SoLoMo App in 2013 with "half-price gourmet feasts" as the main attraction for consumers. Limited half-price coupons could be purchased online and redeemed at nearby businesses based on the consumer's location. Moving forward, we plan on extending our services to various regions and will incorporate more m-Commerce features, such as local tourism and cultural video services, as well as automated recommendations, as a way of creating Taiwan's largest local living O2O platform. The Alley app has so far launched "Alley x Taipei" and "Alley x Tainan," attracting 400,000 downloads and providing increased marketing exposure for more than 1,500 businesses. Revenues reached NT\$8 million in 2015, with more than 40,000 monthly active users bringing revenue to participating businesses and generating positive benefits for the industry at large.



3.2.2 Smart Commerce



FET's enterprise ICT and cloud-integrated services revenues reached NT\$15.5 billion in 2015, growing 5.2% compared to the previous year. We will continue to promote fixed line and mobile network convergence; and will look to combine cloud and 4G LTE mobile apps, information security, data center construction, cloud network management and storage technologies, private clouds, the Internet of Things, and Big Data services; in order to lead our enterprise customers as they move towards complete mobility. In terms of m-Commerce, FET has recently committed to promoting ICT services to meet enterprise customers' communication and information demands, as well as providing a one-stop shop for integrated ICT solutions.

Dedicated Enterprise Instant Messaging Software – EMMA



In 2015, EMMA transformed itself from being an enterprise-level instant messaging platform into an enterprise-level mobile platform with instant messaging capabilities that links a corporation's internal information systems, has embedded M2M (machine-to-machine) capabilities, and offers automatic response functionality. Enterprise-level business intelligence and both internal and external inquiries can instantly be transmitted to the relevant units for response. This not only bridges the gap when instant decisions and responses are needed, but also

keeps confidential information secure, thanks to the system being a private cloud. As of the end of 2015, in addition to domestic and overseas large retailers and financial institutions, EMMA was also adopted by the retail, financial, manufacturing, and services industries, as well as the government, academic institutions, hospitals, and many other large institutions. Around 50,000 corporate employees have downloaded EMMA and enjoyed the convenience of this highly efficient communication platform. We expect EMMA (Enterprise Mobility Messaging Assistant) to effectively enhance the mobile communications of corporations and further strengthen their competitiveness. EMMA users could reach 100,000 by the end of 2016.

BYOD Mobile Device Management Solution/Paperless Conference System

The global trend towards Bring Your Own Device (BYOD) has meant that companies must find a balance between corporate information security, employee privacy, and flexibility of usage. The internationally renowned research firm IDC estimates the number of mobile workers worldwide reached nearly 1.3 billion, accounting for 38% of the global workforce. However, according to a Gartner report, most corporations currently only permit their own devices, and there are few corresponding management measures for employees who bring their own devices.

In 2015, FET helped a number of manufacturers introduce BYOD, as well as to administer their device access restrictions, to set up email/sign-off system integration, and ensure confidential information access and management. FET has also helped companies in the retail industry to introduce BYOD, and provided them with total solutions for device storage management. This includes Mobile Device Management (MDM) introduction and training at hundreds of stores.

FET's Paperless Conference System provided by our BYOD application is specifically designed for executive meetings,

thereby ensuring security and convenience. The Conference System's structures can be calibrated to ensure the security of confidential information according to a company's information security policy. A simple and easy-to-use app, as well as Windows versions, are also provided. Files on mobile devices are processed with special coding, thus safeguarding the integrity of confidential data and putting business owners at ease, whilst at the same time allowing them to achieve their objectives of saving paper and reducing carbon emissions.

Smart Billboards

Nine companies have purchased our smart billboards product, which was introduced in September 2015. Smart billboards can effectively replace traditional one-off advertising billboards and paper display media. This helps to reduce wasted resources, lowers operating costs, , saves on energy consumption, and cuts carbon emissions. Another advantage is that smart billboards can update content in real-time, provide interactive features, and gather audience data, such as age, sex, likes and dislikes, and other information. With the channels and patterns of information transmission very different from the past, companies stand to improve the efficiency of their internal and external communications via the use of smart billboards.



3.2.3 Smart City

	2015 Performance	2016 Targets
Tainan Smart City	Since October 2015, Number of subscribers served: 12,300 Revenue: NT\$310,000 Number of people served: 116,200	The number of subscribers served: 244,500 Revenue: NT\$913,000 Number of people served: 755,100
Smart Health	Number of paid members: 10,000	Number of paid members: 20,000
Scientific Epidemic Prevention	<ul style="list-style-type: none"> Completed development of epidemic prevention platform in 4 days. Delivered 100 mobile phones to the Tainan City government's epidemic prevention unit within 1 day and completed installation and testing of epidemic prevention platform app 	Subject to the request of the Tainan City Government. Early deployment prior to July is recommended in order to reduce the chances of an outbreak
Smart Safety Inspection	Started promotion in October 2015, gradually rolled out to corporates	Expected to rolled out to at least 3 companies

According to a United Nations report¹³, the population living in cities worldwide will increase by 2.5 billion by 2050. Many nations are increasingly faced with problems such as rising healthcare and elderly citizens' care costs, environmental pollution, and traffic congestion. To solve problems related to urbanization, we have actively invested in smart IoT development in recent years, cultivated mobile and cloud technologies, linked Big Data with smart devices, and taken positions in three fields of smart-city development, namely healthcare, transportation, and public security. Since 2015, we have participated in pilot schemes and planning of public sectors and associations, executed 4G smart-city plans, and built smart-city solution capabilities.

Smart City: Building Taiwan's First Comprehensive Smart City

In August 2015, FET worked with Tainan City to activate its 4G Smart City Flagship Project, making it the first comprehensive smart city in Taiwan. Starting with the five indicators of an ICF Smart City — namely, broadband links, a knowledgeable working force, digital content, innovation, and marketing promotions — in combination with the original administrative plans of Tainan City, we implemented planning applications in six areas with seven departments to create the first Smart City Logistics Center in Taiwan. Achievements included:

- > Built Taiwan's first cross-department, smart operating management center in co-operation with the Research, Development and Evaluation Commission.
- > Cooperated with the Bureau of Transportation to fully deploy 4G in road networks, and set

up a comprehensive smart-traffic center. More than 400 buses are now 100% equipped with integrated smart imaging and information analysis systems.

- > Worked with the Department of Health to jointly promote the Tainan Civil Card and community health management service. This encompassed expanding the self-care management services that now covers 100% of the city's townships.
- > Cooperated with the Bureau of Education to narrow the urban-rural digital divide through optimization of wireless networks in downtown Tainan City and rural areas. Introduced an all-inclusive mobile teaching platform and promoted its popularity in 271 elementary and junior high schools.
- > Established an O2O integrated e-commerce ecosystem with the Tourism Bureau and the Bureau of Economic Development. This blends the domains of the virtual and the physical and relies upon rich mobile video streamed across 4G.
- > In collaboration with the Water Resources Bureau, all of the city's pumping stations were installed with a 4G mobile information collection and monitoring platform to enhance the efficiency of flood controls and disaster prevention, while promoting cross-county/city cooperation for disaster prevention through real-time image transmissions.



¹³United Nations, World Urbanization Prospects, 2014.

Smart Health

Health+

To help improve the treatment of chronic diseases such as high blood pressure and diabetes, FET partnered with Far Eastern Memorial Hospital to launch the first "Health+" service, bringing together hospitals, pharmacies, and corporations. Through convenient test stations, NFC (near-field communication) testing equipment, a real-time record management platform, as well as personal health cards and mobile apps, blood sugar and blood pressure trends are recorded on the cloud, where they can be continuously monitored and tracked by medical professionals. This simplifies the querying of test results and health self-management.



By the end of 2015, more than 90,000 people had experienced our Health+ services. This is an increase of around 200% from the previous year. More than 10,000 people joined the Health+ paid service, representing year-on-year growth of around 120%. Our partnership with Far Eastern Memorial Hospital on diabetes telecare services was recognized and commended by the Health Promotion Administration of the Ministry of Health and Welfare.

Health+
健康+

Technology for Epidemic Prevention

In the summer of 2015, dengue fever devastated southern Taiwan. We worked quickly with the Tainan City government to develop a special epidemic prevention management platform. The platform not only recorded quantitative data, but also charted the spread of the epidemic, identifying high-incidence areas such as parks, food markets, and old communities to swiftly assess the latest changes in the situation. This platform effectively helped the Tainan City government to set the spraying strategy to be used prevent the spread of the disease. The management platform was also able to help Tainan City government manage the real-time location of epidemic-prevention personnel, distribute resources in the affected areas, and have better insights with Big Data analysis. The fight against dengue fever was a paradigmatic example of this.

Tainan City Government found that the epidemic peaked in the first half of September. From September 11th onward, the introduction of FET's Big Data and monitoring systems via the epidemic prevention management platform contributed to a quick tapering of the epidemic by the time October arrived.



Smart Safety Inspection

The NFC electronic inspection system provides clear and transparent information for industries that require regular audits or inventories of sites/objects/equipment, such as the environmental management and security units of medical, security, chain logistics, and other large organizations. This helps with tracking actual employee attendance, simplifying the management process. Any on-site problems can be dealt with at once to reduce risk.

Combined with Big Data analysis, results of smart inspections are automatically stored in the system for reference and used for making operational decisions and setting policies. For places related to public safety, such as rivers and public facilities, inspection can be done accurately to protect people and their property. Smart inspection makes use of NFC and Beacon technologies. Because the inspection staff must be on-site to use the equipment, monitoring of personnel on duty can be effectively enhanced and contribute to reducing incidents of fraud or accidents.



The smart inspection system effectively replaces traditional paper inspection forms to reduce wasted resources, lower operating costs, and cut carbon emissions





3.3 Go Caring

3.3.1 Stakeholder Engagement

Stakeholder Communication Performance

Through high-quality ICT and digital application services, communication without distance remains our central mission as a operator. We believe that "Go Caring" as a concept is key to maintaining good relations with stakeholders, whether it is internally with employees or externally with subscribers. Our goal of "Closing the Distance" forms a cornerstone of our pursuit of sustainable growth as a company.

Our stakeholder communication channels, methods of response, and communications performance in 2015 are tabled below.






Stakeholders	Response and Communication Channels	Communication Performance
 Employees	<ul style="list-style-type: none"> · Training and education · Annual performance evaluation · Quarterly Town Hall Meeting · Employee opinion survey · Employee grievances mailbox · Quarterly Lantern Legend Meeting · Annual employee conference · Employee Welfare Committee · FET e-Express/FET e-Paper · FET e-Newsletter 	<ul style="list-style-type: none"> · Through FET e-Express, all employees are informed of volunteer accomplishments for the year. · In 2015, a total of 18 employee suggestions were received through the intranet and e-mail, which related mainly to the company's product programs and facilities administration. · Employee opinion survey re-defined as "Connect for Best" to emphasize employee engagement. A total of 5,160 people responded with an 87% of response rate. · Further details on communication efforts can be found in Chapter 3.3.2 (Friendly Workplace) of this report.
 Consumers/ Customers	<ul style="list-style-type: none"> · In-store face-to-face communication · Six complaints channels for customers (official correspondence, arbitration meeting, customer service inbound, FETnet website, self-care app, and online chat) · Satisfaction surveys (by customer service center and outsourced agency) · Product information meetings and marketing activities · Launched third wave of the "Express your love. Let it be heard" advertising campaign "Encourage Taiwan with Words of love" in 2015 · User behavior research/surveys 	<ul style="list-style-type: none"> · Official LINE account used to provide service information, such as promotions and change of business hours, as well as for one-on-one inquiries. Through Facebook fan pages, we can directly communicate with subscribers about store and business district information, promotions, and public relations activities. Subscribers can also ask questions via private message. By the end of 2015, 394 retail stores had their own dedicated Facebook fan pages (190,000 fans) and LINE accounts (64,000 friends). · FET handled 2,325 cases of official correspondence, 181 instances of arbitration meetings, 23,207 inbound customer service calls, and 3,815 cases via the FETnet website/self-care app/online chat. Serious customer complaints are forwarded within 2 hours of complaint to the customer relations management team. The customer is contacted within 4 hours of notification to resolve their complaints. · Overall customer satisfaction of FET's customer service center in 2015: 88.9%. Total number of positive messages on service satisfaction: 5,915 calls. · Outsourced satisfaction survey in 2015: FET's subscriber satisfaction ranking was third out of five operators. · For other communication performance, please refer to Chapter 3.3.1 (Brand Image Management) and Chapter 3.3.3 (Service Without Distance) of this report.
 Enterprise Customers	<ul style="list-style-type: none"> · Business visits · Call center 	<ul style="list-style-type: none"> · Number of calls handled via Call Center: 398,408 in 2015. · For details on other communication performance, please refer to Chapter 3.2.2 (Smart Commerce) and Chapter 3.3.3 (Service Without Distance) of this report.
 Competent Authorities	<ul style="list-style-type: none"> · Business meetings and administrative inspections by the National Communications Commission (NCC) · Fair Trade Commission investigations (ad hoc) · Official correspondence (ad hoc) 	<ul style="list-style-type: none"> · Took part in 281 NCC business meetings and 24 administrative inspections in 2015. No violations were reported. · There was 1 case under investigation with the FTC in 2015. All cases have been closed as of the date of this publication and no violation of the Fair Trade Act was found. · Received 3,812 pieces of official correspondence in 2015, mostly from business meetings related to mobile communications (including 2G/3G/4G).

FETnet
Webiste



Enterprise
Customer
Services



Stakeholders	Response and Communication Channels	Communication Performance
 Suppliers/ Contractors/ Developers	<ul style="list-style-type: none"> Invited suppliers to sign the Supplier CSR Self-Declaration FET Supply Chain Guidelines for Corporate Social Responsibility Code of Business Conduct Procurement Satisfaction Survey Developers Conference 	<ul style="list-style-type: none"> In 2015, 75 out of FET Top 100 existing suppliers signed the Supplier CSR Self-Declaration; all new suppliers signed the Self-Declaration. All 169 FET suppliers signed the Code of Business Conduct Agreement in 2015. In 2015, ARCOA received 63 effective procurement satisfaction questionnaires with a 100% response rate; 92.1% of the responses were "satisfied" and "very satisfied." FET held the Developers Conference for the sixth consecutive year. The friDay PLAY Developers Conference was held on November 6 at the Huashan Creative Park, with around 150 app developers in attendance. For more details on communication performance, please refer to Chapter 3.4.1 (Supplier Management) of this report.
 Shareholders/ Investors	<ul style="list-style-type: none"> Annual general meeting Investor-related conferences Communication through dedicated units (ad hoc) Investor Relations section of FET's website 	<ul style="list-style-type: none"> Hosted one general shareholders meeting in 2015. Hosted 4 Investor Conference Calls in 2015 for direct communication between investors and the executive leadership team. Dedicated units took part in domestic/overseas face-to-face institutional investor meetings. Published monthly non-audited revenue, profit and operating statistical data on Investor Relations on FETnet.
 Competitors	<ul style="list-style-type: none"> Communication with competitors in the Taiwan Telecommunication Industry Development Association (TTIDA) (ad hoc) Competition/market survey 	<ul style="list-style-type: none"> Attended 130 meetings in 2015, including 115 on various issues and 15 working groups related to the construction of base stations. Other details on communication efforts can be found in Chapter 3.3.3 (Service Without Distance) of this report.
 Media	<ul style="list-style-type: none"> Press releases/conferences (ad hoc) Communication through a dedicated unit 	<ul style="list-style-type: none"> Hosted 15 press conferences and issued 215 press releases in 2015.
 Community Groups/ NGOs	<ul style="list-style-type: none"> Information meetings/symposiums/forums Sponsorships and collaborations 	<ul style="list-style-type: none"> For details on communication performance, please refer to Chapter 3.4 (Go Inclusive) of this report and the FET CSR website.

Investor
Relations on
FETnetFETnet
News RoomFET CSR
Website

Brand Image Management

Brand image is the key to improving communications. A first-rate brand image helps stakeholders understand the company's market orientation, core values and vision, and strengthens stakeholders' sense of identity, trust and loyalty to the company. As a telecoms operator providing information transmission and communications services, we hope to close the distance between people in society through wholesome and positive communications; this is embodied in our "Closing the Distance" ethos.

Since 2013, we have been promoting the brand concept of "Express your love. Let it be heard" in an effort to encourage Taiwanese citizens to rethink how they overtly express their love. Our second advertising campaign in 2014 — "Because of love,

keep your words sweet" — further encouraged people to think about their ways of communicating, with a view to increasing the frequency of occasions on which they express positive feelings and close the distance to others around them. In 2015, we launched the third campaign "Encourage Taiwan with words of love", which gave an added emphasis to society at large. Aside from expressing positive emotions to familiar people, we wanted to encourage that attitude throughout Taiwan, allowing the public to exchange views in support of the land we all share.

The second advertising campaign of 2014 gained more than five million views in Taiwan alone, and more than 550 million viewers watched online worldwide. The campaign received a particularly positive response in the cross-strait region. The third advertising campaign achieved nearly three million views online in the first

three months after its launch at the end of 2015. During the three years of the "Express your love. Let it be heard" campaign, we invested over NT\$129 million in media. Investment in the "Express your love. Let it be heard" campaign and "Cherish the Earth. Spread love far" CSR activities amounted to around NT\$45 million and NT\$24 million respectively

2016 "Encourage Taiwan
with Words of Love"
Campaign Videos

In 2015, FET won second place in the industry's TNS¹⁴ Wave II Customer Loyalty Survey for "Brand with Good Image" (2015H2 customer loyalty survey). The "Express your love. Let it be heard" campaign further lifted FET's 2015 brand influence ranking within Taiwan from 53 to 30 demonstrating that our brand penetration rate was boosted during the two-year period of the "Express your love" campaign. More people than ever were able to recognize and identify with the "Let it be heard" theme.

Brand-related Awards FET received in 2015 include:

No.	Awards	Organizer	Date Received	Significance
1.	Gold award, 2015 ROI Festival "Contents Platform-Video Website Awards"	ROI Festival/ PricewaterhouseCoopers	October 22	ROI Festival is the world's first commercial creativity award. Winning the award adds credibility to our efforts to maximize our brand's market returns with minimal investment.
2.	"Because of love, keep your words sweet" placed in the top ten of the 2015 Advertising Slogan Awards from Brain Magazine	Brain Magazine/Brain Club/Taiwan Advertisers' Association	June 24	This award signifies that our brand image is consistent with current social fads and fashion trends and is embraced by members of the public.
3.	"Express your love. Let it be heard" placed in the top ten of the 2015 Advertising Slogan and Best Popularity Awards from Brain Magazine			
4.	2015 MCEI World Marketing Excellence Award-Silver Medal	MCEI Marketing Communications Executives International	July 23	The MCEI World Marketing Excellence Award is an occasion where Taiwan's outstanding marketing communication works are highlighted on the international stage. This award signifies that our brand creativity represents and advances Taiwan in the international arena.
5.	2015 Effie Greater China Awards	Effie Greater China	October 26	This is one of the world's four most-prized advertising awards (Effie Awards, New York Festival, London International Awards, Cannes Lions), and it reflects well on our international standard of brand management.
6.	2015 China 4A Gold Seal Creative Awards	The Association of Accredited Advertising Agencies of China (China 4A)	November 7	The Gold Seal Creative Award is a creative bellwether within the advertising industry, and is also the premier annual advertising festival in China.

¹⁴TNS is the largest project market research institution and provides the highest quality market research services in 80 countries worldwide. With 15,000 full-time employees and the broadest research, insights, and advisory networks, the company offers clients realistically feasible project advice with consumer insights and helps clients make more effective business decisions.



3.3.2 Friendly Workplace

FET is committed to becoming a "preferred employer," offering an equal-opportunity workplace, attractive remuneration and benefits, open communication within the company, and diverse training and career development opportunities. These efforts contribute towards us retaining employees. Employees are our most important corporate assets, and they help us to enhance organizational efficiencies and capabilities, as well as to support sustainable growth in the future.

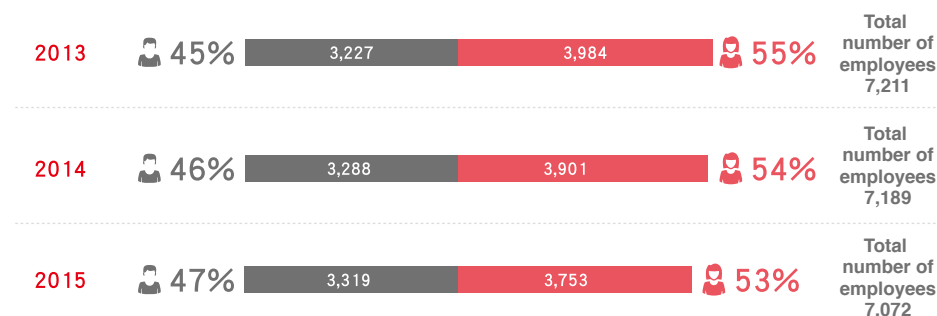


Employment Overview

In 2015, the total number of FET employees was 7,072 which was slightly less than the previous year. This was mainly due to the integration of marketing channels, restructuring of ARCOA stores, and the gradual conversion to FET retail stores that resulted in the resizing of ARCOA employee structure. In terms of our employee structure, women accounted for a larger percentage of the workforce than men — 53% vs. 47%. Over 99% of employees are domestic citizens with indefinite contracts.

