



2016 FET Corporate Social Responsibility Report

Preface

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

FET believes that sustainability should be integrated into its core business as a telecommunications service provider. A CSR report should not only be used for disclosing a company's environmental, social and governance (ESG) performance over the past year, but it should also be used to highlight the challenges and opportunities it faces on the path to sustainability, along with the strategic response from management. For this reason, we have made reference to the International IR Framework, in addition to the GRI G4 Guidelines, whilst compiling for the third consecutive year an integrated report that presents a comprehensive view of our past, present and future. In doing so, we also seek to articulate our corporate values to investors and other stakeholders. Compared to the previous year's report, this report highlights the performance of our business model and the use of the Six Capitals. We aspire to be a pioneer when it comes to the publication of IR in Taiwan, encouraging interest and discussion among other businesses, as well as further promoting international trends in information disclosure.

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About This Report

This is the sixth CSR report published by Far EasTone Telecommunications Co., Ltd. and its subsidiaries (hereafter referred to as "FET"). It is also compiled using the International IR Framework as a basis.

Report Cycle and Period

FET's CSR report is published on an annual basis. The previous report (2015) was published in June 2016. From 2015 onwards, we have sought to complete 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 2017 cycle) will be published in June 2018.

The report which follows encompasses information related to FET in 2016 (January 1, 2016 to December 31, 2016), including our management approach, material issues, and performance. To provide readers with a better grasp of the reported information, data for the past three years has also 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 constitute 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 2016 Consolidated Financial Report for information on individual entities included within the consolidated reports. For information on FET's individual and affiliated entities, as well as investments, please refer to the 2016 Annual Report.

At an extraordinary general meeting in 2010, NCIC agreed to entrust all of its operations to FET. All references to "FET" or "the company" in this report refers to 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 in this report includes the financial, environmental and social performance of these three companies. Financial information that represents consolidated data will be indicated accordingly. 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

FET's CSR Committee is responsible for this CSR report. 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 Sector Supplement for the Telecommunications Industry.

This report was also verified by SGS Taiwan, an independent third-party certification institution, as being in accordance with the GRI G4 and AA1000 (Accountability 1000) High Level Type 2 guidelines, and meets the requirements for the International IR Framework.

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

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FET CSR
Survey



F A R E A S T O N E

遠傳



Douglas Hsu

Far EasTone Chairman

徐旭東

Letter to Stakeholders

Looking back at last year, there were significant global political and economic changes, while developments in the mobile telecom and Internet industries evolved rapidly. Through the application of ICT and technological advantages, as well as through the efforts made by all our employees, FET continued to deliver outstanding results. Consolidated revenue in 2016 reached NT\$94.344 billion, close to the NT\$100 billion mark. Meanwhile, both the 4G postpaid ARPU of our subscribers and penetration rate topped our rivals. I would like to express my thanks to all our employees and stakeholders for their efforts.

Although 4G brings many development opportunities for the communications industry, we face new challenges brought on by the fast pace of change in technology. Taiwan advanced into the 4.5G era just last year, and 5G is already around the corner. Applications for the cloud, IoT, and Big Data have gradually matured and are slowly transforming industry models. Telecom operators face an increasing number of new external competitors, while a growing number of content industry and OTT players are offering diversified application services through the Internet. At the same time, there is room for 5G development in the future given its ultra-high speed, low latency, and mass networking capabilities. Telecom operators must continue to think about transforming technology into applications and coming up with suitable business models to well position themselves within the market. In the wake of changes in the global industrial and economic landscape, the world has entered the VUCA era: Volatility, Uncertainty, Complexity, and Ambiguity. Successful strategies and practices we relied on in the past to survive are no longer sufficient in the current business environment. Faced with this wave of challenges from digital convergence, our organization needs to transform itself through a "cross-industry, cross-over, and cross-boundary" approach to become more nimble and continuously innovate so as to adapt to external changes.

We have continued to keep an eye on opportunities. In addition to continuing to develop our core business, FET has always believed that as we achieve success we should prove ourselves to be of value. Since 2015, with the aim of sustainable management in mind, we have combined sustainable development with our core operating strategy. Our pillars of "Go Prosperous", "Go Innovative", "Go Caring", and "Go Inclusive" have guided us to comprehensively keep risks and opportunities in check as we respond to the Sustainable Development Goals (SDGs) of the United Nations to ensure steady growth in a changing external environment while at the same time maximizing our contributions to the economy, environment, and society.

In terms of corporate governance, FET has maintained a steady dividend policy with a payout ratio of over 100% to create the greatest possible returns for shareholders. Moreover, for the first time last year, we participated in a sustainability assessment and was selected to be a constituent stock in the Dow Jones Sustainability Index's (DJSI) emerging market index. We also topped the corporate governance evaluation made by the Taiwan Stock Exchange and were one of very few listed companies to be ranked in the top 5% of benchmark enterprises for three consecutive years, proving our sustainable governance performance has reached international standard.

In the area of social inclusiveness, FET utilizes ICT innovations to promote social prosperity. We partnered with the Tainan City Government to build the first all-around smart city, and connecting smart devices through IoT, Big Data, and cloud technologies promoted a variety of smart city applications, as well as helped us to find solutions for many challenges of urbanization, such as traffic congestion, environmental pollution, and elderly care. Meanwhile, we also focus on youth issues and have worked for 10 years with the Child Welfare League Foundation in the "Save Abandoned Children. Spread Love Far" fundraising campaign. In addition to raising funds through all our stores in Taiwan, we also worked with the Alley O2O Shopping app to launch a charity sale of meal vouchers. In combination with our digital brand "friDay Video", FET launched the "Save Abandoned Children" online film festival to raise public awareness of the welfare of abandoned children. In February last year, when a strong earthquake struck southern Taiwan, FET immediately deployed resources into the disaster areas and repaired the telecom networks. Along with Far Eastern Group, we also donated NT\$20 million and helped the victims to rebuild their homes.

With regards to environmental sustainability, we continue to be committed to environmental change and energy management. We focused on our operating activities — from upstream suppliers, to logistics and distribution, stores, headquarters and data centers, base stations, consumers, and nonprofit organizations — in a way that links the upstream and downstream parts of the ICT industry to build a "Sustainable Green Value Chain" and reduce CO2 emissions. Furthermore, for the last four years, FET has been dedicated to children's environmental education initiatives. Last year, we held the second "Cherish the Earth. Spread Love Far" project to focus on the ecological beauty of Taiwan. Through our corporate influence, we set an example to encourage the public to care for Taiwan by taking action. These activities received a strong positive public response.

Going forward, amidst intense competition for innovation and profits, our "cross-industry, cross-over, and cross-boundary" approach will transform FET as we look to strengthen horizontal and vertical integration of ICT systems and to become well positioned for 5G and IoT. We strive to improve the quality of customer experiences and provide innovative application services, solve social problems with information technology, and play the role of "Relationships Connector". We aim to be a force that fosters social progress and drives corporate growth in harmony with society, thereby maximizing value for shareholders, customers, employees and stakeholders as we seek to realize the vision of "FET Connects and Enriches Life".

Overview of Operations in 2016

Far EasTone Telecommunications Co., Ltd. (the parent company) was established with the approval of the Ministry of Economic Affairs on April 11, 1997. Headquartered in Taipei City, Taiwan, FET is a publicly listed company (TWSE: 4904). 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.

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.



- Key Business Development Milestones
- Review of Corporate Responsibility Implementation



- Launched 2600MHz service and became the first operator to provide the best 700/1800/2600 MHz tri-band services in the Asian telecom market
- Winner of five awards from FinanceAsia: "Best Managed Company", "Best Corporate Governance", "Best Investor Relations", "Most Committed to CSR", and "Best CFO"



- "Cherish the Earth. Spread Love Far" campaign pioneered the first children's environmental summit and creative mask parade; won the highest honor, the "Golden Pencil Award" for public relations from the One Show and Creative Week in New York

- Won the golden medal in Business Times' Service Industry Survey Awards for five consecutive years



- Established Taiwan's first 5G laboratory in collaboration with Ericsson
- FET participated for the first time and was selected as a constituent stock in the Emerging Markets Index of the Dow Jones Sustainability Indices (DJSI). Sustainable governance performance achieved worldwide benchmark recognition.



- With our "telecommunications billing collection service" supporting Android and iOS dual systems, FET won the 2016 Asia-Pacific "Best Telco Over-the-Top Partnership of the Year" award from the IDC



- Won Next Magazine's Top Service Awards for four consecutive years
- Won the Taiwan Corporate Sustainability Awards for "The Most Prestigious Sustainability Awards – Top Ten Domestic Corporate", the "Innovative Growth Award", the "Creative Communications Award", the "Talent Development Award", and the gold prize for the "Taiwan Top 50 Corporate Sustainability Report and Communications Award" — a total of five sustainable performance awards



- Launched "Connecting the Heart. Spread Love Far" brand activities commemorating the company's 20th anniversary

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201611

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201701

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- Ranked in the top 5% of the second Corporate Governance Evaluation
- Chairman Douglas Hsu awarded with the "2016 Top 50 CEO in Taiwan" by Harvard Business Review



- Won the "Best Customer Experience Center", "Best Customer Experience", and "Best Customer Satisfaction Quality Control System" awards at the CRE Awards



- Introduced Taiwan's first telecom smart robot sales clerkeng-Bao "Meng-Bao"
- Rated among top 10 large-scale enterprises of Commonwealth Magazine's Excellence in Corporate Social Responsibility Awards in 2016.

- Together with 11 affiliates and 9 international enterprises, the FET friDay Wallet was formally launched, creating the largest domestic e-Wallet life circle.



- Partnered with Tainan City for the "4G Smart City Flagship Program", the only case nominated for a Taiwan-based Global Mobile Communications Systems Association (GSMA) "Glomo Awards 2017"



Overview of Operational Development Strategy

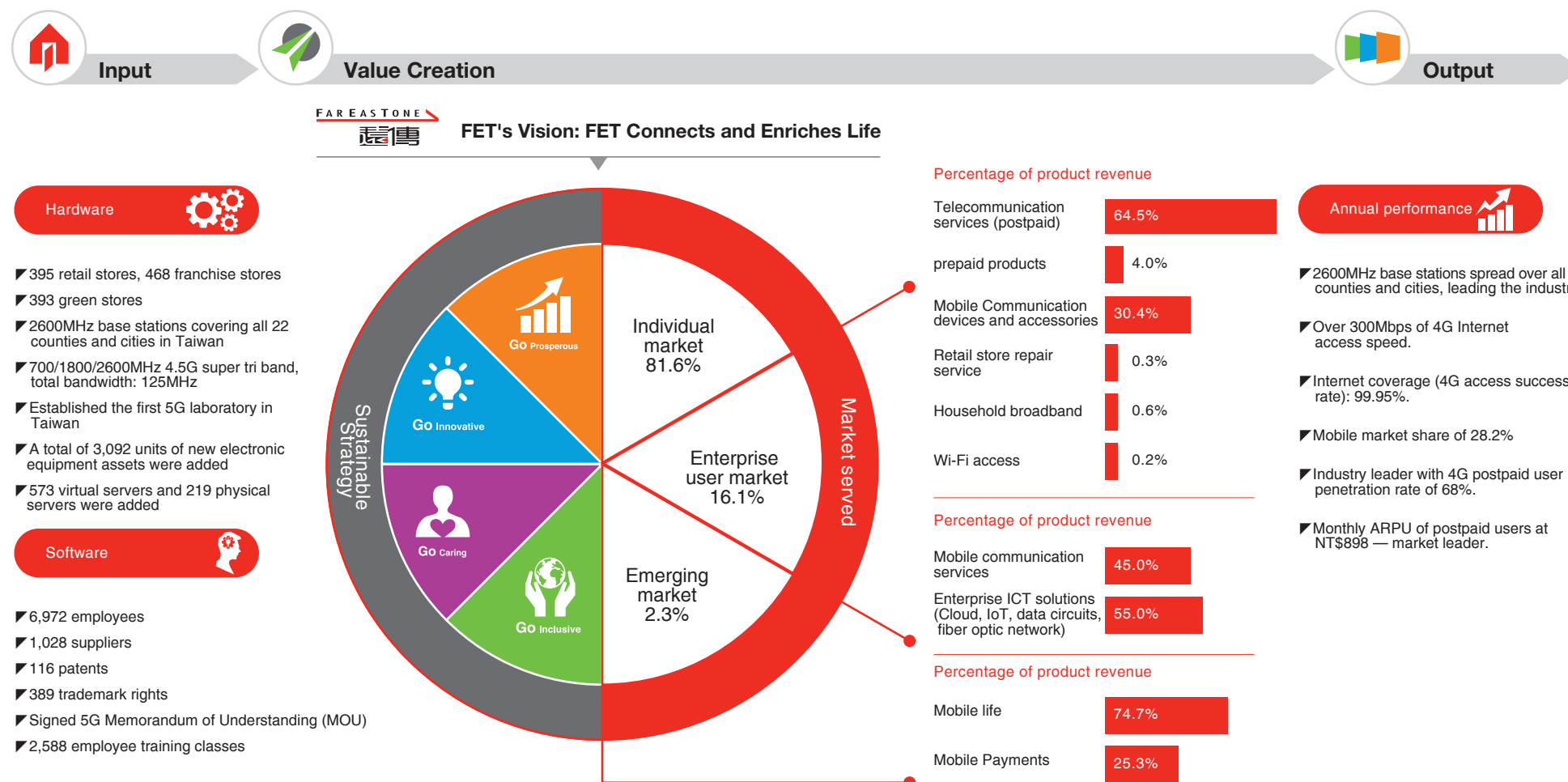
- 1.1 Creating Corporate Sustainable Value
- 1.2 FET Value Creation Allocation

1. Overview of Operational Development Strategy

1.1 Creating Corporate Sustainable Value

1.1.1 FET Business Model

FET and its subsidiaries, NCIC and ARCOA, operate predominantly in Taiwan with "Go Prosperous", "Go Innovative", "Go Caring", and "Go Inclusive" as the four pillars of our sustainability strategy. We invest corporate resources to provide forward-looking products and the most attentive service to our target market. In 2016, FET's 4G postpaid user penetration rate reached 68%, with the monthly ARPU of postpaid users at NT\$898, which ranks first of the top-three major telecom operators. As the industry leader, our 2600MHz base stations cover all 22 counties and cities, continuing to create value for Taiwan's ICT industry, the social environment, and corporate shareholders. °



1.1.2 Sustainable Development Strategy

The progress of technology has led to the rapid spread of information and greater transparency, with society increasingly sensitive to the economic, environmental and social impact of corporate operations. The impact on the environment caused by the rapid development of modern technology has affected the world in the past 10 years. Following the United Nations Conference on Sustainable Development (Rio+20), 17 Sustainable Development Goals (SDGs) were promulgated as guidelines for the global agenda on sustainable governance. FET recognizes that today's corporate values are no longer limited to economic impact but also covers the concept of tolerance and the contribution of the company's overall operations in terms of social and environmental aspects. Only through attaining the balance between company growth, the ecological environment, and social responsibility can a company's business model be developed for the long term under a 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 in response to the United Nations sustainable development agenda, hoping to maximize our economic, environmental and social contributions and fulfill our corporate vision of "FET Connects and Enriches Life" and make us the "Preferred Partner in Mobile Life" for everyone.

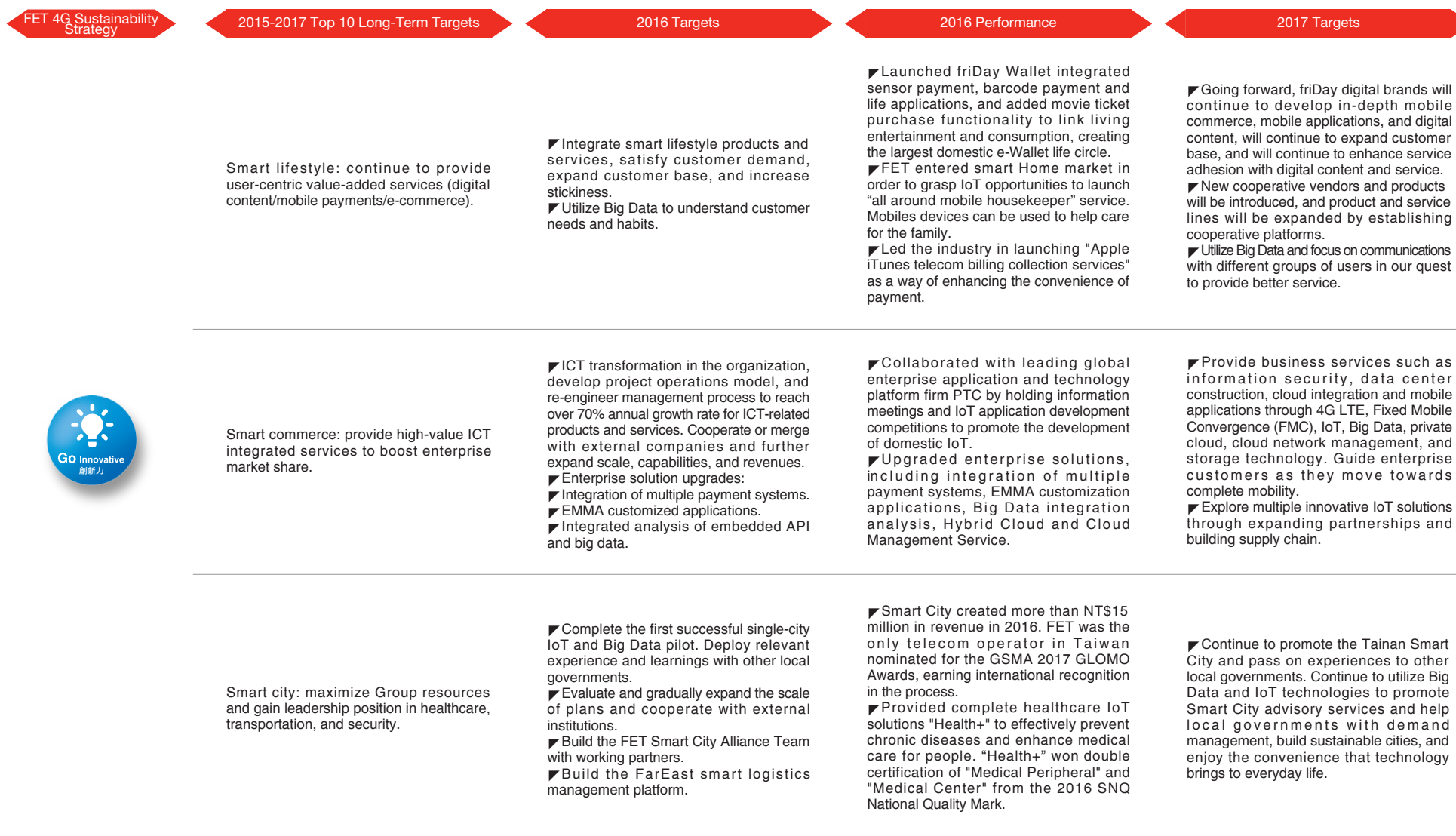


¹ UN Sustainable Development Goals (SDGs) guidelines.



1.1.3 Sustainable Development Goals

To implement our four pillars sustainability strategy — Go Prosperous, Go Innovative, Go Caring and Go Inclusive — FET has set out 10 targets over a three-year period. The corresponding annual action plans have also been established. The 2016 targets and performance record, along with the 2017 targets, are summarized below. For further information about FET's sustainability governance and management mechanism, and how it helps to track the implementation of the 4G sustainability strategy, please refer to Section 4.2 "Corporate Sustainable Governance".

FET 4G Sustainability Strategy	2015-2017 Top 10 Long-Term Targets	2016 Targets	2016 Performance	2017 Targets
	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 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 through (700/1800/2600MHz) carrier aggregation technology. 	<ul style="list-style-type: none"> ▶ Penetration rate of 4G postpaid subscribers reached 68%, with ARPU of postpaid subscribers at NT\$898, ahead of our peers. ▶ 2600MHz base stations cover 22 counties and cities, leading the industry. Integrated tri-band network with 4G mobile Internet speed of more than 300Mbps. ▶ Established the first 5G laboratory in Taiwan to promote the evolution of 5G technology and drive industrial transformation. 	<ul style="list-style-type: none"> ▶ 79% penetration rate for 4G postpaid subscribers. ▶ Constant enhancement of communications quality through spectrum bidding and network framework as well as optimization of performance.
	Move towards sustainable governance and become a sustainable corporation from the perspective of international investors.	<ul style="list-style-type: none"> ▶ International benchmarking assessment tools introduced and response measures developed to review corporate sustainability development-related performance. 	<ul style="list-style-type: none"> ▶ Participated in the evaluation of the DJSI for the first time and selected as a constituent stock of the Dow Jones Sustainability Emerging Markets Index. Sustainable governance performance achieved international benchmark recognition. 	<ul style="list-style-type: none"> ▶ Scientific methods such as SROI introduced to quantify corporate influence on the environment and society. Also serve as a useful tool for internal assessment and management. ▶ Continue to review risks to corporate sustainability and opportunities, while devise a roadmap for a sustainable strategy over the medium to long term.
	Motivate corporate transformation to adapt to technological changes and industry trends.	<ul style="list-style-type: none"> ▶ In 2016, external recruitment of those below the age of 30 to account for over 3% of all departments. ▶ Continue to develop smart programs and drive revenue growth. 	<ul style="list-style-type: none"> ▶ The goal was achieved with those below the age of 30 accounting for 3% of all employees. ▶ Smart products/services revenues reached NT\$5.3 billion, of which enterprise ICT services revenue was NT\$1.3 billion. 	<ul style="list-style-type: none"> ▶ Cultivate young talent with high potential, develop organizational management performance of future leaders, while adapting to changes in technology and the industry. ▶ Continue to promote Smart Home services and IoT opportunities and strengthen enterprise market competitive value as well as revenue growth through integration of ICT.









► 1.1 Creation of Corporate Sustainable Value 1.2 FET Value Creation Allocation

FET 4G Sustainability Strategy	2015-2017 Top 10 Long-Term Targets	2016 Targets	2016 Performance	2017 Targets
	Create a differentiated brand image and enforce stakeholder engagement.	<ul style="list-style-type: none"> Second place for Favorability of Mobile Operators. Second place for Good Brand Image in the industry. Track indicators for the third wave of advertising ("Encourage Taiwan with Words of Love") to ensure it is better than the industry average. Ratio of positive on-line and community comments to negative ones being greater than 1. Expand CSR activities and enhance influence: Plan to hold 48 volunteer activities and expect to recruit 250 FET volunteers. 	<ul style="list-style-type: none"> Second place for Good Brand Image in the industry. "Positive brand image" advertising indicators rated significantly higher than the industry average (T2B 54-59 %). Annual average of positive to negative comments ratio: 1.44. A total of 122 charity activities were held, of which 48 were for internal events. 440 volunteers were involved. 	<ul style="list-style-type: none"> First place for Reliable Brand and Good Brand Image in the industry. Ratio of positive to negative on-line and community comments >1. SROI calculation indicators included to understand benefits of social spending. Plan to hold 40 volunteer activities and expect to recruit 400 FET volunteers.
	Provide an unparalleled high-quality customer experience and service on route to becoming the operator with the best customer satisfaction ratings.	<ul style="list-style-type: none"> 91% customer service satisfaction rate. The lowest number of complaints in official correspondence among the three major telecom operators. Complete 30% of digitization for retail stores. Increase self-help service items and usage rate of virtual channels: <ul style="list-style-type: none"> Self-help service via the self-care app: target of 40%. Self-help services account for 40% of all channel service volume. 	<ul style="list-style-type: none"> 91.2% customer service satisfaction rate achieved. The lowest number of government-issued complaints among the three major telecoms operators in 2016. 30% digitalization target in retail stores achieved. Service items through the self-care app reached 40 %. Service items accounted for 41% of service volume. Continued optimization of customer experience and Self-Care APP service. Won two major awards from Business Next. 	<ul style="list-style-type: none"> 92% customer service satisfaction rate. The lowest number of customer complaints among the three major telecoms operators. Continue to strengthen the e-billing functions and increase the utilization rate to 35%. Strengthen service innovation of virtual channels and increase the usage rate of the self-care app to 45%. Enhance security and personal information protection awareness among all employees and expand information security management mechanisms to subsidiaries. Number of staff participated and passed information security training to reach 99%. Completion rate for all departments' annual Business Continuity Planning (BCP) exercise and review to reach 100%.
	Establish a clear climate change strategy and renewable energy targets.	<ul style="list-style-type: none"> Introduce ISO 14064-1 GHG Inventory. Provide training and education, and obtain ISO 14064-1 greenhouse gas management certification. Evaluate introduction of ISO-14001 environmental management. Purchase 100,000 kWh of green electricity. The EUI and PUE targets of the ISO 50001 Neihsu headquarters to be reduced by 0.24% and 0.775% respectively. 	<ul style="list-style-type: none"> In response to the integration of environmental and energy systems, transformed the Energy Regulatory Commission to the Environment and Energy Management Committee. Passed BSI third-party external verification of ISO14064-1 GHG Inventory. As of the end of 2016, ISO14001 environmental management system was introduced. Voluntarily purchased 100,000 kWh of green electricity. The EUI and PUE targets of the ISO 50001 Neihsu headquarters were reduced by 1.97% and 0.78% respectively. EUI (at 6.94) and PUE (at 5.22) have been reduced cumulatively over the past three years; exceeding expected goals. 	<ul style="list-style-type: none"> External verification of the ISO-14001 environmental management system. Integrate environmental and energy policies. Develop long-term absolute carbon-reduction targets, and plan/implement GHG reduction measures accordingly: <ul style="list-style-type: none"> Reduction of 1% a year for three years (2017-2018). On average, zero growth for five years (2017-2021). PUE and EUI each reduce by 3% cumulatively from 2017-2019. Continue to support renewable energy and purchase 100,000 kWh of green electricity.
	Integrate industry value chain and promote sustainable development of the ICT industry as a whole.	<ul style="list-style-type: none"> Require 80% of existing top 100 FET suppliers submit CSR Self-Declaration Voluntarily inspect supply chain Execute green procurement projects 	<ul style="list-style-type: none"> Response rate of existing top 100 suppliers to the CSR Self-Declaration was 82%. Due diligence of 15 engineering suppliers was completed Supplier "Mobile Device Usage Safety" training was completed. 	<ul style="list-style-type: none"> Require 85% of existing top 100 suppliers as well as 70% of Tier 1 suppliers to complete the Supplier CSR Self-Declaration Expand online platform for supply chain training and continue to plan the related course. Audit of system integrators and vendors in other categories. Perform annual supplier evaluations in combination with responses to the CSR Self-Declaration. Continue to strengthen green procurement.

1.2 FET Value Creation Allocation

The pursuit of growth and profitability is fundamental to business operations. To achieve our goal of sustainable development, we have upheld a “4G” strategy as the pillars of effective management. However, in a rapidly changing technological environment, we must allocate resources effectively to maintain our business model for the long term. In that respect, in order to internalize corporate responsibility into the basic elements of corporate sustainable competitiveness, we assess six types of capital in monetizing internal and external resources and furthering our communications with stakeholders.

In 2016, we assessed the investment and output of the six capitals in relation to their monetization as a measure of their applicability and affordability in connection with our business strategy, as well as ability to create value for the organization over time.

The Six Capitals	FET Definition of Capital	Relevance of FET's moving towards sustainable development
 Financial Capital	FET's financial capital helps maintain daily operations of the organization and provides the key basis for products and services through the accumulation of investment and business operations.	Being a TWSE-listed company means that the operations and development of FET depend on the support of local and foreign investors. Business performance is at the root of corporate sustainable development, and financial capital and its links with other types of capital help investors understand the company's long-term trajectory and effectively realize the company's overall value creation.
 Manufactured Capital	The bulk of FET's manufactured capital lies in the investment and maintenance of ICT infrastructure to develop related services in different areas. This includes our stores, 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.
 Human Capital	In the rapidly changing and highly competitive telecoms industry, FET places great importance on building human capital, such as talent and innovative thinking, the passing on of professional knowledge and experience, loyalty, and a sound human resource structure.	Talent development is critical because our employees' ability to adapt to changes in the ICT environment determines our ability to continuously innovate. FET will continue to recruit and retain talent that possesses industry foresight, while emphasizing potential development and protecting rights to ensure product and service quality.
 Intellectual Capital	Over the years, FET has accumulated abundant experiences and technologies in the ICT field. Key intellectual capital includes patents, licenses, research and development capabilities, and cooperation agreements.	FET's ability to carry out corporate reform, cross-industry integration, and technological innovation depends on the accumulation of intellectual capital. Through the continuous construction of digital and Internet-related technology and services, we advocate open innovation to promote ICT industry progress, enhance the social value of ICT knowledge, and to create resource flows.
 Natural Capital	Natural capital refers to using and saving natural resources. Energy consumption and associated greenhouse gas emissions are key constituents in this respect.	In light of the rise of global environmental awareness, FET understands that the telecoms industry has a significant influence on energy consumption and environmental innovation. To cope with growing data traffic, we will continue to engage in energy management and focus on improving energy efficiency. We will also be mindful of ensuring that our end products exert a positive influence on the environment.
 Social and Relationship Capital	FET's social capital includes brand value, customer loyalty, our value chain partners, and long-term partnerships with other stakeholders. At present, customers and social relations are managed through brand campaigns, public charity activities, and infrastructure investment in remote areas.	We focus on branding, learning from customers' experiences and requests, and cultivating close relationships with our customers to fulfill our commitment to corporate social responsibility. We are also committed to social contribution, creating shared values, and continuing to earn the trust and respect of stakeholders as we enhance social goodwill.

Financial Capital	<ul style="list-style-type: none"> Retained earnings: NT\$28.4 billion Short-term borrowings: NT\$2.8 billion Long-term borrowings: NT\$14 million Corporate bond paid: NT\$12.2 million
Manufactured Capital	<ul style="list-style-type: none"> Capital expenditure: NT\$9.95 billion Depreciation/amortization expenses: NT\$10.2 billion Newly added physical/virtual server expenses: NT\$88 million Broadband bidding cost: NT\$9.13 billion
Intellectual Capital	<ul style="list-style-type: none"> R&D spend: NT\$1 billion Mobile payment innovation forum spend: NT\$2 million Open innovation spend: NT\$36 million 5G Laboratory spend: NT\$4.7 million
Human Capital	<ul style="list-style-type: none"> Total number of employees: 6,972 Investment in employee training: NT\$32.9 million Employees salary and benefits expenses: NT\$7.1 billion Investment in executive managers' training program: NT\$5.8 million Investment in employee recruitment: NT\$14 million
Social and Relationship Capital	<ul style="list-style-type: none"> Brand management spend: NT\$35 million Public charity spend: NT\$21.68 million Social volunteers involved: 440 people, 3,520 hours Telecom penetration spend: NT\$160 million
Natural Capital	<ul style="list-style-type: none"> Cost of reducing environmental impact: NT\$130 million Green procurement spend: NT\$470 million Investment in green energy (green electricity) : NT\$906,000

**Financial Capital**

- Total consolidated revenues: NT\$94.3 billion
- Consolidated EBITDA: NT\$27.8 billion
- Added economic value: NT\$160 billion
- Cash dividends paid: NT\$12.2 billion
- EPS: NT\$3.5
- EBITDA growth (YoY): 3.8%
- Credit rating: twAA- (Taiwan Ratings)

Manufactured Capital

- 395 retail stores, 468 franchise stores
- 99.95% success rate of 4G access nationwide
- 99.50% success rate of 3G voice and packet access
- Possess bandwidth L2600: 2*20MHz+25MHz
- Over 802.4 billion MB of telecom service capacity
- 2600MHz base stations across 22 counties and cities

Intellectual Capital

- Total smart products/services revenues: NT\$5300 million
- Patent/intellectual property spend: NT\$150,000
- Smart products/services registered subscribers: 2.77 million
- FET Laboratory test cases completed: 279
- Signed Memorandum of Understanding with Ericsson
- 12 newly added cases of patents/intellectual property

Human Capital

- Number of new employees: 1,541
- Retention rate: 88%
- Total training hours: 335,000
- Employee satisfaction raised by 4%
- Recruitment of more than 100 fresh graduates and young talent

Social and Relationship Capital

- Total number of effective subscribers: 7.34 million
- ARPU of postpaid subscribers: NT\$898
- Number of public charity events: 122
- Number of beneficiaries: 11,000
- 91.2% customer service satisfaction rate
- Second place for Good Brand Image in the industry

Natural Capital

- Total electricity saved: 22.37 million kWh
- CO2e reduction in value chain: 12,452 tonnes
- CO2e reduction in base stations: 9,467 tonnes
- Cost saving from green initiatives: NT\$110 million
- Over 12,000 units of electronic products recycled and donated



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Operating Environment and Materiality

2.1 External Environment
Analysis

2.2 Stakeholder Engagement

2.3 Materiality Analysis

2. Operating Environment and Materiality

2.1 External Environment Analysis

According to an industry report from the Taiwan Institute of Economic Research, in 2016 Taiwan's telecom industry continued to be affected by the economic environment, price competition, and the impact of amortizing the 4G-spectrum bidding cost. Overall revenues declined slightly by 1.24% compared to 2015. Intense low-tariff competition on unlimited data plans between telecom operators in the third quarter pushed down ARPU on 3G and 4G services, but this stabilized in the second half of the year, and there was an overall increased consumer demand. The number of 4G subscribers rose substantially by 79.11%, which is expected to drive telecom operators to increase the proportion of revenues made up of value-added services. The fixed-line business was impacted by substitution in favor of smart phones and instant messaging software and hardware. It also looks likely that declining trends in fixed-line and voice services will persist, along with sales of foreign-worker recharge cards. The recovery in the number of domestic fiber-optic network subscribers, however, will help the telecom industry expand its fixed-line value-added business.

2.1.1 Industry Status and Trends

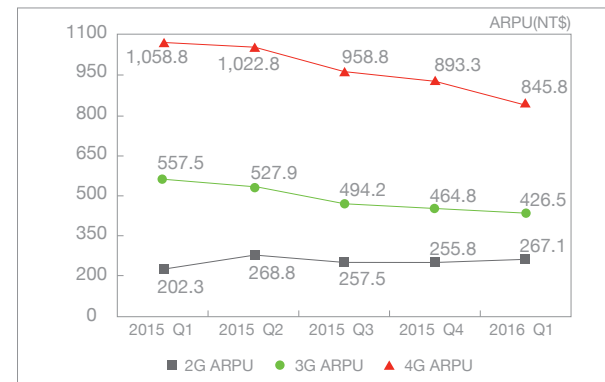
Deregulation and the easing of government controls have allowed for the telecoms industry to operate with less restrictions, and have also led to greater competition with existing and new competitors. By the end of November 2016, the total number of mobile subscribers had reached 28.95 million, and the Mobile Phone Account Penetration Rate was over 125%. Due to the active rollout of LTE networks from major international companies, brand-name mobile phone manufacturers launched mobile devices in support of 4G and 4G+. The number of global 4G LTE subscribers in 2016 exceeded the 1.2 billion threshold, with the Asia-Pacific region accounting for 56.80% of this number. This reflects the usage preferences and growth potential of within the region.

	Number of global LTE subscribers (Ten thousand)	Ratio of Asia Pacific
2012	68	40.00%
2013	200	38.80%
2014	497	47.00%
2015	1068	54.31%
2016	1292	56.80%

資料來源：台經院產經資料庫

Meanwhile, the rapid penetration of 4G networks, mobile device and app usage; a spike in consumer online viewing and file downloads; and high demand from government and enterprise users; has boosted market demand for high-speed Fiber to the X (FTTx). Moreover, the National Communications Commission (NCC) continued to request higher speed and tariff cuts for broadband users. Domestic FTTx subscribers had grown to 3.43 million by May 2016, up by 7.31% compared with the same period in 2015. As such, this continues to replace ADSL as the mainstream for the next generation. This is expected to continue bringing in new business opportunities for telecom operators and become the focus of Internet service providers (ISPs) in terms of fixed-line broadband development in future.

Despite the strong growth of 4G, competition in low-tariff promotions are causing continued decline in ARPU



Source: Taiwan Industry Economics Services

In 2016, Taiwan's telecom operators continued to invite users to make use of 4G services, resulting in a continuous fall in revenues from 2G and 3G users. As the domestic telecoms market matures and operators seek to expand market share, competition through low-tariff promotions was fierce in the first half of 2016. This led to the number of domestic 4G subscribers in May exceeding 14.64 million, representing a substantial growth rate of 125.73% compared to the same period in 2015. 4G formally accounted for the

highest ratio of mobile telecom services to users. However, the gross margin and ARPU of 3G and 4G plunged and negatively affected business procurement. To lessen the impact of low-tariff competition on the telecoms market, major domestic telecom operators including FET have adjusted their tariff threshold and unlimited data plans for 4G. This change of strategy is expected to improve the ARPU of 4G services, and as such will enhance the overall revenues of telecom operators.

