

The background is a vibrant red with a complex, abstract design. On the left, a series of thin, white, concentric-like lines flow downwards, creating a sense of movement. On the right, a network diagram is visible, consisting of white dots connected by thin white lines, forming a web-like structure. The overall aesthetic is modern and technological.

# *Far EasTone Telecommunications*

## *2017 Corporate Social Responsibility Report*

20<sup>th</sup>

Innovation · Transformation · Restructure

## Guide to Reading this Report

In accordance with the information you would like to obtain, we suggest that you read the following chapters first:

- If you want to learn about the company information of FET and the value we create **CH.0 FET Overview**
- If you want to find out about FET's operational strategy and our performance highlights **CH.1 5G Sustainable Development Strategy**
- If you want to find out how FET responds to the changing operating environment and to key stakeholders **CH2. Operating Environment Analysis**
- If you need to further learn about FET's management approach to corporate governance, employees, customers, and suppliers **CH3. Sustainable Corporate Governance**
- If you want a comprehensive understanding of the influence of FET's operations on society and the environment, and how we manage and transform these impacts **CH4. Environmental and Social Protection**

By scanning the QR code, interactivity between the report and the official website, videos, and the annual report can be enjoyed. We recommend the use of mobile phone for the best reading experience.



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## Report Profile

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

### Report Cycle and Period

The FET CSR report is published on an annual basis. The previous report (2016) was published in June 2017. From 2015 onwards, FET has published its CSR report by June 30 each year in accordance with the "Taiwan Stock Exchange Enterprise Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies." The next report (2018) will be published in June 2019.

This report encompasses financial and non-financial information of FET in 2017 (January 1, 2017 to December 31, 2017), including management approach, material issues, and performance. To provide readers with a better grasp of information, partial quantified data has been presented for the past three years for comparison purposes.

### Reporting Boundary

In consideration of their financial materiality and industry correlation, 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 presenting the business performance included in this report is derived from the CPA-audited consolidated financial report for FET and its subsidiaries. Please refer to the 2017 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 2017 Annual Report.

As an extraordinary general meeting of NCIC in 2010 agreed to entrust all of its operations to its parent company, FET, all references to "FET" or "our company" in this report refer to FET itself and NCIC. Where individual entities are not explicitly specified in this report, FET should be taken to refer to all entities within the report boundaries, namely FET, NCIC and ARCOA. The scope of information and data in this report includes the financial and non-financial performance of these three companies. Some of the financial information sourced from consolidated information of FET and its subsidiaries will be marked as consolidated accordingly. 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

The FET Corporate Social Responsibility (CSR) Committee is responsible for the CSR report. The 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 contents of the

report and suggests recommendations. All contents are approved for release by heads of business units and the company president.

### Reporting Guidelines and Third-party Assurance

The format of this report follows the International IR Framework published by the International Integrated Reporting Council (IIRC) and the core option in the GRI Standards (2016) published by the Global Reporting Initiative (GRI).

This report was also verified by SGS Taiwan, an independent third-party certification institution, as being in accordance with GRI core option and AA1000 (AccountAbility 1000) Type II High Level and meeting the requirements of International IR Framework contents.

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

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[FET CSR website](#)



[FET CSR Facebook](#)



[FET CSR Survey](#)



## Letter to Stakeholders

2017 is the 20th anniversary of FET; over the past 20 years, FET has not just been a telecom company, it has been one that has adhered to the spirit of the brand, “Closing the Distance,” since day 1. From the start, the Company has been connecting people, striving to play the role of “Relationship Connector,” and seeking to realize the vision of “FET Connects and Enriches Life.” Additionally, FET’s market value started at NT\$65 billion, but now it has grown to NT\$240 billion. In 2017, although we faced severe challenges in the industrial environment, through the efforts made by all the employees, FET still achieved outstanding results, and its consolidated revenue reached NT\$92 billion. The Company’s monthly ARPU of postpaid users constantly ranked first among the “big three” major telecom operators in Taiwan and its EBITDA annual growth rate reached 1.2%, which is also the first place in the industry. The network speed evaluation completed by numerous third-party units stated that FET is also number one in various categories.

Despite the robust growth of business performance, technology innovation is accelerating changes in the telecom industry. AI, IoT, Cloud, and Data Science will affect the capacity of innovative services of enterprises. The only thing that will never change in the world is change itself. Thus, after celebrating our 20th anniversary, FET has adhered to the core spirit of “Innovation, Transformation, and Restructure” and readjusted the direction of corporate strategy. FET has also made communication and interaction among departments even easier, ending the silo effect that creates information islands, propelling innovative business capacity, and advancing operating efficiency via the change of organizational structure. Additionally, FET has improved customer experience and embraced the development of intelligent technology by Big Data and segment marketing to create a comprehensive customer-aware digital service provider.

Meanwhile, FET pursues long-term growth and attaches great importance to the practice of CSR. In 2017, based on the current industrial environment, FET reexamined the potential risks and opportunities of the enterprise and planned a new 5G sustainability strategy: Go Prosperous, Go Caring, Go Inclusive, Go Innovative, and Go Eco. FET has set medium and long-term sustainable development goals for 2018-2025 and has integrated CSR into the company’s operating strategy, actively responding to the nine important stakeholders. Through core capabilities such as Big Data and IoT application, FET has committed itself to environmental sustainability, digital inclusion, and social inclusiveness and has aligned with the United Nations Sustainable Development Goals (SDGs) to respond to global issues of concern with specific actions. FET looks forward to addressing climate change, improving the quality of education, health and well-being, employment and economic growth.

In regards to environmental sustainability, as FET actively develops business innovation, professional capabilities such as cloud technologies, Big Data, IoT application, AI, etc., are utilized in the CSR field, including smart cities, smart parking, air quality control, Big Data crowd analysis, and so on to solve problems

such as traffic and air quality. FET has put environmental management concepts into the core of business operation from offices, green logistics, green stores, and even base stations to promote a series of energy-saving programs. FET also officially received ISO 14001 environmental management system certification and has been able to manage the environmental impact caused by operations more systematically. FET has constantly invested in the renewable energy field. Along with Gogoro, FET has promoted the first solar cell switching station, GoStation, and has become the first demonstration station for urban and solar parallel power generation in Taiwan. At the same time, by cooperating with Delta Electronics, FET has deployed new generation base stations, setting up the Delta Electronics environmental protection and energy-saving power supply project. It is estimated that power conversion efficiency can be increased by 98%, greatly reducing the energy consumption of base stations.

With respect to digital inclusion, FET aims to utilize ICT to create a non-discriminatory, accessible information society. FET invested more than NT\$200 million in executing the “Mountain Project” last year, achieving 95% LTE signal coverage in outlying island villages, becoming the leader of the industry’s rural communication construction, advancing rural broadband infrastructure coverage, and reducing the gap between urban and rural areas. In addition, in order to reduce the uneven distribution of educational resources between urban and rural areas, FET initiated the “Reimagine Education. Spread Love Far” project and, along with Professor Ping-Cheng Yeh of National Taiwan University and his online game learning platform, PaGamO, promoted this software designed to capture territory through problem-solving to remote rural primary schools. With FET volunteers’ care and companionship, FET has increased the learning motivation of rural children.

In terms of social inclusiveness, FET actively focuses on youth issues and has worked for 11 years with the Child Welfare League Foundation on the “Save Abandoned Children. Spread Love Far.” fundraising campaign. The total amount raised exceeds more than NT\$34 million. FET has helped 1,143 babies to grow up safely. This February, when the huge earthquake of magnitude 6 hit Hualien hard, FET took the lead in disaster relief. In addition to having emergency repair personnel on the ground promptly, FET deployed additional “cells on wheels” to keep the network working smoothly. FET was also the first operator to set up caring service stations in the shelters set up for victims, helping them get through a difficult time. Moreover, FET, along with Far Eastern Group, donated NT\$30 million and helped the victims to rebuild their homes.

In 2017, with the leadership of the CSR Committee and all the contributions of staff, FET had outstanding achievements in terms of international sustainability and corporate governance evaluation, including two consecutive years of selection in the Dow Jones Sustainability Indices (DJSI), four consecutive years of being in the top 5% of the corporate governance evaluation by Taiwan Stock Exchange, two consecutive years of receiving the Global Views Monthly CSR major investigation - Service Industry Model Award, five grand prizes of FinanceAsia best management company in Taiwan in 2017, Cannes Lions’ “The First CSR Social Education Impact Award,” and Certificate of High Distinction of “Taipei Energy Saving Leadership Award,” the highest energy-saving honor in Taipei City. FET is well-rounded in corporate governance, environmental sustainability, and social inclusiveness, actively responding to the nine important stakeholders to live up to expectations from all walks of life.

Facing changes of times and technologies, FET constantly adheres to the spirit of the brand, “Closing the Distance,” working on providing quality customer experience and innovative application services. FET is not just a telecoms company but a brand that devotes itself to caring for people and evoking positive social influences. Furthermore, FET is the best partner of consumers’ digital lives. In the face of the next industrial generation, FET will continue innovating and making breakthroughs, playing a leading role in the Taiwanese telecom market, and moving forward to the future of 5G to realize the vision of “FET Connects and Enriches Life.” FET’s transformation will be driven by digital innovation to accelerate 5G development. By cloud computing, Big Data, smart IoT, etc., FET will improve operating efficiency and promote more innovative applications to embrace the future world.



Douglas Hsu  
Chairman

徐旭東



Yvonne Li  
President

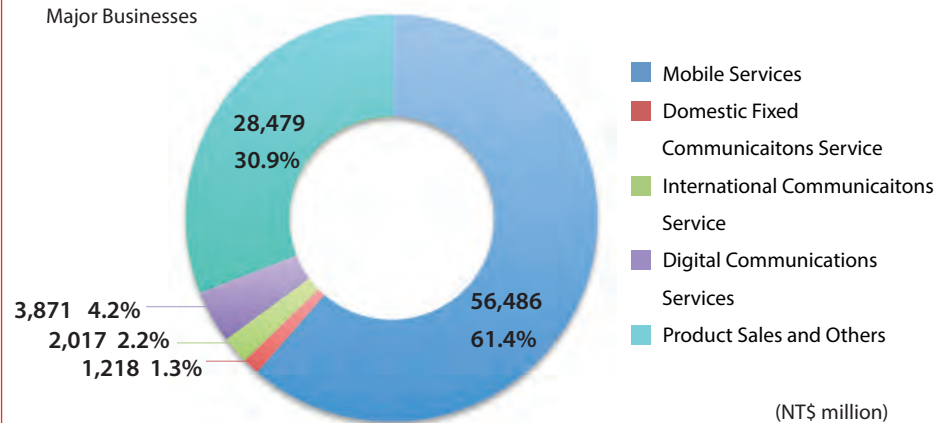
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## FET Overview

## Company Information

Industry Category	Communication and Internet
Headquarter Location	No. 468, Ruiguang Rd., Neihu District, Taipei City
Operation Regions	Taiwan
Chairman	Douglas Hsu
Stock Code (TWSE)	4904
Capital	NT\$ 32.585 billion
Major Businesses	



Far EasTone was established and received the concession license from the Ministry of Transportation and Communications



Formally listed on the Taiwan Stock Exchange with electronic shares



Established the "Internet of Things ecosystem" and became the first formal NB-IoT business transfer telecom operator in Taiwan, advancing steadily towards the 5G era

1997

1998

2005

2016

2017



Launched the world's first 2G dual-band system (GSM900/1800MHz); became the fastest telecommunication service provider in the world that reached over one million users



Launched 2600MHz; provided 4.5G super tri-band superb speed internet data

## Major Financial Performance

	Y2015	Y2016	Y2017
Total Assets (NT\$100 million)	1,369	1,328	1,327
Revenue (NT\$100 million)	973	943	921
Net operating profit (NT\$100 million)	154	150	142
Total Market Value (NT\$100 million) <sup>1</sup>	2,203	2,362	2,395
Earnings Per Share (NT\$)	3.52	3.50	3.33

## Major Operating Performance

	Y2015	Y2016	Y2017
Number of Retail Stores	864	863	824
Number of Employees	7,072	6,972	6,867
Number of Valid Users (thousand)	7,394	7,346	7,158
Mobile Service Revenue Market Share (%) <sup>2</sup>	28.5%	28.2%	27.9%
Churn Rate of Prepaid Users (%) <sup>3</sup>	4.60%	4.30%	4.76%
Churn Rate of Monthly Service Subscribers (%)	1.70%	1.70%	1.84%
ARPU (NT\$) <sup>4</sup>	725	718	695

<sup>1</sup>Shares outstanding as at year-end multiplied by the closing price

<sup>2</sup>According to FET 2017 annual report

<sup>3</sup>Churn rate of 2G prepaid customers was higher than last year due to the termination of 2G business.

<sup>4</sup>ARPU: average revenue per user

# Major Honours and Awards in 2017

FET Tainan 4G Smart City Project was the only Taiwanese project shortlisted for "Glomo Awards 2017" held by GSMA (Groupe Speciale Mobile Association)	The film "Connect with Heart. Spread the Love." won two honors, and was the most successful advertisement on YouTube in both the Asia-Pacific region and Taiwan	Won five FinanceAsia awards, including "Best Managed Company"	Ranked top 5% in the third Corporate Governance Evaluation of Taiwan Stock Exchange	Won the Exemplar Award in Global Views Magazine's "CSR Annual Grand Survey - Service Division"	Launched the first interactive social forum "Deer Talk" built by a Taiwanese telecommunications service provider	Joined the IIRC IR Business Network, the first IIRC corporate member in Taiwan	Published the world's first Social Return on Investment (SROI) forecast report in traditional Chinese
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Won the Excellence Award of the Taipei Energy Conservation Leadership Awards, the greatest honor in energy conservation in Taipei

Selected as component stocks of Emerging Markets in Dow Jones Sustainability Index (DJSI) for two consecutive years

Combining telecommunications base station and GPS positioning algorithm, launched the first dual-frequency positioning device "BoBee Care"

Collaborated with 46 partners to build FET's IoT Ecosystem, the first NB-IoT service provider in Taiwan

Won the first CSR Social Education Impact Award of "Cannes Lions: International Festival of Creativity" event

Won seven awards in the Taiwan Corporate Sustainability Awards, including "Top50 Corporate Sustainability Awards"

FET 4.5G tri-band ranked first again in the SpeedTest year-end speed survey



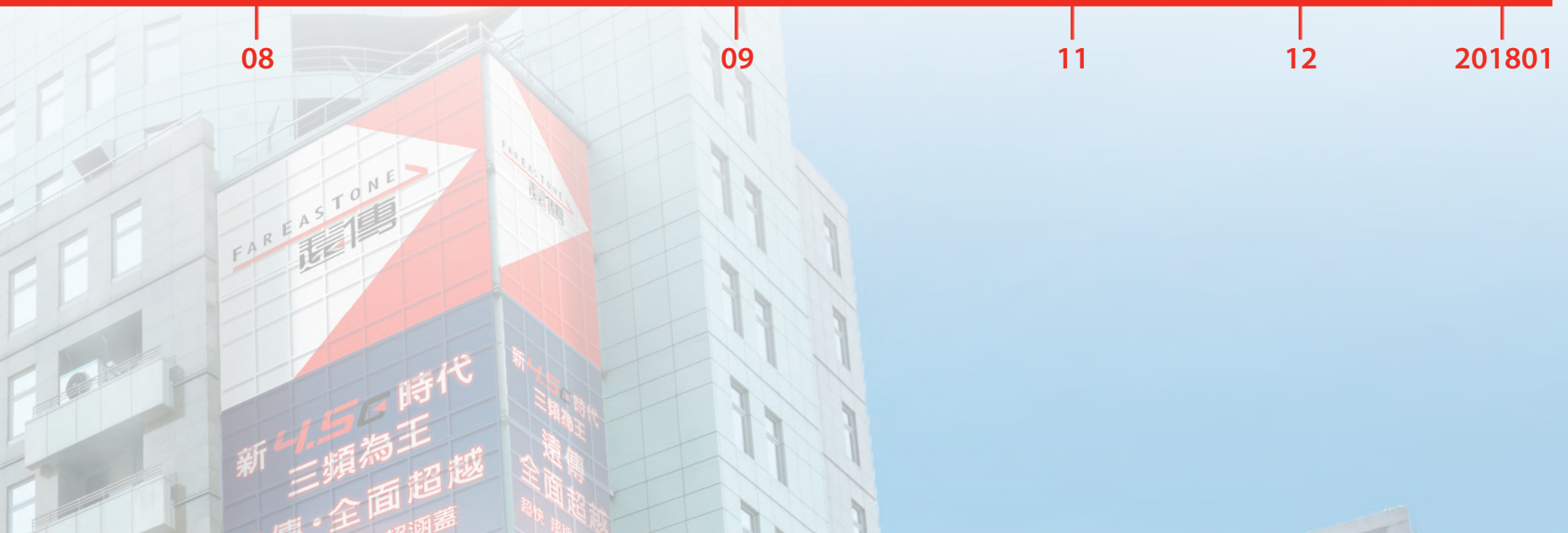
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201801





## Operating Resources Foundation

(By the end of 2016)

## Hardware

- Total assets: NT\$132.8 billion
- 395 regular chain stores
- 468 franchise stores
- Over 10,000 base stations
- Green stores account for 45.53%



## 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.

NT \$905 billion



## Manufactured Capital

The investment and maintenance of ICT infrastructure to develop related services national-wide. This includes our stores, base stations, and data centers.

NT \$250 billion



## Human Capital

Including talent and innovative thinking, the passing on of professional knowledge and experience, loyalty, and a sound human resource structure.

NT \$75 billion



## Intellectual Capital

The experiences and technologies accumulated in ICT field. Major intelligence capital includes patents, licenses, R&D capabilities, collaboration agreements, etc.

NT \$75 billion



## Natural Capital

The use and conservation of energies and resources. Relevant natural capital is mainly electricity consumption and associated energy consumption as well as GHG emissions.

NT \$6.8 billion



## Social Capital

The maintenance of long-term partnership with value chain partners and other stakeholders, including customer and social relations management via brand campaigns, public charity activities, and community constructions and services.

NT \$3.6 billion

## Software

- Total market value: NT\$236.2 billion
- Internet coverage nationwide: 99.48%
- 7,346,000 valid users
- 6,972 employees of the Group
- 1,028 suppliers
- 116 patents rights
- 389 trademark rights
- Customer loyalty: Grade B
- Overall customer satisfaction: 91%



## Annual Capital Input



## FET Business and Sustainability Strategy





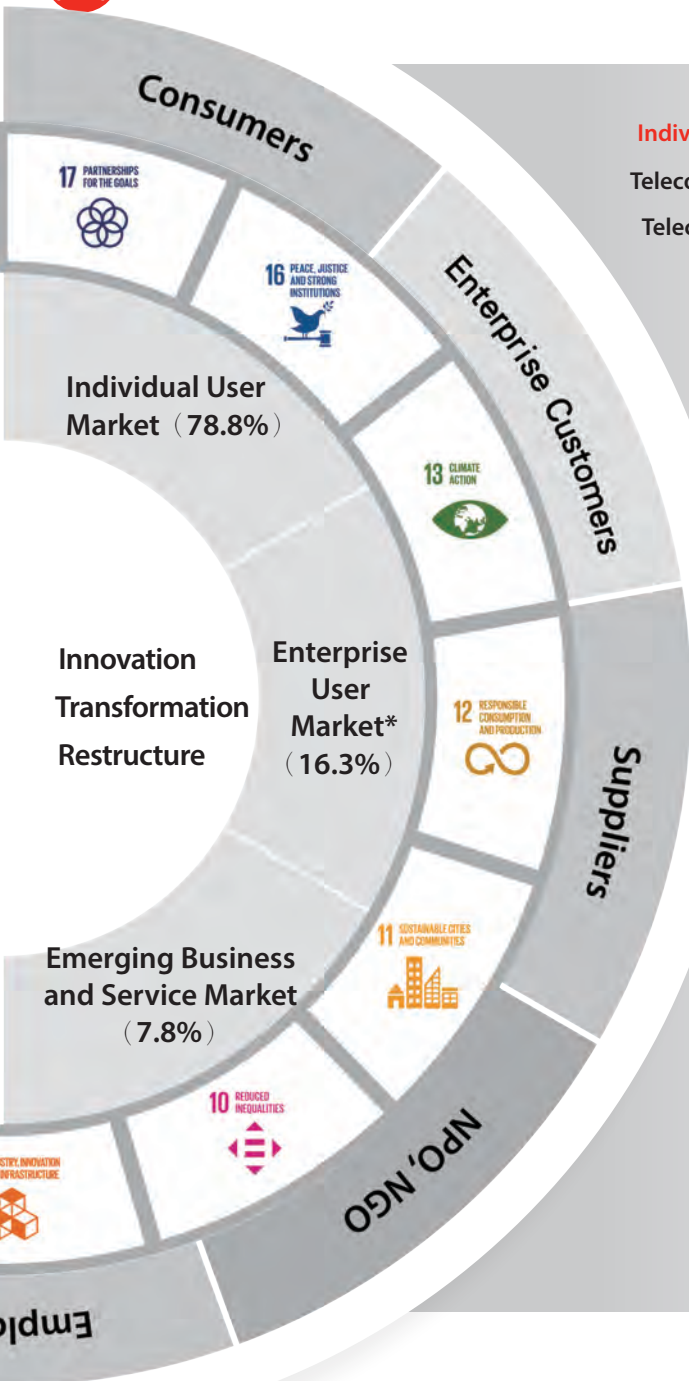


## Products and Services



## Annual Capital Output

(By the end of 2017)



### Individual User Market Ratio of Product/Service Revenue

Telecommunication Services(postpaid)	67.2%
Telecommunication Services(prepaid)	3.9%
Mobile Communication Devices and Accessories	27.5%
Household Broadband	0.6%
Retail Store Repair Services	0.6%
Wi-Fi Access	0.1%

### Enterprise User Market Ratio of Product/Service Revenue

Enterprise Mobile Communication Services	44.6%
Enterprise ICT Solutions	55.4%

### Emerging Business and Service Market Ratio of Product/Service Revenue

ICT Business	26.9%
Digital Services	56.9%
Smart Home and IoT Business	0.8%
Others	15.4%

### Financial Capital

- Total market value increased: NT\$3.3 billion (+1.4%)
- Consolidated revenue: NT\$92 billion (-2.4%)
- EBITDA \$28.1 billion (+1.2%)

### Manufactured Capital

- 824 retail stores
- Base stations coverage increased: 6.9%
- Internet coverage nationwide: 99.5% (+0.02%)
- Internet coverage in rural areas: 95% (+34.2%)

### Human Capital

- Total number of employees: 6,867
- Employee turnover rate: 23.27% (-2.4%)
- Training hours per person: 62.2 hours (+20.2%)

### Intellectual Capital

- 26 new patents/trademarks
- 16 new collaboration agreements
- Smart products/services users: 3.84 million (+37.1%)

### Natural Capital

- Green stores account for 48.7% (+6.9%)
- GHG emissions reduction: 5,659 tons/CO2E (-1.9%)
- Electricity consumption reduction: 4,985 kWh (-1.4%)
- Energy consumption reduction: 20,000 GJ (-1.4%)

### Social Capital

- 7,158,000 valid users
- Customer loyalty improved to Grade A
- Overall customer satisfaction rate: 92.6% (+1.6%)
- 329 new suppliers (+6.7%)

\*Part of the innovation-related businesses in Enterprise User Market are included in the Emerging Business and Service market as well.



## Corporate Impact Evaluation

As the concept of sustainable enterprise continues to develop globally, we are convinced that in addition to the traditional performance assessment of profitability, an integrated way of thinking should also be taken into account to define the success and value of an enterprise. By adopting Total Impact Measurement & Management (TIMM) framework, we became the first enterprise to complete sustainable influence monetization of four aspects in 2018, namely, economy, taxes, environment, and society. Integrating data and statistics more comprehensively and assessing the influence on the stakeholders help the enterprise make decisions, evaluate the performance, and improve the communication with stakeholders. We will be able to maximize our sustainable value through these efforts.

### Evaluation Result of Total Impact of FET in 2017

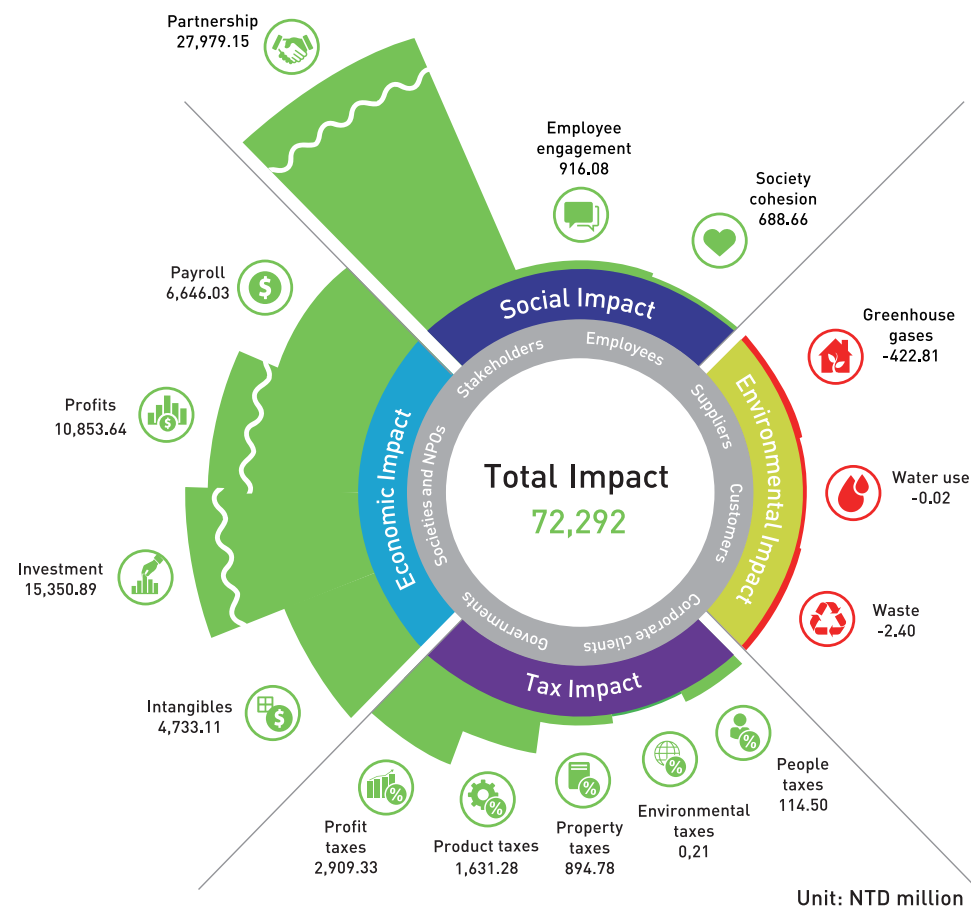
Unit : \$NT Thousand

Economic Aspect		Environmental Aspect	
Salary and allowance	\$6,646,030	GHG emissions	\$ (422,805)
Profit	\$10,853,643	Water resource management	\$ (24)
Investment	\$15,350,894	Waste management	\$ (2,400)
Intangible assets	\$4,733,110		
	<b>\$37,583,677</b>		<b>\$ (425,229)</b>
Tax Aspect		Social Aspect	
Profit tax	\$2,909,331	Cooperation of supply chain	\$27,979,154
Production tax	\$1,631,282	Development of employee	\$916,083
Property tax	\$894,776	Cohesiveness of community	\$688,663
Environment tax	\$210		<b>\$29,583,900</b>
Workforce tax	\$114,495		
	<b>\$5,550,094</b>		

**Total Impact \$ 72,292,442**

In the calculation of 2017, FET created sustainable value amounting to NT\$72.3 billion for stakeholders. Among which, the economic factor created around NT\$37.6 billion, contribution to the government was around NT\$5.6 billion, and social factor created around NT\$29.6 billion. The environmental factor created impact around NT\$425 million, accounting for 0.6% of overall sustainable value. In this impact evaluation, we have sorted out how FET created value for our stakeholders and pointed out the value-creating direction, which, along with the integrated reports, have become a part of our sustainable capital.

In terms of economy and taxes, we remunerated shareholders with profits generated and paid the taxes with the income earned from operation to support public construction by the government, thus furthering the well-being of Taiwanese people. As for the social aspects, we helped our employees to add value to themselves by salaries and subsidies, career developing activities, and employee training. We also benefited our suppliers with local procurement and the supplier development project. In order to embody the core value



of FET, make good use of our communication profession, and thus have a positive influence on the society, we have involved ourselves in community development, helping the disadvantaged, providing medical care, and bridging the digital divide. FET will keep working on the relevant issues mentioned above and striving to maximize our sustainable value.

It is also worth noticing that some negative impact on the environment comes from the energy use in telecommunication equipment rooms. In Taiwan, we mainly depend on thermal power generated by burning coal. FET will devote itself to developing and advocating renewable energy, and decrease the impact from the greenhouse gas emissions with concrete measures. Through TIMM, FET will continue to prove and record our efforts in sustainable development.

For the complete impact evaluation report, please refer to “2017 FET Comprehensive Impact Evaluation Report.”

\*Disclaimer: The monetization results generated from PricewaterhouseCoopers (PwC)'s Total Impact Measurement & Management (TIMM) method in 2017 (from January 1, 2017 to December 31, 2017), are unrelated to the financial information in the past, present, and future publicly published by the company, and the results of this report are not for the purpose of financial evaluation and forecast.

[2017 Total Impact Measurement and Management Report](#)








# 01 5G Sustainable Development Strategy

With the establishment of global common goals such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement, FET believes that corporate value is no longer limited to economic influence but covers the inclusiveness and contribution of the company's overall operations to society and the environment. The business model can be developed in the long term in response to changes in the external environment only under the principle of shared prosperity among company growth, ecology, and social responsibility. In 2015, with the aim of sustainable management in mind, we launched a three-year project which combines sustainable development with our core operating strategy. Our pillars of "Go Prosperous," "Go Caring," "Go Inclusive," and "Go Innovative" have guided us to respond to key corporate sustainability risks and the United Nations sustainable development agenda.

## 2018-2025 FET 5G Sustainable Development Strategy

As 2017 marked the end of the three-year 4G Sustainable Development Strategy, FET reviewed the execution structure of the strategy, the direction of organizational development, and the completion status of project targets. The trends of the industry, risks, and opportunities were examined, as well as the requirements for international sustainable evaluation. The "2018-2025 5G Sustainable Development Strategy" was formally established, covering the five pillars of "Go Prosperous," "Go Caring," "Go Inclusive," "Go Innovative," and "Go Eco" to strengthen ICT telecommunications inclusiveness, and the sustainable value of the applications of environmental and social innovations; the aim is to maximize the contribution of the Company's economic, environmental and social contributions, fulfill our corporate vision of "FET Connects and Enriches Life" and make us the "Preferred Partner in Mobile Life" for everyone.

5G Sustainability Strategy	Vision 2025		Target Goals	
 <b>Go Prosperous</b>	<b>Collaborative Business Partner</b>	Maintain partnership with business partners and suppliers to pursue the greatest profitability and vigorous growth in ICT industries	<b>Stable Operations</b>	Broaden the scope of business and promote the growth momentum through the establishment of the Internet infrastructure, the R&D of the innovative technology, the integration and application of the new knowledge and the rapid and effective organization.
	<b>Trustworthy Company</b>	Implement transparent, integrity and integrated corporate governance and risks management, and become benchmark company for sustainable governance	<b>Value Sharing</b>	Improve supply chain management and development mechanism, and promote upstream and downstream industry sustainable development
 <b>Go Caring</b>	<b>Preferred Brand</b>	Create unique, caring and safe customer service and workplace, and become the Preferred Brand for consumers and employees	<b>Integrated Governance</b>	Establish a comprehensive corporate governance system and set an example for the industry with international best practices.
			<b>Excellent Service</b>	Offer excellent and diversified digital service experience on the foundation of information and internet security, and become the Preferred Partner in Mobile Life for subscribers
 <b>Go Inclusive</b>	<b>Social Connector</b>	Create a fair, inclusive and connected information society via communications network construction and core technology	<b>Talent Management</b>	Strategically recruit, cultivate and manage diverse telecommunications talent, and create a workplace leading in the industry and with prospects
			<b>Digital Inclusiveness</b>	Integrate internal and external innovative resources, simultaneously maintain the competitive advantages in the industry, continue to provide diversified digital products and services, and become the customer's preferred digital partner and the no.1 IoT service provider in the market
 <b>Go Innovative</b>	<b>Agile Innovator</b>	Advance digitalization in society and industry via innovative products and service, and promote crossindustry/segment/field economic activities	<b>Digital Innovation</b>	Integrate innovation resources of the Group and the society, continuously offer diversified digital products and services, and reinforce industrial competitive advantages
			<b>Low-Carbon Operations</b>	Significantly decrease energy use and GHG emissions, and transform to lowcarbon business operation model
 <b>Go Eco</b>	<b>Green Driver</b>	Continuously decrease environmental footprint of operations, and drive the cities and economy towards low carbon and green transition via core technology	<b>Environmental Innovation</b>	Actively plan FET's advantageous fields in green and low-carbon innovation, and strive for becoming the industry leader

## 2015-2017 4G Sustainable Development Goals

The year 2017 was the final year of FET's "4G Sustainable Development Strategy"; the targets and performance record are summarized below. The remaining chapters of this report will use the newly established "2018-2025 5G Sustainability Strategy" as a framework to explain the relevant plans. For further information about FET's sustainability governance and management mechanism for tracking the implementation of sustainable development, please refer to Subsection 3.1.2 "Implementation of Sustainable Governance."