Total Number of Employees

Unit: Number of people



Unit: Number of people

Employee Contract Type	2013	Percentage	2014	Percentage	2015	Percentage
Indefinite	7,208	99.96%	7,186	99.96%	7,058	99.80%
Fixed-term	3	0.04%	3	0.04%	14	0.20%
Total	7,211		7,189		7,072	

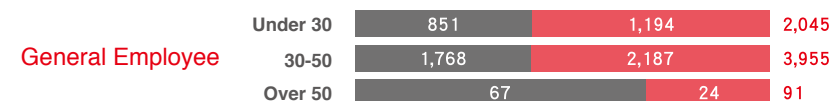
Unit: Number of people

Employee Nationality	2013	Percentage	2014	Percentage	2015	Percentage
Taiwan	7,204	99.90%	7,182	99.90%	7,064	99.89%
Overseas	7	0.10%	7	0.10%	8	0.11%
Total	7,211		7,189		7,072	

Unit: Number of people

Employment of Disabled People	2013	2014	2015
FET and NCIC	38	39	47
ARCOA	9	11	4

Age Distribution of Management and General Employees in 2015



Manager



Director



Vice President



■ Male ■ Female Unit: Number of people

Employee Academic Background

Unit: Number of people

	Male	Female	Total
Vocational/ Senior High School	323	658	981
Bachelor's	2,467	2,806	5,273
Master's	518	286	804
PhD	11	3	14

Average Employee Age and Seniority

	Average Age			Average Seniority (years)		
	Male	Female	Total	Male	Female	Total
FET	37.2	34.2	35.7	7.7	6.7	7.2
ARCOA	37.0	34.7	35.7	3.8	6.5	5.5

Talent Recruitment and Retention

We follow a sustainable corporate development strategy with flexible recruitment plans. In recent years, in response to the fast-changing telecommunications industry we compete within, as well as in accordance with our developmental requirements, we have actively recruited from the field of integrated ICT services. This includes specialties such as telecommunications, multimedia, cloud, and Big Data

Aside from the recruitment of professionals through the job market, we also source and cultivate talent from industrial-academic cooperative programs with Yuan Ze University, Oriental Institute of Technology, Chihlee Institute of Technology, and Shu-Te University. These initiatives are aimed at integrating campus resources, narrowing the gap between theory and practice, and training professional talent.

2015 New Hires

Unit: Number of people

	New Hires			
	Male	Female	Total	Ratio of New Hires
Under 30	679	800	1,479	20.91%
30–50	377	352	729	10.31%
Over 50	3	2	5	0.07%
Total	1,059	1,154	2,213	31.29%

2015 Resignations

Unit: Number of people

	Resignations			
	Male	Female	Total	Turnover Rate
Under 30	544	674	1,218	17.22%
30–50	384	494	878	12.42%
Over 50	3	5	8	0.11%
Total	931	1,173	2,104	29.75%

Note: New hire ratio = 2015 total number of new hires/2015 total number of employees

Turnover rate = 2015 total number of resignations/2015 total number of employees

At FET, we believe that equal and excellent compensation and benefits is one of the key elements to retaining talent. There is no pay gap between the starting salary of male and female employees; the ratio of base salary between female and male is 1:1, and the ratio of average salary between female and male is 1:1.02. Compensation for all positions is above the legal minimum wage. In 2015, the starting salaries of entry positions at FET and ARCOA were 30% and 33% higher than the minimum wage respectively. Annual bonuses, performance bonuses, sales bonuses and special incentives are also provided to employees who exhibit excellent performance.

At FET, we provide long-term development opportunities to our employees by encouraging horizontal rotation and practice. This framework provides staff with diversified development opportunities in the company, based on personal development in professional duties. Alternatively, staff are offered cross-unit rotations to expand horizontal capabilities. We also stress employee promotions and opportunities for rotation, and the work goals of individual employees are reviewed every six months. We redefine the responsibilities and capability requirements of various organizational levels to establish consistent and transparent mechanisms for cross-unit career level and talent metrics as a way of enhancing organizational effectiveness.

We also have in place an Employee Welfare Committee to encourage club activities, and to make travel allowances for trips at home and abroad available. In terms of benefit policy, all FET employees enjoy the basic benefits as required by law, such as parental leave and pension. In addition, we also provide all employees with health check-ups, employee group insurance, medical rooms, employee assistance and counseling services, health and safety lectures, employee cafeterias, mobile phone allowances and monthly allowances for phone bills, along with

other benefits to help them maintain a healthy work-life balance. For further details of employee welfare, please refer to Chapter 3.1.3 (Distribution of Economic Value) of this report.

Parental Leave in 2015

Unit: Number of people

Parental Leave	Male	Female	Total
Number of people who qualified for unpaid parental leave (A)	318	583	901
Actual number of applicants for unpaid parental leave (B)	6	182	188
Application rate (B / A)	1.9%	31.2%	20.9%
Number of employees returning from unpaid parental leave (C)	12	272	284
Number of returning applications (D)	9	103	112
Return rate (D / C)	75.00%	37.87%	39.44%
Total number of unpaid parental leave applications (E)	5	82	87
Number of employees who remained for 1 year after returning to work (F)	4	70	74
Retention rate (F / E)	80%	85%	85%

Note 1: Number of people who qualified for unpaid parental leave in 2015: 2013–2015 actual number of applicants for unpaid parental leave

Note 2: Actual number of applicants for unpaid parental leave: number of employees in 2015 who remained for 1 year after returning to work

Note 3: Number of employees returning from unpaid parental leave in 2015: 2013–2015 total number of applicants for unpaid parental leave less 2013–2014 number of returning applications

With regards to 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 six 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 Committee deposits the contributions with the Bank of Taiwan. 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 who selected the new scheme. As of the end of 2015, FET had pension liabilities and pension costs as follows:

Unit: NT\$ thousand

	2013	2014	2015
Pension liabilities	753,643	690,298	731,851
Pension cost	307,640	282,754	308,655

Employee Education, Training and Career Development FET

At FET, we strive to improve and enhance the quality of our employee training. Following on from our introduction of a new training system in 2013, we began to review its quality and relevance. Apart from stressing the importance of connecting training systems with corporate strategy and operating performance goals, we have also drawn up a detailed training blueprint based on the competency system and career levels. For personal development, we arrange for lectures with topics related to the humanities, and organize conferences and talks on project development to assist in achieving self-learning objectives. We are committed to enriching the content of our staff training development plans. As such, we promote a diverse array of educational topics, including human rights, ethics, information security, labor safety, a variety of internal and external training programs, and training specifically for new employees. Our employees can take advantage of these self-improvement resources through internal courses and subsidized external studies. Furthermore, we pay attention to equality in core competency training so that all employees can enjoy the same opportunities for growth provided by the training. We have 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.

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. Details of our training framework in 2015, including the number of employees trained, training hours, and gender distribution are shown below:

Training Type	Number of Class Offered in 2015
Internal – new employee training	180
Internal – seminars	16
Internal – telecommunications technology	44
Internal – management (including management and new managers)	30
Internal – individual professional skills (including personal performance, project management and legal affairs)	70
Internal – departmental professional skills (including store staff classes)	1,493
External trainings	235
Total	1,903

	2013	2014	2015
Total employee training costs (NT\$)	28,337,168	29,615,872	39,022,370
Total employee training hours (hours)	300,236	388,320	391,237
Total number of employees	6,388	6,472	6,593
FET revenue (NT\$ thousand) ¹⁵	73,954,595	78,403,544	80,765,722
Total employee training costs/total revenue (%)	0.03%	0.03%	0.05%
Training cost per employee: Total employee training costs/total number of employees (NT\$)	4,436	4,576	5,919
Training hours per employee: Total employee training hours/total number of employees (hours)	47	60	59

¹⁵Total revenues in this column are the sum of revenues of FET and NCIC specified in the Overview of Subsidiary Operations in the 2013, 2014, and 2015 annual reports.

2015	Female		Male	
	Number of People	Training Hours	Number of People	Training Hours
General Employee	3,141	73.32	2,522	54.83
Manager	284	23.67	526	24.33
Director and Above	41	27.63	79	16.66
Total	3,466	68.71	3,127	48.95

Note: the number of people does not include employees with indefinite contracts and employees who failed in courses

To encourage employees to continue enhancing their education, in 2015 FET utilized the in-service continuing education subsidy rules to pay 50% of an employee's enrollment and tuition fees for qualifying courses. Employees are encouraged to apply to local or overseas universities to continue their education. This policy balances the company's needs for professional training with the employees' career development requirements, thereby improving employee satisfaction and helping them on their path to professional development.

Master's Degree Education	2013	2014	2015
Number of people	1	2	1
Subsidy amount (NT\$)	68,272	115,315	53,860

ARCOA

People drive organizational growth. In 2015, ARCOA focused on the full spectrum of training required to fulfill development goals. The company took stock of skills gaps in relation to its annual corporate strategy, and formulated a training map according to the TTQS training quality system in order to cultivate leaders that have the abilities needed by the organization.

For employee learning, ARCOA has set up internal courses on management, general knowledge, professional skills and soft seminars based on the core competencies expected of employees. In addition, ARCOA also provided training courses for new employees as well as team-building camps tailored to the needs of specific teams. In 2015, a total of 67 internal and external training classes were held. A total of 1,102 people took part in 371 hours of training at a cost of NT\$282,400.

Training Type	Number of Class Offered in 2015
Internal – New employee training	20
Internal – Management (including management and new managers)	2
Internal – General (including information security, file management, and communication skills)	7
Internal – Manager professional training (including store personnel and other classes)	36
Off-site – Safety and maintenance training	2
Total	67

2015	Female		Male	
	Number of People	Average Training Hours	Number of People	Average Training Hours
Executives	17	14.8	32	11.0
Non-executives	270	16.1	160	6.8
Total	287	16.1	192	7.5

Note: executive is defined by ARCOA as managers above Level 5 with subordinates, including directors/repair station chiefs

Workplace Environment and Diversity

Occupational Safety and Labor Health

FET

The nature of most of our employees' work — mainly in offices and stores — means that safety risk is low. Contractors carry out all base station and related communication infrastructure projects, yet FET still has in place contractor labor health and safety rules. When contractors are working on communication facility projects or maintenance, labor safety requirements are set out in the agreement. Relevant training is provided to prevent harm caused by improper construction and to protect the health and safety of workers. There were no safety-related accidents reported by contractors in 2015.

At FET, we have a Labor Safety and Health Committee (LSH Committee) as well as dedicated labor safety and health units to make continuous improvements to the working environment and to ensure work safety. The LSH Committee is made up of 17 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 eight labor representatives, constituting 47% of all seats.

The Committee holds a meeting every three months. Its responsibility is to oversee the formulation of the occupational disaster prevention plan and the self-inspection plan; discuss, examine, and analyze related occupational disasters; and review LSH improvements as they seek to engage in communication and management related to disaster prevention. In addition, LSH units communicate the concepts of disaster prevention to employees and contractors on an ad hoc basis, while various types of safety training are also often held.

Five times in succession, FET's Taipei and Taichung offices have been commended by the Occupational Safety and Health Administration of the Ministry of Labor for their achievements in being disaster-free and hazard-free.

	2013	2014	2015
Injury rate (IR)	0.032	0.077	0.031
Occupational disease rate (ODR)	0.00%	0.00%	0.00%
Absentee rate (AR)	1,653	2,023	1,253
Lost days rate (LDR)	0.026	0.723	0.066

To ensure safety at work, FET has created a happy working environment that enables a balanced working life. Employees are able to adopt flexible working hours and all offices are equipped with stress relieving massage services. Breastfeeding rooms are available; these have been certified and given a top award by the Taipei City government's Department of Health. They have also been commended on their user-friendliness by the Kaohsiung City government.

In addition, the company's offices have special on-site medical services, full-time nurses, and an infirmary. Employee health check-ups are offered every two years to a higher standard than that which law requires. This helps to offer early detection of potential pathogenic health hazards. Average employee participation rate has surpassed 98% for four consecutive years. For employees with special needs after their health check-ups, we provide further one-on-one consultations with doctors. General health education, health monitoring, and multiple ongoing health-promoting programs are provided to engender a healthy lifestyle within our employees. In terms of mental care, we also offer free professional psychological consultations (employee assistance program), and promote a holistic physical and mental health lifestyle for a healthy and happy workplace. The Health Promotion Administration of the Ministry of Health and Welfare has certified all of FET's offices as healthy workplaces.

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 also trained to ensure warehouse safety.

	2013	2014	2015
Injury rate (IR)	0.00	0.00	0.00
Occupational disease rate (ODR)	0.00%	0.00%	0.00%
Absentee rate (AR)	2,305	2,550	3,441
Lost days rate (LDR)	0	0	0

Note:

$\text{Injury rate} = (\text{injury frequency} \times \text{total work hours}) \times 200,000$

(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

$\text{ODR} = (\text{occupational disease frequency} / \text{total work hours}) \times 200,000$

(Based on 50 weeks per year, 40 work hours per week and ratio for every 100 employees)

$\text{Lost days rate} = (\text{total lost days} \times \text{total work hours}) \times 200,000$

(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.

$\text{Absentee rate} = (\text{total days absent} / \text{total work days}) \times 200,000^*$

(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 can focus on their work in a gender-equal workplace, FET and ARCOA conducted road tours and conferences at all operational bases and stores within 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 2015.

Employee Communication and Care

FET

Channel	2015 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 other related labor relations issues. Four Lantern Legend Meetings were convened in 2015.
 Employee conference	Convened once a year and chaired by the President, this offers employees a chance to communicate in person with top executives about the company's performance over the past year, and business direction for the following year. Convened once in 2015.
 Employee Welfare Committee	Generally convened once every two months with extraordinary meetings if necessary. All benefits are regularly announced on the intranet site and accessible by all employees. A mailbox is available for two-way communication. Convened seven times in 2015.
 Town hall meeting	Held three two-way communication meetings. Communicates business direction and performance. Managers can raise business-related questions during the meetings and have them answered directly by high-level executives. Topics discussed included: <ul style="list-style-type: none"> · With FET World Café as the premise, the company's future development strategy and focus, important influences on transformation, and the transition of leadership roles. · The necessity to combine corporate social responsibility with our core telecoms business, while continuing the World Café and the employee engagement surveys to make specific recommendations for improvement. · Introducing IoT development trends, applications, and new business models, as well as sharing examples of applications.
 Employee opinion survey	An employee opinion survey is conducted once every two years. The EOS was revamped in 2014 to become "Connect for Best." Apart from listening to the voice of employees, it also examined employee motivation, as well as drew comparisons against top employers within Taiwan and across the Asia-Pacific telecoms industry. This allowed the management team to understand the mood of employees in more depth. In 2014, 5,914 questionnaires were sent out, and 5,160 responses were received (87% response rate). Survey results found that an important source of employees' sense of achievement was gaining further experience and enhancing their knowledge. Compared to the rest of the market, FET scored well in terms of maintaining a balance between work and life. The EOS results have been forwarded to the management team and relevant executives within each business unit for reference.
 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.

360° Service

FET began to provide ubiquitous customized services through its "360° Service" concept in 2012. In recognition of our people-centric and customer-first service philosophy, FET was awarded for the third consecutive year by Next Magazine's 2015 Top Service Awards, and won the golden medal in Commercial Times' Service Industry Survey Awards for four consecutive years.

360° Service



Consistent Promotion of Store Service

	Caring Service	Service Content		2015 Performance
Crafting the best and most efficient store service experience	Store reservation service	Reserve online or through mobile devices to shorten waiting times.		Average monthly reservations: 3,845 in 2014 and 1,878 in 2015 .
	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 number of billing adjustments per month decreased from 2,200 in 2014 to 1,912 in 2015; average amount adjusted was NT\$24 in 2014 and NT\$33 in 2015 .
	Self-service kiosks	Self-service kiosks are being installed at stores throughout Taiwan.		Amount of usage rose from 91,089 in 2014 to 92,993 in 2015 .
	Free 4G road tests	7-day free trial of 4G SIM card/ mobile phone.		A total of 94,317 customers road-tested the new high-speed technology in 2014 and 71,191 in 2015 .
Complete and attentive after-sales service	Consumer Training courses	Consumers of different ages are provided with free mobile phone, tablet and cloud application courses in northern, central and southern Taiwan after product purchase.		The number of participants in consumer training course was 1,260 in 2014 and 1,720 in 2015 .
	Home delivery service for platinum member	FET Platinum VIP members can call customer service for courier pick-up of product requiring RMA.		Courier pickups in 2014 were 287 in 2014 and 694 in 2015 .
	Golden Phone Rescue	2-year repair service is offered for mobile phone/tablet of postpaid users. With a monthly fee of NT\$99, users can enjoy unlimited repair services for their phones/tablets and use backup phones provided by FET.		FET launched the service on March 31, 2015. Purchased amount was 279,176 as of the end of 2015 .
	Open-all-year round FET service centers	FET service centers throughout Taiwan are open all-year round to repair products more quickly and efficiently.		Total amount of after-sales service cases was 600,000 in 2015 .
	Mobile phone trade-in	FET assesses the trade-in value of the customer's unused or obsolete phones against the value of their purchase. This is also better for the environment.		Amount of mobile phone trade-ins totaled 5,645 in 2014 and 7,309 in 2015, up nearly 30% year on year. Total trade-in value in 2015 reached NT\$39,985,912.

Ubiquitous Services

In 2013, we launched the FET self-care app. Based on usability analysis, and to increase its utility, the app was overhauled in 2014 to provide a more appropriate set of core functions and improve its user interface. In 2015, data mining of customer information and relevance analysis of services across various channels enabled us to better understand the mobile needs of our customers, develop related functions, and provide more personal mobile services. Today, 45% of the service items can be reached by the self-care app. To date, there has been more than four million downloads, with more than one million users a month.

Rate Plan Transparency and Communication

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. 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 manufacturers. For after-sales service, 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. There were no product labeling or marketing communication related violations at FET in 2015.

Rate Plan Transparency

Rate plan transparency and communication can be effective in reducing consumer complaints due to insufficient awareness and misunderstanding of the product or service after purchase, thereby enhancing consumer confidence. The rate plans for new products and services must be submitted to the competent authority for approval 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.

Transparent Service Process

Apart from product and service marketing and public disclosure of rate plans in compliance with the regulations, we believe that transparent communication is key to maintaining the trust of our customers. The store personnel explain 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 that they understand their rights and obligations under the plans. Customers with expiring contracts are notified by via SMS and phone calls, and promotional offerings are included in their phone bills. Consumers can also see what promotions and contract renewal discounts are available through the FET website or self-care app. When a customer who qualifies for a contract renewal calls in to customer services a representative of FET will proactively suggest related promotions and renew the contract online so as to increase customer stickiness.

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

Customized Communications

As one of the leading companies in Taiwan's telecommunications market, FET understands the diversity of consumer groups, and is committed to providing tailor-made communications to address various consumers and allow them to enjoy our personable services. The FET store service handbook has service guidelines that cover interactions and service reminders for customers with special needs, including the infirm, elderly, young children, visually/physically/hearing-impaired, as well as those experiencing language or product difficulties.

Apart from providing a wide array of products, we have also made use of innovative applications to provide customized services so that our customers can truly experience communications without borders. Furthermore, during special holidays, stores provide on-demand song dedications and free audio-card delivery services that delight our customers and nurture their positive sentiments as part of the FET family.

FET encourages all stores throughout Taiwan to develop their own community care plans based on local requirements so as to create continuous interactive opportunities with customers. For example, the Dongxing retail store in Taichung has designed a smartphone manual especially for the elderly who experience challenges from the simple to entry levels. The elderly can be instructed based on missions. After store staff or family members confirm successful clearance of all missions, the stores will provide incentives to customers and make the reservation for service next time through the system and motivate customers to revisit stores.

Diversity of Telecommunication Services

Diversified Rate Plans

As 4G products offer stable and high-speed Internet access, FET released 4G rate plans based on "simplicity, value, diversity, and satisfaction." The tiered plans are designed for consumers with different lifestyles to promote the popularity of 4G services. In February 2015, FET launched the fourth-generation plus 4G prepaid cards including data traffic to let prepaid card users experience high-speed Internet. This allows consumers to choose the appropriate Internet capacity according to their own needs, and meets the demands of business travelers and tourists. Detailed rate plans are disclosed on FET's official website.

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

In addition, we also provide intuitive operating interfaced and suitable phones for the elderly to increase their willingness to use phones.

Complete
Rate Plans



Consumer Groups	Program Name	Program Content
Students	1-Dollar Prepaid Network Plan	<ul style="list-style-type: none"> Data traffic of only \$1 per 1MB. Deductible for Internet/calls/SMS. 1-dollar: Send 50 Line messages, upload 1 photo for Facebook check-in, or receive 10 e-mails.
Students	Back-to-School 4G Ideal Plan	For just NT\$799, users can enjoy Internet access, voice services, SMS, and data traffic of 7GB.
Seniors over the Age of 60	Evergreen Plan	<ul style="list-style-type: none"> 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. As of the end of 2015, there were about 40,000 users on the Evergreen Plan.
The Physically and Mentally Handicapped	Genial Plan	<ul style="list-style-type: none"> In response to the arrival of 4G era, FET launched the 4G Genial Plan in 2015 to provide holders of the Handicapped Handbook with access to the Internet and SMS. As of the end of 2015, about 400 users were on the Genial Plan.
Foreign Workers	Foreign Workers IF Card	<ul style="list-style-type: none"> Prepaid cards are available for foreign workers in Taiwan. Apart from a customer service hotline in their native language, foreign workers also enjoy discounted international and local calls. Awareness and the phone number usage rate of the FET foreign worker prepaid card remain in the top position in the industry. The phone number usage rate of foreign workers from Indonesia, the Philippines, Thailand, and Vietnam exceed those of all our competitors in the industry. As of the end of 2015, there were 510,000 foreign worker prepaid card users.

