遠傳FET

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2019 Far EasTone Corporate Social Responsibility Report

遠傳心 5G 未來無距離

A Future Beyond Imagination

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 > CH1 FET Overview
- If you want to find out about FET's operational strategy and our performance highlights > CH2 Sustainable Development Strategy and Performance
- If you want to find out how FET responds to the changing operating environment and to key stakeholders > CH3 Operating Environment Analysis and Performance
- If you want to find out FET's management approach to corporate governance > CH4 Responsible Governance
- If you need to further learn about FET's management approach to employees, customers, and suppliers > CH5 Stakeholder Management
- 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 > CH6 Environmental and Social Protection

Report Download

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.

Content

About This Report

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

Report Cycle and Period

The FET CSR report is published on an annual basis. The previous report (2018) was published in June 2019. 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 CSR Report by TWSE Listed Companies." The next report (2020) will be published in June 2021. This report encompasses financial and non-financial information of FET in 2019 (January 1, 2019 to December 31, 2019), including management approach, major issues, and performance. To provide readers with a better grasp of information, some 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 2020 Consolidated Financial Report for information on individual entities included within the consolidated reports. For information on FET´s individual and afiliated entities, as well as investments, please refer to the 2019 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 Telecom" or the "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 CSR Report 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 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 Stakeholders

FET CSR Website

FET CSR Survey

Message from the Chairman and the President

Douglas Hsu, Chairman

Reflecting on 2019, FET remains committed to providing a high-quality customer experience and innovative application services. Our colleagues worked hard to deliver a robust business performance. Consolidated revenue reached NT$83.866 billion, consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) and net income were NT$29.152 billion and NT$8.735 billion respectively. EPS (earnings per share) was NT$2.68, as we continue to create the greatest value for our shareholders.

2019 marked a year of milestones for FET's journey toward 5G! FET was the first telecom operator in Taiwan to conduct dual-connection test on 4G LTE and 5G NR and broadcast live on 5G. On New Year's Eve, FET created Taiwan's largest 5G outdoor site in Taipei City Hall Square to display a fantastic song and dance show to kick off the commercialization of 5G in 2020.

Facing the arrival of the new 5G era, FET's general plan of action is to continue development and application of Big Data, AI and IoT,. Besides anticipating that these new economic developments will drive revenue growth, we also aspire to fulfill our corporate social responsibilities (CSR) through these core technologies. FET uses Big Data to enhance customers' network experiences and provide smart services. FET applied this to smart transportation planning in order to help local governments build smart cities. We are developing AI technology to improve network efficiency through smart network operations management and traffic prediction and planning. FET also uses IoT to develop smart platforms to provide varied and comprehensive customer services. This technology is not only used for internal operations; FET has used Big Data and AI to help police uncover fraud with outstanding results, earning us praise from the Criminal Investigation Bureau.By integrating big data, AI, and IoT technologies, FET has formed alliances with Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital, and Kaohsiung Medical University Chung-Ho Memorial Hospital, and launch the nation's first demonstration of 5G long distance diagnosis. The project will realize remote medical services in practice by using technology to shorten the medical gap and the urban-rural barrier, thereby fulfilling the "zero distance" vision for medical practices.

As a leading telecommunications (ICT) brand and a benchmark in sustainability, FET continuously seeks for innovations and breakthroughs. By reviewingour opportunities and risks in 2019, FET has also reinterpreted its brand image. As well as "Closing the Distance", we also need to "Come Closer to Customers" and " For Every Thought, We Go Further". Creating a richer mobile experience, bringing users closer to their ideal life.

FET takes sustainability as one of its corporate objectives, and follows the United Nations Sustainable Development Goals (SDGs) with its core ICT strengths. Specific actions focusing on environment, society and economy are used to actively enact sustainability strategies. The long-term development targets set out in the 2018-2025 strategy (Go Prosperous, Go Caring, Go Inclusive, Go Innovative and Go Eco) pursue sustainable growth. FET will utilize core competencies and create multiple wins for our enterprise and the society on our path to transformation. We will also work with our nine primary stakeholders, including suppliers and users, to mutually promote corporate social responsibilities, and to exert our influence as a member of the ICT industry.

In terms of corporate governance, FET's sustainable performances not only included establishing functional committees under the supervision of the Board, but we have also correlated compensations for senior executives (directors and above) with our sustainable performance to ensure that our sustainable management is effective.

In addition, FET is also the first telecommunications operator in Taiwan's service industry to introduce Total Impact Measurement and Management (TIMM) sustainability management tool. By scientific management and monetizing our sustainable values, we can systematically review our status of completion through data analytics.[1]

In terms of environmental sustainability, FET has utilized cloud computing, data analytics and IoT technologies toward various applications including smart city, smart parking, air quality surveillance, big data traffic analysis and more to solve traffic and air quality issues. By creating sustainable retail stores in the service industry, FET encourages sales colleagues to care about community innovation, environmental sustainability, energy saving and carbon reduction. FET has joined the GSMA-led Climate Initiative together with leading global mobile operators to reduce the impacts of global climate change. We have joined the Science Based Targets initiative (SBTi,), and become the third certified telecommunications operator throughout Asia. Our environmental sustainability performances have led FET Banqiao's TPKC Data Center to win Platinum Award, the highest honor in Taiwan's outstanding smart and green building architecture. Concurrently, FET has also received a Silver medal from the inaugural National Enterprise Environmental Protection Awards in 2019.

With respect and care to our customers, FET has invested enormous manpower and expenses toward the continuing execution of the "Signal Coverage boost up Project" in recent years. We continue to strengthen infrastructure in rural areas, and achieved 96.5% LTE signal coverage ratio in outlying islands and rural villages. In addition, FET initiated the "Revolutionize Education. Spread Love Far" project by associating "game" with "learning" through the online game learning platform, PaGamO. Along with the care and companionship from FET volunteers, we have visited several dozen elementary schools in remote areas throughout Taiwan in the three years since the project first begun to motivate the willingness to learn among children living in remote areas and to reduce the uneven distribution of educational resources between urban and rural areas. Having implemented the "Cherish the Earth, Spread Love Far" project for seven years and running, we continue to expand our influence along with our stakeholders. For the past 13 years, "Save Abandoned Children, Spread Love Far" project has raised over NT$43 million for the Child Welfare Foundation. Cumulatively, FET's CSR activities in 2019 have reached over 1.46 million people.

FET's sustainable governance and performances in 2019 have been widely recognized by both domestic and foreign sustainability evaluation institutions. FET was included as the component of the Dow Jones Sustainability World Index (DJSI World) for the first time and ranked 4th place among nearly 100 Telecommunications Companies all over the world. FET was also rated as the "Industry Mover" in telecommunications sector by RebeccoSAM and the only telecommunications operator to receive this award in the world. FET received the highest honor – the top 5% in corporate governance rated by Taiwan Stock Exchange for five consecutive years. FET also won the Global Views Monthly CSR Major Investigation Model Award for three consecutive years. In addition, FET was selected as No. 5 in Ten Most Sustainable Company Award, and was also honored with 10 awards across categories in the Taiwan Corporate Sustainability Awards.

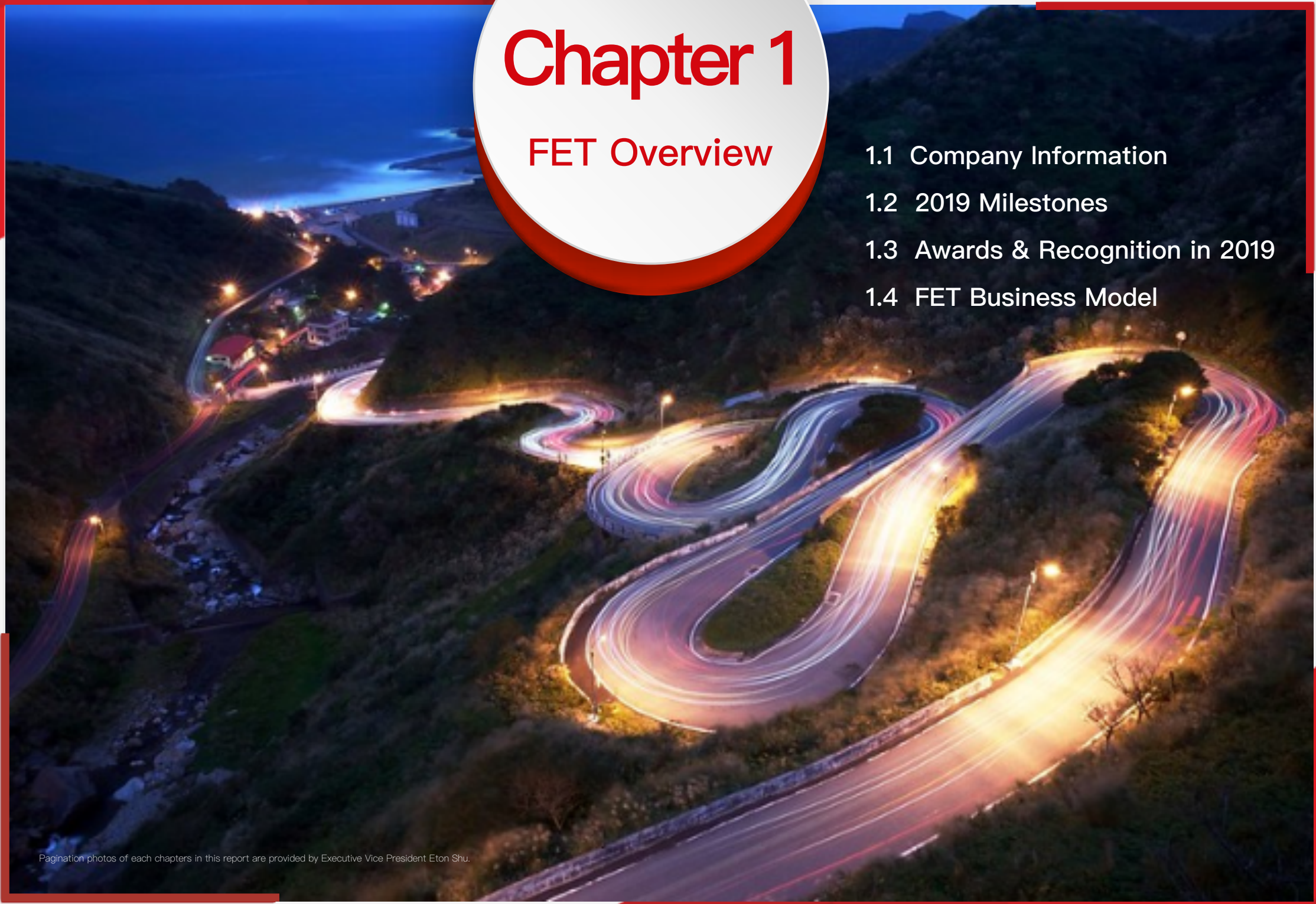
Chee Ching, President

In prospect of the future, faced with rapidly changing environment and the coming new era of 5G, FET will continue to utilize new technologies and innovative thinking to accelerate our transformation by adopting advanced technologies including big data, AI, and IoT, cloud computing and information security toward our supply chain and business models. We will innovate new economic opportunities, and aspire to achieve our goal of "Closing the Distance via FET 5G with caring".

[1] Total Impact Measurement and Management, TIMM

Chapter 1

FET Overview



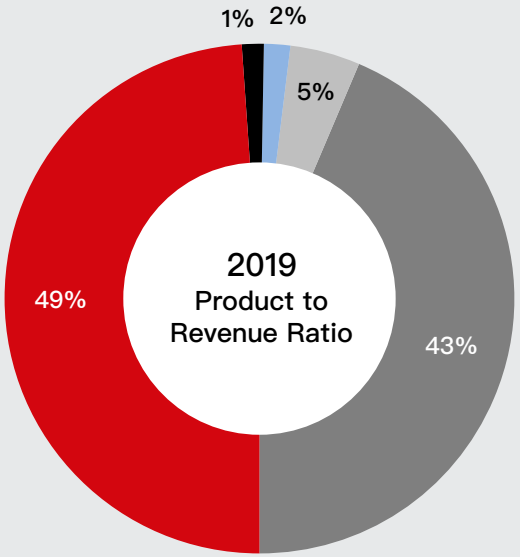
Pagination photos of each chapters in this report are provided by Executive Vice President Eton Shu.