4G Sustainability Strategy	2015-2017 Top 10 Long-Term Targets	2017 Targets	2017 Performance
 <p><b>Go Prosperous</b></p>	Steadily increase the number of 4G subscribers and the profitability of mobile services. Work actively to roll out a next-generation network that will transform IT system platforms.	<ul style="list-style-type: none"> <li>■ Penetration rate of 4G postpaid subscribers reaches 79%</li> <li>■ Constant enhancement of communications quality through spectrum bidding and network set up as well as optimization of performance.</li> </ul>	<ul style="list-style-type: none"> <li>■ Penetration rate of 4G postpaid subscribers reaches 81%</li> <li>■ Acquired 2100MHz spectrum, had the industry's most continuous higher bandwidth of 20MHz; multiple third-party network speed rating, number one network speed and quality in the industry, provided users with the best network experience.</li> </ul>
	Move towards sustainable governance and become sustainable enterprises from the view of international investors.	<ul style="list-style-type: none"> <li>■ Introduce scientific methods such as SROI to quantify corporate influence on the environment and society and also use it as a useful tool for internal assessment and management.</li> <li>■ Continue to review risks to corporate sustainability and opportunities, while devising a road map for a sustainable strategy over the medium to long term.</li> </ul>	<ul style="list-style-type: none"> <li>■ Selected for two consecutive years as a constituent stock of the Dow Jones Sustainability Emerging Markets Indices. Launched the blueprint for medium to long-term sustainable strategy for 2018-2025.</li> <li>■ Introduced SROI, a scientific method to quantify cost and benefit, to conduct the calculation of social return on investment in the environmental education aspect.</li> </ul>
	Promote enterprise transformation to cope with technological changes and industry trends.	<ul style="list-style-type: none"> <li>■ Cultivate young talent with high potential in new fields, develop organizational management performance of future leaders, while adapting to changes in technology and the industry.</li> <li>■ Continue to promote Smart Home services and IoT opportunities and strengthen enterprise market competitive value as well as revenue growth through integration of ICT.</li> </ul>	<ul style="list-style-type: none"> <li>■ Launched the "Further e-Trainee" program to cultivate high potential talent of the new generation, and successfully recruited 11 cross-field elites for talent reserves.</li> <li>■ New business and service revenue such as information and communications technology business, IoT, digital related business, m-Commerce, and Smart Home business continued to grow, accounting for 7.8% of total revenue.</li> </ul>
 <p><b>Go Innovative</b></p>	Smart Commerce: provide high-value ICT integrated services to boost enterprise market share.	<ul style="list-style-type: none"> <li>■ friDay digital brands will continue to develop in-depth m-Commerce, mobile applications, and digital content, will continue to expand customer base, and will continue to enhance service adhesion with digital content and service.</li> <li>■ New cooperative vendors and products will be introduced, and Smart Home market cooperative platforms will be established to expand products and services</li> <li>■ Utilize Big Data and focus on communications with different groups of users in our quest to provide better service.</li> </ul>	<ul style="list-style-type: none"> <li>■ In terms of digital contents, continued to enhance the user experience, usage and adhesion of video and audio services, and expanded into the big home theater screen (television). Overall users grew 57% over the previous year.</li> <li>■ Mobile payments: cooperated with Far East Group's retail business to expand product usage and continue to enhance consumer experience. The number of users grew 332% over the previous year.</li> <li>■ E-commerce: continuously increased usage and transactions, the number of purchases increased by 259% over the previous year.</li> <li>■ Activated the construction of framework of smart home market cooperation platform, and launched products targeting local service market in Taiwan, such as smart stereo speakers and home appliance control, smart socket, as well as products that are connected to smart light bulbs in Q2 2018.</li> </ul>
	Smart City: maximize Group resources and expand presence in healthcare, transportation and public security to seize the initiative.	<ul style="list-style-type: none"> <li>■ 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, cloud network management and storage technology and lead our enterprise customers as they move towards complete mobility.</li> <li>■ Explore multiple innovative IoT solutions through expanding partnerships and building supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>■ FET continued to provide ICT and digital application services, built a hybrid cloud service platform, and created a security protection solution, and became the first telecommunications company in Taiwan to obtain the exclusive NB-IoT mobile number.</li> <li>■ FET collaborated with upstream and downstream suppliers of software and hardware to establish Far EasTone Telecommunications' IoT Ecosystem and become the first NB-IoT official telecommunications provider in Taiwan.</li> </ul>
	Smart Life: continue to provide user-centric value-added serves (digital content/mobile payment/e-commerce).	<ul style="list-style-type: none"> <li>■ Continue to promote the Tainan Smart City and pass on experiences to other local governments.</li> <li>■ Continue to utilize Big Data and IoT technologies to promote Smart City advisory services and help local governments with demand management, build sustainable cities, and enjoy the convenience that technology brings to everyday life.</li> </ul>	<ul style="list-style-type: none"> <li>■ Continued to expand the Tainan Smart City, the smart city operation center cloud platform, and established a smart dashboard platform and app; built a water conservancy system monitoring platform, completed the water resources information platform for the intelligent disaster prevention; completed the Tainan Travel Information Release System and Tainan Bus App; reached 300 medical service bases and established the mosquito related disease notification and interactive communication service app; upgraded the education cloud again, and included all of the 271 elementary and junior high schools in the mobile teaching platform.</li> <li>■ Assisted local governments with planning their respective demands of smart cities, and continued to promote and discussed with New Taipei City and Taoyuan.</li> </ul>



## 4G Sustainability Strategy

## 2015-2017 Top 10 Long-Term Targets

## 2017 Targets

## 2017 Performance

Create a differentiated brand image; enforce stakeholder communication and cooperation.

- First place for Reliable Brand and Good Brand Image in the industry.
- Ratio of positive to negative comments on internet and in the community is >1
- SROI calculation indicators included to understand benefits of social spending.
- Plan to hold 40 volunteer activities and expect to recruit 400 FET volunteers.

- The second place for Good Brand Image in the industry
- An annual network and social media positive and negative rating of 1.13
- The SROI of the project "Love the Earth. Let Love be Heard" is NT\$3.79 of social value in return for every NT\$1 invested
- 51 volunteering activities held and 413 volunteers participated in the events



Go Caring

Provide an unparalleled high quality customer experience and service and became the telecom operator with the best customer satisfaction

- 91% customer service satisfaction rate.
- The lowest number of customer complaints among the three major telecoms operators.
- Continue to strengthen the e-billing functions and enhance the usage 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 participating and passing information security training to reach 99%.
- The annual exercise and review of Business Continuity Planning (BCP) by related departments to reach 100%.

- The annual satisfaction rate of the customer service center reaches 92.6%
- The fewest NCC official letter complaints among the top 3 telecommunications companies
- Usage rate of electronic bill reaches 38% by the end of 2017
- Services to service capacity ratio of Self-Care APP reaches 45%
- Achievement rate of staff training and testing in information security and protection reaches 99.95%
- Helped subsidiaries build and strengthen schemes for information security training, outsourcing and commission management, and emergency reporting
- 100% achievement rate of 2017 Business Continuity Plan (BCP) exercise and review of key service-related units

Establish clear climate change strategy and set renewable energy as the goal.

- 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: - Reduction of 1% a year for three years (2017-2018) - On average, zero growth for five years (2017-2021)
- Continue to support renewable energy and purchase 100,000 kWh of green electricity.
- A 3 % Reduction in each of PUE and EUI from 2017 to 2019.

- Passed ISO-14001 environmental management system external certification
- Integrated environmental and energy policies, and published them on the official website.
- Absolute GHG reduction performance was a decrease of 1.8% and achieved the target. FET will continue to conduct various GHG reduction actions and implement absolute GHG reduction targets.
- Voluntarily purchased 200,000 kWh of green electricity and 33,000 kWh of renewable energy certification.
- PUE decreased by 1.9% (completion rate was 63%) and EUI decreased by 1.8% (completion rate was 80%).



Go Inclusive

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

- 85% of existing top 100 suppliers signed Self-Declaration and 70% of Tier 1 suppliers completed the Supplier CSR Self-Declaration.
- Expand online platform for supply chain training and continued to plan related courses.
- Implement due diligence of system integrators or vendors in other categories.
- Implement annual supplier evaluation in combination with Self-Declaration response.
- Continue to strengthen green procurement.

- 89 of the existing top 100 suppliers completed the Supplier CSR Self-Declaration, exceeding the annual target of 85%, and 80% of Tier 1 suppliers completed the declaration.
- FET invited sales representatives of its 109 suppliers via online platform for supply chain training to conduct supplier integrity operations training and testing. These suppliers accounted for 89.9% of total procurement. All participants passed the test and the completion rate was 100%.
- The total amount of green money was NT\$500 million. FET also promoted local economic growth. The amount of local procurement accounted for 99.45% of the total procurement.



#### 2017 Capital Inputs



##### Financial capital

- Net outflow of investment activities \$14.16 billion
- Net outflow of fund-raising activities \$12.6 billion



##### Intellectual capital

- Telecom license bidding \$6.52 billion
- Technology R&D investment \$0.81 billion



##### Manufactured capital

- Annual capital expenditure \$9.03 billion
- Network infrastructure construction and maintenance \$4.67 billion

- Operating expenses \$21.55 billion
- Operating cost \$56.31 billion

- Patent and trademark maintenance \$830,800

- Equipment construction and maintenance \$0.11 billion

#### 2017 Capital Outputs

- Consolidated revenue: \$92.07 billion
- EBITDA: \$28.17 billion

- Total number of network service provided: 13.06 million

- Mobile speed reaches theoretical speed of 800 Mbps
- 49% increase in data transmission of telecom services
- 0.06% reduction in voice disconnection rate

- 26 new patents and trademarks

- Complete the transformation of Arcoa stores into FET franchise
- \$60.16 million increased in total value of Electronic Equipment Assets
- 722 new virtual/physical servers

#### Network infrastructure construction

- Actively built 700MHz, 1800MHz and 2600MHz three-carrier LTE base stations, and the measured data of network speed has been highly affirmed by a number of third-party impartial units
- Participated in NCC's third auction of Mobile Broadband Business (4G) License and acquired three frequency blocs in 2100MHz frequency band, optimizing network speed and quality ceaselessly
- Introduced LTE-Advanced 4x4 MIMO technology into 20 major business districts in Taiwan to raise the maximum network speed to 800Mbps and continually aimed for LTE advanced service network of 1 Gbps

## Response to Sustainable Development Goals



## Response to Risks and Opportunities



- Begin 5G pilot infrastructure construction and technical standards tests to maintain the leading position in network
- Strengthen core telecommunication revenue while keenly increase revenues of new businesses, including IoT and digital services, aiming to account for 11.8% of consolidated revenue for 2018

2018 KPI<<

## Progress Highlights of the Year

**Highest Volume of 2600MHz Base Stations in the industry**  
Our 2600MHz base station covers more than 22 counties and cities across Taiwan, with 99.5% network coverage.

**Triple-Crown Accredited in Mobile Speed Rating** Mobile speed ranked as No. 1 among our peers at NCC, Speedtest and OpenSignal annual speedtest.

## Deployment of 5G network and application of Internet of Things



- Actively deployed 5G network and NB-IoT services and gradually introduced pre-5G advanced technical trial certification for 5G laboratory; completed the first stage of NB-IoT live network establishment and assisted in the trial operation of applications targeting on “intelligent energy saving” and “disaster prevention” for seven major industrial parks. Worked with Ericsson to demonstrate the first 28GHz 5G prototype system.
- Worked collectively with 46 partners to create FET “IoT ecosystem” and became the first telecommunication business that began commercial operation of NB-IoT in Taiwan.

## Six Firsts in Taiwan

- The first NB-IoT ecosystem in Taiwan
- The first to attain 3 million numbers exclusively for IoT
- The first to research and develop personal IoT products, “Bobee” smart tracking solution
- The first to launch IoT products for smart homes
- The first to cover all around Taiwan with NB-IoT
- The first to successfully begin business operation of NB-IoT





#### 2017 Capital Inputs

- Annual purchase expenditure \$35.29 billion
- Green Procurement expenditure \$500 million
- Supplier training, evaluation and audit input \$800,000
- Participation in public associations \$9 million

#### 2017 Capital Outputs

- 329 New cooperation suppliers
- 89% response rate of CSR Self-Declaration by top 100 suppliers
- 135 participants in the supplier's conference
- 109 suppliers participated in the supplier related training
- Up to 90% of overall procurement satisfaction

#### Progress Highlights of the Year

##### FET Sustainable Supply Chain Management Policy

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.

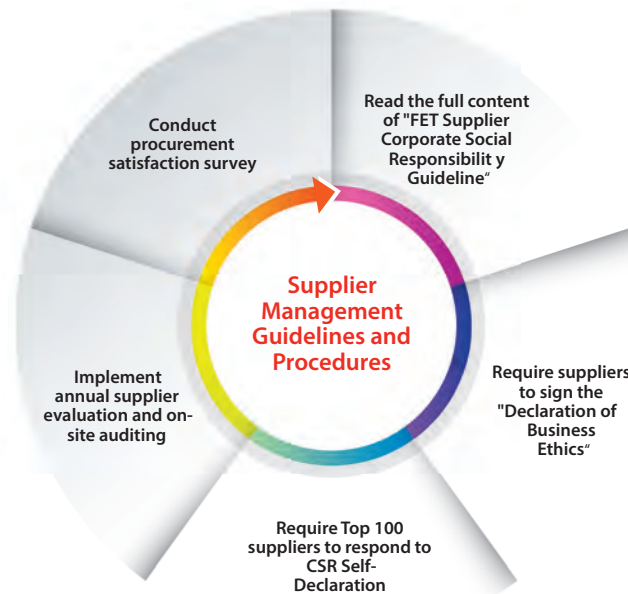
While protecting stakeholders' interests by ensuring high quality, competitive costs, efficient delivery and service; we will give equal weights to reasonable profit, occupational safety, human rights, and environment protections, as they serve the basis of our strategic management decisions.

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.

## Response to Sustainable Development Goals



## Response to Risks and Opportunities



- 100 newly-added suppliers to receive CSR training
- 90% of the top 100 suppliers responded to the CSR Self-Declaration
- 20 more third-party suppliers participated in on-site audits
- 30 more suppliers participated in onsite audits performed by FET
- 50% performance improvement rate of suppliers with high ESG risks

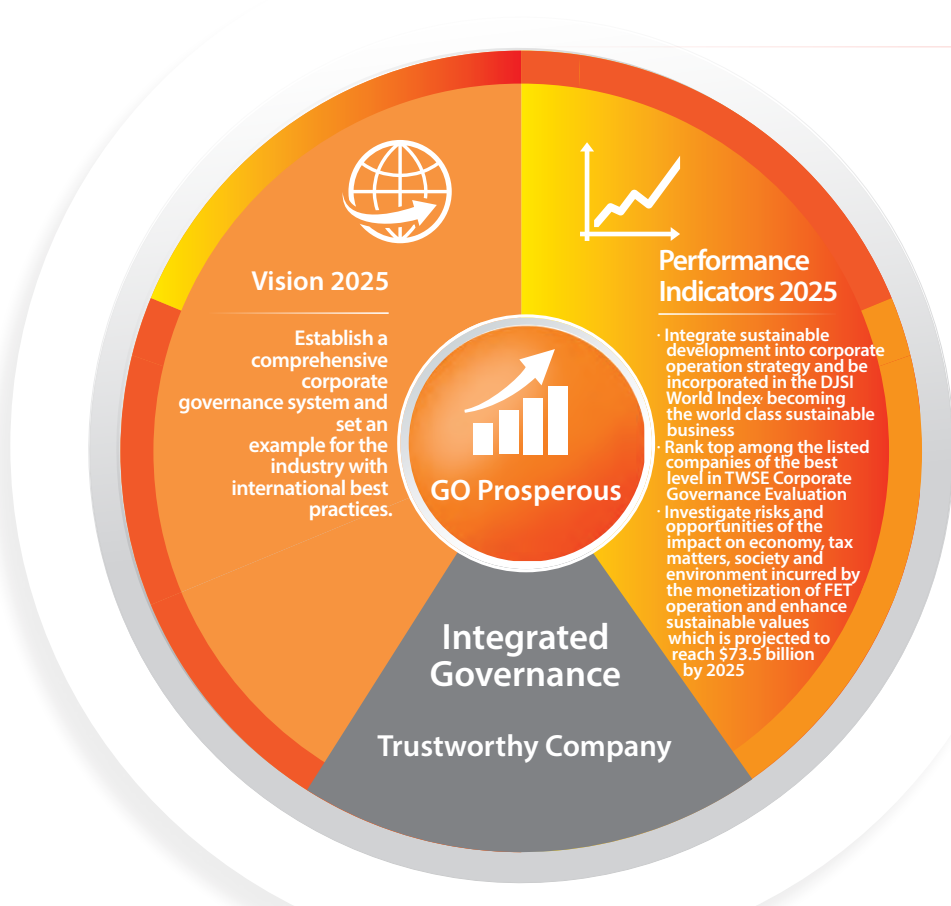
2018 KPI <<

## Goals for promoting sustainable supply chain

Item	Description	Detail	2018	2019	2020
1	Raising suppliers' awareness of CSR	1.1 CSR training received by 500 suppliers	100 newly-added suppliers	200 newly-added suppliers	300 newly-added suppliers
		1.2 Response rate of CSR Self-Declaration by top 100 suppliers	90%	95%	95%
2	Sustainable green procurement	2.1 Green procurement KPI determined by ten procurement categories	Determination completed		
3	ESG evaluation and audits of the supply chain	3.1 Evaluations in writing for 500 suppliers	100 suppliers	200 suppliers	200 suppliers
		3.2 On-site audits for 100 suppliers	20 suppliers	30 suppliers	50 suppliers
4	ESG screening of suppliers	4.1 New supplier ESG screening mechanism	Completed the establishment of quantitative screening criteria		
		4.2 The minimum threshold required for the supplier to meet the ESG		For a specific category of suppliers	For all suppliers
5	Tracking of improvement of high-risk suppliers performance	5.1 Performance improvement rate	50%	70%	80%
6	Supplier technical innovation cooperation	6.1 Number of successful cooperation projects	3 projects completed by 2020		

**FET Supplier Corporate Social Responsibility Guidelines**





### Progress Highlights of the Year

In 2015, FET spearheaded to take into account International Integrated Reporting Framework to publish the first ever integrated report in Taiwan, which was centered on business models and incorporated business development strategies and financial/non-financial information. This report therefore determined from a holistic perspective the opportunities and risks generated throughout the process of creating values and led numerous enterprises to follow suit.

FET became Taiwan's first business member of the International Integrated Reporting Council (IIRC) in 2017. Our second IR report was reviewed and approved by <IR> Business Network and was further listed in the IIRC <IR> Examples Database. We have been proactively learning sustainable practice from worldleading models and working to promote the universal standards for international integrated report while helping Taiwanese companies to connect to international sustainable market and facilitating the development of integrated information disclosure in Taiwan.

In order to better exhibit the prospective quality of its corporate strategy, FET will employ a brand new three-year "5G Sustainable Development Strategy" to clarify more thoroughly its focuses during the process of accomplishing sustainability, reinforce the combination of sustainability and business development strategies and promote more comprehensive sustainable mindsets.



Selected as Procedure of Setting FET 5G Sustainable Development Strategy component stocks of Emerging Markets in Dow Jones Sustainability Index (DJSI) for two consecutive years

Ranked top 5% in Corporate Governance Evaluation of Taiwan Stock Exchange for four consecutive years





## Response to Sustainable Development Goals



## Response to Risks and Opportunities



- Spare no effort in sustainable governance, be incorporated into DJSI Emerging Markets Index and continuously rank top 5% in TWSE Corporate Governance Evaluation
- Unceasingly extend its allaround influence on economy, tax matters, society and environment through low carbon operation and supply chain management optimization

2018 KPI<<

### Procedure of Setting FET 5G Sustainable Development Strategy



**Year 2015**  
FET became the first company to publish Integrated Report in Taiwan.

### Year 2016

FET led eight companies in Finance, Telecommunication, and Retail industry to publish Integrated Report as well.



### Year 2017

- First company to join the IIRC as Enterprise member.
- The only two Telcommunication companies in Asia to be listed in The IIRC (IR) Example Database website as International Model Case.





#### 2017 Capital Inputs



- Investment in system/program improvement and development: \$2.5 million



- Investment in brand and media management: \$260 million
- Investment in electromagnetic waves measurement: \$370 thousand

#### 2017 Capital Outputs

- Cost saved by system/program improvement: \$170 million

- Protests against FET base reduced by 37%
- Customer complaint calls reduced by 17%

- Customer loyalty scored Grade A
- Customer service satisfaction rate reached 92.6%
- Store satisfaction scored 4.68 out of 5

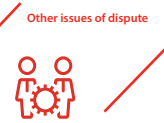
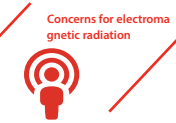
Since FET was founded in 1997, FET has consistently upheld the spirit of "closing the distance" as we have moved forward together with our customers. We believe that paying attention to every customer need is essential for us in order to provide the best possible service that touches their hearts. With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



## Response to Sustainable Development Goals



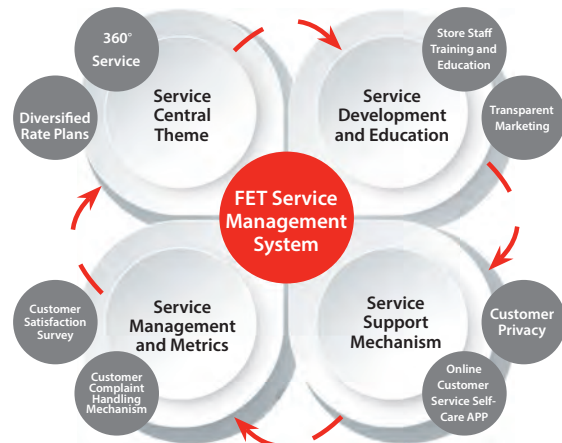
## Response to Risks and Opportunities



- Attain No.1 in Net Promoter Score
- Continuously obtain ISO 27001/BS 10012 certifications
- Zero personal information leakage
- Increase digital services usage rate, including e-billing usage rate to 50% and customer service application, Internet and online customer service usage rate to 60%

2018 KPI&lt;&lt;

## Progress Highlights of the Year



## Outperform the industry with excellent service

- Nominated as Next Magazine's "Top Service Award" in Telecommunication industry for five consecutive years.
- Nominated as Commercial Times's "Taiwan Service Grand Assessment – Gold Award in Telecommunication Channel" for six consecutive years.

## FET Information Security Management Verification

- ISO 27001 Information Security Certification
- ISO 20000 IT Service Management Certification
- BS10012 Personal Information Security System Certification
- CSA Cloud STAR Certification

Express your love.  
Let it be heard

2013  
The Simplest of Words are Usually the Hardest to Utter

2014  
Because of Love, Keep Your Words Sweet

2015  
Encourage Taiwan with Words of Love

2017  
Connect with Heart, Spread the Love

FET took the initiative to launch three branding campaigns to advocate interpersonal interactions. From family to society and from little love to big love to care and appreciation for the land of Taiwan, the campaigns encouraged people to express positive emotions.

FET launched an all-new "Connect with Heart, Spread the Love" communications campaign to inspire people to reminisce about special people around them at different stages in life and take timely actions to express their care for them by reviving the good times of the past.



The most successful video of January 2017 by YouTube Asia Pacific

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

The most successful commercial video of January 2017 by YouTube Taiwan

Commercial videos reached 500 million views in Greater China area with 32 domestic and foreign awards





#### 2017 Capital Inputs



**Human Capital**

- Investment in employee training: \$32.77 million
- Investment in employee recruitment: \$14 million
- Salary and benefits expenses: \$7.43 billion

#### 2017 Capital Outputs

- Training hours per person: 62.2 hours
- Training expenses per person: \$5,098
- 1,629 internal training classes held
- 239 off-site training classes held

**FET new generation talent recruitment and development strategies**

#### Progress Highlights of the Year

##### Further e-Trainee Talent Development Program

To develop new generation management talent, FET has launched the "Further e-Trainee" program since 2016 to attract high potential talent through offering multiple learning courses and the chance to gain crossprofessional capabilities over 18 months and to build itself an employer brand on campus.

Program features	Combination of theory and practice	Elite development evaluation mechanisms	Career development mentor
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##### Industry-Academia Cooperative Program

To reinforce its relationship with universities and attract new talents, FET has been going to campuses since 2016. Through diversified collaboration models, campus resources were integrated with the corporate to cultivate ICT professionals.

## Response to Sustainable Development Goals



## Response to Risks and Opportunities



- Employees in innovative fields reach 20% of total number of employees
- Comply with labor regulations 100% and eliminate any human rights violations
- Maintain double certifications for occupational safety and labor health
- Secure employees' freedom of speech and raise employee communication coverage rate to 100%
- Continuously obtain certifications for Talent Quality-management System and to increase employee training opportunity coverage to 100%
- Integrate sustainable development KPI into EMT senior

2018 KPI<<

### Outcomes of 2017 Elite Talent Development

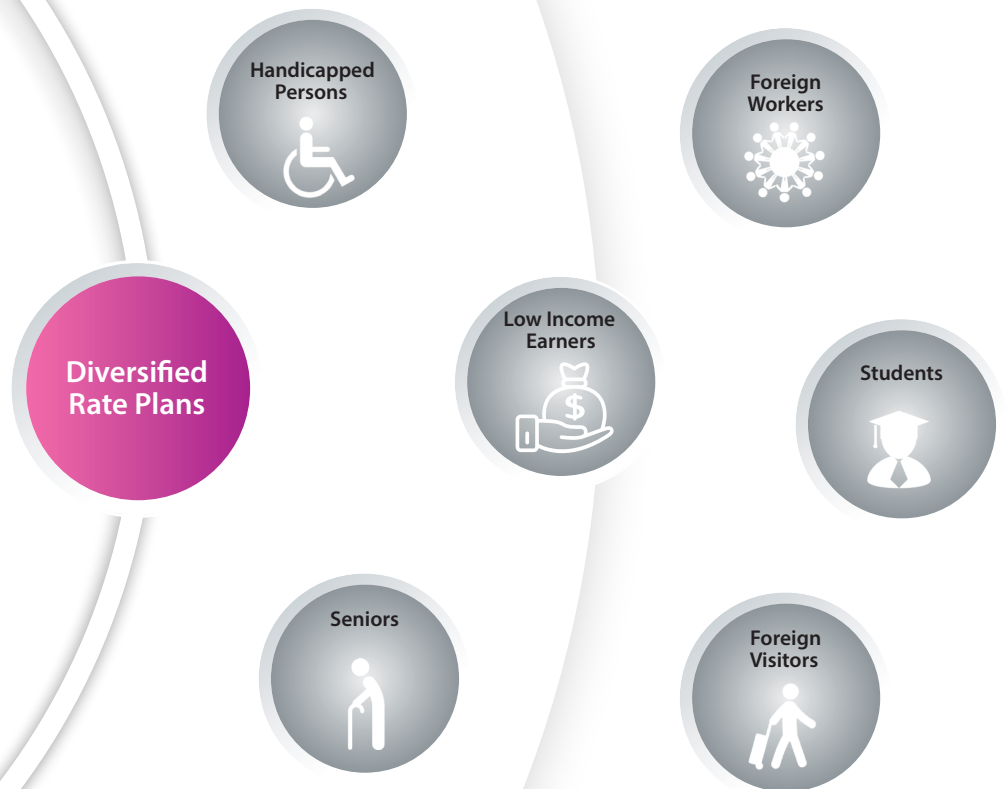
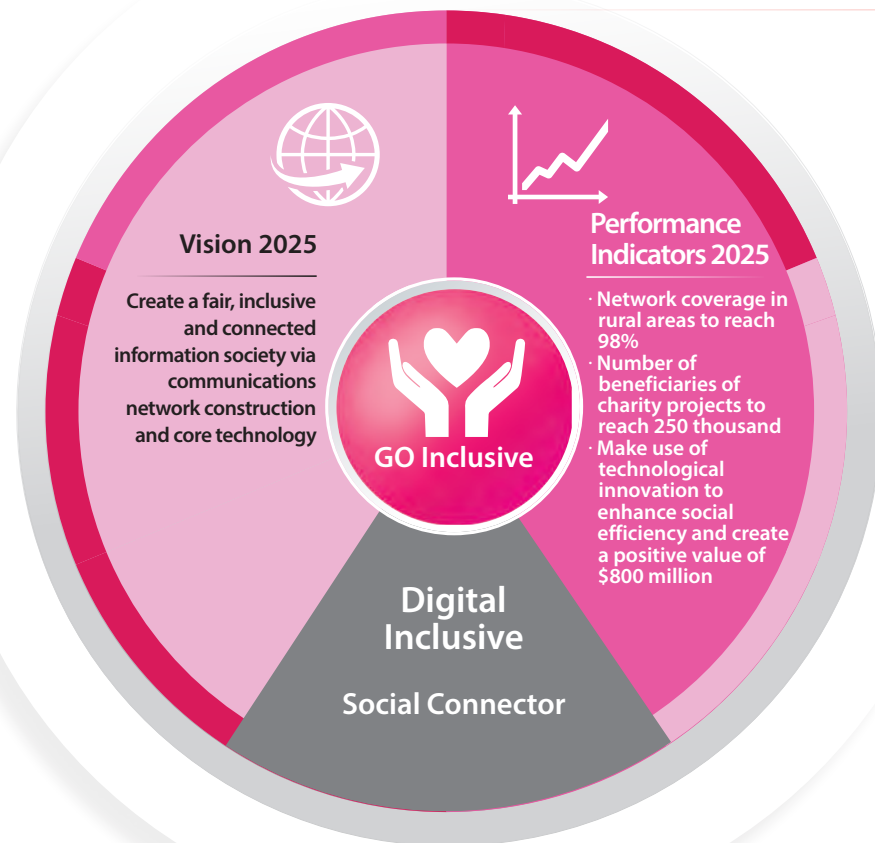
- Newly recruited 11 people with cumulative number of recruited people of the program reaching 23 people
- Information meetings were held in 5 universities, including National Taiwan University of Science and Technology, National Chengchi University, National Tsing Hua University, National Taiwan University and Yuan Ze University

### Outcomes of 2017 Industry-Academia Cooperative

- Business School at National Chengchi University: speeches and discussions at Career Development Center
- Business School and employment group at National Chengchi University: resume review and sharing of career development planning
- Graduate School of Information Management at National Taiwan University of Science and Technology: "Delegates of Service Program" for offering better service







#### 2017 Capital Inputs



**Social Capital**

- Public charity spent: \$20.40 million
- Rural infrastructure spent: \$220 million
- Social volunteers involved: 413 people, 8 hours per person
- Telecom penetration spent: \$110 million

#### 2017 Capital Outputs

- Helped raise \$3.933 million
- Number of public charity events: 132
- Return on investment of public charity: 1:3.79
- LTE coverage in rural areas: 95%

#### Progress Highlights of the Year

##### 95% internet coverage in rural areas:

Covered 95% of remote and rural areas with LTE to become the market leader in rural telecommunication infrastructure construction

##### Developed wireless network for 69 indigenous tribes:

Participated in the "Construction of Wireless Broadband Environment in Indigenous Areas" project. Until now, outdoor wireless construction for 69 tribes in 12 cities has been completed.

##### Optimized telecom quality in over 50% of mountain areas:

Cooperated with Forest District Offices to optimize the telecommunication quality in over half of top 100 mountains and popular trails in Taiwan

##### Six major rate plans:

In consideration of the needs of low-income and special groups, FET offered special rate plans to ensure that everyone has the right to have basic communication.

## Response to Sustainable Development Goals



## Response to Risks and Opportunities



### Ministry of Education's Rural Digital Care Promotion Program

We cooperate with the Ministry of Education to promote the development of Taiwan's communications technology by issuing ICT charity books for school-age children. In order to enhance the overall level of digital education among the nation.



#### 《 30 Reasons Why: Mobile Communications 》

#### 《The 4G Era: Nulla on Mission》

#### 《The Cloud: A Story of Kloud》

Target audience : Junior high and elementary school students

Donated a total of 610 books to 201 junior high and elementary schools and self-financing schools between 2014 to 2016

- 96% internet coverage in rural areas
- Continuously improve social efficiency and create a positive value of \$690 million

2018 KPI<<



#### 《Learning Mobile Payments Through Comics》

Target audience : 5th grade students or above

Donated a total of 710 books including DVDs to 117 learning centers nationwide in 2017

### Tainan Cloud Play Project

In response to the educational policy of the Tainan City Government, we cooperated with Qualcomm, Asus, and the Industrial Technology Research Institute (ITRI) and donated a total of 550 units of tablets pre-loaded with Cloud Play applications to 21 schools in Tainan City. This will increase the popularity of 4G network in order to support the government in developing a mobile/outdoor learning platform for students.



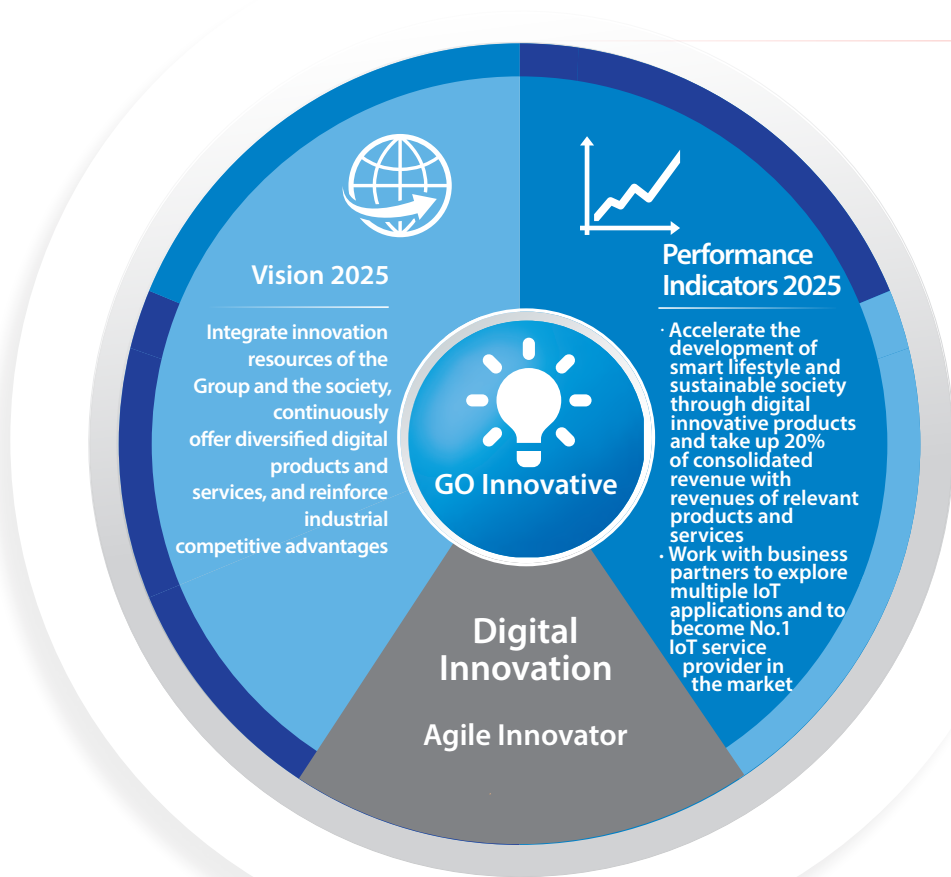
Over 580,000 platform visitors



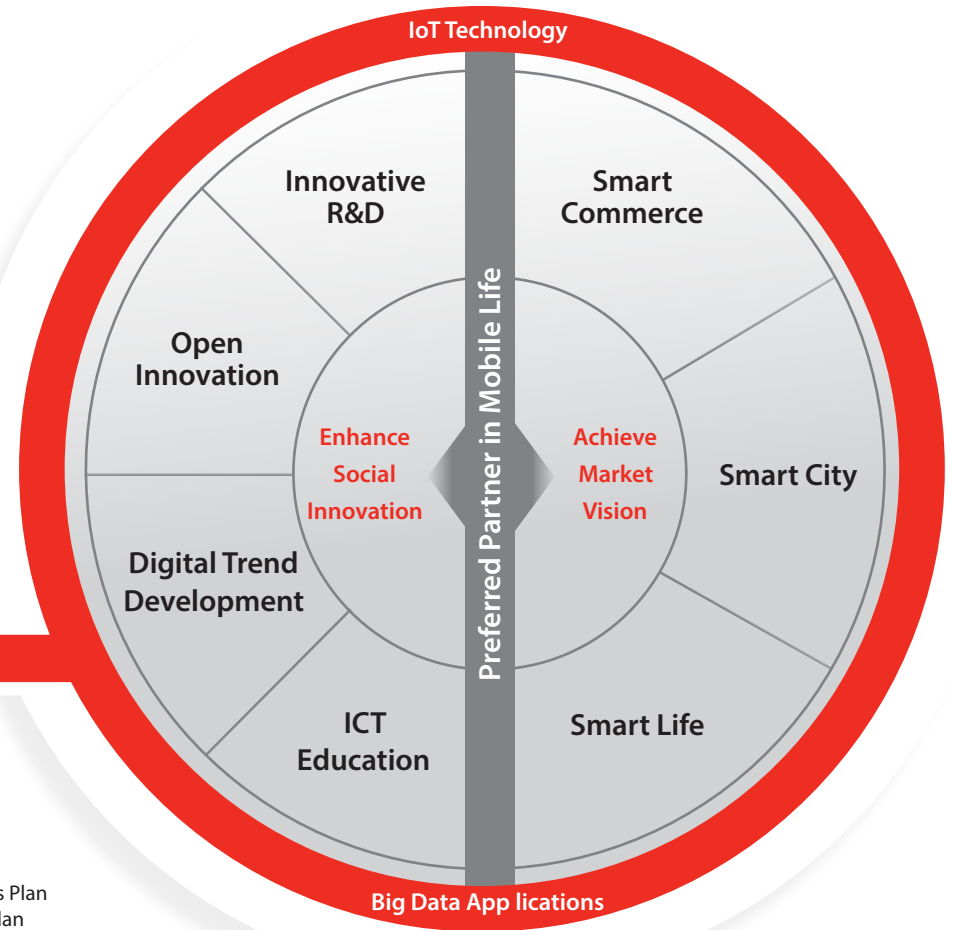
Over 900 online courses



Launched 271 sets for "4G portable mobile AP (Access Point)" for outdoor learning hotspots



Globalization has accelerated the popularization of technology while consumer expectations of product and service diversity has been making competition in the communications industry ever more intense, FET has thus been driven to transform and innovate over time. We aim to be the "Preferred Partner in Mobile Life" for customers by offering diverse network and ICT services, including mobile APPs, IoT products, Big Data, Artificial Intelligence (AI) and a wide array of applications as we seek to maintain our lead in innovation and create differentiation.