Continued reform of telecom policies will drive IoT and mobile broadband development

The NCC continued to refine a number of regulations and policies. In 2016, the Executive Yuan passed the five drafts of the Convergence Act, which included the Electronic Communication Act, the Telecommunication Infrastructure and Resource Management Act, the Telecommunications Business Act, the Multi-channel Platform Cable Business Management Regulation, and the Radio and Television Broadcasting and Channel Business Management Regulation. These are related to the development of the overall telecom industry and the proposals have been made in order to reduce the control of a number of regulated radio frequency (RF) equipment or measures, relax the rules regarding the papers required by foreigners to apply for mobile communications services, and to designate the Internet of Vehicles (IoV) as a type II telecommunications business. The Legislative Yuan also completed the third reading of the amendment to three media laws in 2016, and this will promote a more diversified communication service. These five drafts pave the way for 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. In the meantime, the NCC completed the auction of the 2.6GHz band at the end of 2015. FET obtained uplink and downlink bandwidth of 65MHz radio frequency for NT\$9.13 billion, and the license period starts from the date of issuance running through to December 31, 2033. FET has used the spectrum to increase data transmission Capacity Band in metropolitan areas, and to offer subscribers both faster and more robust mobile broadband Internet services.

Overall Trends in the Industry

Looking ahead, the popularity of 4G, fiber-optic broadband, and smart mobile devices is expected to increase telecom operators' revenues. Coupled with the continuous efforts of Taiwan's government to promote telecom policies and subsidize domestic telecom operators through the 4G Smart Broadband Subsidy Program, this will offset the shrinking voice market, increase revenues of operators, and expand the application of diversified value-added services. However, given domestic policy trends, limited market size, and new entrants, market competition will intensify. As such, unlimited data plans cannot be easily removed from the market in the short term, and this will affect the profitability of operators. At the same time, telecom operators have actively invested in 4G infrastructure and network technology upgrades to improve their competitiveness, for example the auction of 2.5GHz to 2.6GHz which the NCC started in the fourth quarter of 2015. Faced with high construction costs and the amortization costs following on from the bid amounts, short-term profitability of the industry will be negatively impacted, resulting in the domestic telecom services market remaining muted compared to 2015.

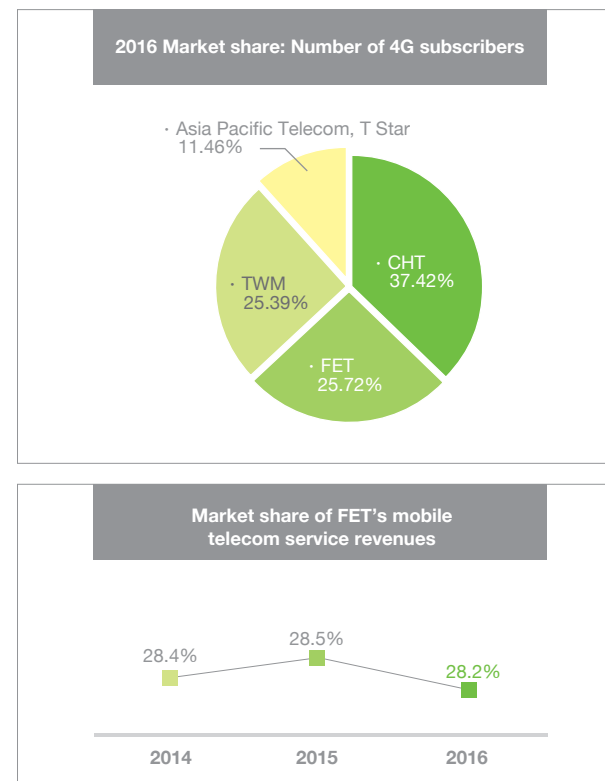
With the challenges of fierce competition in the market, FET will continue to focus on high-margin brand-name smart phones, accessories and IoT technology, pursue emerging and exclusive products, and introduce highly profitable brands. In our retail stores, through the development of regional scale and direct marketing efforts, we continue to sign up new customers and enhance profits, all the while improving our logistics network, strengthening our maintenance services, and nurturing our foreign workers' business segment in order to protect market share.

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). Following the opening up of Taiwan's 4G telecom channels in 2014, emerging operators Asia Pacific Telecom and T-Star also entered the market with low pricing strategies, exacerbating 4G tariff competition. Considering that the service content provided by the various operators is somewhat similar, 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.



Source: Taiwan Industry Economics Services

To differentiate from competitors, FET continues to develop and promote value-added services, with more innovative elements in digital content, mobile applications, mobile payments as well as commerce. We have also accelerated future ICT investment to strengthen the vertical integration of ICT systems and grow our core business through segment marketing. 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 2016, 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.

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 6.1% for local network subscribers, as opposed to the 93.9% claimed by Chunghwa Telecom (CHT). The ups and downs of market share in the future will depend on whether it is possible to provide customers with good quality network and communications, with diversified solutions, content services and applications. In the household broadband market (which includes ADSL, fiber, and cable modems), market share by the end of 2016 was: CHT's HiNet (66%) and NCIC (2.3%). If cable modems were excluded from comparisons, CHT HiNet's market share would be 86% whilst NCIC's would stand at 2.9%.

ARCOA

FET continues to integrate its marketing channels. ARCOA stores will gradually be transformed into FET franchise stores. By the end of 2016, there were 468 FET franchise stores, with ARCOA having just 3 branches, all of which are expected to be completely transformed in 2017. This will help to provide customers with a better service offering. Furthermore, procurement will also be channeled through FET directly or the franchise stores. In terms of products and services for foreign workers, our sales maintained the No.1 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 put in place to ensure sustainable operation.

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. 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 a innovative culture. Utilize Big Data accumulated from consumers' to analyze the concept of a 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 create business innovation.
 <p>Policy and Economic Trends</p>	<ul style="list-style-type: none"> Regulatory changes from the 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.
 <p>Climate Change and Energy Scarcity</p>	<ul style="list-style-type: none"> Extreme climate conditions exacerbate the impact of natural disasters and result 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 with a focus 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.



2.1.4 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" not only embodies what the communications industry is ultimately all about, but also reflects our approach to customer service. By delivering a service with a wow factor, we breathe life into the FET brand. FET provides 24/7 customer service, and consumers can access immediate assistance by phone, email, and FET's Self-Care APP. In 2016, FET advanced its online customer services further by creating the "Five Service Categories" and the "Exclusive Customer Service" functions. These allow consumers to enjoy personal and convenient telecom services that enhance the customer experience and promote FET to become the benchmark for the industry.

Asia's First Triband Service

High-quality telecom services must be based on high communication quality. As such, we have continued to optimize the communications quality of our 3G/3.5G/4G services by building infrastructure and base stations,

increasing coverage of broadband and Internet, and expanding Internet capacity. In 2016, FET became the first company in Asia's telecoms market to provide 700MHz, 1800MHz and 2600MHz tri-band capabilities in 4G mobile broadband which greatly enhances the speed of Internet access, leading the new era of 4.5G. FET dominates the industry and will become the only quad-band dual-technology carrier (700/1800 / 2600MHz FDD and TDD band) in the future. Furthermore, we have led the industry by signing a memorandum of understanding (MOU) with Ericsson to establish the first 5G laboratory in Taiwan, taking the lead in this cutting-edge technology. With innovative IoT applications and high-quality mobile value-added services, we are in a position to become the preferred partner in the digital lives of consumers, as we maintain our leading position in Taiwan's telecoms industry.

Integration of Innovative Technology and Smart Life Applications

Advances in global ICT have spurred the development of smart mobile applications. "Integration" will be a critical part of the future development of the telecom business. We have made innovative moves in the field of mobile technology, closely following international development trends, and actively expanding IoT and cloud applications. Moreover, we have also entered the mobile payments market. Meanwhile, we continue the development of the friDay mobile-lifestyle brands, as we transform ourselves to achieve "cross-industry, cross-over, and cross-boundary" capabilities, providing

consumers with more integrated and comprehensive ICT solutions in building the future of a smart lifestyle. Moving forward, in addition to 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 smart transportation, smart health, smart security, and smart commercial applications. Our efforts are aimed at becoming the leader of smart applications in Taiwan and creating a new era of digital life.






Strengthening the Brand's Social Influence

FET has always worked to deliver better services to consumers and fulfill our brand vision of "FET Connects and Enriches Life". Conservative Oriental culture means people tend to be less open about their feelings. That's why FET launched the "Express Your love, Let it Be Heard" brand campaign in 2012, and over a three-year period we encouraged people to express their positive feelings with FET as the "connector" that brings them closer together. The campaign successfully inspired a new social movement for expressing love in Taiwan and overseas, reaffirming the value of communications.





2.2 Stakeholder Engagement

2.2.1 Stakeholder Identification

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 operations², 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 2016, are explained in the “3.3 Go Caring” section of this report.

Stakeholders	Communication Strategy and Response	Material Issues of Concern
 Consumers	Communicate transparently, listen to every customer, and provide service with warmth and sincerity.	<ul style="list-style-type: none"> Information security and customer privacy protection. Communications quality and network infrastructure. Rate plans transparency and communication. High-quality customer experience. Brand image management.
 Enterprise Customers	Nurture customer relationship, provide customized solutions according to each enterprise customer's unique management needs.	<ul style="list-style-type: none"> Social and business innovation. Investment in R&D/innovation and collaboration. Information security and customer privacy protection. High-quality customer experience. Brand image management.
 Investors/Shareholders	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 emergency response. Corporate governance and integrity. Investment in R&D/innovation and collaboration. Brand image management.
 Competent Authorities	Actively respond to policy trends and engage in policy development processes.	<ul style="list-style-type: none"> Response to government policy and regulatory changes. Communications quality and network infrastructure. Digital inclusion. Investment in R&D/innovation and collaboration.
 Employees	Enhance employee cohesion and sense of identity, cultivate innovative corporate culture, and implement two-way communication.	<ul style="list-style-type: none"> Business strategy and performance. Talent development and management.

² The 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 remained the same in 2016.

Stakeholders	Communication Strategy and Response	Material Issues of Concern	
 Suppliers/Contractors/ Developers	Maintain stable partnership with suppliers/contractors, perform supply-chain impact management, co-develop products and services with developers.	✓ Supply-chain management. ✓ Business strategy and performance.	✓ Communications quality and network infrastructure. ✓ Investment in R&D/innovation and collaboration.
 Community Group/NGO	Maintain partnership, jointly promote social welfare, and create social value.	✓ Community care and social welfare contribution. ✓ Communications quality and network infrastructure. ✓ Brand image management.	✓ Digital inclusion. ✓ Energy and GHG management. ✓ Environmental resource management and application.
 Media	Actively express FET's opinions, communicate transparently, create positive corporate image.	✓ Business strategy and performance. ✓ Rate plans transparency and communication. ✓ Communications quality and network infrastructure.	✓ Investment in R&D/innovation and collaboration.
 Competitors	Maintain relationships, discuss major industry issues.	✓ Business strategy and performance. ✓ Rate plans transparency and communication. ✓ Investment in R&D/innovation and collaboration.	✓ Communications quality and network infrastructure. ✓ High-quality customer experience.

2.2.2 Response to Critical Issues

In 2016, 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. FET's response to these issues was as follows:

Collaboration Between FET and CNS

In an effort to enter the cable TV sector and enhance its digital convergence businesses, FET announced a strategic alliance with MSPE Asia on July 30, 2015 to collaborate on the China Network System (CNS). As part of this, a private equity fund managed by MSPE Asia will acquire an equity ownership in CNS, whilst FET will subscribe to a corporate bond of up to NT\$17.12 billion. Immediately after the announcement, concerns were raised by the government, industry and academic circles. This is the largest US foreign investment case in recent years and has been approved by the Fair Trade Commission and the National Communications Commission (NCC). However, following the change in political leadership, the case was affected by external rumors, and it was not originally expected that the Bo Kai Fund and MSPE Asia would decide to withdraw from the case in early 2017. FET looks forward to a more transparent and predictable foreign investment environment provided by Taiwan's government in the future.

As a telecoms company, FET will continue to develop digital convergence. In addition to business partnership with CNS, we will also actively strengthen partnerships with all content channel operators, cable TV providers, the over-the-top content (OTT) industry, and related upstream and downstream industry parties through cooperation. We will promote digital services and smart family business through the most advanced technologies. At the same time, FET will continue to lead the industry and actively invest in 5G-related infrastructure. With higher-speed Internet access, innovative research, and development of applications, we are committed to becoming the digital life brand that consumers desire.

FET regrets the untimely legal restrictions imposed by the outdated political party, government, and armed forces clause which prohibit listed companies from investing in cable television systems. Previously, Fubon acquired Kbro with individual investments, and Hon Hai obtained TBC recently through individual investment in Singapore, which were alternative methods used to circumvent the above-mentioned clause. We call upon law enforcement officials to be consistent and hope the restrictions can be amended as soon as possible so that the cable TV industry can develop related industries to flourish in line with the new government's goals of a healthy digital economy.

Climate Change and Use of Renewable Energy

To address the impact of climate change, in 2005 FET established the "Energy Management Committee" to effectively promote energy-saving and carbon management measures. In 2016, in response to the integration of the environment and energy systems, it was expanded to the "Environment and Energy Management Committee" to implement environmental and energy management. Despite the growth of its business in recent years, especially with the increased need for data centers after the launch of the 4G networks, FET remains committed to managing its energy usage. With 2013 as the energy baseline, the plan targets a 5% reduction in power usage effectiveness (PUE) of data centers and 6.94% reduction in office areas in the space of three years. Carbon-reduction targets have been set for the short, medium, and long term over 2017-2021. An absolute reduction in carbon reaching 1% per year has been set for 2017-2019. Moreover, we are committed to achieving short-term carbon-reduction targets to offset expected growth in the future, with on average zero growth over the 2017-2021 period. With base stations being the major source of energy consumption, FET has implemented a Green Network Long-term Construction Plan. We will continue with energy-saving projects at base stations in 2017, introduce energy-saving systems and equipment, and reduce energy consumption.

FET has formulated the Supplier CSR Self-Declaration, which suppliers are required to sign. We also propose that all types of suppliers work towards green procurement guidelines, integrate with the industry value chain, and promote the ICT industry to move toward sustainable development. Given that we actively monitor and respond to the government's carbon-reduction policies, we have purchased more green power from Taiwan Power Company. As Taiwan's ICT leader, FET will not only effectively undertake energy management and provide innovative and low-carbon services, but also call for more businesses and the public to jointly mitigate the effects of climate change.



Governance Issues



Environmental Issues

2.3 Materiality Analysis

To better understand the importance of each issue in the value creation process, FET, in addition to following GRI G4 Sustainability Reporting Guidelines for materiality analysis, also refers to the International Integrated Reporting (IR) Framework, effectively integrating resource allocation with strategies of sustainable operations. Materiality analysis in 2016 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". Applying the ranking prioritized by the FET CSR committee in 2015, the material issues are delivered to FET's Executive Management Team (EMT) for evaluation and adjustment. With business operations and developments in 2016 as the basis for consideration, the issues are further categorized into three levels (Key, Important, or Basic), which then warrant different levels of disclosure in the report.

Step 1 Review and Identification

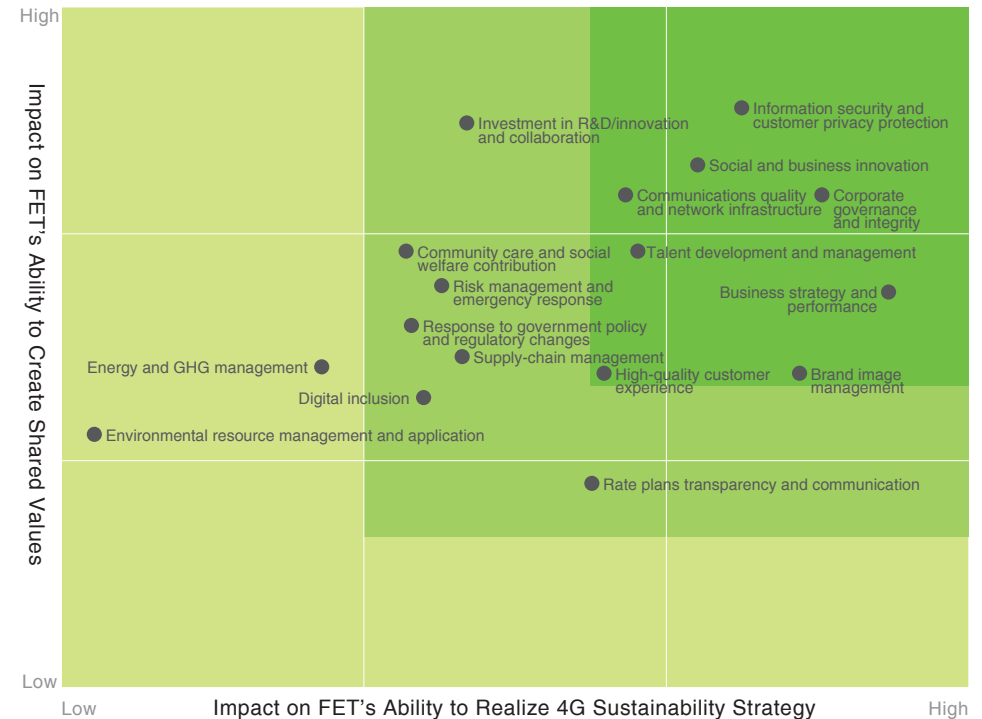
- Review material issues listed in the previous report.
- Consider important issues covered by major sustainability trends and both international and domestic industry leaders.

Step 2 Prioritization

- FET CSR Committee members evaluate material issues based on their impact on "FET's ability to realize its sustainability strategy" and "FET's ability to create shared values" before the Company's executives and senior managers provide a final evaluation and prioritization schedule.

Step 3 Validation

- FET CSR Committee members review and confirm the prioritization of material issues.
- Determine report structure and collect data based on the results of materiality analysis.



To ensure FET's differentiation from its peers and to realize its vision of achieving sustainable operations, the identification of material issues will facilitate more effective actions, strategic planning and resource allocation. The "Key issues" identified as closely related to FET's sustainable development strategies and value creativity (as shown in the upper-right area of the materiality matrix) focus mainly on three aspects: business operation and management; product and service quality; and social communication and caring. With these issues as the focus of the 2016 integrated report, key material issues and their Importance to FET are then elaborated in the following chart. Disclosure of policy objectives, management, performance, and future outlook of each issue is also detailed in the report.

FET has a deep understanding of the significance of energy and greenhouse gas management. According to the latest SMARTer2030 study of the Global e-Sustainability Initiative(GeSI), carbon-emission reduction efforts initiated by ICT industries have a ten time greater impact on carbon emissions by society at large than on the carbon emissions of the company itself. It is for this reason that smart products and services are of a higher materiality level than our energy and greenhouse gas management. By providing innovative information technology, we wish to reduce our environmental impact and have a greater influence on society.

Major Aspects	Key Material Issues and their Importance to FET	
Business operation and management	Corporate governance and integrity	A sound corporate governance structure and independent integrity is the key to corporate sustainability. FET is committed to supporting corporate operations with a positive corporate culture and sound governance mechanisms in place, with the purpose of not only effectively managing behavior that is detrimental to the environment and stakeholders' rights, but also fulfilling corporate social responsibilities.
	Business strategy and performance	Just as sound economic performance is the cornerstone for the sustainable management of our business, our business strategy serves as an important guideline for 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.
Product and service quality	Information security and customer privacy protection	With the prevalence of the Internet, mobile payments, and cloud technology, clients are paying more and more attention to privacy issues and personal information. Information security has become the top priority among telecom companies. In line with sustainability and integrity values, FET demands flawless management systems and strategies for information security. Effective management of information security risks ensures our commitment to protecting clients' privacy.
	Communications quality and network infrastructure	Excellent communication quality is the basis of all telecommunication and application services. Through expansion and upgrades 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.
	Social and business innovation	FET takes product innovation as the core to social and business development. By innovating smart products and services, we are a driving force in digitizing society and reducing carbon emissions. As we compete with other companies and differentiate our value proposition, we leverage our core corporate capabilities to strengthen our contribution to the environment and society, whilst fulfilling our sustainability mandate.
	Talent development and management	In response to the rapid transformation of the telecom industry, talent recruitment and cultivation in the telecom industry is essential. The introduction of new innovative ways of thinking helps to create future products and services. We are actively engaged in acquiring, developing, and managing a pool of effective talent.
Social communication and caring	High-quality customer experience	Our customers' trust and satisfaction are key drivers of sustainable growth for the Company. Based on "FET 360° Service", FET integrates online customer service with off-line physical channels. Attentive care and communication creates high-quality customer experience and continues to enhance the user experience.
	Brand image management	Our stakeholders' sense of identification, trust, and loyalty are critical in realizing value creation. We actively manage a positive brand image to reflect the ethos of "Closing the Distance" in order to provide stakeholders with a better understanding of our market positioning, core values, vision, and to spread positive influence.

The remaining “Important issues” in the matrix refer mostly to aspects related to operations and management. Full elaboration on the management approach, performance, and direction of continuous improvement for these material issues are covered in the report. As for the “Basic issues”, they are mostly about the basic management of daily operations, with major management changes and related performance tracking disclosed in the report.

Material Issue	Level of Materiality	GRI Aspect	Page Number	Internal Boundary		External Boundary			
				Far Eastone Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
Information security and customer privacy protection	Key	PR Customer Privacy	P.54	●	●		●	●	
Communications quality and network infrastructure	Key	EC Indirect Economic Impacts IO Investment IO Health and Safety Practices IO Network Infrastructure PR Customer Health and Safety PA Customer Relations SO Grievance Mechanisms for Impacts on Society	P.31 P.36 P.74	●				●	●
Social and business innovation	Key	EC Indirect Economic Impacts TA Resource Efficiency	P.38-47 P.75	●				●	●
Corporate governance and integrity	Key	SO Anti-corruption SO Anti-competitive Behavior SO Public Policy	P.92	●	●				
Talent development and management	Key	LA Training and Education LA Labor Relations LA Equal Remuneration for Women and Men LA Labor Practices Grievance Mechanisms LA Employee Diversity and Equal Opportunities HR Freedom of Association and Collective Bargaining HR Forced or compulsory labor HR Non-discrimination	P.58-63	●	●				

Material Issue	Level of Materiality	GRI Aspect	Page Number	Internal Boundary		External Boundary			
				Far Eastone Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
Business strategy and performance	Key	EC Economic Performance EC Market Presence	P.9-13 P.34	●	●		●		
Excellent customer experience	Key	Other Considerations	P.52-57	●	●			●	
Brand image management	Key	Other Considerations	P.51	●		●	●	●	●
Investment in R&D/Innovation and collaboration	Important	TA Resource Efficiency	P.39-40 P.75	●				●	
Risks management and emergency response	Important	EC Economic performance	P.93	●		●			●
Community care and charity programs	Important	EC Economic performance EC Indirect Economic Impacts SO Local communities PA Access to Content	P.35 P.76-83					●	●
Response to government policy and regulatory changes	Important	EN SO PR Compliance	P.92	●		●	●	●	●

Material Issue	Level of Materiality	GRI Aspect	Page Number	Internal Boundary		External Boundary			
				Far Eastone Including NCIC	ARCOA	Upstream Supplier	Downstream Channel	Customer	Community and Environment
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	P.65-68	●	●	●	●		
Digital inclusion	Important	EC Indirect Economic Impacts PA Bridging the Digital Divide	P.36 P.76	●				●	●
Rate plans transparency and communication	Important	PR Product and Service Labeling PR Marketing Communication	P.53 P.75	●			●	●	
Energy and GHG management	Basic	EN Emissions EN Energy EN Overall	P.69	●	●	●	●		
Environmental resources management and application	Basic	EN Effluents and Waste EN Products and Services EN Overall	P.70 P.73 P.75	●	●	●	●		●



/3

4G Business Strategy and Value

3.1 Go Prosperous

3.2 Go Innovative

3.3 Go Caring

3.4 Go Inclusive

3.1 Go Prosperous

UN Sustainable Development Goals (SDGs)



Enterprise Performance



Tri-band Network 5G Laboratory



Construction in Remote Area

2016 Major Inputs



Financial Capital



Retained earnings at the end of 2016
NT\$28.4 billion



Annual depreciation/amortization expenses
NT\$10.2 billion



Annual capital expenditure
NT\$10 billion



5G laboratory spending
NT\$4.7 million



Manufactured Capital



Infrastructure and maintenance spending
NT\$7.8 billion



Bandwidth bidding amount
NT\$9.1 billion



Number of 2600MHz base stations
more than 4,000 stations (2600 MHz)

2016 Key Outputs



Success rate of 4G access
99.95%



Success rate of 3G voice and packet access
99.50%



Data transmission volume of telecom services
802,443,087,957MB



Market share of mobile services
28.2%



Enterprise market value added
NT\$16 billion



Net income
NT\$15 billion

GO Prosperous Outcomes

With the goal of sustainable growth and management, FET is committed to making economic, social and environmental contributions through successful and responsible operations. Through continuous optimization of enterprise core business, we expand the influence of the enterprise in an external environment, and help promote innovative interaction between society and industry whilst maintaining economic growth.

Go Prosperous Outlooks

Our priorities remain as 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. In light of digital convergence, it is the case that 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, the 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.



UN Sustainable Development Goals



Enterprise Performance



Tri-band Network
5G Laboratory



Over **4,000** 2600MHz base stations
across **22** counties and cities



Theoretical download speeds of
up to **300 Mbps**



Penetration of 4G postpaid
subscribers: **68%**

ARPU of postpaid
subscribers: **NT\$898**



4.5G super tri-band exclusively
supports Apple's
first **3CA iPhone7**

It has been 20 years since FET's founding. We have maintained growth momentum and delivered outstanding performance despite the saturation of the domestic telecommunications market and stiff competition among operators' rate plans. We launched 2600MHz services and formally entered the new era of 4.5G, leading the industry with the highest speed of Internet access. We also took the lead in 5G performance by partnering with leading communications equipment manufacturers, Ericsson, and created the first 5G laboratory in Taiwan to accelerate the positioning of the country's industry in the IoT era. We continued to extend the spectrum of resources, integrating channels, expanding business domains and the popularity of telecom services, and extending coverage on our way to delivering outstanding business results.

New 4.5G Era Tri Band Dominates the Market – FET Claims Complete Victory

Spectrum is key to the competitiveness of telecom operators. FET led the industry by obtaining four LTE bands (700MHz, 1800MHz, 2600MHz FDD/TDD) and integrated the existing tri-band network to become the first to open the door to the 4.5G era, bringing about download speeds of 300Mbps. It takes only about 11 minutes and 6 seconds to download a 25GB Blu-ray film. In the areas of network technology, tariffs, and services, FET can claim complete victory on the domestic telecoms scene. We were also the first operator in Asia to provide 700/1800/2600MHz tri-band services. Moving forward, FET will be the only operator with quad-band dual-technology to offer subscribers the fastest 4G LTE download speeds of up to 487.5Mbps. Together with innovative IoT applications, high-quality mobile services, and Taiwan's first 5G laboratory, we are committed to becoming the preferred partner of a consumer's digital life whilst sustaining the momentum to meet the future of 5G.



2016 Network Positioning Performance

- ✓ FET completed the construction of 2600MHz band at Magong Airport in Penghu and Kinmen Airport, and was the first telecom operator to start tri-band services at Magong Airport.
- ✓ Established small cell base stations to improve 4G network signals and capacity and provided subscribers with high communications quality.
- ✓ By the end of 2016, there were nearly 900 FET and Arcoa stores. With concentrated channels and footprints, we can offer high quality and convenient mobile communications services.

The first 5G laboratory in Taiwan

FET connects with the world and positions itself for the next generation of communications technology. We signed an MOU with Ericsson to mutually develop 5G technology and build a 5G demonstration experimental environment. A news conference was held in September 2016 to publicly show Taiwan's first and the world's ninth 5G laboratory, as well as to successfully demonstrate download speeds of up to 1Gbps on-site.

We teamed up again in December 2016 to obtain short-term test approval from the NCC for 15GHz high band and introduced a 5G prototype phone to complete for the first time super high frequency (SHF) indoor and outdoor testing. In addition to successfully verifying download transmission speed of over 5Gbps, we also invited industry and academic experts to visit and share the test results, exchange opinions, and discuss future collaborative issues, reflecting FET's ambition to develop 5G.

Future Development Goals

Looking ahead to 2018, the International Telecommunication Union (ITU) will cooperate with telecom operators for service trials of 5G at the Winter Olympics in South Korea. Japan expects to start 5G commercial operations at the Tokyo Olympics in 2020. To rapidly keep pace with global 5G market developments, FET and Ericsson will conduct experiments and plan for 5G-related technology, hoping for service trials in 2018 and commercial operation in 2020. Going forward, we will apply 5G systems to transportation, video content platforms and water/electricity resources first. 5G will create an era of connectivity between things and global IoT to produce unlimited innovative applications, business models and industries. Through network technology, FET will provide higher-quality customer experiences and innovative application services, and bring consumers a new stage of life in the development of an Internet society.



3.1.1 Growth in Operational Scale

FET continued to expand its stores in the major metropolitan areas in 2016. This included upgrading 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 development of smart communications 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, we have also opened specialty stores. We established Taiwan's first outlet telecommunication store in the form of the "FET Station Front Outlet" in 2012. In 2015, our New Generation Flagship Store was launched at the Syntrend Taipei Information Park. The store combines the five elements of "Cloud, Future, Digital, Innovation, and Motion Sensing" with 4G mobile communications technologies. It boasts full-screen service counters, physical sensory controls, floating projection ticket machines, and a wearable devices section, thus setting the trend for a new generation of retail stores. In 2016, FET's innovative services took further steps in the right direction by spending NT\$1 million on a smart robot store clerk, called "Meng-Bao", which was a first in Taiwan's telecoms stores. The smart robot was introduced from Korea, and in co-operation with domestic robotic semantics identification experts, IQ Technology, and multimedia vendor, Gorilla Technology,

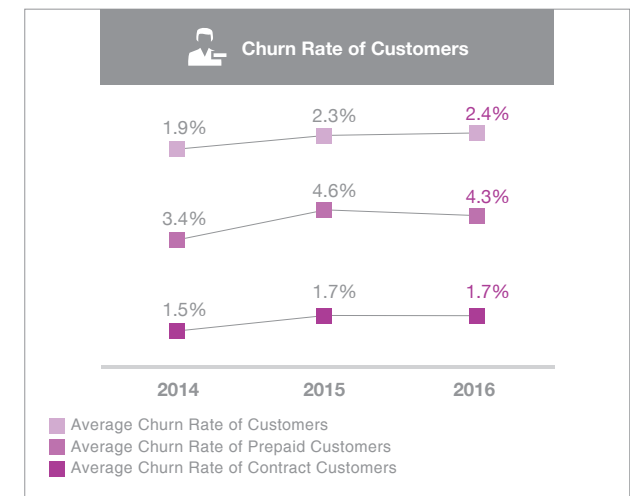
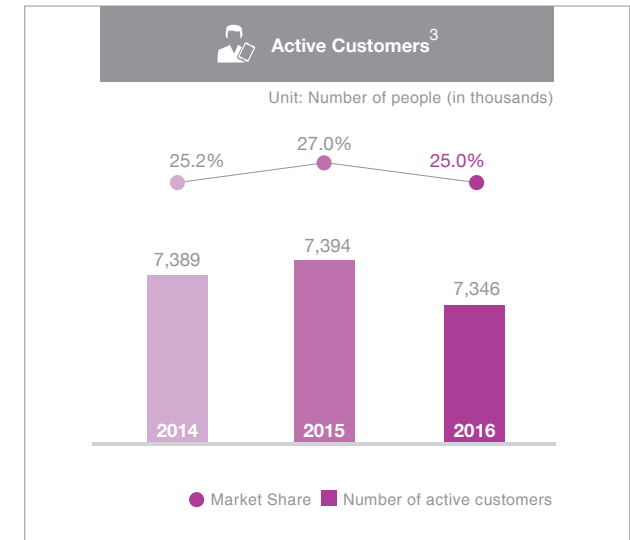
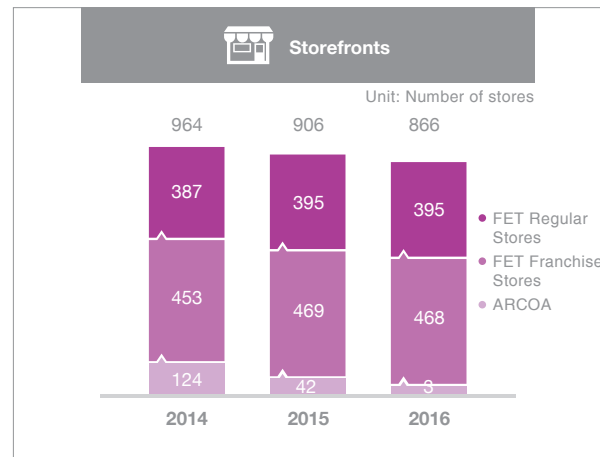


it is able to provide exclusive and customized services suitable for Taiwan's telecom stores. It offers functions such as product introduction, customer guidance, and humorous interactions with consumers. In the future, functions like the printing of bills can be added, making them even more popular with consumers.

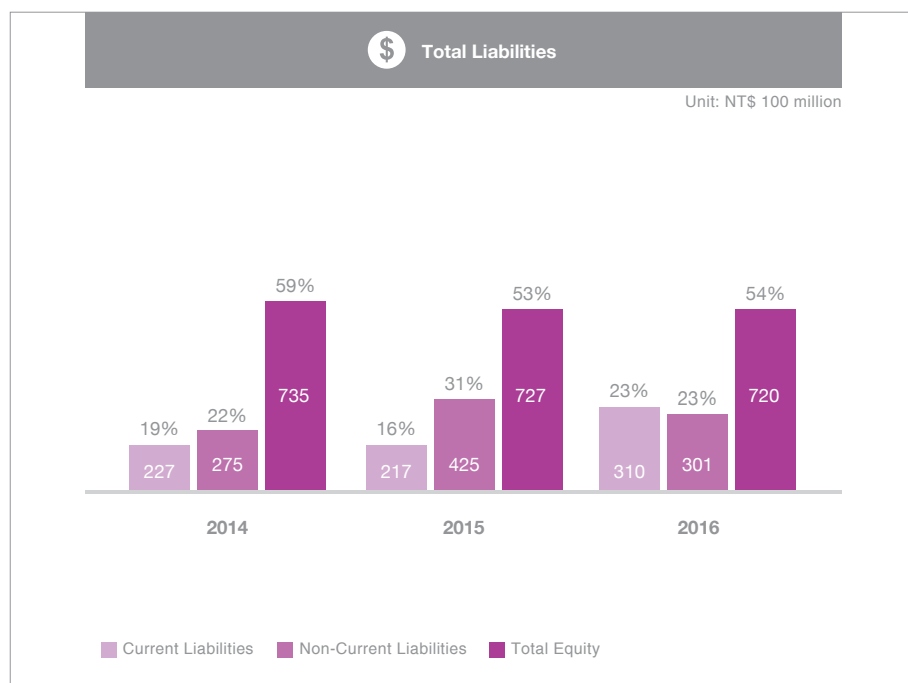
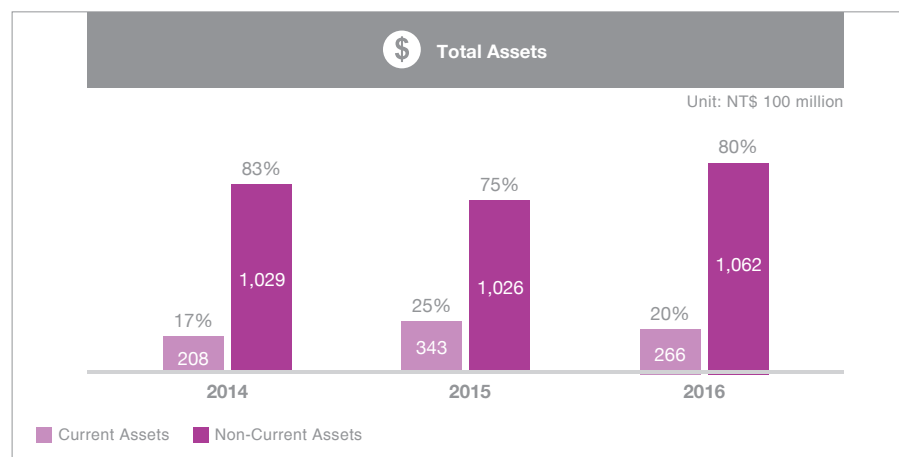
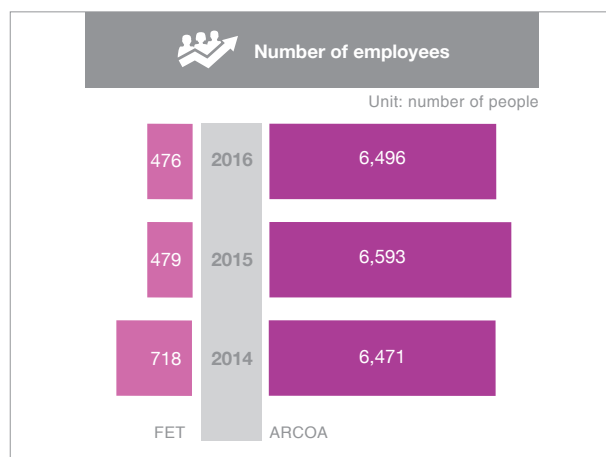
By the end of 2016, there were more than 1,000 FET, ARCOA, and Data Express stores providing comprehensive, professional and attentive services for everyone.