Care and Support Services during Major Incidences

We believe strongly in corporate social responsibility. As a result, we have extended our attitude of providing personable customer services to everyone in society who needs help. During times of national emergencies, unobstructed communications can effectively help alleviate the effects of disasters, prevent epidemics, and support national security missions. Stable and uninterrupted communications quality and services are indispensable to meeting social needs when major natural disasters strike.

We embrace the spirit of "Closing the Distance" in support of the victims

of major disasters, ensuring that our server rooms, base stations, and other ICT infrastructure operate smoothly to help the victims during their time of distress.

Typhoon Soudelor landed in Taiwan on August 8, 2015, and over four million households suffered blackouts, making it the worst-ever recorded blackout calamity due to a typhoon. FET went into action immediately by setting up a war-planning room. Even before the typhoon left Taiwan, we began with survey-and-repair work and deployed mobile service vehicles into Wulai to fix base stations after roads there were opened. The estimated rescue expenses in Wulai surpassed NT\$5.5 million over a 15-day period.

On February 6, 2016, a strong earthquake measuring 6.4 on the Richter scale struck southern Taiwan, causing severe damages. We immediately activated our disaster-response mechanisms, with more than 400 maintenance personnel going into the affected areas providing communications support. Many mobile base stations joined the efforts to assist the victims and relief workers. In addition, we offered severely affected households a three-month fee waiver and extended the payment period. Stores near the disaster areas also offered free mobile phone charging facilities, free cards, prepaid cards, replacement cards, and emergency communications services.

Moreover, FET, in partnership with the Far Eastern Group, donated NT\$20 million to help the victims rebuild their homes and the relief efforts in Tainan. Meanwhile, we enabled a way to collect small donations over the phone — FET subscribers could call in for free to make donations, allowing the community at large to instantly help the victims and share some personable affection.



Customer Privacy Protection

Providing users with a secure and trusted communications environment is the basic principle of telecommunications services. It is also the key to maintaining customer relations and improving consumer confidence. To show our attention and commitment to information security management, FET has set the vision of information security --"respect for customer information, treasure customer entrusted, maintain sustainable services, and win the trust of customers" in 2015. Nearly 100 information security measurement indicators were laid out for our business divisions and units that dealt with issues of personnel, operations, technology, and regulations. We regularly review the progress in achieving these targets and continue to make improvements where we lag behind to ensure that personal information protection and information security are effectively managed. Thanks to the efforts of all our employees, there were no customer privacy violations in 2015.

Furthermore, we continued to optimize our service processes in 2015 and passed the 4-in-1 certifications, including ISO 27001 -Information Security Management System certification, ISO 20000 Service Management System certification, BS 10012 Personal Information Management System certification, and Cloud Security Alliance's (CSA) top STAR gold medal certification. These reflect our accomplishments in implementing information security and personal data protection. Going forward, we will continue to rigorously manage customer data and information security to meet the requirements of consumers and society in the protection of personal data.

> ISO 27001 Information Security Management System certification

FET has obtained the certification for 11 consecutive years, covering fixed and mobile network 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. In 2015, FET optimized the operations of information security risk management, performance evaluation, and correction procedures in accordance with the latest 2013 version of the standards.

> ISO 20000 Service Management System certification

FET has obtained this certification for seven consecutive years.

> BS 10012 Personal Information Management System certification

The scope of the certification covers all retail stores in Taiwan. The certification process included 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. In 2015, FET voluntarily expanded the scope of certification to include the processes of postpaid card payment and prepaid card activation.

> CSA - STAR cloud service security certification

FET took part in Level 2, which has more demanding conditions and has to be certified by an independent third party. The certification scope included the Quanta Ankang Cloud and VMware Taiping Cloud of FET's IaaS service. All received the STAR gold medal in 2014. In 2015, FET obtained the highest recognition again with even more advanced standards.



In addition to actively introducing the above international standards to ensure that our information security and personal data protection systems 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

Regular inspection and assessment of operational risks from information security includes the maintenance of information,

systems, processes, servers, and terminal devices. It also includes infrastructure management, the continued cultivation of information security skills for all personnel, and the validation and verification of policy/regulation documentation and conformity.

> Personnel Security

All human resources files are fully and properly managed. Employee security responsibilities are made clear at recruitment and stated 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 maintain environmental security.

> Customer Personal Information Management

To ensure that our management of customers' personal information conforms to the requirements of the Personal Information Protection Act, we have issued guidelines for the collection, processing, usage, 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 put great efforts to minimize the number of physical contracts with sales channels and stepping up controls on contract flow. Paperless electronic forms are also promoted to improve overall customer data management. (For more information, please refer to Chapter 3.4 of "Go Inclusive.")

Service Management and Metrics

Feedback from our customers and ways to improve our service management process in order to meet consumer expectations are made possible through regular client satisfaction surveys. To ensure that we respond to every customer's opinions and feedback, we have set up a comprehensive complaints and management mechanism.

Customer Satisfaction Survey

FET's customer satisfaction survey is divided into internal and external third-party surveys. External surveys help us measure ourselves against competitors for continuous improvement purposes. To establish a strong link between employee performance and company operations, "customer satisfaction" is included as a performance indicator for bonuses to help us track service quality.

Internal Survey

> Store Satisfaction Survey

We have in place a system to call customers within one week of their visit to an FET store to ask them how satisfied they are with the store's service attitude, professional knowledge, efficiency and problem-solving ability. These indicators are key factors for measuring the performance of business units. The results from monthly telephone surveys, mystery shoppers, and digital video recordings of store employees are incorporated into the monthly service management system for the issuing of cash bonuses or levying of penalties. It also counts toward employees' quarterly and annual performance reviews.

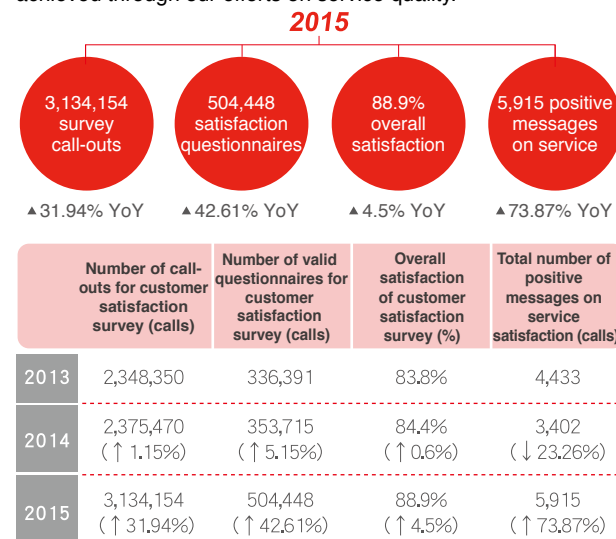
In 2015, the monthly number of questionnaires measuring general and paid-customer satisfaction, and the average survey results at our retail and franchise stores were as follows (maximum: 5 points):



> Telephone Customer Service Survey

Items in FET's telephone customer satisfaction survey include: the handling capabilities of our employees, service attitude, whether or not the problem was resolved, waiting time, and overall satisfaction. Customers who leave messages or have a negative rating in the satisfaction survey are called back and asked about the reason for the negative feedback. Improvements or explanations are then taken into consideration to repair our relationship with the customer.

In 2015, FET significantly boosted the number of call-outs and valid questionnaires in our telephone customer service satisfaction survey. The overall level of satisfaction and the number of positive messages for satisfied service were both higher when compared to 2014, reinforcing the superb results achieved through our efforts on service quality.



Apart from regular satisfaction surveys, we also evaluate the service quality of our telephone customer service through four service indicators. This provides our telephone customer service managers with a basis for evaluating employee performance for quality improvement purposes, and helps to optimize processes and modify our service delivery. All targets set for these indicators were achieved in 2015, with the level of performance

having improved from the previous year.

Telephone Customer Service Indicators	Performance		
	2013	2014	2015
Service Level (Proportion of calls picked up within 20 seconds) > 80%	83.2%	73.2%	81.3%
Abandonment Rate (Proportion of calls hung up before pick-up by customer service) < 5%	4.1%	7.7%	5.0%
Average Speed of Answer < 20 seconds	10s	18s	11s
One Call (Proportion of calls with no repeat calls within 30 days) > 93.5%	92.9%	94.0%	97.1% ¹⁶

¹⁶ Starting in 2015, customer requests could be handled upon receiving the calls instead of only upon returning the calls, effectively reducing proportion of repeated calls.

External Survey

> Overall Satisfaction Survey

FET commissions external market survey firms to conduct two satisfaction surveys of mobile phone subscribers per year, in April and October. These surveys target mobile phone users aged between 15 and 64 who have used the services of one of the top five telecommunication companies, including FET. Each survey interviews 1,600 subscribers to track service providers' performance in terms of communications quality, rates, billing, store services, telephone customer service, and complaints. Device repair, the company's official website, self-care app, online music, and online video were also added in 2015.

Prior to the surveys, we invite 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 so as to continually strengthen customer relations management. These consumer surveys help FET understand

how we position against our competitors in each service category. Since 2015, we have tried to gauge customer satisfaction based on a five-point scale: 5-extremely satisfied, 4-very satisfied, 3-satisfied, 2-normal, 1-not satisfied. For the overall services we provide, 61% of the participants were satisfied. Apart from understanding customer satisfaction, we also look into their preferences in order to calculate customer loyalty indicators. The 2015 results showed that customer loyalty with FET scored 2.74 points overall, ranking us in the top three among the top five telecommunication companies.

> Billing Satisfaction Survey

We began improving our billing format in 2009 to optimize the user billing experience. Customer experience was improved by including recommended rate plans on the bill and presenting data usage in a table format. We went a step further in 2015 with a simplified 3G billing that allowed a user to understand their bill more easily. In August 2015, we implemented an innovative approach that enabled three million paper-bill users direct access to query their billing details through a website address enclosed in a billing SMS.

Statistics of our customer service show that the number of calls related to billing inquiries decreased by 615,000 in 2015 compared to the previous year. This represented an average of 51,000 fewer calls per month. A billing satisfaction survey conducted by a market research firm awarded us with a Grade A rating for 2015. The survey looked at six main aspects in billing, including accuracy, clarity, seamless handling of billing issues, helpful information on billing methods and data consumption, convenient ways pay, and convenient channels to inquire about bills.







Results of the Billing Satisfaction Survey for 2013-2015

2013	2014	2015
A	A	A

Customer Complaints Mechanism

FET introduced ISO 10002 complaints-management certification in 2013 to provide a basis for continuous internal process improvements so that consumer complaints can be processed and satisfactorily resolved in a timely, systematic manner. Moreover, we continued to set consensus goals in complaints resolution. By optimizing the complaints management process, strengthening customer service personnel's understanding of the Personal Information Protection Act and Consumer Protection Law, and providing competency training on problem resolution, we are able to enhance our systematic complaints resolution process. The FET customer center was successfully re-certified with the ISO 10002 customer complaints management system in November 2015.

FET offers the following six main channels for customer complaints:

Complaints Channel	Complaint Management	Responsible Unit	Complaints in 2015
 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	3,083 cases in 2014 2,325 cases in 2015 Decreased by 758 cases in 2015 compared to 2014 (↓ 25%)
 Arbitration Meeting			398 cases in 2014 181 cases in 2015 Decreased by 217 cases in 2015 compared to 2014 (↓ 55%)
 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 email.	Online Consultation Team	23,499 calls in 2014 23,207 calls in 2015 Decreased by 292 calls compared to previous year (↓ 1.2%)
 FETnet Website	The FETnet website and self-care app were revamped in October 2013, allowing consumers to click on "Complaint" for immediate feedback.		5,556 complaints in 2014 3,815 complaints in 2015 Decreased by 1,741 compared to previous year (↓ 31%)
 Self-Care App	FET's self-care app was overhauled in 2014. Through usability analysis, we modified the set of core functions offered and improved the user interface.		
 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.		Service provision reverts back to live call if there is a consumer dispute.

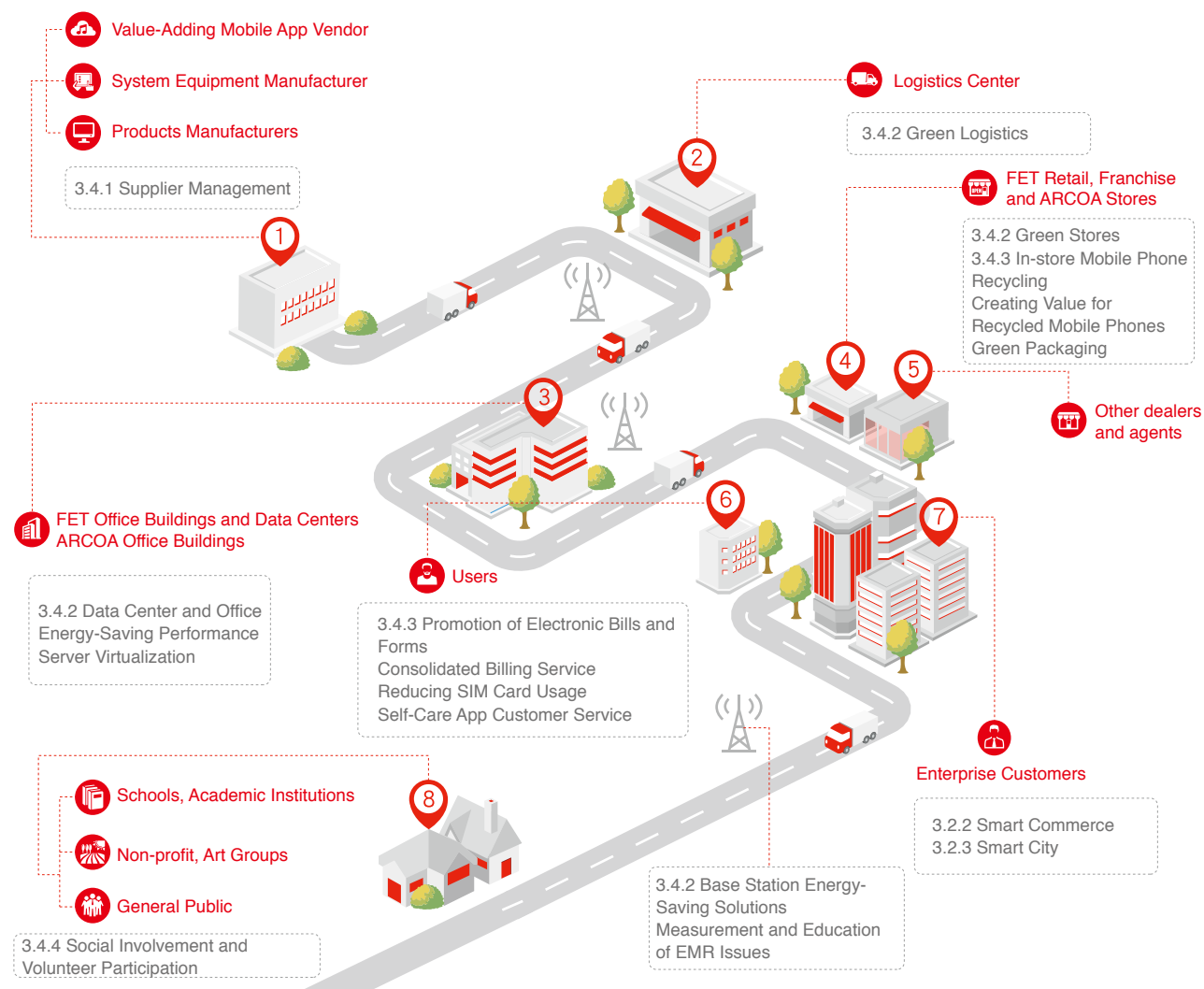
The effectiveness of the six customer-complaints channels were reaffirmed in 2015, as the number of complaints fell across the board. As part of our commitment to providing personable services, we will continue our efforts to reduce the number of complaints in the future, while at the same time enhancing the satisfaction levels in our response to the handling of complaints that arise.

3.4 Go Inclusive

We recognize that a company's sustainable development is closely linked to climate change and social risks, and in recent years we have committed to reducing the impact generated at each link of this value chain. Starting with an inspection of existing management methods, we have gradually deepened our interaction with each link in the value chain as we have progressively increased our grip on their environmental and social impacts. We are exerting our influence to minimize potential impacts within the value chain, at the same time as fulfilling the ideals of sustainable development both inside and outside of our company. In 2015, FET invested approximately NT\$115 million in an effort to reduce environmental impacts throughout our value chain. Our upstream suppliers can be divided into three categories, namely: equipment suppliers, product suppliers (such as mobile phones and accessories), and service providers. 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, and logistics and maintenance systems. The closely integrated upstream and downstream relationships together form the FET value chain.

FET Value Chain Energy-saving Solutions	Anticipated Carbon Reduction (tCO ₂ e /Year)
Green Logistics	191.08
Data Center and Office Energy-saving Solutions	283.00
Server Virtualization	777.58
Green Packaging	165.00
Mobile Devices Recycling	148.86
Base Station Energy-saving Solutions	9,848.00
3-in-1 SIM cards	0.03
Paperless Bills and Forms, Self-Care App Service	78.6
Consolidated Billing Service	9.34
2015 Value Chain Carbon Reduction Results	11,501.49

Overview of FET's environmental and social friendly program:



3.4.1 Supplier Management

Supplier Management Strategy

Purchasing costs totaled NT\$40.9 billion in 2015, which accounted for around 42% of FET's total expenditure, and involved more than 1,000 suppliers. The total cost of purchases at our top-100 suppliers accounted for 94% of the total value of our purchases annually. We regard supplier management as an important part of corporate sustainability, and have therefore issued the Supplier Corporate Social Responsibility Guideline in 2014. This guideline formally includes the environmental, social and governance (ESG) requirements for members of our supply chain, and is incorporated into FET's procurement management. Suppliers are also required to sign a Declaration of Business Ethics. All FET contracts explicitly require suppliers to conform to environmental and health and safety legislations, such as the "Air Pollution Control Act", "Noise Control Act", "Waste Disposal Act", "Occupational Safety and Health Act", and other relevant laws. Appropriate prevention and control measures must also be taken. Suppliers must sign the "Contractor Declaration on Occupational Safety, Health and Environmental Protection" and the "Contractor Statement on Environmental Hazards in the Workplace", as well as read through the Contractor Occupational Safety and Health Management Guidelines. Under the Regulations for Labor Safety and Health Organization Management and Inspection, contractors are expected to carry out all OSH management and disaster-prevention tasks in order to avoid causing harm to the health and safety of employees through improper practices. FET conducts regular supplier evaluation to ensure that they conform to the relevant rules, expanding the scope of our commitment to CSR.

In terms of monitoring the supply chain, FET has put forward five substantive policies, which are:

1. Supplier credit rating check
2. Publication of Supplier Corporate Social Responsibility Guideline
3. Supplier evaluation
4. e-Procurement system
5. Request for the Supplier CSR Self-Declaration

Green Supply Chain

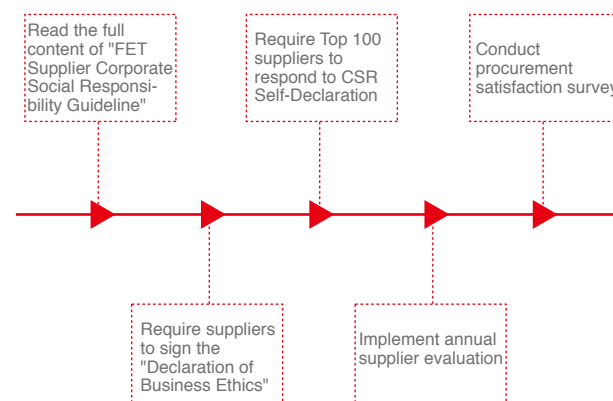
The purchase of devices, accessories, and network equipment accounted for 85% of FET's total procurement expenditure in 2015. We not only continue to supply high-quality mobile phones and devices produced by international brands to consumers, but also encourage foreign companies to set up offices in Taiwan and contribute to local economic development. FET is also committed to supporting local industries; and when orders related foreign brand products are excluded, purchases from local Taiwanese companies¹⁷ in 2015 accounted for 99.18%¹⁸ of our total procurement spend.

Our major suppliers are telecom equipment vendors, mobile phone brands and dealers, construction contractors, and system integrators. We have less direct dealings with manufacturers who are required ISO 14001. The only manufacturer within our top 20 suppliers is Delta Electronics Inc., which is ISO 14001 certified. We continue our efforts in selecting suppliers that complement our CSR requirements.