1.1 Company Information

Company Name	Far Eastone Telecommunications Co., Ltd.
Industry Category	Communications and Internet
Headquarter Location	No. 468 Ruiguang Rd., Neihu District, Taipei City
Chairman	Douglas Hsu
Stock Code	4904
Capital	NT$ 32.585 billion

Unit of business ratio (annual revenue : NT$ million)

Mobile service	41,196
Domestic fixed communications service	969
International communications service	1,598
Digital communications service	3,753
Product sales and others	36,347
Total	83,866



1997
Far EasTone was established and received applicable mobile communication licenses

1998
2G
Launched the world's first GSM900/1800 2G dual-band system

2005
Formally listed on the Taiwan Stock Exchange (TWSE) with electronic companies

2016
4G
Launched 2600MHz; provided 4G and 4.5G super tri-band super-fast Internet

2017
Established the FET IoT Ecosystem and became the first NB-IoT telecom operator in Taiwan

2018
5G
FET 5G Pioneer Team was formed and continues to lead Taiwan toward building a 5G Internet of Vehicles industry chain

2019
5G
First ICT operator in Taiwan to successfully test 5G voice call, to build 5G OpenLab, and to initiate 5G remote diagnostics project in Taiwan

Major Operating Performance

- **2,349** Market value (NT$ 100 million)
- **838.66** Consolidated total revenue (NT$ 100 million)
- **291.52** EBITDA (NT$100 million)
- **25.6%** Market share of mobile service revenue (%)) [2]
- **769** Number of retail stores
- **7,093** Number of valid subscribers (thousand persons)
- **583** ARPU of postpaid subscribers (NT$)[3]
- **6,240** Number of employees
- **1,341** Total assets (NT$ 100 million)

[2] FET 2019 Annual Report statistics
[3] ARPU: average revenue per user

1.2 2019 Milestones

Jan

- Built Taiwan's first "Clean Energy Battery Charging Station" in cooperation with CPC Corporation
- Chee Ching was appointed as the new President of FarEasTone

Feb

- Awarded the "Industry Mover" in the 2019 Sustainability Yearbook published by the international sustainability evaluation institution, RobecoSAM, became the only award-winning enterprise in the telecommunication industry in the world and won the "Bronze Class" Sustainability Award
- FET successfully passed the test of the first 5G data call in Taiwan
- Launched "friDay Photobook," a new photobook value-added service

Mar

- Acquired shares of Nextlink Technology Co., Ltd., entered the cloud service market

Apr

- FET partners with Louisa Coffee in creating the first cross-over digital experiential-based café so that consumers can enjoy sipping coffee while experiencing FET's digital services

Launching ceremony of Taiwan's first "Clean Energy Battery Charging Station" in cooperation with CPC Corporation

Zhongli's cross-over experiential cafe cleverly merged FET's digital services with Louisa Coffee's living space.

May

- FET's Self-Care APP pioneered the first "Voice Assistant" function in Taiwan's ICT industry

Jun

- Organized the first digital learning eSports competition with a charity theme, "FET x PaGamO Digital Education eSports competition"

Sep

- Selected as an index component of the Dow Jones Sustainability World Index for the first time
- Launched the Taoyuan smart NB-IOT streetlights project in cooperation with the Taoyuan City Government

Oct

- Established the "5G Open Testing Area" and "Telecommunication Network for Business Experiment and R&D" in cooperation with the Taipei City Government
- FET uncovered fraudsters by using core technologies, such as big data and AI, which have shown remarkable efficiency and FET was commended by the Criminal Investigation Bureau

Nov

- Launched the first 5G remote diagnosis and treatment forward-looking program in cooperation with three major medical centers, including Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital and Kaohsiung Medical University Memorial Hospital, Chung-Ho Memorial branch

FET assisting in uncovering fraud has shown remarkable efficiency, Criminal Investigation Bureau Commissioner Huang Ming-chao (right) awards FET General Manager Ching Chee (left) in person.

FET announced it has launched the first 5G remote diagnosis and treatment forward-looking program in cooperation with three major medical centers.

1.3 Awards & Recognition in 2019

Performance Highlights in 2019

Governance

- First 5G network data voice call testing throughout Taiwan
- First industry operator in Taiwan to complete dual-connection testing for 4G LTE and 5G NR
- Achieved 5G OpenLab and commercial experiments and research and development telecommunications network in collaboration with the Taipei City Government
- Launched the first 5G remote diagnostics project in Taiwan
- Commenced "Taoyuan smart NB-IOT streetlights project" whereby Taoyuan will become the first city in the world to fully adopt street management solution. At 160,000 lights, Taoyuan will have the most number of streetlights throughout the world.
- No. 4 in Telecommunications Industry in DJSI World: nominated as a component stock by the Dow Jones Sustainability World Index (DJSI World) for the first time, and nominated as a component stock by the DJSI Emerging Index for four consecutive years
- DJSI Industry Mover Award for the second time: received "Industry Mover" award in global telecommunications service industry category from the The Sustainability Yearbook 2019 and 2020; and received Silver Class designation for the first time

Social

- FET's call center received ISO18295, the first in Asia to receive this international certification
- FET pioneered "health leave" in Taiwan to build a healthy workplace environment
- Collaborated with the Child Welfare Foundation for 13 consecutive years; cumulatively raised over NT$47 million
- Organized the first digital learning eSports competition with a charity theme, "FET x PaGamO Digital Education eSports competition"
- FET's social activities reached over 1.46 million persons
- FET volunteers' hours of service reached 38,078 hours
- Broadband network service coverage ratio reached 96.5% of populations in remote areas
- FET built disaster relief mobile base station in Yushan North Peak to increase network communications quality in the mountains
- Organized Supplier general meeting for the fourth year; participated by 242 suppliers in 2019
- Establish the first Sustainability Store to encourage our store staff to adopt innovative caring and environmental sustainability
- Pioneered the industry in creating the first hybrid digital store by collaborating with coffee shop, 7-11 convenience store, and E-life Mall Corporation

Environmental

- FET became the third telecom operator in Asia to receive the Science Based Targets initiative certification
- FET joined the GSMA-led Climate Initiative
- Reduced greenhouse gas (GHG) emissions by 12,994 CO_2e metric tons in 2019
- Generated 208,943 kWh of green power via Prime EcoPower in 2019
- Saved 4,130 thousand kWh, a 1% reduction from 2018

Awards & Recognition in 2019

FET was rated as the top 5% in corporate governance by Taiwan Stock Exchange for five consecutive years.

Only telecom operator to receive Sustainable Development Award from the National Sustainable Development Council, the Executive Yuan

Received No. 9 in Large Enterprises category from Commonwealth Magazine's Excellence in Corporate Social Responsibility

Won the 2019 Global Views Monthly CSR Survey – Telecom Service Group Role Model Award

Voted Most Outstanding Company in Taiwan – Telecommunication Services by Asiamoney

Won 9 major awards from the Taiwan Corporate Sustainability Awards, including Ten Most Sustainable Company Award

Received GCSA–Reporting Award from Global Corporate Sustainability Awards (GCSA)

Won "Best CFO in Asia" and "Best Investor Relations" from Corporate Governance Asia

Only telecom operator in Taiwan to win Exemplary Enterprise Award from the 2019 National Brand Yushan Award

Won HR Asia's 2019 "Best Companies to Work For in Asia Award" for two consecutive years.

Customer Service Excellence Awards (CSEA) – received 5 awards including Best Customer Service Enterprise, Best Customer Service System Innovative Application, Best Customer Service Technical Support, Best Customer Service Team and Best Training Team

Received Five–Star Service Awards from Global Views

Received the iSport corporate certification from the Sports Administration, Ministry of Education

Only company in Taiwan to consecutively win Gold Medal from Commercial Times's Best Service Evaluation

The only telecom operator in Taiwan to receive the Bronze Medal in Innovation in Customer Service Management, Planning & Practice category from Asia–Pacific Stevie Awards

Received Healthy Workplace Attestation and Healthy Workplace Badge issued by Health Promotion Administration, MOHW

Only telecom operator in Taiwan to receive Customer Experience Award from World Communication Awards 2020 for FET's Self–Care APP

Received Outstanding Energy Conservation from Enterprises in Service Industry Award from the Bureau of Energy, MOEA

The first telecom operator to be awarded by the inaugural National Enterprise Environmental Protection Awards from Environmental Protection Administration, Executive Yuan, R.O.C

Received Water Saving Outstanding Achievement Prize from the Water Resources Agency, MOEA

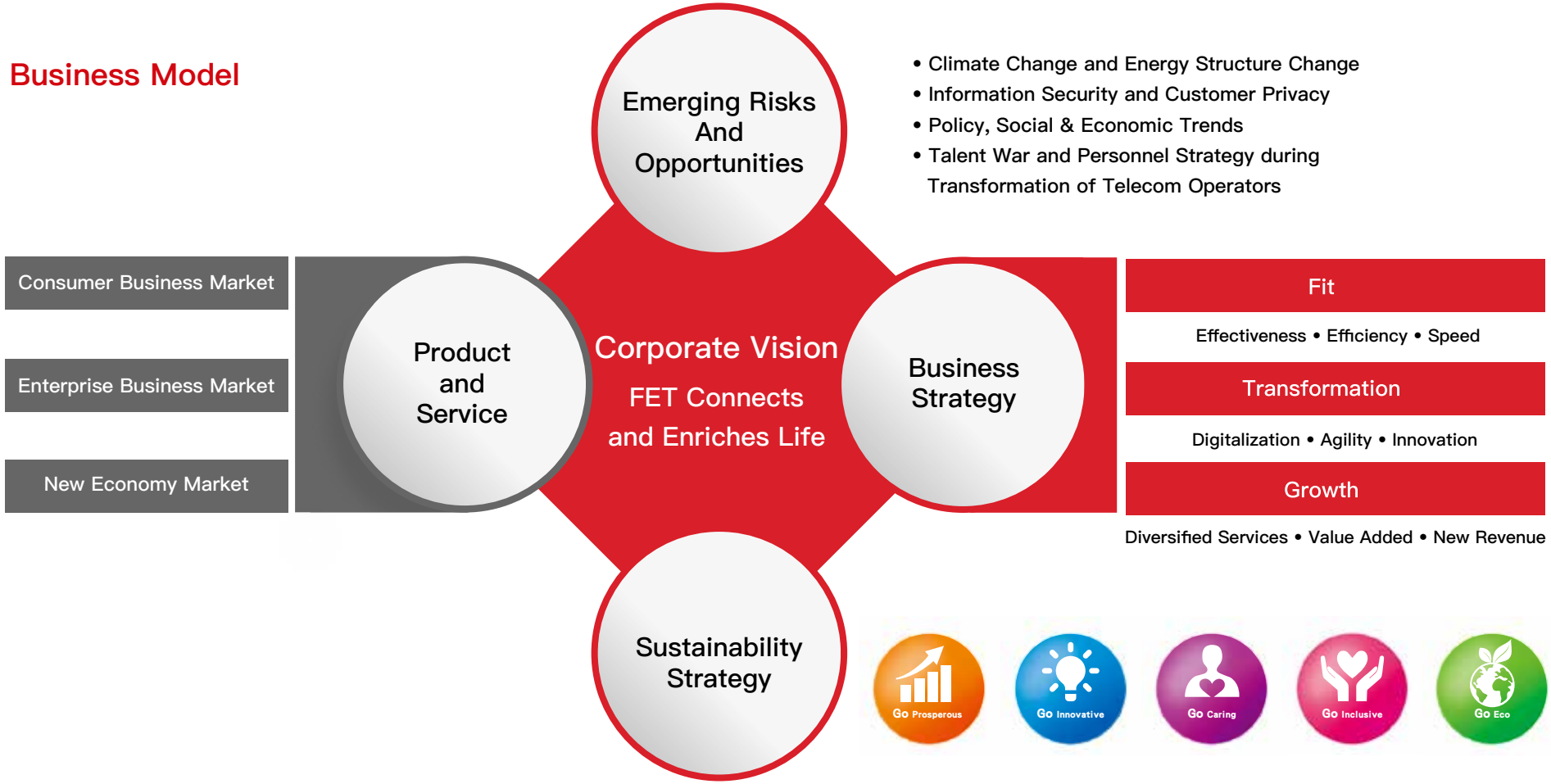
Received "Outstanding Smart Energy–Saving from Major Energy Consumer – Team A" from the New Taipei City Government

Received "The King of Electricity Saving in Kaohsiung" energy–saving innovative award for energy–saving advocacy from Kaohsiung City Government