Integrated Marketing Channels

FET continues to review the allocation of resources among its subsidiaries within the Group to expand group synergy. To increase the profitability of ARCOA stores, we have progressively converted street-front ARCOA stores into FET franchise stores. ARCOA underwent this transformation into FET franchise stores in 2016 and the process will be completed by 2017. 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.



³ The number of subscribers in Taiwan's mobile communications market reached 28,930,000.



In 2016, current assets declined whilst current liabilities increased, mostly due to FET obtaining chartered rights to the fourth-generation broadband mobile services (4G) 2600MHz band. To pay for the bid, FET made use of cash and cash equivalents, short-term bank loans, and commercial paper, which resulted in a substantial decrease in cash and cash equivalents, whilst short-term loans and commercial paper payable increased significantly compared to the previous year.



3.1.2 Key Financial Indicators

FET's consolidated revenues in 2016 reached NT\$94.34 billion, down 3% from 2015. Consolidated EBITDA (earnings before interest, tax, depreciation, and amortization) was NT\$27.8 billion, up almost 3.8% from 2015. Net income of NT\$15 billion was achieved and the EPS in 2016 was NT\$3.5. Total market capitalization at the end of 2016 reached NT\$236.2 billion as we continued to steadily create value for shareholders.

	2014	Growth%	2015	Growth%	2016
Total Revenue (NT\$100 million)	941.76	3	972.93	-3	943.44
Net Income (NT\$100 million)	150.53	2	153.93	-2	150.24
EBITDA ⁴ (NT\$100 million)	256.01	5	268.13	4	278.42
Total Market Capitalization ⁵ (NT\$100 million)	2,379	-7	2,203	7	2,362

FET's total revenue declined by 3% in 2016. The decline in net income (down 2%) 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. Looking towards 2017, domestic 4G subscribers will continue to grow, and FET will not only keep expanding its 4G business but also leverage its industry-leading position in providing value-added services and maintaining industry leadership. We will increase bandwidth to drive growth of data revenues, further bringing new growth momentum to the operation of the enterprise, and enhancing mobile services and mobile value-added service revenues.

	2014	2015	2016
ARPU ⁶ (NT\$)	724	725	718
Earnings Per Share (NT\$)	3.52	3.52	3.50
Return on Assets (%)	9.72	9.13	8.73
Return on Equity (%)	15.65	15.78	15.81

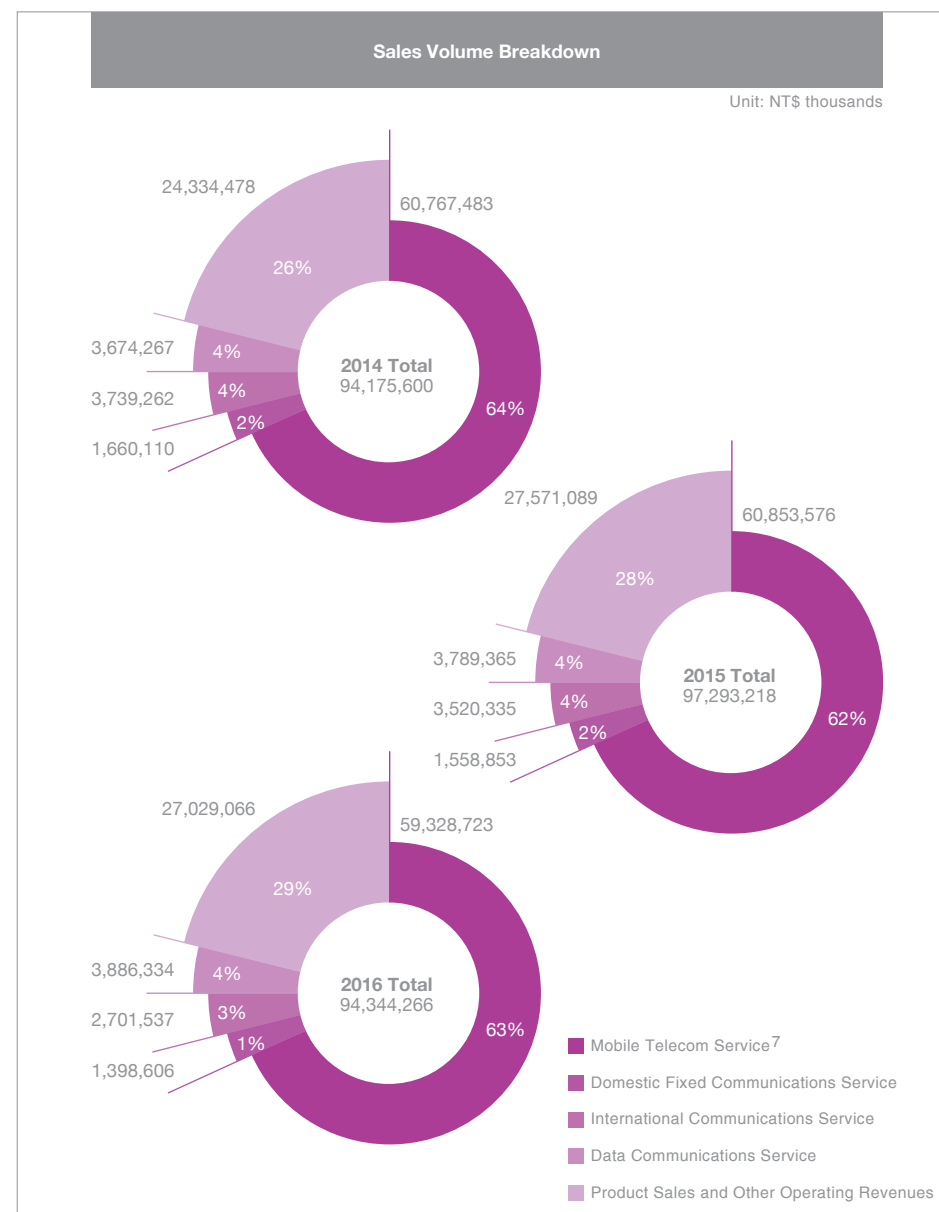
In the first quarter of 2016, FET officially launched the 2600MHz service to integrate tri-band network (700/1800/2600MHz) and enter the 4.5G era. We offer the public ultra-high speed online experiences on 4G and are committed to developing innovative mobile lifestyle services to meet consumer demands. The number of 4G subscribers continued to grow, reaching 4.5 million as of the end of 2016. This has created a strong momentum that drives overall ARPU. Moreover, due to the upgrade of 4G network quality and effective promotions, as many as 81% of postpaid subscribers used data services, with the number continuing to climb. Penetration of 4G postpaid subscribers 3.1.3 Distribution of Economic Value reached 68% in 2016, with average monthly ARPU reaching NT\$898. Our performance results exceeded that of the other top telecom operators.

⁴EBITDA: earnings before interest, tax, depreciation, and amortization.

⁵Market cap is shares outstanding as at year-end multiplied by the closing price.

⁶ARPU: average revenue per user.

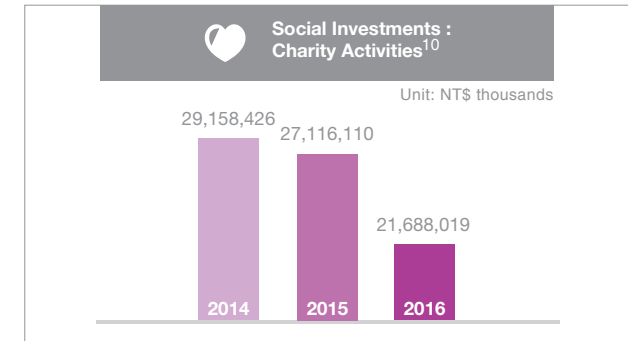
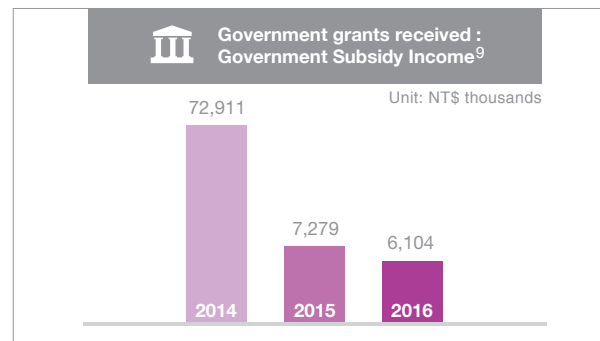
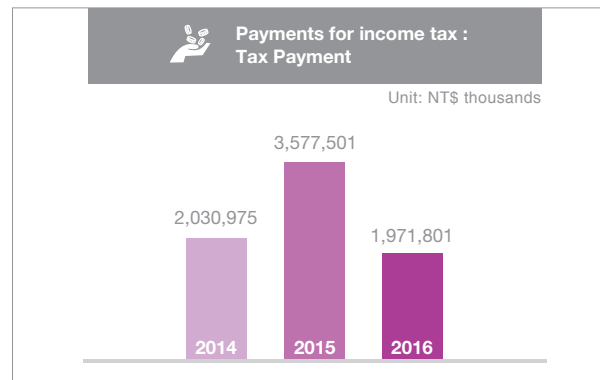
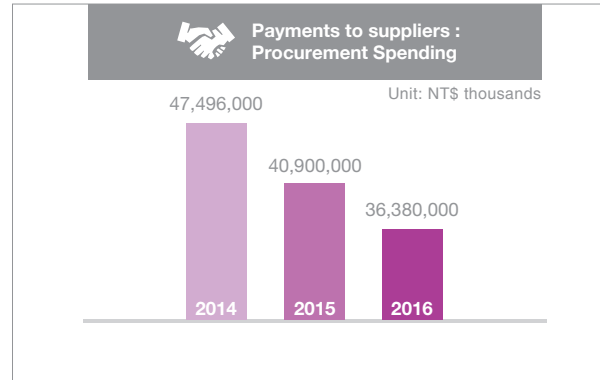
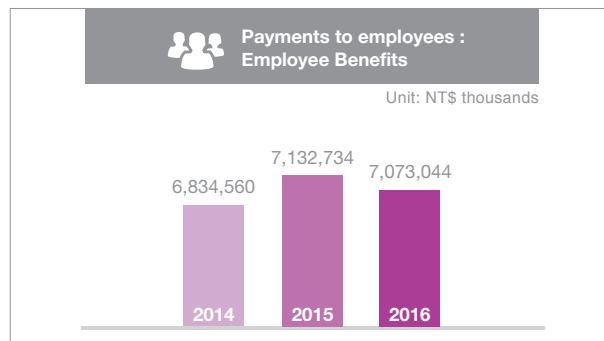
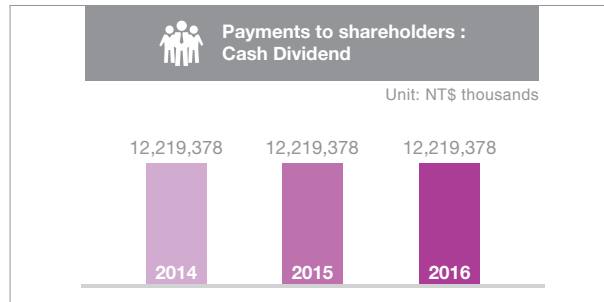
⁷Since 2016, mobile communications services have been consolidated with other telecom services revenues.



3.1.3 Distribution of Economic Value

FET is committed to sharing the fruits of its operations with all stakeholders as it pursues sustainable growth. Apart from income tax payment, after deducting losses covered, legal reserve and special reserve, at least 50% of the balance is distributable for dividends⁸. The Board of Directors passed a resolution on February 15, 2017 to approve the 2016 dividend distribution plan. Undistributed earnings from 2016 will be distributed as a cash dividend at a rate of NT\$3.129 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\$0.621 per share. Each share will therefore receive NT\$3.75 in cash.

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 employee benefits, suppliers, and charitable activities.



⁸ Please refer to 2016 annual report for FET dividend policy.

⁹ In terms of the industrial development plans of the government, government subsidies to FET in 2016 came mainly from: the 4G subsidization scheme of the Industrial Development Bureau of the Ministry of Economic Affairs-4G smart broadband application city subsidy-4G Smart City category; the Industrial Development Bureau of the Ministry of Economic Affairs-Taiwan Smart Flagship Advances-Cultural Capital 4G Smart City; the Industrial Development Bureau of the Ministry of Economic Affairs-Taiwan Smart Flagship 4G Sailing Plan-4G Mobile Video Commerce.

¹⁰ Spending on public charity includes expenditures in projects in the year, public fundraising, and cash donations. Duplicated items are deducted to avoid double calculation.

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 improving network stability and reception quality in order to optimize the user experience and loyalty of customers. In order to ensure good communications quality and network stability, FET regularly tests telecom signals on a quarterly basis, with the results informing decisions on future mobile network construction and changes in order to improve access rate and transmission speed.

Voice Service

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 Service

In the wake of fast-growing 4G services, FET continued to deploy 4G base stations, 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%.

With regards to 3G services, in addition to continuous improvement to the 3G network and complaint resolution in areas without signal, FET has 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 national success rate for 3G voice and packet access has reached a stable performance level of over 99.5%.

Data Service

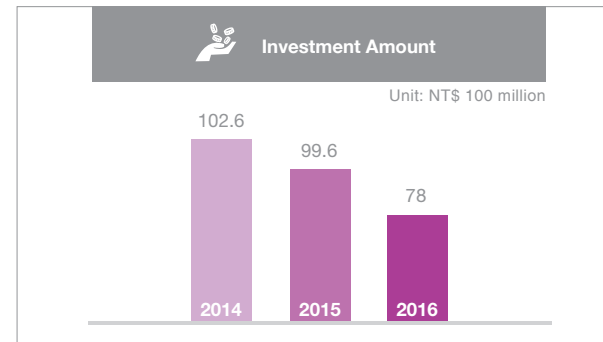
In 2016, FET acquired 700MHz, 1800MHz, and 2600MHz tri-band for its 4G mobile broadband services, with the aim of providing all mobile subscribers with the most complete, high-quality and high-speed 4G services.

- **Lower-frequency 700MHz spectrum:** with a longer range, this provides complete coverage outdoors and deep within buildings, as well as a wide and deep first layer of 4G basis network.
- **Higher-frequency 1800MHz spectrum:** with higher bandwidth, this is used to provide the high-speed transmission capacity needed by Internet users.
- **High-frequency 2600MHz spectrum:** with wide bandwidth and good signal quality characteristics, this can enhance high-speed transmission capacity of subscribers in the hot spots of densely populated areas and the urban areas.

700/1800/2600MHz 4.5G super tri-band with a total bandwidth of 125MHz allows for LTE carrier aggregation, and theoretical mobile access speeds can reach over 300Mbps.

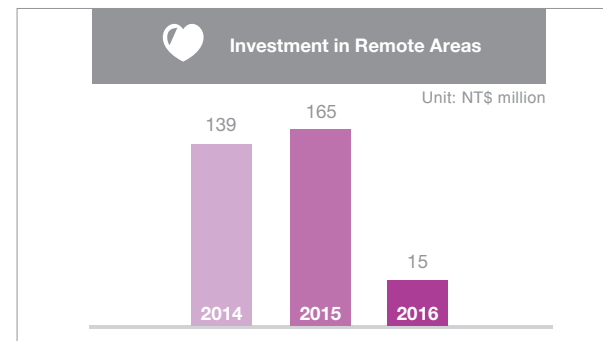
3.1.5 Infrastructure Investments

In essence, telecommunication services are about using ICT to make life more convenient and to 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 22 cities and counties. FET actively complies with the NCC's Telecommunications Universal Service Regulations. Every year, we continue to increase investment in universal telecommunication services with the aim of improving data access speed for remote areas so that it is in line with that of broadband subscribers in metropolitan areas.



Official Activation of Fiber Optic Cables in Matsu

After a year's planning and investment of NT\$15 million, fiber optic cables on the Matsu Islands were officially activated in 2016. The areas of Nankan, Beigan, Dongyin, and Chukuang on the islands have all benefited from better communication services. Our goal is to provide more convenient mobile experiences for both local residents and tourists alike by offering stable and high-speed communication services in the Matsu area.

i-Tribe Wireless Network Construction Plan



The "Construction of Wireless Broadband Environment in Indigenous Areas" project promoted by the Council of Indigenous Peoples aims to build the i-Tribe outdoor wireless network for indigenous tribes. Since 2014, construction for 87 tribes nationwide has been completed. In 2016, as part of the second and the third phases of the construction plan, FET helped complete outdoor wireless networks for a total of 69 indigenous tribes in 12 cities and counties. From the field survey assessment stage all the way through to planning proposals, interviews, and implementation, and finally completion acceptance, we were actively involved in building a communications infrastructure for indigenous tribes by providing i-Tribe free wireless Internet access services that integrated with i-Taiwan wireless network user authentication login, providing the Council with access to users' online statistics and network traffic data. This program will not only enhance the bandwidth and wireless network coverage in indigenous areas, but will also help close the digital divide between urban and rural populations as it significantly influences mobile health care, education, tourism, and industry promotions among indigenous tribes.

3.2 Go Innovative

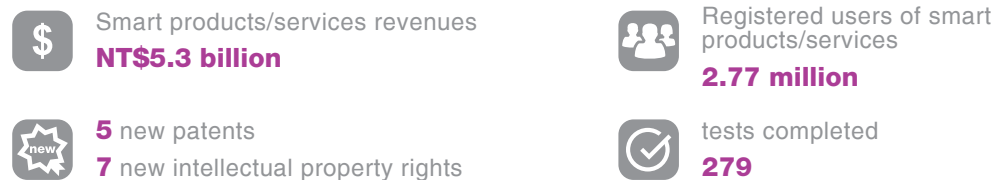
UN Sustainable Development Goals (SDGs)



2016 Major Inputs



2016 Key Outputs



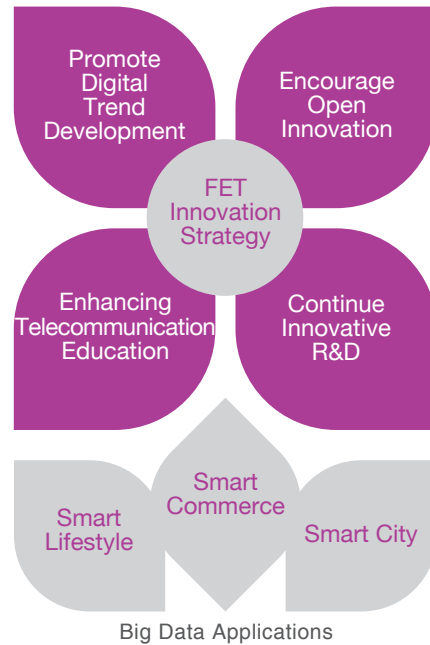
Go Innovative Outcomes

With corporate resources and R&D capabilities keeping pace with the latest trends, smart products and services are developed to meet the demands of daily life, foster equal opportunities for society at large, and drive progress in industry and economic prosperity. Therefore, a sustainable environment is created, and social problems are solved through breakthroughs in ICT technology that strengthen the resilience of the general public and the environment in facing up to future challenges.

Go Innovative Outlooks

Due to the fact that Internet connectivity has become increasingly pervasive at the very same time as various kinds of digital content and consumer services have moved 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 devices offered (such as mobile phones, tablet PCs, desktop and notebook PCs, and Internet TVs) and diversify end-customer markets (through exporting Taiwan's high-quality multimedia content to the rest of Asia). We will leverage Big Data analysis to provide insights into corporate and individual customer needs and habits, whilst focusing on a "smart lifestyle", "smart commerce", and "smart city". We plan on developing user-oriented, innovative, value-added services that meet user demand, thereby expanding our customer base as we look to manage long-term customer traction.

3.2.1 Innovative Digital Strategy



Globalization has accelerated the popularization of technology, with breakthroughs in hardware and software integration guiding mainstream market demand. Consumer expectations of product and service diversity make competition in the communications industry ever more intense, which provides the driver for FET to transform and innovate over time. In the face of intense competitive challenges, we aim to be the "smart life partner" for customers. We offer diverse network and ICT services, including mobile APPs, IoT products, Big Data, and a wide array of applications as we seek to maintain our lead in innovation and create differentiation.

To consistently nurture our brand value, we are committed to building an environment that encourages innovation, prompting more internal and external talent 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 Education

We believe that people drive innovation. Improving the overall standard of telecom education is the only way for the industry to nurture more talented people, and for FET to provide resources to promote overall social and environmental innovation. In March 1999, we established the Far EasTone Technology Development Foundation and the **Far EasTone Education Center** as a way of ensuring that we can provide the latest equipment and technologies, together with industry practices and experiences for cultivating communications professionals. It was also intended to assist with the research and development of communication and information technologies in Taiwan.

Mission of FET Education Center



- Help develop domestic telecom professionals.
- Provide tailored training for telecoms technology.
- Build self-learning environments and promote diversified learning channels
- Provide advanced, professional and complete experimental networks

Course Name

	11 LTE Wireless Network Functions
1 4G Mobile Applications and APP Innovation	12 The Development and Application of OpenFlow Technology
2 Development and Application Trends in the Enterprise Cloud	13 SDN/NFV Core Network
3 Cloud Information Security	14 IoT Information Security
4 E-commerce Creating O2O Spending	15 Smart Transportation IoV and Vehicular Systems
5 Introduction to Mobile APPs	16 Developments and Challenges in Smart Textiles
6 TCP/IP Protocol Analysis	17 The Application of Smart Home in IoT
7 Introduction to Cisco Equipment Principles and Network Environment Planning	18 Issues and Applications of 4G Core Network and IMS
8 4G LTE Technology Monograph	19 Discussion on 5G Technology
9 LTE Threats and Security Detection	20 Principles and Operating Mechanism of ROADM Technology
10 LTE Wireless Interface Protocol Guidelines	21 Status and Development of Third Party Payment Mechanisms

The Far EasTone Education Center provides a diverse learning environment that includes online courses (e-Campus Digital Learning Center) and a curriculum that offers tailored telecommunications training for personalized training and activities. At the moment the priority of courses offered is mainly to enhance the Far Eastern Group's overall telecoms strength. In 2016, 47 physical training courses were completed. This was attended by 1,771 participants. We plan to open our e-Campus Digital Learning Center to those outside of our company as a way of promoting overall communications education.

In addition, to promote the development of Taiwan's communications technology, in 2016 FET has worked with the Ministry of Education to produce public charity books to promote school-age children's understanding of the ICT industry and enhance the level of digital education.

Ministry of Education's Rural Digital Care Promotions Plan in 2016

"Learning Mobile Payments Through Comics"

Target audience : 5th grade students or above
Promotion benefits : Donated a total of 456 books to 118 learning centers nationwide

Ministry of Education Junior High and Elementary School Mobile Learning Promotions Plan in 2016

Target audience : Junior high and elementary school students
Promotion benefits : Donated a total of 610 books to 201 junior high and elementary schools and self-financing schools

Promoting the Development of Digital Trends

At an enterprise level we are acutely aware of overall market demands and are well positioned to facilitate next-generation communications technology ahead of the curve. In 2016, we hosted internal seminars such as the "MWC 2016 Outlook for the Mobile and IoT Industry" and "5G Developments and Applications" as a way to discuss future mainstream technological needs and the key issues faced by the telecoms industry. The seminars were open to all employees, with 207 participating.

Meanwhile, to support the government's promotion of e-payments and further expand FET's mobile payment services in Taiwan, in 2016 we transformed the regular "Developers Conference" from a domestic and international industry networking event to a trend type forum. Targeting mobile payments, we cooperated with mainstream financial media, the Economic Daily News, to host the "Economic Daily News Innovation Forum on the New Mobile Payments Era". Domestic and foreign industry experts as well as representatives from government and academia were invited to discuss future trends in mobile payment, ranging from emerging trends to industrial chain integration and innovative services. About 700 participants were on-site, and a total of 80 content providers and APP developers participated in the event. FET hopes to combine the retail channel resources of the Far Eastern Group and gather more cooperative businesses and partners to drive the domestic development of the e-payments industry.



Encouraging Open Innovation

We are committed to promoting open innovations and we expect interactions among various creative stakeholders to stimulate opportunities in innovation. As the only telecoms operator with integrated multiple experimental networks incorporating GSM, WCDMA, LTE and fixed-line technology, FET shares IoT test platforms at its Taipei Far Eastern Telecom Park (T-Park) to help domestic vendors save on R&D costs and provide incentives for industrial innovation. With the successful transformation of the EMMA Enterprise Mobility Platform API software interface, FET encourages companies to test their innovative applications within the confines of our internal laboratory environment. We hope to promote successful innovative applications to external companies, help enhance the corporate competitiveness of the entire industry, and foster social and technological progress.

In the spirit of co-creation and open innovation, we organized an IoT Hackathon to bring together various resources and creativity and encourage innovation and commercialized applications. In partnership with the global application and technology platform company, PTC, we introduced the ThingWorx IoT applications support platform as a single platform to connect all things, thus contributing to the development of the local IoT ecosystem. As a result, we expect IoT technology to promote social and environmental sustainable development.

To further promote the ThingWorx IoT applications support platform, FET hosted the first IoT Hackathon in 2016, which included the IoT Applications Development Competition. The focus was on four areas: transportation, smart manufacturing, utilities and energy management,

FET Open Innovation

Provide integrated multi-net IoT test platform

"FET Laboratory" test data center is located in T-Park. It is a cooperative experimental platform of domestic end manufacturers, chip makers, digital content providers, and academic research institutions

Leverage EMMA Enterprise Mobile Commerce Platform

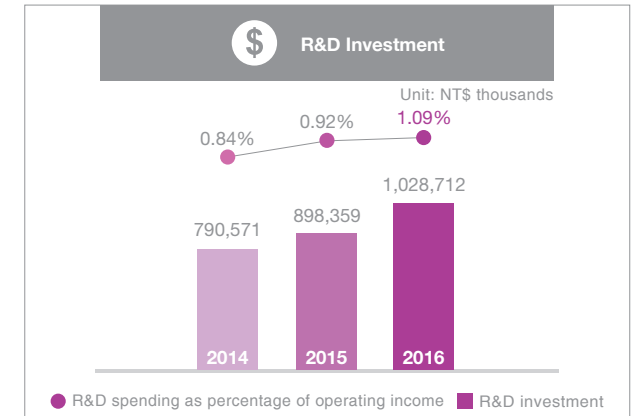
Bring together innovative applications of corporate users through API functions and undergo experimental tests in FET.

Introduce ThingWorx IoT Applications Support Platform

Provide integrated IoT development tools and functions to help FET fast-track the development of IoT solutions.

and health and smart healthcare. Various resources were tapped and start-up teams were invited to jointly develop innovative business solutions. The event attracted a total of 40 groups, with 15 groups eventually completing their applications on the ThingWorx platform.

Continuous Innovation and R&D



In accordance with our goals to sustain momentum in our innovations and grow our asset base, our R&D investment increased by 1.09% in 2016 from the previous year, marking a positive growth trend for three consecutive years. We created the "FET Laboratory" as an independent testing platform for the introduction and discovery of potential problems for new services, hardware and software upgrades, as well as research, evaluation, and integration of new features. A total of 279 test cases were completed in 2016, covering new end, front-end base stations, back-end switching networks, and value-added service systems.

In recent years, to centralize our corporate resources and keep abreast of new developments in the communications industry, we have gone beyond focusing on five major R&D investment areas, and have committed to the development of Big Data analysis applications in four major areas. We have optimized the accuracy of products and services in order to expand our customer base and enhance loyalty. We promote the convergence of virtual and physical interactions with our digital ICT services, creating the best consumer experiences in line with our three strategic objectives of innovation, namely a smart lifestyle, smart commerce, and smart city.

Five Major Areas of R&D

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.
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, enabling them to smoothly interact with 5G mobile broadband services.
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. In future we hope to provide consumers with user experiences that have a wow-factor.
Digital Convergence	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.
Virtualization of Internet Functions	Recent years have seen an increasing array of communication service types, and this has necessitated 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.

Four Major Applications of Data

Big Data Analysis Techniques	Optimize Customer Experience	Assimilate user behaviors through interactions with customers. Understand their problems using Big Data analysis and make improvements, preempting customer complaints, thus provide superior service quality.
	Enhance User Value	Maximizing benefits for customers using limited resources presents a big challenge for managing customer relationships. With appropriate planning, coupled with historical analysis of customer behavior, we can quantify decisions that influence customers' perception of value.
	Deliver on IoT Services	IoT services allow for the massive upload of data from connected devices, which provides the status of various connected devices and can be analyzed to offer service content to consumers that meets their demands, and effectively increases retention rates.
	Precise Digital Services	Records of a subscriber's past behavior are accessible through Big Data analysis. This means we can gain a deep understanding of our subscribers and provide them with the best services. This allows for continuous improvement, which is a key advantage of Big Data services.

3.2.2 Connecting With a Smart Life

FET is continuing to develop and expand our digital technologies that help people achieve their imagined future life. By connecting mobile applications with every day needs, we create an increasingly smart and convenient lifestyle for consumers. °

	Number of Subscribers/ Downloads in 2016	2015–2016 Revenue Growth	2016–2017 Projected Revenue Growth
friDay Wallet	300,000	N/A	N/A
friDay Video	289,000	26%	8%
friDay Play	1,200,000	31%	654%
friDay Shopping	179,000	148%	99%
friDay Music	270,000	15%	-2%
Smart Home	8,100	N/A	330%
Alley O2O Shopping	700,000	N/A	137%
Google Play & Apple iTunes Payment of telecom bills	1,161,000	28%	11%

Note: In 2016, paid subscribers had access to services including friDay Video, friDay Shopping, Smart Home, Google Play Carrier Billing. Actual downloaded APPs for services: friDay Wallet, friDay PLAY, friDay Music, Alley O2O Shopping.

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. Revenue and downloads grew rapidly. We then launched friDay Wallet in 2016 and officially entered the highly-promising mobile payments market. 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 demand for smart living.

friDay 錢包 friDay Wallet

At the end of 2016, FET officially launched friDay Wallet, with the goal of building Taiwan's largest electronic wallet ecosystem through integration with Far Eastern Group's 11 affiliates and 9 major international companies. friDay Wallet combines NFC (Near Field Communication) sensory functionality, cloud payment, and QR Code payment service functionality to meet the demands of consumer O2O-life applications. We expect to guide consumers towards a change in their lifestyle through mobile APPs as we bring about a smart life through friDay Wallet.

The friDay Wallet has a multi-stage development strategy. In phase I, we collaborated with transport ticketing companies and allowed subscribers to take public transportation and make payments on retail channels belonging to the Group. In phase II, we will expand through partnership with electronic stored value card companies and become the first electronic wallet company to cover the four major electronic stored value cards. We will also expand usage in the Group's retailers and department stores, and continue to explore applicable business channels to reinforce the relationship between the group's affiliates and its users. In Phase III, we will accelerate the expansion of revenue sources and the value of transactions by introducing value added services and financial services, as we look to become the consumer's preferred mobile payments company.



2016 Performance

- ✓ The number of users exceeded 300,000
- ✓ Active users accounted for more than 30% of total users
- ✓ Created nearly NT\$10 million in revenues

2017 Growth Target

- ✓ The number of downloaded users to exceed 1 million
- ✓ User retention of up to 30%
- ✓ 20,000 cooperative stores covered

friDay 影音 friDay Video

We launched the FET Video Store service in 2011. Following the revamp of friDay Video in 2015, subscribers have continued to grow, with there now being nearly 1.3 million registered members. No online streaming brand in Taiwan has more domestic online video members, and the highest quality content possible is offered. We have obtained the exclusive webcast rights to the Golden Horse Awards (better known as the Oscars of Chinese-language movies) for four consecutive years from 2013 onwards. During the live streaming of the award ceremony, there were more than 40,000 viewers watching online during peak moments. In the campaign period, we generated more than 1.2 million views.



In 2017, in addition to enhancing friDay Video's diversity and quality, we will also work closely with a number of set-top box and smart TV brands to offer consumers films on the big screen. Moving forward, friDay Video expects to be able to continuously provide high-quality video content and reliable services, becoming Taiwan's preferred online video platform brand.



friDay PLAY friDay PLAY

Based on consumer demand in Taiwan for third-party APPs, friDay PLAY was launched. In combination with Big Data analysis, it provides an accurate and effective platform for local developers, whilst 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 in 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 3 million APP downloads since launch, and in 2016, the cumulative number of subscribers exceeded 800,000, whilst the single-user contribution exceeded NT\$500,000.



friDay購物 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 concept of m-Commerce by offering "Great Shopping, Great Browsing, Great Fun". Content navigation and a unique interface are used as the basis for curating content targeted at different lifestyles. Since launching video shopping push notification functionality in 2015, friDay Shopping has attracted an average of one million visitors per month.

In 2016, we launched the "friDay Purchase" membership e-commerce platform to create "the more you buy, the cheaper it gets" shopping model and provide consumers with more desirable products through the use of a variable-pricing algorithm. Merchandise offer on friDay Shopping reached 300,000 in 2016, with over 500,000 members and overall revenues of NT\$800 million. We will continue to maintain growth momentum in the future, will strengthen the friDay Purchase variable-pricing function, and will add new services in 2017. Going forward, we will also expand cooperation with brand-name manufacturers as we seek to build branded stores through video and content. We will provide consumers with attractive products through our variable-pricing platform friDay Purchase as we seek to become the most lavish e-commerce platform in Taiwan.



friDay音樂 friDay Music

friDay Music 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 offers online music streaming as its main business model, and includes music services such as downloads of singles and ringtones, with over 3 million songs in the database. In 2016, friDay Music partnered with ACRCloud and launched the exclusive song-identification feature. Subscribers can pick out the song that they are listening to, as well as identify a song by simply humming it. They are also able to automatically build a songs list through such methods. With its identification capability also allowing recommendations to be made, this comprehensive music service has led to registered members of friDay Music exceeding 800,000 in 2016, up 30% compared to 2015. Looking ahead, FET will develop and expand IoT support, and will look to leverage the benefits of an online music streaming service in other devices.

Omusic → friDay Music

Omusic已於2017年正式更名為friDay音樂，納入遠傳friDay生活品牌。透過DJ歌單強化與外部名人推薦，持續擴大使用者接觸音樂的多元習慣管道，形成使用習慣。



friDay 閱讀 friDay Reading

FET launched friDay Reading in 2015, providing "monthly featured themed packages" covering a variety of product combinations for different e-reading groups. In cooperation with the publishing industry and platform vendors, friDay Reading has maintained more than 6,000 e-books for unlimited reading, and adds more than 200 e-books and e-magazines monthly to create a diverse and rich digital reading environment for readers.

friDay Reading provides resources for a number of public charity reading activities and contributes to the promotion of corporate social responsibility. To motivate consumers to read, friDay Reading launched the "friDay Reading Gift Card" in 2016 as a new way of sharing gifts between friends and family. Once users have chosen their themed packages according to their preferences, they can enjoy unlimited reading during the usage period. As such, friends who love reading are invited to join the digital reading world.



Smart Home

With home care as the original intention, FET entered the Smart Home market in 2016 with the launch of the "Smart Home", and offered "9-3-3 Service Advantages": 9 layers of security, 3 best services, 3 low-rate plans, 4.5G tri-band high-speed network, as well as all-round all-in-one mobile smart housekeeping products. Through IoT and remote control technology, we achieve the vision of "caring about home when not at home", thereby enabling consumers to enjoy a carefree lifestyle. As of the end of 2016, the number of subscribers exceeded the 10,000 mark, setting the stage for more Smart Home business opportunities.



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. The Alley APP has so far launched "Alley" and "Alley x Tainan", attracting 700,000 downloads and providing increased marketing exposure for more than 1,200 businesses with more than 50,000 monthly active users. In mid-2016, we started the Alley service in Taichung and Kaohsiung areas to reach more stores and consumers.