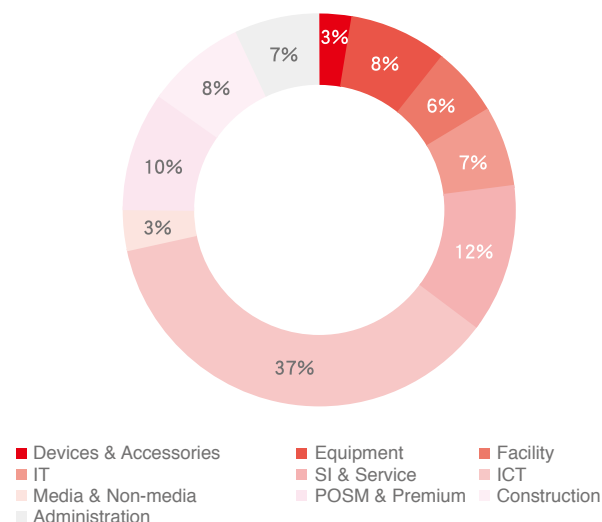
¹⁷Refer to companies listed in the Republic of China (including branches in Taiwan)

¹⁸Total expenditure of local purchasing in 2015 covers the amount from Jan. 1st to Nov. 30th, 2015.

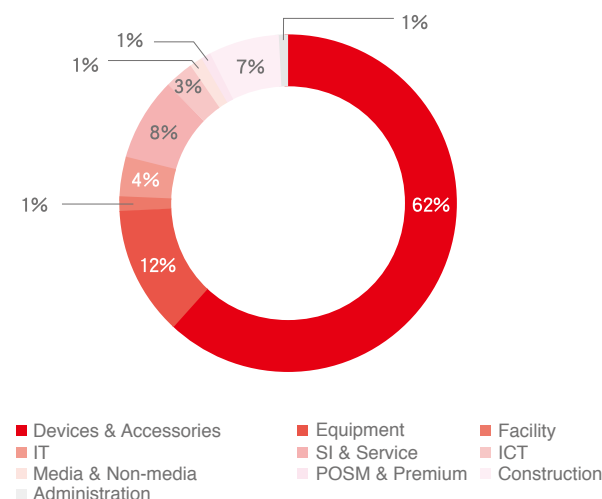
FET's Supplier Management Processes



Distribution of Suppliers by Type in 2015

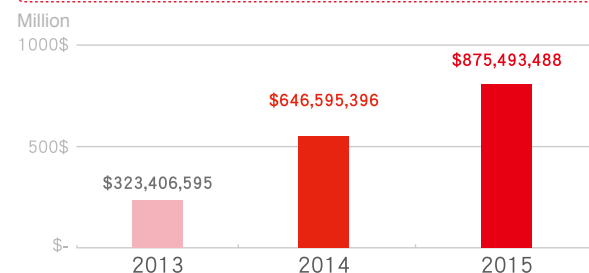


Distribution of Procurement Expenditure in 2015



FET requires suppliers in all categories, as well as their upstream and downstream partners, to adhere to our green procurement guidelines. Our procurement department also consults with the energy-saving team to evaluate and incorporate energy-saving specifications into the bidding specifications for purchase orders, and a tracking mechanism has been set up for each order to be monitored. In 2015, the value of FET's green procurement totaled over NT\$875 million, up 35% from the previous year.

Value of Green Procurement (NT\$)



On an on-going basis, we encourage and subsidize our employees to acquire professional procurement certifications in support of our 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.

Supplier Evaluation

FET

The results of FET's annual supplier evaluations are announced on the procurement system's external website and at the Supplier Conference. Moreover, outstanding suppliers are recognized and invited to share their experiences at regular procurement meetings. Vendors with scores more than 5% lower than in the previous year and less than 70% overall are required to submit improvement plans and are selected for re-assessment. Once the improvement plan has been carried out, they will be re-assessed. In 2015, a total of 155 vendors (34 more compared to 2014) participated in the assessment; these vendors accounted for 96% of FET's total purchasing cost. The assessments found five vendors that scored higher than 90

points (out of 100), 144 vendors scored between 70-89 points, five were below 60-69 points, and one scored less than 50-59 points. The six vendors who scored below 70 points have all submitted improvement plans; FET will evaluate the results of the improvement plans and conduct re-assessment when we see fit.

Supplier CSR Self-Declaration

FET

FET has also completed and implemented the Supplier CSR Self-Declaration. In addition to describing FET's procurement policy, the Self-Declaration is a questionnaire that surveys and assesses suppliers' management principles, as well as potential risk exposure; with respect to the environment, human rights, labor rights, and ethical standards. Furthermore, the Declaration also includes a "Declaration on Business Ethics", which clearly stipulates the code of conduct expected of suppliers, and requires the signature of suppliers who have responded to the Self-Declaration.

According to the assessment and responses, only one supplier reported a violation of the Gender Equality in Employment Act within the last three years, and has accordingly made amendments as required under the relevant regulations. FET will continue to follow up on this case. There were no other violations from the other suppliers. We will continue to annually review the potential negative impacts that may arise from our top-100 suppliers. We do this in order to intervene in the early stages of an incident and mitigate the impact, thereby fulfilling our responsibility to manage our suppliers.

For our top-100 suppliers, we have set targets over a three-year period for response rate of the Supplier CSR Self-Declaration, which are 70% in 2015, 80% in 2016, and 85% in 2017. With regards to the implementation results of the CSR Self-Declaration by 2015 Top 100 suppliers (including listed companies and international companies issuing CSR reports), a total of 75 companies replied, achieving our response rate KPI for 2015. These suppliers accounted for 98% of total procurement expenditure of the Top 100 suppliers in 2015. In addition, FET requested all new suppliers sign the CSR declaration in 2015, of which 369 (100% response rate) have done so. This accounts for 2.4% of the total annual procurement amount. Moving forward, FET will on an annual basis continue to promote the declaration of suppliers' CSR.

ARCOA

On a yearly basis ARCOA assesses suppliers on quality, cost, delivery, and service. The 2015 ARCOA supplier assessment was done entirely on the Online Supplier Assessment System as a way of improving efficiency and reducing paper waste. A total of 55 suppliers, which accounted for 96% of ARCOA's total procurement expenditure, were assessed, and the response rate was 100%. Supplier assessment scores were divided into four categories: excellent, qualified, improvable, and disqualified. ARCOA will decide the procurement strategy based on these evaluation results; for instance, excellent suppliers who scored over 90 points could receive larger orders, whereas contracts with disqualified suppliers (those who scored below 60 points) could be terminated. The average score in the 2015 assessment was 85.4, with 13% qualifying as excellent, 87% as qualified, and none were assessed to be improvable or disqualified.

Procurement Satisfaction Survey

FET

A procurement satisfaction survey was conducted with suppliers in 2015 and included a total of 10 items, such as supplier selection procedures, system operations, payment methods, and attitudes of procurement staff. With the exception of satisfaction levels for dealing with payment-related issues, which scored 88%, the remaining items all scored higher than 90%.

ARCOA

ARCOA introduced its procurement satisfaction survey for the first time in April 2015. This survey was aimed at assessing whether its procurement selection policy and procedures were fully understood, and also helped track the opinions of each demand unit in real-time as a way of ensuring better communication with suppliers. The response rate to the survey was 100% (63 valid responses). The survey results indicated that 54% of suppliers were very satisfied, 38.1% were satisfied, and 7.9% were neutral on ARCOA's procurement processes. There were no unsatisfied or very unsatisfied responses.

3.4.2 Reducing the Environmental Impacts of Operations

We acknowledge that, in providing telecommunication services, our operational sites and their activities can have an impact on the environment and society at large. Therefore, whilst dealing with issues of resource consumption, greenhouse gas emissions, increasing waste, base station installations, as well as public concerns on electromagnetic radiation (EMR), we are committed to assessing and mitigating our operational impacts, thus enhancing our trustworthiness to stakeholders.

Management of Operational Environmental Footprint

Overview

Direct Energy Consumption — FET¹⁹

	2013	2014	2015
Diesel (1000 L/year)	46.71	23.09	86.54
Gigajoules (GJ) ²⁰	1,641.86	811.61	3,014.88
GHG Emissions in CO ₂ e (Tonnes/Year) ²¹	121.73	60.17	226.28

¹⁹ Diesel oil consumption during 2013 to 2014 was estimated on the basis of purchasing amount. ISO 14064-1 diesel oil (stationary furnace) calculation mode was adopted in evaluating the diesel oil consumption in 2015. FET has obtained ISO 14064-1 Certification on May 12, 2016; FET's scope 1 greenhouse gas emissions are 3,650.91 tonnes CO₂e. In this table, only scope 1 GHG emissions generated by ISO 14064-1 Type A Emergency generator (diesel oil) are disclosed.

²⁰ According to the Heat Content of Energy Products in ENERGY STATISTICS HANDBOOK 2014 issued by the Bureau of Energy, heat content in 1,000 liters of diesel oil equals to 35.15 gigajoules.

²¹ According to "Greenhouse Gas (GHG) Emission Factors Ver. 6.0.2" issued by the Environmental Protection Administration (adopted since 2015), the GHG emission factor of diesel oil is 2.6147 kg CO₂e/L.

Direct Energy Consumption — ARCOA²²

	2014	2015
Diesel (1000 L/year)	0.40	0.60
Gigajoules (GJ)	14.06	21.09
GHG Emissions in (Tonnes/Year)CO ₂ e ²³	1.04	1.57

Indirect Energy Consumption — FET

	2013	2014	2015 ²⁴
Office Buildings Electricity Consumption (MWh)	11,576.60	11,320.29	9,409.61
Data Centers Electricity Consumption (MWh)	137,162.29	144,994.70	152,346.24
Base Stations Electricity Consumption (MWh)	186,225.88	190,245.66	376,042.38
Retail Stores Electricity Consumption (MWh)	15,643.00	16,724.00	17,729.12
Total Electricity Consumption (MWh)	350,607.77	363,284.65	555,527.35
Gigajoules (GJ) ²⁵	1,262,187.97	1,307,824.74	1,999,898.46
GHG Emissions in CO ₂ e (Tonnes) ²⁶	186,523.33	189,634.59	289,429.75

Note: In 2015, base station electricity consumption increased due to the massive and continuous construction of 4G stations.

²² Diesel oil consumption is estimated based on the purchasing amount. Since ARCOA was not included in the 2013 report boundary, only figures from 2014 and 2015 are presented in this table.

²³ According to "Greenhouse Gas (GHG) Emission Factors Ver. 6.0.2" issued by Environmental Protection Administration (adopted since 2015), the GHG emission factor of diesel oil is 2.6147 kg CO₂e/L.

²⁴ Comparison in electricity consumption across years cannot be performed due to variations in calculation bases of ISO 14064-1 in 2015. Main reasons for the electricity increase come from the increase of electricity consumption by 4G equipment and calculation bases of electricity different from the Taiwan Power Company.

²⁵ 1 kWh = 3600 KJ

²⁶ Greenhouse gas emission is calculated based on the emission factor of purchased electricity announced yearly by Environmental Protection Administration. The electricity emission factors for 2013, 2014, and 2015 are respectively 0.532 kgCO₂e/kWh, 0.522 kgCO₂e/kWh, and 0.521 kgCO₂e/kWh.

Indirect Energy Consumption — ARCOA

	2013	2014	2015
Office Buildings Electricity Consumption (MWh)	288.45	261.97	243.70
Retail Stores Electricity Consumption (MWh)	2,106.99	2,076.84	987.60
Logistic Center Electricity Consumption (MWh)	784.67	779.58	739.32
Total Electricity Consumption (MWh)	3,180.11	3,118.39	1,970.62
Gigajoules (GJ)	11,448.40	11,226.20	7,094.23

	2013	2014	2015
GHG Emissions in CO ₂ e (Tonnes) ²⁷	1,691.82	1,627.80	1,026.69

²⁷ Greenhouse gas emission is calculated based on the emission factor of purchased electricity announced yearly by Environmental Protection Administration. The electricity emission factors for 2013, 2014, and 2015 are respectively 0.532 kgCO₂e/kWh, 0.522 kgCO₂e/kWh, and 0.521 kgCO₂e/kWh.

Total CO₂ Emissions Intensity

Total amount of GHG Emissions in CO ₂	2013	2014	2015
Energy Intensity (kWh/active customer)	49.02	49.58	75.40
CO ₂ e Emission Intensity (kg/active customer)	26.13	25.89	38.64

Water Consumption²⁸

	2013 ²⁹	2014	2015
Water Consumption (KL/year)	239,482	266,099	286,755
Water Bill (NT\$/year)	2,958,844	3,301,032	3,457,724

²⁸ Water consumption of ARCOA is estimated.

²⁹ Since ARCOA was not included in the 2013 report boundary, the 2013 water consumption figure does not include ARCOA's water consumption.

Waste³⁰

	2013 ³¹	2014	2015
General Waste (Tonnes)	191.70	291.84	366.54
Paper (Tonnes)	39.92	73.73	76.61
Other Recyclable Resources (Tonnes)	5.80	7.47	7.01
Waste Charges Bill (NT\$/year) ³²	632,514	700,764	767,114

³⁰ General garbage and paper waste in ARCOA's Neihu HQ and retail stores are estimated.

³¹ Since ARCOA was not included in the 2013 report boundary, only figures from 2014 and 2015 are available.

³² All waste has been processed by qualified clearance organizations.

Energy and Greenhouse Gas Management

Energy consumption is one of the greatest areas of environmental impact when it comes to telecommunication operations. In response, FET has established a Greenhouse Gas Emissions Management Policy and an Energy Policy to serve as guidelines for managing our energy consumption and greenhouse gas emissions.

FET's Greenhouse Gas Emissions Management Policy

With the emphasis on global warming as well as the prosperous development of the global ICT industry in mind, we face tremendous pressure in promoting energy-saving and carbon-reducing practices. Reducing greenhouse gas emissions has now become an unavoidable responsibility for the telecommunication industry. We firmly believe that only a business model with environmentally friendly core values can help create a sustainable business and lead to a better future.

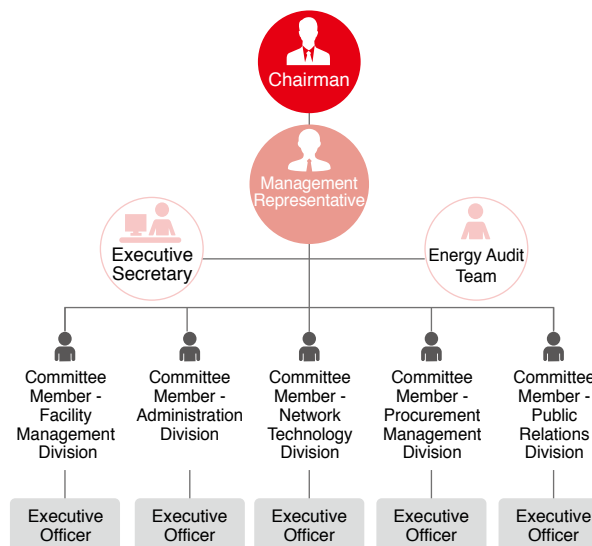
We are committed to implementing environmentally sustainable practices, providing green products and services, and regularly evaluating the status of our greenhouse gas emissions and promoting mitigating responses. Our vision of achieving business growth while upholding environmental sustainability is in line with fulfilling our corporate social responsibilities.

FET's Energy Policy

- Continuous improvement in energy performance to maximize the value of energy
- Abide by energy management regulations and promote an energy-saving philosophy
- Support the purchasing of energy-saving products and the building of energy-saving environments

In accordance with the above-mentioned policies, we formed 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 headquarters will hopefully encourage all units to become involved in energy-saving and carbon-reducing practices. The Energy Management Committee is headed by the Chief Financial Officer. Its membership includes vice presidents of various departments to ensure that every department enforces FET's energy policy.

Energy Management Committee Organization and Responsibility

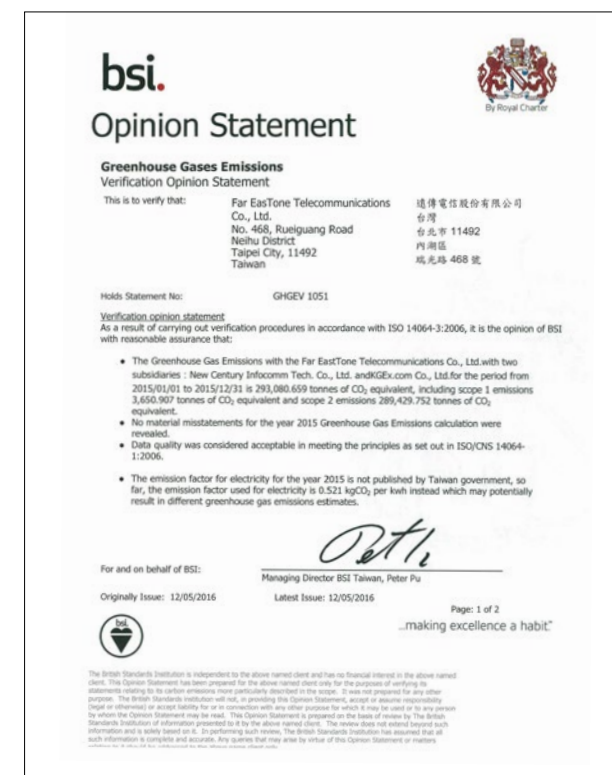


Since 2011, we began progressively introducing the ISO 50001 Energy Management System³³ to support the creation of a practical, effective, and easy-to-use energy management mechanisms and frameworks. We have also defined Energy Management Regulations, which are used to govern energy management practices at all business sites, promote energy-saving action plans, as well as help to verify actual performance.

In 2015, we began introducing the ISO 14064-1 Greenhouse Gas Emissions Inventory; the inventory boundary includes FarEastTone Telecommunications Co., Ltd., New Century InfoComm Tech Co., Ltd., and KGEx.com Co., Ltd. The inventory encompasses office buildings, data centers, base stations, and retail stores of the above-mentioned companies. Annual greenhouse gas emissions are calculated for the year under which business activities took place. All emission factors used to calculate GHG emissions are derived from the EPA Greenhouse Gas Emission Factors Management Table (Version

³³FET has obtained ISO 50001 certification for its HQ's offices and data center.

6.0.2), which was announced by the Environmental Protection Agency (EPA) on February 2, 2016, as well as Heat Content of Energy Products (published in August 2015) and Electricity Emission Factors (released in 2014) announced by the Bureau of Energy.



Under our Energy Management Regulations, we have defined separate energy management targets for office areas and data centers based on their operational characteristics. The energy baseline is set as 2013, and office areas must reduce their energy-use intensity (EUI; kWh/m²) by 5% within three years; power usage effectiveness (PUE) of server areas must be reduced by more than 5% within three years.

Glossary:

Power Usage Effectiveness (PUE)

$$\text{PUE} = \frac{\text{data center total power consumption} + (\text{IT equipments} + \text{AC systems} + \text{Lighting} + \text{power conversion loss})}{\text{IT equipments power consumption}}$$

FET Energy-saving performance is as follows:

	2013	2014	2015
EUI of Office Areas(kWh/m ²)	131.36	128.45	129.37
EUI Year-on-year Change (%)	↓ 2.95	↓ 2.21	↑ 0.71
Office Areas Electricity Consumption Year-on-year Change (kWh)	↓ 351,591	↓ 256,310	↑ 80,807
Office Areas Electricity Bill Year-on-year Change (NT\$)	↑ 510,768	↓ 15,672,433	↑ 1,576,447
PUE of Data Centers	1.88	1.89	1.91
PUE Year-on-year Change (%)	↓ 0.91	↑ 0.53	↑ 1.06
Data Centers Electricity Consumption Year-on-year Change (kWh)	↑ 3,874,510	↑ 7,832,409	↑ 5,086,017
Data Centers Electricity Bill Year-on-year Change (NT\$)	↑ 510,768	↑ 49,855,426	↓ 6,895,533

Owing to the expansion of our business, an increase in the number of employees, and higher power consumption of office equipment in 2015, the EUI of office areas increased slightly, by 0.71%, when compared to the previous year. As for our data centers, the PUE in 2015 increased by 1.06% due to customer demand for equipment expansion; an increase in no load power consumption was observed during the commissioning period. In the future, we will maintain our policy of reducing the amount of electricity consumption by selecting air-conditioners with inverter drive systems, lower the unnecessary usage of

air-conditioned equipment, improve lighting power usage, and replace equipment that use energy inefficiently.

Concrete Energy-saving Measures

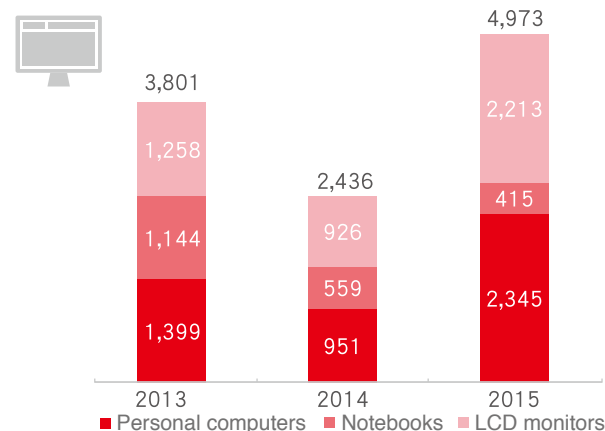
> FET – Equipment Rental and Revitalization

In 2011, FET began replacing and donating less-efficient computer equipment, and prioritized the procurement of equipment with eco-labels to improve IT utilization. Equipment rental figures for 2013-2015 are as follows:

Lease Quantity (pcs)	2013	2014	2015
Personal Computers	1,399	951	2,345
Notebooks	1,144	559	415
LCD Monitors	1,258	926	2,213
Total	3,801	2,436	4,973

2013-2015 Equipment Rental Quantity

Unit: Pieces



> FET – Server Virtualization

FET began adopting server virtualization in 2009, and by 2015 the number of virtualized servers had risen to 2,018 (increasing 479 new servers in 2015). The server virtualization strategy means that the number of physical servers required each

year has continued to decrease. As of 2015, the number of physical servers required has been reduced from 707 to just 293 units. This equates to a 59% reduction in total server power consumption, equivalent to 1,492,470W. Investment in server virtualization amounted to NT\$20 million in 2015.