1.4 FET Business Model

Operating Resources Foundation (By the end of 2018)		Annual Capital Input		Annual Capital Output (By the end of 2019)
Hardware		Financial Capital	Helps maintain daily operations of the organization and provides the key basis for products and services trough the accumulation of investment and business operations.	$89.7 billion	• Total market value $234.9 billion （↓ 5.6%） • Total assets $134.1 billion（↑ 5.8% ） • Consolidated revenue $83.8 billion （↓ 3.2% ） • Stable dividend per share $2.68
• Total Assets: $126.8 Billion • 821 Stores • 13,235 base stations • Internet coverage nationwide 99.5% • Internet coverage in rural areas 96%		Manufacturing capital	The investment and maintenance of ICT infrastructure to develop related services national-wide. This includes our stores, base stations, and data centers.	$26.6 billion	• 769 retail stores（↓ 6.3% ） • 15,154 base stations（↑ 14.5 % ） • Internet coverage nationwide: 99.6% （↑ 0.1% ） • Internet coverage in rural areas: 96.5%（↑ 0.5% ）
		Human Capital	Including talent and innovative thinking, the passing on of professional knowledge and experience, loyalty, and a sound human resource structure.	$6.6 billion	• Total number of employees: 6,240（↓ 4.7% ） • Employee turnover rate ↓ 1.45% • Training hours per person: 74.9 hours（↑ 14% ）
Software		Intellectual Capital	The experiences and technologies accumulated in ICT field, major intelligence capital includes patents, licenses, R&D capabilities, collaboration agreements, etc.	$0.56 billion	• New Economy revenue ↑ 21% • ICT total contract amount ↑ 86% • 9 new patents and trademarks
• Total Market Value $248.9 Billion • 7170K Subscribers • 6,550 Employees • 548 Patents and Trademark Rights • Customer Loyalty Grade Grade A		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.	$0.39 billion	• GHG emission reduction :12,994 tones（↓ 4.4% ） • Electricity consumption reduction :4,130 kWh （↓ 1% ） • Renewable Energy Generation（Prime EcoPower）208,943 kWh
		Social Capital	The maintenance of long-term partnership with value chain partners and other stakeholders, including customer and public relations management via brand campaigns, public charity activities, and community constructions and services.	$0.45 billion	• 7090K Subscribers（↓ 1.1% ） • Customer Satisfaction score: 9.12 • Customer NPS: Grade B

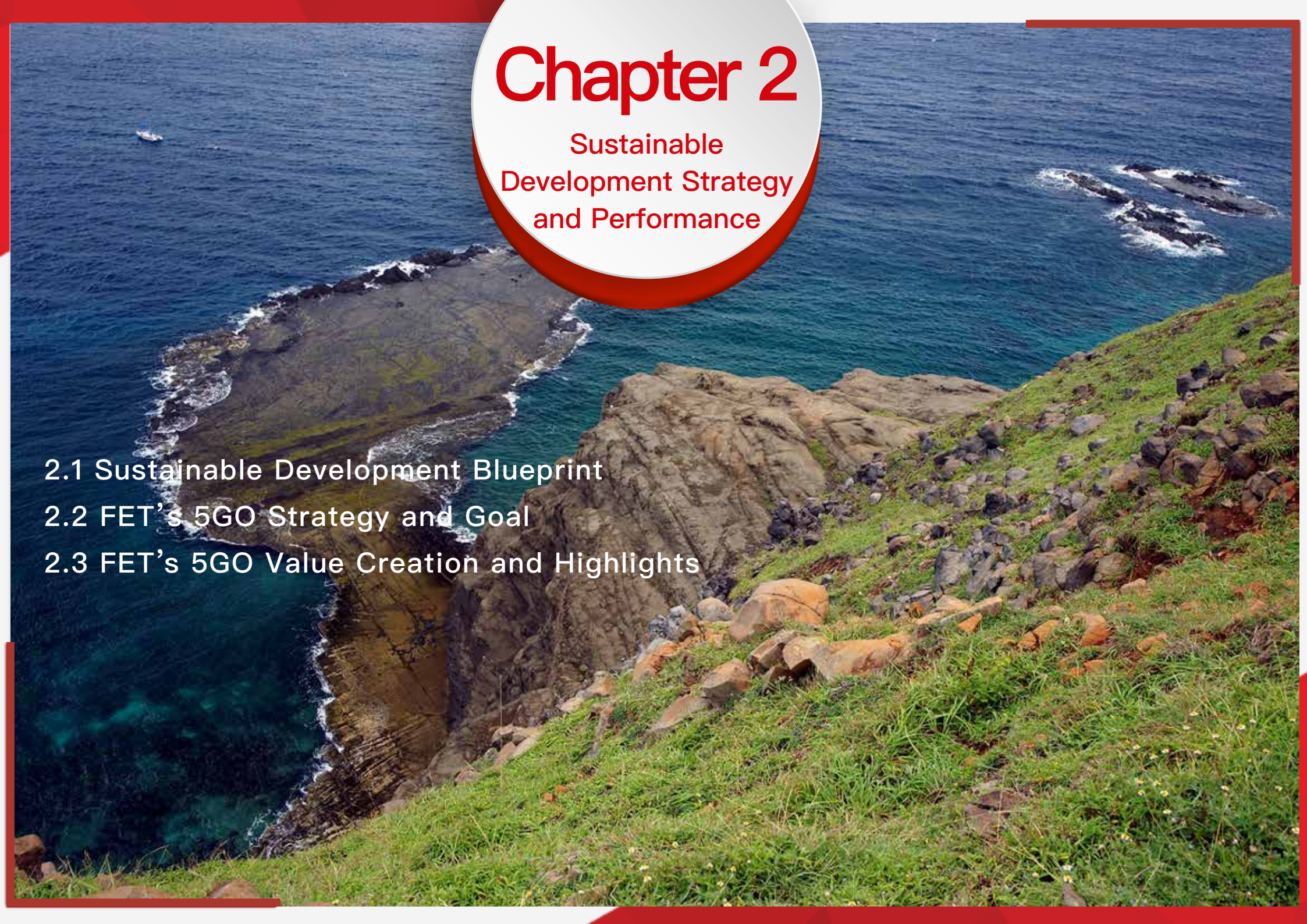
FET Business Model



Consumer Business Market	73%
Telecommunication Service (postpaid)	48.23%
Mobile Communication Device and Accessories	45.83%
Telecommunication Service (prepaid)	4.01%
Household BroadBand	0.59%
Wi-Fi Access	0.39%
Type II Telecommunication Service	0.19%
Others	0.76%

Enterprise Business Market	14%
Enterprise ICT Solutions	51.92%
Enterprise Mobile Communication Services	48.08%

New Economy Market	13%
ICT Business	43.39%
Digital Services	24.78%
Mobile Commerce	16.01%
Smart Home	2.14%
IoT Business	0.07%
Others	7.61%



Chapter 2

Sustainable Development Strategy and Performance

2.1 Sustainable Development Blueprint

2.2 FET's 5GO Strategy and Goal

2.3 FET's 5GO Value Creation and Highlights

2.1 Sustainable Development Blueprint

FET has established the "Blueprint for 2018–2025 Sustainable Development Strategy" in 2017 and formulated the mid-to-long-term goals. This year we will continue to evaluate resources needed and amend the long-term goals and action plans accordingly. We hope to strengthen our response towards 13 of the United Nation's Sustainable Development Goals (UN SDGs), so as to maximize the Company's contributions to the economy, environment and society, fulfilling FET's vision (FET Connects and Enriches Life) and becoming the most preferred partner in digital Life.

遠傳 FET

Blueprint for 2018–2025 Sustainable Development Strategy

Customers | Enterprise Clients | Investors/Shareholders | Competent Authorities | Employees | Suppliers | NGO | Media | Industry Peers

Go Prosperous

Collaborative Business Partner, Trustworthy Company
Collaborate with business partners and suppliers in order to achieve utmost profitability and prosperity in ICT business. Implement transparent, trustworthy, and integrated corporate governance and risk management system so as to become the role model in sustainable development.

- Stable Operations
- Value Sharing
- Integrated Governance

Go Innovative

Leading Enterprise in Digital Economy
By way of innovative products and services, lead the digitization of society and industry, and drive cross-industry, cross-border, and cross-domain economic activities

- Digital Innovation

Go Caring

Preferred brand for customers and employees
Create unique, caring and safe customer service and workplace, and become the Preferred Brand for customers and employees

- Excellent Service
- Talent Management

Go Inclusive

Social Connector
Create a fair, inclusive and connected information society via communication and core technology.

- Diverse Inclusion

Go Eco

Green Driver
Continue to reduce the operating environment footprint, and use core technology to drive the city and economy to a low-carbon, green transformation.

- Low Carbon Operation

2.2 FET's 5GO Strategy and Goal

FET continues to take 5 GO (Go prosperous, Go innovative, Go caring, Go inclusive and Go eco) as the main directions of development, and all business groups jointly formulate short- to long-term sustainable development action plans and goals.

Go Prosperous

Stable operations

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• 5G building & network coverage ratio	• Phase 1 Pilot testing of core network: completed dual-network linkage in preparation for 5G base station • Phase 2 build medium/high-frequency experimental fields: Completed building experimental fields and experimental network demonstration for mid-frequency 3.5GHz and high-frequency 28GHz at Tpark and Neihu Science Park, Nangang Science Park, Hsinchu Science Park, Taipei City Government and New Taipei City Government • Phase 3 tender bidding for 5G license — completed regulations and planning for commercial 5G system specification and begin 5G bandwidth bidding		• Expected 5G population coverage: 40%	• Expected 5G population coverage: 75%
• Ratio of revenues from new businesses on overall revenues	• Revenues from new businesses account for approximately 12.6% • (Revenues from ICT achievement rate 95%) • (Revenues from IoT achievement rate 130%) • (Revenues from CBU achievement rate 88%)	 achievement rate 93%	• Adjust KPI: 20% compound annual growth rate* (CAGR) for revenues from new businesses *To substantially convey FET's stable growth momentum and trends in developing new businesses, KPI is redefined as new business CAGR (%)	• Compound annual growth rate (CAGR%) 20%

Go Prosperous

Value Sharing

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• Number of suppliers to undergo CSR training at Supplier Conference	• Trained 242 suppliers		• 250 suppliers	• Implement supplier ESG management to enhance suppliers' sustainable performance
• Percentage of signature of CSR self-declaration by suppliers	• Completed 2019 audit and inspection; 98 suppliers signed the Self-Declaration; achievement rate 98%.		• 90% Supplier CSR Self-Declaration signage ratio from top 200 suppliers	
• Number of supplier to undergo third-party onsite audit	• Completed onsite audit for 30 suppliers.		• 30 suppliers	• Complete onsite audit for all identified tier-one critical suppliers
• Number of suppliers to undergo FET in-house onsite audit	• Completed onsite audit for 33 suppliers.		• 35 suppliers	
• Ratio of performance improvement in the high ESG risk suppliers	• Improvement ratio of 2018 high-risk suppliers in Q1 2019 ratio is 91.7%.		• 80%	• 85%

Go Prosperous
Integrated governance

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• TWSE Corporate Governance Evaluation	• Top 5% among all listed companies.	☑	• Top 5% among all listed companies	• Top 5% among all listed companies
• DJSI Sustainability Index	• Selected as component stock for DJSI World Index.	☑	• To be selected as component stock for DJSI World Index.	• To be selected as component stock for DJSI World Index.