Alley generated more than NT\$20 million in revenues in 2016. We will continue to expand the footprint of cooperative stores in 2017 and include mobile commerce functions such as local tourism, event ticketing services, and mobile payment functions to build Alley into Taiwan's largest local-living O2O platform.

Android + iOS Dual System Carrier Billing

FET was the first telco in Taiwan to offer Google Play Carrier Billing in May 2014. We blazed new trails again in August 2016 by becoming the first operator to launch iTunes billing in Asia and the first telecom billing collection company with Android and iOS dual systems, providing subscribers with even more convenient, faster, and more secure APP shopping experiences. As of the end of 2016, there were 1.14 million cumulative non-repetitive paid subscribers to FET's Google Play Carrier Billing service, and 23.6 million transactions were processed, placing it as the industry leader. Less than six months after iTunes Carrier Billing services had launched, there were nearly 300,000 accumulated non-repetitive paid subscribers with extremely rapid growth, fully reflecting the consumer demand for carrier billing service.

In 2017, FET will continue to cultivate its Google Play and iTunes APP Store offerings, with plans to extend carrier billing to everyday living and e-commerce applications, thereby providing consumers with a more comprehensive mobile payment experience.

3.2.3 Smart Commerce Leadership

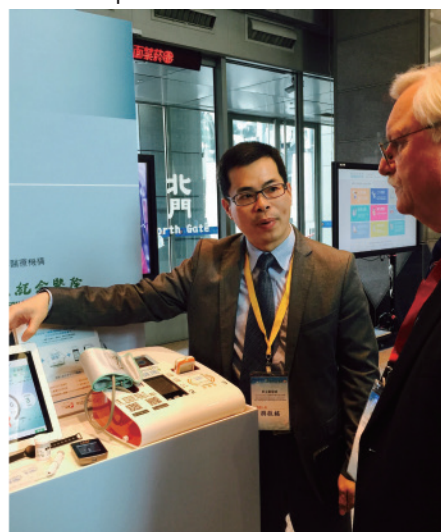
As part of our commitment to customer service, we provide our corporate users with a one-stop shopping for ICT integration solutions according to their service needs and the nature of the industries that they operate in. We look to provide business services such as information security, data center construction, cloud integration and mobile applications through 4G LTE, Fixed Mobile Convergence (FMC), IoT, Big Data, private cloud, and cloud network management and storage technologies. In doing so, we will lead our enterprise customers as they move towards complete mobility. FET enterprise mobile and enterprise ICT services reached NT\$15.4 billion in 2016.



Enterprise Mobility Messaging Assistant -- EMMA

EMMA enterprise mobile platform aims to enhance the efficiency and security of intra-enterprise information transmission based on user-friendly instant messaging capabilities that links a corporation's internal information systems and embeds M2M (Machine-to-Machine) capabilities. Through private clouds, confidential information remains secure, which supports solutions such as enterprise instant messaging push notifications, instant business information, form applications, mobile information security, and IT systems monitoring, thus helping to achieve highly efficient management by closing the distance between information/services and instant decision making/response.

EMMA was adopted by the retail, financial, manufacturing, and services industries, as well as the government, academic institutions, hospitals, and many other large institutions. FET expects EMMA to effectively enhance the mobile communications of corporations and further strengthen their competitiveness.



BYOD Mobile Device Management Solution

With the global trend towards Bring Your Own Device (BYOD), more and more companies are allowing employees to bring their personal mobile devices to the workplace. However, according to a Gartner report, most corporations currently only permit their own devices, and there are few corresponding management measures for employees' personal devices. Therefore, companies must find a balance between corporate information security, employee privacy, and flexibility of usage.

FET offers the best-of-breed BYOD mobile device management solutions for enterprises, with years of experience in the corporate cloud-computing market and ICT integration. In 2016, FET helped a number of companies in manufacturing, retailing, finance, service, healthcare, and catering sectors introduce BYOD applications to administer their device access restrictions, email/sign-off system integration, and internal confidential information access and management.

3.2.4 Smart City Contribution

According to a United Nations report¹¹, the global population of cities 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. In the face of urbanization, the use of ICT equipment systems to enhance quality of life has become an important issue for the ICT industry.

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 focused on 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 a 4G smart-city project, and built smart-city solution capabilities.

	Smart Health (Health+)	Smart Safety Inspection	Smart City
2016 Performance (i.e.revenue, number of subscribers, beneficiaries/number of people served)	Number of subscribers: 100,000	nspection points: 1,100	The number of subscribers served: 293,351 Revenue created: NT\$15,354,000
2017 Targets (i.e.revenue, subscriber growth rate)	Achieve a 30% growth rate	Achieve a 100% growth rate	Achieve a revenue of NT\$39,900,000

¹¹United Nations, *World Urbanization Prospects*, 2014.

Health+ 健康+

To improve the treatment of chronic diseases such as high blood pressure and diabetes, FET partnered with Far Eastern Memorial Hospital to launch the "Health+" cloud health management service. The service was awarded with the "Medical Peripheral" and "Medical Center" certifications by the 2016 SNQ national quality mark, and its quality, security and application effectiveness are well recognized by the expert group to be worthy of public trust. In combination with personal health cards and mobile APPs, patients with high-blood pressure and diabetes benefit from various programs that offer personalized cloud measurement of blood pressure, blood sugar health management services, and remote care services for diabetes.

By the end of 2016, Health+ had set up more than 500 test stations in New Taipei City and Tainan City, covering over 100,000 members. According to statistical analysis, Health+ assisted 14.5% of users with early warning signs of hypertension and effected a 47% reduction in the incidence of emergencies due to high blood pressure.



Smart Safety Inspection

The NFC (Near Field Communications) electronic inspection system provides clear and transparent information for industries such as the environmental management and security units of medical, security, supply chain and logistics, and other large organizations that require regular audits or inventories of sites/objects/equipment in order to reduce waste of corporate resources. 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 can help contribute towards reducing incidents of fraud and accidents.

In 2016, the intelligent inspection system was successfully introduced to well-known shopping centers and petrochemical plants to help private companies make inspections and reduce management risks. For areas of public safety, such as rivers and public facilities, inspection can be done accurately to protect people and their property. 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.



NFC電子巡檢





GO Innovative

UN Sustainable Development Goals



Health+



EMMA, BYOD, Indoor Positioning, Smart Safety Inspection



friDay mobile-lifestyle brands, Smart City Flagship Project in Tainan



Smart City Flagship Project in Tainan

Featured Project: Tainan 4G Smart City Flagship Project



Tainan City is well known as the ancient capital of history and culture in Taiwan. The city retains many of Taiwan's historic buildings, temples, industries, and cultural elements that are imbued with historic value. Over the years, this once highly developed city of the 19th century has grown to have a population of 1.88 million, but is faced with developmental problems such as narrow streets, frequent flooding, traffic jams, and poor infrastructure, all of which create economic lag. The city urgently needs reforms. In August 2015, FET worked with Tainan City to activate its 4G Smart City Flagship Project. The five indicators of an ICF Smart City — namely, broadband links, a knowledgeable work force, digital content, innovation, and marketing promotions — in combination with the original administrative plans of Tainan City were reviewed as we implemented planning applications in six areas and involving seven departments. With the perfect integration of cultural capital and 4G smart technology, Tainan City created the first comprehensive smart city. We hope that related experiences will be duplicated in other local governments to fulfill the vision of a future smart life.

合作計畫投入



Over **NT\$1 billion** invested in collaboration projects



Over **420** meetings were held



Over **217** people participated

4G Smart City in Tainan



6 Areas of Development

- Smart city operations management center:**
integrate business, operations, and industry information across the city government; provide early warnings; forecasting; decision-making advice; and share government information.
- Smart water resources disaster prevention:**
establish a 4G mobile information collection platform for deployment into pumping stations water pumps, and water level monitoring stations. Integrate water information across areas and with immediate disaster prevention center notifications, whilst promoting cross-county/city cooperation for disaster prevention to establish a regional defense mechanism.
- Smart traffic:**
utilize FET's 4G coverage to offer complete monitoring of traffic networks; real-time push notifications of traffic information; and comprehensive services transmission.
- Smart mobile education:**
go mobile and optimize the wireless network in urban and remote areas; popularize mobile teaching methods; promote mobile education through the five senses anytime and anywhere concept; and nurture teacher-student interaction, thereby improving teaching efficiency.
- Smart health community:**
combine community care centers; establish a mutually beneficial win-win cooperation model between the government and industry; and extend the opportunities for independent health management services.
- Smart travel:**
establish a 4G O2O integrated e-commerce ecosystem; create cultural in partnership with the local people; share the benefits of tourism; and transform online users to offline consumers in support of the local business community.

Project Recognition and Awards

- The only telecom operator in Asia invited by GSMA to show smart city applications at the 2017 MWC.
- The only company nominated in the GSMA 2017 GLOMO Awards.
- Tainan 4G open action education - CloudPlay applications selected by Qualcomm's "Wireless Caring Program" as the first cooperation project in Taiwan.
- The first smart city in Taiwan selected by the GSMA for a project film.
- Invited by the 2016 MWC Shanghai Forum to share experiences of building a smart city.
- The only company selected by the GSMA's "Keys to the Smart City" as a recommended case study in a smart city special report.
- A smart city model to create five firsts in Taiwan
- The first smart city operations center.
- The only multiple IoT system to integrate the government's developments and services.
- The only Civil Card to integrate public service systems.
- The only water resources system to build a 4G monitoring platform with total coverage.
- The first 4G all band TTIA machine car in Taiwan.

2017 Targets

- Build a high-performance private cloud platform.
- Establish a platform for data transmission and information sharing.
- Establish a dependable water resources information platform.
- Establish a smart traffic control center.
- Establish a mobile teaching platform and strengthen smart teaching functions.
- Establish a medical service center.
- Build a smart sightseeing, live marketing O2O ecosystem.

4 Development Visions

- Revitalize historical heritage and build a cultural capital.
- Reinvent innovative thinking and promote sightseeing activities.
- Introduce smart IoT and transform the technologies of a city.
- Utilize technological applications and create a low-carbon life.



UN Sustainable Development Goals (SDGs)



Employee Welfare and Health



Gender Equality in Employment, Sexual Harassment Prevention



Employment of the Disabled, Industry-academia Collaboration Programs

2016 Major Inputs



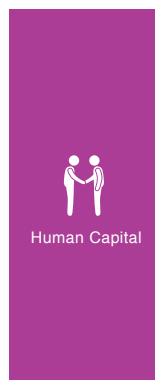
Social and Relationship Capital



Total investment in brand management
NT\$35 million



Hours spent on training of store, customer service personnel
7,743,251 hours



Human Capital



Total employees
6,972



Total investment in employee training
NT\$32.9 million



Total training time of employee training
335,017 hours



Spending on annual benefits of employees
NT\$7.07 billion

2016 Key Outputs



No. of effective users
7.346million



Penetration of 4G postpaid subscribers reached **68%**, leading the industry



Satisfaction with our customer service center
91.2%



Developed/improved service systems for better customer experience

Go Caring Outcomes





Combining the core competencies of corporations to strengthen social communications and inclusiveness, we create employment opportunities and encourage disadvantaged groups to strive for an equal working environment. At the same time, we bring about multiple development opportunities as we invest corporate resources in training programs that enhance the professional level of the telecom industry, foster industrial competitiveness, and fulfill our brand value.









Go Caring Outlooks

In the 20 years since FET was founded, the spirit of our brand, "Closing the Distance", has inspired the general public to cherish interpersonal relationships and their relationships with society at large. FET is not just a telecoms company, but one that provides customers with all-round life and business communications services. Moreover, as a bridge that connects people, we strive to be the go-to "Relationship Connector". We will continue to leverage our brand's influence, spread love far and wide through not just words, but actions, and encourage the general public to care about friends and family. Furthermore, our influence runs deep within Taiwanese society as we look to connect locals who share the caring spirit as together we shape the shared values of the telecom industry. In addition to utilizing our brand power and promoting interactions with stakeholders, FET also provides a higher quality of customer experience through our comprehensive training of store personnel, innovative digitalization and virtualized service channels, and diversified telecom services and products.

3.3.1 Stakeholder Engagement

Through high-quality ICT and digital application services, communication without distance remains our central mission as an operator. We believe that "Go Caring" as a concept is key to maintaining good relations with stakeholders. Whether that may be internally with employees or externally with subscribers, FET's engagement with them deepens the relationship, allowing stakeholders to feel that "FET Connects and Enriches Life" at all times as we seek out sustainable growth. Our stakeholder communication channels, methods of response, and communications performance in 2016 are tabled below.

Stakeholders	Response and Communication Channels	Communication Performance
 Employees	<ul style="list-style-type: none"> · Education and training programs · Annual performance evaluation · Quarterly town hall meeting · Employee satisfaction survey (ad hoc) · Employee grievances mailbox · Quarterly Lantern Legend Meeting · Annual employee meeting · Employee Welfare Committee · FET e-Express/FET e-Paper · FET internal website/FET Newsletter 	<ul style="list-style-type: none"> · Through FET e-Express, all employees are informed of volunteer accomplishments for the year. · In 2016, a total of 22 employee suggestions were received through intranet and email. · In 2016, a total of 3 cases were received through the grievances mailbox. · The employee opinion survey, "Connect for Best", received a total of 5,045 responses (82% response rate). · Further details on communication efforts can be found in Chapter 3.3.4 (Friendly Workplace) of this report.
 Consumer/ Customer	<ul style="list-style-type: none"> · In-store face-to-face communication · Six complaints channels available to 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 · "Connecting with Heart, Spread Love Far" brand activities · User behavior research/surveys 	<ul style="list-style-type: none"> · All retail stores in Taiwan have a dedicated official LINE account and Facebook fan pages for provision of service information as well as for one-on-one inquiries. By the end of 2016, there were 80,000 friends on LINE accounts and 200,000 fans on Facebook fan pages. · FET handled 2,051 cases of official correspondence, 129 instances of arbitration meetings, 26,093 inbound customer service calls, and 4,212 cases via the FETnet website/self-care APP/online chat. · Overall customer satisfaction of FET's retail stores in 2016: 91% · Overall customer satisfaction of FET's customer service center in 2016: 91.2%. Total number of positive messages on service satisfaction: 7,872 calls. · For other communication performance, please refer to Chapter 3.3.3 "Service Without Distance" of this report.
 Enterprise Customer	<ul style="list-style-type: none"> · Business visits · Call center 	<ul style="list-style-type: none"> · Number of calls handled via Call Center: 373,906 in 2016. · For other communication performance, please refer to 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 193 NCC business meetings and 18 administrative inspections in 2016. L&R accompanied the customer service or sales unit to assist in the NCC administrative inspections. NCC identified two violations: one regarding the additional expenditure occurred by customers due to operational mistakes made by staff whilst activating telecommunication services; the other relating to FET dealers not following the related rules for operating procedures in the sale of prepaid cards. All have been resolved, and future improvement steps taken by the customer service and sales units in accordance with the NCC's instructions. · Took part in 15 Ministry of Transportation and Communication meetings and communication sessions in 2016. · There were 3 cases under investigation with the FTC in 2016. As of January 23, 2017, one case was closed and no violation of the Fair Trade Act was found. Two cases are pending further investigation and not closed. · Received 4,094 pieces of official correspondence from NCC in 2016, mostly from business related to mobile communications (including 2G/3G/4G).

Stakeholders	Response and Communication Channels	Communication Performance
 Suppliers/ Contractors/ Developers	<ul style="list-style-type: none"> · Supplier CSR Self-Declaration · FET Supplier Chain Guidelines for Corporate Social Responsibility · The Code of Trustworthy Management · Procurement satisfaction survey · Developer Conference 	<ul style="list-style-type: none"> · In 2016, 82% of FET's Top 100 existing suppliers and 100% of new suppliers signed the "Supplier CSR Self-Declaration". · All 229 FET suppliers signed the "Code of Business Conduct Agreement" in 2016. · In 2016, a total of 138 procurement satisfaction questionnaires were sent out and 58 effective procurement satisfaction questionnaires were received with a 42% response rate. On average 95.3% of the responses were "satisfied" or "very satisfied". · In 2016, FET held the Developers Conference for the seventh consecutive year. The conference topic expanded to cover the "Economic Daily Innovation Forum - New Era of Mobile Payments" with over 700 in the audience and 80 content providers and APP developers. · For more details on communication performance, please refer to Chapter 3.4.1 (Creating Sustainable Value in the Supply Chain) of this report.
 Shareholders/ Investors	<ul style="list-style-type: none"> · Annual general meeting · Investor conferences · Communication through dedicated units (ad hoc) · Investor Relations section on the website 	<ul style="list-style-type: none"> · Hosted one general shareholders meeting in 2016. · Hosted 4 Investor Conference Calls in 2016 to facilitate direct communication between investors and the executive leadership team. · Dedicated units took part in domestic/overseas face-to-face institutional investor meetings to communicate with investors. · Published monthly non-audited revenue, profit and operating statistical data on Investor Relations on FETnet.  Investor Relations
 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 144 meetings in 2016, including 61 on various issues and 38 working groups related to the construction of base stations. · Other details on communication efforts can be found in Chapter 3.3.2 (Service Without Distance) of this report.
 Media	<ul style="list-style-type: none"> · Press releases/conferences (ad hoc) · Communication through dedicated unit 	<ul style="list-style-type: none"> · Hosted 9 press conferences and issued 232 press releases in 2016.  Newsroom on
 Community Group/NGO	<ul style="list-style-type: none"> · Information meetings/ symposiums/ forums · Sponsorships and collaborations 	<ul style="list-style-type: none"> · Hosted 122 public welfare activities, with 440 employees participating and 11,996 people benefiting. · For details on communication performance, please refer to Chapter 3.4.3 (Go Inclusive) of this report and the FET CSR website.  FET CSR website



Go Caring

2013-2016

“Express your love. Let it be heard”

3.3.2 Brand Image Management

FET believes corporate social responsibility should be built on long-term commitment to society as a whole. In 2013, FET took the initiative to launch the “Express Your Love. Let it Be Heard” campaign, the first of three branding campaigns. From family to society, from little love to big love, and from interpersonal interactions to care and appreciation for the land of Taiwan, people are encouraged to express positive emotions. With our branding activities over the course of three years, FET offers Taiwan positive encouragement and seeks to promote beautiful landscapes and human relationships. Brand messages also gained enthusiastic response from the Taiwanese public, and significantly enhance FET’s brand position and reach rate.

From “words” to “action”, spreading the brand’s influence

As FET celebrated its 20th anniversary, we pressed forward with our “Closing the Distance” ethos and launched an all-new “Connect with Heart. Spread the Love” communications campaign to encourage people to reminisce about special people around them at different stages in life. Whether a nanny from childhood, a teacher who inspired and pushed, or a high school sports team coach, it was their efforts that contributed to our achievements today. At every stage, FET sincerely engaged with its stakeholders, as we inspire them to think about the important people in their lives and take timely actions to express their care for them by reviving the good times of the past.



“Express Your Love. Let it Be Heard” Trilogy commercial has garnered \$500 million in commercial benefits in Greater China area with 32 domestic and foreign awards.

Listed as one of the Top 100 Most Influential Taiwanese Brands for three consecutive years.

Connect with Heart. Spread the Love — The Coach” Sole winner: fourth place for the most successful film in January on YouTube Asia Pacific — Taiwan

“The only champion in “2016 Service Survey” in Taiwan from Commercial Times for five consecutive years, leading the industry”



Under the influence of Asian culture, many Taiwanese can be quite reserved when expressing affection. Even though smart devices are everywhere, it is not easy to show appreciation and affection to our family and friends. Therefore, FET launched our brand campaign of “Express Your Love. Let it Be Heard”. We invited Mr. Yang, Li-Chou, noted director, to interview more than 100 people, to share their deepest emotions. 11 stories of individuals voicing their love towards loved ones were shot as FET commercials in documentary style. We hope that these can inspire people to express their affection and encourage people to speak out about their positive feelings.



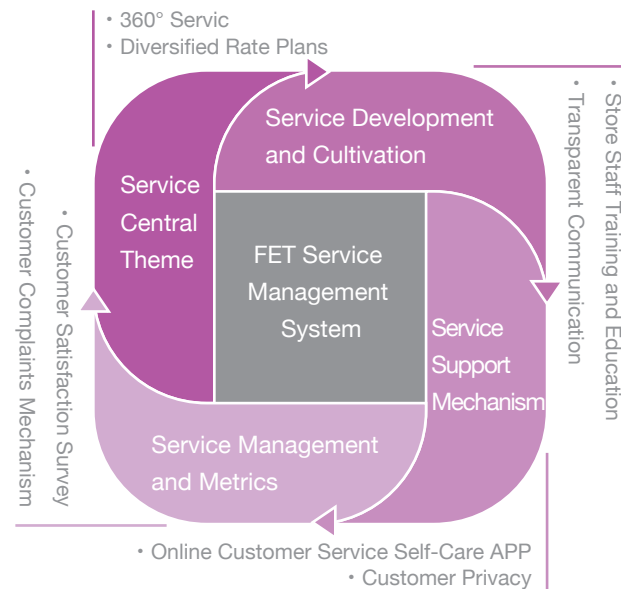
The second part of “Express Your Love. Let it Be Heard” began with 6 documentary films that allowed people to understand trivial things we may easily overlook when communicating with our loved ones. “Because of Love, Keep Your Words Sweet” encouraged people to think about their ways of communicating, with a view to increasing the frequency of occasions on which they express positive feelings and close the distance to others around them.



The third part of trilogy aims to change the pessimistic attitude which can exist in Taiwanese society. Famous people from all walks of life such as aboriginal singer Biung Tak-Banuaz, master baker Wu Pao-chun, and the fifth generation heir of Pili Puppet Show Huang Liangshun are invited to appeal the public to praise our land in our unique way. With practical actions and the spirit of “Say it Right”, a positive force will rise up and extend to every corner of our society. Small love from everyone will eventually gather together and become the big love.

3.3.3 Servie without Distance

Since 1997, against a backdrop of market disruption and technological developments, FET has consistently upheld the spirit of "closing the distance" as we have moved forward together with our customers. We believe that paying attention to every customer need is essential for us in order to provide the best possible service that touches their hearts. With great hospitality that delivers on customer satisfaction, to services that make customers go "Wow!", FET is gradually closing the distance and creating our caring customer service philosophy.



Outstanding customer service requires a comprehensive management system. Our service management system consists of four dimensions, which all have their own comprehensive set of guidelines and practices in place. Through the PDCA(Plan-Do-Check-Action) process, we are continuing to improve and optimize our services. It is this solid and detailed service management process that allows us to direct our service philosophy into all types of channels where we interact with customers, and ensures consistent standards of service from all frontline staff throughout Taiwan, which effectively enhances brand communication and continues to create services that meet customers' needs.

Won the 2016 CRE Awards for the "Best Customer Experience Management", "Best Customer Experience Center", and "Best Customer Satisfaction Quality System".

Self-Care APP won the silver medal for the "Best Omni-Channel Experience" and the bronze medal for the "Best Customer Communication" in Business Next's 2016 Future Commerce Awards.

First telecom company in Taiwan

In 2016, received the "Competency-Based Program Quality Certification" issued by the Workforce Development Agency.

Awarded the "Best Customer Care Center in Taiwan" at the Asia Pacific Contact Centre Association Leaders (APCCAL) 2016 Excellence Awards.

Received the SGS "BS 8477 Customer Service Management Certification" for the second consecutive year.

Received the "ISO10002 Customer Complaints Management Certification" for the fourth consecutive year.

Received the "ISO10002 Customer Complaints Channels Certification" for the third consecutive year.

Received the "ISO29990 Learning Service Certification" for the third consecutive year.

Ranked No.1 in "Top Service Award-Mobile and Communication category" hosted by Next Magazine for the fourth consecutive year.

Awarded the golden medal award in "2016 Service Survey" in Taiwan from Commercial Times for fifth consecutive year.

Received the "SGS Qualicert Service Certification" for the tenth consecutive year.



Comprehensive Rate Plan Options

Diversity of Telecommunication Services Diversified Rate Plans

In order to respond to customers' diverse needs, FET has released 4G rate plans based on "simplicity, value, diversity, satisfaction" principles. The tiered plans are designed for consumers with different lifestyles as we look to promote the popularity of 4G services. With the rising popularity of mobile devices and 4G Internet in recent years, a survey by the Taiwan Networks Information Center (TWNIC) suggested that the mobile Internet access rate of users in Taiwan 12 years old and above increased from 60.8% in 2015 to 67.8% currently. Since June 2016, in an effort to assist parents with managing their children's mobile device budgets, FET offered the Student Prepaid Card Premium Plan to meet their Internet access requirements.

In consideration of the needs of low-income and special groups, FET not only offers low-cost prepaid cards to lower the threshold for telecommunications service but also provides special rate plans for minority groups to ensure that everyone has the right to basic communication. The low-cost prepaid cards require no contracts or monthly subscriptions, and as such users are able to enjoy more flexibility when making use of telecommunication services as they seek to stay within their means. In addition, FET also provides intuitive operating interfaces and suitable phones for the elderly in order to increase their willingness to use mobile devices.

Communication Performance

Consumer Group	Program Name	Program Content						
Students	1-Dollar Prepaid Network Plan	<ul style="list-style-type: none">Each prepaid card costs NT\$298, the lowest-priced prepaid cards for Internet access in the telecommunication industry. Data traffic is just NT\$1 per 1MB and can be used for Internet/calls/SMS.1MB: Send 50 Line messages, upload 1 photo for Facebook check-in, or receive 10 e-mails.						
	Student 4G Ideal Plan	<ul style="list-style-type: none">Monthly fee of NT\$799 per 7GB. Can be used for both intra-network and inter-network calls for 40 minutes. The intra-network calls offer an extra 350 minutes for free.						
	Student Prepaid Card Premium	<ul style="list-style-type: none">Each prepaid card costs NT\$1,399 with data traffic of 20GB per 120 days, equivalent to NT\$2,000 intra-network free calls as well as the equivalent of NT\$1,399 worth of telecommunications for special offers.Number of plan users in 2016: 731						
Foreign Visitors (Taoyuan Airport Exclusive)	Internet Access Card for Foreign Visitors	<ul style="list-style-type: none">Multiple options for unlimited data traffic for Internet access (1-30 days), including special offers for free calls/SMS.Number of plan users:<table><tr><td>2014</td><td>2015</td><td>2016</td></tr><tr><td>206,957</td><td>245,463</td><td>217,692</td></tr></table>	2014	2015	2016	206,957	245,463	217,692
2014	2015	2016						
206,957	245,463	217,692						
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.						
The Physically and Mentally Handicapped	Genial Plan	<ul style="list-style-type: none">Holders of a Handicapped Handbook may apply for a 50% discount on designated rate plans.FET launched the 4G Ideal Genial program to provide holders of a Handicapped Handbook with the benefits of Internet access and SMS.						
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 ratio of the FET Foreign Worker Prepaid Card remain in the top spot in the industry. Phone number usage ratio of foreign workers from Indonesia, the Philippines, Thailand, and Vietnam exceeds that of our industry competitors.						



360° Service

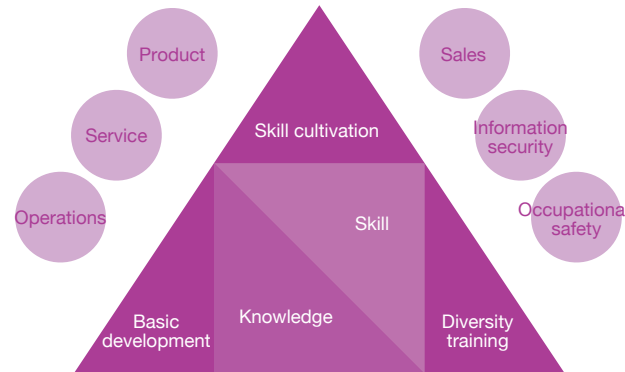
FET launched the "360° Store Service" concept in 2012 by blending its caring ethos into service provision to provide service content tailored to different e-consumers' time, locations and product requirements, and thus taking warm service of FET, embodied by the mantra of "closing the distance", into practice.

Caring Service	Service Content
Crafting the best and most efficient store service experience	Store reservation service Reserve online or through mobile devices to shorten waiting times.
	100% promise, 100% satisfaction 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.
	Self-service kiosks Self-service kiosks are being installed in stores throughout Taiwan.
	Free 4G road tests 7-day free trial of 4G SIM card/ mobile phone.
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.
	Home delivery service for platinum members FET Platinum VIP members can call customer services for courier pick-up of products which require return merchandise authorization.
	Golden phone rescue 2-year repair service is offered to mobile phone/tablet for contract 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
	Open-all-year FET service center FET service centers throughout Taiwan are open all-year round to repair products quicker and more efficiently.
	Mobile phone trade-in FET assesses the trade-in values of customers' unused or obsolete phones against the value of their purchase. This also supports environmental protection.

Caring and Considerate Service Training for Store Staff

The customer's first impression of a brand depends on the frontline staff. The flexibility and adaptability of store staff are put to the test in their handling of general as well as special cases, and their ability to uphold professional and effective service under various conditions is crucial for FET's service-oriented brand image.

FET 2x3 Training Mechanism



To provide a consistent and professional standard of service, FET has established a "2x3 Training Mechanism" focused on knowledge and skills development of the six operational pillars. "Basic development" is first phase of training for new employees whilst "skills cultivation" and "diversity training" are the subsequent phases, and are used to reinforce the capabilities of existing employees. In 2016, new and existing store staff received on average 80 hours and 67 hours of training respectively. To ensure that the service quality of franchise stores is consistent with that of retail stores, FET continued to work with franchisees in 2016 by providing three external training courses: "situational sales for talents", "teamwork training", and "business area development for stores and intensive operations". These have helped to reinforce the competitiveness of franchisees.

Apart from formal training channels, FET also develops various service-support tools to help frontline store personnel to implement Wow! Service. Our store systems team applied data mining to convert the experience of the staff in stores into our knowledge database. Apart from helping store personnel to quickly understand a customer's requirements, the resource integration platform maintains consistent service quality that would otherwise have been affected by the inexperience of new employees. In addition to formal training, we have also included social networks into our internal communication channels. Store personnel can ask questions in the "Solve it with FET!" fan group and have them immediately answered by FET Channel Management. All efforts are made to ensure that our frontline partners are kept up to date on the latest professional developments in the quickest and most flexible way.

Product and Sales Services

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 services, warranty services are provided for all mobile phones and related merchandise sold by FET. Consumers can also contact the warranty service provider or send the damaged products to the distributor for repair. There were three cases of product labeling or marketing communication related violations and reports at FET in 2016. One of the cases was resolved before 2017/1/23 and has been cleared according to Fair Trade Law; the other two cases are still awaiting clarification.

Rate Plan Transparency

Rate plan transparency and communication can be effective in reducing consumer complaints due to insufficient awareness and misunderstanding of product or service after consumption, thereby enhancing consumer trust. The rate plans for new products and services must be submitted to the competent authority for approval or their reference in accordance with the Standard Operating Procedure for Reporting of Telecommunications Rate Plans to the Competent Authority. All rate plan information 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.

Full explanation of product information and the relevant 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 and the relevant rights

FET believes that transparent communication is the key to maintaining clients' trust. 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 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.

Customized Communication

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 different consumer types 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.

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. In 2016, to help the elderly become more acquainted with smart products, our channel training department developed consumer courses and worked with neighborhood communities in the greater Taipei area to allow the elderly, who may find it inconvenient to access FET stores, to learn about smart products. This considerate outreach program has earned FET many accolades. In 2016, 34 such sessions with neighborhood communities were held, drawing a total of 798 participants.



Focused and Considerate Service 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, our vision of information security — "respect for customer information, treasure customer entrusted, maintain sustainable services, and win the trust of customers" — has been put into practice as part of our Corporate Security Organization (see 4.4 "Operational Risk Management" for the detail). 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 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 2016.

According to the Telecommunications Act and other related regulations, telecommunication service providers in Taiwan are obligated to disclose the basic information and call detail records (CDR) of their customers upon receiving lawful written requests from government agencies. In compliance with this and to ensure proper management, FET set up the Standard Operating Procedure for Processing Requests for Call Detail Records and Customer Basic Information. Accordingly, all replies to such requests are sent via secure and encrypted channels and details of such inquiries are properly retained and documented. All written requests from government agencies received in 2016 were duly replied to. Approximately 1.9% of the SIM cards issued by FET were subject to government inquiry.

FET continues to uphold the highest standards on information security management. In 2016, we obtained several international certifications, which 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. In 2017, we will enhance information security through tests into the effectiveness of our information security implementation, and as such we expect the risks to be reduced even further.

Information Security Metrics and Modifications

FET information security metrics use monthly, seasonal, bi-annual, and annual indicators, which are reviewed by each department and corporate security organization. When violations occur, alerts and prevention notifications are published along with the required modifications within a time limit for complete information security. There were 20 violations in 2016. These matters for system service usability were mainly attributed to hardware issues or software abnormalities of subcontractors, and the necessary fixes have been performed.

ISO 27001 Information Security Certification

FET has obtained the certification of information security for 12 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 addition to keeping the certification operational, analysis of overall information security also complements the certification effectiveness and safeguards both the quality and quantity of the certification.

ISO 20000 Service Management Certification

FET has obtained the certification on service management for 8 consecutive years.

BS 10012 Personal Information Security System Certification

The scope of the certification covers all retail stores in Taiwan, service applications, collection of customer data at the front-end, as well as ratings and mailing of bills and data processing in the back-end. The broad scope of the certification is a reflection of our most stringent protection of every customer's personal data.

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. FET has obtained the highest recognition for 3 consecutive years.

In addition to actively introducing the above international standards to ensure that the IT security and personal data protection systems at FET are in line with international guidelines, FET has also set up an IT 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 operating risks from information security includes the maintenance of information, systems, processes, servers and terminal devices as well as infrastructure management; the continued cultivation of IT security skills for all personnel; validation and verification of policy/specification documentation and conformity. To increase training and awareness of information security management, FET has conducted over 70 training sessions with more than 12,200 participants, accumulating a total of over 10,000 training hours in 2016. Education and training on corporate security issues is an on-going commitment by FET, whereby various resources are made available, such as classes on the intranet, pop-up messages on computers, information security websites, themed activities, and more. These efforts helped employees to achieve a pass rate of over 99.83% in the information security test, effectively improving overall information security awareness.

Personnel Security

All human resources files are fully and properly managed by FET. Employee security responsibilities are made clear at recruitment and stipulated in the employment contract. All FET employees, suppliers, contractors, contract workers, and consultants are required to sign a non-disclosure agreement or document with legal basis.

Physical and Environmental Security

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

Personal Information Management for Customers

To ensure that FET's management of customers' personal information conforms to the requirements of the Personal Information Act, FET has issued guidelines for the collection, processing, use and archiving of customer

data. Use of customer data must follow the principles of "relevance, appropriateness, and restraint". 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, and further processing and usage then follows a formal access control and certification process. Due to the introduction of the Personal Information Protection Act, FET is now minimizing the number of physical contracts with sales channels and stepping up controls on contract flow.

Service Feedback and Improvement

Highly transparent methods to obtain feedback from our customers and ways to improve our service management process to meet their expectations are made possible through regular client satisfaction surveys. To ensure that we respond to every customer's opinions and feedback, we have, in addition to the Self-Care APP, set up a comprehensive complaints and management mechanism. To establish a strong link between employee performance and company operations, and to assist in tracking service quality, customer satisfaction is one of the key performance indicators in the awarding of bonuses.



FET Self-Care APP - advanced with the times

The APP was launched in November 2012. 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 to improve its user interface. In September 2014, FET was the first company in the industry to introduce game-based, interactive methods for users to obtain special offers with ease. We further empowered the APP with easy and fun features. To date, there has

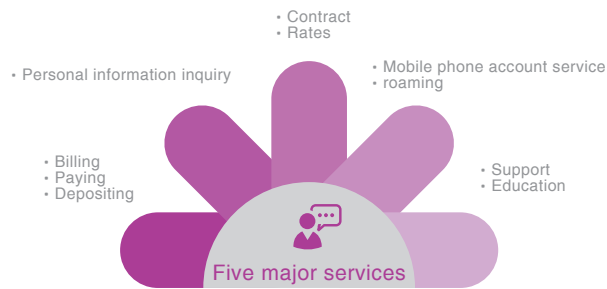
been more than 4.6 million downloads. FET's Self-Care APP was overhauled in 2016. "Instant Usage Load" and "Current Bill" are provided on the home page to save time clicking through functions. In addition, "Special Offers" are set up. This allows customers access to exclusive campaigns as well as life/technology/leisure information. On the day that the APP was overhauled, 100,000 users were attracted and the monthly usage rate has soared to 3.1 million instances.