> FET – Other Data Center and Office Energy-Saving Solutions
In 2015, over NT\$30 million was spent on energy-saving projects that resulted in an anticipated carbon reduction of up to 283 tonnes.

> FET – Green Stores

We began upgrading energy-saving measures at our retail stores with inverter AC and energy-saving lighting in 2010. By 2015, nearly 400 retail stores had been converted to energy-saving stores. Equipment with the eco-friendly energy-saving label 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. This not only helps to better catch consumers' attention but also helps to reduce power consumption. In 2015, around NT\$31 million was budgeted for renovating 10 stores. Average electricity consumption per store increased slightly in 2015 due to the introduction of interactive media devices which have replaced posters at stores since H2 of 2014.



Data Center and Office Energy-saving Projects

Participating Business Sites in 2015	Energy-Saving Project or Item	Investment Amount in Project or Item	Annual Electricity Savings (kWh)	Equivalent Electricity Expenditure Reduction ³⁴	Equivalent Carbon Reduction (Tonnes)
Neihu 468 IDC Data Center	LED lamps in data center	950,000	39,386	104,767	20.5
Neihu 468 IDC Data Center	Improvement of air-conditioners in data center	9,074,286	105,120	279,619	54.8
Neihu 468 IDC Data Center	LED lamps in B1F carport	15,960	1,497	5,212	0.8
Neihu 468 IDC Data Center	Improvement of air-conditioners in B1F	73,000	96,309	256,182	50.2
Taichung Taiping IDC	T5 lamps in data center	123,250	10,022	27,070	5.2
Ankang IDC Data Center	Replacement of air-cooled chiller unit	5,790,476	7,387	19,649	3.8
Ankang IDC Data Center	Replacement of CRAC*3	2,661,315	15,956	42,443	8.3
Ankang IDC Data Center	Replacement of adapter*1	1,923,810	1,695	4,509	0.9
Ankang IDC Data Center	Replacement of lamps	23,058	10,232	27,217	5.3
Xinhu Data Center	Improvement of air-conditioner conduits	3,000,000	87,680	277,344	45.7
Tainan MSC	•Response to initiatives for energy-saving stores organized by the Tainan City government •Improvement of power circuits of the TN MSC UPS	38,000	13,200	42,900	6.9
Kaohsiung Linguang	Replacement of 24-hour lighting in staircases with LED lamps	6,300	4,205	13,414	2.2
Wugu MSC	Energy-efficient improvements to telecommunications equipment	4,111,157	6,412	17,056	3.3
Banqiao 326	•Energy-saving of lamps •Switching DC power supply units replaced with energy-saving sources Uninterrupted AC power supply replaced with energy-saving sources	6,784,660	144,142	390,625	75
Total		30,464,115	543,243	1,508,007	283

³⁴Annual electricity savings calculator = annual electricity savings performance (kWh) x charge per kWh (total electricity charge of all control rooms in 2015 / total kWh)

Average electricity consumption per store

2013	2014	2015
3,277 kWh	3,285 kWh	3,481 kWh

In addition, we took part in a service industry energy-saving event organized by the government of New Taipei City. During this event, energy savings of up to 14.92% were achieved through store self-management measures, such as the upgrading of constant-speed AC to inverter AC, keeping room temperatures above 26 degrees or more, cleaning AC filters every two weeks, adopting the use of zoned lighting, and placing signage on timers. We also participated in the Intelligent Electricity-Saving Project event organized by the government of Kaohsiung City whereby we conducted on-site electricity consumption instruction and review, which established an energy-saving benchmark for store renovations in the future.

> FET – Green Logistics

Logistics routes can be optimized using big data analysis and the different opening hours of each store. We require that vehicle ignitions be switched off during deliveries to save on fuel consumption. If deliveries were made to 600 stores a day and ignitions are switched off for just three minutes during each delivery, an estimated 18 tonnes of carbon emissions could be avoided annually through such optimized practices³⁵.

To prevent single-order deliveries from increasing the number of trips to be made, in 2007, we separated the logistics for "marketable merchandise" (mobile phones and accessories purchased by customers) and "auxiliary merchandise" (DM, POSM, SIM cards) in order to reduce transportation costs and environmental pollution.

Energy-saving and Carbon Reduction Measures	2015 Performance
Auxiliary merchandise is concentrated into two deliveries to stores each month. Same-day orders for each store are shipped together	Around 170 orders can be consolidated each day. Consolidated shipping of auxiliary merchandise reduces deliveries to 150 stores each day. This means the number of cartons transported is reduced by 84,480 cartons each year, equivalent to of 160 tonnes worth of carbon reduction ³⁶ .
Changing the method of selecting goods from conveyor belt to manual picking	Replacing four hours of conveyor belt operations each day saves around 226 kWh of electricity. This translates into annual savings of 59,664 kWh, and carbon reduction of 31.08 tonnes.

³⁵Hourly idle fuel consumption (without the operation of air conditioning) of mid-size cars is 1.0 liter/hour, 22 workdays/month. Petroleum emission factor of New Taipei City Low Carbon Lifestyle: 2.263 kg/liter.

³⁶Carbon emission for each carton is 1.88 kgCO₂. 31680 cartons * 1.88 kgCO₂ = 59,558 kgCO₂(around 59.56 tonnes).

> ARCOA

Office Buildings	Logistics Centers	Stores
<ul style="list-style-type: none"> > NT\$95,000 invested in contract capacity changes; NT\$87,000 of electricity expenditure saved. > NT\$164,000 of electricity expenditure saved by practicing management of walking around. 	<ul style="list-style-type: none"> > NT\$111,000 of electricity expenditure saved by decreasing power contract capacity. > NT\$284,000 of electricity expenditure saved by enhancing the administrative process management. 	<ul style="list-style-type: none"> > Equipment renovation undertaken; energy-saving promotion and abnormal electrify usage were managed. Amount of electricity usage decreased to 171,193 kWh in total.

> Base Station Energy-Saving Solutions

The energy consumption of base stations accounts for the bulk of energy consumed by FET's 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 have increased. A total of over NT\$33 million was invested in these initiatives in 2015. Electricity savings of 19 million kWh and carbon reductions of 9,848 tonnes are expected. Since 2011, the electricity consumption amount per 1 MBs of FET base station has been declining, which reflects the effective energy-saving performance of our base stations.

2013	Year-on-year Change (%)	2014	Year-on-year Change (%)	2015	Year-on-year Change (%)
0.001122	-47%	0.000660	-41%	0.000572	-13%

Energy-saving and carbon-reduction measures will continue

to be expanded in 2016. Newly-built base stations will include equipment that is more tolerant of high temperatures and have smaller racks and high-performance fans for cooling telecommunications equipment so as to reduce the need for AC. While 300 new stations have been completed so far and a further 112 will be added, energy-saving upgrades are also being carried out at existing base stations. Trials are already underway at 350 stations and energy consumption at each should be reduced by 14%. The conversion efficiency of power supplies is also being upgraded. The target is a 10% reduction in electricity consumption at each of the 80 stations.

Reducing Electronic Waste

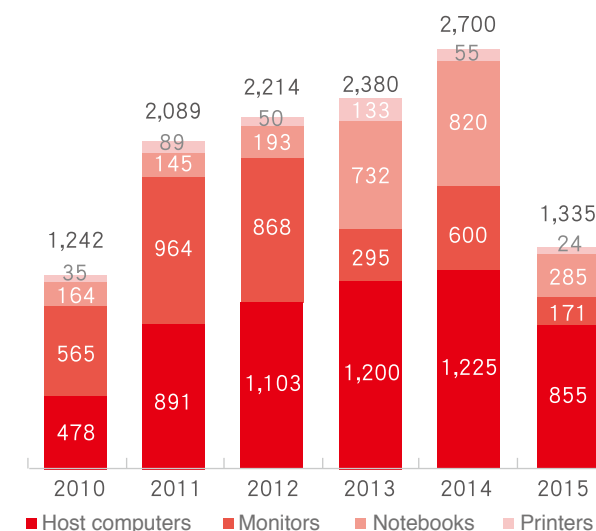
FET has participated for a long time in the Used Computers Recycling Donation Program organized by the Environmental Protection Administration of the Executive Yuan. This project not only promotes the use of renewable resources as a way of expressing care, but also improves the learning environment for disadvantaged children and minority groups, thereby eliminating the digital gap between urban and rural areas, and helping to maximize efficiency in the use of information equipment.

In addition, FET also has cooperated with the Taiwan Triple-E Institute for a long time on the Refurbished Computer Project. Since 2012, and for four consecutive years, we have been the top donor among our peers, with an accumulated total of over 11,000 pieces of equipment being donated.

Unit: Pieces

Year	Host Computers	Monitors	Notebook Computers	Printers	Total
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
2015	855	171	285	24	1,335
Total	5,772	3,463	2,339	386	11,960

Second-hand Equipment Donation in 2010-2015 Unit: Pieces

**FET Base Station Guidelines**

FET's base stations and antenna installations must comply with the relevant government regulations. Co-construction, co-location and common antennae are used where possible to greatly lower the number of antennae 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 2015, 62.7% of FET's base stations were co-located, 31.48% were co-constructed, and 5.82% were stand-alone.

**Glossary**

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.

No fines were levied against FET due to electromagnetic radiation (EMR) in 2015. Fines over the erection of base stations totaled NT\$14 million in 28 cases, which was 47 cases less than the previous year. 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 for antenna installations, as well as continue to monitor the situation with regard to fines, will review past mistakes and will strive to make future improvements.

Furthermore, in line with “Guidelines for promoting the establishment of co-constructed/co-located mobile telecommunication platform infrastructures among governmental offices” proposed by NCC, from 2014 FET has begun to apply for base station installment subsidies designated for public buildings located in remotes areas or in areas with high disaster potential. By the end of 2015, FET has submitted 9 subsidies regarding high disaster-resistant mobile telecommunication platform infrastructures, with all submissions having passed the reexamination stage.

The anticipated effects of participating in NCC’s “Co-constructed/co-located mobile telecommunication platform promotion project” include improving the service quality of mobile broadband telecommunication, increasing telecommunication service coverage, accelerating telecommunication infrastructure in remote areas, enhancing disaster-resistant capacities of mobile telecommunication infrastructure, and eliminating public concerns about electromagnetic radiation. In the future, FET will continue to co-operate in participating in highly disaster-resistant co-constructed/co-located base station installments.

Monitoring of EMR Issues

Among all of FET’s operational activities, base stations — as the operational sites — have the most significant impact on local communities, even more so than our stores, office buildings, and data centers. In response to the public’s concerns related to electromagnetic radiation emitted from our base stations, FET is cooperating fully with the Base Station Working Group of the Taiwan Telecommunication Industry Development Association (TTIDA), a group which was set up by the NCC and the telecommunication companies due to public awareness around the issue of electromagnetic radiation from base stations.

0800 EMR Measurement and Awareness Hotline

This hotline is used for answering public questions on electromagnetic radiation and for organizing home electromagnetic radiation measurement services. In 2015, TTIDA handled 1,136 inquiries regarding electromagnetic radiation and arranged electromagnetic radiation measurement services 683 times. Apart from the 118 cases passed on to FET for measurement, we also accepted 32 measurement requests directly from the public. The 150 electromagnetic radiation measurement service calls cost a total of NT\$720,000. The results were all below the limit for EIRP (Equivalent Isotropically Radiated Power) and electromagnetic power density.

Education on EMR Issues

The airing of concerns around electromagnetic radiation from base stations, the hosting of electromagnetic radiation seminars, and the production of promotional materials and documentation have contributed to educating the general public on electromagnetic radiation and helped to mitigate against unfounded public concerns.

In addition, FET also participated in the Workshop on Education & Training for Front-line Engineering Personnel of the North District, which was organized by TTIDA in August 2015. This workshop was aimed at enhancing the communication skills needed by our employees when faced with public protestors, promoting the education of electromagnetic radiation, and avoiding unnecessary disputes. Through continuous advocacy work and measurement services, protests against base stations have leveled off relative to previous years, whilst news stories in the media have shifted from predominantly negative to more balanced coverage. Looking ahead, we 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.

	2013	2014	2015
No. of Base Stations Measured for Electromagnetic Radiation by FET	140	142	150

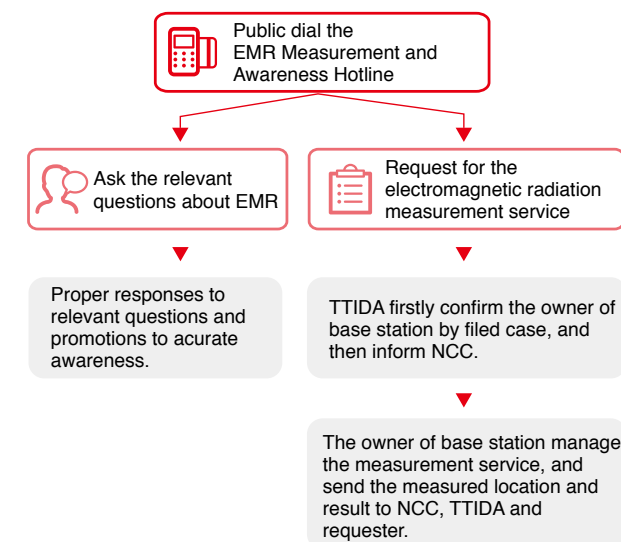
3.4.3 Reducing the Environmental Impacts of Our Products

Communication on the Potential Impact of Mobile Phones and EMR

In order to protect consumer rights on using mobile communication devices, the NCC has regulated a Specific Absorption Rate (SAR) of EMR for all mobile communication devices that are sold on the market today. All the mobile communication devices that we sell are in compliance with the NCC’s regulations on warning labels as well as SAR criteria and actual measurement, thereby offering proper disclosure on EMR to consumers.

In-store Mobile Phone Recycling

In an age where new smartphones 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 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 our stores in Taiwan have now set up mobile phone recycling bins. Mobile phones, PDAs, GPS devices, their chargers and other accessories can all be dropped off for free, regardless of their brand, then passed on to qualified contractors for



recycling. Compared to the previous year, the number of recycled mobile phones in 2015 was up by 239%, while the number of recycled batteries jumped by 1,082%, and the amount of recycled chargers and cables rose by 47%. These trends reflect well on our efforts to promote the recycling of electronic waste.

	2013	2014	2015
Recycled Mobile Phones (pcs)	485	6,272	21,292
Recycled Batteries (kg)	44	18.2	215.1
Chargers/Cables (kg)	-	103.2	151.2

Creating Value for Recycled Mobile Phones

In addition to doing our part in recycling mobile communication devices, we have also committed to developing the secondary market to attract certain groups of customers. By providing mobile phones that were used for display purposes and other used mobile devices and accessories to second-hand dealers or to FET outlet store, where they are refurbished for a new lease of life, we have contributed significantly to reducing the rate of product consumption. In 2015, a total of 12,987 recycled mobile phones added value in this way, which was equivalent to reducing carbon emissions by 148.86 tonnes³⁷.

	Resale by Second-Hand Dealers	Resale at Outlet Store
Mobile Phones (pcs)	8,609	4,378
Tablet Computers (pcs)	2,550	645
Accessories (pcs)	25,997	3638
Total	37,156	8,661
Energy-Savings from the Resale of Mobile Devices (kWh)	189,398	96,316
Carbon Reduction from the Resale of Mobile Devices (Tonnes)	98.68	50.18

Promotion of Electronic Bills and Forms

We continued to increase the number of electronic billing users in 2015. Accordingly, we conducted an in-depth survey of customer demands for electronic billing and followed up by refining the relevant functions for better usability. As for existing electronic billing users, we offered multiple incentives to retain their continued patronage.

Electronic bill usage in 2015 increased by 200,000 when compared to 2014. There are now over two million electronic bill users. This is estimated to save 60 million sheets of paper each year, equivalent to carbon reductions of 72.6 tonnes³⁸.

The usage rate of electronic forms by the end of 2015 had reached 70.2%. More than 450 service sites now use only electronic forms for processing data, helping to reduce carbon emissions by about 6.00 tonnes.

	Electronic Bills		Electronic Forms	
	Number of Users (thousand people)	Reduction in CO ₂ (tonnes per year)	Usage Rate	Reduction in CO ₂ (tonnes per year)
2013	1,235	44.82	52%	4.02
2014	1,800	65.34	65.5%	5.24
2015	2,000	72.60	70.2%	6.00

³⁷According to the Environmental Protection Administration (EPA), recycling one cellphone saves 22 kWh. The latest electricity emission factor (2014) is 0.521kgCO₂/kWh.

³⁸Calculation based on the EPA's announcement that the carbon emission of each A4 paper is 1.21 gCO₂.

Consolidated Billing Service

In order to help customers manage their telecommunication bills and reduce unnecessary waste with printing and mailing, FET consolidates the bills for customers with multiple numbers billed separately, and does the same for customers with another new number application. In 2015, we consolidated bills for 226,830 numbers. With the estimated reduction on 226,470 printed bills and mailing per year, this is equivalent to carbon reductions of 9.34 CO₂e tonnes.

Reducing SIM Card Usage

Considering that there are many types of SIM cards used by current mobile phones, FET launched the 3-in-1 SIM card for general use, with every SIM card pack containing the mini, micro and nano versions. This has made the process more user-friendly for customers as well as improved the efficiency of our business operations. In 2015, the total card procurement of all FET stores reduced by 20%, a quantity of around 1 million cards. This is estimated to reduce the use of plastics (ABS & HPVC) by around 5,500 kg (equivalent to 11,000 kg of crude oil³⁹), reduce carbon emissions by 34 kg CO₂e (electricity consumption), and eliminate pollution that would otherwise have resulted from 1 million portions of packaging and printing paint contamination.

³⁹Given 1 kg of ABS requires 2 kgs of petroleum for refinement.



Self-Care App Customer Service

The FET Self-Care App has enabled customers to check their bill and data traffic at any time via direct mobile service, and also eliminated the carbon footprints associated with travel. In 2015, the self-care app had been used by 3.6 million users. In addition, the number of people who paid through the app has grown beyond 100,000. The monthly number of electronic bill applications via the self-care app has been upwards of 13,000, and it has become the most frequently used direct service channel for customers, whilst also fulfilling our collective social responsibility on carbon reduction.



Green Packaging

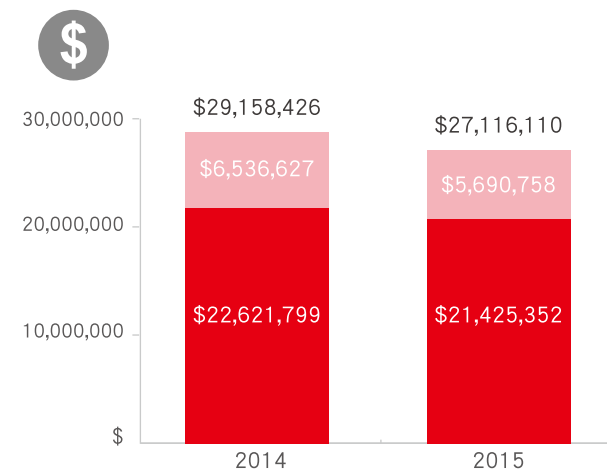
Raw materials, printing processes and processing within the printing industry all produce environmental pollution in the form of emissions, effluent, and waste. FET uses recycled cartons with no printing in all our shipments. Around one-third of the cartons are recycled, which is equivalent to a carbon reduction of 165 tonnes⁴⁰.

3.4.4 Creating Social Influence

In line with our dual-themed corporate social responsibility framework of "Chic environmental protection, Creative responsibility", we have continued to commit corporate resources and combine core communication applications to create social influence and promote sustainable development through innovative thinking. In terms of social welfare, throughout 2015 FET continued to partner with NGOs to host charity events and to make use of our corporate resources to help the disadvantaged within society. The total amount spent on social welfare was NT\$27,116,110, and there were 190 individuals who directly participated in volunteer activities and helped to advance FET's local development initiatives.