#### Progress Highlights of the Year

##### FET Laboratory

- Introduction of new equipment services
- Software and hardware upgrades
- Research evaluation of new features

##### T-Park

- IoT and ICT test platforms
- Open laboratory
- Shared R&D equipment

##### IoT Hackathon

- ThingWorx IoT applications platform
- Bring together resources from multiple fields

##### FET Education Center

- Telecom professionals development
- Online courses
- Instructor-led training

##### ICT Digital Inclusion Plan

- Rural Digital Care Promotions Plan
- Tainan City Cloud Learning Plan
- IoT Innovative Digital Camp

## Response to Sustainable Development Goals



## Response to Risks and Opportunities



## Progress Highlights of the Year



## Smart Commerce

Corporate User Solutions	Provide one-stop shopping for ICT integration solutions that include all necessary tools for small and medium enterprise start-up and digital operation
EMMA Enterprise Mobile Platform	Enhance the efficiency and security of intra-enterprise information transmission to strengthen enterprises' competitiveness
BYOD Mobile Device Management Solution	Offer the best-of-breed BYOD mobile device solutions for enterprises to ensure their information security

## Smart Life

	Number of Subscribers/ Downloads in 2017	Growth Rate	Expected Growth Rate in 2018
friDay	350,000	-	230%
friDay	1,600,000	5%	15%
friDay	600,000	130%	90%
friDay	1,000,000	-10%	15%
Smart Home	20,000	-	48%
Alley O2O Shopping	750,000	100%	90%
Android+iOS Telecombill Payments	1,340,000	30%	150%

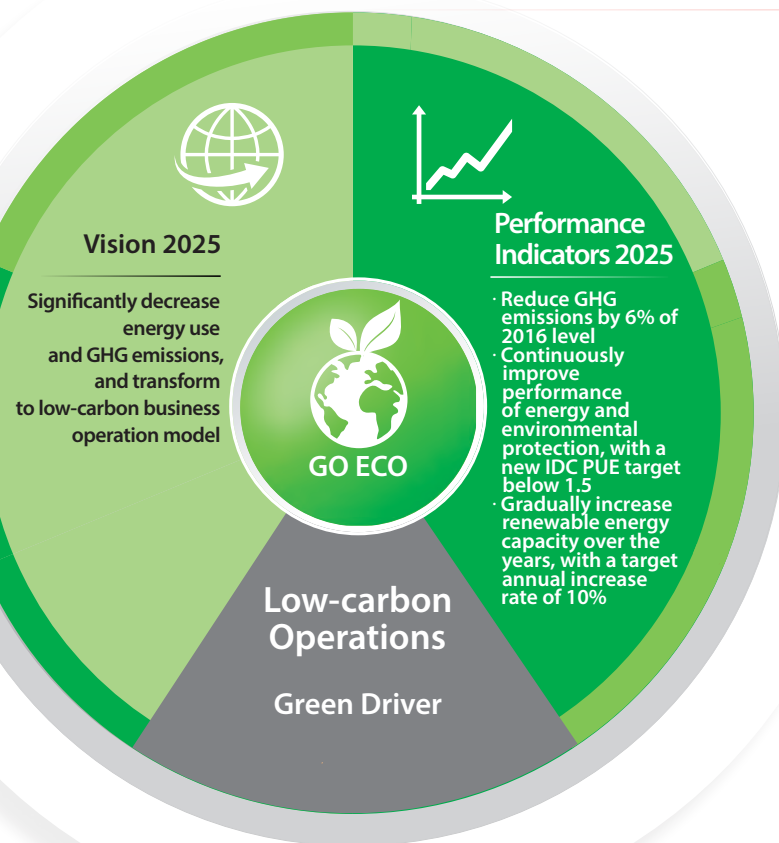
- Provide a total of over 13 million digital network connections
- Provide over 5.7 million new network connections
- Social innovation revenue to account for 8% of consolidated revenue
- Reach 100% coverage of NB-IoT
- Reach 1 million IoT network connections

2018 KPI&lt;&lt;

## Smart City

Health+	■ Cover over 140,000 members with a growth rate of 40%
Smart Safety Inspection	■ Establish 1,495 inspection stops with a growth rate of 36%
Tainan Smart City	■ Serve over 550,000 customers with a growth rate of 88% ■ Create a revenue of over \$35.28 million with a growth rate of 130%





#### 2017 Capital Inputs

- Investment in energy-saving base stations construction: \$95.90 million
- Investment in energy-saving data centers/offices construction: \$33.35 million
- Investment in energy-saving stores construction: \$19.02 million
- Green procurement: \$500 million
- Virtualization of servers: \$28.64 million
- Green investment: \$212 thousand

#### 2017 Capital Outputs

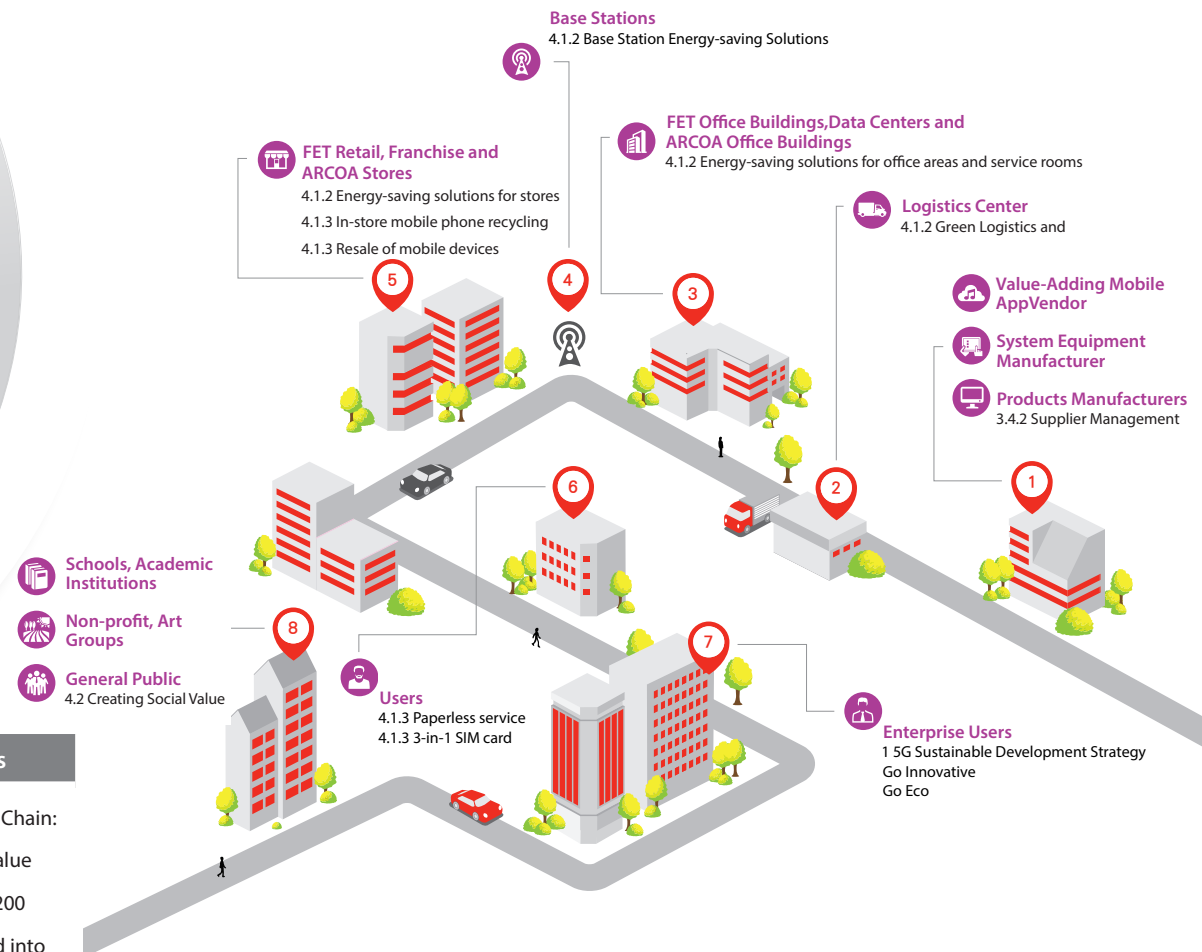
- Total Energy Savings in Value Chain: 31.38 millions
- Total Carbon Reductions in Value Chain: 17,076 tonnes
- Green electricity purchased: 200 thousand kWh
- 47% of stores are transformed into Green Store.
- Energy consumption reduced: 19,691 Gigajoules(GJ)
- Water consumption reduced: 8,031 KL



**Natural Capital**

#### Progress Highlights of the Year

#### FET Environmentally and Socially Friendly Program



## Response to Sustainable Development Goals



## Response to Risks and Opportunities



- Reduce greenhouse gas emissions by 1%
- Reduce energy Use Intensity of offices by 1.5%
- Reduce power usage effectiveness of data centers by 1%
- Complete 50 kWp renewable energy installment

2018 KPI<<

The annual electricity consumption of the global mobile communications network reached 1.5 trillion kWh, equivalent to 10% of total global electricity generation. The telecommunications industry will play a pivotal role in shaping a more energy efficient networks, as well as creating a positive affect on the public's environmental awareness and carbon footprint.

Through FET's "Environmentally and Socially Friendly Program", we wish to 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.



### Absolute carbon reduction goals

Reduce group-wide carbon emission by 6% by 2025  
(Baseline year of 2016)

### Renewable energy use goals

- Purchase renewable energy certificate (REC) for 100,000 kWh in 2018
- Install solar power facilities for a cumulative capacity of 150 kW from 2018 to 2020
- Increase renewable energy installation capacity by 10% by 2025



#### 2017 Capital Inputs

- 4G Smart City Flagship Project in Tainan investment: \$280 million
- Disaster prevention infrastructure investment: \$19.23 million

#### 2017 Capital Outputs

- 32 base stations were upgraded for greater disaster resilience



## Progress Highlights of the Year

### 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. Currently, this city is home to about 1.88 million people but is faced with developmental problems such as narrow streets, frequent flooding, traffic congestions, and poor infrastructure, all of which create economic lag. The city urgently needs reforms. In 2015, FET worked with Tainan City to activate its 4G Smart City Flagship Project, featuring 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 to make the city the first comprehensive smart city in Taiwan.

### 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
- The first smart city in Taiwan selected by the GSMA for a project film
- The only company selected by the GSMA's "Keys to the Smart City" as a recommended case study in a smart city special report





## Response to Sustainable Development Goals



## Response to Risks and Opportunities



■ Use IoT applications mainly in fields including smart cities, manufacturing and logistic industries, targeting on smart parking, road lights, air quality monitoring and IoT connected motorcycles

2018 KPI<<

Project Visions	Focus Areas	Contents	Progress in Development
<p>Revitalize historical heritage and build a cultural capital.</p> <p>Enhance innovative thinking and promote sightseeing activities</p> <p>Introduce smart IoT and transform the technologies of city.</p> <p>Utilize technological applications and create a lowcarbon life.</p>	Smart City Management Center	Cooperative unit: Research, Development and Evaluation Commission ■ Smart functions: construct high-speed special private line network, introduce highdensity cloud hardware framework, and construct management systems.	■ Installed 19,307 beacons (low-power wireless radio frequency Bluetooth positioning transmission devices). ■ Transferred cumulatively 100 hardware framework to cloud data center
	Smart Water Disaster Prevention	Cooperative unit: Water Resources Bureau. ■ Smart functions: 4G mobile hydrologic information collection platform, real-time water level identification functions, and real-time mobile APP water information detection	■ 53 fixed/mobile pumping stations ■ 20 wearable camcorders
	Smart Traffic	Cooperative unit: Bureau of Transportation. ■ Smart functions: 4G car with smart equipment, 4G smart station, optimization of the Tainan Bus APP, push notifications for Beacon messages, release system for transportation related messages.	■ 900 4G LED smart bus stops and free Wi-Fi hotspots ■ 363 4G smart buses(100% coverage rate) ■ 3965 Beacons installed on smart bus stops and smart buses
	Smart Mobile Education	Cooperative unit: Bureau of Education. ■ Smart functions: Smart Campus APP, creative courses, mobile campus education, improved access to mobile campus network, and popularization of mobile devices.	■ 271 junior high schools and elementary schools involved, cumulative 287 courses offered, 5,629 videos uploaded and 182,806 visitors attracted ■ 100% included in mobile education platform.
	Smart Health Community	Cooperative unit: Department of Health. ■ Smart functions: Remote-care smart health APP and personal sports interfacing device, community public healthcare system, system for announcing mosquito-borne diseases and interactive communication services.	■ 335 community health stations established. ■ 23,677 members ■ Partnered with 3 hospitals and 41 clinics
	Smart Tourism	Cooperative unit: Tourism Bureau. ■ Smart functions: integration of virtual and physical O2O travel, sightseeing tour with beacon positioning push notifications, profit-sharing advertising systems.	■ Over 200 thousand downloads with over 2 million times used and 1,010 cooperative stores







# 02

## Operating Environment Analysis

To ensure a precise and effective operational strategy, FET thoroughly reviews its operating environment in the process of formulating its organizational strategy. Through the inventory of macro external factors, FET identifies key sustainability risks and opportunities, and further improves its control of fluctuating trends. Meanwhile, we put great emphasis on communication and interaction with stakeholders, and ensure that stakeholders' opinions are included in the organization's decisions on material operational issues to effectively allocate resources and create long-term competitiveness.

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2.2 Key Sustainability Risks	36
2.3 Key Stakeholders	38
2.4 Material Operational Issues	41





## 2.1 External Environment Analysis

### External Factors with Major Impacts of the Year

#### Economic & Market

- Thanks to the constant recovery of the global economy and increasing momentum of Taiwan's industrial production and imports and exports, Taiwan's economic growth in 2017 maintained over 2.5% and domestic private consumption reached 2%.
- Given to the sustained competition of rate plans, the impact of unlimited package caused ARPU of overall telecommunication services (3G/4G) to indicate a downward trend while the number of 4G subscribers increased by over 17% comparing to last year.
- As a result of the growing need for high-speed FTTx and cable modem, the number of domestic user of fixed broad band raised by over 0.7% in the current year.
- Because of competition of mobile network rate plans, the promotion of fixed broad band with higher speed and lower price and the amortization of new and old 4G bid prices, the total revenue of telecommunication industry in Taiwan reduced by 3.45% as compared to 2016.

#### Social

- The declining birth rate in Taiwan led to an inevitable issue of aging society, with people aged 65 or older accounted for over 13.6% of the total population. The government and people thus attached a greater importance to solutions featuring innovative productivity and comprehensive healthcare and medicine services.
- In response to the Basic Labor Law amendments, business owners have continuously adjusted their working hour systems which caused different expenditure and cost models. Social awareness of labor rights has therefore been heightened.
- The massive power cut across Taiwan on August 15 due to errors in power stations affected 48% to 60% of households and caused malfunction in telecommunication base station in 17 counties, leading to an industrial loss of over \$100 million.
- International visitors attracted by 2017 Taipei Universiade generated over \$10 billion for related industries and created nearly 15 thousand job vacancies. Taiwanese businesses actively collaborated with various industries and launched short-term programs to seize the business opportunity.

#### Technological

- The 3rd Generation Partnership Project has established standards for eMBB Non-Standalone 5G NR Air Interface which has been projected to begin supporting the testing and deployment of Non Standalone 5G NR.
- Major countries around the world has actively participated in the establishment of 5G standards and the testing of 5G network. Meanwhile, Taiwanese telecommunications has worked with international equipment giants to promote the R&D of technical standards and service and applications regarding 5G.
- Industry 4.0 has driven the rapid emergence of groundbreaking technologies that lead the development of a new era, such as artificial intelligence, data analysis, automatization, virtualization, IoT and online platform economy. The speedily digitalization and globalization of these technologies are escalating the competition of disruptive innovation.
- Artificial intelligence and machine learning have been widely used in electronics and virtual software to enhance customer service and user experience. UBS Group AG has forecasted that USD\$3 trillion worth of economic value will be created by artificial intelligence by 2030 in Asia, imposing a great impact on financial, network and communication, medical, retail and transportation industries.

#### Environmental

- The 410ppm threshold for CO2 was breached a month earlier in April, 2017. Global warming caused Arctic permafrost to melt which led to the flood that stroke Global Seed Vault, attracting international attention.
- Taking into account the Electricity Act amendments, global trend of decarbonization and impact of air pollution, Taiwan's government announced the 2025 energy transition targets: renewable energy to make up 20%, natural gas for power generation to make up 50%, coal for power generation to be reduced to 30% of Taiwan's power supply; major industrial users were asked to reduce their energy consumption by 1%.
- Typhoon Nesat toppled a high voltage tower at a private power plant in Hualien and caused the summer reserve capacity to lack 1.3 million kilowatts which led to restrictions on energy usage and a massive power cut around Taiwan on August 15.

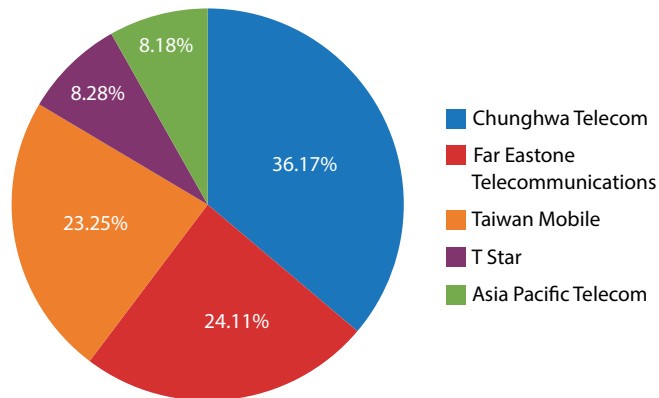
#### Political & Legal

- Amendments of Radio and Television Act and five Acts related to digital convergence lifted restrictions on information and communication and content regulations to facilitate the development and promotion of digital content, IoT and 5G technology.
- Regulations Governing Telecommunications Numbers were introduced to increase the quota for telecommunications numbers in order to assist telecommunication companies in meeting the demand for IoT service promotion.
- Taiwan's 2G business terminated officially which allowed telecommunication companies to save 300 million kWh per year and raise the average network speed.
- Draft Revision of Regulations for Administration of Base Stations of Mobile was passed to require base stations with disaster prevention functions to be equipped with back-up power supply with specific capacity and to be wind resistant to a certain degree.
- Technical Specifications for Narrowband Terminal Equipment of Mobile Broadband Business were passed to better technical regulations regarding IoT wireless transmission.

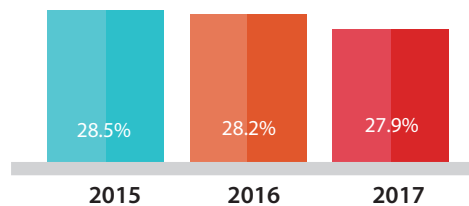
## Market Competition Overview

FET

2017 Market share number of 4G subscribers<sup>5</sup>



2017 Market share of FET's mobile telecom service revenue



Telecommunications companies run extensive advertising campaigns and promotions, subsidize mobile phones and offer flexible rate plans to attract consumers. With the launch of 4G services, new market participants and increased market saturation, the mobile service revenue of the big three operators will stay steady in general, and Asia Pacific Telecom and Taiwan Star together account for 8.3%. Future changes in market share will be determined by the quality of customer service, quality network and communication connections, diverse rate plans, and innovative services and applications, along with the bundling of various devices including smartphones, tablets and so forth.

As the market matures, operators usually place the focus on value-added services and heavy users. Focus shifts from general consumers to enterprise customers due to slow-growth market. FET proactively collaborates with enterprise application service providers of various industries to promote enterprise ICT integration services and cloud and IoT applications. As of December 31, 2017, we had 73,000 enterprise customers who accounted for 16% of our overall revenue in 2017.

NCIC

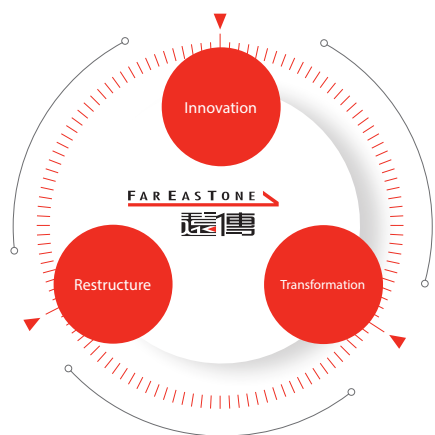
In the enterprise user market, Chunghwa Telecom, with its fixed network services and economies of scale, continues to be our primary competitor and industry leader. In addition to continuously improving the 4G network development and investing in the 5G and IoT technology research, FET's Enterprise and Carrier BU department takes on a more aggressive approach in developing intelligence applications and solutions to fulfill the needs of various industries and government departments. Those applications and solutions cover the sectors of smart city, smart transportation/Internet of Vehicle, smart medical treatment/healthcare, smart manufacturing and smart retail. We aim to differentiate ourselves from competitors in the enterprise market with strong innovation skills and integration ability plus flexible services.

ARCOA

In the face of market competition, ARCOA committed itself in 2017 to the transformation into a logistics business to expand B2C business, not only to take the opportunity to be first in smart consumer electronics purchasing and strive to attain exclusive new products, but also to strengthen its repair quality and services to increase the market volume of company-owned stores.

<sup>5</sup> Data as of August, 2017. Source: 2018 Telecommunications Service Industry Outlook Survey Report of Taiwan Industry Economics Services


## Our Business Advantages and Response Strategies





Strategy Direction	Items	Description	Page Number
Innovation	<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Synergistic connection</li> <li>• Data Analytics</li> </ul>	Competitive advantage of enterprises relies on the capability to create profitable business models. FET reviews its existing ecosystem, clarifies current situation of suppliers, competitors and development and trend of technologies, keeps risks and opportunities in check and masters synergies within the Group to optimize its effectiveness. Combining the core competencies of Group, FET uses big data analysis to offer the best customer experience and resolves social problems with ICT innovation while exploring new products and applying new technologies to new operating models in order to create a new sustainable future.	8 26 36
Transformation	<ul style="list-style-type: none"> <li>• AI/Automation</li> <li>• Digital</li> <li>• IoT/Cloud</li> <li>• 5G</li> </ul>	The technological advancement over the past decades has accelerated industrial transformation. AI, IoT, Cloud and Data Science will determine the innovation energy of services for enterprises. Looking forward, FET will drive its transformation with digital innovation, accelerate 5G development and utilize cloud computing, big data analysis and smart IoT to promote business efficiency and launch more innovative applications to embrace the future.	14 26
Restructure	<ul style="list-style-type: none"> <li>• Organization</li> <li>• Efficiency</li> <li>• Cost/Income Ratio</li> </ul>	There is nothing more certain and unchanging than uncertainty and change. FET should encourage more communication and interaction among various departments through structural change of the organization and facilitate innovative business and business efficiency through eliminating the silo effect of the information isolated island. FET should examine and rebuild organizational structure to meet the changing needs of customers, introduce innovative business models, stimulate information flow within the Group and enhance business efficiency and development that embraces smart technology.	14 18

## 2.2 Key Sustainability Risks


FET knows that business management is closely linked to industry and economic trends, change of external environment, consumption and lifestyle habits. The sustainability of a company therefore depends on its ability to respond to critical sustainability risks. To ensure that the Company's sustainability strategies are able to withstand long-term challenges, we completed a full re-assessment of global sustainability risks and opportunities in 2017, and identified four key risk factors below based on the ICT industry trend report and FET's operation development direction. In response to the potential impacts and business opportunities presented by the following risk factors, we have devised proper operational strategies to ensure the sustainability of the organization.

Risk factors	Risks	Impacts	Opportunities	Response Measures
 <p>Technology Development and Digital Convergence<sup>6</sup></p>	<ul style="list-style-type: none"> <li>■ Information and Internet security</li> <li>■ Advancement of ICT technology (5G)</li> <li>■ Cross-industry competition and collaboration</li> <li>■ Recruitment and development of new-generation talents</li> </ul>	<ul style="list-style-type: none"> <li>■ Changes of consumer behaviors and communication patterns, and impacts on traditional telecom service revenues</li> <li>■ Industry restructuring and technology integration, and how they change the industry's ecosystem and allow new competitors to join the competition</li> <li>■ Difficulty in recovering costs due to redundancy of technology and shortened product cycles, which both lead to substantial increase of R&amp;D and investment costs.</li> <li>■ Security of Internet content, hackers' attack and information leakage have become key issues of the ICT industry, particularly in the Internet and digital era</li> </ul>	<ul style="list-style-type: none"> <li>■ Changes of consumer behaviors and communication patterns can create innovative markets and application opportunities. Coupled with innovative technology, products and services, FET can meet or even create customer demand</li> <li>■ FET has been engaging consumers in the mobile field for a long time, and the accumulated data and experiences help us thoroughly understand consumer behaviors</li> <li>■ Cross-industry collaboration and alliance give FET the opportunity to expand the size of the market and explore new customers and consumer groups</li> </ul>	<ul style="list-style-type: none"> <li>■ Enhance Internet attack protection mechanism and information security education for all employees</li> <li>■ Identify and target key development areas, defend the Company's market leadership, and perform more precise R&amp;D and cost control</li> <li>■ Utilize core technology such as cloud and big data and actively advance cross-industry technology development and strategic alliances to accumulate experience for innovative development</li> <li>■ Analyze consumers' mobile lifestyle through big data and use the findings as the basis for product design, communication and marketing to deliver user-centric products and services</li> <li>■ Master synergy within the Group and integrate telecommunications, physical retail, e-commerce, finance and other fields to create the foundation for FET's future development in innovative businesses</li> </ul>





Risk factors	Risks	Impacts	Opportunities	Response Measures
		<ul style="list-style-type: none"> <li>Talent professional capacity must grow in line with industry and technology trends, otherwise a talent or technology gap may arise, increasing training costs and impacting the Company's competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>By introducing new ways to retain talent and developing innovative energy within the organization, new employees may help expand possibilities for the Company</li> </ul>	<ul style="list-style-type: none"> <li>Adjust human resource strategies to focus on recruiting new-generation employees and developing leadership talents that would enable the Company's transformation</li> <li>Strengthen industry-academia collaboration for talent cultivation; improve technological and strategic flexibility within the organization and build an innovative corporate culture</li> </ul>
 <p>Climate Change and Scarcity of Energy Source</p>	<ul style="list-style-type: none"> <li>Carbon control and energy conservation</li> <li>Adapting to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Extreme climate exacerbates the impact of natural disasters and results in disruption of operations and services</li> <li>Maintenance of the network, server room, and base station operations requires a lot of electricity; energy use and greenhouse gas emissions could increase potential operating cost</li> <li>Climate change-related regulations may impact the Company's operations</li> </ul>	<ul style="list-style-type: none"> <li>Effective energy and greenhouse gas management can demonstrate and enhance the sustainable brand image of FET</li> <li>Development of energy-saving technology helps reduce operating costs, and may even enable the Company to export energy management experience for revenues</li> </ul>	<p><b>Internal Energy Conservation</b></p> <ul style="list-style-type: none"> <li>Accurately estimate demand for electricity, and make electricity usage a KPI for monitoring and managing energy usage</li> <li>Improve efficiency of power consumption for all equipment; adopt energy-saving equipment where possible and accelerate application and development of new resources</li> <li>Use green materials and technologies for telecommunication service and construction where possible, and enforce energy conservation and carbon reduction in daily operations</li> <li>Raise employees' awareness of the importance of and their responsibility for environmental protection through training, promotion and communication</li> <li>Adopt the scientific sustainability performance management tools such as SROI (Social Return on Investment) and TIMM (Total Impact Measurement and Management) for internal management and to provide the basis for performance reviews and improvements</li> </ul> <p><b>External Initiatives</b></p> <ul style="list-style-type: none"> <li>Coordinate with partners from upstream and downstream supply chains and stakeholders to expand the green sustainability value chain for greater effect</li> <li>Develop smart traffic and smart transportation through ICT innovations; promote green transformation while capturing opportunities in smart energy conservation</li> </ul>
 <p>Policy, Social, and Economic Trends</p>	<ul style="list-style-type: none"> <li>Changes in telecommunication Regulations</li> <li>Demographic changes</li> <li>Urbanization and digital divide</li> </ul>	<ul style="list-style-type: none"> <li>Government policies on frequency band tendering, licensing, service rates and investments may directly affect operating costs</li> <li>The market of telecommunication service has matured with saturated number of users; growth rate has slowed down as a result</li> </ul>	<ul style="list-style-type: none"> <li>Telecommunications deregulation is likely in the future; loosening and removal of investment restrictions may allow telecom operators to engage in business activities that were previously prohibited, and thus create opportunities for new cross-industry collaboration</li> <li>Economic and social changes may give rise to new commercial models or consumer groups</li> </ul>	<ul style="list-style-type: none"> <li>FET will closely monitor new regulations and actively participate in policy discussions with the related authorities, and utilize available public opinion platforms to enhance communication</li> <li>FET will change its competitive strategy to focus on product and service quality, and aim to raise customers' loyalty and retention rate</li> <li>Explore diverse users such as enterprises, roaming tourists, and online marketeers/promoters</li> </ul>








<sup>6</sup> In light of FET's recent changes in terms of talent recruitment strategy, commercial model and new technology development, a decision was made to merge the risk factor - "Talent recruitment and development" to the topic - "Technology development and digital convergence" in the 2017 report.

Risk factors	Risks	Impacts	Opportunities	Response Measures
 <p>Stakeholder Engagement</p>	<ul style="list-style-type: none"> <li>■ Concerns for electromagnetic radiation</li> <li>■ Sustainable supply chain</li> <li>■ Other issues of dispute</li> </ul>	<ul style="list-style-type: none"> <li>■ The public has long been concerned with the issue of electromagnetic waves, and protests against the establishment of base stations</li> <li>■ In the age of Internet and social media, public opinions spread at such a fast speed that makes it difficult for the Company to respond in time. Mishandling of customer complaint and incident may severely undermine brand image, making customers' loyalty difficult to maintain</li> <li>■ Consumers now have more service providers and broader product variety to choose from in the market. Consumers' choice of carrier is easily affected by media, peers, relatives and friends</li> <li>■ Due to uprise of sustainability awareness throughout the world, any lack of sustainability management over the supply chain may result in major environmental and social disputes (e.g. low carbon, fair trade, localized purchase etc) and result in additional costs, risk of supply chain disruptions, and negative impact on brand image</li> </ul>	<ul style="list-style-type: none"> <li>■ Through the use of social media, FET can more effectively track and manage customers' complaints for proper response and crisis management, and thereby maintain brand image</li> <li>■ Operation of a sustainable supply chain helps raise corporate image and enables development of sustainable products and services, which ultimately improves the organization's ability to retain customers</li> <li>■ By coordinating environmental management efforts throughout the supply chain, FET aims to adopt low-carbon operations for more effective and efficient resource management, and thereby saving costs</li> <li>■ FET has the ability to utilize big data analysis for monitoring of market movements, and therefore introduce more precise and more efficient brand marketing solutions</li> </ul>	<ul style="list-style-type: none"> <li>■ FET continues communicating with the public on the topic of electromagnetic radiation, to alleviate their health and safety concerns regarding electromagnetic radiation emitted from base stations</li> <li>■ FET has improved its supplier sustainability management system and conducts regular supplier ESG risk assessments and audits strengthening the establishment of sustainable supply chain.</li> <li>■ By collaborating with suppliers, FET strives to convey its concept of sustainable product and service design and drives the sustainable development in value chain.</li> <li>■ Internet observers will be appointed to analyze key words and monitor social media discussions, and respond immediately to stakeholders' requests or incorrect information</li> <li>■ FET validates its complaint handling procedures on an ongoing basis, and analyzes customers' complaints regularly to minimize chances of future complaints</li> <li>■ FET proactively extends care to customers who are dissatisfied with service or have unresolved problems, and explores the underlying causes while taking practical actions to improve them</li> <li>■ Regular interdepartmental meetings are held for internal communication to discuss issues of complaint and to further optimize product features and processes</li> <li>■ FET clearly conveys its sustainability strategies and goals to the media and stakeholders for the purpose of improving corporate brand image</li> </ul>


## 2.3 Key Stakeholders

FET values its communication and engagement with various stakeholders highly. For the purpose of fully comprehending the essence of internal and external stakeholder management, we have followed the principles of AA1000 Stakeholder Engagement Standard to identify nine types of stakeholders crucial to our operations, and ensure that we have dedicated communication channels to respond to our stakeholders' requests and expectations in our daily operations. In addition, we have established a stakeholder CSR Survey and Dedicated Communication Channel on our website to receive more feedbacks. Permanent FET communication channels for different stakeholders, as well as key communication results for 2017, are explained in the "2017 Communication performance with stakeholders" section below.