For customers who frequently travel abroad and have a high demand for Internet access, FET released a new roaming service that caters for their needs according to the users' demand before/after leaving the country and during traveling. The new roaming service can be easily installed via the FET Self-Care APP's Roaming Service. Over 300,000 users were attracted within two months of the release of this service. FET is committed to providing the most personal and convenient mobile services that can generate service effects and increase customer retention. In 2016, FET conducted the Self-Care APP satisfaction survey, which included the questions on the overall impressions of the APP, the ease of accessing information, and whether the information obtained was satisfactory. About 10,000 frequent APP users were surveyed via IVR. In 2016, the monthly average score of the overall satisfaction survey was 4.13 (maximum: 5 points.) For even more instant feedback, FET expects to conduct weekly satisfaction surveys in the near future.



Personable CEM online service

FET always prioritizes its users and is dedicated to developing a Customer Experience Management (CEM) system. For easy access to our telecom services, our online customer service platform was renamed to "User Service" at the end of 2016, and offers "Five Services" and "My Personal Customer Care" for users to truly enjoy "One-Step Self-Help Service" with just a few clicks.



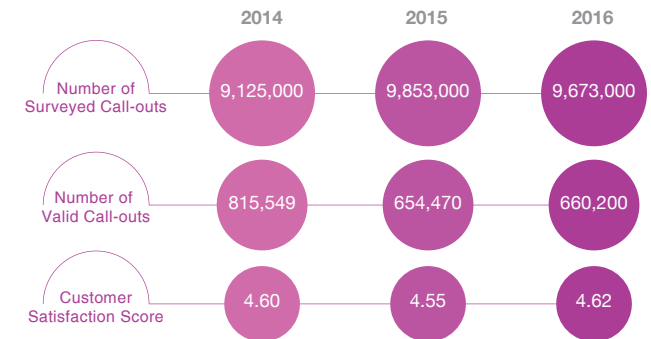
Customer Satisfaction Survey - Internal Survey

Store Maintenance & Repair Satisfaction Survey: FET stores are renowned for their excellent, quick after-sales service. 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 were with the store's service. In leading the telecom industry in after-sales satisfaction, we added the "Satisfaction of Completion with Call-outs" survey to obtain feedback within a week of the customer's visit. We also added two satisfaction indicators ("24-Hour Engineer Completion Rate" and "Over-5-days Completion Rate") to the maintenance department in 2016. Such indicators will be reviewed weekly, and any areas of dissatisfaction will be monitored to enhance satisfaction levels. The results from monthly telephone surveys, mystery shopper feedback, and digital video recordings of store staff are incorporated into the monthly service management system which dictates the issuing of cash bonuses or penalties. It also counts towards staff's quarterly and annual performance reviews.

	2016 Performance	2017 Targets
24-Hour Engineer Completion Rate	Annual average: 80%	Maintain the annual average of 80%
Over-5-days Completion Rate	Annual average: 7.9%	Maintain the annual average of below 10%
Satisfaction of Completion with Call-outs (maximum: 5 points)	Annual average: 4.1	Achieve an annual average of 4.3% or above

Store Satisfaction:

Inspection items include service attitude by store personnel, problem-solving ability, speed of case handling, product display and experience, and overall satisfaction. FET actively follows up with customers who provided negative feedback and rewards personnel for excellent performance, aiming for continuous improvement in customer service.



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 provided 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 help repair our relationship with the customer.



In 2016, 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 than 2015. FET was recognized as the "Best Customer Care Center in Taiwan" at APCCAL's 2016 Excellence Awards, reinforcing the superb results achieved through our efforts in achieving service quality.

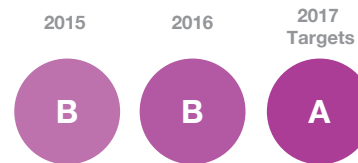
	2014	2015	2016
Number of callouts for customer satisfaction survey (calls)	2,375,470	3,134,154	3,474,952 ▲10.87%
Number of valid questionnaires for customer satisfaction survey (calls)	353,715	504,448	692,687 ▲37.31%
Overall satisfaction of customer satisfaction survey (%)	84.4%	88.9%	91.2% ▲2.3%
Total number of positive messages on service satisfaction (calls)	3,402	5,915	7,872 ▲33.08%

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. In 2016, only two issues — iPhone 7 waiting times and the damage impact of typhoons on base stations — led to an increase in customer calls and complaints that affected the overall standard of service.

	2014	2015	2016
Service Level (Proportion of calls picked up within 20 seconds) > 80%	73.2%	81.3%	74.7%
Abandonment Rate (Proportion of calls hung up before pick-up by customer service) < 5%	7.7%	5.0%	7.3%
Average Speed of Answer < 20 seconds	18s	11s	15s
One Call (Proportion of calls with no repeat calls within 30 days) > 93.5%	94.0%	97.1%	93.7%

Customer Satisfaction Survey - External Survey Overall Satisfaction Survey :

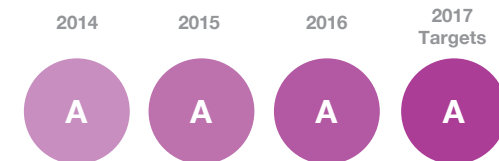
FET commissions external market survey firms to conduct two satisfaction surveys of mobile phone subscribers per year, in April and October. Each survey interviews 1,600 subscribers to track service providers' performance in terms of communications quality, rates, billing, store service, telephone customer service, and complaints. 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 ourselves against our competitors in each service category. 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. For the overall services we provide, up to 60% of the participants were satisfied. Apart from understanding customer satisfaction, we also look into their preferences in order to evaluate customer loyalty indicators. The 2016 results showed that customer loyalty with FET scored a Grade B, ranking us in the top three among the top five telecommunication companies.



Billing Satisfaction Survey :

We began to optimize our user billing experience in 2009. 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 the user to understand their bill more easily. In August 2015, we implemented an innovative approach that enabled three million paper-bill users direct access so that they could query their billing details through a website address enclosed in a billing SMS, which was a first in the industry.







According to statistics of customer service, in 2016 the number of calls related to billing inquiries decreased by 27,000 compared to the previous year. This represented an average decrease of 2,300 calls per month. A billing satisfaction survey conducted by a market research firm gave us a rating of Grade A for 2016. The survey looked at six main aspects in billing, including accuracy, clarity, smooth resolution process, helpful billing methods, traffic data, convenient payment methods, and convenient channels to inquire about bills.



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, FET has 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 consensus of consultation. The FET customer center was successfully re-certified with the ISO 10002 customer complaints management system in November 2016.

To ensure that every customer's voice and feedback can be filed via functioning channels, FET offers six main channels for customer complaints and empowers individual managers to resolve all complaints satisfactorily. Serious customer complaints are forwarded to the customer relations management team by the customer service unit manager within 2 hours. In the future, FET will remain committed to reducing the number of complaints as well as elevating customer satisfaction levels on complaint resolutions in accordance with our vision of Service without Distance.

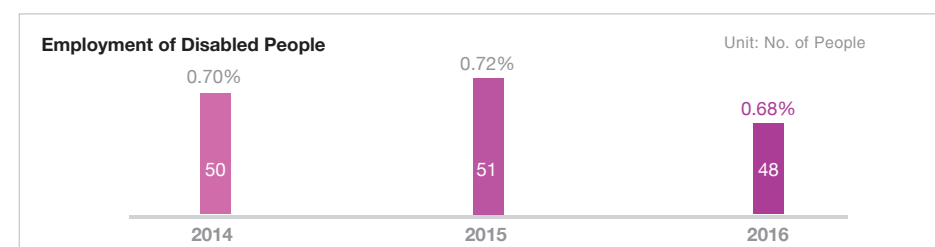
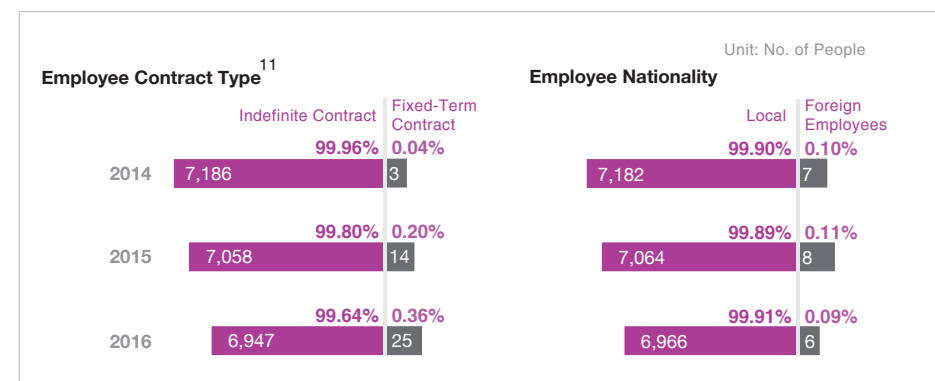
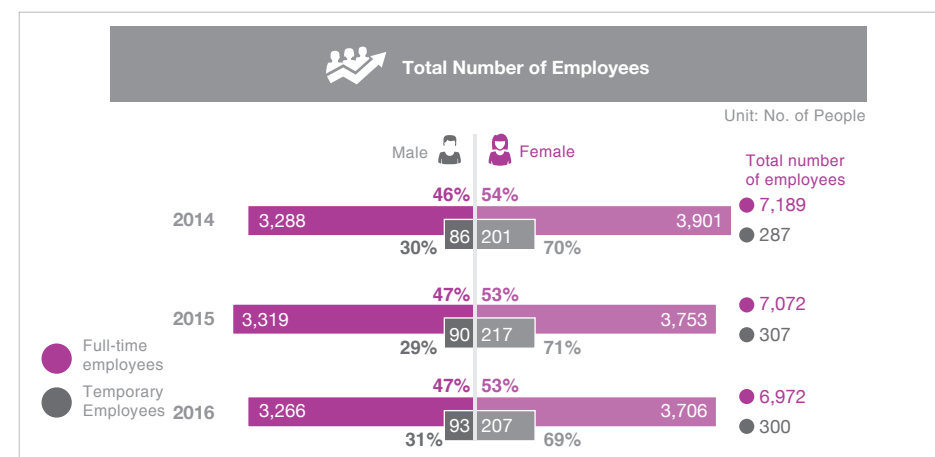
Complaints Channel	Complaint Management	Responsible Unit	Complaints		
 Official Correspondence	FET has a complete internal customer complaints management system for handling official complaints from local governments and consumer protection groups.	Customer Relations Management Team	2014 3,083	2015 2,325	2016 2,051
 Arbitration Meeting			2014 398	2015 181	2016 129
 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	2014 23,499	2015 23,207	2016 26,093
 FETnet Website	The FETnet website and self-care APP were revamped in October, 2013, allowing consumers to click on "Complaint" to receive immediate feedback.		2014 5,556	2015 3,815	2016 4,212
 Self-Care APP					
 Online Chat	Online chat was launched in 2013. This improves accessibility for special groups as customers can now receive the same service as telephone support through real-time text messaging. Service provision reverts back to live call if there is a consumer dispute.			Service provision reverts back to live call if there is a consumer dispute.	

3.3.4 Friendly Workplace

FET believes that good labor relations, personnel training, and corporate welfare policies contribute to a sense of achievement and corporate identity, which in turn aid unity among employees, and enhances efficiency and the capabilities of the organization. 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

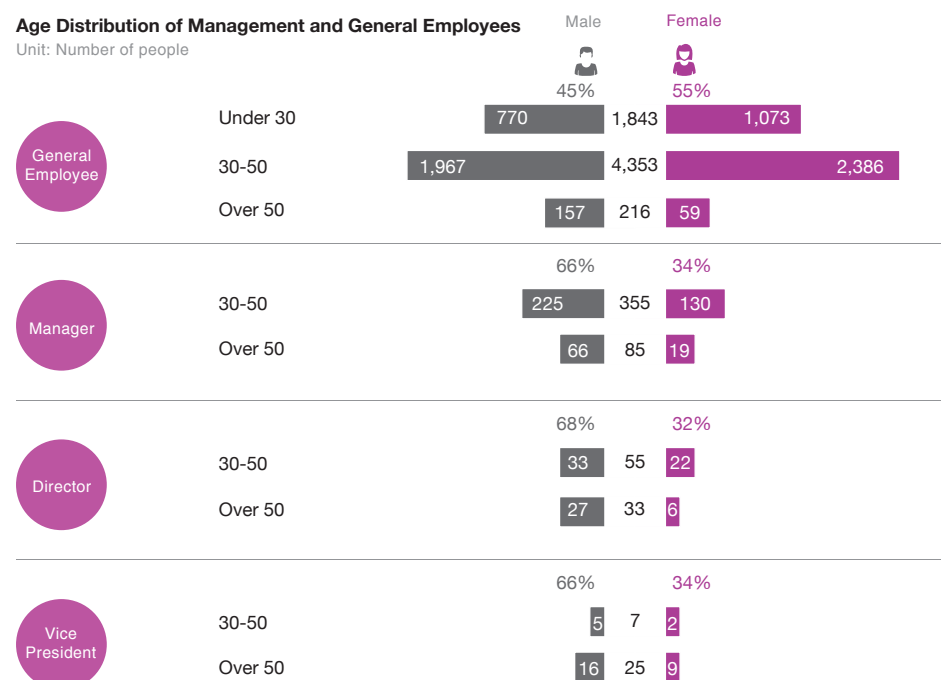
In 2016, the total number of FET employees was 6,972 which was slightly less than the previous year. This was mainly due to the integration of marketing channels, restructuring of ARCOA stores, and the gradual conversion to FET retail stores that resulted in the resizing of ARCOA employee structure. In terms of our employee structure, women accounted for a larger percentage of the workforce than men — 53% vs. 47%. Of this, female executives (assistant manager and higher) account for 34% of management. Over 99% of employees are domestic citizens with indefinite contracts. 2016 employment status is as follows:



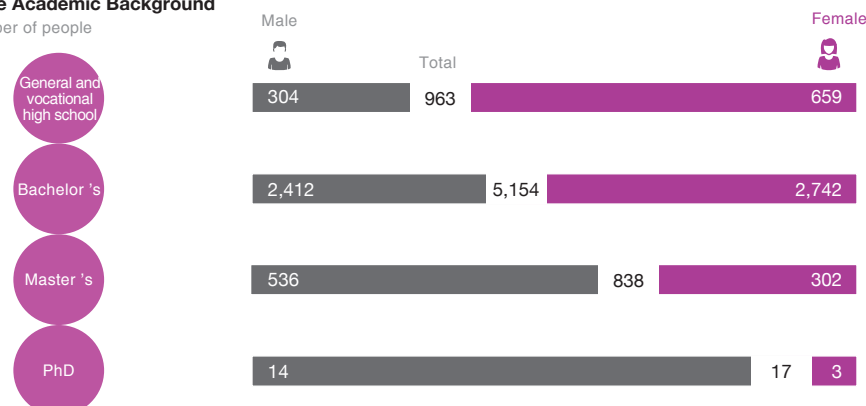
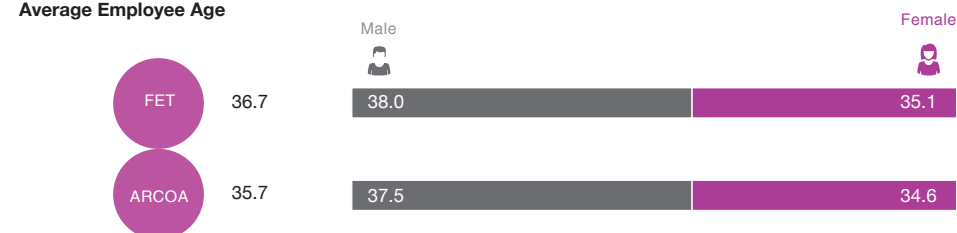
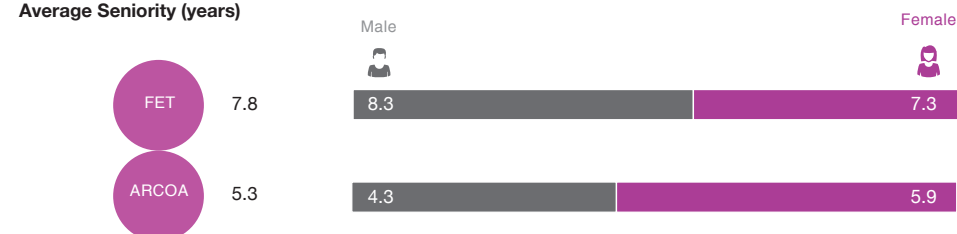
¹¹ Here, permanent contract is non-fixed term contract, and temporary contract is fix-term contract. According to Article 9 of Labor Standards Act, a contract in nature for temporary, short-term, seasonal or specific work may be made as a fixed term contract, but a contract for continuous work, should be a non-fixed term contract.

Age Distribution of Management and General Employees

Unit: Number of people

**Employee Academic Background**

Unit: Number of people

**Average Employee Age****Average Seniority (years)****Talent Recruitment and Retention**

We follow a sustainable corporate development strategy with flexible recruitment plans to monitor at all times the market for talent. In view of the development of the company and rapid changes in technology and products in the telecoms industry, we have actively recruited from the field of integrated ICT services. This includes specialties such as telecommunications, multimedia, cloud, and Big Data. To attract new talent, FET has gone to campuses to influence views and recruit young employees below the age of 30 (non-retail, S&O, delivery). As a result, 102 people were recruited, 20 more than the original KPI target. The turnover rate in 2016 fell by 4.04% compared to 2015, reflecting positively on FET's talent retention efforts.

2016 New Hires

Unit: Number of people

	Male	Female	Total	Ratio of New Hires
Ratio of New Hires	531	611	1,142	17.58%
30-50	256	284	540	8.31%
Over 50	8	1	9	0.14%
Total	795	896	1,691	26.03%

Note: New hire ratio = 2016 total number of new hires/2016 total number of employees

2016 Resignations

Unit: Number of people

	Male	Female	Total	Turnover rate
Under 30	454	545	999	15.38%
30-50	328	333	661	10.18%
Over 50	5	5	10	0.15%
Total	787	883	1,670	25.71%

Note: Turnover rate = 2016 total number of resignations/
2016 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 salaries of male and female employees; the ratio of base salary between female and male is 1:1. Compensation for all positions is above the legal minimum wage. Annual bonuses, performance bonuses, sales bonuses, and special incentives are also provided to employees who exhibit excellent performance as we seek to effect a high-performance corporate culture.

	FET	ARCOA
Ratio of base salary ¹ between female and male	1:1	1:1
Ratio of compensation for basic-level employees above the legal minimum wage	1:1.315	1:1.323

Note: Basic salary has been NT\$20,008 in Taiwan since July 2015

In terms of welfare 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 that are of a higher standard than required by law. Various cancer prevention screenings are also provided. The average employee participation rate in such schemes has surpassed 98%. To create a healthy work-life balance, FET implements a variety of special benefits to promote physical and mental health. We also have in place an Employee Welfare Committee to encourage club activities and make travel allowances for trips at home and abroad available.

FET Employee Welfare

Statutory s Welfare	Office Welfare	All Employee Welfare
Parental leave, pension, and employee health check-ups.	Employee cafeterias, flexible working hours, stress-relieving massages, breastfeeding rooms, special on-site medical service, full-time nurses and medical room.	Employee group insurance, stress-relieving courses, professional mental counseling, health and safety lectures, mobile phone allowances, monthly allowances for phone bills, and travel allowances for trips at home and abroad.

Award Recognition

Excellent Cancer Prevention Workplace Award from the Department of Health, Taipei City Government.
Best Cancer Prevention Partner Workplace Award from the Department of Health, Taipei City Government.
Workplace scertified by the Health Promotion Administration of the Ministry of Health and Welfare.

Parental Leave in 2016

Unit: Number of people

	Male	Female	Total
No. of people who qualified for unpaid parental leave (A)	334	564	898
Actual number of applicants for unpaid parental leave (B)	8	158	166
Application rate (B / A)	2.40%	28.01%	18.49%
Number of employees returning from unpaid parental leave (C)	29	308	337
No. of return applications (D)	13	134	147
Return rate (D / C)	44.83%	43.51%	43.62%
Total number of unpaid parental leave applications in previous year (E)	10	105	115
Number of employees in previous year who remained for 1 year after returning to work (F)	8	93	101
Retention rate (F / E)	80%	89%	88%

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 6 months prior to retirement. A contribution equivalent to 2% of the employee's monthly salary is made every month and placed under the management of the Labor Retirement Fund Supervision Committee. The contributions are deposited with the Bank of Taiwan by the Committee. After the new Labor Pension Act took effect on July 1, 2005, FET began making contributions equivalent to 6% of monthly coverage to the Labor Insurance Bureau for employees that chose the new scheme.

Pension statistics in 2016

Unit: NT\$1,000

	2014	2015	2016
Pension Liabilities	710,949	747,717	777,413
Pension Cost	300,359	326,629	287,438

Employee Education, Training and Career Development FET

At FET, we strive to improve and enhance the quality of our employee training as well as overall development capabilities. Following on from our introduction of a new training system in 2013, we review quality and relevance on a yearly basis. 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. In addition to comprehensive talent and career development training, courses corresponding to the blueprint have been developed and applied to all employees based on their core competencies. This provides all employees in the same pay-grade with equal access to training and development with no bias due to gender or preference.

FET training system - The five main categories

Talent/career development	Elite Talent Development Program, Further e-Trainee Development Program
Core competency training	Diverse learning resources for creative innovation, work management, customer-focus planning, and business leadership.
Specialist training	Trainings on ICT skills development, department functions, and other external professions.
Self-development training	Humanities lectures, advanced training subsidies, coaching seminars with managers, project fields mapping.
New employee/manager training	Training on integrity, information security, safe laboring, basic management skills and leadership development.

FET training types, training costs, the number of employees trained, training hours, and gender distribution, are shown below:

Types of employee training in 2016

Unit: Number of classes

Internal- New Employee Training	121
Internal- Seminar	16
Internal- Telecommunications Technology	48
Internal- Management (including management and new managers)	30
Internal- Individual Professional Skills (including personal performance, project management and legal affairs)	75
Internal- Department Professional Skills (including store staff classes)	1,986
Off-site	312
Total	2,588

Costs of employee training in 2016

	2014	2015	2016
Total employee training costs (NT\$)	29,615,872	39,022,370	32,900,495
Total employee training hours (hours)	388,320	391,236.63	335,017.9
Total number of employees	6,472	6,593	6,475
FET revenue (NT\$ thousand)	78,403,544	80,765,722	78,838,895
Total employee training costs/total revenue (%)	0.03%	0.05%	0.04%
Total employee training costs/total number of employees (NT\$)	4,576	5918.76	5,081.16
Total employee training hours/total number of employees (hours)	60	59.34	51.74

Number of trainees, spending hours and gender distribution in 2016

	Female		Male	
	Number of People	Average training hours	Number of People	Average training hours
General employee	2,359	83.56	1,500	60.47
Manager	1,001	18.72	1,493	30.25
Director and higher	40	47.35	82	16.13
Total	3,400	64.04	3,075	38.14

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

Employees are encouraged to continue enhancing their education and apply to local or overseas universities. 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 towards professional development. The results of two major programs in 2016 were as follows:

Further e-Trainee Development Program

To promote corporate sustainable management and develop Generation Y management talent, FET launched the "Further e-Trainee" program to attract high potential talent through offering multiple learning courses and the chance to gain cross-professional capabilities. The training program was conducted over 18 months, with 12 people recruited in July. We expect to conduct the program again in 2017.

Industry-Academia Cooperative Programs

To promote a more diversified cooperative model, in addition to Yuan Ze University and Oriental Institute of Technology, we also established cooperative relationships with National Taiwan University, Chengchi University, National Taiwan University of Science and Technology, and Chinese Culture University, among others, to integrate resources on campus and cultivate professional talent. We expect to continue to build campus relationships, and expand the "Action is the future, FET makes you SHINE" events to attract young talent.

In addition to promoting the development of employee training, FET continues to implement a friendly and convenient learning environment. In 2016, we began to integrate three major internal platforms: the employee Intranet, new digital learning systems, and the EMMA internal communications platform. More convenient and richer knowledge communication channels are provided so that employees might be able to improve their work and organizational performance so that customers can enjoy the most amazing experiences with FET.

ARCOA

In 2016, ARCOA continued to link training models with management strategy and analyze the differences. 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. Through the internal lecturer mechanism, external knowledge is incorporated into ARCOA practices to enrich our knowledge base and pass on experiences. In 2016, a total of six internal lecturers were selected.

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. There were also training courses for new employees as well as team-building camps tailored to the needs of specific teams. In 2016, a total of 92 internal and external training classes were held. A total of 1,102 people took part in 527 hours of training at a cost of NT\$605,012.

Types of employee training in 2016

Unit: Number of classes

Internal – New managers	4
Internal - Key jobs	50
Internal - Logistics	7
Internal – General	8
Internal – New employee training	21
Off-site - human resources, procurement training	2
Total	92

Number of trainees, spending hours and gender distribution in 2016

	Female		Male	
	Number of People	Average training hours	Number of People	Average training hours
Managers ¹²	20	21.1	37	23.7
Non-executives	270	12.9	149	10.0
Total	290	13.4	186	12.8

Diversified and Friendly Environment

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 2016.

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 2016.

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, whilst various types of safety training are also often held. The Health and Safety website is available to provide information about disaster prevention and enhance employee awareness of disasters.

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

¹² Including the level of directors or station masters or above who have subordinates.

		2014	2015	2016
Injury rate (IR) ¹³	Male	0.098	0.032	0.033
	Female	0.058	0.058	0.059
	Total	0.077	0.046	0.047
Occupational disease rate (ODR) ¹⁴	Male	0	0	0
	Female	0	0	0
	Total	0	0	0
Absentee rate (AR) ¹⁵	Male	1,130	905	1,213
	Female	2,821	1,566	3,281
	Total	2,023	1,253	2,301
Lost days rate (LDR) ¹⁶	Male	1.174	0.562	0.164
	Female	0.321	0.234	0.022
	Total	0.723	0.39	0.089

ARCOA

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

¹³ Injury Rate = (injury frequency / total work hours) x 200,000
Note: IR calculations don't include traffic accidents during journeys to and from work

¹⁴ Occupational disease rate = (occupational disease frequency/total work hours) x 200,000

¹⁵ Absentee rate = (total days absent/total work days) x 200,000
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.




¹⁶ Lost days rate = (total lost days/total work hours) x 200,000
Note: LDR calculations don't include traffic accidents during journeys to and from workplace

		2014	2015	2016
Injury rate (IR)	Male	0	0	0
	Female	0	0	0.35
	Total	0	0	0.22
Occupational disease rate (ODR)	Male	0	0	0
	Female	0	0	0
	Total	0	0	0
Absentee rate (AR)	Male	1,642	1,848	1,650
	Female	2,989	4,507	2,308
	Total	2,550	3,441	2,051
Lost days rate (LDR)	Male	0	0	0
	Female	0	0	58.30
	Total	0	0	35.52

Employee Communication and Care

FET stresses communications with its employees. To promote labor relations and create an equal and transparent corporate communications culture, a variety of communications channels are available to protect the rights of employees.

FET

Channel	2016 Agenda
 Lantern Legend Meeting	Convened on a quarterly basis, but extraordinary meetings may be convened in special circumstances. The agenda includes discussion on the company's current business position, future expansion plans, and related labor relations issues. A total of 5 Lantern Legend meetings were held in 2016.
 Employee Conference	Convened once a year and chaired by President. It offers employees a chance to communicate in person with top executives on the company's performance over the past year and business direction in the new year. One employee meeting was held in 2016.
 Employee Welfare Committee	Generally convened once every two months, with extraordinary meetings held if necessary. All benefits are regularly announced on the intranet website where they can be viewed by all employees. Mailbox is available for two-way communication. A total of 7 meetings were held in 2016.

 Town Hall Meeting	Communicates business direction and performance. Managers can raise business-related questions during the meetings and have them answered directly by high-level executives. Heavyweight experts are invited to share market trends, and executives involved in the meeting are invited to gain a deeper understanding of these trends. This meeting helps to encourage learning and sharing within the corporation. 3 two-way communication meetings were held, with key items on the agenda being: ▶ To explore the importance of "Innovation and Transformation" to FET, explain the future development strategy and focus of FET, and evaluate the importance and impact of transformation with "Fintech Innovation" as the theme. ▶ To explore the necessity of combining corporate social responsibility with our core telecoms business, share the latest services of internal digitization and mobile development, and invite executives involved in the meeting to make specific suggestions for improvements. ▶ With a view to applying creative thinking to issues of business innovation, to encourage colleagues to rethink our existing business model, establish new core capabilities and a new mentality, so that in addition to existing business, we are able to expand into new horizons.
 Employee Opinion Survey	We continued to conduct the "Connect for Best" employee survey. As well as listening to the voice of employees, it also evaluates employee motivation, as well as draws comparisons between top employers in Taiwan and across the Asia-Pacific telecoms industry. This has allowed the management team to understand the mood of employees in more depth. The 2016 EOS results have been forwarded to the management team and the relevant executives within each business unit for reference. ▶ In 2016, 6,120 questionnaires were sent out. 5,045 responses were received (82% response rate). ▶ Overall competitiveness of employees increased by 4-5% compared to 2014. ▶ Satisfaction with high-quality customer experiences increased by nearly 10%.
 FET Intranet	In addition to the FET e-Newsletter and information on the Intranet made available to help employees understand the company's activities, there are also two employee feedback channels, namely the "Employee Suggestions" and "Employee Grievances Mailbox". Contents of responses from employees are kept strictly confidential, and are handled by dedicated units to allow for a communications platform for employees to express their opinions. ▶ In 2016, 22 "Employee Suggestions" were received, which focused on three major areas: product solutions, facilities administration, and information services. Public responses to the suggestions have been made on the website. ▶ In 2016, three cases in the "Employee Grievances Mailbox" were received. All were investigated and handled by an ad hoc group and responses were communicated with the employees. All three cases were closed as of December 31, 2016, and no violations of labor or human rights related regulations reported.
ARCOA Channel	2016 Agenda
 Annual Employee Conference	Annual meeting of all employees chaired by the President to boost communication and understanding through sharing business development and new directions. Convened five times in 2016 to understand the demands and problems of employees and propose follow-up supporting measures for improvement.
 Employees' Welfare Committee	Meets quarterly to promote improvements to employee welfare and drive organizational harmony. Seven meetings of the Employee Welfare Committee were held in 2016, which provided employees with higher quality, diversified employee travel options through travel platforms with abundant content from travel agencies.
 ARCOA E-Newsletter	Published quarterly to promote organizational learning and sharing. Published four times in 2016. Focused on company activities, news of the parent company and subsidiaries, sharing of training courses, opinion sharing, and activity columns.
 "I Want to Complain" Mailbox	Employees may submit complaints through this channel if not satisfied with the responsible unit or supervisor's handling of their complaints. There were no complaints in 2016.

3.4 Go Inclusive

UN Sustainable Development Goals (SDGs)



Go Inclusive Outcomes

Through offering responsible and high-quality telecom services to the environment, society and customers, FET integrates our enterpriselevel core capabilities to reduce energy consumption and create positive benefits for society at large. We further exert our extensive influence as an enterprise to foster a safe, resilient, tolerant, and sustainable society and environment.

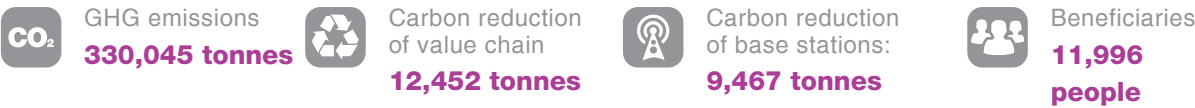
2016 Major Inputs



Go Inclusive Outlooks

FET is committed to engage with all 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 our reliance on 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.

2016 Key Outputs





Supplier Management Policy, Procurement Satisfaction Survey



Enterprise sustainable greenvalue chain, operating/ product impact management, material event caring services



Total electricity consumption has been lowered by **47%** compared with the base year of 2004



Total carbon reduction of about **12,452 tonnes** in 2016 value chain energy-saving programs



Monetization SROI benefits **\$ 3.17**

Featured Project: Environmentally and Socially Friendly Program

3.4.1 Creating Sustainable Value in the Supply Chain

According to a study funded by the National Mining Association, the annual electricity consumption of the global mobile communications network reached 1.5 trillion kWh, equivalent to the total annual electricity consumption of Germany and Japan combined, and equivalent to 10% of total global electricity generation. The energy consumed is 50% more than that of the global airline industry. The telecommunications industry will play a pivotal role in shaping how its networks can be more energy efficient and influence the public's environmental awareness and carbon footprint. FET is well aware of the close relationship between sustainable management, climate change, and social risks. Through our "Environmentally and Socially Friendly Program", we wish to actively reduced the impact resulting from various stages of the value chain, and gradually optimize value chain management methods and interactions, with the ultimate goal of improving our control over environmental and social impact, exerting our influence, and promoting the concept of sustainable development.

In our core operations, in particular the implementation of energy-saving measures for office buildings, data centers, base stations, and stores, we recognize that a company's sustainable development is closely linked to climate change and social risks. As such, we are committed to reducing the impact generated at each link of this value chain, including suppliers, consumers, NGOs, and employees. Charity events integrate our core capabilities and allow us to positively interact with the public; and upstream and downstream are connected to create a "corporate sustainable green value chain" in response to sustainable risk management.

FET Value Chain Energy-saving Solutions

	Estimated carbon reduction in 2016 (tonnes/year)
Data Center and Office Energy-Saving Solutions	1,658
Base Station Energy-Saving Solutions	9,467
Server Virtualization	405.4
Green Stores	436.9
Green Logistics	218.1
Green Packaging	165
3-in-1 SIM card	0.017
Paperless billing, Self-care APP	79.9
Electronic form	6.41
Mobile Phone Recycling	14.9

2016 Value Chain Carbon-Reduction Program Performance **12,452**

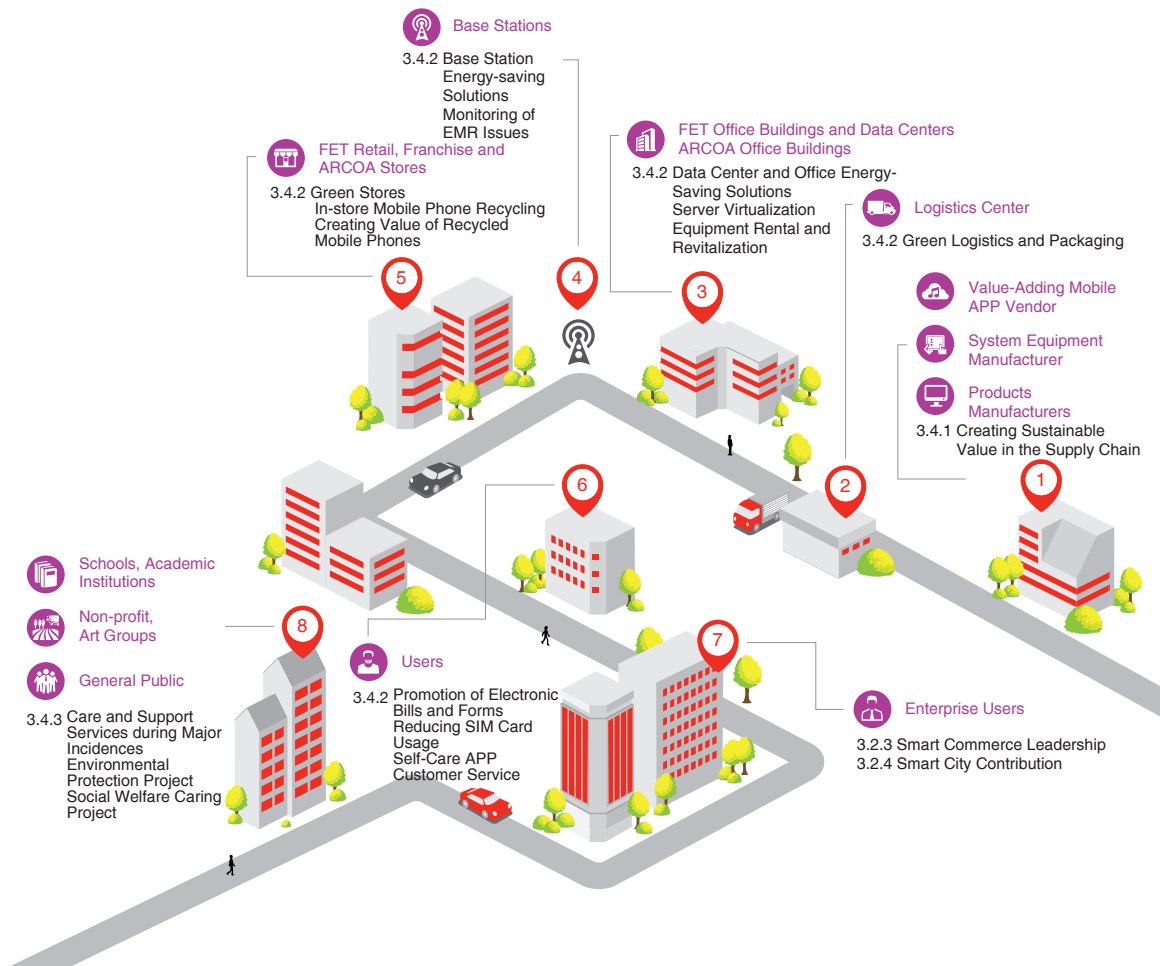
Achievements of FET's 2016 supply chain goals

- 82 out of FET's Top 100 existing suppliers signed the Supplier CSR Self-Declaration, which surpassed our expected target of 80%.
- Due diligence of engineering companies completed.
- Pioneering supply chain e-Learning platform in telecommunications industry.
- New suppliers are compelled to complete a Self-Declaration on the system.
- Major supplier Ericsson was required to explain and improve environmental sustainability of packaging models.
- Major supplier Delta Electronics was required to provide carbon footprint proof for its products.