Social Welfare Investment

Unit: NT\$

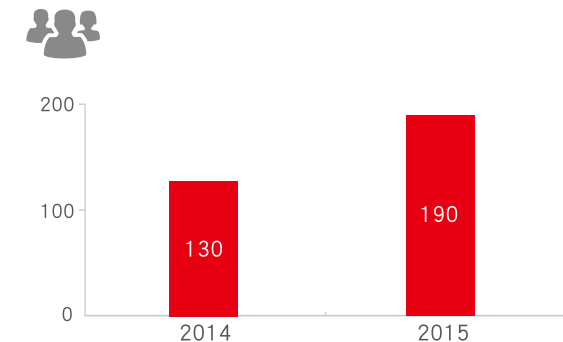


■ Amount spent ■ Amount raised

⁴⁰Calculation based on 1000 stores in Taiwan. Given each store stocks one carton per day, 333 cartons will be saved daily and 87,912 cartons will be reduced yearly (equivalent to carbon reductions of 165 tonnes)

Volunteer Participation

Unit: Number of people



FET Volunteers
on Mission



An overview of FET's social welfare activities, volunteer participation, and NGO partners in 2015 is as follows:

FET

Fourth Green Kungfu "I Draw, I Tell, therefore I Love" Event



The Green Kungfu "I Draw, I Tell, therefore I Love" event references environmental education, and is the pioneer of domestic children's electronic-picture book competitions. We not only placed winning works on our friDay Reading platform for free consumption, but we also adapted the works for short animations, which were also available for free download on friDay Video. We partnered with Homemakers United Foundation to promote Green Storybook Train, authorized an award-winning picture book to be developed into lesson plans, and addressed the plight of limited copyrights for NPO/NGO.

FET Volunteer
Participation

44 people

Number of Beneficiaries

The rural storytelling campaign was attended by 185 elementary students (51 from Xingzhong, 61 from Jianshan, and 73 from Taoyuan); 272 work pieces participated in this picture-book and illustration competition.

List of Beneficiaries

Kaohsiung City's Xingzhong Elementary School, Jianshan Elementary School, Taoyuan Elementary School, friDay Video and friDay Reading subscribers.

Ninth Child Welfare League "Saving Abandoned Children" Fundraising Campaign



FET cooperated with the Child Welfare League as the "Save Abandoned Children. Spread Love Far" campaign entered its ninth year. As part of this, the "Three Generations of Picnic Fun" charity picnic was held at Huashan Culture Park. The charity event raised public awareness of abandoned children and raised funds to be used to care for children awaiting foster homes. We raised a NT\$28 million fund for the daily needs of the Child Welfare League, and sponsored 8,754 children who had been through adoption over the past nine years.

FET Volunteer
Participation

31 people

Number of Beneficiaries

Assisted 916 children given up for adoption. Funds raised for the Child Welfare League in 2015 were used mainly for nappies and baby formula.

List of Beneficiaries

Child Welfare League host families.



Child Welfare League
Fundraising Campaign

John Tung Foundation "Keep Your Words Sweet, Let Happiness be Heard" Campus EQ Seminar



As part of our "Keep Your Words Sweet, Let Happiness be Heard" brand campaign, we partnered with the John Tung Foundation to organize on-campus EQ seminars which promoted mental health, encouraged students to show empathy, and promoted expression of positive feelings.



"Keep Your Words Sweet,
Let Happiness be Heard"

FET Volunteer
Participation

19 people

Number of Beneficiaries

A total of 5,041 students were involved; 90 students participated in camps in remote areas.

List of Beneficiaries

25 junior high and elementary schools across five cities in Taiwan, New Taipei City's Gongliao Elementary School, and Taoyuan City's Yuren Elementary School.

Homemakers United Foundation: Green Storybook Train



To promote environmental-awareness education from an early age, FET partnered with the Homemakers United Foundation to use eco-friendly picture books to help children understand issues affecting the environment and learn about what they could do to help. This grew into the Children's Green Storybook Train Promotion Project.

FET Volunteer
Participation

38 people

Number of Beneficiaries

Two sessions of volunteer training camps were held, and 46 people completed the session; 35 sessions of the "Green Storybook Train" were held and attended by 747 people.

List of Beneficiaries

Elementary schools and kindergartens in the Greater Taipei area, parents and their children, and external volunteers.

Cyber Angel's Pick: International Forum on Mobile Web Safety Program for Children and Teens



The first Youth Mobile Internet Security International Forum was hosted by Cyber Angel's Pick. A number of renowned speakers who care deeply about youth issues in Taiwan and Japan were invited, and this included FET President Yvonne Li. An agreement to establish an Internet protection alliance between Taiwan and Japan was signed, with the aim being to collaboration on issues such as Internet security, education, and development in order to safeguard the Internet security of children within the Asia-Pacific region.



Number of Beneficiaries
120 people attended the Forum.



List of Beneficiaries
Teachers, social workers, parents, counselors, and college students concerned with youth Internet security issues.

Teacher Chang Foundation: Promoter of Family Communication-Community Parent Education Support Project



Corporate resources were made available to strengthen parental education, to enhance two-way parent-child communication, and to support those who provided care for children and youths. As part of our "Express Your Love. Let it be heard" campaign, the Teacher Chang Foundation partnered with FET to launch the Promoter of Family Communication – Community Parent Education Support Project.



Number of Beneficiaries
163 people attended community family lectures. 24 sessions of BoBi BaBy illustrated handbook tour lecture were held – 16 at elementary schools, 7 at junior high schools, and 1 at a senior/vocational high school. A total of 3,850 students participated; with 26 lecturing hours committed in total.



List of Beneficiaries
Parents, teachers and volunteers in Taipei City, Taoyuan City, Taichung City, Tainan City and Kaohsiung City.

New Taipei City Water Park Explosion



The water park explosion was a sad and sorry accident that will live long in the Taiwanese memory. In addition to independent contributions, FET solicited public and employee donations to help support the victims.



Number of Beneficiaries

1. FET donated NT\$5 million to the Social Welfare Department of New Taipei City for the future rehabilitation costs of the victims.
2. FET proactively inspired employees to make donations. 527 employees donated NT\$1,109,204, which was transferred to the Sunshine Welfare Foundation for physical and mental rehabilitation work.
3. The Sunshine Welfare Foundation will use funds raised for caring, counselling, and physical and mental rehabilitation services for 400 victims with light, medium, and heavy degrees of injury.



Number of Beneficiaries

Social Welfare Department of New Taipei City government, Sunshine Social Welfare Foundation.

Technology Development Association for the Disabled and Mobile Smart Living for the Visually Impaired Teaching Project



A total of three training classes held over nine days provided training to 25 visually impaired individuals, all of whom were novices at using smart phones. For those with more experience with smart phones, a total of six training classes were held over six days, and this was attended by 47 visually impaired people.



Number of Beneficiaries
A total of 72 visually impaired people completed training.



List of Beneficiaries
Instructor providing mobile phone classes for the visually impaired

Water Conservation Educational Visit to Taiwan Water Resource Center



Our volunteers invited 95 school children to visit the Taipei FE EcoARK. Using Green Kungfu eco-friendly picture book stories, interactive games, and lively theater performances, students were helped to understand and appreciate nature, and the preciousness of water resources.



FET Volunteer Participation

19 people



Number of Beneficiaries
95 elementary students (61 from Huzhu, and 34 from Xiulin).



List of Beneficiaries
Huzhu Elementary School and Xiulin Elementary School in Nantou County.

"Cherish the Earth, Spread Love Far" Children's Environmental Education



Children used recycled waste materials to make their own gas masks by hand, and presented the creative and environmental ideas behind their works. FET partnered with Global Views Future Youth Magazine while the Ecological Information and Environmental Education Association planned a series of programs. They also led corporate volunteers on to campuses across Taiwanese elementary schools. From early September onwards, a total of 10 elementary schools from across Taiwan took part in air-quality environmental education programs.



Number of Beneficiaries

2,000 students from 10 elementary schools in Taiwan participated in the activity. 90 external volunteers were involved.

Cherish the Earth,
Spread Love Far



List of Beneficiaries

Taipei City's Wanfang Elementary School, Daan Elementary School, Changhua County's Sigang Elementary School, Nantou County's Changho Elementary School, New Taipei City's Sanchong Elementary School, Kaohsiung City's Ping-Shan Elementary School, Yunlin County's Touliao Elementary School, Taoyuan City's Jongbo Elementary School, Taichung City's Yixin Primary School, Chiayi County's Beihui Elementary School.

"Love the Earth. Let it be heard" Summer Concert



This concert featured a performance adapted from the third Green Kungfu award-winning electronic environmental picture book, Bird Doctor by the Sea. The themes of family fun and environmental protection were drawn out by the wonderful performances of the University of Science and Technology's Suzhou Music College Chorus, the Taipei Philharmonic Chorus, and the Taipei Philharmonic Youth Orchestra, and orchestrated by internationally renowned conductor, Christopher Chen.



Number of Beneficiaries

More than 1,000 people were involved.



"Love the Earth.
Let it be heard"
Summer Concert



List of Beneficiaries

The citizens of Taipei.

Far Eastern Memorial Hospital Caring Text Messages

Since 2014, FET has worked with the Far Eastern Memorial Hospital's Ming Lun Suicide Prevention Center to send out caring text messages during major holidays and extend a helping hand to those who seek medical advice.



Number of Beneficiaries

3,141 text messages were sent; with each message costing NT\$2.61.



List of Beneficiaries

Individuals associated with Far Eastern Memorial Hospital.

Teach for Taiwan



Sponsored Teach for Taiwan's communications service. This service is needed for education in remote areas, and included eight phones (NT\$4,990), allowance for eight new phone numbers (NT\$1,500*6 months), and five MVPN groups.



Number of Beneficiaries

Aside from maintaining direct contact with teachers, the project is also used to keep in touch with more than 100 stakeholders. It is also used for recruitment purposes at more than 20 universities and colleges. Used by logistics teams, the program allowed contact with nine teachers in rural areas in the first year and 20 teachers in the second year. 21 elementary schools in remote areas were partnered with, and cooperation was enacted with more than 100 elementary schools, dozens of principals and directors, and hundreds of mentors.



List of Beneficiaries

TFT teacher training in remote areas.

Tainan City Dengue Fever Prevention



Helped the Tainan City government develop a dengue fever epidemic prevention app. Donated mobile phones and 100 phone numbers; along with 8,000 bottles of mosquito repellent for epidemic prevention.



List of Beneficiaries

Tainan City's junior high and elementary school students and the general public.

Global Views Reading Project for Remote Areas

Corporations responded with donations of magazines to designated elementary schools, with the idea that children in remote areas might be able to enhance their learning opportunities through reading together.



Number of Beneficiaries

All classes in participating elementary schools are entitled to loan from the Future Youth and Future Kids programs.



List of Beneficiaries

Changhua County's Xiulin Elementary School and Huzhu Elementary School, Taoyuan City's Yuren Elementary School, New Taipei City's Gongliao Elementary School, Kaohsiung City's Taoyuan Elementary School, Jianshan Elementary School, Xingzhong Elementary School, Baoshan Elementary School, Zhangshan Elementary School, Liogui Elementary School, Laonong Elementary School, Xinfu Elementary School, Longxing Elementary School, Xinwei Elementary School, Baolai Elementary School, and Minsheng Elementary School, Minchuan Elementary School in Namasha District, and Kaohsiung Public Library, Taoyuan branch.

Taoyuan Elementary School Library Rebuilding Project



FET Volunteer Participation

39 people



Number of Beneficiaries
Around 90 students benefited.



List of Beneficiaries
Kaohsiung City's Taoyuan Elementary School.

Helped rebuild the campus library, which had collapsed due to natural disasters; and helped sort books donated by members of the public.

2015 Asian Open Data Summit Forum

A forum organized by the Taipei Computer Association for the Industrial Development Bureau of the Ministry of Economic Affairs. Invited U.S. data scientist Ben Wellington to share his insights on data analysis from a user's perspective. Open Data promoters from six countries in Asia (Korea, Thailand, the Philippines, Indonesia, Japan, and Taiwan) came together to develop regional cooperation and promote wider economic development at the Asian Open Data Union.



List of Beneficiaries
Taipei Computer Association.

Cavalria: A Dream of Freedom Charity Event



Number of Beneficiaries

Adoptive families of the Child Welfare League, along with children from rural schools were invited. About 200 people benefited directly.



List of Beneficiaries

Children of low-income families at Changhua County's Shinshui Elementary School, Guangxing Elementary School, and Dasin Elementary School; Nantou County's Huzhu Elementary School; the Child Welfare League's Taipei and Keelung orphanages; along with several good causes supported by the Taiwan Fund for Children and Families in southern Taipei.

Happy Fun Film Charity Event



The FET Video Store worked with the John Tung Foundation to launch "Blue Go Away — a 180-Day Happy Fun Movie" The FET Video Store donated the funds from any online purchases to the John Tung Foundation as a way of promoting depression-prevention work.



List of Beneficiaries
John Tung Foundation.

"Let Love be Seen" Charity Event



The FET Video Store partnered with the Taiwan Guide Dog Association to launch this charity event. Subscribers were invited to watch movies online, and proceeds were donated to the Guide Dog Association to assist visually impaired people and their guide dogs.



List of Beneficiaries
Taiwan Guide Dog Association.

ARCOA

Huashan Social Welfare Foundation: 2015 Dragon Boat Festival Gifts

In 2015, ARCOA was a sponsor of this Mid-Autumn Festival literature campaign founded by the Huashan Social Welfare Foundation. ARCOA called on employees, families and friends to donate gifts through internal and external networks. Employees across Taiwan made cash or online donations, allowing solitary elderly people to receive heartwarming gifts during the Dragon Boat Festival.

Chapter 4

► Corporate Governance

- 4.1 Corporate Governance Structure
- 4.2 Corporate Social Responsibility Governance
- 4.3 Corporate Ethics
- 4.4 Operational Risk Management
- 4.5 Compliance
- 4.6 External Participation



4 Corporate Governance



FET Corporate Governance Achievements and Performance 2015 - April 2016

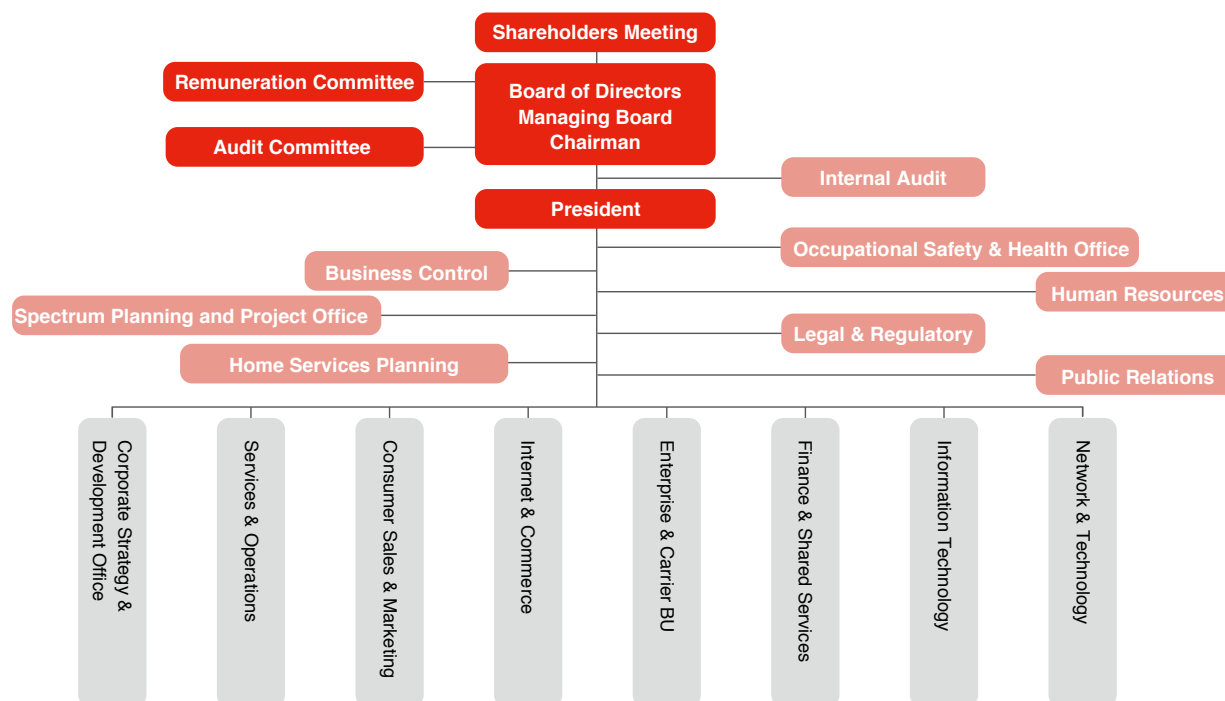
- Chairman Douglas Hsu was awarded "2016 Top 50 CEO in Taiwan" by Harvard Business Review.
- Ranked in the top 5% of companies in the First and Second Corporate Governance Evaluation reviews.
- Winner of the "Best CEO," "Best CSR," and "Best Investor Relations Company (Taiwan)" at the 5th Asian Excellence Recognition Awards 2015 hosted by Corporate Governance Asia.
- Winner of Taiwan's "Best Managed Company," "Best Corporate Governance," "Best Investor Relations," and "Most Committed to a Strong Dividend Policy" at the 4th FinanceAsia Awards.
- Winner of the "Best Managed Company," "Best Investor Relations," "Most Dedicated to Corporate Governance," "Best Investor Relations," "Most Committed to a Strong Dividend Policy," and "Best CFO" at the 5th FinanceAsia Awards.

A sound corporate governance structure is fundamental to sustainable management. Far EasTone Telecommunications Co., Ltd. (FET) has worked hard to build sound corporate governance and supervision structures, and has strived to follow the principle of trustworthy management since its very inception in 1997. FET's Corporate Social Responsibility (CSR) Committee was formed in 2011 to incorporate CSR as a core business strategy within our corporate governance structure. Through CSR governance, we aim to integrate related sustainability issues with our business strategy and culture. Our ultimate goal is for corporate governance to become accordingly more responsible and systematic as we respond to the concerns of consumers and investors.

4.1 Corporate Governance Structure

FET's Board of Directors (the "Board") is its highest governance body, and is 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. The seventh term of the Board of Directors consists of 11 Directors, whose terms are from June 18, 2015 to June 17, 2018. The Board ensures independence of governance; and in its diversity it features three Independent Directors and one female Director.

FET's Remuneration Committee, Audit Committee, and CSR Committee all regularly report to the Board on their activities and resolutions to matters of interest. FET has a clearly-defined organizational structure with different business groups clustered under the President's management. To gain a better understanding of the existing organizational structure and the responsibilities of each unit in the company, please refer to the 2015 Annual Report. The Chairman of the BOD is isolated to establish a governance structure that is objective of independent from management.



4.1.1 Board of Directors Operations

The Board convenes meetings at least once a quarter. A Pre-Board meeting is held one day prior to the actual meeting to allow the top executive team and Board members to have discussions in advance and to understand the proposals and resolutions that are to be made. Content up for discussion covers business strategy and operational risks. In addition, all departments of the business units compile their key issues, major risks, and key performance indicators for the Chairman's review on a quarterly basis; these cover, for instance, major investments, charity projects, and overall energy-saving performances so that the Board might fully understand the company's overall operations.

In 2015, the Board held six meetings, with the attendance rate of Directors at 92%, and 100% when proxies are taken into account. Key issues proposed at the Board meetings included: corporate governance, operational and social matters which included collaboration with CNS, donations to the victims of the water park explosion, amendments to the Articles of Incorporation, FET's Corporate Governance Best Practice Principles and Rules of Procedure of the Board. In addition internal audit plans were reviewed and approved (this includes compliance, information security, and procurement process), and regulations related to internal audit were discussed. Opinions provided by the Independent Directors are always thoroughly taken into consideration during the decision making process. If there are issues referred to in the resolutions of the Directors' meetings with which the Independent Directors object to or to which they are subject to a qualified opinion, such instances should be recorded and communicated. The minutes of all Board meetings are disclosed on FETnet.

Board of Directors Composition

The Directors hold three-year terms. Board members are nominated through a rigorous selection process, while

Title	Name	Nationality	Education & Experience	Current Position(s) at Another Companies
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Republic of China	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	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Republic of China	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.
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
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 at CNOOC Limited in Hong Kong; Independent Non-executive Director at Hysan Development Company Limited in Hong Kong; Independent Non-executive Director at AIA Group Limited in Hong Kong
Independent Director	Kurt Roland Hellström	Sweden	President and CEO of Ericsson Group	Director of the European Institute for Japanese Studies (Sweden), Director of International Advisory Board of Altimo (Russia)
Independent Director	Chung Laung Liu	Republic of China	President and Mei Yi-Chi Honorary Chair Professor, Taiwan's National Tsing Hua University; Professor Emeritus, University of Illinois (Urbana-Champaign Campus)	William M. W. Mong Honorary Chair Professor, Taiwan's National Tsing Hua University; Independent Director at UMC, Richtek Electronics; Powerchip; Director of Macronix International; Supervisor at Andes Technology
Director	Champion Lee, Representative of Yuan Ding Investment Co., Ltd	Republic of China	President of Yuan Ding Co., Ltd.; Sr. EVP of Far Eastern New Century Corporation	Supervisor at Far Eastern New Century Corporation; Supervisor at Asia Cement Co., Ltd.; Director of U-Ming Marine Transport Corp.
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	United States	Strategy and design consultant at the following U.S. companies: high-tech start-ups, Nestlé, Denso Japan, Kia Motors, and Target	Chief Innovation Officer at Far Eastern Group; Director and Vice President of U-Ming Marine Transport Corp.
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.
Director	Bonnie Peng, Representative of Asia Investment Corp.	Republic of China	Chief Commissioner of the second session, National Communications Commission; Professor, Graduate School of Journalism, National Chengchi University	Professor, Social and Policy Sciences Department and Graduate School of Information Communication, Yuan Ze University; Independent Director, XPEC Art Center
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Singapore	Chief Operating Officer, SingTel Group	Advisor, SingTel Group; Board Director, APT, Satellite, HK

the independence of Independent Director candidates are vetted against the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies. Their expertise, personal reputation, ethical behavior, and leadership qualities are all thoroughly reviewed.