Stakeholders	Communication Strategy and Response	Material Issues of Concern
 <p>Consumers</p>	Communicate transparently, listen to every customer, and provide service with warmth and sincerity.	<ul style="list-style-type: none"> <li>■ Communications quality and network infrastructure</li> <li>■ Information security and customer privacy protection</li> <li>■ Brand image management</li> <li>■ Communication and research on issues concerning electromagnetic radiation</li> <li>■ Rate plan transparency and communication</li> <li>■ High-quality customer experience</li> </ul>
 <p>Enterprise Customers</p>	Maintain partnership, provide customized solutions according to unique enterprise management requirements	<ul style="list-style-type: none"> <li>■ Social innovation</li> <li>■ Environmental innovation</li> <li>■ High-quality customer experience</li> <li>■ Information security and customer privacy protection</li> </ul>

Stakeholders	Communication Strategy and Response	Material Issues of Concern	
 Investors/ Shareholders	Transparently disclose FET's development strategy and major operating changes to maintain confidence of investors	<ul style="list-style-type: none"> <li>■ Business strategy and performance</li> <li>■ Investment in R&amp;D/Innovation and collaboration</li> <li>■ Social innovation</li> </ul>	<ul style="list-style-type: none"> <li>■ Environmental innovation</li> <li>■ Corporate governance and integrity</li> <li>■ Energy and GHG management</li> </ul>
 Competent Authorities	Actively respond to policy trends and actively participate in policy development process	<ul style="list-style-type: none"> <li>■ Communications quality and network infrastructure</li> <li>■ Information security and customer privacy protection</li> <li>■ Risks management and emergency response</li> <li>■ Response to government policy and regulatory changes</li> </ul>	<ul style="list-style-type: none"> <li>■ Digital inclusion</li> <li>■ Energy and GHG management</li> <li>■ Corporate governance and integrity</li> </ul>
 Employees	Enhance employee cohesion and sense of identity, cultivate innovative corporate culture, and implement two-way communication	<ul style="list-style-type: none"> <li>■ Business strategy and performance</li> <li>■ Management of human rights issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Talent development and management</li> <li>■ Corporate governance and integrity</li> </ul>
 Suppliers/ Contractors/ Developers	Maintain stable partnership with suppliers/contractors, perform supply chain impact management, co-develop products or services with developers	<ul style="list-style-type: none"> <li>■ Business strategy and performance</li> <li>■ Corporate governance and integrity</li> <li>■ Investment in R&amp;D/Innovation and collaboration</li> </ul>	<ul style="list-style-type: none"> <li>■ Supply chain management</li> <li>■ Management of human rights issues</li> </ul>
 Community Groups/ NGOs	Maintain partnership, jointly promote social welfare, and create the social value of FET	<ul style="list-style-type: none"> <li>■ Community care and charity programs</li> </ul>	<ul style="list-style-type: none"> <li>■ Digital inclusion</li> </ul>
 Media	Actively express opinions of the company, communicate transparently, and create positive corporate image	<ul style="list-style-type: none"> <li>■ Business strategy and performance</li> <li>■ Corporate governance and integrity</li> </ul>	<ul style="list-style-type: none"> <li>■ Investment in R&amp;D/Innovation and collaboration</li> <li>■ Communication and research of issues concerning electromagnetic radiation</li> </ul>
 Competitors	Keep competitive relationship, mutually discuss material industry issues	<ul style="list-style-type: none"> <li>■ Response to government policy and regulatory changes</li> </ul>	<ul style="list-style-type: none"> <li>■ Business strategy and performance</li> </ul>

### 2017 Stakeholders' communication performance

Stakeholders	Response and communication channels		Key communication results in 2017
 Employees	<ul style="list-style-type: none"> <li>■ Education and training programs</li> <li>■ Annual performance evaluation</li> <li>■ Quarterly two-way communication meeting</li> <li>■ Employee satisfaction survey (ad hoc)</li> <li>■ Employee complaints mailbox</li> </ul>	<ul style="list-style-type: none"> <li>■ Quarterly Lantern Legend Meeting</li> <li>■ Annual Employee Meeting</li> <li>■ Employee Welfare Committee</li> <li>■ FET e-Express/FET e-Paper</li> <li>■ FET internal website/News update</li> </ul>	<ul style="list-style-type: none"> <li>■ Through FET e-Express, all employees are informed of employee discounts, employee benefits and volunteer accomplishments for the year.</li> <li>■ Through FET internal website, SOP, new webpage information, employee discounts are announced to all employees.</li> <li>■ 1,868 employee training courses held, and average training hours per employee was 62 hours</li> <li>■ Percentage of employee who received annual performance assessment: 100%</li> <li>■ FET received 33 employee suggestions and six cases from the grievance mailbox.</li> <li>■ Arcoa received two employee grievance cases</li> <li>■ For other communication performance, please refer to "3.2 Employee Management" of this report.</li> </ul>

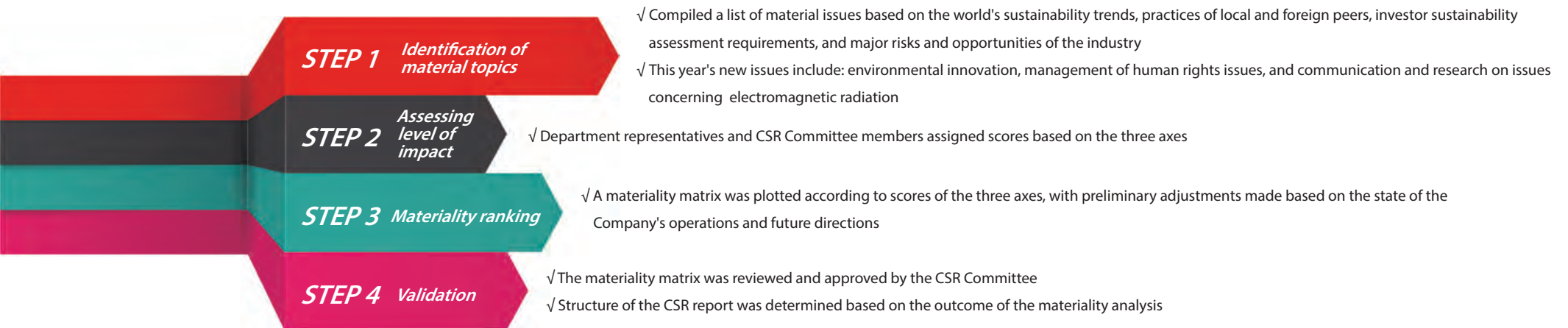


Stakeholders	Response and communication channels	Key communication results in 2017
 Consumers/ General Customers	<ul style="list-style-type: none"> <li>■ In-store face-to-face communication</li> <li>■ Six complaint channels available to customers (official correspondence, arbitration meeting, customer service inbound, FETnet Website, self-care APP, and online chat)</li> <li>■ Customer Satisfaction Survey</li> <li>■ Product information meeting and marketing activities</li> <li>■ "Connecting with Heart, Spread Love Far" brand activities</li> <li>■ User behavior research/surveys</li> </ul>	<ul style="list-style-type: none"> <li>■ Satisfaction survey on outsourced agency reported 86.8% satisfaction, indicating customer loyalty score of A.</li> <li>■ Overall average customer satisfaction of FET's retail stores in 2017: 92%. Overall FET retail store repair and maintenance service satisfaction in 2017 reached 83%.</li> <li>■ Overall customer satisfaction of FET's customer service center in 2017 reached 92.6%. Total number of positive messages on service satisfaction: 16,497 calls.</li> <li>■ By the end of 2017, there were 101,000 friends on LINE accounts and 235,000 fans on Facebook fan pages.</li> <li>■ For other communication performance, please refer to "3.3 Customer Management" of this report.</li> </ul>
 Enterprise Customers	<ul style="list-style-type: none"> <li>■ Business visits</li> <li>■ Call Center</li> </ul>	<ul style="list-style-type: none"> <li>■ Call Center has handled 1,024,252 calls</li> <li>■ For other communication performance, please refer to "3.3 Customer Management" of this report.</li> </ul>
 Regulators	<ul style="list-style-type: none"> <li>■ Business meetings and administrative inspections by the National Communications Commission (NCC)</li> <li>■ Fair Trade Commission investigations</li> <li>■ Official correspondence</li> </ul>	<ul style="list-style-type: none"> <li>■ Took part in 195 NCC business meetings and seven administrative inspections in 2017. NCC identified one violation relating to FET dealers, in which staff privately sold prepaid cards on the internet. FET ordered suspension of the dealer's services, but should have first requested the dealer amend related information first before service suspension. The aforementioned situations have been taken care of and corrected in accordance with NCC's instructions.</li> <li>■ Participated in 16 Ministry of Transportation and Communication meetings and communication sessions</li> <li>■ There were four cases investigated by the Fair Trade Commission in 2017. All cases were closed and no violation of the Fair Trade Act was found</li> </ul>
 Suppliers/ Contractors/ Developers	<ul style="list-style-type: none"> <li>■ Supplier CSR Self-Declaration</li> <li>■ FET Supplier Chain Guidelines for Corporate Social Responsibility</li> <li>■ The Code of Business Conduct</li> <li>■ Procurement Satisfaction Survey</li> <li>■ Developers' Conference</li> </ul>	<ul style="list-style-type: none"> <li>■ In 2017, 88.4% of material suppliers and 100% of new suppliers signed the "Supplier CSR Self-Declaration".</li> <li>■ 109 suppliers participated in and completed trustworthy management training and exams. These suppliers accounted for 89.9% of total procurement. All suppliers passed the exam with pass ratio of 100%.</li> <li>■ In 2017, averagely 90% of the procurement satisfaction questionnaire responses were "satisfied" or "very satisfied."</li> <li>■ For other communication performance, please refer to "3.4 Supplier Management" of this report.</li> </ul>
 Shareholders/ Investors	<ul style="list-style-type: none"> <li>■ Annual general meeting</li> <li>■ Investor-related conferences</li> <li>■ Communication through dedicated units</li> <li>■ Investor Relations section on the website</li> </ul>	<ul style="list-style-type: none"> <li>■ Hosted one general shareholders meeting.</li> <li>■ Hosted four Global Investor Telephone Conference to facilitate direct communication between investors and executive management.</li> <li>■ Dedicated units took part in domestic/overseas face-to-face institutional investor meetings to communicate with investors.</li> <li>■ Published monthly non-audited revenue, profit and operating statistical data on the FETnet website.</li> </ul>
 Competitors	<ul style="list-style-type: none"> <li>■ Communication with competitors in the Taiwan Telecommunication Industry Development Association (TTIDA)</li> <li>■ Competition/market survey</li> </ul>	<ul style="list-style-type: none"> <li>■ Attended 89 meetings in 2017, including 68 on TTIDA promotion issues and 53 working groups related to the construction of base stations.</li> <li>■ Other details on communication performances can be found in "4.1.4 Environmental Impact Management in Base Stations" of this report.</li> </ul>
 Media	<ul style="list-style-type: none"> <li>■ Press releases/conferences</li> <li>■ Communication through dedicated unit</li> </ul>	<ul style="list-style-type: none"> <li>■ Hosted 19 media events and issued 272 press releases in 2017</li> <li>■ Other media exposure performances can be found on the News Room of FETnet website</li> </ul>
 Community Groups/NGOs	<ul style="list-style-type: none"> <li>■ Information meetings/symposiums/forums</li> <li>■ Sponsorship and collaboration</li> </ul>	<ul style="list-style-type: none"> <li>■ Public welfare appropriation in 2017 was NT\$20,403,837 and raised NT\$3,932,512.</li> <li>■ A total of 413 volunteers participated in public welfare activities and 13,016 people were benefited.</li> <li>■ For details on communication performances, please refer to "4.2.3 Charity Involvement" section of this report.</li> </ul>

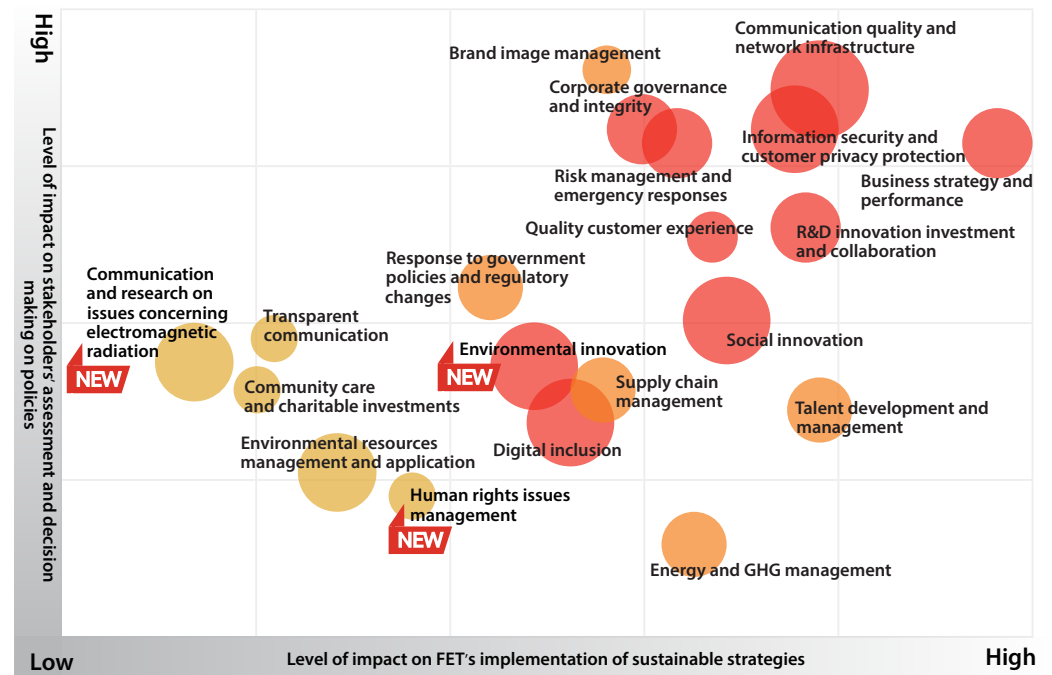
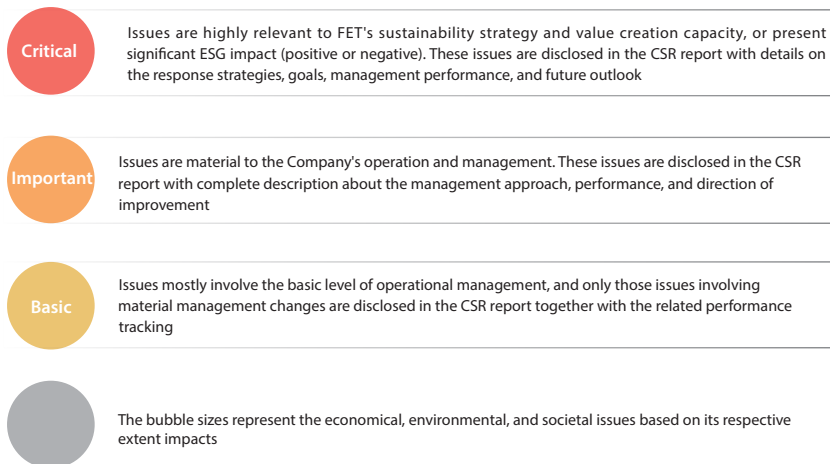
## 2.4 Material Operational Issues

To ensure more precise control over the significance of material operational issues for organizational decisions as well as their economic, environmental, social and governance (ESG) impacts, and thereby ensure the Company's ability to allocate resources and create value, FET completed a materiality analysis this year in accordance with the GRI guidelines and IR framework, and adjusted its materiality matrix to incorporate three axes, namely: "Level of impact on stakeholders' evaluation and decision," "Level of impact on FET's implementation of sustainable strategies" and "ESG impact on value chain from material topics". We divided these issues into three categories: "Critical," "Important" and "Basic" and made different levels of disclosure accordingly.

### Materiality matrix identification process



### The 2017 materiality matrix and definition of materiality



## Implications and changes of critical topics in 2017

Aspect of Issue in Question	Adjustment of Critical Issues		Implications and Changes
Corporate Management and Governance	Business strategy and performance	Unchanged	Commercial strategies are guiding the way FET creates shared values in the future. Having observed industry and market trends domestically and abroad, we devised a new set of strategies based on FET's competitive advantage and vision, and regard financial performance as an important indicator for evaluating the effectiveness of our new strategies.
	Corporate governance and integrity	Unchanged	Robust corporate governance framework and trustworthy management provide the foundation for corporate sustainability. FET has dedicated itself to building a corporate culture of integrity and comprehensive governance practices, and adopting effective measures to control behaviors that have the potential to damage the environment or infringe stakeholder interests.
	Risk management and emergency response	●→●	FET acknowledges that changes in the external environment have given rise to financial risk, business risk and other new forms of risk, which is why the Company continues to integrate its risk management system to include identification and management of new sustainability risks, such as climate change and human rights. The Company's heightened awareness was the reason for raising the level of significance for this particular issue.
Product and Service Quality	Communications quality and network infrastructure	Unchanged	Good communication quality provides the foundation for telecommunication service and related applications. By expanding and upgrading infrastructure, FET strives to deliver voice and data services with greater speed, stability and high coverage for optimal customer experience.
	Information security and customer privacy protection	Unchanged	Given the increasing popularity of mobile Internet, mobile payment and cloud technology, information security has become the primary issue for telecommunication service providers. FET adopts robust information security management systems and strategies to effectively control information security risks, and thereby fulfills its commitment to protecting customer privacy.
	Social innovation	Name adjustment	By providing innovative products and services beneficial to the society and environment, FET not only creates value but also improves lifestyle quality for the public. For this reason, the issue previously known as "Social and business innovation" was adjusted and separated into "Social innovation" and "Environmental innovation."
	Environmental innovation	New issue	
	Investment in R&D/innovation and collaboration	●→●	In face of digital transformation, globalized competition and extreme weathers, FET's product/service strategies and new business plans are highly dependent upon innovative R&D and collaboration with partners from different industries, in order to achieve total transformation and market differentiation. Therefore, the level of the significance of this issue is raised.
	Talent development and management	●→●	Out of respect for the importance of talent, FET has been adopting a comprehensive talent development and management system and a new recruitment strategy in the last two years. Therefore, significance of this particular issue was revised to "Important."
Social Communication and Caring	Digital inclusion	●→●	Digital inclusion is the most fundamental social value that the ICT industry is able to create. To deliver digital inclusion, FET must continually construct new facilities, improve user friendliness and fairness of services and products, address the needs of the socially disadvantaged and narrow the gap between them and the general public. The significance of this particular issue was raised accordingly.
	High-quality customer experience	Unchanged	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 a high-quality customer experience and continues to enhance the user experience.
	Brand image management	●→●	Brand image is a collective result of trustworthy business management, information transparency, and added value created for society and the environment. Given the fact that most parts of this issue have already been addressed in other critical issues, the level of significance was revised to "Important."



## Explanation of impact boundary of various topics and their corresponding chapters

Material Issue	Level of Materiality	Corresponding GRI aspect		Location of Economic, Environmental, and Social Impact						
		Topic Serial No.	Topic	Caused Directly by FET		Cased by business relationship with FET			Caused by Other Indirect Relationship with FET	
				FET Including NCIC	Arcoa	Suppliers/Contractors/Developers	Enterprise Customers	Consumers	Competent Authorities	Community Groups/NGOs
Communication quality and network infrastructure	Critical	203	Indirect Economic Impacts	●						
Business strategy and performance		201	Economic Performance	●	●					
Social Innovation		-	-	●		●	●			
Information security and customer privacy protection		418	Customer Privacy	●	●	●				
Investment in R&D/Innovation and collaboration		-	-	●		●				
Risk management and emergency response		102	General Disclosure	●	●					
Corporate governance and integrity		205/206/415	Anti-corruption / Anti-competitive behavior / Public Policy	●	●	●				
Environmental innovation		-	-	●		●	●			
Digital inclusion		-	-	●						
Quality customer experience		417	Marketing and Labeling	●	●					
Talent development and management	Important	202/401/404	Market Presence/Employment/Training and Education	●	●					
Response to government policies and regulatory changes		307/419	Environmental Compliance/Socioeconomic Compliance	●	●				●	
Supply chain management		204/308/414	Procurement Practices/Supplier Environmental Assessment/Supplier Social Assessment	●	●	●				
Brand image management		-	-	●	●					
Energy and GHG management		302/305	Energy/Emissions	●	●	●	●	●		
Communication and research on issues concerning electromagnetic radiation	Basic	413/416	Local Communities/Customer Health and Safety	●						
Environmental resources management and application		301/306	Materials/Effluents and Waste	●	●	●				
Transparent communication		-	-	●	●					
Human rights issues management		403/405/406 407/408/409 411/412	Occupational Health and Safety/Diversity and Equal/Opportunity/Non-discrimination/Freedom of Association and/Collective Bargaining /Child Labor/Forced or Compulsory Labor/Rights of Indigenous/ Peoples /Human Rights Assessment	●	●	●				
Community care and charitable investments		-	-	●	●					●



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# 03

## Sustainable Corporate Governance

FET believes that a company's sustainable operations must be supported by a sound and inclusive governance approach. In view of this, we continue to promote sustainable management and social responsibility within and outside the company, shaping our core values and corporate culture, and guiding our business strategies, products and services. Through continuous improvement of its own governance system for investors, employees, customers, and suppliers, FET responds responsibly to the expectations of all stakeholders and creates common sustainable value for the economy, the environment, and society.

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## 3.1 Responsible Governance

FET has made progressive steps to improve corporate governance, supervisory framework and business integrity since it was founded in 1997, as the organization believes that a streamlined governance system with clearly defined responsibilities is the key to building a culture of responsible governance, and the foundation to long-term profitability and value creation.

### FET's Corporate Governance achievements in 2017

- March 2017 - Won five awards in FinanceAsia's "2017 Asia's Best Companies" in Taiwan, including: "Best Managed Company," "Best Investor Relations," "Corporate Social Responsibility," "Best CEO" and "Best CFO"
- April, 2017 - Ranked top 5% in Corporate Governance Evaluation of Taiwan Stock Exchange for four consecutive years
- May 2017 - Won the Exemplar Award in Global Views Magazine's 13th (2017) "CSR Annual Grand Survey - Service Division"
- September 2017 - Selected as component stocks of Emerging Markets in Dow Jones Sustainability Index (DJSI) for two consecutive years
- November 2017 - Won seven awards in the Taiwan Corporate Sustainability Awards, including "TOP50 Corporate Sustainability Award," "Growth through Innovation Award," "Creativity in Communication Award," "Social Inclusion Award," "Transparency and Integrity Award," "Supply Chain Management Award" and "Top 50 Corporate Sustainability Report Award - Telecommunication Division"

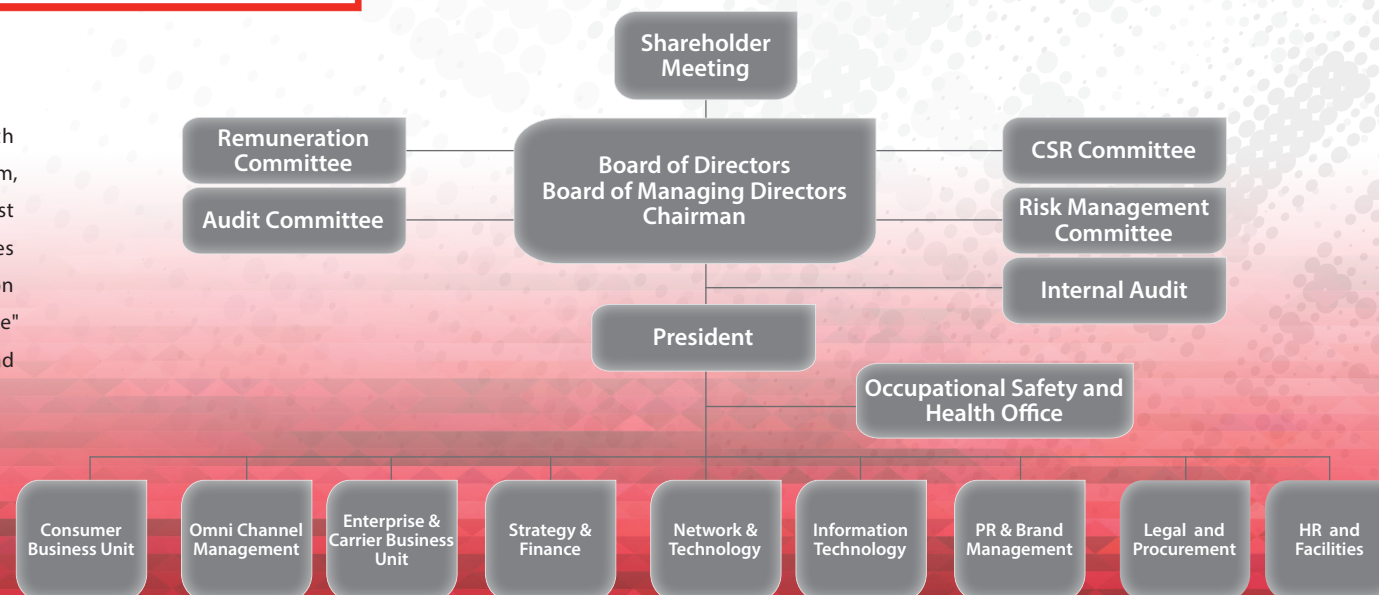
decisions of the respective committees are reported regularly to the Board of Directors. FET has a clearly-defined organizational structure with different business groups under the President's management. The Chairman of the Board of Directors is isolated to establish a governance structure that is objective and independent from management. For detailed descriptions on the responsibilities of existing departments, please refer to FET's 2017 annual report.

### Composition and functionality of the Board of Directors

FET's 7th Board of Directors has 11 directors who serve a term of three years from June 18, 2015 until June 17, 2018. In order to implement and strengthen the functions of the Board of Directors and to exert its supervisory function, FET regularly conducts the re-election of directors. The average serving time of the members of the Board of Directors is eleven years. The Board of Directors includes three independent directors and one female director, whose presence ensures independence and brings diversity along with stakeholders' opinions to the Company's governance system. Board of Directors members are chosen through stringent selection procedures using the nomination system, in which shareholders are able to exercise rights to the fullest extent for the best corporate governance effect. Independent director candidates are required to comply with the independence criteria outlined in "Regulations Governing Appointment of Independent

### 3.1.1 Corporate governance framework

The Board sits atop the managerial level of the company, with responsibility for appointing and supervising the management team, monitoring operating performance, preventing conflicts of interest and ensuring compliance with laws, regulations, and the Articles of Incorporation of FET. FET has "Audit Committee," "Remuneration Committee," "CSR Committee" and "Risk Management Committee" in place to support management of the organization. Activities and



**Business Activities of  
Main Departments**

Directors and Compliance Matters for Public Companies." The selection process takes into account not only candidates' professional capacity, but also their ethical behaviors and leadership reputation.

FET welcomes directors with extensive global vision, management experience or academic achievement to join its board. With greater diversity in the Board of Directors, board members will be able to contribute objective opinions on different areas of expertise (such as accounting, telecommunications, finance,

economics and corporate governance) to the management, and guide the Company's strategies on economic, environmental and social issues, which leads to the best decisions for shareholders and the society. FET also purchases liability insurance coverage to protect itself from liabilities, risks and financial losses that arise as a result of third party lawsuits filed against directors for business decisions they have made.





Title	Name	Nationality	Gender	Career highlights	Concurrent duties in the Company and in other companies
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	R.O.C.	Male	President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation; Chairman of Asia Cement Co., Ltd.; Chairman of Far Eastern Department Stores Ltd.; Chairman of Oriental Union Chemical Corp.; Chairman of U-Ming Marine Transport Corp.; Chairman of New Century InfoComm Tech Co., Ltd.; Vice Chairman of Far Eastern International Bank
Managing Director	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	R.O.C.	Male	Vice President of Ding & Ding Management Consultants Co. Ltd.	Vice Chairman of Far Eastern New Century Corporation; Director of Asia Cement Co., Ltd.; Supervisor of U-Ming Marine Transport Corp.
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	Sweden	Male	Vice Chairman of Far Eastone Telecommunications Co., Ltd.; President of Far Eastone Telecommunications Co., Ltd.; Sr. Executive VP of Satelindo Telecom Indonesia	None
Independent Director	Lawrence Juen-Yee LAU	Hong Kong (China)	Male	Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Stanford University, U.S.A.; 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, CNOOC Limited in Hong Kong; Independent Non-executive Director, AIA Group Limited in Hong Kong; Independent Non-executive Director, Hysan Development Company Limited in Hong Kong; Member of the Hong Kong Special Administrative Region Exchange Fund Advisory Committee, member of its Currency Board and Investment Sub-Committees and Chairman of its Governance Sub-Committee; Vice-Chairman, Our Hong Kong Foundation; Member and Chairman of the Prize Recommendation Committee, the LUI Che Woo Prize Company; Chairman, Board of Directors, The Chinese University of Hong Kong (Shenzhen) Finance Institute, aka Shenzhen Finance Institute
Independent Director	Kurt Roland Hellström	Sweden	Male	President and CEO of Ericsson Group	Director of the European Institute for Japanese Studies (Sweden), Director of International Advisory Board of Altimo (Russia)
Independent Director	Chung Laung Liu	R.O.C.	Male	President and Mei Yi Che Honorary Chair Professor of National Tsing Hua University, Taiwan; Professor Emeritus of University of Illinois at Urbana-Champaign, U.S.A.	William M. W. Mong Honorary Chair Professor, National Tsing Hua University, Taiwan; Independent Director of United Microelectronics Corporation; Independent Director of Microelectronics Technology Inc.; Independent Director of Powerchip Semiconductor Corporation; Director of Macronix International Co., Ltd.; Director of UBI Pharma Inc.; Supervisor of Andes Technology Corporation
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	R.O.C.	Male	President of Yuan Ding Co., Ltd.; Sr. EVP of Far Eastern New Century Corporation	Director of Far Eastern New Century Corporation; Director of Asia Cement Co., Ltd.; Director of U-Ming Marine Transport Corp.
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	U.S.A.	Male	Worked as a Strategy and Design Consultant in the United States with clients ranging from hi-tech startups to Nestle, Denso Automotive, Kia Motors, and Target.	Chief Innovation Officer of Far Eastern Group; Director and Executive Vice President of U-Ming Marine Transport Corp.
Director	Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	Japan	Male	Senior Manager, Smart-life Solutions Department, Smart-life Business Division, NTT DOCOMO, Inc.	Executive Director Asia Business, Global Business Division, NTT DOCOMO, Inc.
Director	Bonnie Peng, Representative of Asia Investment Corp.	R.O.C.	Female	Chairperson of the 2nd term of National Communication Commission; Professor, Department of Journalism (Graduate program), National Chengchi University, Taiwan	Professor, Department of Social and Policy Sciences, and Department of Information Communication (Graduate program), Yuan Zu University
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Singapore	Male	Chief Operating Officer, SingTel Group	Advisor, SingTel Group; Board Director, APT, Satellite, HK



The Board of Directors convenes meetings at least once every quarter. Pre-board meetings are held one day before each Board of Directors meeting so that the executive management may discuss with the Board members in advance about the proposals or resolutions that are to be raised during Board of Directors meeting. The scope of discussion covers diverse topics from operational strategy to business risks. All departments of the business units also compile key issues, major risks, and key performances quarterly and report to Chairman, such as major investments, charity projects, and overall energy-saving performances to ensure that the Board of Directors understands the company's overall operations.

Independent directors' opinions are fully taken into consideration in all Board of Directors discussions. Any disagreements or opinions from independent directors are reasoned and recorded in meeting minutes, and disclosed to investors as material information. The Board of Directors held a total of five meetings from 2017 to Q1 2018. Directors' attendance rate was 93% in terms of personal attendance, and 100% when including proxy attendance. FET has a set of "FET Corporate Governance Best Practice Principles" in place to ensure the robustness and effectiveness of the governance system. In shareholder meetings, an electronic voting system on a case-by-case basis is adopted, and FET has a "Corporate Governance" section available on its portal to disclose detailed voting results for all proposals, providing shareholders with more diverse ways to vote on meeting agendas.

[FET Corporate Governance section:  
Board of Directors-related information](#)



[FET Corporate Governance  
Best Practice Principles](#)



### Avoidance of conflict of interest by directors

None of the Board of Directors members held equity stake in any of FET's main suppliers. To prevent conflict of interest at the highest governance Board of Directors y, Article 11 of the Board of Directors Conference Rules states that directors must uphold high level of self-discipline and disassociate themselves from board meeting agendas that present conflict between the Company's interests and interests of the directors themselves or the corporate entities they represent. Directors will have their votes voided if they are found to have failed to avoid conflict of interest. Neither the Company nor its subsidiary – NCIC has issues regarding the recusal due to conflict of interest.

### Director performance evaluation

In November 2016, FET's Board of Directors passed "Rules and Procedures for the Board of Directors' Performance Assessments" as a means to ensure ongoing improvement of board performance. FET's performance evaluation procedures require "Self-Evaluation Questionnaire for Board Members" to be completed by Board of Directors members and "Evaluation Form for the Agenda Working Group" to be completed by the Treasury and Credit Management Division of the Strategy and Finance Group. Outcome of the evaluation is reported to the Board of Directors in the first quarter of the following year by the Strategy and Finance Group. The 2017 Board of Directors performance self-evaluation had been completed. Responses of "Self-Evaluation Questionnaire for Board Members" were considered normal, while "Evaluation Form for the Agenda Working Group" showed two areas falling short of the required standard. Results of the above evaluation were reported during the 14th meeting of the 7th Board of Directors held on February 23, 2018.

[Procedures for performance evaluation of Board of Directors Meeting](#)



### Director Performance Evaluation Procedures

Yearly	Every year-end	Beginning of the following year
Review the design of self-assessment questionnaire and evaluation form regularly according to law	Internal Audit notifies board members to complete "Board Member Self-assessment Questionnaire"	Treasury and Credit Management Division of the Strategy and Finance Group (S&F) completes an "Evaluation Form for the Agenda Working Group" based on actual execution of the annual agenda.
		S&F reports outcome of overall assessment during the Q1 board meeting of the following year

FET's director performance evaluations are conducted at least once every three years by an independent professional institution or a team of experts and scholars from outside the Company. The professional institution or team of experts/scholars chosen to perform evaluation must satisfy the following criteria:

- An institution or management consulting company that specializes in organizing Board of Directors training courses and improving corporate governance.
- An outside team consisting of experts and scholars specialized in Board of Directors matters or corporate governance affairs.

FET's 2017 performance improvement goals were to have all directors complete relevant corporate governance training, which had been duly accomplished. FET's 2018 goals are to engage independent professional institutions or team of experts/scholars from outside the Company to evaluate and enhance Board of Directors performance.

### Directors Training

All local and foreign directors of FET are required to undergo regular training to ensure continual improvement of knowledge in areas such as sustainable management and corporate governance. Training courses completed in 2017 by local and foreign directors are listed in the following table, and apart from training, the Company also updates directors on the latest corporate governance-related regulations every six months.

Organizer	Course name	Training hours	Number of participants
Taiwan Academy of Banking and Finance	Best Board Practice and Corporate governance Workshop	18	4
Securities & Futures Institute	2017 Insider Trading and Corporate Social Responsibilities Conference	3	1
Taiwan Corporate Governance Association	Corporate Governance and Directors' Obligations and Responsibilities Under the Company Act of the Republic of China	18	6
Taiwan Corporate Governance Association	Corporate Governance and Directors' Obligations and Responsibilities Under the Securities and Exchange Act of the Republic of China	24	8
Taiwan Corporate Governance Association	How Directors and Supervisors Should Supervise Information Security Risk Management	3	1
Taiwan Corporate Governance Association	Directors' Corporate Leadership in response to an Environment of Rapid Technological Changes	3	1
Taiwan Corporate Governance Association	Corporate Governance - Insiders' Obligations, Information Disclosure and Insider Trading	3	1
Taiwan Corporate Governance Association	Directors'/Supervisors' Responsibility in Misstatement of Financial Statements	3	1
Taiwan Corporate Governance Association	Key Talent Remuneration Strategies - Remuneration Trends and Practices for High-tech Industry Employees	3	1

## Audit Committee

FET assembled an "Audit Committee" in 2015 to replace supervisors. The committee consists of three independent directors, and is intended to assist the Board of Directors in supervising the quality and credibility of internal practices such as accounting, auditing, financial reporting, and financial control, and contribute to the creation and enhancement of relevant corporate governance policies. The Audit Committee is empowered to conduct any audit and investigation deemed suitable, and has direct contact with the Company's internal auditors and financial statement auditors. The Audit Committee convenes meetings on a quarterly basis with the audit manager and the accountant reporting their operations and audit results of financial statements respectively. A total of five meetings were held from 2017 to Q1 2018, and committee members' personal attendance rate was 93%. Minutes are compiled after the end of each Audit Committee meeting with details of important discussions and resolutions, which are subsequently notified to directors, the President and members of the Company's executive management. Communications have been made to ensure they completely understood the way of conducting, the result, and proposed recommendations.

## Tax policy and management

FET has established its tax policies out of the utmost integrity. The tax policies serve as a compliance guide for the Company and all its subsidiaries, and the policies mainly include significant operational activities, including the promises and obligation to pay the taxes, the tax-related impacts and risks involved in business transactions, tax risk-management, and major operation activities including supporting the government to promote innovative R&D, and reinvestment, etc. The Company also has a tax management system in place. Professional consultants are invited to review the rationality of transfer pricing and update the Company on tax law changes, and thereby ensuring the validity of the Company's tax compliance efforts amidst the changing environment and regulation. The following table shows 2017 income tax payment of FET. The difference between the effective tax rate and Taiwan statutory tax rate (17%) is caused by the losses arising from domestic investments.

FET's income tax payment in 2017		Unit : NTD \$ thousands
Net operating income for the year ( A )		\$13,162,572
Amount of income tax ( B )		\$2,308,929
Amount of income tax paid		\$2,125,391
Effective tax rate (C)=B/A		17.54%

## Remuneration Committee

The "Remuneration Committee" exists to assist the Board of Directors in executing and evaluation the Company's overall remuneration and welfare policies, as well as directors' and managers' remuneration<sup>6</sup>. FET's Remuneration Committee comprises three members; two of whom are FET's Independent Directors. Members' compliance with independence criteria has been disclosed in the annual report. The Remuneration Committee held a total of three meetings from 2017 to Q1 2018. Members' personal attendance rate was calculated at 89%. In addition to financial performance, remuneration of FET's executive managers and

employees is also associated with customers' loyalty, and is subject to Board of Directors' approval on a yearly basis. The Company plans to incorporate environmental and social performance into the evaluation process in the future. Directors' and Managers' salary and remuneration are reviewed by the Remuneration Committee and presented to the Board of Directors for discussion on a regular basis, ensuring balance between the Company's sustainable operations and risk management.

## Director compensation policy and practice

Directors may receive three different forms of compensation: remuneration, remuneration through earnings distribution, and business execution expense. These compensations are determined by the Remuneration Committee and the Board of Directors, and are reported in annual general meetings as required by law. Directors are compensated not only based on the Company's business performance, but also based on other factors such as directors' shareholding percentage, overall performance of the board, the number of votes received in election, and contribution to the Company's affairs. Business execution expense consists mainly of travel allowance. They are determined in reference to standards of the high-tech industry and are paid with the resolution of the Board of Directors. Compensation standards, structures and systems are adjusted flexibly according to future risk factors; unfavorable outlook and rise in business risk may result in a downward adjustment of directors' compensation.