Go Innovative
Digital Innovation

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• Number of active mobile subscribers	(Goal to be set on 2020)		• 1M	• Accelerate sustainable development of smart living and society via digital innovative products, acquire 5M active mobile users and 2,200K active users in new services.
• Number of active users in new services	(Goal to be set on 2020)		• 1,645K	
• Number of Total E-IoT Connections	• Achievement rate 20 %	⊖	• 307K (revised in 2020)	• Enhance digital sustainable development in society and industry through expanding partnerships with industry partners to IoT applications; 2025 revenues will be 139% over that of 2020
• E-IoT application fields	• Develop 11 vertical applications (energy management, Strategy Office, smart streetlamps, smart air quality detection, smart parking, smart grids and meters, asset tracking, smart city, Health+, remote medical and healthcare, and power charging)	☑	• Plan and develop 12 vertical applications	
• E-IoT revenue growth	(Goal to be set on 2020)		• Annual growth rate 73% YoY (added in 2020)	
• Total connections	• 11,303K	⊖ achievement rate 98 %	• (Goal to be removed after 2020)	–
• Number of connections for new services	• 3,991K	☑	• (Goal to be removed after 2020)	–

Go Caring

Excellent Service

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• Customer Net Promoter Score (NPS)/Touchpoint Net Promoter Score (NPS) at each service site (store, call center, Self-Care app)	• Grade B	⊖	• (Goal is adjusted to touchpoint NPS from 2020) • Store: maintain 85 points and above • Call center: 43 points • Self-care APP: 62 points	• Store: maintain 85 points and above • Call center: 50 points • Self-care APP: 69 points
• Ratio of digital service use	• Ratio of digital services reached 57% • e-bill adoption rate 65.1%	☑	• (Goal to be deleted after 2020)	–
• SGS Qualicert service certification	• Passed and received SGS Qualicert	☑	• Stores continue to pass SGS Service Qualicert	• Stores continue to pass SGS Service Qualicert
• ISO Information Security Management certification	• Continue to pass and receive ISO 27001 Information Security Management certification	☑	• 100% passing and receiving certification	• 100% passing and receiving certification
• International standard certification for personal data management	• Continue to pass and receive BS 10012 Personal Information Management System certification	☑	• 100% passing and receiving certification	• 100% passing and receiving certification
• Zero personal data leakage	• 1* incident * Incident in 2019 occurred from personnel's negligence and inappropriate management. Subsequently, FET continued to reinforce and test the information awareness of information security in internal personnel, and risks are immediately improved in order to improve expected risks.	⊖	• Zero personal data leakage	• Zero personal data leakage

Go Caring

Talent Management

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• Incorporate sustainability related KPI into employees and managers' performance evaluation	• Introduce to performance evaluation for ranks of associate managers and above	☑	• Introduce to performance evaluation for ranks of associate managers and above	• Introduce to performance evaluation for all employees
• 100% compliance with Labor Standards Act; prohibits any violations and human rights infringements	• 100% compliance with Labor Standards Act; prohibits any violations and human rights infringements	☑	• 100% compliance with Labor Standards Act; prohibits any violations and human rights infringements	• Ensure philosophy and principles of human rights and require all suppliers throughout supply chain to do the same; collaborate with supply chain to ensure no human rights violations
• Maintain dual certifications in occupational safety and health	• Continue to pass and receive both certifications	☑	• Continue to pass and receive ISO45001 • Receive Badge of Accredited Healthy Workplace	• Continue to pass and receive ISO45001
• Protect employees' freedom of speech and provide diverse and free communication channels; employee communication response ratio • Employee communication engagement rate	• 100% • Achieve 76% employee communication engagement	☑	• 100%	• Employee communication response ratio 100% • Achieve 76% employee communication engagement
• Increase employee Net Promotor Score (eNPS)	• (Goal to be set on 2020)		• +5 (scores conducted in May and October)	• +5 (YOY)
• Average hours of training per employee per year	• 74 hours	☑	• 68 hours	• 72 hours
• Empower employees	• Achieved 100% employee learning opportunities • Successfully passed and received TTQS certification • Established Digital/Data Analysis Incubation Center	☑	• Plan self-learning courses for employees • Achieve 100% employee learning opportunities • Receive Gold Medal from Talent Quality-management System	• Encourage employee career development and promote empowerment • Achieve 100% employee learning opportunities • Receive Gold Medal from Talent Quality-management System

Go Inclusive
Diverse Inclusion

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• Network coverage ratio in remote areas	• 96.5%	☑	• 96.5%	• 98.0%
• Number of persons reached through influence from social welfare projects	• Reach 2.09 million persons	☑	• Reach 2.20 million persons	• Reach 6.40 million persons
• Ratio of female managers among all managers * Note: goal was included in Go Caring previously, and is now included in Go Inclusive as of 2019	• 31%	⊖	• No less than 30%	• No less than 30%

Go Eco
Low Carbon Operation

Development Indicators	2019 Performance	Achievement	2020 Goals	2025 Goals
• Greenhouse gas emissions reduction	• –4.8%	☑	• 1.56% (goal reduced due to future 5G infrastructure building)	• Cumulatively reduce GHG Scope 1+2 emissions by 14.47% from base year in 2016 • Continuous improvement in energy performance indicators; PUE = 1.5 or below in newly built IDC • Renewable energy capacity 1,081KWp (108X from base year in 2016)
• Annual office power consumption EUI per ping	• –4.28%	☑	• –1.5%	
• IDC average power efficiency PUE	• –1.31%	☑	• –1%	
• Average power consumption from FET directly-operated stores	• –5.53%	☑	• –3%	
• Base station power consumption per 1GB transmission	• –15.76%	☑	• –5%	
• Total renewable energy generated	• 462KWp	☑	• 525KWp	

Go Prosperous

Stable Operations

Corresponding Risks and Opportunities: ICT revolution(5G) | Changes in telecom regulation

Annual Capital Expenditure

Financial capital

- Net cash outflow from investing activities **NT$7.99 billion**
- Net cash outflow from financing activities **NT$9.85 billion**
- Operating expense **NT$14.83 billion**
- Operating costs **NT$57.1 billion**

Production capital

- Annual capital expenditure **NT$6.69 billion**
- Annual depreciation/amortization expense **NT$14.39 billion**
- Network infrastructure & maintenance **NT$5.1 billion**
- Stores/Servers/IT Equipment building and maintenance **$0.56 billion**

Annual Benefits

Financial capital

- Growth rate in service market share **25.6%**
- Debt-to-asset ratio **47.4%**
- Company value **NT$234.94 billion**
- Consolidated revenue **NT$83.87 billion**
- EBITDA annual growth rate **9.2%**

Production capital

- 4G successful connection rate **99.96%**
- Increased **1,919** base stations/year
- Telecom service coverage ratio **99.6%**
- Increased **8,109** new IT equipment assets

2019 Highlights

First 5G Field– Tpark Experimental Project

FET has established the first 5G experimental field together with Taipei City Government at the hub of ICT industry — Neihu Science Park, through utilizing our pioneering 5G technologies and rich network resources. FET established 5G 3.5GHz base station with Ericsson Taiwan and launched 5G network. We also collaborated with Taipei City Government to launch the "Nei-Hu Science Park 5G Experimental Project" and provided 100 free, 3-month subscriptions for the innovative 5G experiential program to various industries and teams, in order to accelerate the commercialization of innovative ideas. Backed by Big Data, AI, and IoT technologies, FET will provide friendly IoT development platform, diverse commercial application technologies and value-added services, and partner with Taipei City Government in developing the 5G industry in Taiwan.

First Dual-Connection Test for 4G LTE & 5G NR in Taiwan

FET is actively promoting the developments of 5G technology in Taiwan. We are guiding our strategic partners to build a 5G ecology and striving to conduct tests outside of lab environments to prepare for 5G bandwidth in 2020. After FET's first successful 5G network voice call test in Taiwan, we also partnered with Ericsson Taiwan to achieve the first 4G LTE & 5G NR dual-connection at Tpark in New Taipei City, thereby setting a new milestone in 5G development in Taiwan!

Go Prosperous

Value Sharing

Annual Capital Expenditure

Social capital

- Annual procurement expense **NT$34.17 billion**
- Green procurement value **NT$300 million**
- Supplier training, assessment & audit **NT$2.5 million**
- Participation and investments in associations **NT$8.54 million**

Annual Benefits

Social capital

- **1,131** total transacting suppliers
- Completed ESG quantitative risk assessment of **212** suppliers
- **242** suppliers participated in supplier training
- **431** suppliers completed training in online platform

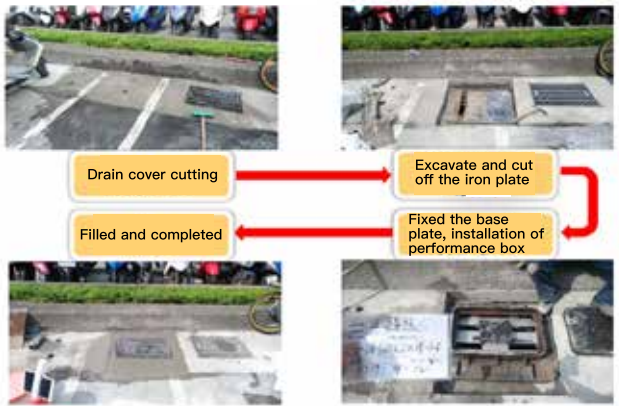
2019 Highlights

Proposing Innovative Processing with Suppliers to Reduce Downtime for Repair

To provide more comprehensive telecom service to customers, FET supports the government's full 4G network policy by building network infrastructure throughout Taiwan, ranging from outlying islands, Yushan Mountain, Hehuanshan, to the most remote areas in Taiwan. FET has built a nearly 40,000km fiber-optic network throughout Taiwan. We collaborated with supplier (TTCC) to innovate the design of drain covers to solve the problem of fiber-optic network cabinets clogging the drain.

By reinforcing CSR through innovative processes, we collaborate with suppliers and designed a multifunctional drain cover. Besides solving the floods from the government's inability to clear the drain during raining season due to massive installation of fiber-optic cabinets to meet network coverage demand, it also shortens the fiber-optic network repair time, thereby effectively reducing the impact of downtime on customers.

Multifunctional drain cover construction process



Suppliers CSR Conference

Based on the concept of "Create sustainability and beauty altogether", FET has organized a total of 2 Supplier Conferences in 2019 to conduct communication and training on sustainable governance, supplier management, environmental management, labor rights and social aspects. Furthermore, to fulfill supplier management policy in practice, FET has conducted a third-party supplier ESG assessment this year with reference to the global supply chain sustainability standards. The supplier ESG evaluation was conducted with supplier ESG self-assessment questionnaire designed on a total of 19 types of issues from 5 aspects, which include sustainable governance, supplier management, environmental management, labor rights and social welfare. A total of 148 suppliers participated and 10 excellent suppliers were selected and were invited to share their experience in the meeting , strengthening the partner relationship between various suppliers.

Third-party Supplier Sustainability Assessment to Strengthen Partnership for the first time

A new supplier ESG assessment mechanism was initiated since July 2019. All newly registered suppliers are required to fill out ESG quantitative assessment questionnaire, and would be rated on ESG performance, which would serve as the basis for their future training. In addition, ESG screening was enforced as of October 2019. All participating suppliers in the tender for major projects would have to pass the ESG risk assessment. Those who fail will not be able to participate in the selection process.

Go Prosperous

Integrated Governance

Corresponding Risks and Opportunities: Changes in telecom regulation | Integrated risk management

2019 Highlights

Selected as Component Stock for DJSI World Index for the First time

FET's determination in promoting sustainable management continues to be recognized by international assessment agencies. The latest Sustainability Yearbook 2020 published by the international sustainability ratings institution S & P Global and RobecoSAM ranked the sustainable development performances of 4,710 large-scale enterprises in 61 industries throughout the world, and FET has received "Industry Mover" in global telecom service sector for two years in a roll, proving the Company's ESG performances are abreast with international benchmarks. Additionally, FET received Silver Class award for the first time among the top 15% of all global enterprises with outstanding scores. Based on the 2019 DJSI sustainability assessment results, FET's performance on the DJSI survey also reached new heights and was selected as component for DJSI World Index for the first time. FET ranks No. 4 in telecom sector in terms of sustainable performance throughout the world.

17 PARTNERSHIPS FOR THE GOALS

MEMBER OF
Dow Jones Sustainability Indices
In collaboration with SAM a RobecoSAM brand

SAM Sustainability Award Industry mover 2020

SAM Sustainability Award Silver Class 2020

Achieved the Highly Acclaimed Honor of Top 5% in Corporate Governance Assessment for Five Consecutive Years

As a leading brand in ICT and a benchmark in sustainability, FET values corporate governance and sustainable management, and have won the highest honor of top 5% in TWSE's Corporate Governance Assessment for five consecutive years, indicating the Company's exceptional performance in terms of the four major aspects: "protecting shareholders' rights and interests and treating all shareholders equally," "strengthening structure and operations of the Board of Directors," "enhancing information transparency," and "fulfilling corporate social responsibility." Only 13 companies throughout Taiwan have ranked in top 5% for five consecutive years.