To ensure the independence and diversity of the Board, as well as to ensure that the best decisions for our stakeholders are made, FET has enlisted Directors and Supervisors from diverse backgrounds with extensive world-class management experience or academic credentials. Their various fields of expertise on accounting, the telecoms industry, financial and economic matters, and corporate governance, provide our management with professional, objective experiences that guide our strategic direction with regard to environmental, social and governance (ESG) issues. Furthermore, to protect Directors from individual liability and financial loss brought on by third-party lawsuits in the course of their duties, the company has purchased liability insurance for protection purposes.

The FET Corporate Governance Best Practice Principles ensures the sound and effective operation of our governance 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 passed in 2013 to adopt a nomination system for all candidates in Board elections. In 2015, 15 rules and regulations were amended as follows.

Charters of all committees are publicly disclosed on the Corporate Governance section of FETnet. In the interest of making continuous improvements to the Board's performance, FET is scheduled to draft Rules Governing Board of Directors Performance Evaluation in 2016.

Date	Amendment passed by the Board of Directors
February 2015	Procedures for Related Party Transactions Management
June 2015	Articles of Incorporation Handling Procedures for Acquisitions and Disposals of Assets Procedures for Making Endorsements/Guarantees Procedures for Loaning Capital to Others Rules for Directors' Elections Audit Committee Charter
July 2015	Rules and Procedures of Board of Directors Meetings Procedures for Handling Insider Information The Code of Business Conduct The Code of Ethics Remuneration Committee Charter Corporate Governance Best Practice Principles Corporate Social Responsibility Best Practice Principles
October 2015	Procedures for Suspension and Resumption of Dealings of the Company's Listed Securities

Directors' Training

As part of improving their overall competency in sustainable management and corporate governance, FET's domestic Directors regularly attend training courses. Although foreign-based Directors do not take part in such trainings in Taiwan due to geographic and language limitations, they still participate in overseas seminars, forums, and are regularly provided with legal and regulatory updates so that they remain knowledgeable about the subject. An overview of the courses completed by the Directors in 2015 is as follows:

Organizer	Course	Study Hours	Number of Directors
Taiwan Academy of Banking and Finance	Operational practices of board of directors and supervisors and corporate governance class	3	6
Taiwan Corporate Governance Association	Challenges and opportunities of corporate social responsibility	3	1
Taiwan Corporate Governance Association	External audit and internal control from the perspective of directors and supervisors	3	1
Taiwan Corporate Governance Association	Overview of intellectual property and protection laws necessary for competition, corporate merger and acquisition practice	6	1
Wood Mackenzie	How China's One Belt-One Road strategy will drive demand for steel and have an effect on bulk shipping	2	1
Securities and Futures Institute	Trends and Case Studies in Mergers & Acquisitions	3	1

4.1.2 Audit Committee

FET's Audit Committee was formed on June 18, 2015 to replace FET's Supervisors. It consists of three Independent Directors, and is designed to assist the Board in monitoring the implementation of the relevant accounting, auditing, and financial reporting processes. This helps to ensure the quality and integrity of financial controls in maintaining the strength of the overall system.

According to the Articles of Incorporation, the Audit Committee has the right to carry out appropriate audits and investigations as it sees fit, and has direct contact with internal auditors and certified accountants. Audit Committee meetings are held quarterly; two meetings were convened since the committee's inception in 2015. Minutes of the meetings are recorded, and important discussions and resolutions passed on to the Directors, President, and top executives at the company.

Communications between the Audit Committee and the Company's Chief Auditor

FET's Internal Audit performs the annual audit, and is responsible for assisting the Board and management team in identifying deficiencies in the internal control systems of the company and its subsidiaries. It also helps to assess the effectiveness and efficiency of business operations, and provides appropriate suggestions for improvement. The auditing of projects is done on a timely basis so as to discover any possible shortcomings in internal controls, and to ensure that internal control systems continue to be effectively implemented.

In quarterly meetings of the Audit Committee, the Chief Auditor reports on audit operations and major internal audit matters, including execution, reporting, and tracking of Independent Directors' instructions. In addition, Independent Directors review the audit reports submitted by the Chief Auditor on a monthly basis.

4.1.3 Remuneration Committee

The Remuneration Committee assists the Board in implementing and evaluating the company's overall compensation and benefit policies, as well as the remuneration of its Directors and managers. The Committee has three members, including one Independent Director, which is in line with the independence criteria disclosed in the Annual Report. Two Committee meetings were held in 2015, with an attendance rate of 100%. In addition to financial performance, the remuneration of executives and employees is linked to customer loyalty, and must be approved by the Board every year. Environmental and social performance evaluation will also be considered in the future.



The policy, criteria, composition, and process to set remuneration for the Directors and the correlation with operating performance and future risks:

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

	2013	2014	2015
Total Directors' remuneration as a proportion of net profit after tax	1.07%	1.06%	1.09%

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

The three forms of remuneration paid to the President and Vice Presidents are: salaries, reimbursements and special allowances, and bonuses from the distribution of earnings. As salary compensation is paid according to duties performed, macroeconomic factors and market standards can have a significant influence on work performance. Reimbursements and special allowances are a major component of transport allowances — three options are available: fixed car allowance amount; rental car allowance; or allowance for actual mileage traveled. Bonuses to employees are paid from distributed earnings according to the company's Articles of Incorporation. Since the bonuses are taken as a fixed percentage of annual earnings, the amount paid is highly correlated with the overall operational performance of the company. The remuneration of the President and Vice Presidents is determined and flexibly adjusted in terms of various criteria. The structure and system is based not only on industry standards and historical operational performance, but also takes into consideration actual operational circumstances and amendments to laws and regulations. These guidelines are set so that managers do not steer the company to take on risks solely for the purpose of earning higher remuneration.

	2013	2014	2015
Total remuneration of the President and Vice Presidents as a proportion of net profit after tax	1.42%	1.64%	1.58%

4.1.4 Preventing Conflicts of Interest

All FET Directors comply with self-regulatory principles and avoid conflicts of interest. Article 11 of the Regulations for the Board of Directors Meeting stipulates that all Directors are required to uphold key principles, and if any Director or a person represented by a Director is an interested party with respect to any agenda item, they must state the nature of the relationship at the meeting. When the relationship is likely to prejudice FET's interests, 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. They 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. No FET Board members have cross-shareholding relationships with major suppliers. Actions taken from 2015 to early 2016 to prevent conflicts of interest were as follows:

Company	Date of Board Meeting	Contents of Proposal	Matter at Stake	Action Taken to Avoid Conflict of Interest
FET	The 13th session of the 6th-term Board of Directors, April 28, 2015	Purchased 7,950,000 shares in Ding Ding Integrated Marketing Services	Chairman Douglas Hsu is also Chairman of Ding Ding Marketing	Those with a conflict of interest did not participate in the discussion or vote; other Directors present unanimously adopted the proposal without objection
NCIC	The 12th meeting of the 7th-term Board of Directors, February 16, 2016	Made loan to Q-ware Communications ("Q-ware") of no more than NT\$250 million	Director Yvonne Li is also Chairman of Q-ware	Those with a conflict of interest did not participate in the discussion or vote; other Directors present unanimously adopted the proposal without objection
NCIC	The 12th meeting of the 7th-term Board of Directors, February 16, 2016	Donated NT\$1 million to Yuan Ze University and participated in the Taoyuan City government's 2016 Taiwan Lantern Festival activity	Chairman Douglas Hsu is also Chairman of Yuan Ze University	Those with a conflict of interest did not participate in the discussion or vote; other Directors present unanimously adopted the proposal without objection
NCIC	The 6th meeting of the 7th-term Board of Directors, April 28, 2015,	Purchased 2,650,000 shares in Ding Ding Integrated Marketing Services	Chairman Douglas Hsu and Director Jeffrey Gee are the Chairman and Director of Ding Ding Marketing Services respectively	Those with a conflict of interest did not participate in the discussion or vote; other Directors present unanimously adopted the proposal without objection

4.1.5 Information Disclosure

In order to provide correct and detailed information to the investing public at home and abroad, FET's official website updates financial, business, corporate social responsibility, and other relevant information on a timely basis. Both domestic and foreign shareholders and stakeholders can access information conveniently, with both Chinese and English-language versions of the annual report, meeting handbook, Taiwan Market Observation Post System (MOPS), and the Corporate Social Responsibility Report available on the website.

Investor Relations
on FETnet



4.1.6 Investor Information

As of December 31, 2015, 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 the majority of votes at a 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. As of April 18, 2016, the FET shareholder structure was as follows:

	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	9	33	180	22,383	835	23,440
Shares	21,507,029	565,618,691	1,515,151,816	100,974,071	1,055,249,203	3,258,500,810
Shareholding ratio (%)	0.66	17.36	46.49	3.10	32.39	100.00

Top Ten Shareholders as of April 18, 2016:

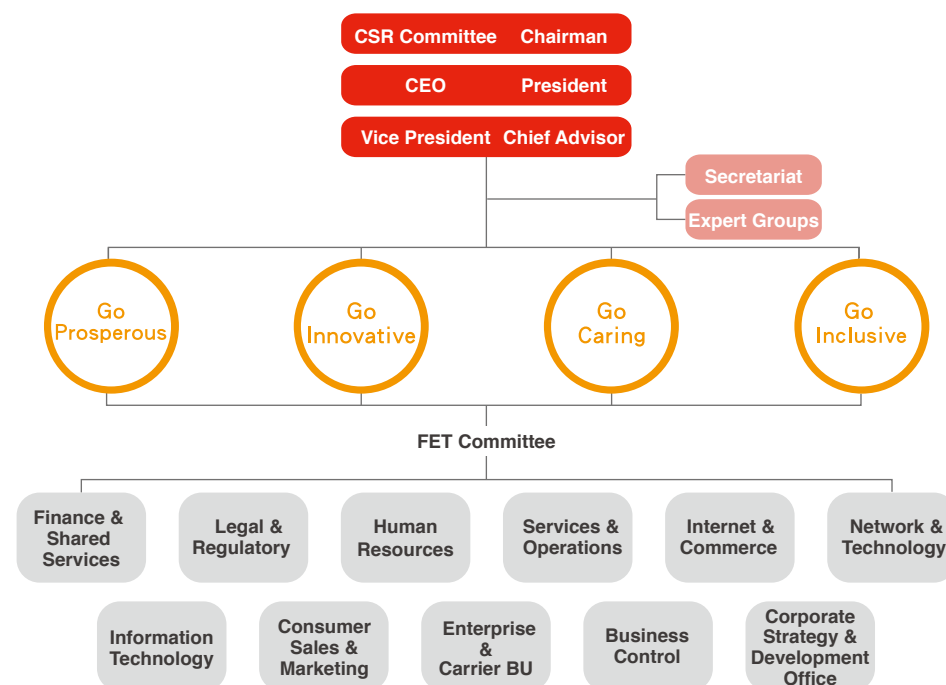
Major Shareholder	Percentage of shares (%)
Yuan Ding Investment Co., Ltd.	32.73
NTT DOCOMO INC.	4.71
Cathay Life Insurance Co., Ltd.	3.88
Fubon Life Insurance Co., Ltd.	3.15
Yuang Tung Investment Co., Ltd.	3.08
Taiwan Post Co., Ltd.	3.07
Nan Shan Life Insurance Co., Ltd.	2.44
Shin Kong Life Insurance Co., Ltd.	2.39
China Life Insurance Co., Ltd.	1.47
An Ho Garment Co., Ltd.	1.25

4.2 Corporate Social Responsibility Governance

Formed in 2011, the FET Corporate Social Responsibility Committee (or "CSR Committee") is the highest authority for CSR strategic planning and discussion within the company. The Chairman of the Board of Directors serves as the Chairman of the CSR Committee, the President of FET serves as the CEO of the Committee, and the Executive Management Team (EMT) acts as conveners of the 4 division teams, which are represented by members from all of FET's business groups. There is also a dedicated CSR Committee Secretariat and external expert groups are available to provide professional advices.

In addition to the dedicated CSR Committee, FET has also defined a FET Corporate Social Responsibility Policy in accordance with the "CSR Best Practice Principles for TWSE/GTSM Listed Companies" issued by the TWSE and GTSM. The policy was revised on July 30, 2015 by the Board of Directors as the guiding principle for FET CSR policies.

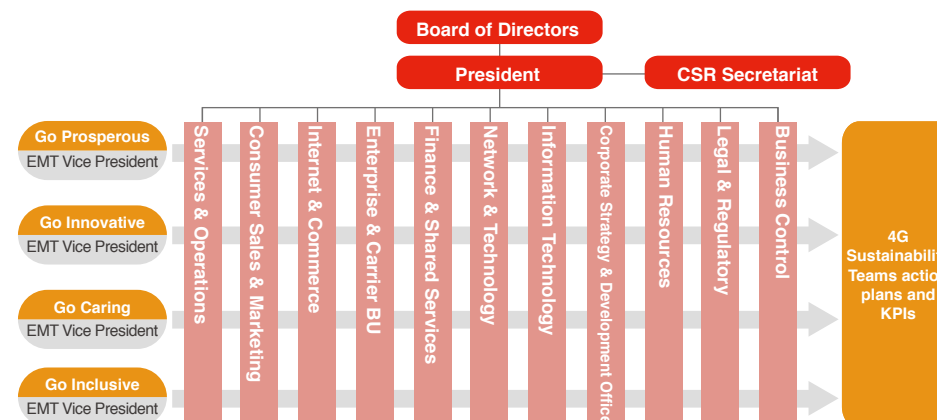
FET CSR Committee Structure



The FET CSR Committee is responsible for formulating FET's CSR vision and strategy, focus areas, as well as for promoting, monitoring, and demonstrating all CSR related programs. Its duties also include responding to various CSR-related issues and communicating with stakeholders on behalf of the company.

In 2015, the FET CSR Committee reevaluated key sustainability risks and opportunities faced by FET, and formulated "4G Sustainability Forces" as FET's sustainability strategy over the next three years. The 4G Sustainability Forces include four pillars that FET believes are key to integrating CSR into its daily operations and corporate culture: Go Innovative, Go Prosperous, Go Caring, and Go Inclusive (collectively also known as "4G").

The CSR Committee holds quarterly meetings; the President chairs the meetings, with Vice Presidents from the EMT representing each division team. They report implementation results of the 4G sustainability teams' annual action plans and KPIs, and the executive management of all business groups participated in discussions. Moreover, key issues in related fields and feedback from stakeholders regarding major sustainability issues are also discussed. The Board of Directors then receives feedback on operational status of the CSR Committee and major sustainability issues faced by FET through the President. The CSR Committee held three meetings in 2015 in which it confirmed the three-year action plans and KPIs for each 4G sustainability team, as well as kept track of performance improvements. Please refer to Section 1.3 "FET Sustainable Development Goals" for the KPIs and their status in 2015.



4.3 Ethical Corporate Management

FET practices the ethical corporate management through the implementation of Ethical Corporate Management Best Practice Principles and Guidelines for the Adoption of Codes of Ethical Conduct. To ensure the transparency of corporate governance, disclosures are provided on our website, in annual reports, through public statements, and on the Taiwan Market Observation Post System (MOPS). The FET e-Paper is also used in this respect to increase awareness of key issues.

In terms of external governance, our “Code of Conduct for Fareastone Supplier Chain Social Responsibility” is incorporated into business documents for external use, such as the Supplier Information Form, as a way to remind stakeholders to respect and abide by FET's ethical and integrity standards. FET Supply Chain Guidelines for Social Responsibility, released in 2014, provides information about our external CSR communications and commitment to the supply chain. These guidelines include environmental, social and governance (ESG) elements as requirements for our suppliers — please see Chapter 3.4 Go Inclusive for more details. Furthermore, according to the FET Procedures of Related Party Transaction Management, Board approval is required for any donations made to related parties. In addition to training for new employees, we also remind our employees of issues related to anti-corruption and trustworthy management through the FET e-Paper.

4.3.1 Ethical Corporate Management Best Practice Principles

To establish a corporate culture of management with integrity, that also serves as a cornerstone of sustainable management, the Board passed an amendment to our Ethical Corporate Management Best Practice Principles in July 2015. The Principles are applicable to directors, managers, employees, mandataries, people who have actual ability of control, subsidiaries, non-profit corporations where the Company directly or indirectly contributes over 50% of fund and other group

enterprises and organization, such as institutions or corporations which the Company have actual ability of control. Meanwhile, ARCOA has also formulated its own Ethical Corporate Management Best Practice Principles in line with the parent company's policy.

The Ethical Corporate Management Best Practice Principles covers bribery, illegal political contributions, improper charitable donations or sponsorship, as well as unethical business conduct, such as providing or receiving unreasonable gifts, hospitality or improper benefits. We check the integrity of all our business counterparties — agents, suppliers, and customers — prior to engaging in a business contract with them. When we enter into any important contract with another party, the contract will include clauses that stipulate conformity with honest business practices as well as clauses regarding the termination or dissolution of the contract if the counterparty is involved in any dishonest behavior. In the course of conducting business, our employees are prohibited from directly or indirectly offering, promising, asking or accepting any form of illegitimate benefits, including kickbacks, commissions, or facilitation fees; furthermore, they cannot offer or accept illegitimate benefits to/from customers, agents, suppliers, public servants, or other stakeholders through other channels. For sound management of ethical business conduct, Business Control Department shall coordinate related departments to implement ethical management practices and regularly reports to the board of directors.

4.3.2 Guidelines for the Adoption of Codes of Ethical Conduct

In order to guide the Company's directors, managers, employees, and mandataries to behave in accordance with ethical standards, the Board passed the amended version of

Guidelines for the Adoption of Codes of Ethical Conduct in July 2015.

The Guidelines contains specifications for preventing conflicts of interest, prohibiting personal gain, maintaining the confidentiality of the company and customers' data, and fair trade. Other rights and responsibilities for employees during their employment are defined in the Code of Conduct, Guidelines on Employee Hospitality Standards and in the Employee Disclosures and Professional Code of Ethics.

4.3.3 Whistle-blowing Channels

In order to certainly implement the ethical corporate management, FET has set up mailboxes for internal and external personnel to report violation cases. FET employees can express their opinions or report offenses on the intranet in accordance with the Regulations of Whistle-blowing Management. Upon receiving a report, the handling unit will immediately try to understand the situation and investigate the case if necessary. Other reporting channels include:

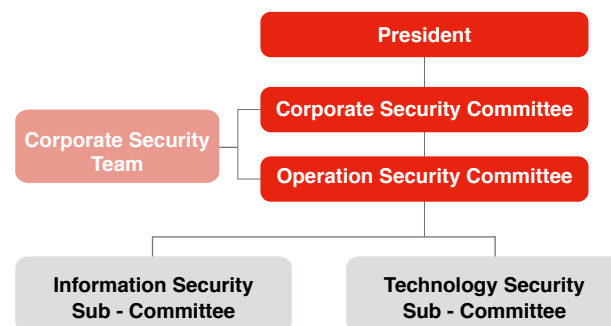
- ✉ Internal Audit email: ia@fareastone.com.tw
- ✉ Procurement Management email: feg_complaint@feg.com.tw

4.4 Operational 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 these factors present.

FET has established a corporate security organization to safeguard company assets, reduce potential impacts on business, maximize business gains and ensure the sustainability of the company. This security organization designs corporate security policies and frameworks for operational information, technology, physical and personnel security. In each security domain, consideration is given to the management of security governance, compliance to necessary standards and regulations, personal information protection, risk management, business continuity management and crisis management. The security organization has put into effect the substantive risk management targets through its solid operation and management.

FET Risk Management Structure



The Corporate Security Committee held four meetings in 2015. The top management of different business units discussed and set forth FET's information security vision to "respect for customer information, treasure customer entrusted, maintain sustainable services, and win the trust of customers." The Committee reviewed the status of FET's operational information security, and established the goal of "creating information security culture, effectively reduce risks, provide reliable services, and comply with laws and regulations" for all employees to abide by.

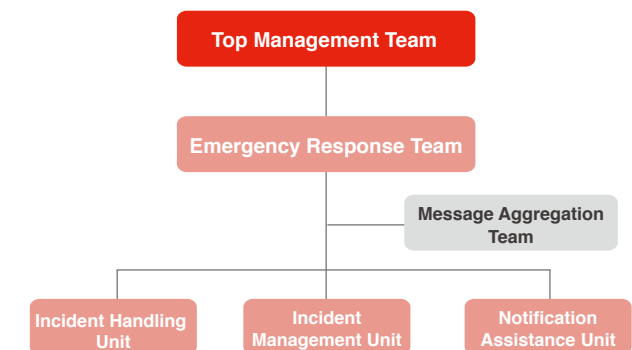
Furthermore, the Operation Security Committee, Information Security Sub-Committee, and Information Technology Security Sub-Committee convened more than 12 meetings in 2015 to enhance FET's security management. Major items dealt with at the meetings include: establishing management mechanisms and processes for business continuity management; preparing for ISO 27001 and BS 10012 validation; amending information security metrics; revising the conditions of major accidents as well as issues and crisis; optimizing outsourcing management mechanisms; and formulating and approving key annual information security projects.