	2015	2016	2017
Ratio of directors' compensation to after-tax net income	1.09%	1.06%	1.12%

## Manager compensation policy and practice

Managers may receive three different forms of compensation: salary, bonus and allowance, and employee remuneration. Salaries are determined at levels that reflect employees' work performances, while taking into consideration several factors including: the nature of job duty, the overall environment and the market rate. Bonuses and allowances consist mainly of travel allowance, which employees are entitled to choose between fixed vehicle subsidy, vehicle rental or mileage-based subsidy. Employee remuneration is allocated according to the bonus policy, which takes into account the Company's financial and non-financial goals, employees' individual annual business performance indicators, CSR performance indicators, and the Company's operating performance. The level of remuneration is subject to Remuneration Committee's and Board of Directors' resolution before proposal at shareholder meeting. Managers' compensation standards, structures and systems are adjusted from time to time to accommodate the Company's actual performance and changes in regulations. Compensations are set in a manner that discourages managers from taking risks beyond the Company's tolerance.

	2015	2016	2017
Ratio of managers' compensation to after-tax net income	1.58%	1.65%	1.59%

Investor Relations



Tax Policy



## Equity information

As at December 31, 2017, Far Eastern New Century Enterprise and affiliated companies directly or indirectly held a total of 38.28% shares of FET. Since Far Eastern New Century and subsidiaries have jointly acquired more than half of total seats on FET's Board of Directors, Far Eastern New Century is deemed to exercise controlling influence over financial, operational and human resource policies in its parent company, and is therefore recognized as FET's ultimate parent company. Below is a list of FET's shareholder structure and top 10 shareholders as at April 16, 2018:

### Shareholders structure

	Government agencies	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
Count	13	54	158	21,141	841	22,207
No. of shares held	27,516,068	693,632,852	1,496,427,964	86,825,146	954,098,780	3,258,500,810
Shareholding percentage	0.84%	21.29%	45.92%	2.67%	29.28%	100%

### Top 10 shareholders

Name of major shareholder	Shareholding percentage (%)
Yuan Ding Investment Co., Ltd.	32.73
Shin Kong Life Insurance Co., Ltd.	8.31
NTT DOCOMO INC.	4.71
Cathay Life Insurance Co., Ltd.	4.07
Fubon Life Insurance Co., Ltd.	3.47
Chunghwa Post Co., Ltd.	3.20
Yuang Tung Investment Co., Ltd.	3.08
An Ho Garment Co., Ltd.	1.25
Kai Yuan International Investment Co., Ltd.	1.05
Morgan Stanley & Co. International Plc	0.98

## Disclosure of governance information

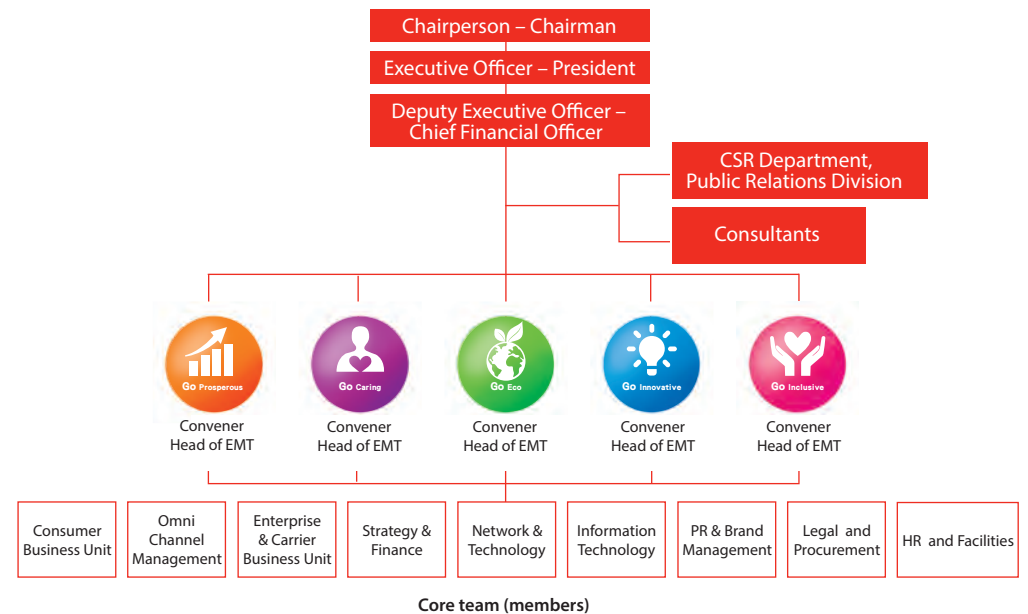
In order to provide local and foreign investors with correct and detailed information, FET has created an Investor Relations section on its official portal that provides constant update of the latest financial, business and CSR news. Furthermore, for the convenience of shareholders and stakeholders local and abroad, all

information disclosed in annual reports, conference manuals, the Taiwan Market Observation Post System (M.O.P. S.), CSR reports and websites has been made available in both Chinese and English.

## 3.1.2 Implementation of sustainable governance

FET has established its "[Corporate Social Responsibility Policy](#)" based on Taiwan Stock Exchange Enterprise's "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" to serve as the ultimate guiding principles for CSR conducts within FET. A "Corporate Social Responsibility Committee" (CSR Committee) was assembled in 2011 to serve as the highest authority for matters concerning sustainable governance, strategy and planning. Within the CSR Committee, the Chairman undertakes the role of chief commissioner, while the President assumes the role of executive officer and the CFO assumes the role of deputy executive officer. The Executive Management Team (EMT) serves as the convener that coordinates task forces in various business groups, and issues instructions to representatives of various business groups. The CSR Committee base the verification and management of sustainability issues on investigation of the material issues of the Company, annual performance report of each business group, recommendations from external stakeholders and advice gained by consulting external experts. The Company has also appointed the Public Relations Division of CSR Department as designated unit with the responsibility of enforcing CSR actions and measures within the organization.

### CSR Committee Structure



<sup>9</sup>Manager includes President, executive vice presidents, senior vice presidents, and vice presidents



The CSR Committee convenes meetings on a quarterly basis and report relevant policies, decisions and the performance to the Board of the Directors from time to time. Meetings are hosted by the President while members of the executive management serve as conveners for the relevant task force. Matters such as progress of annual action plans, tracking of material issues and proposals are raised and discussed during CSR Committee meetings. The CSR Committee held a total of four meetings in 2017. To ensure ongoing improvement of governance performance in line with global standards, FET actively participates in surveys conducted by world's renowned institutions such as Dow Jones Sustainability Indices (DJSI) and Carbon Disclosure Project (CDP). For details on 2017 KPI and performances, please refer to chapter 0.1 "5G Sustainable Development Strategy."

The CSR Committee has been executing action plans under its "4G Sustainability Forces" strategy since 2015. 2018 marks the expiry of the three-year "4G Sustainability Forces" action plan as well as FET's 20th anniversary, during which the management has considered an internal re-organization to be appropriate. For these reasons, a decision was made in 2017 to introduce a new strategy named "5G Sustainability Forces"<sup>7</sup> that will be executed from 2018 until 2025. The new strategy involves actions in five main aspects, for which all business groups are required to devise short/mid/long-term sustainability actions and goals that incorporate the CSR spirit into FET's culture, and into the minds of every FET employee. To accommodate the implementation of "5G Sustainability Forces", the CSR Committee also underwent structural adjustments in 2018.

### 3.1.3 Ethical Corporate Management

FET has "[The Code of Business Conduct](#)" and "[The Code of Ethics](#)" in place to enforce ethical corporate management. FET has been disclosing relevant information through portal, annual reports, prospectus, and the Taiwan Market Observation Post System (M.O.P. S.) to ensure transparency of corporate governance practices. This information is also communicated internally to all employees through orientation training and the intranet. Furthermore, the Company evaluates "Integrity" as part of employees' performance appraisal. In terms of external governance, FET uses commercial documents, such as "The Code of Business Conduct Agreements" as part of the "Supplier Information Form," to ensure stakeholders' compliance and respect for FET's ethical and trustworthy standards. Any donations by FET are subject to Board of Directors' approval, according to "FET Board of Directors Conference Rules."

#### Legal Compliance

FET complies with the authority's rules and laws on corporate governance, trustworthy management, environmental protection and labour rights, and has taken actions to enhance legal education within the organization. In Q2 and Q4 2017, FET updated the Board of Directors twice on the latest regulations, when sending out meetings minutes. The same information was communicated to employees through intranet. FET and Arcoa did not commit any violation against anti-bribery or anti-competition policy in 2017. In addition to the "Convergence Act," FET is also preparing itself for new services and related deregulations such as IoT, mobile payment, and digital identification to further support innovative applications.

#### Compliance with Amendments to the Convergence Act

In the end of 2016, the National Communications Commission (NCC) announced the establishment of two related regulations of the "Convergence Act," namely the "Telecommunication Administration Act" and the "Digital Communication Act." The draft version of the two Acts had been announced for public hearing during Q1 2017, and after 60 days of public opinion collection, four public hearings, two interdepartmental coordination meetings, and several discussions among private organizations and online forums, the NCC was able to gather opinions from a broad audience and approve its draft versions for review by the Executive Yuan in early April. In November 2017, the Executive Yuan passed the draft versions of "Telecommunication Administration Act" and "Digital Communication and Broadcasting Act" proposed by NCC. Both drafts are now being reviewed by the Legislative Yuan.

The "Convergence Act" has profound impacts on the communication and broadcasting industries, therefore FET will monitor closely the establishment of the Convergence Act, while at the same time fulfilling corporate social responsibilities and committing actions that are favorable to the industry, society, and protection of consumers' interests, and thereby achieve mutual benefits between the industry and the consumers.

#### The Code of Business Conduct

"FET Code of Business Conduct " applies to directors, managers, employees, agents or any person exercising material control, as well as subsidiaries, non-profit organizations in which FET has more than 50% direct or indirect donation, and any other institutions or corporate entities in which FET exercises control. FET prohibits all forms of political donation to maintain its political neutrality; as a result, no political donation was made in 2017. The subsidiary - Arcoa also supports FET's business integrity policy with the establishment of its own "The Code of Business Conduct." FET and Arcoa had no breaches against code of conduct/ethics in 2017.

#### The Code of Ethics

To ensure that actions of the Company's directors, managers, employees and agents are compliant with ethical standards, FET has implemented its "The Code of Ethics" that outlines the boundaries of moral behavior for the Company's directors, managers, employees and agents. The Code of Ethics covers several aspects including: prevention of conflict of interest, prohibition of unauthorized self benefits, confidentiality of corporate and customers' information, and fair trade. The Company also has business ethics guidelines, gift and treatment acceptance principles, and employee declarations in place to outline employees' rights and obligations over the course of employment.

#### Whistle-blowing Channels

FET has set up mailboxes that internal and external personnel may use to express opinions or report violations against the Code of Business Conduct or the Code of Ethics. FET employees are entitled to express opinions or report misconducts according to the "[Trustworthy Business Violation Reporting Policy](#)" over the intranet. Upon receiving employees' claims, the handling department will immediately follow up with inquiries or begin investigations if necessary. Arcoa also has an "Opinion Box" available for employees to express opinions or report misconducts. Other reporting channels include:

<sup>7</sup> FET's "5G Sustainability Forces" 2018-2025: Go Prosperous, Go Caring, Go Inclusive, Go Innovative, Go Eco



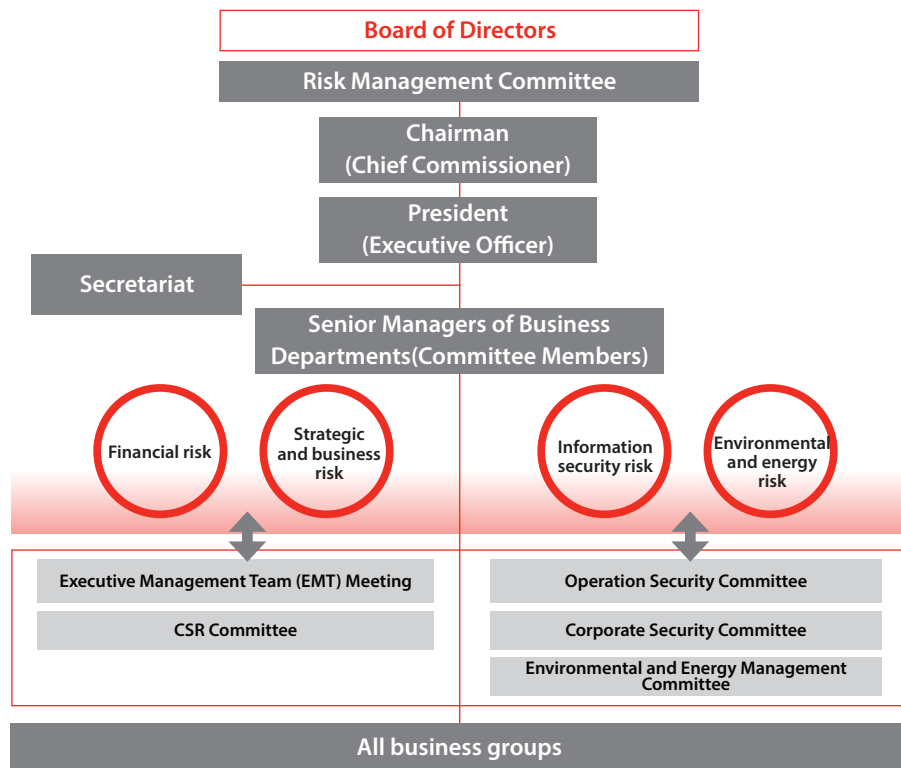
Mailbox of Internal Audit : [ia@fareastone.com.tw](mailto:ia@fareastone.com.tw)

Procurement management e-mail : Please click "[Contact Us](#)"

### 3.1.4 Business Risk Management

In order to direct more attention towards risk management, the Board of Directors approved the establishment of the "Risk Management Committee" in 2017 in order to further integrate and reinforce FET's risk management framework. Meanwhile, a "Risk Management Policy" was established based on international standard, "ISO 31000 Risk Management - Guidelines" to serve as the guiding principle for all business departments, ensuring agile and effective risk management within the organization.

**Risk Management Committee Organization Framework**



Within the Risk Management Committee, the Chairman undertakes the role of chief commissioner, while the President assumes the role of executive officer and senior managers of business departments form the rest of the committee members. The purpose of the committee is to enforce management of financial risks, strategic

and business risks, information security risks, and environmental and energy risks within the organization from a more comprehensive perspective and scope. The internal audit plays the role of supervisor to review risks and make regular audit reports to the Board of Directors. Through the four lines of defense comprising business units, Board of Directors and Risk Management Committee, internal auditors and external auditors, the Committee which is equipped with the flexibility of risk management, supervision and response to risk is able to quickly grasp the situation of changing environment and risk, and then achieve the organization's strategic goals.

The Risk Management Committee held a total of one meeting in 2017. Other regular/unscheduled management meetings and committee meetings were also convened to discuss issues from finance, strategic operations, information security, environment to energy source. The committee exists to supervise risk management activities and performance within each department, and helps create an organization culture of risk management.

#### Financial risk management

This area of financial risk management is handled by the Strategy and Finance Group (S&F), and involves constant observation of changes in local and foreign financial markets as well as evaluation of how changes in interest rate, exchange rate and inflation rate affect the Company's profit and loss and investment plans. Based on observations and findings above, the S&F establishes relevant management procedures and adopts appropriate management and hedging measures to address interest rate or exchange rate exposures. As to the sensitivity analysis of impacts on interest rate and exchange rate changes in the Company's profit and loss, please refer to the sensitivity analyses provided in FET's annual report.

#### Strategic and business risk management

FET's general strategies are determined by the executive management during yearly strategic development meetings. Each business department then creates its own strategies and goals from the general strategy. Performance of the Company's general strategy is reviewed and reported by responsible departments during quarterly strategic meetings, and may be adjusted according to changes in the internal/external environment, industry trends, and risks. As for business departments, monthly operational management meetings are held to review the performance of department strategies and goals, and to formulate response solutions depending on regulatory changes, competitive environment, and opinions of internal/external stakeholders.

#### Information security risk management

Based on legal compliance, personal data protection, risk management and crisis management, the Corporate Security Committee and Operation Security Committee established security policies and frameworks, including business information security, technology security, security of office premise, and employee safety. An information security section has been created on the intranet to communicate with employees on relevant topics. FET also adopts systematic risk management practices outlined in ISO 31000/ ISO 27005 and conducts annual information security risk evaluations to address high-risk issues such as mitigate, transfer, and ultimately reduce risk exposure.

The "Corporate Security Committee" and "Operation Security Committee" held a total of 10 meetings in 2017 and came to conclusions over issues including: adjustment of committee organization, advocating and promotion of employees' information security awareness, enhancement of network security, enhancement of office security, information security tests, and ISO27001/BS10012 validation. For outcomes of FET's information security promotion efforts, please refer to Chapter 3.3.3 "Customer Privacy Protection."

### Environmental and energy risk management

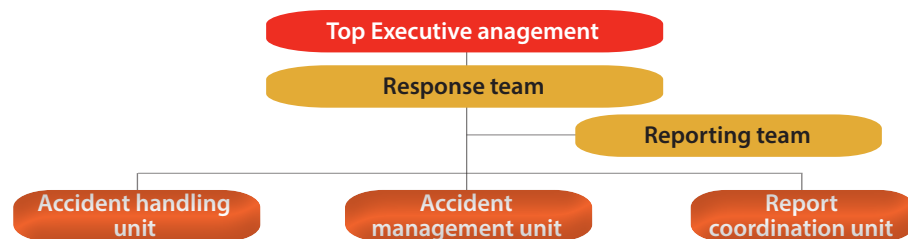
An "Environment and Energy Management Committee" of representatives from different departments has been assembled to identify and manage related risks. The committee convenes meetings on a quarterly basis to ensure proper coordination between the departments, and the effectiveness of environmental energy management systems, such as ISO14001 and ISO50001. For outcomes of FET's environmental management efforts in 2017, please refer to Chapter 4.1 "Reducing Environmental Impact." We have identified two main types of impact:

- Physical risks: Risks of disruption to telecommunication servers and the operation of key offices caused by climate change and disastrous weather conditions (such as drought, prolonged high temperature, extreme weather, increased typhoon frequency and intensity, heavy rain and flood etc). Response plans need to be devised in advance to avoid business disruption and financial lost.
- Transformation risks: Risks that arise mainly from change of policy and regulations. Heightened supervision from the government may increase cost of business operations, whereas the Company's commitment and response to climate change affects its market position and reputation. Through regular compliance record and audit, the Company carries out the stress test on related regulations, evaluates the maximum impact of new regulations and proposes response solutions accordingly.

### Emergency response management

In addition to implementing risk management systems for all aspects of business operation, FET has also created a "Business Continuity Management Organization" for the management of the overall risk. The highest unit of the organization is headed by the most senior officers from various business departments. In the event of an emergency or major accident, the reporting team will consolidate information from the accident management unit and the report coordination unit, and provide them to the response team for decision of whether to activate response procedures, so that that risks and possible impacts can be controlled quickly. In the meantime, information will be escalated to the executive management in the shortest time and communicated with internal and external stakeholders in an appropriate manner.

#### Business Continuity Management Organization Framework



The Business Continuity Management Organization held a total of six meetings in 2017 to coordinate interdepartmental responses to major incidents including earthquake and typhoon, and supports to service outlets, customer service center, technical team and operational team. By establishing real-time communication and response between the Company's frontline and back-end units, we hope to minimize impact on customers and operations in the event of an incident.

### 3.1.5 External Participation

FET closely follows the latest industry developments domestically and abroad, and actively participates in telecommunications and CSR associations to ensure that its corporate governance practices are aligned with major global initiatives and actions. FET also tracks the latest development of its peers in order to raise corporate competitiveness and contribute to the progress of the industry as a whole. In 2017, FET paid a total of NT\$9,079,100 for memberships in various industry associations. The following table shows major associations that FET takes part in and associations in which FET has secured a key position.

	2015	2016	2017
Amount contributed to the telecommunication association (NTD\$)	\$9,106,489	\$9,967,802	\$9,079,100
Percentage relative to total revenues	0.009%	0.01%	0.01%

Name of association	Nature of association	Other participations	Yearly amount contributed (NTD)
Taiwan Telecommunication Industry Development Association (TTIDA)	Industry development	Chairperson: 1 Directors: 3 Supervisors: 1	\$8,012,000
Cloud Computing & IoT Association	Industry development	Directors: 1	\$525,000
Taiwan Communications Society (TCS)	Academic research	Directors: 1	\$107,500
Taiwan Intelligent Aerotropolis Association (TIAA)	Industry development	None	\$100,000
ROC Business Council for Sustainable Development(BCSD)	Sustainability initiative	None	\$60,000

As a leader of sustainable development in ICT industry, FET officially joined IIRC <IR> Business Network in 2017, becoming the first Taiwanese business with an IIRC membership, in order to better connect Taiwanese businesses with international sustainability market. FET represents Taiwan to advocate the "International Integrated Reporting Framework" and promote the general regulations of the integrated report, leading the evolvement of the corporate report for the next generation.





## 3.2 Employee Management

FET believes that good labor relations, personnel training system and corporate benefits policy help form a sense of achievement at work and mold corporate identity, thus enhancing employee coherence, production efficiency and capabilities of the organization. With the aim at creating a happy workplace, FET is committed to elevating the corporate image to attract external talent and become a "preferred employer," by offering equal-opportunity, attractive benefits and multiple developments to such a workplace.

### FET's happy workplace achievements in 2017

- Awarded the golden medal for "Injury-free Environment" by the Industrial Safety and Health Association of the R.O.C. in 2017.
- Certificated as the most user-friendly for the "Breastfeeding rooms for the workplace in Taichung City" by Taichung City Government's Department of Health in 2017.
- Awarded the "Exercise Enterprise Attestation" by the Sports Administration of the Ministry of Education in 2017.
- Awarded the "New Taipei City Healthy Workplace Certification mark" and the "Kaohsiung City Healthy Workplace Certification mark" by the Health Promotion Administration of the Ministry of Health and Welfare in 2017.

### 3.2.1 Employee Structure Overview

In 2017, FET completed the conversion of ARCOA stores to FET franchise stores as well as the integration of marketing channels, which resulted in the continuous slight decline in the total number of employees. 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 above) account for 48% of management. Over 99% of employees are R.O.C. citizens with indefinite contracts. 2017 employment status is as follows:

Total Number of Employees <sup>9</sup>						Unit: number of people
		Male	%	Female	%	Total number of employees
2015	Full-time Employees	3,319	47%	3,753	53%	7,072
2016		3,266	47%	3,706	53%	6,972
2017		3,207	47%	3,660	53%	6,867
2015	Part-time Employees	9	60%	6	40%	15
2016		10	67%	5	33%	15
2017		10	63%	6	38%	16
2015	Temporary Workers	90	29%	217	71%	307
2016		93	31%	207	69%	300
2017		101	30%	236	70%	337

### Employee Contract Type<sup>10</sup>

Unit: number of people

	Indefinite Contract			Contract Type %	Temporary Contract			Contract Type %
	Male	Female	Total		Male	Female	Total	
2015	3,316	3,742	7,058	99.80%	3	11	14	0.20%
2016	3,359	3,688	6,947	99.64%	7	18	25	0.36%
2017	3,200	3,656	6,856	99.84%	7	4	11	0.16%

### Employee Nationality

Unit: number of people

	Local Employees	%	Foreign Employees	%	Total
2015	7,064	99.89%	8	0.11%	7,072
2016	6,966	99.91%	6	0.09%	6,972
2017	6,860	99.90%	7	0.10%	6,867

### Employment of Disabled People

Unit: number of people

	Total	Percentage
2015	51	0.72%
2016	48	0.68%
2017	48	0.70%

### Age Distribution of General Employees and Management

Unit: number of people

	Age	Male	Percentage	Female	Percentage	Total
Number of General Employees	Under 30	707	45%	967	55%	1,674
	30-50	1,945		2,429		4,374
	Over 50	182		70		252
Number of Managers	Under 30	-	65%	-	35%	-
	30-50	221		139		360
	Over 50	71		20		91

<sup>9</sup> Full-time (permanent) Employees: employee meets the requirement of working hours and working practices and the definition of "full-time employee" in FET's operation area. Part-time Employees: employee who doesn't meet the requirement of working hours and working practices and the definition of "full-time employee" in FET's operation area.



Number of Directors	Under 30	-	72%	-	28%	-
	30-50	29		17		46
	Over 50	32		7		39
Number of Vice Presidents	Under 30	-	65%	-	35%	-
	30-50	2		2		4
	Over 50	18		9		27

## Employee Academic Background

Unit: number of people

	Male	Female	Total
General and vocational high school	362	684	1,046
Bachelor	2,307	2,653	4,960
Master	526	320	846
PhD	12	3	15

## Average Employee Age and Seniority

Unit: number of people

	Average Age			Average Seniority		
	Male	Female	Total	Male	Female	Total
FET	38.44	35.63	37.04	8.81	7.84	8.32
ARCOA	37.96	35.59	36.56	5.27	6.34	5.90

## 3.2.2 Talent Recruitment and Retention

In response to the rapid change of technology and products in the telecom industry, FET has swiftly modified recruitment strategies and actively recruited talent from the field of integrated ICT services. This includes interdisciplinary specialties such as telecommunications, multimedia, cloud, and Big Data. Since 2016 FET has frequented campuses to recruit young employees below the age of 30 (non-retail, S&O, delivery) and trains recruits in stages to meet the Company's strategy development needs as well as the requirements for its organization. The performance was excellent, with 105% of the target achieved as planned. The turnover rate in 2017 showed a decrease of 2.44%, compared to 2016, reflecting positively on FET's talent retention performance.

<sup>10</sup> Permanent contract is a non-fixed term contract, and temporary contract is a fixed-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.

<sup>11</sup> New hire ratio = 2017 total number of new hires/2017 total number of employees

<sup>12</sup> Turnover rate=2017 total number of resigning employees/2017 total number of employees

## New Hires in 2017

Unit: number of people

	Male	Female	Total	Ratio of New Hires <sup>11</sup>
Under 30	477	589	1,066	15.52%
30-50	280	275	555	8.08%
Over 50	3	-	3	0.04%
<b>Total</b>	<b>760</b>	<b>864</b>	<b>1,624</b>	<b>23.65%</b>

## Resignations in 2017

Unit: number of people

	Male	Female	Total	Turnover Rate <sup>12</sup>
Under 30	402	503	905	13.18%
30-50	312	372	684	9.96%
Over 50	7	2	9	0.13%
<b>Total</b>	<b>721</b>	<b>877</b>	<b>1,598</b>	<b>23.27%</b>

## Employee pay and benefits

Equal and excellent pay and benefits are one of the key elements to retain talent. At FET, there is no compensation gap in the starting salaries between male and female employees; the ratio of basic salary between female and male is 1:1.02. Pay for all positions is above the legal minimum wage. Annual bonuses, performance bonuses, sales bonuses, and special incentives are also provided to employees who display high-level performance as we seek to affect a high-performance corporate culture.

	FET	ARCOA
Pay for basic-level employees is above the legal minimum wage <sup>13</sup>	25.9%	16.6%

Ratio of average salary between female and male<sup>14</sup> – FET

Type of employees	Female:Male
Technician	1:1.03
Sales and customer service	1:1.01
Marketing and other support services	1:0.99
<b>Total average</b>	<b>1:1.01</b>

<sup>13</sup> Basic salary has been NT\$21,009 in Taiwan since January 2017.

<sup>14</sup> Ratio of average salary between female and male = average salary for female employee / average salary for male employee; salary includes basic salary and remuneration (such as each allowance, bonus, benefits, overtime working subsidy, etc.). The same applies to Arcoa, except for managers above level 7, the number of whom is too small to be statistically significant. Therefore, they are deleted in the calculation.



## Ratio of average salary between female and male – Arcoa

Type of employees	Female:Male
Store sales	1:1.18
Repair service staff	1:1.15
other support services	1:1.06
Logistics	1:1.13
Total average	1:1.12

In terms of benefits policy, all FET employees enjoy mandated benefits as required by law, such as parental leave and retirement allowance. 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 reached 99% in 2017. To create a healthy work-life balance for a happy workplace, FET has not only implemented a variety of benefits but also established an Employee Welfare Committee, which encourages association activities and provides holiday subsidy for trips nationwide and abroad available. So far, FET has 18 sport-related associations for employees and has increased the annual association subsidy to NT\$100,000. In 2017, a total of 538 association activities were conducted and a total of 7,446 participants were involved.

## FET Employee Benefits

Basic Benefits	<ul style="list-style-type: none"> <li>Employee group insurance: Insurance includes term life insurance, injury insurance, hospital insurance, cancer treatment and etc. We will strive for the better insurance rate and more insurance options for our employee and their families.</li> <li>Paid sick/injury leave: Except for benefits regulated by law, FET employees have paid sick/injury leave up to five days every year.</li> <li>Retirement Allowance</li> <li>Employee Canteen: Our employee canteen has cooperated with nutritionists of Cathay General Hospital to provide healthy meals with well-balanced nutrition.</li> <li>Mobile phone allowance</li> <li>Monthly subsidy for phone bills</li> </ul>
The well-being in mentality and physically	<ul style="list-style-type: none"> <li>Safety and health homepage: FET has set up the Safety and Health homepage that offers a variety of health information and resource as well as the health topics such as contagious diseases prevention, frequent health issues for office workers, healthy diet, sport, hygiene education and health exercises for office workers.</li> <li>Employee health check-ups: FET provides employees with biennial health check-ups, superior to what the law requires, and four cancers screening in conformity to government regulations. For those who receive the results of material abnormality, one-on-one treatment referral and follow-up care will be provided</li> <li>Free visually-impaired massage service</li> <li>Stress-relieving courses: Doctor and psychologist are invited to give lectures that may help FET employee with issues such as self-awareness, stress assessment, workplace interaction and stress relief.</li> <li>Professional mental counseling: six times free-of-charge mental counseling, which includes issues related to workplace stress, family, parenting, marriage, human relationship, sexual relationships, career, physicality and mentality, are offered annually.</li> <li>Fitness allowance and discount: Discount for our employees in fitness studio such as "My Fitness" and "True Fitness", which offers a perfect space, facility and counseling for exercise and workout.</li> <li>Health and safety lectures: aroma therapist, exercise coach, physical therapist are irregularly invited to give lectures, to prevent our employee from injuries by offering advice on correct sitting posture, relaxation and stretch exercise methods.</li> </ul>

## Various leisure activities

- Holiday trip allowance for trips nationwide and abroad.
- Employee association activities: we have 18 employee association activities which related to arts, sports and outdoor activities, and also offer subsidies up to NT\$100,000 to each association for conducting activities as well as free-of-charge places for events.

## Family Care Leave

- Maternity leave and compensation: paid maternity leave is offered according to regulations; NT\$1,200 of each childbirth allowance is offered to both female and male employees.
- Flexible time: we offer three different options for working hours; employees who have different demands on working hours may submit the application of adjustment of working hours for internal discussion.
- Breastfeeding rooms: each FET workplace is equipped with a breastfeeding room certificated by local health units.
- Employee's child-care policy: we cooperate with the nearby kindergartens and children's daycare centers in order to offer employees the best options for children's daycare, after-school class and arts class with flexible time and economical price. We have also formed parent-child associations to promote activities as art and literature appreciation, creative handicrafts and healthcare exercise, etc.

## Comfort and safety for workplace

- Adjustable seat: we offer adjustable seats for office staff, which they can adjust to the appropriate height and position for their own needs and thus prevent muscular soreness.
- Management of office environment: Constant temperature management (such as  $26 \pm 2^{\circ}\text{C}$  in office;  $20 \pm 1^{\circ}\text{C}$  in data center), CO2 detection, regular inspection and maintenance are arranged to ensure workplace environment with sufficient lightening and without noise.
- Each office is equipped with automatic external defibrillator (AED) and the related training course is offered regularly.
- Full-time nurses: in our office, there are four full-time nurses. In addition, special on-site medical service, injury care and health counseling are also provided by a contract doctor.
- Health+ and test equipment: Each office is equipped with our self-invented Health+ APP test equipment for employee to measure their blood pressure anytime for self-monitoring and blood pressure management.

## Parental Leave in 2017

Unit: Number of people

Parental Leave	Male	Female	Total
Number of people eligible for unpaid parental leave (A)	310	496	806
Actual number of applicants for unpaid parental leave (B)	23	172	195
Application rate (B / A)	7.42%	34.68%	24.19%
Number of employees who will return to work in the current year (C)	26	272	298
Number of employees who applied for return (D)	13	118	131
Return rate (D / C)	50.00%	43.38%	43.96%
Number of employees in 2017 who returned to work (E)	13	136	149
Number of employees in 2017 who remained for 1 year after returning to work (F)	9	117	126
Retention rate (F / E)	69.23%	86.03%	84.56%

For retirement benefits, FET offers a retirement scheme for regular employees based on the Labor Standards Act. Retirement allowance is based on length of service and the average salary over the six months prior to retirement. A reserved fund 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. Reserved funds 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. Sufficient amount of retirement preparatory budget will be allocated to ensure that it can afford the retirement allowance of our employees who are qualified to retire.

Retirement Allowance		Unit: Number of people	
	2015	2016	2017
Pension Liabilities	747,717	777,413	743,238
Pension Cost	326,629	287,438	317,707

### 3.2.3 Employee Training and Development

#### FET

FET continued elevating the quality of employee training and nurturing employees' ability for long-term development. Following our introduction of a new training system in 2013, we review its 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, FET plans and organizes training based on all employees' core competency. This allows all employees to plan their own training development programs and ensures employees in the same pay-grade have equal access to training and development, regardless of gender or preference. The FET training system - the five main categories and the distribution of employee training performance in 2017 are shown as below:

FET training system - The five main categories	
Talent/career development	Elite Talent Development Program, Further eTrainee Training Program
Core competency training	Various learning resources for innovative creativity, work management, customer-orientated attitude and operation leadership.
Specialist training	Telecommunications technology training, department operations training, and external professional training
Self-development training	Cultural seminars, assistance for continuing studies, discussion seminars of executives, and project development model
New employee/manager training	Training course for trustworthiness and ethics, information security, labor safety education, basic management and leadership.

#### Employee Training Type in 2017

Training Type	Number of Class Offered in 2017
Internal Training – New employee training	523
Internal Training – Seminar	60
Internal Training – Telecommunications Technology	51
Internal Training – Management (including management and new managers)	58
Internal Training – Individual Professional Skills (including personal performance, project management and legal affairs)	146
Internal Training – Department Professional Skills (including store staff classes)	791
Off-site Training	239
<b>Total</b>	<b>1,868</b>

#### 2017 total employee training cost

	2015	2016	2017
Total employee training costs (NT\$)	39,022,370	32,900,495	32,767,528
Total employee training hours (hours)	391,236.63	335,017.90	399,938.03
Total number of employees	6,593	6,475	6,427
FET turnover (NT\$ in thousands unit)	80,765,722	78,838,895	92,069,681
Total employee training costs/total revenue (%)	0.05%	0.04%	0.39%
Total employee training costs/total number of employees (NT\$)	5918.76	5,081.16	5,098.42
Total employee training hours/total number of employees (hours)	59.34	51.74	62.23

#### 2017 total employee number, hours and gender distribution<sup>15</sup>

	Female		Male	
	Number of people	Average Training Hours	Number of people	Average Training Hours
General employee	2,756	78.70	2,268	64.19
Manage and Deputy Manager	568	31.23	657	27.03
Director and higher	33	17.81	77	18.35
<b>Total</b>	<b>3,357</b>	<b>70.07</b>	<b>3,002</b>	<b>54.88</b>

<sup>15</sup> The number of people does not include employees with indefinite contracts and employees who failed courses

In addition to promoting the development of employee training, FET continues to implement a friendly and convenient learning environment. In 2017, we developed and upgraded three major internal communication platforms: More convenient and rich contents contained in innovative services including the employee Intranet, new digital learning systems, and the EMMA internal communications platform allowed employees to enjoy their work and learning and to effectively enhance work and organizational performance, and enabled customers to enjoy the most amazing experiences with FET.

#### ARCOA

ARCOA 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 2017, with the purpose of enhancing innovation competence, a program of employee training and development was conducted to encourage an innovative mindset and method of assisting as well as upgrading the logistic department and repair & maintenance department. In order to advance the overall performance of franchise channel, it is expected that, in 2018, the "Store Manager Development and Cultivation Program" and job rotation project will be implemented with the aim of cultivating multitasking and excellent managers for franchise stores.