17 PARTNERSHIPS FOR THE GOALS

Go Innovative

Digital Innovation

Corresponding Risks and Opportunities

Changes in population structure; urbanization and digital gap

Annual Capital Expenditure

Intellectual Property Capital

- Patent and trademark application & protection **NT$2.156 million**
- Innovative products/services* annual R&D expense **NT$130 million**
- Investments toward partnerships/agreements **NT$890 thousand**

Annual Benefits

Intellectual Property Capital

- Acquired **9** new patents and trademarks
- Annual total revenues **NT$2.53 billion** from innovative products/services*
- Received **3** partnership agreements

* Note: includes IoT products, services, digital products/services and system/processing improvements and developments

2019 Highlights

First Enterprise in Taiwan to Achieve Outdoor Smart Parking Application

FET pioneered the industry to build a large-scale outdoor smart carpark application in Taiwan. In 2018, we built an "NB-IoT Parking Go" system in Taoyuan City. The system was installed in the magnetometer of 400 parking spaces throughout the city and provides real-time car park information to the residents. In addition, the magnetometer was further installed in six major cities (Taichung City, Hsinchu City, Hsinchu County, Tainan City, New Taipei City and Nantou County) in 2019. The system significantly enhanced the management effectiveness over parking spaces and the turnover ratio of outdoor parking, thereby solving congestion, traffic and air pollution from idle vehicles, as well as parking violations due to inability to find parking spaces. FET is currently the largest curbside parking application service provider in Taiwan.

Pioneered 5G Remote Diagnostic Clinical Project

FET has partnered with three major medical institutions (Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital, and Kaohsiung Medical University Chung-Ho Memorial Hospital) to demonstrate 5G remote diagnostics project at remote areas. We hope to make up for the lack of specialized doctors at rural areas through this project and solve the rural residents' burdens related to visiting hospitals. By utilizing the latest 5G technology, FET minimized the time lag for real-time video by 10 times, allowing visual images to be shown even faster. At the same time, by integrating IoT technology, we enabled mobile medical services so that medical treatment is no longer constrained by time and place. This helps to achieve our goal of "borderless healthcare, spread health far. KMU Chung-Ho Memorial Hospital has already launched ENT, dermatology and ophthalmology remote diagnostics on every Monday, Wednesday and Thursday, benefitting more than 6,000 residents at Dawu Township, who no longer need to suffer through a 2-hour ride to enjoy quality medical services. In addition, the service is also integrated with hospital registration system and imaging is uploaded to the hospital in real-time, so that subsequent patient filing and doctors' report can be completed.

Commenced "Taoyuan Taoyuan Smart NB-IoT Streetlights Project Project" with Taoyuan City Government

FET views smart city applications as exemplary of using our core technologies to drive the world toward low-carbon and green developments. We assessed the external environment and social benefits in replacing smart NB-IoT streetlights in Taoyuan to understand the sustainable values that would be created and to use as reference in FET's continued project implementations and innovative R&D objectives in the future. By replacing traditional streetlights with smart NB-IoT streetlights, it was found that power generation needs could be effectively reduced, thereby reducing carbon emissions and air pollutants and mitigating climate change and air pollution problems. In addition, the electricity bills saved in each year can be used toward other City Government infrastructure and create other economic benefits. In terms of social aspect, by enhancing effective lighting rate, real-time remote surveillance and abnormality detection and warning, and traffic accidents could also be reduced. These environmental, economic and social benefits can cumulatively create up to NT$176.79 million in economic benefits in each year.

Go Caring

Excellent Service

Corresponding Risks and Opportunities

Information security and customer privacy

Annual Capital Expenditure		Annual Benefits	
IP Capital	• **NT$4 million** in optimizing/ maintaining Call Center Self–Care app	IP Capital	• A rating satisfaction for Call Center Self–Care app
Social capital	• Invested **NT$200 million** in brand management • EMR measurement **NT$360 thousand** • **NT$6.83 million** in training of store and Call Center personnel • **NT$1.1 million** in training of personnel from franchise stores	Social capital	• FET social network reached **8.257 million** persons • FET conducted **66** EMR measurements • Overall satisfaction rate **69%** • Training passing rate **99%** from franchise stores

2019 Highlights

Build Comprehensive Digital Call Center through Data Analytics

By utilizing a variety of digital tools, FET strives to transform to a digital Call Center to maintain the best customer experience through high–efficiency and high–quality services:

- Reinforce self–service functions and increase ratio of digitization. Achieved 71% digitization by 2019: introduced smart call transfer and introduced predictive function in the IVR menu to provide customers with the most suitable menu items based on predicting customers' queries. Furthermore, the text bot has been continuously optimized since the function was launched, and channel exposures were increased, thereby achieving a 72% text bot usage rate.
- Significantly increased ratio of solving network signal problem by 17% by using data analytics — through implementing Network CEM (Customer Experience Management) system, customers' online behavior could be analyzed via data analytics so that customer service personnel could check signal status on the customers' end more effectively and provide suitable solutions accordingly.
- Increase customer loyalty and satisfaction via Customer Journey Map (CJM): in each stage of a customer's journey, we will first predict the customer's demand, engage customers to gain more trust during service, and to actively care about customers after service to become even closer and to think more for them, thereby bringing them brand–new customer experiences.

Pioneered Hybrid Store to Provide Diverse Service Experiences

Confronted with continuously increasing demands for lifestyle contents from consumers, FET has thoughtfully planned to establish localized, exclusive and customized stores such as the Future Store at "Syntrend", "Heart" Store at Xinyi Vieshow cinema, and the Xining West direct shop in Taipei. In 2019, we also launched hybrid store strategy by simultaneously developing service skills and uniqueness characters. Such efforts have included opening the Hybrid Experience Cafes in cooperation with the well–known Louisa Coffee in Zhongli and Hsinchu Station, where customers can experience digital technologies. The Digital Experience Store at Nanchang Street in Taipei in cooperation with 7–Eleven; and the 3C (consumer electronics) Digital Convergence Store at Tucheng in cooperation with Digital City. We wish for consumers to enjoy coffee, convenience store functions, and consumer electronics while trying out FET's comprehensive digital services, and for our customers to feel more warmth in their daily lives through these hybrid stores.

Established 5G Security Policy and Goals

FET has always implemented the most rigorous requirements for information security and personal data safety management. We passed and received multiple international accreditation standards in 2019, demonstrating FET's performances in fulfilling information security and personal data protection.

The innovative structures and technologies of 5G can flexibly and rapidly support and promote various growth possibilities of emerging services and innovative applications. Besides, 5G can also serve as critical foundations to promoting digital transformations of industries, digital nation, and digital economy. Therefore, ensuring overall ICT safety and the protection of customers' private information, and to provide safe, reliable, and robust services, will be important tasks and goals in the security of 5G ICT.

To respond to new milestones set by 5G systems and to ensure stable operations after the 5G system is launched, FET has established a 5G Security Policy: "To build a secure and reliable network, ensure business continuity and resilience, comply with laws and the competent authority, and to protect user privacy". In addition, corresponding protective measures have been established to ensure that FET can successfully accomplish its responsibilities and duties in 5G communications network and services.

Go Caring

Talent Management

Corresponding Risks and Opportunities

Talent war and personnel strategy during transformation of telecom operators

Annual Capital Expenditure				Annual Benefits			
IP Capital	• **NT$4.49 million** in professional skills/technology training	Talent Capital	• Annual training cost **NT$26.55 million** • Annual recruitment cost **NT$9.64 million** • Annual pay & bonuses **NT$6.58 billion**	IP Capital	• Total hours of professional skills/ technology training **31,720** hours	Talent Capital	• Total number of employees trained: **13,597** • Average hours of training per person: **32.7** hours • Number of new employees this year: **862** persons • Employee turnover ratio **23%** • Employee cohesion **76%**

2019 Highlights

Inter-departmental Project Training to Promote an Agile Culture

The training program started in 2018 and the contents ranges from online/offline agility training course, agility coaching, introduction to agility tools, to building an agile work environment. FET has built a one-in-one training system that combines theory with practice. Starting from the organization's pain points (lacking effective integration for product demand and system development), a cross-departmental project team is built and implemented in practice, thus applying FET's 3E talent development model toward promoting an agile culture and building our agile mechanism.

Strengthen Employee Communications by Organizing Enthusiasm Leadership Camp

To build consistent performance-based management philosophy in 350 entry-level and mid-tier executives, we continue to emphasize the importance of listening, communications, and feedback. This will help toward communicating with entry-level employees and to enhance the caring leadership skills in executives, promoting a positive and performance-based cycle.

Co-hosted AI Hackathon with Microsoft and Amazon

Two FET AI Hackathons were held with our long-term partners respectively in the AI field, Microsoft and Amazon. FET encouraged talents from every department to develop innovative AI solutions by brainstorming creative ideas and creating diverse AI solutions for different applications. The two competitions were participated by 200 employees, who formed 42 teams. And Professors from related fields, FET partners, and FET experts jointly selected 6 winning teams.
Currently, one of the projects have been completed, and through the two training and competitions, our employees can see clearer pictures of AI applications in smart offices or related smart fields. Besides simulating internal smart office settings, the hackathons also set the basis to integrating AI with 5G in the future, setting a cornerstone in FET's 5G applications.

Go Inclusive

Diverse Inclusion

Corresponding Risks and Opportunities

ICT Revolution (5G)

Changes in population structure; urbanization and digital gap

Annual Capital Expenditure	Annual Benefits
Social Capital	Social Capital
• Universal telecom service investment **NT$186 million** • Infrastructure investment in remote areas **NT$48 million** • Social welfare investment **NT$7.363 million** • **3,311** volunteers involved	• LTE signal coverage in remote areas **96.5%** • **14** broadband-receiving mobile base stations in remote areas • **37** mobile telecom base stations dedicated to strengthening disaster relief • Assisted to raise **NT$4.476 million** of funds • Social welfare projects benefited **1.46 million** persons

2019 Highlights

Pioneered Sustainability Store to Focus on Sustainable Actions in Communities

FET's first Sustainability Store activity in 2019 was promoted in three aspects: low-carbon and environmental protection, innovative caring, as well as safety and health. The stores led residents in nearby communities to participate in sustainable actions together with FET.

Low-carbon & environmental protection: saved 400 thousand kWh of power, or approximately NT$1.2 million in electricity bills via energy-saving idea; promoted discounts to encourage customers to recycle waste cellphones, power banks, and batteries. The recycle rate increased by at least 2 times YoY

Innovative caring: 161 in-store activities including family events, visits to the Taiwan Fund for Children and Families, caring for senior homes, beach cleanup, decorating the neighborhood environments, Mother's Day and Halloween events were held throughout Taiwan, and had cumulatively 2,125 participants. The activities allowed us to connect with the residents and for them to perceive our "innovative" and "caring" service philosophies.

Safety and health: 182 voluntary occupational safety and health precautionary improvements were carried out; employees also encouraged each other to exercise and approximately 473 employees participated in weight loss activity, and cumulatively lost 600 kilograms.

Strengthen Disaster Relief in Mountains and Completed Construction of Yushan (Mt. Jade) Disaster Relief Mobile Base Station

To strengthen emergency rescue capacity in the mountain areas, FET responded to government policy and continues to build disaster relief mobile base stations. The Yushan (Mt. Jade) base station, built on the tallest peak throughout Northeast Asia, was completed in July 2019.

Since project planning began in March 2012, we went through multiple tasks and processes including environmental assessment, water and soil conservation filing, and topographic reconnaissance. Due to geographical location, manual labor was needed to carry the equipment for solar power engineering and digital microwave transmission system engineering to the North Peak of Yushan. (Mt. Jade) This nearly impossible project took 7 years, more than NT$40 million, and nearly 1,000 loading and engineering staff to complete.

Integrated Digital Learning with Charity by Organizing the First Digital Educational Online Learning competition

The FET x PaGamO Digital Education Online learning competition was organized by FET's "Revolutionize Education, Spread Love Far" project. Participated by 733 students from 82 elementary schools and 71 junior high schools, the educational online learning competition adopted children's beloved online learning platform PaGamO. By using FET's focus of "big data, AI, and IoT" as quiz questions, elementary and junior high school students can learn about relevant new technologies and fields, thereby increasing their digital awareness. Besides providing scholarships to top 10 students in the competition, scholarships are also given to students from rural areas to spread love while revolutionizing education.