FET's 2017 supply chain projects expected to launch

- Revise supply chain management strategy and procurement policy in response to the demands of corporate social responsibility.
- Expand applications of supply chain e-Learning platform. Implement the second echelon of "mobile device safety" e-Learning and establish target groups.
- Implement due diligence of system integrators or vendors in other categories
- Implement annual supplier evaluation in combination with self-declaration response
- Response rate of Top 100 suppliers to reach 85%.
- Self-declaration response rate of Class 1 suppliers to reach 80% over the past three years.
- Continue to strengthen green procurement.

Overview of FET Environmentally and Socially Friendly Programs



Supplier Management Optimization

Supply chain management strategy

As a leading brand in the telecommunications industry, Far Eastone is committed to the pursuit of excellence and innovation while promoting corporate responsibility, environmental sustainability and social welfare. Our principles of corporate integrity ensures that FET's Procurement Department abides by local laws and proactively protects stakeholders' interests by supporting corporate social responsibility. FET hereby lays down the "Far Eastone Telecommunication Supply Chain Management Policy" as the foundation for supply chain management. FET is enacting a sustainable supply chain that effectively provides quality telecommunication service while protecting the environment, promoting society wellbeing, and serving our clients.

Promotion of supplier management policy requires vendors to respond to the Self-Declaration of CSR and the Declaration on Business Ethics. Field visits are conducted and a supplier e-Learning platform is in place. In future, influence on vendors will increase and ESG issues will prevail, as FET moves towards sustainable development and cooperation within the supply chain.

FET Supply Chain Management Profiles	Management Policy	<ul style="list-style-type: none"> ▶ Connecting supply chain management with our business strategy to jointly promote sustainable management by creating mutual benefits. ▶ Collaborating with suppliers to uphold our value, protecting the environment, helping the society, and pursuing financial growth. ▶ While protecting stakeholders' interests by ensuring high quality, competitive costs, efficient delivery and service; we will give equal weights to reasonable profit, occupational safety, human rights, and environment protections, as they serve the basis of our strategic management decisions. ▶ Considering business ethics, equal opportunity and fair trade as the primary guiding principle of supply chain management. Any violations will not be tolerated. We will proactively reproach inappropriate behavior through risks identifications, assisting suppliers to advance company reputations of honesty, integrity, and sustainability.
	Management Measures	<ul style="list-style-type: none"> ▶ Supply Chain Credit Ratings Check. ▶ Publication of Supplier Corporate Social Responsibility Guidelines. ▶ Supplier Assessments. ▶ e-Procurement System. ▶ Require suppliers to respond to the Supplier CSR Self-Declaration.

Purchasing costs totaled NT\$36.38 billion in 2016, which accounted for around 34% of FET's total expenditure, and involved 1,028 suppliers. The total cost of purchases at our top-100 suppliers accounted for 93.6% of the total value of our purchases annually. Of these, critical suppliers are defined as those from whom FET purchases over NT\$200 million annually. The purpose of this identification process is to facilitate precision management within the hot spots in the supply chain. In 2016, FET identified 7 critical suppliers.

We regard supplier management as an important part of corporate sustainable risk management, and therefore in 2014 we issued the Supplier Corporate Social Responsibility Guideline. 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. To maintain accuracy of the supplier information and effective trading activity, FET freezes the accounts of vendors that it has not dealt with for more than three years. When transactions resume, a credit report, proof of no bounced checks, and the Self-Declaration must be re-sent to ensure that the supplier credit and CSR information is up to date.

Considering that major issues faced by local suppliers focus on environmental, health and safety aspects, 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 Health and Safety 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 Health and Safety Management Guidelines". Under the "Regulations for Labor Health and Safety Organization Management and Inspection", contractors are expected to carry out all OSH management and disaster-prevention tasks in order to avoid damaging the health and safety of employees through improper practices. FET conducts regular supplier evaluations to ensure that they conform to the relevant rules and provide high quality telecom services that benefit environment, the society and customers.

Supplier Management Guidelines and Procedures

Read the full content of "FET Supplier Corporate Social Responsibility Guideline"

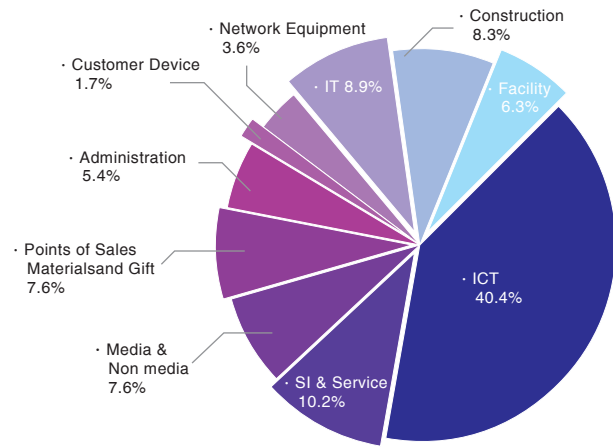
Require suppliers to sign the "Declaration of Business Ethics"

Require Top 100 suppliers to respond to CSR Self-Declaration

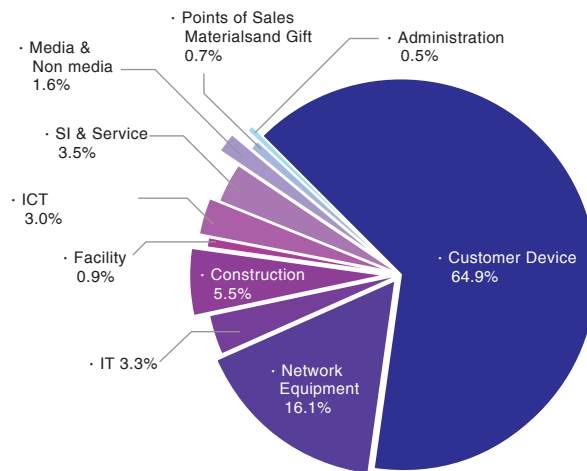
Implement annual supplier evaluation and on-site auditing

Conduct procurement satisfaction survey

Distribution of Suppliers by Categories in 2016



Distribution of Procurement Expenditure in 2016



Supplier Self-Declaration and Auditing

In addition to describing FET's procurement policy, the Supplier CSR Self-Declaration surveys assesses suppliers' management principles, as well as potential risk exposures through questionnaires which touch upon the environment, human rights, labor rights, and ethical standards. In addition, the above-mentioned declaration also includes the "declaration of business ethics", which clarifies the codes of supplier's business ethics.

FET requested all existing suppliers to sign Supplier CSR Self-Declaration according to schedule arranged by FET, 82 out of FET Top 100 existing suppliers signed the Supplier CSR Self-Declaration in 2016 with the overall response rate being 82%, which exceeded the expected target of 80%. Our total spend with such suppliers was around NT\$33.5 billion in 2016, accounting for approximately 92.53% of annual total purchasing costs. To reach more existing suppliers, FET has also set the goal of achieving a 70% response rate for the CSR Self-Declaration among Tier 1 suppliers in 2017. However, we also go further than this. We have also requested all our new suppliers sign the CSR Self-Declaration, and in 2016, a total of 234 new suppliers signed the Self-Declaration, yielding a 100% response rate. FET conducts annual supplier evaluations as well as onsite audits based on the content suppliers provide through the Supplier CSR Self-Declaration. In 2016, FET conducted onsite audits for 15 construction suppliers. All audited suppliers were found to be compliant with local laws and regulations without violation, and as such they were deemed to have passed FET's audit, with the exception of two suppliers who were requested to submit their missing labor Health and Safety records.

FET will continue to follow up with construction suppliers who passed the onsite audit and will conduct a documentary review on the implementation results of their labor Health and Safety plans in the coming year. Based on the results of both onsite and documentary audits of these companies, FET will determine whether to conduct an onsite or documentary audit in the following year, as we aim to maximize the effect of supplier audits and assist the suppliers to have a safe workplace that is fully compliant with the statutory standards. FET is planning to expand the implementation of onsite audits in 2017, with the plan to audit the ESG performance of 40 suppliers. This is expected to cover 60% of FET's total annual procurement spending.

Pioneering Domestic Supply Chain e-Learning Platform

To provide FET partners the most convenient communication channels and enhance each other's operational efficiency, FET launched the pioneering Supply Chain e-Learning platform in 2016. In combination with FET communication core capabilities, we designed "mobile device safety" materials, and 103 suppliers were invited to conduct on-line learning and feedback from October to November 2016. A total of 79 vendors completed the work and passed the test. This e-Learning platform has been well received by suppliers, and they admire FET's proactive attitude towards implementation of corporate social responsibility. We now plan on inviting the top 200 vendors who have not previously been involved for the second echelon of learning.

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 the previous year and major suppliers with the score of lower than 70% to submit improvement plans and are selected for re-assessment. Once the improvement plan has been carried out, they will be re-assessed. In 2016, a total of 138 vendors (17 more compared to 2015) participated in the assessment; these vendors accounted for more than 95% of FET's total purchasing cost. The assessments found five vendors that scored higher than 90 points (out of 100), 124 vendors that scored between 70-89 points, eight that scored below 60-69 points, and one that scored less than 50-59 points. One vendor was suspended for a year as punishment due to quality, scheduling and services being below the required standard during the execution period of the project, with an evaluation score of 54.67 points. Of the eight vendors required to improve, transactions of three vendors were temporarily suspended in the purchasing category, and as such they were exempt from submitting an improvement plan. For the evaluation, vendors who did not sign the Supplier CSR Self-Declaration will also be required to sign by the first quarter of 2017.

Additionally, FET will rank the top 30% suppliers for 11 categories in 2017 and incorporate ESG factors into supplier evaluations. Procurement surveyors will also be invited to perform on-site ESG evaluation. ESG evaluation accounts for 25% of total evaluations. 30 to 40 vendors are expected to accept on-site evaluation, and this will account for over 60% of total procurement spending. Targeting suppliers ranking in the top 30% of spending for two consecutive years, on-site verification is adopted for one year and written verification is performed for the next year.

ARCOA

On a yearly basis ARCOA assesses suppliers on quality, cost, delivery, and service. In order to fit around the annual operational schedule, the 2016 ARCOA supplier assessment was conducted entirely on the Online Supplier Assessment System and activated ahead of time in the third quarter. A total of 48 suppliers, which account for 96.6% of ARCOA's total procurement expenditure, were assessed, and the response rate was 100%.

Supplier assessment scores were divided into four levels: excellent, qualified, improvable and disqualified. ARCOA will decide the procurement strategy based on these evaluation results. Those that scored over 90 points as excellent suppliers will be in line for larger orders and cultivation as long-term partners, whilst those below 60 are disqualified as suppliers and will be eliminated. The average score in the 2016 assessment was 86.2, slightly higher than 85.4 in the previous year. Of that, 8% (4 vendors) were classified as excellent, 90% (43) as qualified, 2% (1) as improvable, and none were disqualified. The vendor assessed to be improvable is required to improve by a deadline, or the transaction relationship will be terminated after the contract expires or upon completion of order delivery.

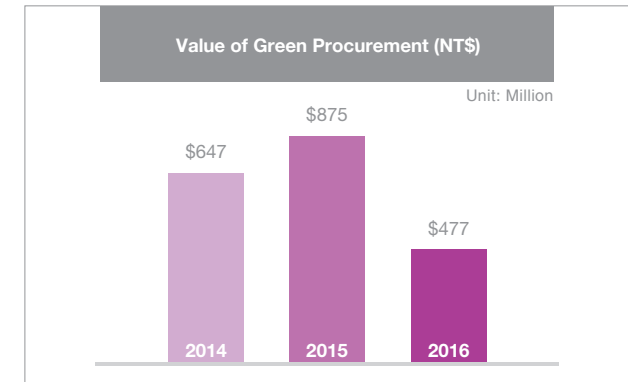
Local and Green Procurement

To foster a green supply chain and in support of our "environmentally and socially friendly program", FET proposes that suppliers in all categories, as well as their upstream and downstream partners, 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 options for purchase orders, and a tracking mechanism has been set up for each order to be monitored. In 2016, the value of FET's green procurement declined by 11% to \$476,644,456.

FET not only continues to supply consumers with high-quality mobile phones and devices produced by international brands, but also encourages foreign companies to set up offices in Taiwan and contribute to local economic development. FET is also committed to supporting local industries. After orders related to foreign brand products are excluded, purchases from local Taiwanese companies¹⁷ in 2016 accounted for 99.52% of our total procurement spending.

Recognition of FET's Procurement Practices

Lifetime CPM (Certified Purchasing Manager) certificates issued by ISM (Institute for Supply Management)	1
CPM (Certified Purchasing Manager) certificates issued by ISM (Institute for Supply Management)	1
CPP (Certified Purchasing Professional) certificates issued by the Supply Management Institute	8
Using suppliers who have passed ISO14001 certification	1



Procurement Satisfaction Survey FET

A procurement satisfaction survey was introduced in 2015 for the first time. This was targeted at suppliers and helps to ensure effective communication with them. The 2016 survey included a total of 10 items, such as fair procurement, information completeness, level of professionalism, smoothness of process, system operations, and overall satisfaction. A total of 58 valid questionnaires were received, with a 42% recovery rate, and more than 90% responded with satisfactory or very satisfactory. Items to be improved on are: contracts to be signed takes too much time which impacts issuance time for orders, validity of work permits for personnel stationed in FET is too short, and too price-oriented, among others. All have been reported and measures for improvement have been discussed in the procurement department meetings.

ARCOA

ARCOA introduced its procurement satisfaction survey for the first time in 2015. To avoid time-consuming procedures, recommendations of associates were adopted in 2016, and we replaced monthly and individual scores with open feedback. This is aimed at supplementing the feedback between the annual supplier evaluation cycles. In addition to collecting real-time interactive information from suppliers and improving procurement practices, this also helps to identify problems immediately so that they may be improved.

¹⁷ Refers to companies registered in the territory of the Republic of China (including Taiwan branch offices).

3.4.2 Reducing Environmental Impact

We acknowledge that, in providing telecommunication services, our energy consumption at operational sites can have an impact on the environment and society at large. Therefore, FET introduced an ISO14001 environmental management system at the end of 2016 and formulated the FET Environment and Energy Policy and the Greenhouse Gas Management Policy Statement as guidelines for managing environmental impact.

FET Environmental & Energy Policy

Far Eastone Telecommunication (FET) is well aware of the risks and opportunities our enterprise operations may bring on the environment and energy consumption. Therefore, we have established an Energy and Environmental Management System to provide useful resources from the perspective of the telecommunication life cycle. Our goal is to implement energy savings, promote pollution prevention, decrease greenhouse gas emissions, and continually improve energy performance to mitigate and adapt to climate change. We promise to:

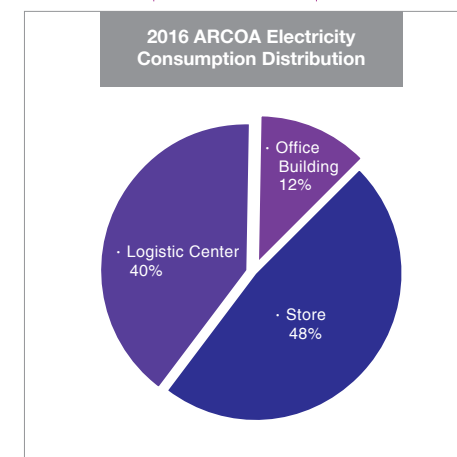
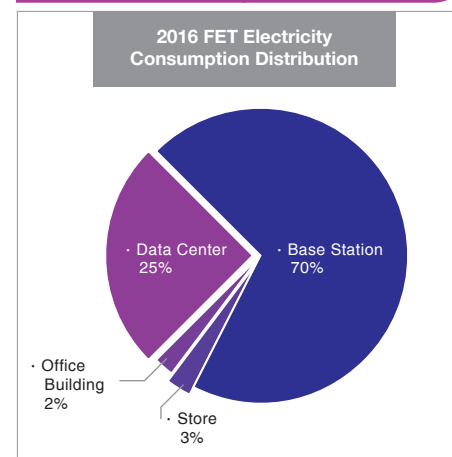
- Comply with the Law: FET will follow government environmental protection and energy management regulations to eliminate actions that harm the environment or waste energy.
- Broaden the Participation of Public: FET will raise employee awareness of environmental protections and energy savings and publicize the importance of related issues.
- Adopt Green Purchasing: FET supports the purchase of energy saving facilities and green products to achieve the goal of green purchasing by taking substantial actions.
- Prevent Pollution: FET will enhance our energy efficiency, improve efficient utilization of resource and effectuate greenhouse gas emission reduction to alleviate the impact of business operations on the environment and contribute positively to energy savings.
- Commit to Continuous Improvement: FET will employ PDCA (Plan-Do-Check-Act) cycle management to continuously improve our Energy and Environmental Management System and regularly assess how to improve performance of energy savings and environmental protection.

Operational Environmental Footprint

In the process of providing quality telecom services, our foothold and activities may impact the environment. As well as supervising, managing and reducing the impact on from our own operations, we also offer a number of innovative green products and services to reduce the overall negative impact on the environment generated by FET's value chain and in order to achieve green operations.

GHG Emissions		2014	2015 ¹⁸	2016 ¹⁹
Direct GHG Emissions (Scope I)	GHG Emissions in CO ₂ e (Tonnes/Year)	61.21	3652.48	9428.30
Indirect GHG Emissions (Scope II)	GHG Emissions in CO ₂ e (Tonnes/Year)	191,262.39	290,456.44	321,660.26
GHG Emissions in CO ₂ e	Total Emissions (Tonnes/Year)	191,323.60	294,108.92	331,088.56
	Energy intensity (Kg/Active customer)	25.89	39.78	45.07

Energy Consumption		2014	2015	2016
Direct Energy Consumption	Gasoline (1000 L/Year)	0	621.44	558.45
	Gigajoules (GJ) ²⁰	0	20283.80	18227.81
	Diesel (1000 L/Year)	23.49	93.59	97.98
	Gigajoules (GJ) ²¹	826.14	3291.56	3445.96
Indirect Energy Consumption	Total Electricity Consumption (MWh)	366,403.04	557,497.97	609,231.53
	Gigajoules (GJ) ²²	1,319,050.94	2,006,992.69	2,193,233.51
Statistics of Energy Consumption	Total energy consumption (GJ)	1,319,877.09	2,030,568.05	2,214,907.27
	Energy intensity ²³ (kWh/active customer)	49.17	75.13	82.66



¹⁸ 2015 value was updated according to requirements of 2016 ISO14064-1 inventory System, and it is also applicable to the energy consumption form below.

¹⁹ We introduced the ISO 14064-1 Inventory System in 2016; the inventory boundary includes FET, New Century InfoComm Tech, and KGEx.com, and it is also applicable to the energy consumption form below.

²⁰ According to ENERGY STATISTICS HANDBOOK 2016 issued by the Bureau of Energy: 1,000 liters of gasoline = 32.64 gigajoules.

²¹ According to the Energy Statistics Handbook (2016) issued by the Bureau of Energy: 1,000 liters of diesel oil = 35.17 gigajoules.

²² kWh=3600KJ.

²³ Energy intensity is calculated by purchased electricity covered by indirect energy consumption (Scope 2).

Water consumption ²⁴	2014	2015	2016
Water consumption (KL/Year)	266,099	286,755	271,948
Water bill (NT\$/Year)	3,301,032	3,457,724	3,751,040

Waste ²⁵	2014	2015	2016
General Waste (Tonnes)	291.84	366.54	304.32
Paper (Tonnes)	73.73	76.61	76.93
Other Recyclable Resources (Tonnes)	7.47	7.01	7.28
Waste Charges Bill (NT\$/Year) ²⁶	700,764	767,114	763,393

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.

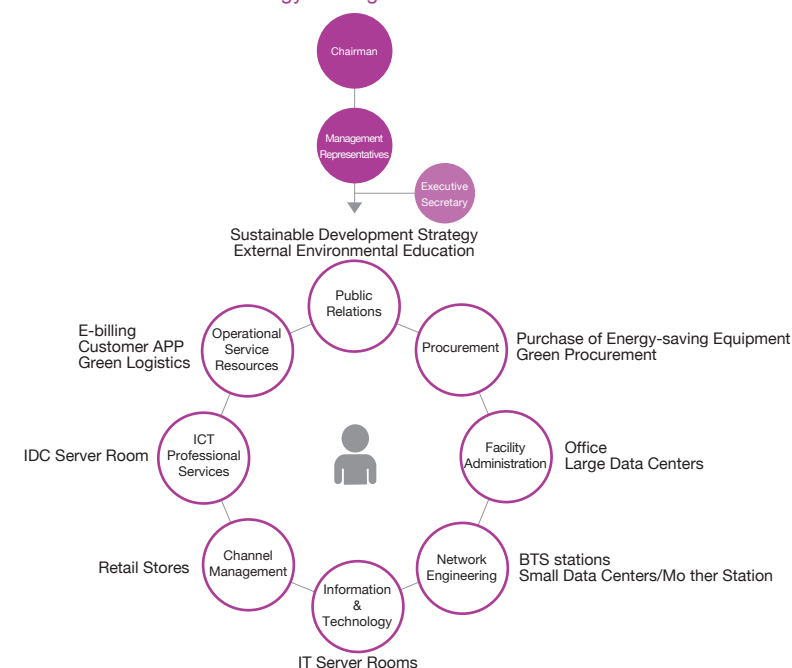
FET's Greenhouse Gas Emissions Management Policy

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.

As a result, we have formed the Environment and 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 reduction practices. The Environment and Energy Management Committee is headed by the Chief Financial Officer. Its membership includes vice presidents of different departments to ensure that every department enforces the FET energy policy.

Environment and Energy Management Committee Structure



Climate Change (Governance, Strategy, Goal, Risk, Opportunity)

Energy (ISO50001)/GHG (ISO14064-1)/CDP

Environment (ISO14001)/Water Resources

Standing and Independent Organization

Integrate and take charge of Environment and Energy Matters

Support of Senior Executives and Related Units

Set Precise Targets/KPI and Regularly Track the Progress

Since 2011, we began progressively introducing the ISO 50001²⁷ Energy Management System to support the creation of 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.

²⁴ Figures in the table are the sum of water consumption in office buildings of FET, New Century InfoComm, and ARCOA. The water consumption of ARCOA is the estimated number.

²⁵ Figures in the table are the sum of waste produced in office buildings of FET and NCIC as well as ARCOA's Neihu headquarters and stores. The waste of ARCOA is the estimated number.

²⁶ All waste has been processed by qualified clearance organizations.

²⁷ The scope of ISO 50001 covers server rooms and offices in the headquarters

FET Energy Management Targets²⁸

Target: The energy baseline is set at 2013 levels, and office areas must reduce their energy-use intensity (EUI; kWh/m²) by 5% within three years.

Performance: ● EUI down 6.94%

Target: The energy baseline is set at 2013 levels, and power usage effectiveness (PUE) of server areas must be reduced by more than 5% within three years.

Performance: ● PUE up 5.33%

To better manage its environmental impact, in 2015, we began introducing the ISO 14064-1 Greenhouse Gas Emissions Inventory. Annual GHG 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 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. BSI third-party assurance was approved in 2016. Furthermore, in Q3 of 2016 we expanded the Energy Management Committee, and the scope of management now extends from energy management to environmental management, GHG emissions reduction, and climate change response. In October 2016, we began to introduce the ISO14001 environmental management system, and this is expected to pass external assurance in Q2 of 2017, helping to increase environmental management credibility.

In the meantime, the Environment and Energy Management Committee regularly promotes "Green Carnival" internal environment protection and energy-saving activities on a yearly basis. This allows our staff to save on energy consumption in their daily lives, and strengthens our internal green working environment. Photocopy paper consumed was cut by 19.6% in 2016 compared to 2015.

"Green Festival" Energy-saving Programs

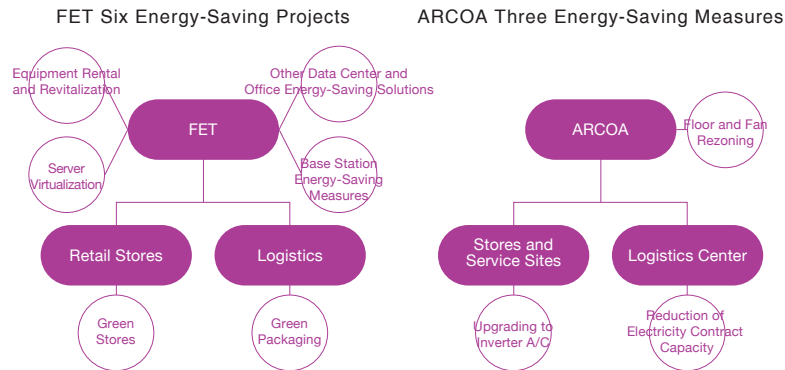
- **eVisitors system:** the first business visitor's APP to implement a paperless environment.
- **Meeting room detection system:** detected by infrared; it is not possible to activate beyond the predetermined time, and if not used in the predetermined time it will automatically switch off.
- **Two-sided printing:** default function of printers is set to two-sided printing to save paper.
- **Voice broadcast to promote energy-saving:** voice broadcasts of customer service personnel reminds everyone to turn off the lights during their lunch break and after work.
- **Data center energy-saving system:** energy savings made by using a dehumidification system, high-efficiency air conditioning host and power unit.
- **Bring your own tableware:** provide incentives to encourage employees to bring their own tableware.
- **Recycling paper:** regularly recycle company-wide paper and documents.
- **Waste sorting:** sort paper, plastic, glass, and metal.

Energy-Saving Performance	2014	2015	2016
EUI of Office Areas (kWh/m ²)	128.45	129.37	125.32
EUI Year-on-year Change (%)	▼2.21	▲0.71	▼3.13
Office Areas Electricity Consumption Year-on-year Change (kWh)	▼256,310	▲80,807	▼357,099
Office Areas Electricity Bill Year-on-year Change (NT\$)	▼15,672,433	▲1,576,447	▼4,758,463
PUE of Data Centers	1.89	1.91	1.88
PUE Year-on-year Change (%)	▲0.53	▲1.06	▼1.55
Data Centers Electricity Consumption Year-on-year Change (kWh)	▲7,832,409	▲5,086,017	▲1,285,849
Data Centers Electricity Bill Year-on-year Change (NT\$)	▲49,855,426	▲6,895,533	▼42,402,964

FET continues to reduce electricity consumption by replacing old equipment and by implementing energy-saving management. PUE of data center areas was improved by about 1.55%, and electricity consumption significantly lowered by 10%, showing FET's emphasis on energy-saving management.

²⁸ Calculation scope of FET energy management goals is the same as that of ISO 50001, only covering server rooms and offices at FET's headquarters.

Green Operations

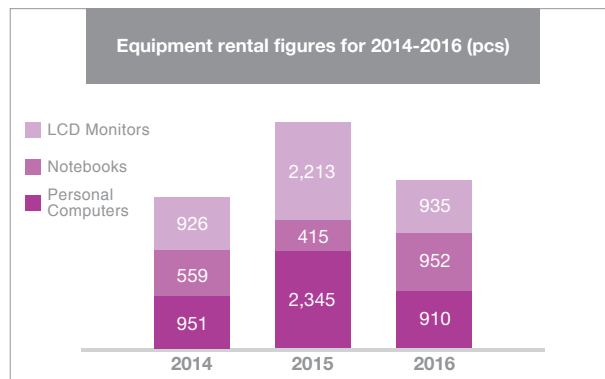


In order to deliver our international Green Operations vision, FET is committed to reducing the environmental impact caused by its daily business operations. Targeting main front and back-end office operations, stores, logistics, and base stations, energy-saving programs and measures are promoted to nurture green management thinking.

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 2014-2016 are as follows:



Server Virtualization

FET began adopting server virtualization in 2009 to reduce costs, improve efficiency, and simplify management and green benefits to meet growing business needs. In 2016, spending on server virtualization reached NT\$33 million, and the number of virtualized servers had risen to 2,591, with the addition of 573 new servers. The server virtualization strategy means that the number of physical servers required each year has continued to decrease. For 2016, 735 physical servers were expected to be needed, with annual energy consumption of 907,843 kWh. Currently, only 219 units are required, and 270,500 kWh is consumed, representing a reduction of 70%.

Data Center and Office Energy-Saving Solutions

In 2016 a total of 11 data centers and offices in Taiwan implemented energy-saving projects/measures, related mainly to optimizing and replacing air-conditioning hosts, LED lamps, cooling towers, and enhancing transformer efficiency. The overall spending and performance of energy-savings in 2016 is as follows: spending was 14.31% higher vs. 2015, resulting in an anticipated carbon reduction of nearly six times:

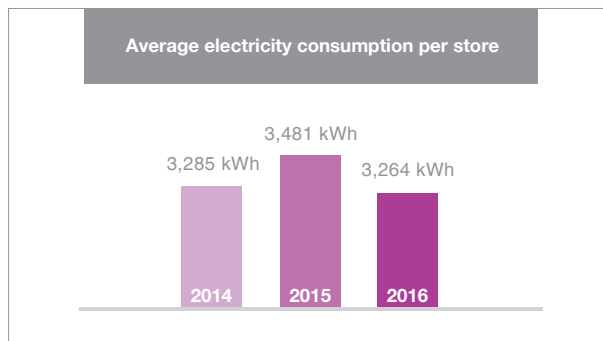
	Investment Amount in Project or Item	Annual Electricity Savings (KWH)	Equivalent Electricity Expenditure Reduction	Equivalent Carbon Reduction (Tonnes)
2015	30,464,115	543,243	1,684,764	283
2016	35,552,455	3,071,533	9,214,598	1,658





Green Stores

We began upgrading energy-saving measures at our retail stores with inverter AC and energy-saving lighting in 2010. In 2016, 393 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 traditional posters. Compared to the previous generation of energy saving stores, single store energy saving could reach as high as 15%. In 2016, around NT\$31 million was budgeted for renovating 10 stores. Total electricity consumption decreased by 4.3%, with annual savings of around 680,000 kWh.



Green Logistics and Packaging

Logistics routes and the different opening hours of each store can be optimized using big data analysis. We require that vehicle ignitions be switched off during deliveries to save on fuel consumption. If deliveries were made to 610 stores a day and ignitions are switched off for just three minutes during each delivery, an estimated 18 tonnes²⁹ of carbon emissions could be avoided annually through such optimized practices. Combined with green packaging, environmental pollution from the printing process in the form of emissions, effluent and waste are reduced in order to cut the overall carbon footprint of product flows.

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

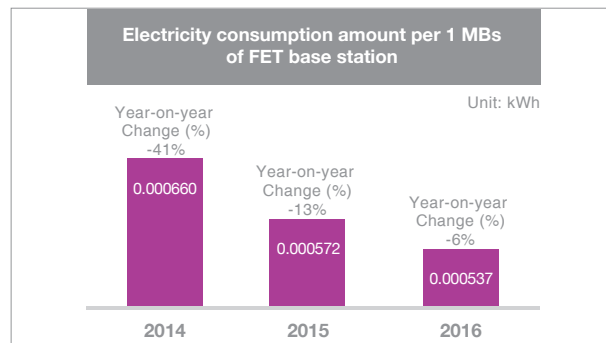
Energy-saving and Carbon Reduction Measures	2016 Performance	2017 Policy
Green Packaging Used in all Shipments	FET uses recycled cartons with no printing in all our shipments. Around one-third of the cartons are recycled, equivalent to a carbon reduction of 165 tonnes annually. ³⁰	<ul style="list-style-type: none"> Consolidate packaging of orders from different suppliers and make shipments to reduce the number of cartons.
Auxiliary merchandise is concentrated into two deliveries to stores each month. Same-day orders for each store are shipped together	Around 180 orders can be consolidated each day. Consolidated shipping of auxiliary merchandise reduces deliveries by 160 stores each day. This means a reduction of 89,760 in the number of cartons transported in 2016, cutting delivery mileage by 84,480 kilometers, saving electricity consumption of 59,664 kWh, and decreasing carbon emissions by around 169 tonnes.	<ul style="list-style-type: none"> Consolidate packaging of all orders from different suppliers and reduce carton usage by 3,000 monthly. Require delivery via the shortest path; delivery may be made by motorcycles in urban areas. Gasoline motorcycles are advised to be replaced by electric ones.
Picking changed from conveyor-belt to manual picking	Replacing four hours of conveyor belt operations each day saves around 226 kWh of electricity, translating into annual savings of 59,664 kWh, and carbon reduction of 31.08 tonnes.	

²⁹ The idling fuel consumption per hour for medium vehicles (A/C off) is calculated by 1.0 liter/hour and 22 working days a month; gasoline emission factor estimated by New Taipei City Green City: 2.263 kg/liter.

³⁰ Based on 1,000 stores in Taiwan, and assuming one carton is purchased by each store a day, about 333 new cartons are trimmed a day, and 87,912 cartons are reduced a year, equivalent to 165 tonnes of carbon emissions.

Base Station Energy-saving Solutions

The energy consumption of base stations accounts for the bulk of energy consumed by FET's sites and facilities. As 4G base-station equipment continues to increase substantially, energy consumption of base stations also rose in 2016. By upgrading to inverter ACs, improving ventilation systems, switching off excess 2G equipment, and removing 2G TRX, the energy efficiency of base stations is improved. A total of NT\$35.87 million was invested in these initiatives in 2016. Electricity savings of 17.93 million kWh and carbon reductions in CO₂e of 9,467 tonnes are expected. Since 2011, the electricity consumption amount per 1 MBs of an FET base station has been declining, which demonstrates the effective energy-saving performance of our base stations.



ARCOA	
Office Buildings	<ul style="list-style-type: none"> ■ Nearly NT\$350,000 invested in ceiling and fan re-zoning. ■ Excluding data centers, electricity consumption declined 1,486 kWh compared to the previous year, saving NT\$6,000.
Logistic Centers	<ul style="list-style-type: none"> ■ Electricity contract capacity cut; NT\$100,000 of electricity expenditure saved. ■ Upgrading to energy-saving lamps cut electricity consumption by 102,000 kWh compared to the previous year, saving around NT\$350,000.
Stores and Service Stations	<ul style="list-style-type: none"> ■ Nearly NT\$340,000 invested to upgrade to inverter ACs. ■ Electricity consumption cut by 41,000 kWh compared to the previous year, saving NT\$160,000.

FET Base Station Guidelines

FET's base stations and antenna installations must comply with relevant government regulations. Co-construction, co-location and common antennae are also used where possible to greatly lower the number of antenna required and to reduce waste. We also use greening and landscaping around base stations and antennae to reduce or even eliminate their visual impact altogether. In 2016, 59% of FET's base stations were co-located, 35% were co-constructed, and 6% were stand-alone.

Co-location and co-construction

Co-location: One or more mobile service operators have base stations at the same building.

Co-construction: One or more mobile service operators have base stations that share the same antenna, or reserve 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 2016. Fines over the erection of base stations totaled NT\$8 million in 16 cases, which was 12 cases and NT\$6 million less than the previous year. To ensure we are 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, review past mistakes, and strive to make future improvements.