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 2017, a total of 97 internal and external training classes were held. A total of 1,162 people took part in 6,073 hours of training at a cost of NT\$466,580.

#### Employee Training Types in 2017

Training Type	Number of Class Offered in 2017
Internal - New managers	2
Internal - Franchise stores	47
Internal - Logistics	3
Internal - General	19
Internal - New employee training	13
Off-site - Human resources, logistics, finance, general affairs	5
Internal - maintenance department training	8
<b>Total</b>	<b>97</b>

#### Costs of employee training in 2017

	2015	2016	2017
Total employee training costs (NT\$)	282,400	605,012	466,580
Total employee training hours (hours)	6,055	5,651	6,073
Total number of employees	479	476	440
ARCOA turnover (NT\$ in thousands unit)	20,502,460	18,152,652	17,187,239
Total employee training costs/total revenue (%)	0.0014%	0.0033%	0.0027%
Total employee training costs/total number of employees (NT\$)	590	1,271	1,070
Total employee training hours/total number of employees (hours)	12.6	11.9	13.9





Number of trainees, spending hours and gender distribution in 2017 <sup>16</sup>

	Female		Male	
	Number of people	Average Training Hours	Number of people	Average Training Hours
Managers <sup>17</sup>	18	16.7	29	16.3
Non-executives	241	17.5	152	7.1
<b>Total</b>	<b>259</b>	<b>17.4</b>	<b>181</b>	<b>8.6</b>

<sup>16</sup> The number of people does not include employees with indefinite contracts and employees who failed courses

<sup>17</sup> The number of people does not include employees with indefinite contract and employees who failed in courses Including the level of directors or station masters or above who have subordinates.

### 3.2.4 Workplace Safety and Diversity

#### Gender Equality and Sexual Harassment Prevention

FET is focused on the establishment of a safe, friendly workplace and respect for differences and gender equality in the working environment; male and female employees enjoy equal job opportunities and receive remuneration. Employee pay 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 has established “[Human Right Policies](#)” internally. In addition, FET and ARCOA conducted road tours and conferences at all operational bases and stores in Taiwan when the government introduced the Gender Equality in Employment Act. When the Sexual Harassment Prevention Act was implemented, FET also set up a Sexual Harassment Complaints Committee, a complaints process, and a complaints mailbox, in order to create a healthy working environment free from harassment and discrimination. There were no incidents of sexual harassment at FET in 2017.

#### 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 commissioned to work 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. No safety-related accidents were reported by contractors in 2017.

In 2017, FET officially introduced the Occupational Health and Safety Assessment Series (OHSAS) 18001 and has acquired international certification. With the management model of the PDCA system, the corporate has completed the occupational safety and health management. FET has set up the “Labor Health and Safety Committee” (LSH Committee) as well as dedicated labor safety and health units to make improvements to the working environment and ensure work safety. The LSH Committee is made up of 17 members, including the business operator or their agent, LSH personnel, department heads, supervision, controllers, LSH engineering or medical personnel, and labor representatives. The Committee has 8 labor representatives, or 47% of all seats.



The Committee holds a meeting quarterly. 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 it engages 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. In 2017, a total of 1,746 people took part in a total of 65 education training for labor health and safety. In the meantime, an inspection for 260 items of working environment and construction security were also completed; the improvement rate for irregular items reached 100% and thus guaranteed the prevention of occupational disaster and hazard.

**FET Labor Health and Safety Performance in 2017**

		2015	2016	2017
<b>FET Employees</b>				
Injury Rate (IR) <sup>18</sup>	Male	0.032	0.032	0
	Female	0.058	0.059	0
	Total	0.045	0.046	0
Occupational Disease Rate (ODR) <sup>19</sup>	Male	0	0	0
	Female	0	0	0
	Total	0	0	0
Absentee Rate (AR) <sup>20</sup>	Male	0.004	0.006	0.006
	Female	0.007	0.016	0.017
	total	0.006	0.011	0.012
Lost Days Rate (LDR) <sup>21</sup>	Male	0.560	0.163	0
	Female	0.236	0.023	0
	Total	0.389	0.090	0

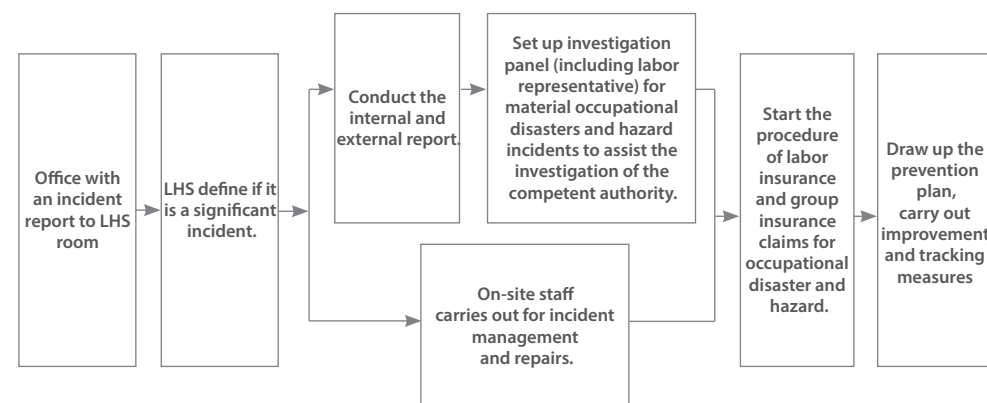
<sup>18</sup> Injury Rate = (injury frequency / total work hours) x 200,000; Note: IR calculations include minor injuries but exclude traffic accidents during journeys to and from work.

<sup>19</sup> Occupational disease rate = (occupational disease frequency/total work hours) x 200,000

<sup>20</sup> Absentee rate = (total days absent/total work days) x 100%; Definition of Absenteeism: Employee is away from duty because they are unable to work (not limited 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.

<sup>21</sup> 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 the workplace. The calculation of lost days is based on the number of workdays.

## FET LHS Report and Management

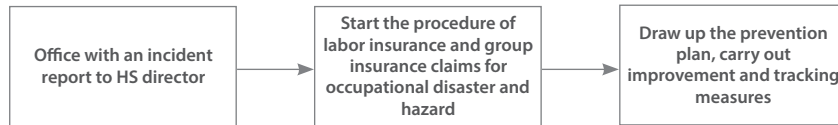


## ARCOA

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

		2015	2016	2017
<b>ARCOA Employees</b>				
Injury Rate (IR)	Male	0	0	0.00
	Female	0	0.35	0.39
	Total	0	0.22	0.23
Occupational Disease Rate (ODR)	Male	0	0	0
	Female	0	0	0
	Total	0	0	0
Absentee Rate (AR)	Male	0.01	0.01	0.01
	Female	0.02	0.01	0.01
	Total	0.02	0.01	0.01
Lost Days Rate (LDR)	Male	0	0	0.00
	Female	0	58.30	13.14
	Total	0	35.52	7.73

## ARCOA LHS Incident Report and Management



### Employee Care and Communication

In order to promote labor relations and create an equal and transparent corporate communications culture, FET stresses communication with its employees and provides a variety of communication channels to protect the rights of employees. The main communication channels and the communication performance are listed below:

FET	
Channels of Communication	2017 Communication 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. Lantern Legend Meeting was convened four times in 2017. All employees of FET are guaranteed by collective bargaining.
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. Held FET employees' conference at Nangang Exhibition Hall on February 17, 2017.
Employee Welfare Committee	Generally convened once every two months with extraordinary meetings if necessary. All benefits are regularly announced on the intranet website where they can be viewed by all employees. A mailbox is available for two-way communication. A total of eight meetings were held in 2017.
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. 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 enterprise. Held three two-way communication meetings in 2017. Topics discussed included: <ul style="list-style-type: none"> <li>■ Block Chain: Director Yang from the Institute for Information Industry was invited to give a lecture on prospective financial technology.</li> <li>■ Innovative Flipped Education: Professor Ping-Cheng (Benson) Yeh of National Taiwan University addressed innovation and talent cultivation.</li> <li>■ Big Data and Commerce Application: Deputy Director I-Cheng Liu from Taiwan Lottery was invited to give a lecture on Big Data and business model.</li> </ul>

### Employee Opinion Survey

We continued to conduct the "Connect for Best" employee survey. Apart from listening to the voice of employees, it also examined employee motivation, as well as drew comparisons against top employers within Taiwan and across the Asia-Pacific telecoms industry. This allowed the management team to understand the mood of employees in more depth. According to a recent survey, nearly 60% (59%)\* of the employees highly identify with the company, which shows high employee engagement; this is a 4% increase over the previous (2014) survey and generally on par with the telecommunications industry standard in the Asia-Pacific region. The next survey will be implemented in 2019.

\* This survey is a six-point scale, with 59% including "moderately engaged" and "highly engaged". FET adopts the survey with a stricter standard, so the proportion of "slightly-respected engagement" is not covered in the presentation.

### FET Intranet

FET not only irregularly publishes latest news, FET e-Newsletter and employee concessions on the Intranet to help employees understand the company activities it has also set up two employee feedback special areas, "Employee Suggestions" and "Employee Grievances Mailbox". Contents of employee response are kept strictly confidential, and they are handled by dedicated units to provide communication platforms for employees to express their opinions.

■ In 2017, 33 "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 2017, six cases in "Employee Grievances Mailbox" were received, and all were investigated and handled by the ad hoc group which fully communicated with the employees according to corporate regulation and procedure. As of December 31, 2017, there were no violations of labor and human rights related regulations.

### ARCOA

#### Channels of Communication

#### 2017 Communication Agenda

Annual Employee Conference	Annual meeting of all employees chaired by the President to boost communication and understanding through sharing business developments and new directions. Convened four times in 2017 to understand demands and problems of employees and propose follow-up supporting measures of improvement.
Employees' Welfare Committee	Meets quarterly to improve employee benefits and organizational harmony. Four meetings of Employee Welfare Committee were held in 2017 and provided employees with higher quality, diversified employee travel options through travel platforms with abundant contents from travel agencies.
ARCOA E-Newsletter	Published quarterly to promote organizational learning and sharing. Published four times in 2017, focused on company activities, news of the parent company and subsidiaries, sharing of training courses, opinion sharing, and activity columns.
Employee Grievance Mailbox	Employees may submit complaints through this channel if not satisfied with the responsible unit or supervisor's handling of their complaint. In 2017, two cases in "Employee Grievances Mailbox" were received, and were all fully investigated and handled by the Department of General Affair. There were no violations of labor and human rights related regulations.



### 3.3 Customer Management

Since 1997, FET has consistently upheld the spirit of "Closing the distance" over 20 years as we have moved forward together with our customers. We believe that paying attention to every customer's needs is essential for us in order to provide the best possible services that touch their hearts and make them satisfied. FET provides services that make customers go "Wow!", gradually closing the distance and creating our caring customer service philosophy.

#### FET's Service Quality Achievements in 2017

Won as the first telecom company in Taiwan with 7 CRE (Customer Relationship Excellence) Awards for the Outstanding Achievement in "Customer Relationships Excellence", "Best Customer Experience Management", "Best Customer Experience Center" in 2017.	First Telecom company in Taiwan
FET received SGS "BS 8477 Customer Service Management Certification" in 3rd consecutive year.	
FET received "ISO10002 Customer Complaints Channels Certification" in 5th consecutive year.	
Received the "ISO29990 Learning Service Certification" for the 4th consecutive year.	First Telecom company in Taiwan
FET was awarded Next Magazine's 2015 Top Service Awards for the 5th consecutive year.	
Awarded the gold medal in "Chain Telecommunications Channel" for six years in a row in the Service Survey organized by the Commercial Times.	
FET received "SGS Qualicert Service Certification" 11th consecutive times.	
With Self-Care APP, FET was awarded the "Best Customer Service" by Telecom Asia Award.	

#### 3.3.1 Zero Distance Services

FET has established a comprehensive system for service management and highly-functional customer service mechanism. Our service management system consists of four dimensions such as service value setting, service skill cultivation, service assistant mechanism and service management & assessment. These 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, effectively enhancing brand communication and continuing to create services that meet customers' needs.

#### 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 ranking plans are designed for consumers with different lifestyles as we look to promote the popularity of 4G services. In consideration of the needs of low-income and special groups, FET not only offers low-cost prepaid cards to lower the threshold for telecommunications service but also provide special rate plans for minority groups to ensure that everyone have the right to basic communications.



[FET Contract/ Rate Plan Search](#)

Special Consumer Group	Program name	Program Content
Student	1-Dollar Prepaid Network Plan	
	Student 4G Ideal Plan	
	Student Prepaid Card Premium	
Foreign Visitors (Taoyuan Airport Exclusive)	Internet Access Card for Foreign Visitors	
Seniors over the age of 60	Evergreen Plan	Please inquire FET stores
Handicapped Persons	Genial Plan	
Foreign Workers	Foreign Worker IF Card	Please inquire FET stores

#### 360° Service

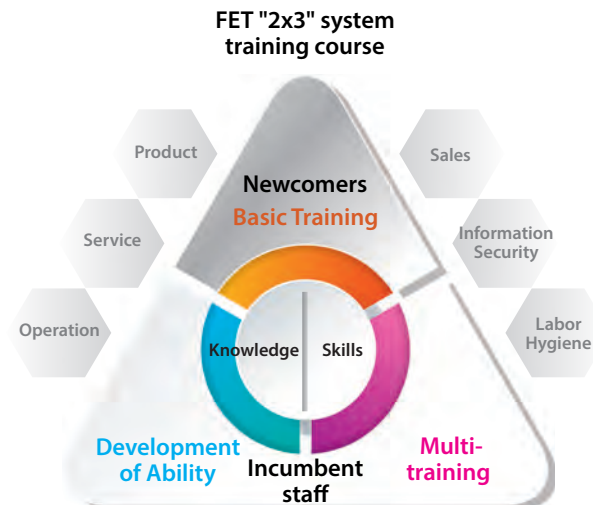
Based on the idea that the telecom industry is included in the service sector, we believe that enhancing the customer's experience is the only path to be outstanding among telecom industry and thus create unique brand value. FET launched the "360 ° Store Service "concept in 2012 by blending caring into services' DNA and regularly releasing thoughtful services. These provide service content tailored to different e-consumers' time, locations and product requirements, thus putting FET's "closing the distance" warm service spirit into practice.



	Caring Service	Service Content
Caring Service Service Content	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 Kiosk	Self-service kiosks are being installed at stores throughout Taiwan.
	Free 4G road test	7-day free trial of 4G SIM card/ mobile phone.
Complete and Caring After-sales Service	Consumer Training Course	Consumers of different ages are provided with free mobile phone, tablet and cloud application courses in northern, central and southern Taiwan after product purchase.
	Home Delivery Service for Platinum Members	FET Platinum VIP members can call customer service for courier pick-up of products requiring RMA.
	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 service for their phones/tablets and use backup phones provided by FET.
	Mobile Phone Trade-in	FET assesses the trade-in value of customers' unused or obsolete phones against the value of their purchase. This is also better for environmental protection.

### Training for Store Staff

Customers first impression for a brand depends on frontline staff. Whether handling general demands or emergent cases, both challenge the flexibility and adaptability of store staff. Whether or not a store staff can maintain professional and effective service under diversified conditions is crucial trial to FET's service-oriented brand image.



For providing a consistent and professional standard of service, FET has established a 2x3 system training course on six pillars, which is based on two aspects - knowledge and skills. "Basic development" is first phase of training for new employees while "skill cultivation" and "diverse training" are the other two phases for reinforcing the capability of existing employees. In 2017, new store staff and existing store staff respectively received on average 96 hours of training and 66 hours of training. To enhance the click-and-mortar strategy in physical channels, FET conducted a total of nine hours lectures on business operation in three sessions in 2017. Experts were invited to give lectures speech on topics of new service strategy in the era of Internet of Thing (IoT) and Omni-channel.

### 3.3.2 Most Considerate Communication

FET is devoted to realizing the corporate vision of "FET Connects and Enriches Life" into customer communication. We ask our store staff to not only fulfil the responsibility of before and after sales communication with customers but also keep up with the global digitization trend for developing online and offline click-and-mortar services. With Self-Care App and internet customer service, we offer the most instant and comprehensive communication service experience anytime and anywhere to our customers.

#### FET Self-Care APP

With the easy and fun features, we offer various services such as "Exclusive Campaigns", "Online Shopping and Customer Service Consulting" and "Personal Telecom Service" for users to check their instant usage load and current bill; the roaming service is also available with easy installment setting according to the users' demand before leaving the country. By the end of 2017, there had been more than 5.5 million downloads.



#### CEM User Online Service

FET customer's online service has always devoted itself to its users and is dedicated to developing a Customer Experience Management (CEM) system. "Five Services" and "My Personal Customer Care" are offered to allow users to truly enjoy "One-Step Self-Help Service" and the most convenient, comprehensive telecommunication service anytime.

#### 5 Tech Support/Tutorials

#### 1 Bills/Payment/Stored Value

#### 4 Mobile Number Service/Roaming

#### 2 Personal Service Inquiry

#### 3 Contract/Rate Plan

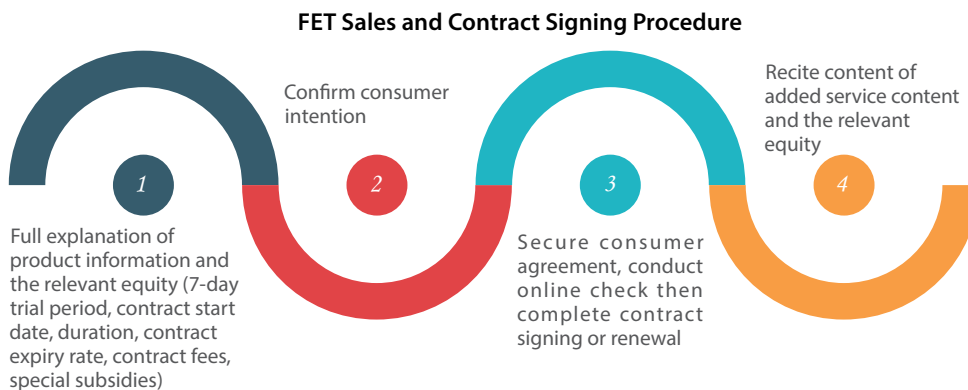
## Product and Service Sales SOP

FET conforms to all NCC and Fair Trade Commission (FTC) regulations regarding the marketing and promotion of products and services. Standard operating procedures ensure that all products and services are sold legally. 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. All the mobile communication devices that we sell are in compliance with the NCC's regulations on warning labels as well as Specific Absorption Rate (SAR) criteria and actual measurement, thereby offering proper disclosure on EMR to consumers.

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 no product labeling and marketing communication related violations at FET in 2017.

## Rate Plan Transparency and Service Procedure

Rate plan transparency and communication can be effective in reducing consumer complaints due to insufficient awareness and misunderstanding of products or services 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". They are 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.



In order to ensure that users fully understand all the rights and obligations under the rate plan, the store personnel will 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. Customers with expiring contracts are notified via SMS and phone calls, and promotional offerings are included in their phone bills. 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 or Self-Care APP so as to increase the convenience for customers.

## Customized Communication

As one of the leading companies in Taiwan's telecommunications market, FET understands the diversity of consumer groups. 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 increase influence and create continuous interactive opportunities with others. Since 2016, to help the elderly become more acquainted with smart products, our channel training department has 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. In 2017, 54 such sessions with neighborhood communities were held, drawing a total of 1,189 participants.



### 3.3.3 Customer Privacy Protection

Providing users with a secure and trusted communications environment is the basic principle of telecommunications service. It is also the key to maintaining customer relations and improving consumer confidence. With FET's vision on information security — "respect for customer information, treasure customer entrustment, maintain sustainable services, and win the trust of customers", we show our attention and commitment to customer privacy protection. FET not only introduces international standard verification to key operation procedures, but also includes information security in corporate risk management (see 3.1.4 "Business 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. In 2017, we received 15 complaints from NCC on personal data leaking, but after rigorous investigation, none of them was proved to be founded. With the great efforts of all personnel, there were no customer privacy violations in 2017.



### 2017 FET Information Security Management Verification

ISO 27001 Information Security Certification	FET has obtained the certification of information security for 13 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. Apart from keeping the certification operating, the maturity analysis of overall information security also reinforced certification effectiveness and the significance of both quality and quantity for certification.
ISO 20000 IT Service Management Certification	FET has obtained the certification on service management for nine consecutive years.
BS10012 Personal Information Security System Certification	FET has obtained the certification of information security for five consecutive years. 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.
CSA Cloud STAR 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 four consecutive years.

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 2017 were duly replied to. Approximately 2.2% of the SIM cards issued by FET were subject to government inquiry.

### FET Information Security Monitoring System

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.

### Four Measures on Information Security Management

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 conducted over 100 training sessions with more than 15,000 participants, accumulating a total of over 18,000 training hours in 2017. Education and training on corporate security issues is an on-going commitment by FET, therefore, 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 99.95% in the information security test.
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Personnel Security	All human resources files are fully and properly managed by FET. Personnel's security responsibilities are stated at recruitment and in the employment contract. All FET employees, suppliers, contractors, contract workers and consultants are required to sign a "Non-Disclosure Agreement" or document with the same legal force.
Physical and Environmental Security	A system of zones with different levels of security has been established based on the equipment, activities, information confidentiality and importance of areas controlled exclusively by FET. A personnel identification system prevents unauthorized access and tampering. Sufficient protective systems, services and procedures are in place to protect physical assets and environmental security.
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 will be fully informed of the purpose and scope of personal information being collected, and the further processing and usage then follow a formal access control and certification process. Due to the introduction of the Personal Information Protection Act, FET is now minimizing the number of physical contracts with sales channels and stepping up controls on contract flow.

### 3.3.4 Service Feedback and Improvement

To ensure that we respond to every customer's opinions and feedback, we have set up a comprehensive complaints and management mechanism. We thus, from both internal and external customer satisfaction surveys as well as the customer complaint system, obtain regular 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 track service quality, FET has included customer satisfaction in one of the key performance indicators in the awarding of bonuses for employees.

### FET customer satisfaction survey

Internal Survey	A thorough evaluation of customer satisfaction with FET's products and services.
Outsourcing survey	Facilitate comparisons with other telecoms companies in order to drive continuous improvement.

### FET customer satisfaction: Internal survey

#### ■ 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 proactively follows up with customers who provided negative feedback and rewards personnel for excellent performance, aiming for continuous improvement in customer service.

	Number of Survey Call-outs	Number of Valid Call-outs	Customer Satisfaction Survey
2015	9,853,000	654,470	4.55
2016	9,673,000	660,200	4.62
2017	9,245,000	572,826	4.68

#### ■ 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 conducted the "Satisfaction of Completion of Call-outs" survey to obtain feedback within a week of the customer's visit. Such indicators will be reviewed weekly, and any areas of dissatisfaction will be monitored to enhance satisfaction levels.

	24-Hours Engineer Repairability Rate	Over-5-days Repairability Rate	Satisfaction of Completion with Call-outs (maximum: 5 points)
2017 Targets	≥80%	≤ 10%	≥ 4.3
2017 Performance	71%	7.7%	4.35
2018 Targets	77%	5%	4.65



#### ■ Satisfaction Survey on Telephone Service Center

Items of FET telephone customer satisfaction survey include handling capabilities of personnel, service attitude, whether the problem is resolved, waiting time, and overall satisfaction. For customers who leave messages or a negative rating during the satisfaction survey, FET proactively calls back to ask them the reason for the negative feedback. Improvements or explanations are given to repair FET's relationship with the customer.

	The number of call-out of internal telephone customer service satisfaction (calls)	Valid questionnaires of telephone customer service satisfaction survey (calls)	Overall satisfaction of telephone customer service satisfaction survey (%) <sup>22</sup>	Total number of positive messages on service satisfaction
2015	(calls)	504,448	88.9%	5,915
2016	3,474,952	692,687	91.2%	7,872
2017	4,099,243	976,310	92.6%	16,497

Apart from regular satisfaction survey, FET also evaluates service quality of telephone customer service through four service indicators. This provides telephone customer service managers with a basis for evaluating personnel performance in order to continue improving service quality, optimizing processes and adjusting service delivery.

	Service Level (Proportion of calls picked up within 20 seconds) > 80%	Abandonment Rate (Proportion of calls hung up before pick-up by customer service) <5%	Average Speed of Answer < 20 seconds	First Contact Resolution ≥ 82% <sup>23</sup>
2015	81.30%	5.00%	11s	97.1%
2016 <sup>24</sup>	74.65%	7.28%	15s	93.7%
2017 <sup>25</sup>	77.77%	5.80%	13s	83.3%

<sup>22</sup> Refers to the proportion of customers whose answers were "satisfaction" or above

<sup>23</sup> In 2017, the service indicator of "One-Call" (Proportion of calls with no repeat calls within 30 days) is replaced by "First Contact Resolution"; such a survey is conducted in the Customer Satisfaction Survey.

<sup>24</sup> In 2016, both iPhone 7 waiting times and the damage impacts of typhoon on base stations caused some service indicators to fall short of the target.

<sup>25</sup> In 2017, CHT 499 Flash sales, the retreat news of unlimited 4G service and the incident of Baoliao Commune all impacted on the service indicators for the first half year.

<sup>26</sup> Random interview on 3,200 mobile phone users, which account for 80% overall FET users, aged between 15 and 64 who have used FET service more than three months.

## 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, 67% of the participants were satisfied; the 2017 results showed that customer loyalty with FET scored a Grade A, which has achieved the target by last year. Results of Other Detailed Satisfaction Survey as Below (maximum: five points)

#### Customer Loyalty Grade

2015	2016	2017
B	B	A

#### Other Detailed Satisfaction Grade<sup>26</sup>

	2015		2016		2017	
	Mean	%	Mean	%	Mean	%
Communication and Internet Quality	2.95	60%	3.02	64%	3.11	64%
Store Service	3.59	84%	3.72	87%	3.79	87%
Telephone Service	3.70	85%	3.74	87%	3.88	86%
Overall Satisfaction	2.98	61%	3.00	61%	3.14	67%

### 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. To ensure that every customer's voice and feedback can be filed via functioning channels, FET offers six main channels for customer complaints and utilizes the individual management method, assuring every complaint will be solved properly. Material customer complaints are forwarded to the customer relations management team by the customer service unit manager within two hours. With the cross-department ad hoc group for customer complaints improvement, FET remain committed to conducting the regular reviews and tracking, reducing the number of complaints as well as elevating customer satisfaction levels with complaint resolutions in accordance with our vision of Service without Distance.

Grievance Channels	Complaint Management	Responsible Unit	Complaints		
Government Document	FET has a complete internal customer complaints management system for handling official complaints from local governments and consumer protection groups.	Customer Relations Management Team	2015	2016	2017
			2,325	2,051	1,852
Coordination Meetings			2015	2016	2017
			181	129	107
Customer Service Inbound	Complaints are delivered in the form of calls. These are handled by dedicated staff at the call center.	Customer complaints-handling team	2015	2016	2017
			23,207	26,093	21,577
FETnet Website	Click on "Complaint" to receive immediate feedback.	Mobile Customer Service Team	2015	2016	2017
Self-Care APP			3,815	4,212	2,857
Online Chat	FET provides online chat service to help customers with the service content provided by general telephone customer service. This improves accessibility and provides convenience for different customer groups.		2015	2016	2017
			125,018	235,283	336,605





### 3.4 Supplier Management

In order to support the company's sustainable growth, and expands its overall influence on the economy, society and environment, FET committed to continually strengthening its management capabilities for environmental and social impacts arising from all aspects of the supply chain. We promise to cooperate with suppliers to establish sustainable supply chain in order to provide telecommunications services which are environmental and socially responsible to our customers. Therefore, implement the concept of sustainable development simultaneously inside and outside the company.

Procurement Practices Achievements in 2017	
Lifetime CPM (Certified Purchasing Manager) certificates issued by ISM (Institute for Supply Management)	1 certificate
CPM (Certified Purchasing Manager) certificates issued by ISM (Institute for Supply Management)	1 certificate
CPP (Certified Purchasing Professional) certificates issued by Supply Management Institute	8 certificates
PMP (Project Management Professional) certificates issued by the PMI (International Project Management Institute)	1 certificate
Suppliers who passed ISO14001 certification are used	1 certificate

#### 3.4.1 Supply Chain Overview

FET purchasing costs totaled NT\$35.29 billion in 2017, which accounted for around 33.79% of FET's total expenditure, and involved 1,097 suppliers. The total cost of purchases at our top-100 suppliers accounted for 92.1 % of the total value of purchases made annually. Among them, in order to deepen and focus on supplier management, FET has redefined the critical supplier criteria in 2017, and adjusted the procurement category from ten categories to five categories, screening them by quantitative and qualitative criteria in order to more accurately manage supply chain hot spots. In 2017, a total of 63 first-tier critical suppliers were identified, and 13 second-tier critical suppliers were selected through a questionnaire survey. In 2019, the company plans to assist the promotion of corporate social responsibility.

Critical Supplier Screening Criteria		
First-tier critical suppliers	Quantitative screening criteria	<ul style="list-style-type: none"> <li>■ For ICT, Construction, General Administration, and Media/Non-Media suppliers: The total trading amount has exceeded NT\$50 billion for two years in a row.</li> <li>■ For handset suppliers: The total amount has exceeded NT\$100 billion over the past two years.</li> </ul>
	Qualitative screening criteria	<ul style="list-style-type: none"> <li>■ Screening with qualitative factors such as irreplaceability, high replacement cost, qualified qualification, exclusive and device binding</li> </ul>

Second-tier critical suppliers	<ul style="list-style-type: none"> <li>■ Questionnaire</li> <li>■ Qualitative screening criteria</li> </ul>	<ul style="list-style-type: none"> <li>■ Questionnaire surveys are submitted to critical first-tier suppliers to determine whether they are exclusive and qualified, or if there is important equipment binding, or over high replacement brand cost, by tracking products directly provided by upstream suppliers, based on the products/services that first-tier suppliers provide FET.</li> </ul>
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#### Procurement Spending Analysis

In order to completely understand the various types of procurement patterns to facilitate the faster provision of information services, reinforcement of analysis performance, and improvement of operation accuracy, the FET Telecommunication Procurement Division adopted BI analysis software in its purchase expenditure analysis in 2017 and displayed the purchasing cost of each supplier according to the purchase category. In order to effectively decentralize procurement risks, the total number of suppliers where purchases can be made, according to the procurement category, reached 1,330 in this year, of which 826 were ICT manufacturers, accounting for 62% of total suppliers. FET's Network & Technology Department, Information Technology Department and Enterprise & Carrier BU collaboratively provide services to Taiwan industrial customers, which is an important direction for the development of FET's telecommunication business.

Supplier procurement category	Procurement expenditure percentage	Distribution of the number of suppliers
Handsets	66.8%	1.9%
ICT	23.1%	62.1%
Construction	6.5%	11.9%
Media/Non-Media	2.3%	15.4%
General Administration	1.3%	8.7%
<b>Total of the year</b>	<b>100%</b>	<b>100%</b>

#### Local and Green Procurement

In 2017, the purchasing amount of Handsets and ICT accounted for nearly 90% of the total purchasing amount. While providing excellent international mobile phone brands and equipment to consumers, FET also encourages foreign companies to set up offices in Taiwan to promote Taiwan's economic development. FET is also committed to supporting local industries. After orders related to foreign brand products are excluded, purchases from local Taiwanese companies<sup>27</sup> in 2017 accounted for 99.45% of our total procurement spending.

To foster a green supply chain in support of our "environmentally and socially friendly program", FET requires 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 purchasing orders, and a tracking mechanism has been set up for each order to be monitored. FET's total green procurement amount was NT\$500,703,351 from the fourth quarter of 2016 as of the fourth quarter of 2017<sup>28</sup>.

<sup>27</sup> Refers to companies registered in the territory of the Republic of China (including Taiwan branch offices)

<sup>28</sup> The original time interval of the statistics on green procurement by the local government was from September 1 2016 to August 31, 2017. In 2017, the statistical interval for the green procurement was adjusted to from January 1, 2017 to December 31, 2017 in response to the government's policy, which is a continuation of the statistical interval of the green procurement of 2016. The statistical interval of the green procurement of the current year is from September 1, 2016 to December 31, 2017, a total of 16 months.

Amount of Green Procurement (\$NTD)	
2015	\$ 875,493,488
2016	\$ 476,644,456
2017	\$ 500,703,351

### 3.4.2 Supply Chain Management Framework

As the company regards supplier management as one part of corporate sustainability risk management, FET hereby lays down "FET Supply Chain Management Policy" as the foundation for supply chain management. Moreover, FET also drew up the "Supplier Corporate Social Responsibility Guidelines" which include the environmental, social and governance (ESG) requirements for members of our supply chain, and requires suppliers to sign the "Corporate Social Responsibility Self-Declaration" and "Agreement of Trustworthy Management" to allow their management measures and possible risk with regard to four aspects to be understood: environment, human rights, labor rights and ethics, ensuring the operations of our suppliers comply with FET's requirements toward social, environment and business ethic guidelines. For the promotion goals and annual performance of the FET's sustainable supply chain management measures, please refer to "Go Prosperous - Value Sharing."

#### Supplier Management Guidelines and Procedures



On the other hand, considering that major issues faced by local suppliers mainly involve environmental, health and safety aspects, all FET contracts explicitly require suppliers to conform to local environmental and health and safety legislations. Suppliers must sign the "Contractor Declaration on Occupational Safety, Health and Environmental Protection" and the "Contractor Statement on Environmental Hazards in the Workplace," as well as read through the "Contractor Occupational Safety and Health Management Guidelines." Under the "Regulations for Occupational Safety and Health Organization Management and Inspection," contractors are expected to carry out related management and disaster-prevention tasks in order to avoid damaging the health and safety of employees through improper practices.

In addition to regularly conducting supplier evaluations to ensure that suppliers comply with the above specifications, to maintain accuracy and effectiveness of supplier information, FET suspends the accounts of vendors without transactions for more than three years. When transactions resume, a credit report, proof of no bounced checks, and the Self-Declaration must be resent to ensure that the supplier credit and CSR information is up to date.

### Supplier self-declaration

FET requested all existing suppliers to sign related Agreements and Self-Declarations according to schedule arranged by FET. In the meanwhile, FET encouraged existing suppliers to sign the Corporate Social Responsibility Declaration continuously and the status of Supplier CSR Self-Declaration is shown as follows.

Manufacturer category	Total number of suppliers	Response rate	Annual total purchase amount %
Valid suppliers	2,049	54%	-
Current suppliers	1,097	60%	100%
Top 100 suppliers	100	89%	92.10%
Annual major suppliers <sup>29</sup>	156	88.4%	93.40%

In order to increase diversity in the supply chain and expand the influence of FET at the ESG level, we encourage new suppliers to transact with us. In 2017, a total of 329 new suppliers completed the signing of Supplier CSR Self-Declaration with a signing rate of 100%. Up to 73% of them, a total of 240 new suppliers completed the first transaction with FET.