Go Eco

Low Carbon Operation

Corresponding Risks and Opportunities

Climate change and energy structural changes

Annual Capital Expenditure		Annual Benefits	
Environmental Capital	• Investment in energy-saving programs **NT$153.53 million** • Green procurement expense **NT$307 million** • Waste disposal **NT$980 thousand** • Green energy investment **NT$26.06 million** (Prime EcoPower)	Environmental Capital	• Reduced **4,130** thousands kWh of electricity consumption/year • Reduced **12,994** tons of GHG emission/year • Reduced **302** tons of waste/year • Generated **208,943** kWh of power via green energy

2019 Highlights

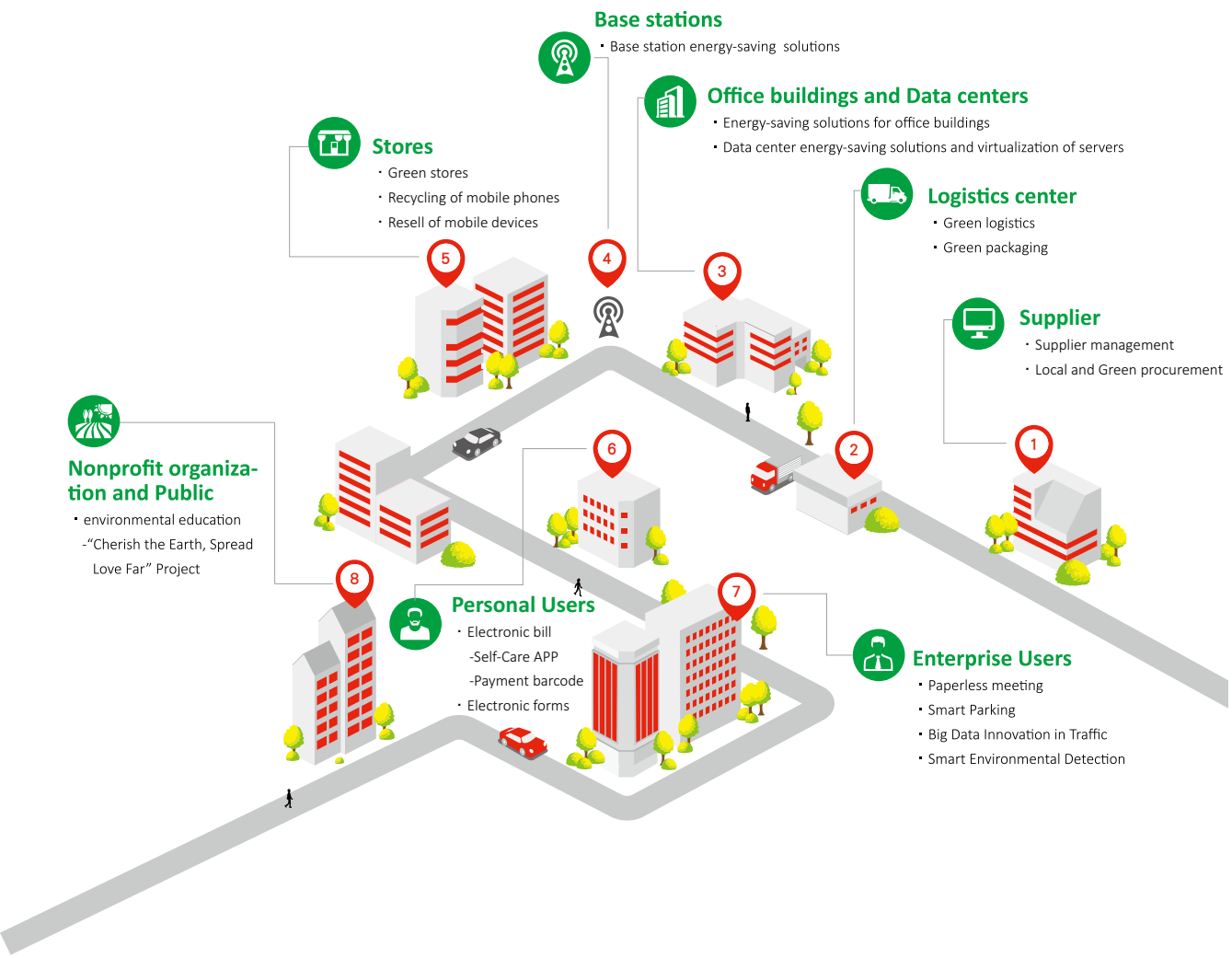
Third Telecom Operator in Asia to Pass Science-based Targets (SBT)

FET's mid- and long-term carbon reduction targets were set according to the international Science-Based Target (SBT). After submitting our target to the Science-Based Targets initiative (SBTi) in June 2019, we were approved in July of the same year, making FET the third telecommunications operator in Asia to receive this international certification. FET's target is to reduce total Scope 1 and Scope 2 greenhouse emissions in year 2030 by 20.3% from our base year in 2016, and to reduce total Scope 3 emissions by 17.2% from that of 2016.

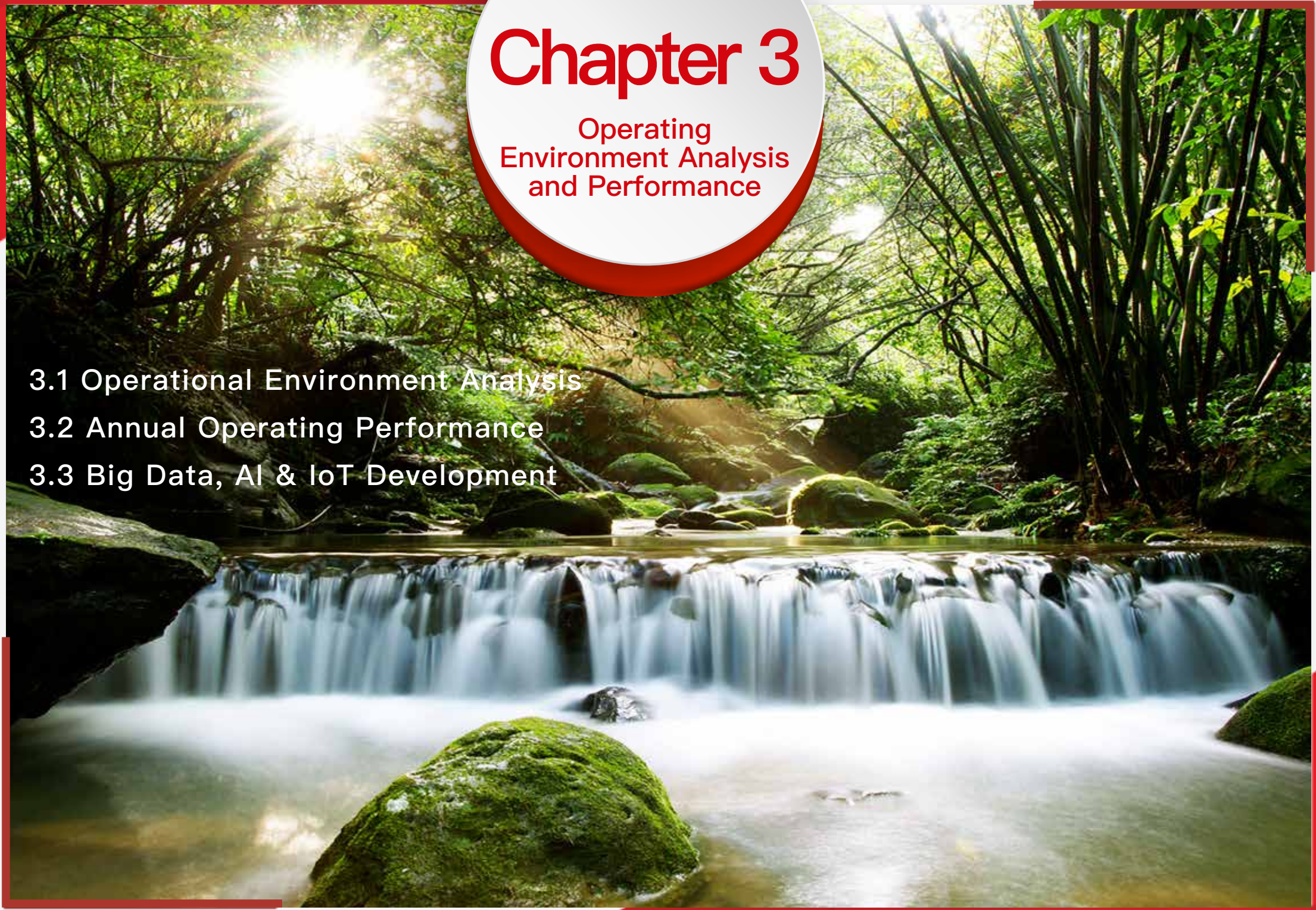
Comprehensive Inventories on Risks and Opportunities from Climate Change & Adoption of TCFD Guidance

Since 2018, FET conducted comprehensive examination on climate change, energy risks and FET's corresponding management approaches through the four aspects of governance, strategies, risk management, and targets in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendation. FET has identified six key risk factors associated with climate change, and further evaluated the routes and scale of financial impacts based on the scenario of global temperature rises by 2 degrees Celsius. Response measures are also planned one by one. In 2019, FET conducted monetized assessment of financial impacts from the largest risk factor to our operations — increased frequency of strong typhoons. Result of the assessment is described in 6.1.2 Climate Strategies.

FET 2019 Green value chain energy-saving solutions



Scope of Impact	FET Green Value Chain Energy-saving Solutions	Carbon Reduction in 2019(Tons/Year)
Supplier	Green procurement	NT$307 million
Logistics center	Green logistics and packaging	Carbon reduction of 335 tons/year
Office buildings	Energy-saving solutions for offices	Carbon reduction of 526 tons/year
Data Centers	Data center energy-saving solutions and virtualization of servers	Carbon reduction of 580 tons/year
Base stations	Base station reduction solution	Carbon reduction of 8,341 tons/year
Stores	Green stores	Carbon reduction of 456 tons/year
	Recycling of mobile phones and resell of mobile devices	Carbon reduction of 71 tons/year
Personal Users	Electronic bill /forms	Carbon reduction of 117 tons/year
Public	"Cherish the Earth, Spread Love Far" environmental education program	7,299 green actions



Chapter 3

Operating Environment Analysis and Performance

3.1 Operational Environment Analysis

3.2 Annual Operating Performance

3.3 Big Data, AI & IoT Development

3.1 Operational Environment Analysis

3.1.1 External Environment Analysis

With reference to the "Telecommunication Service Industry Prosperity Survey Report 2020" published by the Taiwan Institute of Economic Research, FET conducted an external environment analysis of the telecommunication industry according to the following aspects which is helpful to our regular reviews of sustainable strategic goals and actions plan.

External Factors with Major Impacts on the Year

Economic & Market

- Major telecom operators continue to adopt low rate plan strategies to attract customers and maintain market shares. Taiwan's total telecom revenues in 2019 were NT$313 billion, showing a slight 1.43% decrease from that of 2018.
- Taiwan had 29.3059 million 4G subscribers as of September 30, 2019, representing a 10.92% year–on–year (YOY) increase over 2018. Mobile 4G service revenues were NT$120.639 billion, showing a slight 1.09% YOY increase from 2018.
- The competition for unlimited rate plans from telecom operators continues to be very intense, and the average rate plan prices has shown a downward trajectory. With the combined effects from alternative services including instant messaging (IM) apps, the volume of mobile voice calls in 2019 has declined accordingly. Revenues from fixed line voice calls, long–distance calls, and international calls in 2019 have declined by 3.85%, 8.75%, and 13.85% respectively from the figures in 2018.
- Subscribers of Fiber To The x (FTTx) network have reached 3.7208 million by September, 2019, showing a 1.24% increase from December 31, 2018. However, since the broadband network market is becoming saturated and the substitution effect of 4G mobile broadband has become more apparent, the growth in numbers of FTTx subscribers has slowed accordingly.

Social

- Renowned global enterprises have had severe information security incidents one–by–one, leading the public to be increasingly concerned about personal data protection. In addition to the European Union's enactment of the General Data Protection Regulations (GDPR) to strengthen personal data protection, all other countries are also tightening their respective personal data protection acts.
- Workers' rights issues in the supply chain continues to be a topic of global concerns. Investigations from the Australian Strategic Policy Institute (ASPI) pointed out that 27 factories in 9 Chinese provinces have used forced labor from Uyghurs that were sent from Xinjiang. This has affected the supply chains of over 80 globally famous brands, including reputable tech brands.
- In 2019, the U.S.–China trade war entered the playoffs. If the tariff barriers continue to rise, the influence of the Taiwanese telecommunications industry in Chinese supply chain is broad and the degree of impact will raise ensued.

Technological

- To become an industry leader in the "Taiwan's 5G Action Plan," in consideration of the fact that standards for 5G technology are still being developed and different operators are building related infrastructure at different times, in August 2019, the National Communications Commission (NCC) has launched a 3–year (2020 to 2022) government technology development plan to undertake related legal adjustments and field verification to ensure the information security of 5G network is aligned with global standards.
- Certain technologies for mobile 5G service are yet to be confirmed; coupled with high construction price and high power consumption at base stations have led to relatively higher initial rate plan charges, which may be an unfavorable factor that leads to consumer speculation.