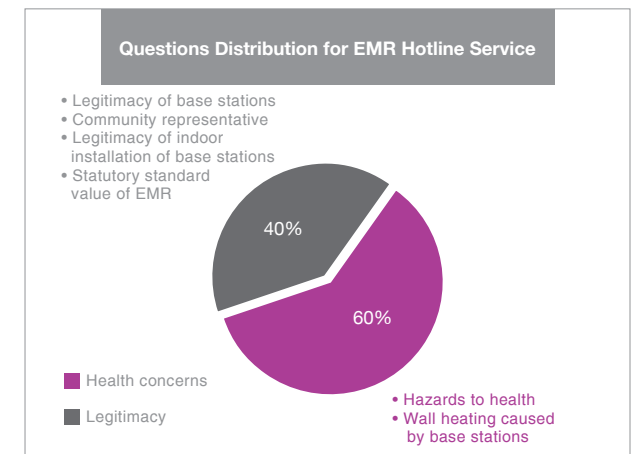
Furthermore, in line with "Guidelines for Promoting the Establishment of Co-constructed/Co-located Mobile Telecommunication Platform Infrastructure among Governmental Offices" proposed by the NCC, since 2014 FET has begun to apply for base station installment subsidies designated for public buildings located in remote areas or in areas with high disaster potential. Expected benefits include enhancement of mobile broadband communications service quality, increase in communications service coverage, acceleration of communications construction in remote areas, upgrade of mobile communications infrastructure in order to strengthen disaster resilience, and elimination of public concerns about electromagnetic waves.

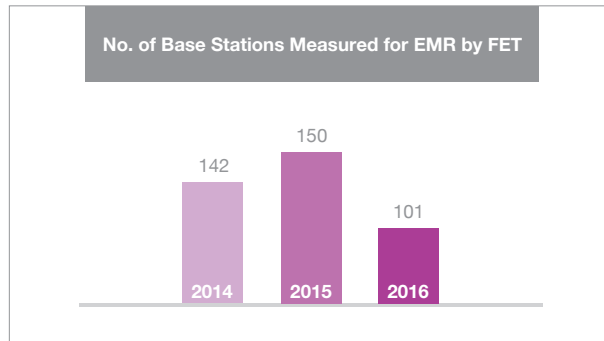
Monitoring of EMR Issues

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 set up by the NCC and the telecommunication companies to improve public awareness around the issue of electromagnetic radiation from base stations. Education on TTIDA includes:

0800 EMR Measurement and Awareness Hotline

This hotline is used to answer public questions on electromagnetic radiation and to arrange home electromagnetic radiation measurement services. In 2016, TTIDA handled 641 inquiries regarding electromagnetic radiation and arranged electromagnetic radiation measurement services 450 times. Apart from the 79 cases passed on to FET for measurement, we also accepted 22 measurement requests directly from the public. The 101 electromagnetic radiation measurement service calls cost a total of NT\$484,800. The results were all below the limit for EIRP (Equivalent Isotropically Radiated Power) and electromagnetic power density.

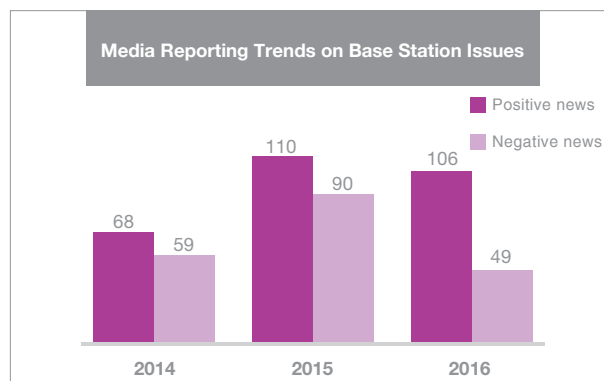




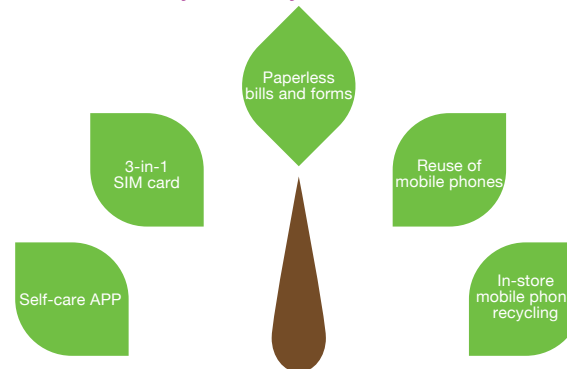
Education on EMR Issues

FET pays much attention to public concern around the issue of electromagnetic radiation. 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 mitigate against unfounded public concerns.

Meanwhile, through continuous communication and measurement services, negative media reports also registered a significant decline. A total of 689 protests regarding FET base stations occurred in 2016. We will continue to invest in communications and education on electromagnetic radiation issues in order to establish a positive relationship based on mutual trust and prosperity with local communities and residents.



Environmentally Friendly Products and Services



FET places great emphasis on corporate environmental responsibility. To expand our influence and create environmental benefits that stretch as far as possible, we integrate services, products, and resource recycling concepts into our major stores in Taiwan, mainly through the resale of recycled mobile phone, use of electronic forms, integrated SIM cards, and mobile customer service online payments to minimize resource consumption caused by the company itself and by consumers.

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



	2014	2015	2016
Recycled Mobile Phones (pcs)	6,272	21,292	1,062
Recycled Accessories (batteries/chargers/cable) (kg)	121.4	366.3	50

► Creating Value of 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 stores where they are refurbished for a new lease of life, we have contributed significantly to reducing the rate of product consumption. In 2016, a total of 2,970 recycled mobile phones were treated in this way, which was equivalent to reducing carbon emissions by 34 tonnes³¹.

Mobile Phones and Tablet Computers

Resale by Second-Hand Dealers	2,784
Resale at Outlet Centers	15,734

³¹ According to an announcement by the Environmental Protection Administration, a recycled mobile phone can save about 22 kWh; Electricity Emission Factors (released in 2014) was/were 0.521 kg of CO₂e/kWh.

► Promotion of Electronic Bills and Forms

We continued to increase the usage of electronic billing by users in 2016. Accordingly, we conducted a system-design and in-depth survey of customer demands for electronic billing and followed up by refining it for better usability. With regards to existing electronic billing users, we offered multiple incentives to retain their continued patronage.

In 2016, more than 70% of service sites used electronic forms to process customer data. Electronic bill usage in 2016 increased by 200,000 compared to 2015. There are now 2.2 million electronic bill users (33% usage rate). This is estimated to save 66 million sheets of paper each year, equivalent to carbon reductions of 79.9 tonnes³². In 2017, the electronic bill usage rate is expected to climb to 35%. In retail stores, 80% of forms used will be paperless by 2020, equivalent to carbon emissions reduction of about 8.6 tonnes.

Paperless Forms Management System

Systematization: digitize specific promotions and services at retail stores.

Modularization: consolidate various services. Users can apply for several functions using one form.

Process-oriented: re-arrange contents and simplify unnecessary items.

► 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 in 2015, with every SIM card pack containing the normal, micro, and nano versions. In 2016, the total card procurement of all FET stores was reduced by 15%, around 0.5 million cards. This is estimated to reduce the use of plastics (ABS & HPVC) by around 2,750 kg (equivalent to 5,500 kg³³ of crude oil), to reduce carbon emissions in CO₂e by 17 kg (electricity consumption), and to eliminate pollution that would otherwise have resulted from 0.5 million portions of packaging and printing paint contamination. In December 2016, we promoted the simplification of SIM cards (one card for general use) and expect to reduce purchases by about 5% (about 200,000 cards). This will help us to meet 4G, 3G, Postpaid and Prepaid restrictions at the same time as improving the flexibility of card use, inventory controls, and user experience.

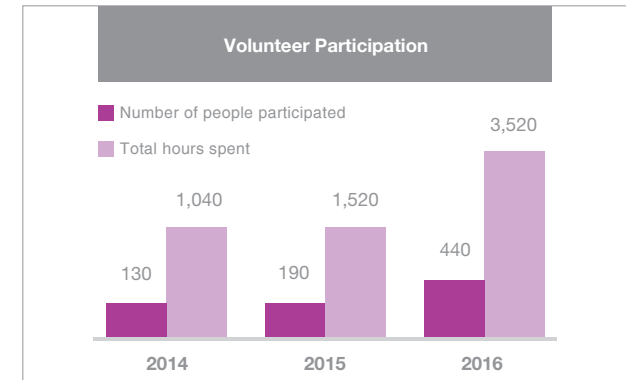
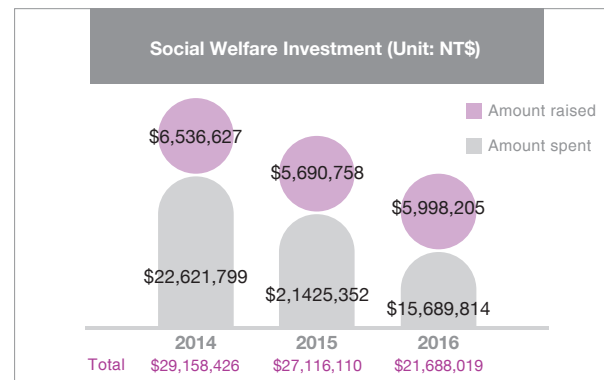
► Self-Care APP Customer Service

The FET Self-Care APP has enabled customers to check their bill and data traffic at any time via a direct mobile service, and has also eliminated the carbon footprint associated with travel. For saving on costs by using e-billing, customers receive actual feedback and collect points. Based on the length of time in use, more favorable merchandise is introduced in exchange for points, which incentivizes customers to keep using e-billing. In 2016, 4.54 million users were using the self-care APP. In addition, the number of people who paid through the APP has continued to grow, fulfilling our collective social responsibility with regards to carbon reduction.

3.4.3 Creating Social Influence

FET is dedicated to investing in core telecom capabilities and creating influence in an external environment and with stakeholders. In line with our corporate social responsibility framework of "Closing the Distance", we have established emotional education, environmental education, and digital education as the three priorities of our charity strategy, demonstrating our dedication to creating social influence and promoting a sustainable environment.

In 2016, the total amount spent on social welfare was NT\$21,688,019, of which a total of NT\$5,998,205 was raised. 440 volunteers were involved and helped to advance FET's local development initiatives.



Cherished Resources and Cared for Environment

► "Cherish the Earth, Spread Love Far"

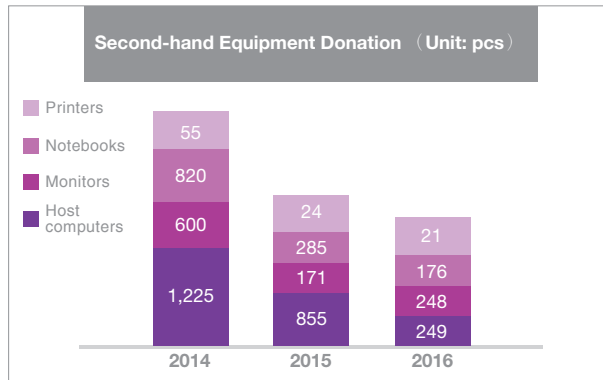
In 2015, FET established the "Cherish the Earth, Spread Love Far" project to encourage people to care for the Earth through the promotion of environmental activities. Our influence and pursuit of CSR has brought about positive changes.

► Recycling and Donation of Equipment with Care

FET has, since 2005, participated in the Used Computers Recycling Donation Program. Organized by the Environmental Protection Administration of the Executive Yuan to promote the use of renewable resources and eliminate the digital divide between urban and rural areas, it takes environmental protection and care as starting points, with computers sent to disadvantaged families, schools, and social welfare groups. We expect to improve the learning environment for disadvantaged children and minority groups, provide care for disadvantaged groups, and maximize efficiency in the use of information equipment by participating in this program. To further reduce resource consumption, in recent years, computer equipment has been leased instead of purchased, thereby cutting the number of donated computers year by year.

³² Carbon emissions calculated by activated cases 1050000 * 3 sheets = 3.15 million sheets, and the cases of change 1.07 million * 2 = 2.14 million sheets, and 1 million sheets * 1.21 (kgCO₂/g).

³³ Assuming 1 kg of ABS plastic requires 2 kgs of refined petroleum.



Care and Support Services during Major Incidences

We believe strongly in corporate social responsibility. As a result, we have continued to try and provide personable customer service to anyone in society who needs help. After major disasters strike, unobstructed communications can effectively help alleviate the effects of disasters, prevent epidemics, and support national security missions. As such, stable and uninterrupted communications quality and services are indispensable to meeting social needs.

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 operates smoothly in order to help victims during their time of distress.



On February 6, 2016, a strong earthquake measuring 6.4 on the Richter scale struck southern Taiwan, causing severe damage. FET activated its disaster response mechanisms right away, and more than 400 maintenance personnel went to the disaster areas to provide communications support. Dozens of mobile base station equipment units were brought in to assist the victims and relief workers. Furthermore, FET also waived fees for three months and extended payment periods for severely affected households. Stores near the disaster areas also offered free mobile phone charging, free cards, prepaid cards, replacement cards, and emergency communications services.

Moreover, FET worked with Far Eastern Group to donate NT\$20 million to help the victims rebuild their homes. FET also activated a small donations mechanism over the phone. FET users can call to donate via mobile phone for free and instantly help the victims, enabling a small amount of care to go a long way.





Environmental
Protection
Project

Cherish the Earth, Spread Love Far

To deepen people's awareness of environmental issues and inspire them to make informed and responsible decisions, FET believes that allowing children and the general public to get involved in practical actions is the best means of understanding environmental and ecological issues. Environmental education can be implemented to make changes through observation and review. Therefore, since 2013, FET has promoted environmental education in cities and remote areas and expects to elevate awareness of environmental protection among the public. In 2016, FET's core mobile services, friDay's software and brand power, as well as interactive environmental educational activities were promoted on the back of the "Savoring the Ecological Beauty of Taiwan" theme. A total of 52 environmental educational events were conducted in schools and communities, with 2,424 schoolchildren and individuals participating in the events. 198 volunteers from FET were involved and NT\$4,067,710 was spent. 176 videos were also created.

The social benefits of the campaign include:

- Creation of an environmentally friendly lifestyle.
- Respect for ecology and life.
- Physical and mental satisfaction and sense of achievement.
- Increased motivation to learn.
- Increased frequency of social welfare participation.
- Enhanced interpersonal relationships.

Farewell to 500 Tonnes of Carbon

2017 「Leave No Trace in Life, Carbon Go Away」

Our Reason

The United Nations advocated 17 Sustainable Development Goals (SDGs) for the world in 2016. To actively implement corporate social responsibility, and transform our brand influence into actual influence, we called upon society to focus on environmental issues with the "Cherish the Earth, Spread Love Far" series of activities in 2015. We also actively promoted environmentally friendly electronic picture books, ecological animation competitions and green storybook training project to promote environmental education.

Our Goals

After having promoted environmental education projects for two consecutive years, the 2017 "Cherish the Earth" campaign will respond to calls for carbon reduction by the SDGs. The goal of the "Farewell to 500 Tonnes of Carbon" project is based on three core concepts: build an FET green culture, promote green education, and initiate responsible green consumption. Ten concrete projects will be launched in 2017, starting from the objective of creating social influence. FET, its employees, vendors, and the general public are encouraged to make efforts in their daily lives to meet the goal of carbon reduction and fulfill their obligations as global citizens.



Introducing the SROI Forecast Analysis

To have an impact on the society and continue to optimize activities, in 2017 we introduced the widely-used concept of Social Return on Investment (SROI) to assess and specifically measure the social influence of our "Cherish the Earth, Spread Love Far" campaign. Therefore, we are able to put in resources to enhance efficient management and maximize our social values. Through workshops, interviews, and questionnaires, we communicate with important stakeholder groups and analyze the benefits and results. After pricing, every NT\$1 invested in the "Cherish the Earth" campaign is forecast to create social value of NTD\$3.17. After taking various assumption conditions into account through sensitivity analysis, the social influence of the project will be between NTD \$1.67 to NTD \$5.33.

Our Plan

According to research results, "Cherish the Earth" activities have produced positive benefits for FET and the people, students and volunteers involved in such activities. We will review the valuable feedback of stakeholders, continuously optimize the contents of the activities, and strengthen the influence of the "Cherish the Earth" drive. We will also continue to track performance figures as a reference for project management. Going forward, we expect the "Cherish the Earth" initiative will exert a deeper influence on the environment and society and create valuable sustainable development.

2016 Savoring the Ecological Beauty of Taiwan



Part I: Creative work competitions in Taiwan. Raise public awareness.

Prior to 2016, FET solicited environmentally friendly electronic picture books for teachers, students, parents and children to download for free in cities and remote areas. Furthermore, they are available to the Homemakers United Foundation as environmental educational materials. In 2016, FET consolidated its resources and worked with the Taiwan Environmental Information Association, Forest Bureau, and National Taiwan Museum to host "Nature, Together" ecological and animation competitions which also encouraged Taiwan video creators to make creative works with local environmental themes, producing in the process an archive of pleasant images for the public. A total of 111 pieces of high-quality works were solicited, and 12 outstanding ecological documentaries and animations were selected. As a result, people can now enjoy these works and think about environmental issues as environmental education is promoted via the Internet and physical platforms. In the same year, FET, the Taiwan Environmental Information Association, and National Taiwan Museum jointly hosted the Parent-child Environment Film Festival. In addition to playing the award-winning films selected earlier on, creators and digital eco-documentary directors were also invited to establish a dedicated environmental video platform and share information on environmental issues. A total of 825 people participated in the event.



Part III: Influence spreads. Eco-concert and environmental show.

To raise awareness of the environment, FET pioneered a combination of theater, dance, ecological video, and music performances to attract public attention and communicate the concept of cherishing the Earth to an audience through presenting the rich ecological resources and beauty of Taiwan.

"Savoring the Ecological Beauty of Taiwan" Concert

In cooperation with the Taipei Philharmonic Orchestra and the Taiwan Environmental Information Association, a concert was held on the theme of "Cherish the Earth, Spread Love Far." Aided by the electronic environmental picture book "Home of the Spirit", dance, orchestral, and short film performances were integrated. Prior to the concert, ecology-themed games and recycling of old mobile phone events took place, with 1,500 people taking part.



Part II: The power of education takes root. Environmental education promoted through workshops.

To promote and utilize the results of competitions through the "Nature Together, Spread Love Far" video creation series workshops, FET combined picture books collected in previous years and videos solicited in 2016 with educational promotional events to allow children and the public a hands-on role in observing the environment, reviewing the process, and identifying subsequent improvements. Participants will, as a result, have a better understanding of the importance of environmental protection.

Eco-screenwriter Workshops (two groups, six courses in total)

People were guided on how to transfer environmental themes into script. They also conducted field visits to the ecological environment itself, and rehearsed the telling of stories with voice and video. There were 60 participants, with 54 pieces of work created.

Little Animator Workshop (two groups, six courses in total)

FET brought parents and children to the beach to pick up garbage and collect animation source materials as an exercise to teach children about reusing resources and creating videos with imaging technology. There were 18 participants, and four pieces of work were created.

Little Eco-photographer Workshop (one session in each of the northern, central and southern Taiwan regions)

FET brought parents and children to small ponds and springs on campus to seek out the mystery of nature, and enable children to understand how the power of images can have an impact of increasing our appreciation of nature and as a consequence being more respectful of it. There were 93 participants, and 53 pieces of work were created.

"Go with Children, Cherish the Earth" Green Storybook Training Promotion Project

In collaboration with the Homemakers United Foundation, FET electronic environmental picture books were adapted to become "Green Picture Book Lesson Plans" for lower grades at elementary schools and kindergartens. The contents encouraged children to review and propose solutions to green challenges. This lesson plan also encouraged elementary school teachers to download and promote the issue on campus, and seven lesson plan training activities were held. FET also provided it to NPOs and NGOs for free. 22 Green Storybook Training events and four sharing sessions were held, with 1,337 participants taking part.

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

Since 2013, FET has conducted children's environmental education camps in remote areas of central and southern Taiwan. In 2016, the form of activity was changed, and students were brought to the National Museum of Natural Science and the National Science and Technology Museum to break through one-way communication patterns of e-picture books. This allowed the children to learn about the environment through games. Two educational camps in remote areas were held in 2016, with four elementary schools and 210 students involved.

Social Welfare Caring Project



01 Tenth Child Welfare League "Save Abandoned Children, Spread Love Far" Fundraising Campaign

For the tenth year, FET cooperated with the Child Welfare League for the "Save Abandoned Children, Spread Love Far" campaign. To raise awareness of abandoned children amongst the public, FET organized the "Little Hand in Big Hand Having Fun Together" public fundraising picnic at the Huashan Culture Park and invited parents and children to enjoy the good times. A total of NT\$5,953,305 was raised for the "Children Waiting for Homes" fund.

FET amount spent(NT\$) NT\$1,033,455

FET volunteer participation (people) 26

Number of Beneficiaries 1,191 individuals supported the adopted children of the Child Welfare League Foundation.

List of Beneficiaries Adoption families of the Child Welfare League Foundation.

02 John Tung Foundation "Say Good Words, Spread Joy Far" children EQ education series of events



In response to the "Closing the Distance" branding, we have been dedicated to children/teenagers' emotional education. FET worked with the John Tung Foundation for the third time to organize an on-campus EQ lecture tour. In combination with an educational camp, spiritual education is actively promoted to encourage children how to communicate positively and with empathy.

FET amount spent(NT\$) NT\$809,963

FET volunteer participation (people) 36

Number of Beneficiaries 3,752 students were involved; 84 students participated in camps in remote areas.

List of Beneficiaries John Tung Foundation, 18 junior high and elementary schools in Taiwan.

In response to the "Small School Alliance" project championed by the Digital Education Institute for Information Industry Institute, FET and Cyber Angel's Pick jointly adapted lesson plans to promote live inter-school co-education learning through a video network. Children in remote areas can strengthen their knowledge of security through online learning channels, helping to close the urban-rural digital divide.

FET amount spent(NT\$) NT\$100,000

FET volunteer participation (people) 19

Number of Beneficiaries 63 children from schools in remote areas

List of Beneficiaries Bin Mao Primary School, Shang Lan Primary School, Jia Lan Elementary School, and Ruifong Primary School in Taitung County, and Taoyuan Primary School in Miaoli County, as well as general public awareness about children's online security issues.

03 Institute for Information Industry, "Small School Alliance" Internet Security Education



04 Teacher Chang "Community Parenting Education Support Program"

FET collaborated with Teacher Chang to launch the "Family Communication Pusher - Community Parenting Education Support Program" with the theme of "Express Your Love. Let it Be Heard." Strengthening parental education and communication will enhance the quality of parent-child communication, and will help out the main caregivers of children and youth.

FET amount spent(NT\$) NT\$234,000

Number of Beneficiaries 896 people participated in the lecture tour.

List of Beneficiaries Parents, teachers and volunteers in 6 Cities: Taipei City, New Taipei City, Taoyuan City, Taichung City, Tainan City and Kaohsiung City.

05 Token Social Enterprise Africa Education Action

FET donated 6 mobile phones and tablet terminal devices to help the Fu Jen Catholic University English education team promote digital English education in Kenya and other countries.

FET amount spent(NT\$) NT\$32,940

List of Beneficiaries Fu Jen Catholic University English education team.

06 Tainan Cloud Play

FET advocates an educational policy for the Tainan City Government and has cooperated with Qualcomm and the Industrial Technology Research Institute (ITRI) to play a role in the city's Cloud Play project. FET offered 4G SIM cards and Cloud Play application services. Together with Qualcomm, Asus, and ITRI, a total of 655 units of tablet computers pre-loaded with Cloud Play applications were donated to 11 junior high schools and elementary schools in Tainan City. This will help to promote 4G mobile action education, create a new type of learning model, and help the government build a platform for action on learning and outdoor education.



FET amount spent(NT\$) NT\$3,922,140

Number of Beneficiaries 4,261 people.

List of Beneficiaries Te Kao Primary School, Chang Shing Elementary School, Bo Dong Elementary School, Datong Elementary School, Ho Shun Elementary School, Pei-Wen Elementary School, Zihlon Elementary School, Jumen Elementary School, Jingliu Junior High School, Yujing Junior High School, Dongshan Junior High School.

07 Assist post-disaster recovery efforts in Taitung



When Typhoon Nepartak hit Taitung, FET worked with the Taitung County Veterans Service Office to organize the "2016 Love in Taitung Learning Visit and Caring Activity." A total of 19 FET managers and district heads visited veterans and their families who were affected, making efforts to rebuild eastern Taiwan with grassroots social services.

FET volunteer participation (people) 19

Number of Beneficiaries Thousands of affected households Taitung County.

List of Beneficiaries Ma Lan, Taitung Branch of Taipei Veterans General Hospital, households suffered in Taitung.

08

Assisted with Rebuilding Efforts after Earthquake in Tainan

FET immediately set up its caring service stations, providing free emergency communications services. In partnership with the Far Eastern Group, NT\$20 million (of which FET contributed NT\$4 million) was donated to the Bureau of Social Affairs of the Tainan City Government for relief efforts and subsequent rebuilding. Moreover, FET activated short code donations, allowing the public to directly dial 55135 and make contributions.

FET amount spent(NT\$) NT\$4,000,000

FET volunteer participation (people) 66

Number of Beneficiaries Thousands of households suffered in Tainan County.

List of Beneficiaries Tainan City Government and affected households.



09

Teach for Taiwan

Sponsored communications services required for education in remote areas for Teach For Taiwan, including 8 free new phone numbers (NT\$1,500*6 months) and 5 sets of MVPN groups.

FET amount spent(NT\$) NT\$261,000

Number of Beneficiaries 30 townships in Taiwan, 27 cooperative elementary school, 57 TFT teachers, 1700 schoolchildren in schools of remote areas.

10

Rebuilding Project of Taoyuan Elementary School Library

FET amount spent(NT\$) NT\$222,934

FET volunteer participation (people) 76

Number of Beneficiaries 88 students were beneficiaries.

List of Beneficiaries Tainan Kaohsiung City's Taoyuan Elementary School.



Helped rebuild the campus library which had collapsed due to the 8/8 disaster and sorted books donated by the public.

11

Far Eastern Memorial Hospital Caring SMS

Since 2014, FET has cooperated with the Far Eastern Memorial Hospital Ming Lun Suicide Prevention Center to send caring SMS on major holidays, and to extend timely care and reminders to those who need counseling.

FET amount spent(NT\$) NT\$5,672

Number of Beneficiaries 2,171 SMS sent to nearly 1,000 beneficiaries.

List of Beneficiaries Cases at Far Eastern Memorial Hospital.



13

Huashan Social Welfare Foundation New Year Dishes Collection

ARCOA

FET colleagues voluntarily initiated New Year's Dishes to help solitary elderly people in remote areas enjoy warm meals.

Beneficiaries Solitary elderly people in remote areas.



12

Design and Sponsor Planning of Yuan Ze University for Taiwan Lantern Festival



FET promoted the brand spirit of "Express Your Love, Let it be Heard" by sponsoring Yuan Ze University to the tune of NT\$1 million in relation to the 2016 Taiwan Lantern Festival.

FET amount spent(NT\$) NT\$1,000,000

List of Beneficiaries Yuan Ze University.

Sustainable Governance

4.1 Corporate
Governance
Structure

4.2 Corporate
Sustainable
Governance

4.3 Ethical
Corporate
Management

4.4 Operatinal Risk
Management

4.5 External
Participation



4. Sustainable Governance

The sustainable management of a company requires not only a well-functioning corporate governance framework and clearly-defined accountability and responsibility structures, but also needs to take into account overall developments in the external environment that underscore long-term corporate profitability and value creation. FET has worked to build sound corporate governance and supervision structures since its inception in 1997. We strive to adhere to the principles of trustworthy management and thus we established the Corporate Social Responsibility (CSR) Committee in 2011 to incorporate CSR as a core business strategy within our corporate governance structure. Through sustainable corporate governance, we aim to integrate related sustainability issues with our business strategy and culture, with the aim of corporate governance being more responsible and systematic in responding to the concerns of consumers and investors.

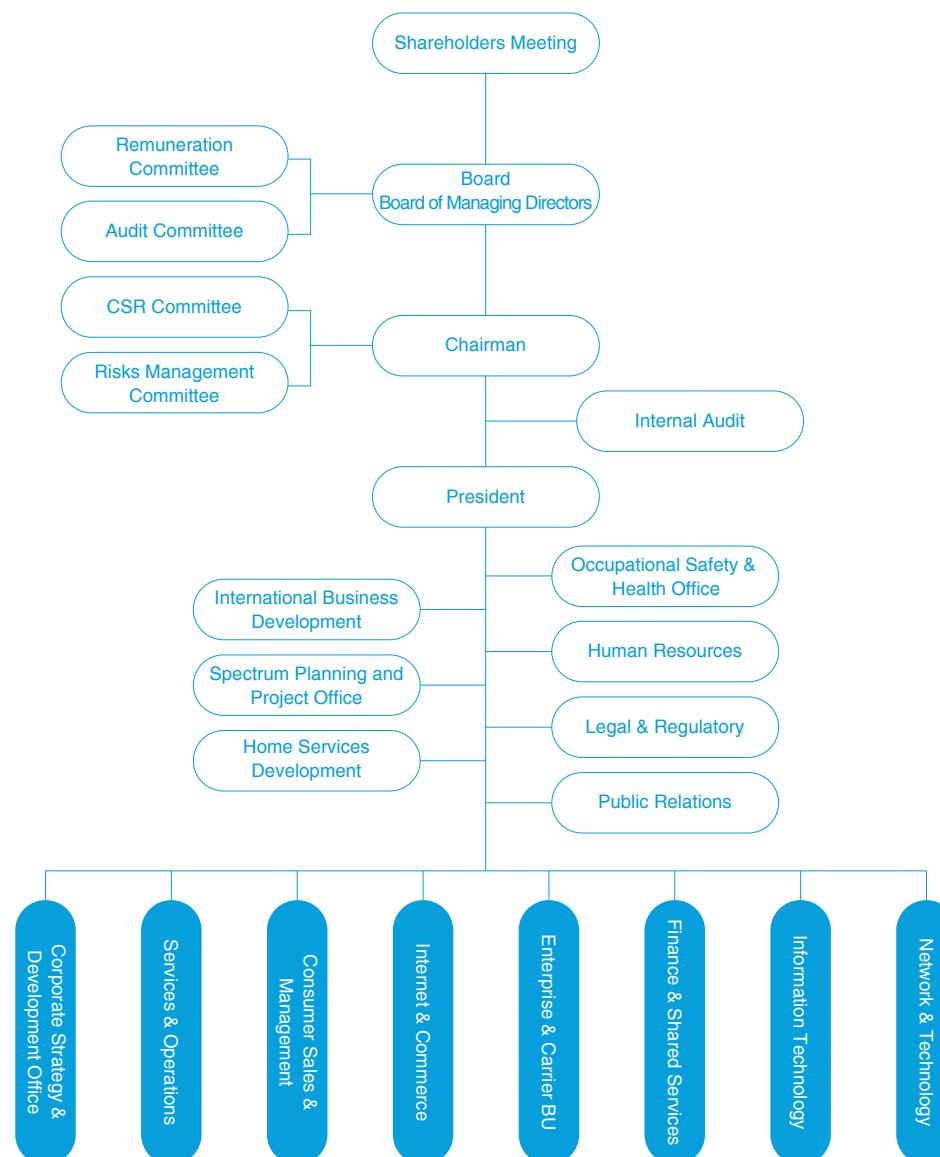
FET Corporate Governance Achievements and Performance: 2016–April 2017

- April 2016: Chairman Douglas Hsu was listed in the “2016 Top 50 CEOs in Taiwan” by Harvard Business Review.
- September 2016: Selected as a member of the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets).
- March 2017: Won awards in Taiwan and in FinanceAsia’s 2017 Asia’s Best Companies in the following categories: Best Managed Company, Best Investor Relations, Corporate Social Responsibility, Best CEO, and Best CFO.
- April 2017: For the third consecutive year, ranked in the Top 5 percent of the Taiwan Stock Exchange’s Corporate Governance Evaluation.

4.1 Corporate Governance Framework

The Board sits atop the managerial level of the company, with responsibility for appointing and monitoring operating teams, monitoring operating performance and preventing conflict of interests. It also has a duty to make sure the company follows all kinds of laws and company regulations. The seventh term of the Board of Directors consists of 11 Directors, whose terms are from June 18, 2015 to June 17, 2018. To ensure the independence of governance, diversity, and stakeholder inclusiveness, the Board includes three Independent Directors and one female Director.

FET has a clearly defined organizational structure with different business groups under the President’s management. FET’s Remuneration Committee, Audit Committee, CSR Committee, and Risks Control Committee all regularly report to the Board on their activities and resolutions. The position of Chairman of the Board is ring-fenced to establish a governance structure that is objective and independent from management. For the existing organizational structure and the responsibilities of each unit in the company, please refer to the 2016 Annual Report.



4.1.1 Composition and Operations of the Board Board of Directors Operations

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

Directors

Title	Name	Nationality	Education & Experience	Current Position(s) at Other Companies
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	R.O.C	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 Co., Ltd.	R.O.C	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 Co., Ltd.	Sweden	Vice Chairman of Far Eastone Telecommunications Co., Ltd.; President of Far Eastone Telecommunications Co., Ltd.; Sr. Executive VP of Satellite Telecom Indonesia	None
Independent Director	Lawrence Juen-Yee LAU	Hong Kong (China)	Academician, Academia Sinica, 1982; Kwok-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 AIA Group Limited in Hong Kong; Independent Non-executive Director of Hysan Development Company Limited in Hong Kong; Chairman of the Hong Kong Monetary Authority (HKMA) and the EFAC Governance Sub-Committee; Committee of the EFAC Currency Board; Sub-Committee and the EFAC Investment Board; Sub-Committee Vice-Chairman of Our Hong Kong Foundation; A member and Chairman of the Prize Recommendation Committee, the LUI Che Woo Prize Company; Chairman of the Board of Directors for The Chinese University of Hong Kong (Shenzhen)

Title	Name	Nationality	Education & Experience	Current Position(s) at Other Companies
Independent Director	Kurt Roland Hellstrom	Sweden	President and CEO of Ericsson Group	Director at the European Institute for Japanese Studies (Sweden); Director at International Advisory Board of Altimo (Russia)
Independent Director	Chung Laung Liu	R.O.C.	President and Mei Yi Che Honorary Chair Professor, Taiwan's National Tsing Hua University; Professor Emeritus, University of Illinois (Urbana-Champaign Campus)	Meng Minwei Chair Professor Emeritus, Taiwan's National Tsing Hua University; Independent Director of UMC, MTI, Powerchip; Director of Macronix International, UBI Pharma Inc.; Supervisor at Andes Technology Corporation
Director	Champion Lee, Representative of Yuan Ding Investment Co., Ltd.	R.O.C.	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 at 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 startups, Nestlé, DensoAutomotive, Kia Motors, and Target	Chief Innovation Officer at Far Eastern Group; Director and Vice President at 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.	R.O.C.	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, Ding Yuan International Investment Co., Ltd.	Singapore	Chief Operating Officer, SingTel Group	Advisor, SingTel Group; Board Director, APT, Satellite, HK

► 4.1 Corporate Governance Structure

4.2 Corporate Sustainable Governance

4.3 Ethical Corporate Management

4.4 Operational Risk Management

4.5 External Participation



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.

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 or to which they are subject to a qualified opinion, such instances should be recorded and communicated. From 2016 to Q1 2017, the Board held six meetings with the actual attendance rate at 83% and the total attendance rate at 98% when proxies are taken into account. 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 amend FET's Articles of Incorporation to adopt the nomination system for all candidates in the Board elections and ensure that shareholder rights can be fully exercised.

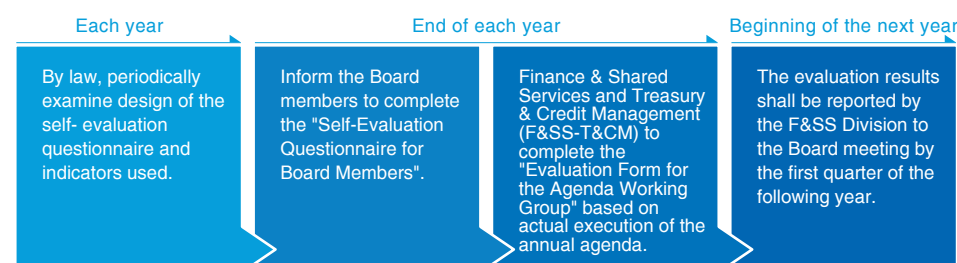
Time	2016 Amendment passed by the Board of Directors
February 2016	<ul style="list-style-type: none"> Approved the donation of NT\$1 million by a key subsidiary, NCIC, to Yuan Ze University for the "2016 Taiwan Lantern Festival in Taoyuan City." Approved the assessment results relating to the expertise, eligibility and independence of the auditor as part of reinforcing corporate governance. Approved the amendments to the Articles of Incorporation.
April 2016	<ul style="list-style-type: none"> Approved the donation of NT\$4 million to Tainan City's social assistance account for the "Taiwan 0206 earthquake."
July 2016	<ul style="list-style-type: none"> Approved the Trustworthy Management Report.
November 2016	<ul style="list-style-type: none"> Approved the CSR Report. Approved the "Rules and Procedures for the Board of Directors' Performance Assessments."