### Supplier evaluation and audit

FET

FET periodically conducts supplier evaluation and ESG on-site audits annually based on the contents of the self-declaration statement. The results of FET's annual supplier evaluation are announced on the procurement system's external website and at the annual Supplier Conference. Moreover, outstanding suppliers are recognized and invited to share their experiences at regular procurement meetings. Major suppliers with scores which are 5% lower than the previous year and also lower than 70 points (out of 100) will be regarded as priority targets for counseling. They have to implement improvement plans and to be reassessed. In 2017, a total of 138 suppliers were included in the review, accounting for 95% of the annual purchase amount. The detailed evaluation results are listed as follows:

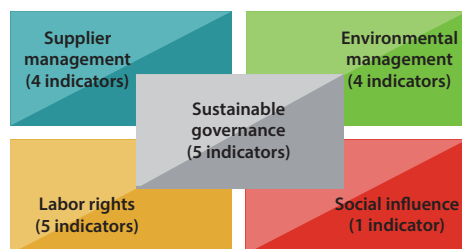
#### Supplier Evaluation Results in 2017 (FET)

Evaluation Scores	Number of Suppliers	Measurement Implemented
Excellent suppliers (90-100 points)	3	-
Qualified suppliers (70-89 points)	132	-
Suppliers to improve(60-69 points)	2	Communication aiming at improvement has been made and meetings have been held to propose improvement plans. It is expected that the second review will be conducted in the second quarter of 2018.
Unqualified suppliers (59 points or less)	1	During implementation of the project, one may be suspended as a punishment in the event that the quality, schedule, and service fail to meet the standards
Total	138	-

<sup>29</sup> Annual procurement amount reached 20 million or 20 orders annually, totaling 156; deducting 10 foreign companies and subsidiaries, totaling 146 in 2017

As to the ESG on-site audit in 2017, FET focused on suppliers with top 30% transaction amount based on the 10 categories, and included ESG factors into the evaluation. ESG evaluation accounts for 25% of total evaluations. Procurement surveyors are also invited to perform ESG evaluation by conducting on-site inspections or reviewing CSR reports. In 2017, a total of 22 suppliers participated in on-site assessment; these suppliers accounted for more than 79% of FET's total purchasing amount. The assessments indicated that four suppliers scored higher than 90 points (out of 100), fourteen suppliers between 80-89 points, and four suppliers between 70-79 points. Suppliers under 80 points are required to conduct the following main improvement projects, including public welfare participation, environmental protection goals and policies, environmental pollution prevention and occupational safety and health management of the contract, all of which have been required to improve within a specific time period, and the improvement results are expected to track in 2018. On-site visits were conducted on 15 construction suppliers in 2016. All suppliers responded in writing for the implementation status of specific improvement measures in 2017. The improvement items included the promulgation of corporate social responsibility policies and commitments, the announcement of the environment policy and goals, replacement with energy-saving software, procurement of equipment with energy-saving labels, acquisition of certification for occupational safety and health supervisor courses, participation in FET's charitable fund-raising activities, and private social events.

#### Supplier Sustainability Management & Evaluation Framework



In order to further improve the supplier auditing mechanism, FET introduced third-party ESG audits for 10 first-tier critical suppliers and conducted a survey based on the "Supplier Sustainability Management Evaluation Framework". The result of this year found that some of the audited companies need to improve their management on "Energy Utilization" and "Waste Management" and promote their "Supplier's communication and performance management" capabilities. Third-party auditors also propose substantial improvement proposals in light of the current situation. FET will regularly track and observe suppliers' improvement situation. All third-party audits of critical suppliers are expected to be completed in 2020 and positive improvement and counseling will be determined according to the results, and supply chain ESG management will be carried out.

#### ARCOA

On a yearly basis ARCOA evaluates suppliers on quality, cost, delivery, and service. In order to meet the annual operational schedule, a total of 55 suppliers were assessed by ARCOA's "Online Supplier Assessment System", accounting for 96.73% of ARCOA's total procurement expenditure, with the questionnaire return rate 100%.

Based on evaluation results, ARCOA will increase the procurement volume with those suppliers rated as excellent and remove those scored as disqualified from the collaboration list. The average score in the 2017 assessment was 85.3 points, of which 14% were classified as excellent, 82% as qualified, 4% as improvable, and none were disqualified. The detailed evaluation scores are shown as follows.

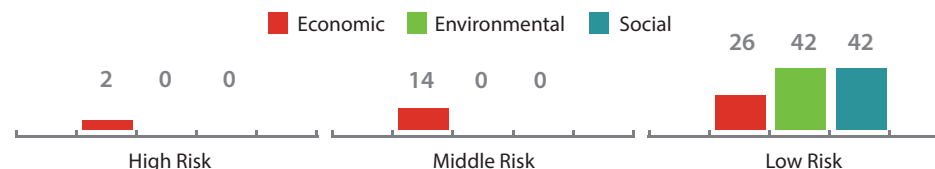
#### Annual Supplier Evaluation Results in 2017

Evaluation Scores	Number of Supplier	Measurement Implemented
Excellent suppliers ( 90-100 points )	8	-
Qualified suppliers (70-89 points)	45	-
Improvable suppliers (60-69 points)	2	Communication aiming at improvement has been made and meetings have been held to propose improvement plans. It is expected that the second review will be conducted in the first quarter of 2018.
Disqualified suppliers	0	-
Total	55	-

#### Supplier Sustainability Risk Assessment

FET launched sustainable risk assessment operation of its supply chain for the first time in 2017 for the purpose of identifying economic, environmental and social-oriented risk projects. Threats, Impact, and Vulnerabilities of sustainable risk were measured separately to further define the supplier's risk rating. The evaluation covered 42 suppliers and identified two high-risk suppliers. The supplier management mechanism may affect FET's services; FET established targeted improvement plans for high-risk suppliers and continued to track improvement results. Further, follow-up will also be arranged for high-risk suppliers to conduct on-site inspection to confirm improvement. The risk assessment operations will continue in 2018 and expand the scope of assessment to jointly improve the sustainability of the telecommunications industry chain.

#### The Result of Sustainability Risk Assessment on Suppliers (Number of Suppliers)





### 3.4.3 Effective Communication with Suppliers

#### Annual Supplier Conference

FET adheres to the goal of cooperation for a better future and organized the 2017-2018 Annual Supplier Conference on Corporate Social Responsibility. Over 135 suppliers participated in the conference. In addition to sharing the company's result of implementing corporate social responsibility and the improvement measures conducted over the past years with suppliers, the meeting enabled suppliers to work together to expand consensus on promoting corporate social responsibility, conveyed the FET goals of the next three years and completed the ESG evaluation of the supply chain. FET Telecommunications Co., Ltd. is expected to hold the 2018-2019 supplier conference in the fourth quarter of 2018 to further communicate implementation results and 2019 implementation direction.

#### Online learning for suppliers

In order to provide the most convenient communication channel for FET supplier partners and to improve supplier working efficiency, FET launched its Supply Chain e-Learning Platform in 2016, combining the core capabilities of the FET mobile communications and designing "Safe use of mobile devices" teaching materials. Two level learning courses were completed in 2017, a total of 121 suppliers were involved with 58% training rate. FET also invited 109 business personnel of suppliers to conduct business ethics training and testing through the Supply Chain e-Learning Platform, which accounted for 89.9% of the total purchase amount. The test results were all passes with 100% completion rate.

#### Procurement satisfaction survey

##### FET

FET launched a survey on suppliers' satisfaction on procurement operations for the first time in 2015 in order to communicate effectively with suppliers. The Satisfaction Survey for 2017 covered procurement policies, processes, fairness of selected businesses, integrity of contracted projects, professionalism of procurement, system convenience, payment efficiency, and overall transaction experience etc. A total of 121 questionnaires were sent out and 56 valid questionnaires were returned. The return rate was 46%. More than 90% of respondents reported being "satisfied" and "very satisfied." The necessary improvement direction: the convenience of the system, the efficiency of payment, etc., which have all been mentioned at the meeting of the Procurement Department, and the improvement measures were discussed.

##### ARCOA

As to the procurement satisfaction survey, ARCOA has adopted suggestions from employees since 2016. Monthly and individual evaluations have been replaced by 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. After major screening in 2017, a total of 65 procurement documents and opinions were collected from 36 suppliers and no significant findings were discovered.



# 04

## Environmental and Social Protection

To establish the competitiveness and influence of the FET brand in the future, we actively identify and participate in the current social and environmental changes, continuously review and mitigate the potential negative impacts of our operations, and commit ourselves to contributing to social development and environmental inclusiveness. We integrate sustainability issues into our core business as a telecommunications service provider. We also implement public welfare projects and environmental protection actions through related products and infrastructure, thus fulfill FET's commitment to promote social inclusion and environmental friendliness while creating a society of information equality.

4.1 Reducing Environmental Impact	76
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4.2 Creating Social Value	84
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## 4.1 Reducing Environmental Impact

According to a study funded by the US National Mining Association, mobile communication networks consume 1.5 trillion kWh of electricity worldwide each year, representing approximately 10% of the world's power generation. FET understands the important role played by telecommunication service providers in making communication networks more energy efficient and making the public more aware about environmental protection and carbon footprint.

### 4.1.1 Environmental Footprint Overview

Telecommunication services impact the environment mainly because of energy consumption and associated greenhouse gas emissions. For effective supervision of its environmental footprint, FET not only performs regular tracking of energy and resource consumption, but also adopts ISO 14064-1 Greenhouse Gas Inventory as a systematic way of managing negative environmental impacts that arise in relation to the use of energy. To ensure more comprehensive control of greenhouse gas emissions throughout the value chain, FET has identified its emission hot spots, devised management plans and adopted Scope 3 survey to include internal logistics as part of the 2017 results.

GHG emissions - FET + ARCOA <sup>30</sup>				
		2015	2016	2017
Direct GHG emissions (Scope 1)	GHG Emissions in CO2e (Tons/Year)	3,652.48	9,428.30	5,830.39
Indirect GHG emissions (Scope 2) <sup>31</sup>		269,058.07	296,421.46	294,360.06
Scope 1 + Scope 2 GHG emission	GHG Emissions in CO2e (Tons/Year)	272,710.55	305,849.76	300,190.45
	Emission intensity (kg/number of active customers)	36.88	41.63	41.94
External GHG emission (Scope 3) <sup>32</sup>	GHG Emissions in CO2e (Tons/Year)	-	-	1425.62

<sup>30</sup> The scope of ISO14064-1 evaluation collected data from FET, NCIC and KGEx.com with operation control method (base year 2015, GWP 2007 AR4, no emissions of biomass). The table also includes statistics from Arcoa, in which the data was collected by the company itself. The same applies to the energy consumption chart below

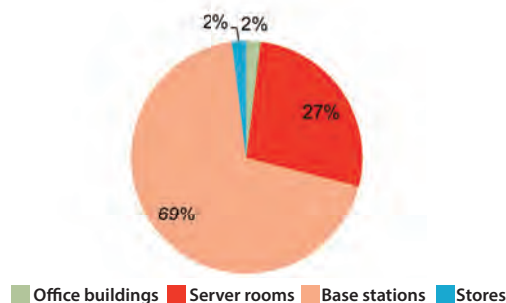
<sup>31</sup> FET adopted new power meter reading practices during the year, changing from retrospective estimation to a combination of actual reading + retrospective estimation. Indirect energy consumption data for 2015 and 2016 were adjusted accordingly (The same applies to the energy consumption chart below). Consequently, adjustments are also made to Scope 2 of the assessment statistics this year.

<sup>32</sup> Scope 3 survey covered logistics transportation of mobile phones and accessories, and represented greenhouse gas emissions generated by FET for transporting phones, accessories, SIM cards, concessions and point-of-sale materials (POSM) from warehouses to regular stores

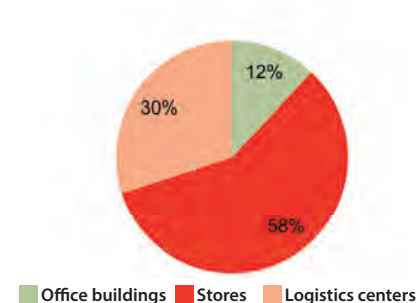
### Energy Consumption - FET + ARCOA

		2015	2016	2017
Direct energy consumption	Gasoline (kL/year)	621.44	558.45	511.40
	Gigajoules (GJ) <sup>33</sup>	20,283.80	18,227.81	16,692.10
	Diesel (kL/year)	93.59	97.98	91.99
	Gigajoules (GJ) <sup>34</sup>	3,291.56	3,445.96	3,235.22
Indirect energy consumption	Total electricity consumption (MWh)	516,426.25	561,430.77	556,446.22
	Gigajoules (GJ) <sup>35</sup>	1,859,134.50	2,021,150.77	2,003,206.40
Statistics of energy consumption	Total energy consumed (GJ)	1,882,709.86	2,042,824.54	2,023,133.71
	Energy intensity <sup>36</sup> (kWh/number of active customers)	72.15	78.43	77.74

2017 Power Usage - FET



2017 Power Usage - ARCOA



Total electricity consumption: 554,774,281 kWh

Total electricity consumption: 1,671,942 kWh

<sup>33</sup> According to the ENERGY STATISTICS HANDBOOK 2016 issued by the Bureau of Energy: 1000 liters of gasoline = 32.64 GL

<sup>34</sup> According to the ENERGY STATISTICS HANDBOOK 2016 issued by the Bureau of Energy: 1000 liters of diesel = 35.17 GL

<sup>35</sup> 1kWh=3600KJ

<sup>36</sup> Energy intensity is calculated by indirect energy consumption (Scope 2) as well as purchased electricity covered.

<sup>37</sup> The data re-organization this year is in compliance with the GRI Standards (2016), which regulates and classifies waste recycling. Figures in this table show total water usage in office buildings occupied by FET, NCIC, KGEx.com and Arcoa. Water consumption by Arcoa is an estimated value.

Water consumption - FET + ARCOA<sup>37</sup>

	2015	2016	2017
Water consumption (kL/year)	286,755	271,948	263,917
Water expense (NTD/year)	3,457,724	3,751,040	3,883,495

Waste - FET + ARCOA<sup>38</sup>

	Unit	2015	2016	2017
Recycled waste	Tonnes	73.94	78.76	124.85
Incinerated/landfilled waste	Tonnes	376.62	315.00	295.71
Total waste	Tonnes	450.56	393.77	420.57
Annual waste treatment expenses	\$NTD	\$954,409.00	\$1,007,368.00	\$1,348,400.00

### 4.1.2 Energy and Greenhouse Gas Management

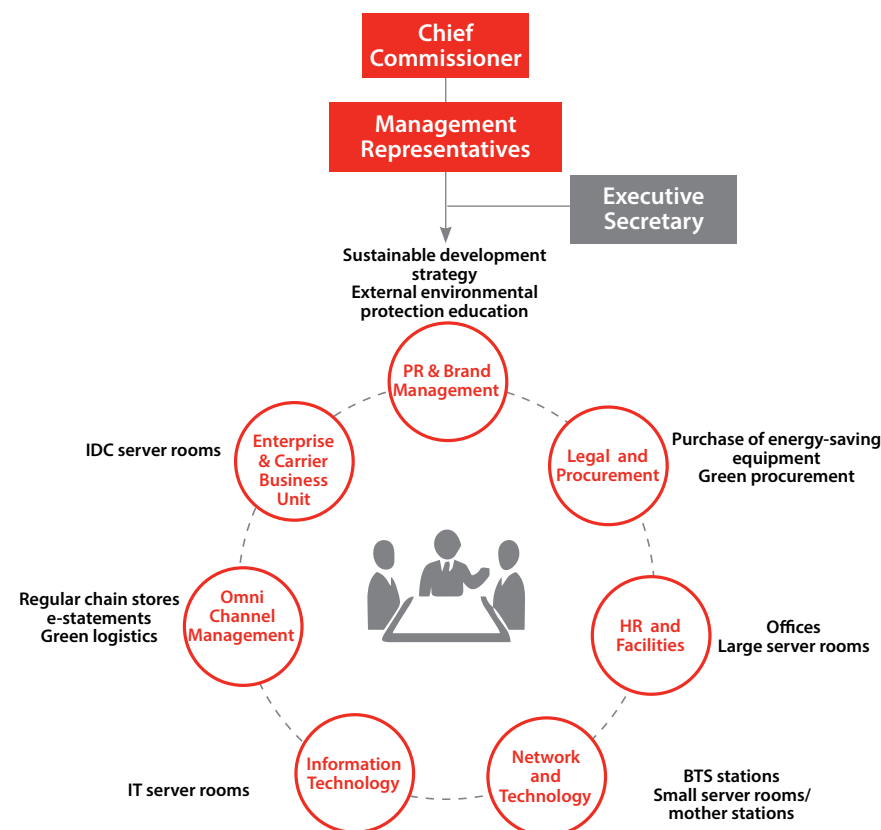
FET received ISO 14001 Environmental Management System certification in 2017, and has established the "FET Environment and Energy Policy" to guide FET employees in the management of various types of environmental impacts. It is our hope to enforce energy conservation and improve energy efficiency at various stages of the telecommunications service life cycle, and participate in the mitigation and adaptation of climate change. FET has also set medium and long-term goals on carbon reduction and use of renewable energy source, and strives to take steps toward accomplishing energy transformation.

Absolute carbon reduction goals	Renewable energy use goals
Reduce group-wide carbon emissions by 6% by 2025 (Baseline year of 2016)	<ul style="list-style-type: none"> <li>Purchase renewable energy certificate (REC) for 100,000 kWh in 2018</li> <li>Install solar power facilities for a cumulative capacity of 150 kW from 2018 to 2020</li> <li>Increase renewable energy installation capacity by 10% by 2025</li> </ul>

### Environment and Energy Management Committee

In Q3 2016, FET made a decision to reorganize its "Energy Management Committee" and rename it the "Environment and Energy Management Committee," with responsibilities expanded to cover environmental management, greenhouse gas reduction and climate changes. The most senior officer on the committee is the chief human resources officer, whereas committee members are heads of various departments, whose presence is to ensure that FET's energy policies are duly followed by all departments.

### Structure of Environment and Energy Management Committee



Given FET's distinctive operating characteristics, FET has followed its "Environment and Energy Management Policy" and set energy management goals for office areas, server rooms, base stations and stores. Adopting a vertical management approach, the "Environment and Energy Management Committee" holds quarterly meetings to discuss energy and environment-related goals and performances. The committee also devises measures and action plans for different business locations, and assigns responsible units to inspect and report progress on a regular basis. From the headquarters to various departments, stores and logistics partners, FET invites participation from an expanding scope of parties to accomplish green operations management.

<sup>38</sup> Figures in this table show total waste generated from office buildings occupied by FET and NCIC, and from Arcoa's Neihu headquarter and stores (Waste volume of Arcoa is an estimated value). FET engages qualified contractors to handle recycled and incinerated waste in compliance with local rules. The service type of FET is ICT, which does not generate hazardous waste; general business wastes are produced due to office and store operation.

	FET's energy KPI by 2020	YOY progress
Office areas	From 2018 to 2020, office areas are set to reduce their energy-use intensity (EUI) by 1.5% comparing to the previous year.	EUI reduced by 1.83%
Server rooms	Power usage effectiveness (PUE) to be raised by 1% in 2018. PUE for 2019 and 2020 is set to be increased by 1.5% from the previous year respectively.	PUE increased by 1.92%

### Energy-saving solutions for office areas and server rooms

FET		
Operating environment management certification		
Item	Implemented Areas	Revenue Shares
ISO 50001 Energy Management System	Taipei: 5 locations (office/server room/store) New Taipei City: 3 locations (office/server room) Taichung: 1 location (office) Kaohsiung: 2 locations (office/server room)	100%
ISO 14001 Environmental Management System		

In 2017, FET continued adopting energy and carbon reduction measures, equipment renewals, and optimized operations and management to reduce office power consumption and improve server energy efficiency. Some of the key energy-saving measures undertaken during the year were: optimization and replacement of air conditioning units, replacement of LED lighting equipment, improvement of server room cooling system, replacement of energy-efficient power equipment, and replacement of amorphous metal transformers. In 2017, EUI in all FET office areas was reduced by 1.83%, while all PUE server rooms increased by 1.92% and electricity consumption were reduced by 2%.

	2015	2016	2017
EUI in office area <sup>39</sup>	129.37	125.32	123.02
Difference of EUI compared to the previous year (%)	↑ 0.71	↓ 3.13	↓ 1.83
The decreased or increased electricity consumption of office areas compared to the previous year (kWh)	↑ 80,807	↓ 357,099	↓ 202,508
PUE in Server room <sup>40</sup>	1.91	1.88	1.84
Difference of PUE compared to the previous year (%)	↑ 1.06	↓ 1.55	↓ 1.92
The decreased or increased electricity consumption of server rooms compared to last year (kWh)	↑ 5,086,017	↑ 1,285,849	↓ 3,012,546

As a commitment to mitigating environmental impacts caused by daily operations, FET introduces innovative technologies and high efficiency equipment each year to improve efficiency of energy usage. FET also undertakes measures to achieve effective energy management and power efficiency improvement. Overall, power consumption in office areas and server rooms was reduced by 3.22 million kWh, which was equivalent to reducing 1,700 tons of carbon emissions. The overall carbon reduction result in 2017 was 2.6% higher than 2016.

	Amount invested in energy-saving projects	Annual Electricity Savings (KWH)	Equivalent reduction in electricity expenditure	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
2017	\$33,217,728	3,215,054	\$9,645,162	1,701

ARCOA continued to replace old air conditioning units and lighting equipment with energy-saving alternatives at its Neihu office. It also organizes regular training to raise employees' awareness of energy conservation and garbage sorting, and implements environmental protection measures throughout the organization. In 2017, ARCOA received a special subsidy from Taipei City Government to replace heat insulation tiles on its office rooftop, which effectively isolates heat and reduces use of energy. Carbon reduction benefit in 2017 was 4.54 tons, which was nearly six times higher than the previous year.

	Amount invested in energy-saving projects	Annual Electricity Savings (KWH)	Equivalent reduction in electricity expenditure	Equivalent Carbon Reduction (Tonnes)
2015	\$95,000	18,000	\$251,000	9.38
2016	\$350,000	1,500	\$6,100	0.78
2017	\$130,000	8,600	\$56,000	4.54

### Other energy conservation measures and environment awareness campaigns within offices

The Environment and Energy Management Committee organizes an environment and energy-friendly event called "Green Carnival" internally on a yearly basis as a means to encourage employees' energy and carbon reduction efforts in daily life, as well as to create a green working environment. This office environment management practice yielded significant results in 2017, as FET was able to reduce the use of photocopy paper by 26.5% compared to 2016.

"Green Carnival" - FET's day-to-day environmental protection and energy-saving campaign	
Cherish the Earth, Spread Love Far - green action that involves millions of participants	Employees were invited to participate in events organized by Earth Day Network, and to post their green actions on the event platform
Promotion of in-store mobile phone and battery recycling	Regular chain store employees remind consumers more frequently of mobile phone and battery recycling services available in-store



Green dining	The employee restaurant encourages employees to bring their own reusable chopsticks, spoons, and plastic bags
Experience practical energy-saving tips	Use of education tools provided by ITRI to promote energy-saving awareness among FET employees
Energy conservation awareness promotion at regular chain stores	Use of incentive quiz to advocate energy-saving measures in stores
Mobilized recycling	Standardized processes were established to raise employees' awareness of environmental protection, garbage sorting, and recycling
Incentive quiz for plastics reduction	Use of incentive quiz to promote recycling of plastic products

### Other energy conservation measures for server rooms

FET began adopting the use of virtual servers in 2009 in order to reduce cost, improve efficiency, simplify management and achieve environment protection, meeting the organization's ever growing needs. In 2017, FET spent a total of NT\$28,638,418 on server virtualization, and added 542 new virtual servers, with a total of 3,133 to replace physical servers. FET only required 180 physical servers in 2017, which was a decrease of 17.8% compared to the previous year, and is estimated to have reduced energy consumption by approximately 73%.

With regard the use of electronic equipment, FET has been eliminating and donating computer equipment with poor efficiency, while giving top priority to renting products that have been environmentally certified to improve the efficiency of its IT equipment and create green benefits. IT equipment rentals from 2015 to 2017 are as follows:

### Computer equipment rentals

Unit: PCS

	Personal computers	Lease %	Notebooks	Lease %	LCD monitors	Lease %
2015	2,345	0	415	0	2,213	0
2016	918	99%	1,020	94%	939	99%
2017	1,733	98%	1,256	96%	1,590	99%

### Energy-saving solutions for base stations

Base stations represent the largest source of energy consumption in all of FET's business locations and facilities. Total power consumption of base stations continued to rise in 2017 mainly because of new 4G base stations constructed for the purpose of improving network service quality. FET made several attempts to improve the energy efficiency of its base stations in 2017, including installation of inverter air conditioning units, improvement of ventilation system, and removal of 2G facilities in response to the competent authority's instructions to terminate 2G services by June 30, 2017. A total budget of NT\$95.9 million was spent on the above projects in 2017, which are expected to save nearly 27.33 million kWh of electricity usage and reduce carbon emissions by 14,458 tons CO<sub>2</sub>e. The electricity consumption per 1MBs in FET's base stations has been progressively reduced since 2011. In 2017, the 2G base station was eliminated, thus the power consumption per 1MBs of the base station was significantly reduced by 40% compared with 2016.

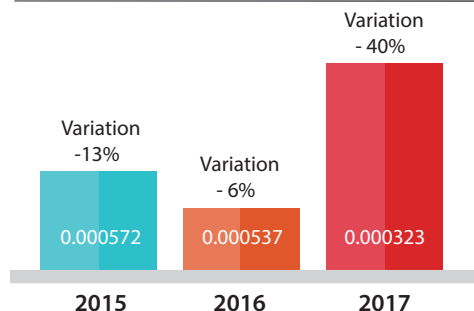
<sup>39</sup> EUI (Energy Use Intensity): kWh/m<sup>2</sup>/year

<sup>40</sup> PUE (Power Usage Effectiveness): total energy consumption of server room/energy consumption of IT equipment



Electricity consumption per 1MBs in base stations

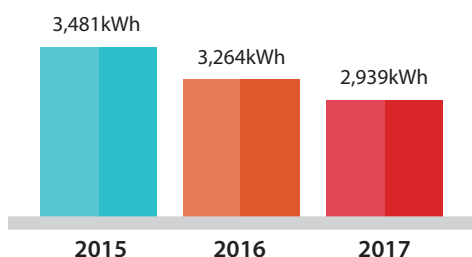
Unit: kWh



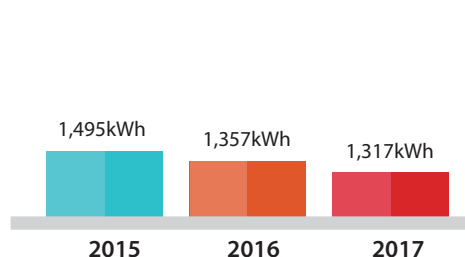
### Energy-saving solutions for stores

FET has been renewing electronic facilities used at stores since 2010. By 2017, 47% of stores had been converted into energy saving and environment-friendly stores, and the use of certified environment-friendly and energy-saving equipment was imposed as a requirement for all store expansions in the future. The new generation of stores are all fitted with energy-saving devices, such as T5 lighting equipment, inverter air conditioner units, and LED lighting for emergency exits. Digital interactive multimedia equipment is also used at stores to replace traditional posters, and hence reduce waste of resources. Compared to the previous generation of stores, the new energy-saving stores can achieve energy savings as high as 15%. A sum of approximately NT\$17.6 million was spent on renovating eight stores in 2017, which resulted in a 10% reduction in average electricity consumption per FET store, namely 1.78 million kWh for the year. Arcoa has also been adopting the concept of green environment-friendly stores, and is taking steps to replace old air conditioner units with inverter models and using T5 energy-saving lighting equipment.

Monthly average electricity consumption per FET store



Monthly average electricity consumption per ARCOA store



### Green logistics and packaging

Using big data analysis, FET is able to optimize logistics routes to accommodate the different business hours of each store. We require all delivery vehicles to be switched off when parked, in order to save fuel. Combined with green packaging, FET strives to reduce air pollution, water pollution, waste and other environmental problems associated with the use of printing materials and production activities, while at the same time minimize product carbon footprint.

To prevent single-order deliveries from increasing the number of logistics trips taken, FET classified its products into two categories, namely "Marketable Merchandise" (mobile phones and accessories purchased by customers) and "Auxiliary Merchandise" (DM, POSM, SIM card), and has implemented different logistics practices to minimize transportation expenses and pollution of the environment.

	Energy conservation & carbon reduction measures	2017 results	2018 strategies
Marketable Merchandise	<ul style="list-style-type: none"> <li>By the order consolidation process, approximately 180 orders are consolidated per day</li> <li>Green packaging used in all shipments</li> <li>Goods were picked up manually instead of using conveyor belt, which saved four hours of conveyor operation per day</li> </ul>	<ul style="list-style-type: none"> <li>47,520 cartons were saved, reducing carbon emission by approximately 89.34 tons</li> <li>Recycled, label-free cartons are being used for all shipments. Assuming that 500 stores ship daily and 1/3 of which use recycled cartons, FET is able to reduce the use of new cartons by 44,088 each year, saving 82.89 tons of carbon emission and NT\$440,880 in carton expenses</li> <li>Approximately 226 kWh of electricity was saved each day, representing 59,664 kWh of electricity-saving effect per year and equivalent to 31.56 tons of carbon emissions</li> </ul>	<ul style="list-style-type: none"> <li>Continue execution of operating measures from 2017</li> <li>FET will be consolidating orders from different suppliers and re-packaging before shipment, and thereby reduce the use of cartons by as many as 3,000</li> </ul>
Auxiliary Merchandise	<ul style="list-style-type: none"> <li>Delivery of Auxiliary Merchandise for stores was consolidated into two shipments per month, which reduced shipment activities for 160 stores per day</li> </ul>	<ul style="list-style-type: none"> <li>42,240 cartons were saved, reducing carbon emissions by approximately 79.41 tons</li> <li>Delivery mileage was reduced by 84,480 km, equivalent to 18.92 tons of carbon emission</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of Auxiliary Merchandise for Arcoa stores was consolidated into one shipment per week, which reduced shipment activities of 80 stores per day</li> </ul>

### 4.1.3 Other Environment-friendly Services

We have incorporated the concept of recycling and reuse into key services and products provided at our major stores in order to maximize FET's positive influence towards environmental protection. Through recycling and reselling of mobile device, providing integrated SIM cards and promoting paperless process, we try to minimize wastage of resources that arise due to the use of the Company's products and services in every way we can.

#### In-store mobile phone recycling

E-waste has become a serious issue for telecommunications service provider and consumers. To make it easier for the general public to recycle waste mobile communication devices and thereby facilitate recycling of resources, FET signed a memorandum of understanding (MOU) on the recycling of waste mobile communication products with the Environmental Protection Administration (EPA). Mobile phone recycling is available at all FET stores in Taiwan for collecting waste mobile phones, PDAs, GPS, chargers and accessories from users free of charge. The collected waste is handed over to qualified contractors for further processing.

	2015	2016	2017
Recycled mobile phones (pieces)	21,292	1,062	1,742
Recycled accessories (batteries/chargers/cables) (kg)	366	50	117

### Resale of mobile device

In addition to assisting in recycling waste mobile communication devices, FET is also committed to exploring the secondary market by selling display units, discontinued phones and accessories to secondhand dealers or FET outlets, where product life can be further extended.

	Resale to secondhand dealer	Resale to outlet store
Mobile phones (pieces)	2,007	3,284
Tablet computers (pieces)	166	1,129
Accessories (pieces)	7,512	11,383
Total	9,685	15,796
Energy saving benefits from resold phones (kWh)	47,806	97,086
Carbon reduction benefits from resold phones (tons) <sup>41</sup>	25.3	51.4

### Paperless service

FET continues its effort to promote paperless telecom service by introducing digital transformations such as e-statements and e-forms. In doing so, we invite customers to join us in reducing unnecessary wastage of resource. FET's mobile Self-Care APP enables customers to view statements online. Costs saved from customers' use of e-statements are given back to customers in the form of reward points; meanwhile, the Company is offering a variety of discounts and products to entice consumers into using e-statements. By 2017, FET had accumulated 2.35 million users or 38% of total accounts subscribing to e-statements, which saves approximately 70.5 million sheets of paper and 85.3 tons of carbon emission each year<sup>42</sup>. FET expects to raise the percentage of e-statement users to 50% by 2018.

### Paperless Forms Management System

#### Systematization

Computerize specific promotion and service processes at regular chain stores

#### Modularization

Consolidate multiple services so that a single form can be used to apply for several functions

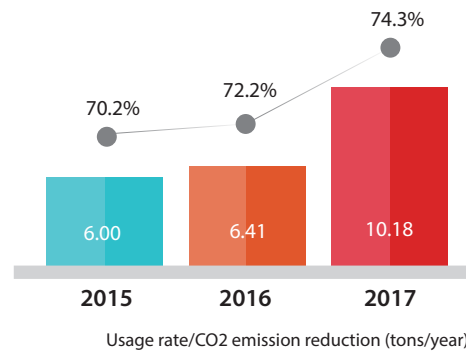
#### Streamlining

Re-arrange contents and simplify unnecessary terms

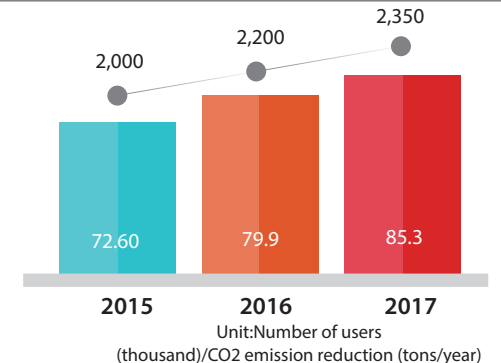
In 2017, FET had more than 74% of its service locations fully adopting the use of e-forms to process customer data, and expects to increase this percentage to 76% by 2018 and to achieve full paperless process in 80% of regular chain stores by 2020, which is equivalent to saving 8.6 tons of carbon emissions.



Electronic form usage rate & CO2 emission reduction



Electronic statement number of users & CO2 emission reduction



### 3-in-1 SIM card

In light of the extensive types of SIM cards available in the market, FET took the initiative to introduce 3-in-1 SIM cards in 2015 that combines Mini, Micro and Nano sizes all in one, which greatly reduced the use of packaging and paint, as well as the pollution they produce. In December 2016, FET introduced the all-purpose SIM card that can be used for any type of service from 4G, 3G, Postpaid to Prepaid. In addition to enabling better inventory management and user experience, the all-purpose SIM card also simplifies the sales process at physical stores. FET expects to reduce SIM card purchase by another 5% (about 200,000 pieces) in the coming year.

<sup>41</sup>According to an announcement by Environmental Protection Administration, recycling a mobile phone saves about 22 kWh. The latest emission coefficient of electricity (2016) published by the Bureau of Energy, Ministry of Economic Affairs, was 0.529 kg of CO<sub>2</sub>e/kWh.

<sup>42</sup>Carbon emission is calculated by activated cases 1.05 million \* 3 sheets = 3.15 million sheets, the cases of change 1.07 million \* 2 = 2.14 million sheets, and every million sheets\* 1.21 (kgCO<sub>2</sub>/g).



	3-in-1 SIM cards			Single format SIM cards		
	Percentage reduction in SIM card purchases across all stores	Amount of ABS & HPVC materials reduced <sup>43</sup> (kg)	Percentage reduction in SIM card purchases across all stores <sup>44</sup>	Amount of ABS & HPVC materials reduced (kg)	Percentage reduction in SIM card purchases across all stores	Amount of ABS & HPVC materials reduced (kg)
2015	20%	5,500	34	-	-	-
2016	15%	2,750	17	-	-	-
2017	12%	1,650	10	12%	2,750	17



#### 4.1.4 Environmental Impact Management in Base Stations

FET's base stations and antenna installations are compliant with government regulations. They are constructed using methods such as co-construction, co-location and common antenna where possible to greatly reduce wastage of resources. FET also enhances landscaping around base stations and antennae to mitigate visual impact. In 2017, FET had 55% of base stations constructed with co-location, and 40% with co-construction. Stand alone stations accounted for only 5%. Furthermore, FET spent a total of NT\$19.4 million on landscaping near base station antennae in 2017, which also covered surrounding structures such as LED curtain walls, air conditioner outdoor units, and cooling towers. In doing so, we hope to alleviate the public's concerns regarding the visual impacts of base station antennae.

##### Telecom knowledge

**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

FET was fined a total of NT\$6.5 million on 13 occasions relating to the construction of base stations in 2017, which was a decrease of three cases and NT\$1.5 million, compared to the previous year. The fines were mostly due to the urgent need to solve the customer coverage requirement, and the counter platform in the license application was reported in advance. In the future, FET will continue enhancing communication with customers, and strictly enforce the license application process to minimize premature activation of temporary base stations. FET also plans to carry out disaster prevention reinforcement work for base stations in 2018, and will gradually increase solar power capacities of base stations to at least 10kw. This increased use of renewable energy is consistent with the nation's energy and carbon reduction policies.