Environmental

- Taiwan's "The Greenhouse Gas Reduction Act" plans to implement a carbon emissions trading system. In the future, the greenhouse gas emissions exceeding the approved allowance may be offset by way of carbon trading. The penalty for emission volume exceeding the allowance is three times of carbon market listed price, with NT$1,500 per metric ton as the upper limit.
- The latest annual emissions report from the United Nations Environment Programme (UNEP) indicated that, in order to contain temperature goal of 1.5° C, global emissions need to decrease by 7.6% annually before 2030.
- Climate change could possibly impact the habits of business travel, leading businesses to substitute real travels with video conferencing, which may be a potential business opportunity for the ICT industry.

Political&Legal

- The NCC approved the amendment drafts for Telecommunications Universal Service Regulations in January 2019, which aims to adopt universal mobile broadband service and to optimize network coverage in rural areas to alleviate the urbal–rural gap and to enhance the right to digital use in rural areas.
- In May 2019, the Legislative Yuan passed third reading of the draft to the Telecommunications Management Act, which grants more flexibility to telecom operators to utilize their frequency resources. At the same time, there would be more diversity in terms of building or leasing telecommunications infrastructure construction and usage, which helps to accelerate the construction and renewal of 5G infrastructure.
- In June 2019, NCC approved the amendment draft of the Regulations for Administration of Broadband Businesses, which specifies the standards for network infrastructure for telecom operators who have acquired 5G frequency. In particular, operators who placed successful bids for 3.5GHz frequency shall use their newly acquired 3.5GHz frequency or to upgrade existing 4G frequency to 5G base stations, and to cover at least 50% of Taiwan's population and to build at least one thousand 5G base stations within five years. NCC regulates the telecom operators launching rate plans with cross–industry operators shall clearly specify the identities of the telecom service providers, and comply with relevant laws and regulations.

3.1.2 Key Sustainability Risks

To ensure that the Company's sustainability strategies are able to withstand long-term challenges, FET continuously observe the ICT industry trend, technology development, policy and socio-economic changes, then compared the results with corporate operating strategy and development directions to identify four key emerging risk factors. In response to the potential impacts and business opportunities presented by the risk factors, FET have devised proper operational strategies to ensure the sustainability of the organization.

Risk Factors	Risks	Trends	Impacts	Response measures	Control KPI
 Climate Change and Energy Structure Change	· Physical and transition risks from climate change. · Rise in total power consumption and energy use intensity (EUI) from 5G introduction. · Increasingly rigorous renewable energy policy and related laws and regulations from the government.	▲ ▲ ▲	· Increase in frequency and likelihood of severe typhoons and extreme rainfall; increasingly frequent natural disasters could increase interruptions in service or operations of FET base stations or equipment rooms · Average temperature rises, resulting in increased FET electricity costs and instability in power supply. · Global and national greenhouse gas controls leading FET to incur more GHG emission expenses. · Low-carbon technologies in response to climate change and changes in consumption models could lead FET's operating revenues to decrease or to incur additional transformation costs. · Large increases in total power and energy consumption, resulting in large increases in electricity bills and could possibly affect existing carbon reduction goals. · Inability to achieve the national renewable energy consumption goals would lead to fines or force FET to purchase carbon credits from other businesses. · The national renewable energy policy leads electricity prices to rise or instability of power supply, leading to interruptions in FET's operations or services.	· FET has completed climate risk identifications and ranked them in order in line with TCFD framework, and understands how key risk factors will impact financial performance through risk path analysis. The Company will begin to assess the scale of actual financial impacts from increasingly severe typhoons in this year, and will continue to increase assessment items in the future. · Strengthen disaster resilience in core network infrastructure and enhance adaptability and resistance to climate change. · Introduce high-efficiency power conversion equipment. · Include the installation of new equipment rooms near areas that directly supply renewable energy into assessment. · Promote energy management and control system · Invest in new business in renewable energy (Prime EcoPower) · Increase the capacity of renewable energy devices in each year, including purchasing renewable energy certificates, increasing FET's own certified capacity and etc., and plan to build solar powered cellular base stations in the future.	· Interruptions in key equipment room operations from infrastructure supply due to extreme weather: 0 · FET's GHG reduction goal (based on Science Based Targets, SBT Initiatives): reduce emissions by 20% in 2030 compared to base year of 2016 · Reduce energy use intensity (EUI) per square meters in office by 1.5% · Reduce average power usage effectiveness (PUE) of IDC by 1% · Reduce average power usage in FET stores by 3% · Decrease power consumption per 1GB of traffic in base station by 5% · Achieve capacity of renewable energy devices of 1,081KWp by 2050, or a 108-time increase from 2016
 Information Security and Customer Privacy	· Increase in frequency and methods of cyber attack. · Conscious about privacy protection, customers are demanding for more privacy protection from enterprises.	▲ ▲	· The increase in number of cyber attacks could lead the risk of interruptions in FET's network or system services, resulting in data leaks, which impacts customers' rights and interests and affects FET's reputation and revenues, and even penalties from the competent authority. · When customers are requiring for more rigorous privacy protection, FET also needs to invest more capital toward relevant privacy protection. · In the event of data leakage, FET's reputation will be severely impacted and may lose consumer's confidence. · Consumers will be more concerned about customer complaints related to personal data, and FET may be penalized or damage its reputation if the Company doesn't implement sufficient protection measures.	· Regularly Plan and Execute Critical Service and Business Continuity Drills · Strengthen the workings of emergency response organization and mechanisms, timely respond to various incidents and control relevant risks. · Continue to strengthen policy, standards, and information security management mechanism. · Strengthen information security training and advocacy in all employees. · Continue to achieve international standard certifications for information security and personal data protection.	· Network and System Service Usability · Achieve 100% in annual Key Service Business Continuity Plan (BCP) Drill and Review · Achieve ISO 27001 Information Security and BS 10012 Data Protection certificates in every year · 0 Customer data leakage incident

Risk Factors	Risks	Trends	Impacts	Response measures	Control KPI
 Policy, Social & Economic Trends	· ICT Technological Revolution Continues · Changes in population structure, urbanization and digital gaps. · Changes in telecommunication laws.	▲ ▼ –	· Changes of consumer behaviors and communication patterns impact traditional telecom service revenues. · Industry restructuring and technology integration, and how they change the industry's ecosystem and allow new competitors to join the competition. · Telecom service market has matured and reached a certain fixed scale. Number of subscribers have saturated and growth is slowing. · Changes in population structure could impact existing market service models, leading to declines in certain revenues or the loss of opportunities from getting a head-start in expanding to certain services (for instance, telecom services for senior citizens in response to an aging population) and losing market leadership. · Regulatory changes from competent authority regarding bidding for the spectrum, licensing, rate plan policy, reinvestment standards will lead FET to incur additional costs related to response measures.	· Coordinate with interindustry partners to promote industry applications. · Integrate new business opportunities and encourage consumers to adopt new services and e-commerce to make up for declines in traditional telecom service revenues. · Actively develop diversified application solutions to expand to enterprise user market. · Continue to develop new business opportunities to attract subscribers with innovative services and optimized service quality. · Maintain positive communications with competent authority to stay on top of legal changes in order to prepare response measures. Minimize impacts of legal changes to FET's operations and to timely adjust to new laws. · In response to the enactment of the Telecommunications Management Act in July 2020, FET will comply with the new law after the three-year adjustment period in accordance with the laws.	· Increase percentage of revenues from new economic services. · Launch new services and promotional programs. · Review legal compliance items and to complete related conversion/adaptation tasks before the deadline.
 Talent War and Personnel Strategy during Transformation of Telecom Operators	· In order to respond to rapid industry transformation and service diversification from telecom industry requires talent with inter-disciplinary mind-set and integrative technical expertise.	–	· In response to telecom industry transformations and diversification of services as well as industry competitors expanding out of the industry boundaries, which in turns blurs the boundaries for talent needs in the future, the targets of talent war could be inter-industry, and FET's long-term competitiveness could be impacted if the Company does not begin to strategize personnel planning. · With continuous industry and technological changes, a gap in required talent and skill-sets will form, thereby increasing training costs.	· By establishing a talent training and development theme of "IoT, Big Data and AI" applications, FET has initiated a digital transformation plan and established "innovation, transformation, restructure for now/tomorrow" as the goal for the enterprise transformation and restructure of core technologies and competencies. · Launched 5G Elite program and recruited 24 marketing and technical personnel for an 18-month program that includes industry knowledge and core competence training along with departmental rotations, departmental project internships and a mentor system to accelerate the development of these employees. · In response to growing needs of enterprise clients in the future, FET launched EBU Boot Camp to recruit new talent and provides information to foster inter-departmental knowledge enhancement with our enterprise clients. The Company encourages participation in departmental projects and adopts a mentor system to accelerate the development of employees to effectively respond to enterprise transformation.	· Training completion rate for Elite program >90% · Talent Development for Innovative Fields

3.2 Annual Operating Performance

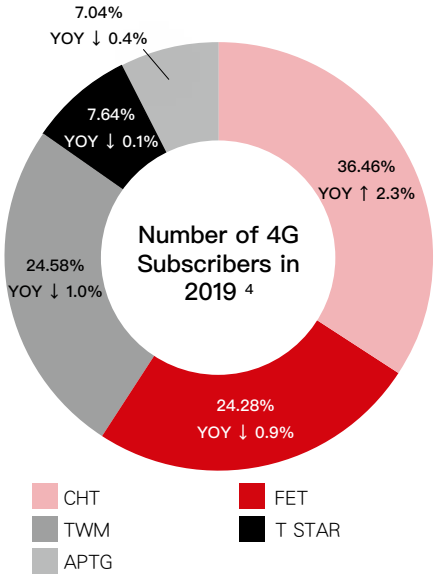
3.2.1 Consumer Business

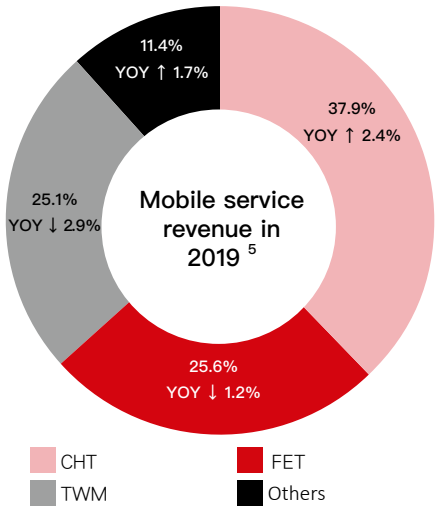
Market Analysis

Market Overview

· According to National Communication Commission (NCC) statistics, total mobile subscribers in Taiwan reached 29.21 million by the end of 2019. According to the report issued by Taiwan Network Information Center (TWNIC), Taiwan's mobile internet usage rate surpassed 80% in 2019. Furthermore, over 95% of the respondents chose mobile phones as the most frequently used internet devices, which drove people's lives towards digital mobility. Also, the applications of IoT, smart home and AI personal assistant have become popular and the industry developments are booming. The reliance of those services on internet is increasing and cross-region mobile internet services are turning into a necessity.
· The telecom market in Taiwan continues to be dominated by three large and two small players. As the two small operators unceasingly offer competitive rate plans to acquire customers, competition intensifies.
· Digital services market in Taiwan has attracted not only local but also international players to join, for example, Netflix and Shopee. The friDay service leverages the advantage of telecommunication business, improves its own capabilities and carries out integrated marketing to become consumers' best digital partner.

Market Share





Supply, Demand and Growth of the Future Market

· As the market matures, operators usually place the focus on value-added services and heavy users. Take the leading international mobile operator, Vodafone, for example- with market growth slowing, its focus shifts from general consumers to enterprise customers. FET proactively collaborated with enterprise application service providers of various industries to promote enterprise ICT integration services, and cloud and IoT applications.
· The demand for mobile digital services is growing every day, and the market competition is heating up. International players also take parts in mobile video/ music streaming services and e-commerce markets in Taiwan, indication the robust development in Taiwan's digital service market.

Products and Services

Existing Products and Services

· Wireless Telecommunication Services: Provide mobile telecommunications services, including 4G voice calls on mobile phones and data communication services along with message services. Those services are categorized into postpaid and prepaid according to payment methods.
· Fixed Line Communication Services: This includes domestic phone call service, long- distance call service, 007 international call service, Wagaly Talk cost saving service, etc.
· New Economy: friDay digital services include friDay Video, friDay Omusic, friDay shopping, friDay photobook and friDay 57. And also provides direct carrier billing of payment service, smart speaker and smart watch of consumer IoT products.