Board Performance Evaluation Mechanism

In order to continuously improve its performance, the Board approved the Rules and Procedures for the Board of Directors Performance Assessments in November 2016. Accordingly, after the end of each year, members of the Board will fill out the "Self-Evaluation Questionnaire for Board Members" whilst the Finance & Shared Services (F&SS) Division and the Treasury & Credit Management unit will complete the "Evaluation Form for the Agenda Working Group." The evaluation results are reported by the F&SS Division to the Board meeting by the first quarter of the following year. The first Board Performance Evaluation was completed in 2016 and reported in the 10th Meeting of the seventh term of the Board of Directors on February 15, 2017.

According to the 2016 Board Performance Evaluation, the results of the "Self-Evaluation Questionnaire for Board Members" were found to be normal. Meanwhile, there were four unfulfilled requirements in the "Evaluation Form for the Agenda Working Group", including the amount of directors' training, the number of meetings, and the relationship between the directors. To those directors who were unable to complete the annual six-hour corporate governance program due to limitations of national locations, time zones, and languages, FET will arrange for them to complete refresher courses in the following year in accordance with the requirements of the Board Performance Evaluation so as to strengthen the performance of the Board.

Board Performance Evaluation Mechanism



The evaluation of the Board's performance will be done at least once every three years by an external professional independent agency or an external team of experts and scholars. These external evaluators are required to comply with the following criteria:

- To be contractors or consulting companies specialized in holding the relevant educational training for the Board and elevating its corporate governance.
- To be accountable for the relevant affairs of the Board or the corporate governance.

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. From 2017, FET will arrange for courses to be taught in English to foreign directors. An overview of the courses completed by the Directors in 2016 is as follows:

Organizer	Course Name	Study Hours	Number of Directors
Taiwan Corporate Governance Association	The Trend of Change in tax	3	4
Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	3
Financial Supervisory Commission	The 11th Taipei Corporate Governance Forum	3	1
Taiwan Corporate Governance Association	Audit Committee and Independent Directors Function	3	1
Securities & Futures Institute	Money Laundering and Legal Compliance	3	1
Securities and Futures Institute	2015 Corporate Governance Evaluation Award Ceremony	3	1
Securities and Futures Institute	Director's Liability of Financial Statement Fraud and Risk Control	3	1
Securities and Futures Institute	The Regulation of Competence for Management Power	3	1

4.1.2 Audit Committee

FET's Audit Committee was formed in 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; four meetings were convened in 2016. Minutes of the meetings are recorded, and important discussions and resolutions passed on to the Directors, President, and top executives at the company.

Communication Policy of Audit Committee

	Once a quarter	Once a year
Participants	Internal Audit Supervisor, Independent Directors	Accountants, Independent Directors
Obligations	FET internal audit has a direct reporting line to the Board of Directors and is responsible for auditing and executing tasks according to the annual plan. Internal auditing execution and internal control operations of the company shall be reported in meetings, which may be held at any time if significant irregularities are identified. Furthermore, the audit supervisor shall also submit the monthly audit report to Independent Directors.	Accountants shall, according to FET's financial status, the local and overseas financial status of the company's subsidiaries, the overall operational status, and the audit results of internal controls, report to the Independent Directors and communicate whether there are significant adjustments or amendments to the regulations that impact on accounting. Meetings may be held at any time if significant irregularities are identified. Independent Directors may entrust professional accountants to review FET's Financial Statements and submit an audit opinion report for reference.

4.1.3 Remuneration Committee

The Remuneration Committee assists the Board to implement and evaluate 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 2016, 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 the 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.

	2014	2015	2016
Total Directors' remuneration as a proportion of net profit after tax	1.06%	1.09%	1.06%

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

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 relation to 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.

	2014	2015	2016
Total remuneration of the President and Vice Presidents as a proportion of net profit after tax	1.64%	1.58%	1.65%

4.1.4 Transparency and Trustworthy Operations Preventing conflicts of interest

None of the Board members have cross-shareholding relationships with major suppliers. 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. All FET Directors comply with self-regulatory principles and should avoid conflicts of interest. Actions taken from 2016 to early 2017 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
NCIC	February 16, 2016	Approval of capital lending to Q-Ware Communication Co., Ltd., not exceeding NT\$250 million.	The conflict of interest was due to Director Yvonne Li being the Chairman of Q-Ware Communication Co., Ltd.	Those with a conflict of interest did not participate in the discussion or vote; other Directors present unanimously adopted the proposal without objection.
NCIC	February 16, 2016	Approval of the donation of NT\$1 million to Yuan Ze University	The conflict of interest was due to FET Chairman, Douglas Hsu, being the Chairman of Yuan Ze University's board of directors.	Those with a conflict of interest did not participate in the discussion or vote; other Directors present unanimously adopted the proposal without objection.
NCIC	February 16, 2016	Approval of the appointment of the President of the Company.	The conflict of interest was due to Director Yvonne Li being the President of the Company.	Those with a conflict of interest did not participate in the discussion or vote; other Directors present unanimously adopted the proposal without objection.

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 Information

As of December 31, 2016, 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 25, 2016, the FET shareholder structure was as follows:

	Government agencies	Financial institutions	Other juristic persons	Natural persons	Foreign institutions and foreigners	Total
Number of People	9	30	188	21,688	857	22,772
Shares Held	17,957,068	576,338,101	1,499,642,390	91,203,084	1,073,360,167	3,258,500,810
Percentage of shares	0.55%	17.69%	46.02%	2.80%	32.94%	100%

Top Ten Major Shareholders on 25 April, 2017:

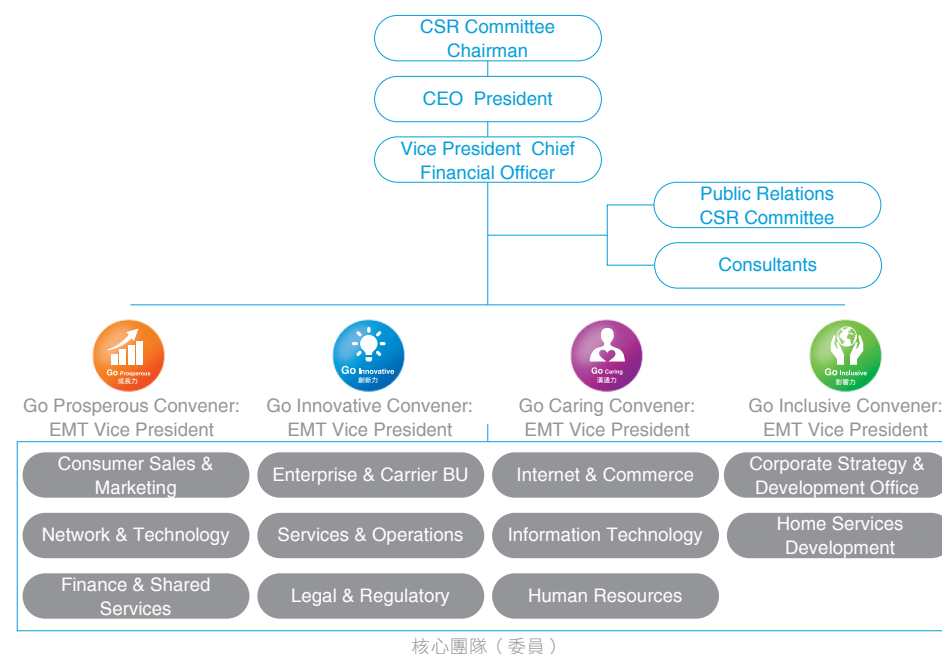
Name of Substantial Shareholders	Percentage of shares (%)
Yuan Ding Investment Co., Ltd.	32.73
Shin Kong Life Insurance Co., Ltd.	4.92
NTT DOCOMO INC.	4.71
Cathay Life Insurance	3.86
Yuang Tung Investment Co., Ltd.	3.08
Taiwan Post Co., Ltd.	2.98
Fubon Life Insurance Co., Ltd.	2.06
Nan Shan Life Insurance Co., Ltd.	1.57
An Ho Garment Co., Ltd.	1.25
China Life Insurance Co., Ltd.	1.24

4.2 Corporate Sustainable Governance

Formed in 2011, the FET Corporate Social Responsibility Committee (or “CSR Committee”) is the highest authority for CSR strategic planning and discussion. The CSR Committee structure was slightly adjusted in 2016; 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, the CFO serves as the vice CEO of the Committee and the Executive Management Team (EMT) acts as conveners of the four divisional teams, which are represented by members from all FET's business groups. There is also a dedicated CSR Committee Secretariat and external expert teams are also available to provide professional advice.

In addition to the dedicated CSR Committee, FET has also defined a Corporate Social Responsibility Policy in accordance with the “CSR Best Practice Principles for TWSE/GTSM Listed Companies” prescribed by the TWSE and GTSM, which was adopted by the Third Session of the Seventh Board of Directors Meeting on July 30, 2015 as the guiding principles for FET's CSR policies.

FET CSR Committee Structure

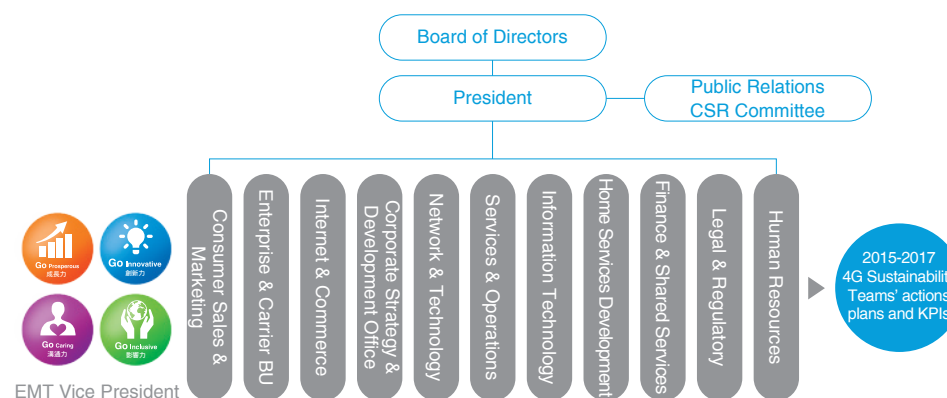


CSR委員會核心團隊主要任務



The FET CSR Committee continued to develop the company's "4G Sustainability Forces" (i.e., Go Prosperous, Go Innovative, Go Caring, and Go Inclusive) and the corresponding annual action plans in 2016. The main focus of the 4G Sustainability Forces combines the ethos of corporate social responsibility with FET's daily operational culture so as to be ingrained in the company's thinking.

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 participate in the discussions. Moreover, key issues in related fields and feedback from stakeholders regarding major sustainability issues are also discussed. In 2016, the CSR Committee held four meetings, in which the three-year action plans and KPIs for each 4G sustainability team were confirmed, along with performance improvement plans. Please refer to Section 1.1.3 "FET Sustainable Development Goals" for the KPIs and their status in 2016.



4.3 Ethical Corporate Management

FET practices 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, FET also provides disclosures through its corporate website, annual reports, public statements, and the Taiwan Market Observation Post System (MOPS). Newsfeed on FET's internal website are used to increase exposure as well. 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. In addition, according to "FET Rules and Procedures of Board of Directors Meetings", any donation made by FET to Related Parties should be approved by the Board of Directors. FET has established an ethical corporate culture to prevent unethical conduct. As well as relevant training for new employees, FET also reminds staff about issues related to anti-corruption and trustworthy management through newsfeed on FET's internal website.

Meanwhile, subsidiary ARCOA has developed its 2016 New Competence Introduction Plan, which emphasizes "decent and trustworthy" behavior and deeds. Model case studies are made available and "decency and trustworthiness" are key competencies which should be demonstrated in performance assessments.

4.3.1 Compliance

FET fully abides by the relevant regulations and faithfully fulfills duties through compliance training. In 2016, we delivered two compliance notifications to members of the Board along with the meeting minutes of the Board of Directors in Q2 and Q4 respectively. The related compliance topics were announced to all employees via the newsfeed on FET's internal website. No violations of anti-bribery, anti-competition or trustworthy management policies were reported in 2016.

Compliance with Amendments to the Convergence Act

At the beginning of 2016, the National Communications Commission (NCC) completed and implemented three broadcasting laws. It then announced two relevant regulations of the Convergence Act, which included drafts of the Telecommunications Management Act and the Digital Communications Act by the end of the same year. These were expected to be launched at public meetings for public consultation in the first quarter of 2017. After collecting and organizing opinions from all quarters, these drafts will be proposed to the Executive Yuan for approval by the end of the first quarter of 2017.

Once the above-mentioned drafts of the Convergence Act are enacted, they will make a significant impact on the ICT industry, which may enhance civilian telecommunications rights, guarantees of customer interests, the elevation of various cultures, and a narrowing of the urban-rural gap. As a result, FET continues to pay close attention to the amendments schedule of the Convergence Act as it complies with two drafts of the Convergence Act. These are expected to bring have a positive impact on corporate social responsibility and consumer protection.

4.3.2 The Code of Business Conduct

FET's Board passed an amendment to the FET Code of Business Conduct in July 2015. The Code is applicable to directors, managers, employees, appointees, persons who have substantial control capacity, subsidiaries, and non-profit corporations in which the Company directly or indirectly contributes over 50% of funding, as well as other groups and organizations that the Company has a controlling interest in. Meanwhile, subsidiary ARCOA has also established its own Trustworthy Management Code to implement the parent company's policy.

FET Code of Business Conduct

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. Corporate Strategy & Development Office coordinates with the related departments to implement ethical management practices and regularly reports to the Board.

Prior to engaging in a business contract	Check the integrity of agents, suppliers and any other business counterparties for records of dishonesty. Avoid dealing with those with integrity issues.
In the course of initiating an important contract	The contents of the contract should comply with the integrity of business policies and include provisions for the termination or dissolution of the contract if the counterparty is involved in any dishonest behavior.
In the course of conducting business	Any direct or indirect offering, promises, request for or acceptance of any form of illegitimate benefits, including kickbacks, commissions, or facilitation fees, are prohibited.

4.3.3 The Code of Ethics

To provide FET's directors, executives, employees, and appointees with a guide to acceptable ethical behavior, the Board passed the amended version of the Guidelines for the Adoption of the Code of Ethical Conduct in July 2015. The Code of Ethics covers areas such as 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 Guidelines on Employee Hospitality or Reception, Employee Notices and Professional Code of Ethics.

4.3.4 Whistle-blowing Channels

In order to implement 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 e-mail: ia@fareastone.com.tw

Procurement Management e-mail:

http://www.ecome.com.tw/A00BG/ABG_Index.aspx

Please click on the "contact us" link on the webpage.

ARCOA's staff can voice their opinions or report transgressions via the 'Speak Your Mind' letter box. No violations of employee trustworthy management at ARCOA were reported in 2016.

4.4 Operational Risk Management

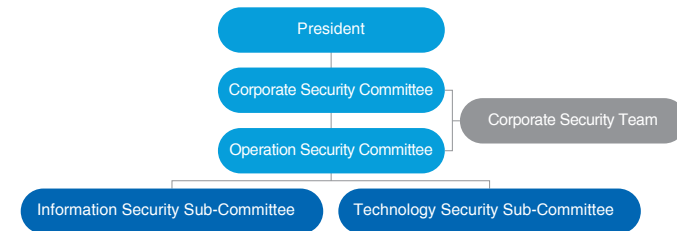
The telecommunications industry is highly driven by the development of Internet technology, and its operations are becoming ever more complex and dynamic. The impacts of intense competition in the industry, changes in consumer behavior, restrictions imposed by national laws and regulations, and natural 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 Operational Risk Management

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 substantive risk management targets through its solid operation and management. Furthermore, to improve risk management and supervision mechanisms, FET will adjust the risk management structure in 2017 to ensure effective risk management whilst pursuing business objectives in response to changes in the business environment.

The Corporate Security Committee held four meetings in 2016. The Operations Security Committee convened 10 meetings. Major items dealt with at the meetings include: promoting personnel information security; passing the ISO27001 and BS10012 management reviews; strengthening protection against cyber-attacks; establishing physical management mechanisms, operational continuity management mechanisms; managing security incidents; and deliberating on annual information security projects.

FET Risk Management Structure

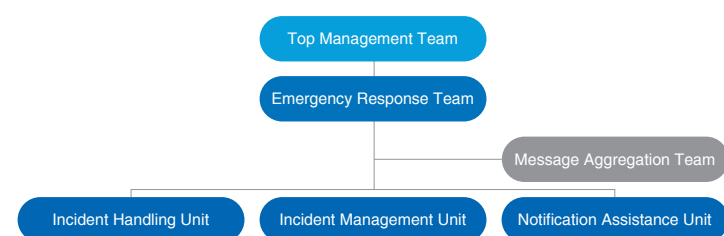


To enhance risk management awareness of all employees, FET set out a Corporate Security Policy to encourage "respect for customer information, treasure what customers have entrusted us with, maintain sustainable services, and win the trust of customers". These concepts are also promoted in a special information security area on the Intranet. We manage high-risk issues based on ISO31000/ISO27005 systematic risk management methods to designate operational roles, responsibilities, assessment methods and tools, assess information security risks on an annual basis, detect cyber-attacks, and system breakdowns. We have combined annual operational plans with the aim to gradually streamline operations and mitigate risks through avoidance, reduction, and the transfer of risk. Please refer to Section 3.3.3 (Service without Distance) for FET's information security promotions in 2016.

FET Business Continuity Management

The Top Management Team in the Business Continuity Management Organization is made up of members of the 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 with an opportunity to decide whether to initiate response procedures and to report to the Top Management Team and Chairman office.

Business Continuity Management Organization



In 2016, the Business Continuity Management Organization responded to 15 urgent incidents related to retail stores, customer service, technical and supporting units. Through seamless cooperation between customer-facing units and supporting units, FET was able to respond to customers instantly and minimize the incidents' impact on customers and business operations.

4.5 External Participation

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 and helps to promote the overall development of the industry. FET was a member of the following associations in 2016, costing a total of NT\$ 9,967,802 in membership fees:

	2014	2015	2016
Costs of membership to telecommunications related and other business associations (NT\$)	9,003,245	9,106,489	9,967,802
Percentage of total revenue	0.009%	0.009%	0.01%

External Associations	Participation
Taiwan Telecommunication Industry Development Association (TTIDA)	Vice President: 1 Director : 3 Supervisor: 1
Taiwan Internet Association (TWIA)	President: 1 Director : 1
Taiwan Communications Society (TCS)	Director : 1
Chinese Arbitration Association	None
Taiwan Corporate Governance Association	None
Wireless & Information Technology Communication Leaders United Board (WIT Club)	None
Communications Industry Alliance (CIA)	None
Taiwan Network Information Center (TWNIC) TWNIC Board of Directors	Director : 1
Taiwan Network Information Center (TWNIC) TWNIC IP Committee	Chairman: 1
Taiwan Network Information Center (TWNIC) TWNIC Domain Name Committee	None

External Associations	Participation
Chinese Institute of Electrical Engineering (CIEE)	None
Taiwan Digital Publishing Forum (TDPF)	Director : 1
Taiwan Association of Logistics Management (TALM)	None
Taiwan Contact Center Development Association (TCCDA)	Executive Director : 1
Taipei Computer Association (TCA)	None
Intelligent Transportation Society (ITS)	Director : 1
Taiwan Cloud Computing Consortium (TCCC)	Director : 1
Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)	None
Taiwan Telecommunication Engineering Industry Association	None
Taipei NeiHu Technology Development Association (TPDA)	None
Public Company Stock Affairs Association	None
Accounting Research and Development Foundation	None
TCFA Taiwan Chain Stores and Franchise Association	None
Tai Chung Computer Association (TCCA)	None
Kaohsiung Computer Association (KCA)	None
DMA Digital Marketing Association	None
The Institute of Internal Auditors (IIA)	None
Computer Audit Association (CAA)	None

External Associations	Participation
American Chamber of Commerce in Taipei	None
European Chamber of Commerce Taipei	None
GSM	None
China Credit Information Service, Ltd.	N/A
Dun & Bradstreet (Taiwan Branch)	N/A
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 Aerotropoli Association (TIAA)	None
Taiwan Telematics Industry Association (TTIA)	None
Center for Corporate Sustainability (CCS)	Director : 1 Executive Director: 1
Taiwan Association of Information and Communication Standards (TAICS)	None
Taiwan Smart Energy Indus	None

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Appendix

5.1 GRI G4 Index

**5.2 Third-party Assurance
Statement**

5.1 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.	Letter to Stakeholders		P.5
G4-2	Description of key impacts, risks, and opportunities.	2.1 External Environment Analysis		P. 17
Organizational Profile				
G4-3	Name of the organization.	Overview of Operations in 2016		P.6
G4-4	Primary brands, products, and/or services.	1.1.1 FET Business Model		P.9
G4-5	Location of the organization's headquarters.	Overview of Operations in 2016		P.6
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.	Overview of Operations in 2016		P.6
G4-7	Nature of ownership and legal form.	Overview of Operations in 2016		P.6
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	1.1.1 FET Business Model		P.9
G4-9	Scale of the organization.	3.1.1 Growth in Operational Scale		P.32
G4-10	Total workforce by employment type, gender, employment contract and region.	3.3.4 Friendly Workplace		P.58
G4-11	Percentage of employees covered by collective bargaining agreements.		FET does not have a union	

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.

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
G4-12	Describe the organization's supply chain.	3.4.1 Creating Sustainable Value in Supply Chain		P.65
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.		No significant changes occurred in 2016	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	4.4 Operational Risk Management		P.93
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	4.5 External Participation		P.94
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations.	4.5 External Participation		P.94
Identified Material Aspects and Boundaries				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	About This Report		P. 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		P. 4
G4-19	List all the material Aspects identified in the process for defining report content.	2.3 Materiality Analysis		P.24
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	2.3 Materiality Analysis		P.26
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	2.3 Materiality Analysis		P.26
G4-22	Explain the effect of any restatements of information provided in previous reports.	About This Report		P.4
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	About This Report		P.4
Stakeholder Engagement				

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
G4-24	List of stakeholder groups engaged by the organization.	2.2.1 Stakeholder Identification		P.21
G4-25	Basis for identification and selection of stakeholders with whom to engage.	2.2.1 Stakeholder Identification		P.21
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	3.3.1 Stakeholder Engagement		P.49
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 Stakeholder Identification		P.23
Report Profile				
G4-28	Reporting period.	About This Report		P.4
G4-29	Date of most recent previous report.	About This Report		P.4
G4-30	Reporting cycle.	About This Report		P.4
G4-31	Contact point for questions regarding the report or its contents.	About This Report		P.4
G4-32	Report the 'in accordance' option the organization has chosen, and the GRI Content Index for the chosen option.	About This Report 5.1 GRI G4 Index 5.2 Third-party Assurance Statement		P.4 P.97 P.111
G4-33	Policy and current practice with regards to seeking external assurance for the report.	About This Report 5.2 Third-party Assurance Statement		P.4 P.111
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 Framework		P.85
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 Sustainable Governance		P.90

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
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 Sustainable Governance		P.90
G4-38	The composition of the highest governance body and its committees.	4.1 Corporate Governance Framework		P.85
G4-39	Report whether the Chair of the highest governance body is also an executive officer.	4.1 Corporate Governance Framework		P.85
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.	4.1.1 Composition and Operations of the Board		P.87
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	4.1.4 Transparency and trustworthy operations		P.89
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.	4.1.1 Composition and Operations of the Board 4.2 Corporate Sustainable Governance		P.87 P.90
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	About This Report		P.4
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 Framework		P.85
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 Framework 2.1.3 Critical Corporate Sustainability Risks		P.85 P.19
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 Framework		P.85
G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	4.1 Corporate Governance Framework		P.85
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.	4.1 Corporate Governance Framework		P.4
G4-49	The process for communicating critical concerns to the highest governance body.	4.1 Corporate Governance Framework		P.85

General Standard Disclosure				
Indicator	Indicator Description	Corresponding Chapter	Other Remarks	Page Number
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 Framework		P.85
G4-51	How performance criteria in the remuneration policy relate to the highest governance bodies and senior executives' economic, environmental and social objectives.	4.1.3 Remuneration Committee		P.89
G4-52	Report the process for determining remuneration.	4.1.3 Remuneration Committee		P.89
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 Ethical Corporate Management		P.92
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 Ethical Corporate Management		P.92
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	4.3 Ethical Corporate Management		P.92

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		P.30
	G4-EC1	Direct economic value generated and distributed		3.1.2 Key Financial Indicators 3.1.3 Distribution of Economic Value		P.34 P.35
	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		P.19 P.93
	G4-EC3	Coverage of the organization's defined-benefit plan obligations		3.3.4 Friendly Workplace		P.60
	G4-EC4	Significant financial assistance received from government		3.1.3 Distribution of Economic Value		P.35
Market Presence	DMA			3.3.4 Friendly Workplace		P.58
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation		3.3.4 Friendly Workplace		P.58
	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		
Indirect Economic Impacts	DMA			Please refer to EC7 and EC8		
	G4-EC7	Development and impact of infrastructure investments and services supported		3.1.5 Infrastructure Investments		P.36
	G4-EC8	Significant indirect economic impacts, including the extent of impacts		2.1.3 Critical Corporate Sustainability Risks 3.1 Go Prosperous3.2 Go Innovative 3.3 Go Caring 3.4 Go Inclusive		P.19 P.30 P.37 P.48 P.64
Purchasing Practices	DMA			3.4.1 Creating Sustainable Value in the Supply Chain		P.65
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation		3.4.1 Creating Sustainable Value in the Supply Chain		P.68

Specific Standard Disclosures

Material Aspect	DMA and Indicator		Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Environmental						
Energy	DMA			3.4.2 Reducing Environmental Impact		P.69
	G4-EN3	Energy consumption within the organization		3.4.2 Reducing Environmental Impact		P.69
	G4-EN5	Energy intensity		3.4.2 Reducing Environmental Impact		P.69
	G4-EN6	Reduction of energy consumption		3.4.2 Reducing Environmental Impact		P.70
	G4-EN7	Reductions in energy requirements of products and services		3.4.2 Reducing Environmental Impact		P.70
Emissions	DMA			3.4.2 Reducing Environmental Impact		P.69
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		3.4.2 Reducing Environmental Impact		P.69
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		3.4.2 Reducing Environmental Impact		P.69
	G4-EN18	Greenhouse gas (GHG) emissions intensity		3.4.2 Reducing Environmental Impact		P.69
	G4-EN19	Reduction of greenhouse gas (GHG) emissions		3.4.2 Reducing Environmental Impact		P.70
Effluent and Waste	DMA			3.4.2 Reducing Environmental Impact		P.69
	G4-EN23	Total weight of waste by type and disposal method		3.4.2 Reducing Environmental Impact		P.71 P.75
Products and Services	DMA			3.4.2 Reducing Environmental Impact		P.69
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services		3.4.2 Reducing Environmental Impact		P.75

Specific Standard Disclosures

Material Aspect	DMA and Indicator		Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Compliance	DMA			4.3.1 Compliance		P.92
	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 2016	
Supplier Environmental Assessment	DMA			3.4.1 Creating Sustainable Value in the Supply Chain		P.66
	G4-EN32		Percentage of new suppliers that were screened using environmental criteria	3.4.1 Creating Sustainable Value in the Supply Chain		P.67
	G4-EN33		Significant actual and potential negative environmental impacts in the supply chain and actions taken	3.4.1 Creating Sustainable Value in the Supply Chain		P.66
Labor Practices and Decent Work						
Employment	DMA			3.3.4 Friendly Workplace		P.58
	G4-LA1		Total workforce by employment type, employment contract and region	3.3.4 Friendly Workplace		P.58
	G4-LA2		Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	3.3.4 Friendly Workplace		P.60
	G4-LA3		Return to work and retention rates after parental leave, by gender	3.3.4 Friendly Workplace		P.60
Labor/Management Relations	DMA					
	G4-LA4		Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		FET does not have a union	
Occupational Health and Safety	DMA			3.3.4 Friendly Workplace		P.58
	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	3.3.4 Friendly Workplace		P.62

Specific Standard Disclosures					
Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Occupational Health and Safety	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	3.3.4 Friendly Workplace		P.63
	G4-LA7	Workers with high incidence or risk of diseases related to their occupation	3.3.4 Friendly Workplace		P.63
Training and Education	DMA		3.3.4 Friendly Workplace		P.60
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	3.3.4 Friendly Workplace		P.61
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	3.3.4 Friendly Workplace		P.61
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	3.3.4 Friendly Workplace	All FET employees undergo regular performance reviews	
Diversity and Equal Opportunity	DMA		3.3.4 Friendly Workplace		P.58
	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	3.3.4 Friendly Workplace		P.59
Equal Remuneration for Women and Men	DMA		3.3.4 Friendly Workplace		P.60
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	3.3.4 Friendly Workplace		P.60
Supplier Assessment for Labor Practices	DMA		3.4.1 Creating Sustainable Value in the Supply Chain		P.67
	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	3.4.1 Creating Sustainable Value in the Supply Chain		P.67
	G4-LA15	Significant actual and potential negative impacts arising from labor practices in the supply chain and actions taken	3.4.1 Creating Sustainable Value in the Supply Chain		P.67

Specific Standard Disclosures

Material Aspect	DMA and Indicator		Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Labor Practices Grievance Mechanisms	DMA			3.3.4 Friendly Workplace		P.63
	G4-LA16		Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	3.3.4 Friendly Workplace		P.63
Human Rights						
Non-discrimination	DMA			3.3.4 Friendly Workplace		P.58
	G4-HR3		Total number of incidents of discrimination and actions taken		No such incidents in 2015	
Supplier Human Rights Assessment	DMA			3.4.1 Creating Sustainable Value in the Supply Chain		P.65
	G4-HR10		Percentage of new suppliers that were screened using human rights criteria	3.4.1 Creating Sustainable Value in the Supply Chain		P.67
	G4-HR11		Significant actual and potential negative human rights impacts in the supply chain and actions taken	3.4.1 Creating Sustainable Value in the Supply Chain		P.67
Human Rights Grievance Mechanisms	DMA			3.3.4 Friendly Workplace		P.63
	G4-HR12		Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	3.3.4 Friendly Workplace		P.63
Society						
Local Communities	DMA			3.3.3 Service without Distance 3.4.2 Reducing Environmental Impact 3.4.3 Creating Social Influence		P.52 P.69 P.76
	G4-SO1		Percentage of operations with implemented local community engagement and impact assessments	3.3.3 Service without Distance 3.4.2 Reducing Environmental Impact 3.4.3 Creating Social Influence		P.52 P.69 P.76
	G4-SO2		Operations with significant actual or potential negative impacts on local communities	3.4.2 Reducing Environmental Impact		P.69

Material Aspect	DMA and Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Anti-corruption	DMA		4.3.2 The Code of Business Conduct		P.92
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	4.3 Ethical Corporate Management		P.92
	G4-SO4	Communication and training on anti-corruption policies and procedures	4.3.2 The Code of Business Conduct 4.3.3 The Code of Ethics		P.92
	G4-SO5	Confirmed incidents of corruption and actions taken		No such incidents in 2016	
Anti-competitive Behavior	DMA		4.3.2 The Code of Business Conduct		P.92
	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		No such incidents in 2016	
Compliance	DMA		4.3.1 Compliance		P.92
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No such incidents in 2016	
Supplier Assessment for Impacts on Society	DMA		3.4.1 Creating Sustainable Value in the Supply Chain		P.65
	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	3.4.1 Creating Sustainable Value in the Supply Chain		P.67
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	3.4.1 Creating Sustainable Value in the Supply Chain		P.67
Grievance Mechanisms forImpacts on Society	DMA		3.3.3 Service without Distance		P.55
	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		No such incidents in 2016	
Product Responsibility					

Specific Standard Disclosures

Material Aspect	DMA and Indicator		Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Customer Health and Safety	DMA			3.4.2 Reducing Environmental Impact		P.72
	G4-PR1		Percentage of significant products and services categories for which health and safety impacts are assessed for improvement	3.4.2 Reducing Environmental Impact		P.72
	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 2016	
Product and Service Labeling	DMA					P.53
	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 3.4.2 Reducing Environmental Impact		P.53 P.75
	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 2016	
	G4-PR5		Results of surveys measuring customer satisfaction	3.3.3 Service without Distance		P.55
Marketing Communications	DMA			3.3.3 Service without Distance		P.53
	G4-PR6		Sale of banned or disputed products	3.3.3 Service without Distance		P.53
	G4-PR7		Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	3.3.3 Service without Distance		P.53
Customer Privacy	DMA			3.3.3 Service without Distance		P.54
	G4-PR8		Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No such incidents in 2016	
Compliance	DMA			3.4.2 Reducing Environmental Impact		P.74
	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 Environmental Impact		P.74

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		P.36
	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		P.36
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.	3.3.4 Friendly Workplace		P.62
	IO5	Compliance with ICNIRP standards and guidelines on exposure to radiofrequency (RF) emissions from base stations.	3.4.2 Reducing Environmental Impact		P.74
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 Environmental Impact		P.74
	IO8	Number and percentage of stand-alone sites, shared sites, and sites on existing structures.	3.4.2 Reducing Environmental Impact		P.74
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		P.36
	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		P.52
	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.	2.1.4 The FET Advantage 3.1.4 Excellence in Communications Quality 3.1.5 Infrastructure Investments		P.20 P.35 P.36
	PA4	Quantify the level of availability of telecommunications products and services in areas where the organization operates.	3.1 Go Prosperous3.1.5 Infrastructure Investments		P.30 P.36
	PA5	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population.	3.3.3 Service without Distance		P.52
	PA6	Programs to provide and maintain telecommunication products and services in emergency situations and for disaster relief.	3.4.3 Creating Social Influence		P.77
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 3.4.2 Reducing Environmental Impact 3.4.3 Creating Social Influence		P.52 P.74 P.76

Telecommunications Sector Supplement

Material Aspect	Indicator	Indicator Description	Corresponding Chapter	Reason for Omissions	Page Number
Customer Relations	PA8	Policies and practices to publicly communicate on EMF related issues.	3.4.2 Reducing Environmental Impact		P.74
	PA9	Total amount invested in programs and activities in electromagnetic field research.	3.4.2 Reducing Environmental Impact		P.74
	PA10	Initiatives to ensure clarity of charges and tariffs.	3.3.3 Service without Distance		P.53
Resource Efficiency	TA1	Provide examples of the resource efficiency of telecommunication products and services delivered.	3.2 Go Innovative		P.37
	TA2	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects.	3.2 Go Innovative		P.37
	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		P.37
	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		P.37
	TA5	Description of practices relating to intellectual property rights and open source technologies.	3.2 Go Innovative		P.37

5.2 Third-party Assurance Statement

AA1000 (Accountability 1000) High Level Type 2 guidelines (GRI G4 & <IR> Framework)



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE Far Eastone Telecommunications Co., Ltd.'s CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2016

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Far Eastone Telecommunications Co., Ltd. (hereinafter referred to as FET) to conduct an independent assurance of the Corporate Social Responsibility Report for 2016 (hereinafter referred to as CSR Report). 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 2016 and its presentation are the responsibility of the management of FET. SGS has not been involved in the preparation of any of the material included in FET's CSR Report of 2016.

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

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2013) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of content veracity at a high level of scrutiny for FET and moderate level of scrutiny for subsidiaries, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G4 2013);
- evaluation of the report against the GRI Telecommunications Sector Supplement (Pilot Version 1.0); and
- evaluation of the report against the IIRC International <IR> Framework (Chinese version 2015) requirements for content elements.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

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

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within FET's CSR Report of 2016 verified is accurate, reliable and provides a fair and balanced representation of FET sustainability activities in 01/01/2016 to 12/31/2016. The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. 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. The report also appropriately responds to the content elements requirements of The IIRC International <IR> Framework.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

FET has demonstrated a great commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, local communities, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, FET may proactively consider having more direct multi-ways 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.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (G4 2013) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Principles

The report, FET's CSR Report of 2016, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, G4-17 to G4-27, are correctly located in content index and report.


General Standard Disclosures

More disclosures on corporate governance GSDs are encouraged.


Specific Standard Disclosures

Disclosures on Management Approach components for other material aspects, such as specific actions and stakeholder feedback, are recommended. Disclosures on EN17 are encouraged in future reports.

Signed:
For and on behalf of SGS Taiwan Ltd.



David Huang, Director
Taipei, Taiwan
May 15, 2017
WWW.SGS.COM



AA1000
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000-8

F A R E A S T O N E

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