#### Tracking of issues concerning electromagnetic radiation

In response to the public's concerns regarding electromagnetic radiation emitted from base stations, FET actively exchanges opinions with the public and is also cooperating fully with the Base Station Working Group of the Taiwan Telecommunication Industry Development Association (TTIDA), an organization set up by the NCC and telecommunication companies, to promote awareness and conduct communication on the issue of electromagnetic radiation, and thereby alleviate the public's doubts toward the health concerns of base stations. TTIDA's awareness promotion efforts include:

##### Electromagnetic radiation measurement and promotion hotline

FET actively addresses the public's queries concerning electromagnetic radiation and refers them to in-home measurement services. In 2017, TTIDA responded to 665 queries on electromagnetic radiation, which mostly concerned health impacts and legitimacy of base station installation, and accepted 368 requests for electromagnetic radiation measurement service. FET alone took 63 requests for measurement service and conducted 16 measurement services at residents' request, totaling 79 electromagnetic radiation measurement services. A sum of NT\$ 369,800 was spent for the above. The measurement results were all below EIRP (effective isotropically radiated power) and the regulated radiation power density values.

[TTIDA's electromagnetic radiation measurement service](#)



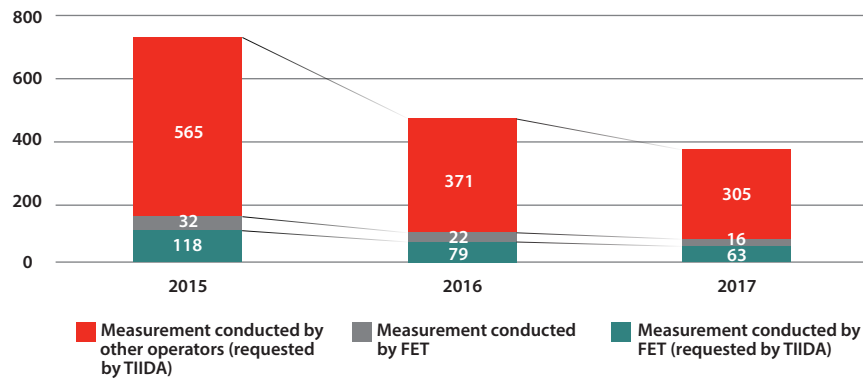
#### Types of queries concerning electromagnetic radiation in 2017



<sup>43</sup> Assuming that each SIM card requires 5.5 grams of plastic material (ABS & HPVC)

<sup>44</sup> According to the latest emission coefficient of electricity (2016) published by the Bureau of Energy, Ministry of Economic Affairs, was 0.529 kg of CO<sub>2</sub>e/kWh.

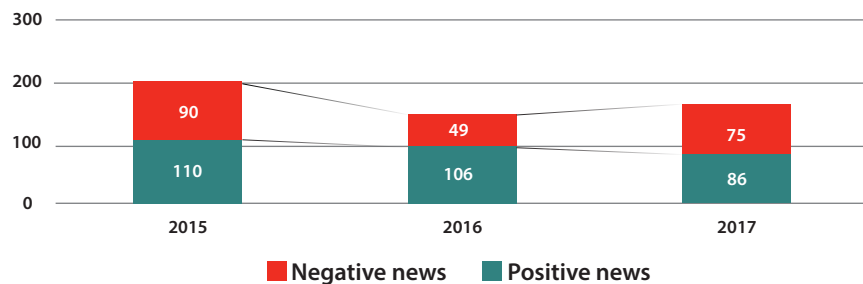
### Number of base station measurement services completed



### Education on electromagnetic radiation

Through the use of CF broadcast, seminars, pamphlets and blogs, FET provides the public with easy access to the correct knowledge on electromagnetic radiation, which helps avoid public panic and reduce negative coverage in the media. In 2017, there were 430 protests against FET base stations, which was a decrease of 37% compared to the previous year. We shall continue communicating with the public on issues concerning electromagnetic radiation in hope of alleviating their doubts, and thereby establish mutual trust with community residents and consumers.

### Number of media coverage on base station issues



The increased number of unfavorable media reports in 2017 was mainly due to the retirement and removal of 2G equipment, for which workers were required to frequent server rooms than ever, thus drawing attention from nearby residents and the media. The Company will continue communicating with the public to alleviate their doubts. FET publishes correct information on electromagnetic radiation over its official portal as a means to enhance the public's knowledge of mobile communications. In 2017, the Company made further

collaboration with academic institutions to explore the safety of electromagnetic radiation by initiating a long-term study on how mobile communications base stations affect human health. Findings of this study will be disclosed progressively on FET's official portal.

[Knowledge base for  
Electromagnetic Fields](#)



[FET official portal - Safety of  
Electromagnetic radiation](#)



FET received no penalty for excessive electromagnetic radiation in 2017. As part of our responsibilities to stakeholders, we shall continue supporting measurement of and education on electromagnetic radiation and using scientific data as evidence. In the meantime, FET will continue following up on penalty issue and review its past mistakes to facilitate future adjustments.

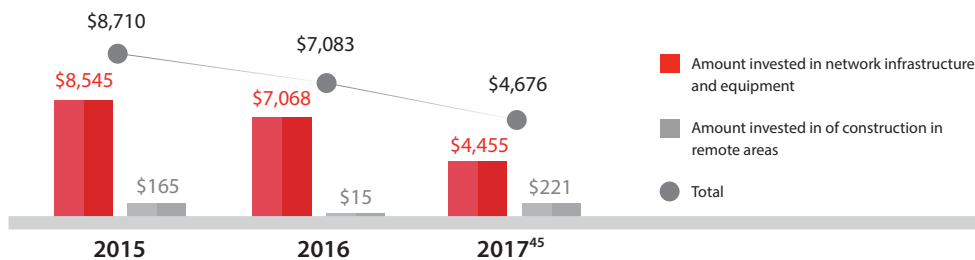


## 4.2 Creating Social Value

FET has been contributing to the economy, society and the environment by continually optimizing telecommunication services. Driven by our brand spirit of "Closing the Distance," we see ourselves as an "active connector" that bridges the distance between people by offering quality communication, stable network, and care for the society.

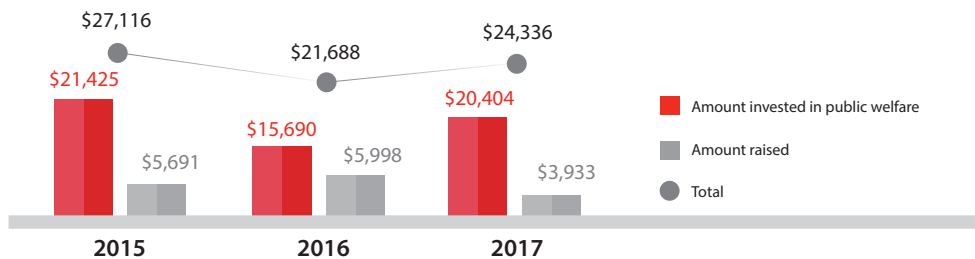
Communication infrastructure investments

Unit: NTD \$millions

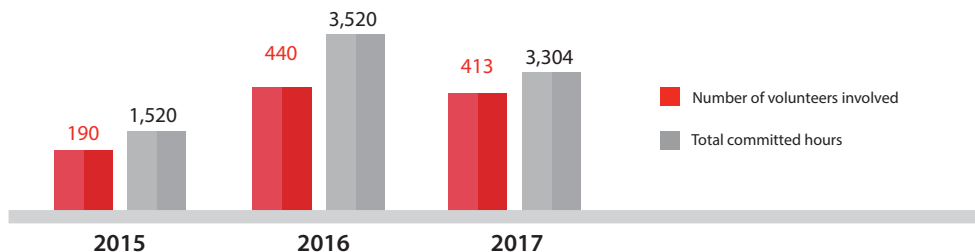


Amount invested in social public welfare

Unit: NTD \$thousands



Number of volunteers committed to social public welfare<sup>46</sup>



<sup>45</sup> FET has been active in the enhancement of disaster signals and infrastructure development in remote areas. By the end of 2017, FET had delivered LTE signal coverage to 95% of offshore islands and remote villages nationwide

<sup>46</sup> The duration of an activity a volunteer committed is regarded as a workday (8 hours), and the numbers are multiplied to calculate total committed hours.

### 4.2.1 Investments in Communications Infrastructure

Telecommunications service is all about using information and communication technology to make life easier, more convenient, and bring people closer to each other. This is why FET has been investing actively into the construction and maintenance of information and communications facilities, so that the quality of communications remains consistent despite natural disaster and throughout urban and suburban areas. Below is a detailed description of FET's 2017 infrastructure progress and projects planned for 2018:

Key infrastructure projects completed in 2017		QR code
Network and speed maintenance	<ul style="list-style-type: none"> <li>Structure and capacity of the 4G network has been further expanded to satisfy the needs of 5.4 million users and achieve 507G data flow</li> <li>FET was rated the fastest carrier by NCC and OpenSignal during the year, and has been well-recognized for the consistent LTE download speed and wide 4G coverage nationwide</li> <li>FET introduced LTE-Advanced 4x4 MIMO to 20 major commercial districts throughout Taiwan, which increased maximum network speed to 800Mbps and brought the Company closer to becoming 1Gbps LTE service provider</li> </ul>	<a href="#">NCC 106 mobile Internet speed assessment</a>  <a href="#">OpenSignal mobile communication network status report</a> 
Deployment of new service facilities	<ul style="list-style-type: none"> <li>FET completed phase 1 deployment of the NB-IoT live network; a total of 300 base stations were upgraded to support the NB-IoT service. In addition, FET assisted seven major industrial parks with the trial run of two services: "smart energy conservation" and "disaster prevention," and helped them prepare for 5G and NB-IoT services in the future</li> </ul>	<a href="#">FET's NB-IoT</a> 
Construction in remote areas	<ul style="list-style-type: none"> <li>FET now provides LTE signal coverage in 95% of offshore islands and remote villages, making it the leading communication service provider for remote areas in the industry</li> <li>In collaboration with forestry administrations in Luodong, Pingtung, Hualien, Chiayi, Nantou, and Hsinchu, FET launched the "Mountaineer Project" to optimize communication quality in Taiwan's mountain areas and at popular hiking trails</li> </ul>	

### Key infrastructure projects planned for 2018

- Continue to expand 4G core network architecture and capacity to meet the growth needs of 7 million users and 623G data traffic



- FET will deploy 8,000 NB-IoT stations throughout Taiwan to ensure the same coverage by NB-IoT and 4G signals
- By working with 46 business partners including Gogoro and third-party system integrators, FET aims to create an IoT platform and ecosystem that primarily focuses on providing smart meter (power/water/gas), fleet management, smart medicine, smart road lamp, smart building, and smart home services in the early stage
- The Company will continue collaborating with forestry administrations to further optimize communications quality in Taiwan's mountain areas. The Company will also be working with the government's emergency rescue communications platform contractors to construct base stations in a shared structure arrangement, which offers the benefit of narrowing down digital divide between urban and suburban areas

### Maintaining good communications quality

Communications quality is the foundation of telecommunications and related application services. To ensure sound communications quality and stable network performance, FET conducts signal tests on a quarterly basis and uses the test results to expand or adjust its mobile network in ways that would improve the access and transmission rate. Owing to the Company's persistence with regard communications quality, FET managed to maintain the stability of its network performance, achieving a 99.89% overall accessibility rate throughout 2017. No major failure of network equipment or technical incident disrupted FET's service in 2017.

#### Voice communication service

In addition to following up on areas of poor reception that customers complain about, FET regularly performs actual tests to analyze wireless signal strength and signal-to-noise ratio. In areas with poor signal coverage, the Company examines antenna feeder cables, adjusts antenna coverage, and adjusts and optimize wireless parameters to improve reception quality. The dropped-call rate (DCR) of FET's nationwide voice service has been stable at 0.19%.

#### Data communications service

In 2016, FET acquired 4 LTE spectra: 700MHz, 1800MHz, 2600MHz and FDD/TDD for its 4G mobile broadband; later in 2017, FET once again tendered for NCC's third licensing of 4G spectrum, and acquired 3 blocks in the 2100 MHz band, making it the first service provider to accomplish 3-band integration.

Meanwhile, FET continued construction of 4G stations in locations including remote towns, scenic sites, and metropolitan areas to achieve the same signal coverage as 3G network. FET is also dedicated to optimizing indoor signal coverage and expanding network capacity in metropolitan areas, and thereby improves network congestion while enhancing the access speed, capacity and success rate of 4G service. Currently, the success rate of FET's 4G access has been stable at above 99.95%.

In terms of 3G services, FET made further improvements to the 3G network in 2017 and continued finding solutions to bring service to areas without signal coverage in response to ongoing protests. It is our aim to resolve the protests so that we may bring good quality signals to customers. At present, the success rate of FET's nationwide 3G voice and packet access has been steadily above 99.73%.

### Telecom Knowledge

- Low-frequency 700MHz: Featuring a longer range, the spectrum provides complete coverage outdoors and deep within buildings, as well as a wide and deep first layer of the 4G basic network.
- Medium-frequency 1800MHz: Featuring higher bandwidth, it provides the high-speed transmission capacity needed by internet users.
- High-frequency 2600MHz: With wide bandwidth and good signal quality characteristics, it can enhance the high-speed transmission capacity of subscribers in the hot spots of densely populated areas and the urban areas.
- FDD/TDD: LTE standard comprises two different duplexing modes, FDD and TDD. FDD stands for Frequency Division Duplexing, which uses different frequency for uplink and downlink; TDD stands for Time Division Duplexing, which uses the same frequency for uplink and downlink but in different time slots

### Amount of construction investment in remote areas

FET's 4G network currently covers 99% of Taiwan's population, with signals reaching 84 cities and counties. FET actively complies with NCC's Telecommunications Universal Service Regulations. FET has been investing an increasing amount each year to achieve "universal telecommunications services," and to upgrade data access speed in remote areas to a level comparable to metropolitan areas. FET has been supporting the NCC's project "Co-construction and Co-Location Mobile Communication Infrastructure by Governmental Organizations" since 2014. The project enables subsidy applications for base station establishment in public buildings in areas prone to disasters or remote areas, in order to improve quality and coverage of communication service in remote areas, while at the same time ensuring stability of communications in the occurrence of disaster.

By the end of 2017, FET had submitted 79 requests for subsidized construction of disaster-resistant mobile communication infrastructure facilities. 44 base stations have been completed to date, while the other 35 are still under construction. FET first introduced LTE service in 2014, and by 2017, FET had completed LTE infrastructure at more than 710 offshore islands and remote villages, and delivered LTE signal coverage to more than 95% of remote locations nationwide.

### i-Tribe Wireless Network Construction Plan

Since 2014, FET has been participating in the project, "Wireless Broadband for Indigenous Areas" launched by Council of Indigenous Peoples. The goal of the project is to develop an outdoor wireless network named i-Tribe for indigenous areas. As of today, FET has completed construction of outdoor wireless networks for 69 villages in 12 counties/cities. Identification for the i-Tribe free wireless internet service has been integrated with the identification system of the i-Taiwan wireless Internet service, which enables the Council to gather statistics on Internet users, online traffic etc. This project has the potential to improve network bandwidth and wireless network coverage in indigenous areas, which will have profound effect on local healthcare, education, tourism and industry development.

## "Mountaineer Project" of Taroko National Park Headquarters

According to statistics published by the National Fire Agency, Ministry of the Interior, fire departments nationwide make an average of 185 rescue attempts per year for mountain accidents. In light of how critical basic communications is to maintain rescue efforts, FET has invested NT\$20 million and worked with forest district offices since 2015 to deploy visible and weather-resistant communications signals in mountain areas. After three years of continuous effort, FET has optimized communications quality at more than half of Taiwan's popular hiking trails governed by Luodong, Pingtung, Hualien, Chiayi, Nantou and Hsinchu forest district offices and deployed nearly 400 communication signs, providing critical support for rescue efforts in mountain areas.

### 4.2.2 Disaster Rescue and Support System

In the event of a major disaster, accessible communications can provide effective support to missions such as rescue, epidemic prevention, and national security, and therefore is considered an important type of social resource. Whenever a major disaster occurs, FET always act quickly to ensure that its servers, base stations and communications infrastructure facilities are functioning properly.

#### FET's disaster rescue system



### 4.2.3 Public welfare Involvement

FET has long devoted attention to issues concerning children and education in remote areas. By providing information and communications services, FET strives to improve the quality of child education throughout Taiwan, and assure equal care of children in remote areas as well as financially, physically and mentally disadvantaged children. In recent years, FET has outlined environmental education, digital inclusion and social inclusion as the three main strategies for addressing the following United Nations Sustainable Development Goals (UN SDGs): No Poverty (SDG1), Good Health and Well-being (SDG3), Quality Education (SDG4), Reduced Inequalities (SDG10), and Climate Action (SDG13). A sum of NT\$20,403,837 was spent and a total of 3,304 hours were mobilized for education and social caring activities.

To facilitate post-disaster recovery, FET coordinates corporate resources right after a disaster to offer privileges such as monthly subscription waiver, payment grace period etc to heavily-affected victims. Meanwhile, FET users may call its toll free number from mobile phones to make small donations to victims, and FET stores near disaster areas offer services such as free cellphone charging, free prepaid cards, SIM card replacement, and emergency communication where appropriate.

Annual public welfare care project expenditure (NT\$)	
Cash contributions	\$20,403,837
Employee volunteering during working hours (monetized)	\$1,916,320
Value of in-kind giving	\$15,671,667
Management overheads	\$5,500,000
Total	\$43,491,824

Public welfare strategy	Strategy description	Response to SDGs	Business Benefits KPI	Social/environmental benefits KPI
Environmental education	As telecommunications service providers are greatly affected by climate change, FET has used its communication channels to appeal to the public to participate in environmental protection actions. Through education, services and products, public awareness and social resilience have been enhanced to jointly mitigate the impact of climate change.		<ul style="list-style-type: none"> <li>FET green brand influence and image</li> <li>Number of valid customers for communications services and digital value-added services</li> <li>Customer involvement in the community courses held in FET branch offices</li> </ul>	<ul style="list-style-type: none"> <li>Climate change and environmental awareness of the public, and follow-up actions</li> <li>Employee participation, satisfaction with work and life</li> </ul>
Digital inclusion	As a telecommunications service provider, FET is responsible for the remediation of the digital divide. Therefore, we help ensure the diversity and fairness of a quality education and promote lifelong learning opportunities related to digital technology.		<ul style="list-style-type: none"> <li>Number of schools that have reached the digital learning platform</li> <li>Number of valid customers for communications services and digital value-added services</li> <li>Customer conversion rate</li> </ul>	<ul style="list-style-type: none"> <li>Digital literacy coverage in rural areas</li> <li>The extent to which benefitting students increase their interest in digital learning</li> <li>Benefitting student participation</li> <li>Number of FET volunteers and volunteer participation</li> </ul>
Social inclusion	FET has been making efforts to raise funds for disadvantaged groups and abandoned children over the past 11 years to improve their health care, living environment and basic needs. The goal of FET is to end the avoidable death of children under the age of five and increase the survival rate for children.		<ul style="list-style-type: none"> <li>Brand preference</li> <li>The differentiation between FET and its competitors</li> </ul>	<ul style="list-style-type: none"> <li>Donation amount</li> <li>Child mortality rate</li> <li>The improvement in children's emotional expression management</li> </ul>


## Cherish the Earth, Spread Love Far

Since 2015, FET has been devoted to promoting the environmental education project named “Cherish the Earth, Spread Love Far”, with the aim of instilling into the public a deeper understanding of environmental issues and prompting the participants to observe, reflect, and thus be able to make wiser and more responsible decisions. With “Leave No Trace in Life, Carbon Go Away” as the main idea of the project, we established “building a FET green culture, promoting green education, and initiating responsible green consumption” as three of our core actions, linking the interests of all stakeholders in the value chain to carry out a number of environmental protection projects. A total of 577 metric tons of carbon emissions have been reduced by building the largest carbon-reduction cycle within Taiwan, and promoting a low-carbon and sustainable lifestyle.

In order to grasp the social benefits of our activities, we introduced the impact assessment framework of “Social Return on Investment (SROI)” with forecast evaluation in 2016, predicting the social value of the “Cherish the Earth” activity would be NT\$3.17 for every NT\$1 input. The benefits result from the “breadth” and “depth” of the activities, making the impact to reach more people and achieving more efficient performance. In 2017, we enhanced project management based on the analysis results and held the “Butterfly Wish to Fly” eco-concert at EXPO Hall of Taipei Expo Park, through the “Transform Education, Spread Love Far” program. Also, through collaboration between FET and the PaGamO game platform, the project of “Transform Education, Spread Love Far” aimed to improve elementary school student’s memory with the help from FET employees as volunteers. The core capabilities and advantages of FET have been intensified to deliver the concept of environmental education to the public.

In 2017, we formally conducted an analysis of the SROI evaluation of “Cherish the Earth, Spread Love Far”. The report showed that the actual social value generated for each NT\$1 invested in this project in 2017 was 20% higher than the original forecast, from NT\$3.17 to NT\$3.79. In the future, we will continue to quantify the impact of FET social activities and maximize social benefits through managing social projects with cost-effective assessment models for the purpose of achieving our sustainable development principle.

## Other public welfare projects

#	Project Name	Overview of Activities	Amount Invested (NTD)	Number of Volunteers	Number of Beneficiaries	Collaborated & Benefited Organizations	
Environmental education							
1	2017 international coastal cleanup	In 2017, FET made a commitment to maintaining the cleanliness of the beach located at the 3rd Section of Linyuan (Shanwei Dyke → Gaoping River Estuary), Kaohsiung City. The Company invited The Society of Wilderness to guide FET volunteers through the coastal cleanup and show their love for the Earth through actions. The volunteers cleaned up 150 meters of beach and gathered 204.1 kg of garbage.	\$25,000	76	-	The Society of Wilderness, general public	

## Cherish the Earth, Spread Love Far 2017 SROI Evaluation Result Report



## Revolutionize Education, Spread Love Far


FET launched a program called “Transform Education, Spread Love Far” in 2017, during which the Company invited NTU Professor Benson Yeh to promote PaGamO, an online learning game developed by Mr. Yeh in which gamers expand their territory by solving quizzes, to remote elementary schools, and therefore bring digital learning opportunities to local children.

PaGamO draws its quizzes from an extensive database that covers a multitude of topics from English language, certification exams to corporate internal training. This game has more than 500,000 players learning and competing at the same time. In the game, players try to expand territory by answering questions. It encourages children to apply knowledge and strategic thinking, and, by associating “game” with “learning,” the program helps motivate learning among children living in remote areas. PaGamO also has quizzes on environmental education, and uses them to develop children’s environmental protection awareness.








FET had 38 volunteers sign up for this program, which provides learning guidance to 360 students in nine remote schools in central and southern Taiwan. The program features mobile technology, cloud computing, remote communication and gaming APP, all of which are related to FET’s core business activities. For the purpose of this program, employees are mobilized to play the role of “cloud instructors” online; they are paired with students’ teachers via mobile devices, through which they can activate digital learning and monitor children’s learning progress, thus giving them the warmest support.






#	Project Name	Overview of Activities	Amount Invested (NTD)	Number of Volunteers	Number of Beneficiaries	Collaborated & Benefited Organizations	
2	Traceless Concert	FET and Yuan-Chih Hsu Foundation jointly sponsored Taipei Symphony Orchestra in the organization of a Traceless Concert themed "You Are My Memory" in June at Da'an Forest Park. The concert mainly featured the performance of old classic songs, and responded to FET's CSR philosophy of "Green and Carbon Away Lifestyle," no one-time use material was used for this event, and the concert was certified by EPA as a "Low Carbon Event." The concert served as an invitation to the public to join in the effort to care for our environment.	\$250,000	-	Audience approximately 3,000	Taipei Symphony Orchestra, general public	

## Digital inclusion


3	"Wireless Caring, Limitless Learning, Cloud-based Traveling in Tainan" - Tainan City's Cloud Play program	In 2017, FET joined Tainan City Government, Qualcomm USA, ITRI and ASUS in the expansion of Cloud Play, adding another 10 schools from Tainan City into the program while at the same time donating more than 550 ASUS tablets pre-loaded with Cloud Play APP along with 310 portable 4G AP. Through deployment of the 4G mobile network, we hope to create a whole new mobile learning model, for which we shall continue supporting Tainan City Government in the construction of its mobile, outdoor learning platform and realize Tainan's potential as a 4G smart city.	-	-	<ul style="list-style-type: none"> <li>• Approximately 900 courses available online</li> <li>• 271 "Portable 4G APs" were activated to serve as outdoor Wi-Fi hotspots for 271 junior high schools and elementary schools in the city</li> <li>• The "Cloud Play" platform received more than 500,000 visits from teachers, students and their parents</li> </ul>	271 junior high schools and elementary schools in Tainan City	
4	Production of "Illustrated Mobile Payment Manual" as part of the Digital Lifestyle Promotion Program for Remote Areas of the Ministry of Education	To facilitate development of communication technology and promote digital transformation in Taiwan, Telecommunication and Transportation Foundation (TTF) has been supporting the "Digital Application Promotion Program for Remote Areas" of the Ministry of Education by publishing illustrated teaching materials of various topics in order to narrow the learning divide between urban and suburban areas	\$150,000	5	In addition to publishing the materials online for free viewing, the Company also donated 710 printed copies (including discs) to the 117 Digital Opportunity Centers established by the Ministry of Education	Ministry of Education "Digital Application Promotion Program for Remote Areas" → 117 local digital opportunity centers	

#	Project Name	Overview of Activities	Amount Invested (NTD)	Number of Volunteers	Number of Beneficiaries	Collaborated & Benefited Organizations	
5	Junior High and Elementary Summer Campus - IoT Innovation Camp	FET joined Telecommunication & Transportation Foundation, National Taiwan Normal University and Oriental Institute of Technology in organizing a three-day "Junior High and Elementary Summer Campus - IoT Innovation Camp," which was aimed at narrowing the digital divide	\$98,300	-	30 junior high school and elementary school students	Telecommunication & Transportation Foundation	
Social inclusion							
6	The 11th "Save Abandoned Children, Spread Love Far", fundraising by Child Welfare League Foundation	2017 marked the 11th anniversary of the "Save Abandoned Children" campaign. In an attempt to stimulate awareness of the plight of abandoned children, FET organized a charity carnival at Huashan 1914 Creative Park, and invited parents to spend quality time with their children, while at the same time raising donations for children who were still awaiting a home.	\$1,380,000	30	Accumulative support for 1,291 foster children	Foster Family of Child Welfare League Foundation	
7	"Communication without Hesitation, Happiness through Communication" emotional education campus seminar	FET has care for children's emotional education on a long-term basis. For the fourth time, FET joined the John Tung Foundation in organizing a series of campus seminars on emotional education. The courses are designed to promote mental health and encourage students to extend empathy and learn to communicate with those around them in a positive way.	\$36,962	36	<ul style="list-style-type: none"> <li>• 2,500 children and teenagers</li> <li>• 2,500 families</li> <li>• Networking and activities reached a total audience size of 230,000</li> </ul>	The John Tung Foundation, 17 junior high schools and elementary schools nationwide including Chung Ho Elementary School, Yung Ping Elementary School, Fuxing Elementary School, Hsiu Lang Elementary School and Jian Kang Elementary School	



#	Project Name	Overview of Activities	Amount Invested (NTD)	Number of Volunteers	Number of Beneficiaries	Collaborated & Benefited Organizations	
8	"Illuminate Taiwan" book donation event	Sponsored 500 books for the "Illuminate Taiwan" book donation event by Global Views Monthly	\$126,667	-	17 remotely located junior high schools and elementary schools in Miaoli, Hsinchu and Yilan	Global Views Monthly , 17 remote schools	
9	BoBee - Guard for wandering elders	By incorporating information and communication technologies, FET introduced BoBee - a device for wandering elders - and invited its ambassador, the celebrity Ella, to star in the promotional video "Love, Care and Guard." Every time the video is shared to another audience, NT\$1 will be donated through the BoBee project. In addition, FET donated 150 BoBee devices to charity organizations that are dedicated to preventing and rescuing wandering elders. Apart from the above, FET also sponsored Hongdao Senior Citizen's Welfare Foundation in the organization of the "Go Grandriders" event by offering the product for use by elderly riders.	\$1,063,500	-	The video has reached a total audience of more than 1.4 million while the webpage received more than 600,000 visitors, and more than 6000 viewers have shared the video	Taiwan Alzheimer Disease Association, Syin-Lu Social Welfare Foundation, Garden Homeless Animal Association, Hongdao Senior Citizen's Welfare Foundation	
10	Sponsorship to Charity Donation by cnYES	FET sponsored cnYES's 2017 "Charity Donation" event. Over the 12 years that cnYES has organized this event, it has helped more than 20 social welfare organizations nationwide in caring for the socially disadvantaged	\$60,000	-	20 charity organizations including the Star Family Foundation, Salesians of Don Bosco Pungtung Boys Town, and TSZ-Ai Education and Nursing Institute	cnYES.com	



#	Project Name	Overview of Activities	Amount Invested (NTD)	Number of Volunteers	Number of Beneficiaries	Collaborated & Benefited Organizations	
11	Teach for Taiwan sponsorship of the rural communications education	Sponsored communication services needed to perform education in remote areas for the Teach For Taiwan project, including subscription fee waivers for 20 accounts (\$1,500 * 12 months)	\$360,000	-	<ul style="list-style-type: none"> <li>•38 towns nationwide</li> <li>•43 partnered elementary schools</li> <li>•94 TFT instructors</li> <li>•2,800 students in remote areas</li> </ul>	TFT teacher cultivation in remote areas	
12	Donation for Home Network Safety Hotline and Information Literacy Camp in Taitung	FET has supported children's Internet safety for 7 consecutive years, and provided actual sponsorship to programs including the Home Network Safety Hotline and Information Literacy Camp by Cyber Angel's Pick. In the end of August 2017, Cyber Angel's Pick organized an Information Literacy Camp for Guang Yuan Elementary School in Taitung, during which FET donated mobile phones for students to record their village activities	\$434,630	-	Hundreds of seed instructors and students remote areas in Taitung	Cyber Angel's Pick	 
13	30 Hour Famine	Long-term signal enhancement service for communication vehicles used during World Vision's 30 Hour Famine	\$100,000	-	The 30 Hour Famine received approximately 15,000 participants over the 3 sessions held in northern, central and southern Taiwan	Taiwan World Vision	

# 05

## Financial Statements

### 5.1 Distribution of Economic Value

FET is committed to sharing the fruits of its operations with all stakeholders. Apart from income tax payment, after deducting losses covered, legal reserve and special reserve, at least 50% of the balance is distributable as dividend. The Board of Directors passed a resolution to approve the 2017 dividend distribution plan on February 23, 2018. Undistributed earnings from 2017 will be distributed as a cash dividend at a rate of NT\$3.037 per share. The capital surplus from the issuing of shares that exceed their face value will be issued as a cash dividend as well of NT\$0.713 per share. Each share will therefore receive \$3.75 in cash. Also, we not only pursue revenue growth but also seek ways of giving back to society.

Payments to shareholders: Cash dividend<sup>47</sup>

Unit: NT\$ thousands

2015	2016	2017
\$12,219,378	\$12,219,378	\$12,219,378

Payments to employees: Employee benefits

Unit: NT\$ thousands

2015	2016	2017
\$7,132,734	\$7,073,044	\$7,430,312

Payments to suppliers: Procurement spending

Unit: NT\$ thousands

2015	2016	2017
\$40,900,000	\$36,380,000	\$35,290,000

Payments for income tax

Unit: NT\$ thousands

2015	2016	2017
\$3,577,501	\$1,971,801	\$2,125,391

Government grants received: Government subsidy income<sup>48</sup>

Unit: NT\$ thousands

2015	2016	2017
\$7,279	\$6,104	\$87,107

Social investments: Charity activities<sup>49</sup>

Unit: NT\$ thousands

2015	2016	2017
\$27,116	\$21,688	\$24,336

<sup>47</sup> Please refer to 2017 annual report for FET dividend policy

<sup>48</sup> In terms of the industrial development plans of the government, government subsidies to FET in 2017 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, and the Industrial Development Bureau of the Ministry of Economic Affairs-Taiwan Smart Flagship 4G Sailing Plan-4G Mobile Video Commerce.

<sup>49</sup> Spending on public welfare includes expenditure on charitable projects in that year, public fundraising, and cash donations. Duplicated items are deducted to avoid double calculation.

## Appendix

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GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	4.1.1 Environmental Footprint Overview	76
	305-2 Energy indirect (Scope 2) GHG emissions	4.1.1 Environmental Footprint Overview	76
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	305-4 GHG emissions intensity	4.1.1 Environmental Footprint Overview	76
	305-5 Reduction of GHG emissions	4.1.1 Environmental Footprint Overview	76
Communication and research of issues concerning electromagnetic radiation			
GRI 103: Management Approach	103-2 The management approach and its components	4.1.4 Environmental Impact Management in Base Station	80
	103-3 Evaluation of the management approach		
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	4.1.4 Environmental Impact Management in Base Station	80
	413-2 Operations with significant actual and potential negative impacts on	4.1.4 Environmental Impact Management in Base Station	80
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	4.1.4 Environmental Impact Management in Base Station	80
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	4.1.4 Environmental Impact Management in Base Station	80

## Environmental resources management and application

GRI 103: Management Approach	103-2 The management approach and its components	4.1.3 Other Environment-friendly Services	78
	103-3 Evaluation of the management approach		
GRI 301: Materials	301-3 Reclaimed products and their packaging materials	4.1.3 Other Environment-friendly Services	78
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	4.1.1 Environmental Footprint Overview	75

## Rate plans transparency and communication

GRI 103: Management Approach	103-2 The management approach and its components	3.3.1 Zero Distance Services	66
	103-3 Evaluation of the management approach		

## Management of human rights issues

GRI 103: Management Approach	103-2 The management approach and its components	3.2.4 Workplace Safety and Diversity	61
	103-3 Evaluation of the management approach		
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	3.2.4 Workplace Safety and Diversity	62
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	3.2.4 Workplace Safety and Diversity	62
	403-3 Workers with high incidence or high risk of diseases related to their occupation	3.2.4 Workplace Safety and Diversity	62
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	3.1.3 Corporate Governance Framework 3.2.1 Employee Structure Overview	46 56
	405-2 Ratio of basic salary and remuneration of women to men	3.2.2 Talent Recruitment and Retention	57
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	3.2.4 Workplace Safety and Diversity	No such incidents in 2017 61
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	3.4.2 Supply Chain Management Framework	No such incidents in 2017 72
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	3.4.2 Supply Chain Management Framework	72
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	3.4.2 Supply Chain Management Framework 3.4.2 Supply Chain Management Framework	72
GRI 411: Rights of Indigenous Peoples	411-1 Incidents of violations involving rights of indigenous peoples	4.1.4 Environmental Impact Management in Base Station	No such incidents in 2017 80
GRI 412: Human Rights Assessment	412-2 Employee training on human rights policies or procedures	3.2.3 Employee Training and Development	59

## Community care and charity programs

GRI 103: Management Approach	103-2 The management approach and its components	4.2.3 Charity Involvements	84
	103-3 Evaluation of the management approach		



## Third-party Assurance Statement

GRI Sustainability Reporting Standards (GRI Standards)

Account Ability 1000 , Type II High Level ( AA1000 ,Type 2)

The International Integrated Reporting Framework <IR> Framework



## ASSURANCE STATEMENT

### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTONE TELECOMMUNICATIONS CO., LTD.'s INTEGRATED REPORT FOR 2017

#### 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 Integrated Report for 2017. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables of the non-financial information contained in this report.

The information in the FET's Integrated Report of 2017 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 Integrated Report of 2017.

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 Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 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 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 Standards (2016); 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, Total Impact Measurement and Management, and Social Return on Investment assessments have 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 Integrated Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of FET sustainability activities in 01/01/2017 to 12/31/2017.

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 Standards in accordance with 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 good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns.

##### 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. Formal process for documenting stakeholder engagement outcomes is recommended for future reporting.

#### GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FET's Integrated Report of 2017, is adequately in line with the GRI Standards in accordance with Core Option. The material topics 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 topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. In the future, management systems are recommended to be established to further strengthen ESG data collection and evaluation processes.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang, Director  
Taipei, Taiwan  
08 June, 2018  
WWW.SGS.COM



AA1000  
Licensed Assurance Provider  
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