Meanwhile, FET also mobilized close to 150 people across departments and held three seminars and drills to re-optimize FET's information security risk assessment mechanisms, through referring the systematic risk management approach of ISO 31000/ISO 27005. These initiatives also served to define roles, responsibilities, assessment methods, and the tools to identify high-risk issues. We combined annual operational plans with the aim to gradually streamline operations and mitigate risks through avoidance, reduction, and the transferring of risks.

To raise awareness of corporate security and information security management, FET invested nearly NT\$2.5 million to conduct over 30 training sessions with more than 7,500 people participating, reaching a total of over 170 training hours. Education and training on corporate security issues is an on-going commitment by FET, whereby various resources

are made available, such as seminars, training courses for new employees, classes on the intranet, a digital bi-monthly publication, pop-up messages on computers, information security bulletin on Emma, information security websites, themed activities, and more. These efforts helped achieved a pass rate of over 99.95% for the employees' information security test, effectively improving overall information security awareness.

Business Continuity Management Organization



The Top Management Team in the Business Continuity Management Organization is composed by the members of Corporate Security Committee. 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 to report to the Top Management Team and Chairman office.

In 2015, the Business Continuity Management Organization reacted to nearly 10 urgent incidents related to retail stores, customer service, technical and supporting units. Through seamless cooperation between customer-facing and supporting units, FET was able to respond to customers instantly and minimize the incidents' impact on customers and business operations.

4.5 Compliance

FET fully abides by the relevant regulations and faithfully fulfills our duties through compliance training. In 2015, we delivered two compliance notifications to members of the Board along with the meeting minutes of the 13th meeting of the sixth-term Board of Directors on April 28 and the fourth meeting of the seventh-term Board of Directors on October 28. The related compliance topics were announced to all employees via the FET e-Paper. There were no violations of our anti-bribery, anti-competition, and business integrity policies in 2015. Our applications for alterations to our charter were approved by the relevant Authority in 2015.

4.6 External Engagement

In addition to the active implementation of corporate governance, we also closely monitor the latest developments in domestic and foreign industries, and we play an active role in relevant telecoms industry and CSR associations. These actions ensure that FET's corporate governance is capable of responding to important initiatives in Taiwan and overseas. Moreover, our engagement in the latest industry developments provides a boost to our business competitiveness. FET was a member of the following associations in 2015:

External Associations	FET Participation
Taiwan Telecommunication Industry Development Association (TTIDA)	Honorary President: 1, Director: 3, Supervisor: 1
Taiwan Internet Association (TWIA)	Director: 2
Taiwan Communications Society (TCS)	Director: 1
Taiwan Corporate Governance Association (TCGA)	None
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)	None
Mobile First (formerly SIG Special Interest Group)	None
Taiwan Internet and E-Commerce Association (TiEA)	None
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Executive Director: 1
Business Council for Sustainable Development of Taiwan (BCSD Taiwan)	None
Taiwan Intelligent Aerotropolis Association (TIAA)	None
Center for Corporate Sustainability (CCS)	Director: 1

Chapter 5

► Future Outlook





Go Prosperous

We will continue to review and develop sustainable corporate strategies as we look to support business continuity and sustain growth momentum. Strengthening our 4G mobile communication services, enhancing 4G coverage and transmission speed, and building Wi-Fi hot spots to provide better quality and faster voice and data communication services remain our priorities. In light of digital convergence, boundaries between fixed networks, mobile networks, the Internet, and digital media have become increasingly blurred. In response, we will continue to combine our fixed networks, mobile telephony and Internet businesses through strategic alliances and the consolidation of internal resources, and we seek to become a leader in developing integrated capabilities. We will also continue to recruit ICT talent from multiple fields and cultivate high-caliber personnel through strategic training systems and career development programs. In response to technological transformation and industry trends, we will be at the forefront of m-Commerce, Internet of Things (IoT), and Smart City solutions. In terms of corporate sustainability, we will continue to strengthen sustainability governance practices, implement sustainability strategies and goals, introduce international benchmarking assessment tools to proactively hone in on our sustainability capabilities, and be recognized by international investors as a unique sustainable corporation.



Go Innovative

With the increased availability of Internet connectivity, along with various types of digital content and consumer services moving from PCs to mobile devices, we will continue to pursue a dual-track strategy of telecommunications network-based value-added services and Internet-based multimedia services. For multimedia services, we will continue to expand categories of device offering (such as mobile phones, tablet PCs, desktop and notebook PCs, and Internet TVs) and diversify end-customer markets (exporting Taiwan's high-quality multimedia content to the rest of Asia). We will leverage Big Data analysis to provide insights into enterprise and individual customer needs and habits, whilst focusing at the same time on "smart lifestyle," "smart commerce," and "smart city." We plan on developing user-oriented, innovative, value-added services that meet customer demand; thereby expanding our customer base as we look to manage long-term customer traction.



Go Caring

The "Express your love. Let it be heard" ethos is a central theme for FET. We encourage the public to care for family and friends, thereby spreading social well-being throughout Taiwan and helping bring to fruition the important shared values that FET believes the telecom industry can offer. In addition to our brand recognition and stakeholder engagement, we will also continue to nurture customer relationships and enhance customer loyalty through high-quality and unique customer service. We will improve the training and management of store personnel, develop innovative digital and virtualized service channels, and provide a wide array of telecoms services and products to customers of all backgrounds.



Go Inclusive

FET is committed to engaging with all of our business partners as we look to enhance our influence throughout the value chain; thereby minimizing our collective social and environmental impact. To our upstream suppliers, we will continue to emphasize performance criteria with respect to the environment, human rights, labor rights, and ethics, while increasing at the same time the percentage of green procurement. In terms of our own operating activities, from office buildings, base stations, and data centers through to our downstream operations (retail and franchise stores), we remain committed to leading by example. We will build our capacity for environmental management, expand the scope of energy management, and enhance digitization of products and services in order to effectively mitigate our operational impact. It is through sustainable internal and external corporate practices that we can maximize our positive influence on the ICT industry value chain.

► GRI G4 Index



GRI G4 Index

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

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
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 Chairman		5
		From the President		6
G4-2	Description of key impacts, risks, and opportunities.	2.1 External Environment Analysis		18
Organizational Profile				
G4-3	Name of the organization.	Overview of 2015 Operations		7
G4-4	Primary brands, products, and/or services.	1.1.1 FET Business Model		10
G4-5	Location of the organization's headquarters.	Overview of 2015 Operations		7
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.	1.1.1 FET Business Model		10
G4-7	Nature of ownership and legal form.	Overview of 2015 Operations		7 79
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	1.1.1 FET Business Model		10
G4-9	Scale of the organization.	3.1.1 Growth in Operational Scale		31
G4-10	Total workforce by employment type, gender, employment contract and region.	3.1.1 Growth in Operational Scale 3.2.2 Friendly Workplace		31 46
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 Go Inclusive		58
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.		No significant changes occurred in 2015	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	4.4 Operational Risk Management		82
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	4.6 External Engagement		83
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations.	4.6 External Engagement		83

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
Identified Material Aspects and Boundaries				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	About This Report		4
G4-18	Explain the process for defining report content and the Aspect Boundaries, and how the organization has implemented the Reporting Principles for Defining Report Content.	About This Report 2.2.3 Materiality Analysis		4 25
G4-19	List all the material Aspects identified in the process for defining report content.	2.2.3 Materiality Analysis		25
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	2.2.3 Materiality Analysis		25
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	2.2.3 Materiality Analysis		25
G4-22	Explain the effect of any restatements of information provided in previous reports.	About This Report		4
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	About This Report		4
Stakeholder Engagement				
G4-24	List of stakeholder groups engaged by the organization.	2.2.1 FET Stakeholder Engagement		23
G4-25	Basis for identification and selection of stakeholders with whom to engage.	2.2.1 FET Stakeholder Engagement		23
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	3.3.1 Stakeholder Engagement		43
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. Report the stakeholder groups that raised each of the key topics and concerns.	2.2.1 FET Stakeholder Engagement 3.3.1 Stakeholder Engagement		23 43
Report Profile				
G4-28	Reporting period.	About This Report		4
G4-29	Date of most recent previous report.	About This Report		4
G4-30	Reporting cycle.	About This Report		4
G4-31	Contact point for questions regarding the report or its contents.	About This Report		4
G4-32	Report the 'in accordance' option the organization has chosen, and the GRI Content Index for the chosen option.	About This Report		4
G4-33	Policy and current practice with regard to seeking external assurance for the report.	About This Report		4

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
Governance				
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	4.1 Corporate Governance Structure		74
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	4.2 Corporate Social Responsibility Governance		80
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	4.2 Corporate Social Responsibility Governance		80
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	4.2 Corporate Social Responsibility Governance		80
G4-38	The composition of the highest governance body and its committees.	4.1 Corporate Governance Structure		74
G4-39	Report whether the Chair of the highest governance body is also an executive officer.	4.1 Corporate Governance Structure		74
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	4.1 Corporate Governance Structure		74
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	4.1 Corporate Governance Structure		74
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	4.2 Corporate Social Responsibility Governance		80
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	4.1 Corporate Governance Structure		74
G4-44	a.Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. b.Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.	4.1 Corporate Governance Structure		74
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	4.1 Corporate Governance Structure 2.1.3 Critical Corporate Sustainability Risks		74 21
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	4.1 Corporate Governance Structure		74
G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	4.1 Corporate Governance Structure		74
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	About This Report		4
G4-49	The process for communicating critical concerns to the highest governance body.	4.1 Corporate Governance Structure		74
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	4.1 Corporate Governance Structure		74
G4-51	How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	4.1 Corporate Governance Structure		81
G4-52	Report the process for determining remuneration.	4.1 Corporate Governance Structure		81
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	4.1 Corporate Governance Structure		81

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
Ethics and Integrity				
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	4.3 Corporate Ethics		81
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	4.3 Corporate Ethics		81
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	4.3 Corporate Ethics		81

Specific Standard Disclosures					
Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Economic Category					
Economic Performance	DMA		3.1 Go Prosperous		31
	G4-EC1	Direct economic value generated and distributed	3.1 Go Prosperous		31
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	2.1.3 Critical Corporate Sustainability Risks 4.4 Operational Risk Management		21 82
	G4-EC3	Coverage of the organization's defined-benefit plan obligations	3.2.2 Friendly Workplace		46
	G4-EC4	Significant financial assistance received from government	3.1.3 Distribution of Economic Value		34
Market Presence	DMA		3.2.2 Friendly Workplace		46
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	3.2.2 Friendly Workplace		46
	G4-EC6	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		100% of FET's senior management are local hires	46
Indirect Economic Impacts	DMA		See G4-EC7 and G4-EC8		
	G4-EC7	Development and impact of infrastructure investments and services supported	3.1.5 Infrastructure Investments		35
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	3.1.3 Distribution of Economic Value 3.2 Go Innovative 3.3.3 Service Without Distance		34 36 51
Purchasing Practices	DMA		3.4.1 Supplier Management		59
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	3.4.1 Supplier Management		59

Specific Standard Disclosures					
Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Environmental					
Energy	DMA		3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN3	Energy consumption within the organization	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN4	Energy consumption outside of the organization		No plans to assess in the short term	
	G4-EN5	Energy intensity	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN6	Reduction of energy consumption	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN7	Reductions in energy requirements of products and services	3.4.2 Reducing the Environmental Impacts of Operations		61
Emissions	DMA		3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)		No plans to assess in the short term	
	G4-EN18	Greenhouse gas (GHG) emissions intensity	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN20	Emissions of Ozone-depleting substances (ODS)		Not applicable to the telecommunications industry	
	G4-EN21	NO _x , SO _x , and other significant air emissions		Not applicable to the telecommunications industry	
Effluent and Waste	DMA		3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN22	Total water discharge by quality and destination		Not applicable to the telecommunications industry	
	G4-EN23	Total weight of waste by type and disposal method	3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-EN24	Total number and volume of significant spills		Not applicable to the telecommunications industry	
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		Not applicable to the telecommunications industry	
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff		Not applicable to the telecommunications industry	

Specific Standard Disclosures					
Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Products and Services	DMA		3.4.3 Reducing the Environmental Impacts of Our Products		66
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	3.4.3 Reducing the Environmental Impacts of Our Products		66
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	3.4.3 Reducing the Environmental Impacts of Our Products		66
Compliance	DMA		4.5 Compliance		83
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No such incidents in 2015	
Overall	DMA		1.2 FET Sustainability Strategy		12
	G4-EN31	Total environmental protection expenditures and investments by type	1.2 FET Sustainability Strategy		12
Supplier Environmental	DMA		3.4.1 Supplier Management		59
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	3.4.1 Supplier Management		59
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	3.4.1 Supplier Management		59
Labor Practices and Decent Work					
Employment	DMA		3.2.2 Friendly Workplace		46
	G4-LA1	Total workforce by employment type, employment contract and region	3.2.2 Friendly Workplace		46
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	3.2.2 Friendly Workplace		46
	G4-LA3	Return to work and retention rates after parental leave, by gender	3.2.2 Friendly Workplace		46
Labor/ Management Relations	DMA				46
	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		3.2.2 Friendly Workplace		46
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational and safety programs	3.2.2 Friendly Workplace		46
	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	3.2.2 Friendly Workplace		46
	G4-LA7	Workers with high incidence or risk of diseases related to their occupation	3.2.2 Friendly Workplace		46
	G4-LA8	Health and safety topics covered in formal agreements with trade unions		FET does not have a union	

Specific Standard Disclosures					
Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Training and Education	DMA		3.2.2 Friendly Workplace		46
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	3.2.2 Friendly Workplace		46
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	3.2.2 Friendly Workplace		46
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	3.2.2 Friendly Workplace	All FET employees undergo regular performance reviews	46
Diversity and Equal Opportunity	DMA		3.2.2 Friendly Workplace		46
	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	3.2.2 Friendly Workplace		46
Equal Remuneration for Women and Men	DMA		3.2.2 Friendly Workplace		46
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	3.2.2 Friendly Workplace		46
Supplier Assessment for Labor Practices	DMA		3.4.1 Supplier Management		59
	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	3.4.1 Supplier Management		59
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	3.4.1 Supplier Management		59
Labor Practices Grievance Mechanisms	DMA		3.2.2 Friendly Workplace		46
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	3.2.2 Friendly Workplace		46
Human Rights					
Non-discrimination	DMA		3.2.2 Friendly Workplace		46
	G4-HR3	Total number of incidents of discrimination and actions taken		No such incidents in 2015	
Freedom of Association and Collective Bargaining	DMA		3.2.2 Friendly Workplace		46
	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 incidents in 2015	
Forced or Compulsory Labor	DMA		3.2.2 Friendly Workplace		46
	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 incidents in 2015	
Supplier Human Rights Assessment	DMA		3.4.1 Supplier Management		59
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	3.4.1 Supplier Management		59
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	3.4.1 Supplier Management		59

Specific Standard Disclosures					
Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Human Rights					
Human Rights Grievance Mechanisms	DMA		3.2.2 Friendly Workplace		46
	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	3.2.2 Friendly Workplace		46
Society					
Local Communities	DMA		3.3.3 Service Without Distance 3.4.2 Reducing the Environmental Impacts of Operations 3.4.4 Creating Social Influence		51 61 68
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	3.3.3 Service Without Distance 3.4.2 Reducing the Environmental Impacts of Operations 3.4.4 Creating Social Influence		51 61 68
	G4-SO2	Operations with significant actual or potential negative impacts on local communities	3.4.2 Reducing the Environmental Impacts of Operations		61
Anti-corruption	DMA		4.3 Corporate Ethics		81
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	4.3 Corporate Ethics		81
	G4-SO4	Communication and training on anti-corruption policies and procedures	4.3 Corporate Ethics		81
	G4-SO5	Confirmed incidents of corruption and actions taken		No such incidents in 2015	
Anti-competitive Behavior	DMA		4.3 Corporate Ethics		81
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		No such incidents in 2015	
Compliance	DMA		4.5 Compliance		83
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.5 Compliance		83
Supplier Assessment for Impacts on Society	DMA		3.4.1 Supplier Management		59
	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	3.4.1 Supplier Management		59
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	3.4.1 Supplier Management		59
Grievance Mechanisms for Impacts on Society	DMA		3.3.3 Service Without Distance		51
	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		No such incidents in 2015	

Specific Standard Disclosures					
Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Product Responsibility					
Customer Health and Safety	DMA		3.4.2 Reducing the Environmental Impacts of Operations 3.4.3 Reducing the Environmental Impacts of Our Products		61 66
	G4-PR1	Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	3.4.3 Reducing the Environmental Impacts of Our Products		66
	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 incidents in 2015	
Product and Service Labeling	DMA		3.3.3 Service Without Distance		51
	G4-PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	3.3.3 Service Without Distance 3.4.3 Reducing the Environmental Impacts of Our Products		51 66
	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 incidents in 2015	
	G4-PR5	Results of surveys measuring customer satisfaction	3.3.3 Service Without Distance		51
Marketing Communications	DMA		3.3.3 Service Without Distance		51
	G4-PR6	Sale of banned or disputed products	3.3.3 Service Without Distance		51
	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		No such incidents in 2015	
Customer Privacy	DMA		3.3.3 Service Without Distance		51
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No such incidents in 2015	
Compliance	DMA		3.4.2 Reducing the Environmental Impacts of Operations		61
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	3.4.2 Reducing the Environmental Impacts of Operations		61
Telecommunications Sector Supplement					
Material Aspect	Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Investment	IO1	Capital investment in telecommunication network infrastructure broken down by country/region.	3.1.5 Infrastructure Investments		35
	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.	3.1.5 Infrastructure Investments		35
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.	3.4.1 Supplier Management		59
	IO5	Compliance with ICNIRP standards and guidelines on exposure to radiofrequency (RF) emissions from base stations.	3.4.2 Reducing the Environmental Impacts of Operations		61

Telecommunications Sector Supplement					
Material Aspect	Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Infrastructure	IO7	Actions to decide the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts.	3.4.2 Reducing the Environmental Impacts of Operations		61
	IO8	Number and percentage of stand-alone sites, shared sites, and sites on existing structures.	3.4.2 Reducing the Environmental Impacts of Operations		61
Access to Telecommunication Products and Services: Bridging the Digital Divide	PA1	Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas.	3.1.5 Infrastructure Investments		35
	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.	3.3.3 Service Without Distance		51
	PA3	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time.	1.1.2 The FET Advantage		11
			3.1.4 Excellence in Communications Quality		34
	PA4	Quantify the level of availability of telecommunications products and services in areas where the organization operates.	3.1.5 Infrastructure Investments		35
Access to Content	PA7	Policies and practices to manage human rights issues relating to access and use of telecommunications products and services.	3.3.3 Service Without Distance		51
			3.4.2 Reducing the Environmental Impacts of Operations		61
Customer Relations	PA8	Policies and practices to publicly communicate on EMF related issues.	3.4.4 Creating Social Influence		68
	PA9	Total amount invested in programs and activities in electromagnetic field research.	3.4.2 Reducing the Environmental Impacts of Operations		61
	PA10	Initiatives to ensure clarity of charges and tariffs.	3.3.3 Service Without Distance		51
Resource Efficiency	TA1	Provide examples of the resource efficiency of telecommunication products and services delivered.	3.2 Go Innovative		36
	TA2	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects.	3.2 Go Innovative		36
	TA3	Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above.	3.2 Go Innovative		36
	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.	3.2 Go Innovative		36
	TA5	Description of practices relating to intellectual property rights and open source technologies.	3.2 Go Innovative		36



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 2015

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 Responsible Report (hereinafter referred to as CSR Report) of 2015. 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 2015 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 2015. 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 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 the Global Reporting Initiative Telecommunications Pilot Sector Supplement (2003).

The assurance comprised a combination of pre-assurance research; interviews with relevant superintendents, CSR committee members and the management; 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 12121, 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 2015 verified is accurate, reliable and provides a fair and balanced representation of FET sustainability activities in 01/01/2015 to 12/31/2015.

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 fifth 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 CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

FET is committed to being accountable to its stakeholders and to integrating inclusivity into its strategic and management approach. A variety of engagement efforts such as survey and communication to employees, customers, investors, local communities, suppliers and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, FET may proactively consider having more direct involvement of stakeholders during future engagement.

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. It is recommended that the process and criteria applied to assess materiality to be formalized and documented to ensure better consistent result in future reporting.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback. Future reporting would benefit from more reporting on the results of stakeholder feedback from this report.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FET's CSR Report of 2015, 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. More structured presentation of the Disclosure on Management Approach in the report is recommended for further improvement. Meanwhile more descriptions on Standard Disclosures of remuneration and incentives for the highest governance body and senior executives is encouraged in future reporting.

Signed:

For and on behalf of SGS Taiwan Ltd.

Dennis Yang, Chief Operating Officer
Taipei, Taiwan
3 June, 2016
WWW.SGS.COM



AA1000
Licensed Assurance Provider
000-8

F A R E A S T O N E

遠傳

遠傳電信股份有限公司

總公司：台北市114

內湖區瑞光路468號

Far EasTone

Telecommunications Co., Ltd.

No.468, Ruei Guang Rd., Nei Hu,

Taipei, Taiwan

TEL:+886-2-7723-5000

FAX:+886-2-7723-5199

<http://www.fareastone.com.tw>

<http://www.fetnet.net>



GO Prosperous



GO Innovative



GO Caring



GO Inclusive



本手冊使用環保紙張及環保大豆油墨印製