New Products or Services under Development

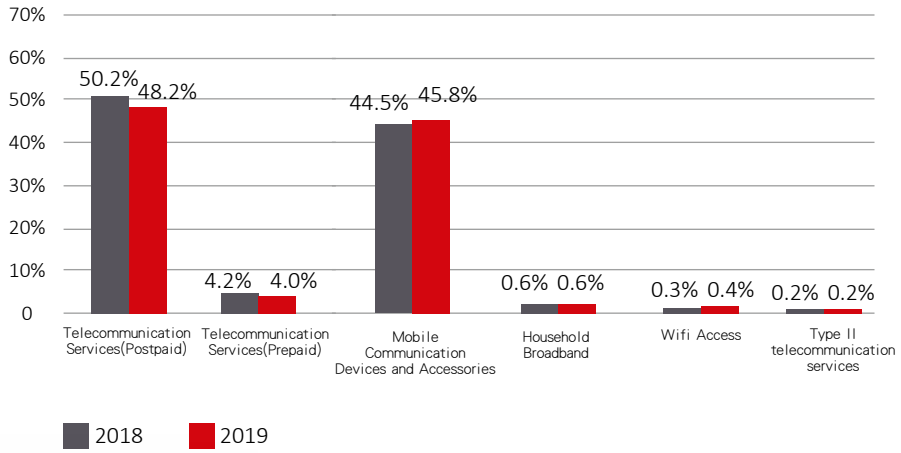
· While gearing up for the next mobile era, FET has not only collaborated with the telecom-equipment giant, Ericsson, to establish the first 5G Lab in Taiwan, but has also completed several advanced 5G technology testing to drive 5G development. With the acquisition of sufficient 5G spectrum, we will dedicate ourselves in AR/VR, 4K/8K streaming services, which would work greatly with the complete coverage of our existing network. FET will strive to innovate in the fields of big data, artificial intelligence, and IoT, and lead the 5G revolution in Taiwan.
· The competition in digital services is intense. Through big data analysis, FET understands users' spending behaviors, favorites and life styles, and provides contents and services tailored to personal preferences. Also, FET introduces technology such as IoT and AI, launches relevant products, and brings the latest digital life experience to consumers. The company also leverage advantages of having telecommunication as its core business in offering products and services with competitive prices and diversity.

Main Products and Service Area

· We persistently integrate online and offline sales services and introduce various smart 3C products. Based on our objective of "FET Connects and Enriches Life", apart from introducing integrated services for the ICT market, we will improve the service quality of local stores to enhance customers experience with innovative services including communication devices, voice calls, broadband and value-added services. By the end of 2019, the total number of stores is around 820, comprising FET, ARCOA, and Data Express, enabled customers to enhance experience professional service and care via wide store coverage.

[4] Source：Taiwan Industry Economics Services "2019 Telecom service industry trend report"
[5] Source：2019 FET Financial report and 2019 mobile service revenue is sourced from public information released by each company.

Percentage of personal user products and services revenue in 2019



FET and Japan's largest telecommunication company NTT DOCOMO co-launched friDay Photo Book services.

Future Sales Development Plan

Short-term Plans

- Expand market share and build high- value, loyal customer groups.
- Dedicate to the development and promotion of new products and add- values.
- Dedicate to building a corporate brand trusted by customers.
- Continue to improve network quality and infrastructure.
- Provide diverse mobile value-added services by cooperating with digital content providers.
- Develop new financial service, focus to the youth and provides them exclusive experiences.
- Leverage big data to analyze consumer behavior and enhance precision marketing to satisfy customers personalized needs.
- Shape FET and friDay brand image, strengthen customer experience and loyalty, and establish customer- first spirit.

Long-term Plans

- Keep up with the trends of global communication network technology and product development.
- Combine services of fixed network, mobile phone and internet access through strategic alliances and integration of internal resources to stay abreast of the digital convergence trend.
- Strengthen human resources by enlarging talent reserves in the field of telecommunication to facilitate the expansion of operations.
- Continuously promote four major services: digital content, mobile financial services, e-commerce, and AIoT. Products shall meet customers' demand in aspects of content, price and services and to set new profit target by differentiate product and services.

Advantages and Disadvantages of Future Developments and Countermeasures

Advantages	· 4.5G 3CA offers the best indoor and outdoor signal, professional management team and outstanding corporate image and technology advancement increases added value, mobile phones will be the integrated media for all kinds information transmissions. FET is about to roll out the 5G commercial operation soon which will bring the demand of IoT, IoV and so on.
Disadvantage	· The initiation of mobile number portability intensifies the SIM card competition among operators, overall revenue shrunk due to NCC (National Communications Commission) restriction on telecom market pricing and CHT (Chunghwa Telecom) "Last-mile" advantage on broadband network and fixed net services.
Counter-measures	· Based on the combination of mobile communication and internet, to build up multi-media services of communication and internet and then provide integrated mobile internet services. · Offer a variety of value-added rate plans to customer. · Differentiate products and services in order to avoid Red Ocean competition that leads to a price war. · Be precise to segment customers and their needs, so as to increase overall revenue. · Continue to upgrade island-wide 4G coverage and improve transmission speed. · Deploy 5G market aggressively and provide a whole new kind of network.

3.2.2 Enterprise Business

Market Analysis

Market Overview

- Affected by trends of ICT integration and digital convergence, the market of corporate sectors has shifted from traditional telecommunications services to ICT integration, providing customers with applications which integrated telecommunication services, mobile commerce, cloud platform, big data analysis and IoT. We aim to build one– stop services and solutions that are more diverse, intelligent, flexible and in line with industrial features.
- 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, the Enterprise and carrier BU takes on a more aggressive approach in developing intelligence applications and solutions to fulfill the needs of various industries and government departments. These applications and solutions cover sectors of smart city, smart transportation/Internet of Vehicle, smart medical treatment/healthcare, smart manufacturing and small retail. We aim to differentiate ourselves from competitors in the enterprise market with strong innovation skills and integration ability plus flexible services.

Market Share

- Sales from enterprise customers account for 20% of our overall revenue in 2019.

Supply, Demand and Growth of the Future Market

- Based on the telecommunications market revenue analysis published by NCC, domestic fixed communications revenue declined by 5.7 % compared to 2018 as a result of mobile communications and free instant messaging apps. Among which, landline network, long– distance network and international network languished by 3.5 %, 5.2% and 15.3 %, respectively.
- With regard to the fixed broadband access service, NCC data showed a slight increase in the number of accounts, which went from 5.703 million at the beginning of 2019 to 5.831 million by the end of the year. In particular, the 2.2 % growth in FTTx and Cable Modem users was contributed by internet service providers' continuous promotion of high speed broadband plans which accelerated the transition from xDSL to FTTx and the significant rise in the demand for video transmission from 4G generation consumers.
- In addition, TWNIC's "A survey on Broadband Internet Usage in Taiwan" states that Taiwan had 18.98 million internet users aged 12 and above, and an estimated total number of 20.2 million users in 2019. The internet access rate reached 85.6%
- In recent years, the increasing market penetration of smart mobile devices demonstrates the importance of fixed–mobile convergence (FMC). The rapid developments in cloud computing and technologies such as IoT, big data, artificial intelligence and robots bring brand new market growth opportunities.

Products and Services

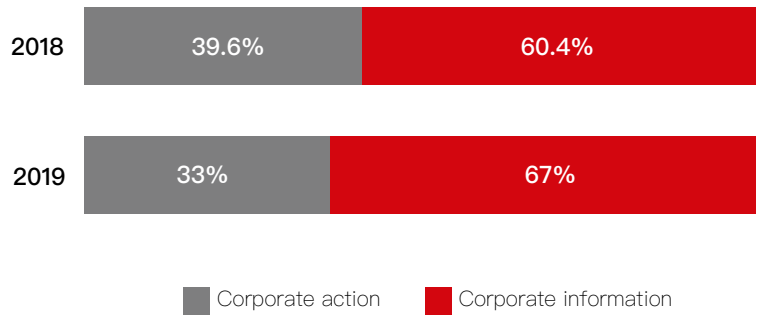
Existing Products and Services

- Professional telecommunication integrated services: mobile service, broadband service, mobile data service, mobile voice service, fixed network voice service, data communication service, internet data center (IDC) and cloud application service.
- Cloud services: Integrate telecom resources with cloud platforms of international corporations (eg. AWS, Microsoft Azure/ Azure Stack, VMWare, GCP); provide one–stop services incorporating development, construction, transfer, and maintenance; and formulate enterprise public, private, and hybrid cloud structures.
- Information security services: Integrate the professional information security consulting services of subsidiary Information Security Service Digital United Inc., to offer the safest and most reliable, as well as flexible and cost effective, solutions for information security.
- New economy: FET provides enterprises professional ICT integration solutions with flexibility for customization. At the same time, the Company establishes the IoT ecosystem with hundreds of partners. It integrates innovative applications such as NB–IoT technology, Big Data, and AI mobile services to customize more flexible services for enterprise users and government departments.FET builds diverse IoT applications encompassing smart city, smart transportation/IoV, smart healthcare, smart manufacturing, and smart retail.

New Products or Services under Development

- The Market Intelligence & Consulting Institute (MIC) indicates that in 2019, the global ICT industry will focus on 5G, IoT, AI, and blockchain developments, which encompass peripheral applications such as edge computing, ASIC, FWA, sensing elements, and smart devices.

Percentage of Enterprise Business products and services revenue in 2019



Main Products and Service Areas

- FET provides enterprise customers with services ranging from domestic and international voice, data, mobility, roaming to cloud along with corporate solutions including IoT and ICT integration. Taiwan is our main market. Details on the sales of cloud and IoT services are as follows:
- Cloud: The key customers are enterprise customers in Taiwan. FET can assist companies with deploying their services at cloud platforms in Taiwan or other countries.
- IoT: The key customers are enterprise customers in Taiwan. FET can not only assist customers with developing local applications, but also help the manufacturing industry with developing IoT applications for products. As the demand for IoT application increases, FET will also assist multinational enterprises to promote the IoT applications of their products in Taiwan.

Future Sales Development Plan

Short-term plans	Long-term plans	Advantages and Disadvantages of Future Developments and Countermeasures	
· FET will continue to improve the telecom infrastructure; integrate IoT, AI, and Big Data on a professional telecom basis; and offer professional total solutions with flexibility for customization, providing the to government departments and large enterprises. These will include applications of NB-IoT in different industries, as well as additional comprehensive smart information security and diverse cloud services. Also, FET provides one-stop cloud digital instruments to small and medium-sized enterprises to satisfy their needs for enterprise transformation and IT- based services.	· FET will utilize its professional ICT capability and vast experience in customization as it remains committed to nurturing talent and developing technologies associated with innovative applications. It will promote the transformation and innovation of Taiwan industries in the IoT era, integrate innovative applications of the cloud, IoT, Big Data, and AI; and it will realize the goal of " AI industrialization and industrial AI" in order to assist domestic industries and enterprises with upgrades and speed up the practical applications of AI in the 5G era	Advantages	· Building long-term relationship with enterprise customers and having a basic telecommunications customer group facilitate the promotion of value- added ICT integrated services. On the other hand, enterprise- related services and products can be sold via our nation-wide stores.
		Disadvantage	· The telecommunications market becomes saturated in recent years. Each player also actively competes in both developing and providing enterprise customers integrated ICT services.
		Counter-measures	· FET will utilize our vast selling experience as we aggressively develop various applications under new economy applications and solutions in mobile applications, IoT, cloud computing, Big Data, information security, and AI. These efforts will be tailored to different industrial features in order to satisfy different customer segments and groups. · Furthermore, we will collaborate with international telecom carriers to offer localized professional services to international enterprises. We will move toward becoming a comprehensive "ICT service providers" and assist users to successfully achieve comprehensive digital transformation.

3.2.3 Overall Financial Performance

Analysis of Financial Performance

2019/12/31; Unit: NT$1000

Items \ Year	2018	2019	Variance amount	Percentage (%)
Operating Revenues	86,634,971	83,865,872	(2,769,099)	(3)
Operating Costs and Expenses	74,261,798	71,940,394	(2,321,404)	(3)
Operating Income	12,373,173	11,925,478	(447,695)	(4)
Non-Operating Incomes and (Expenditures):				
Financial Costs	(427,081)	(513,698)	(86,617)	(20)
Losses on Disposal of Property, Plant, Equipment and Intangible Assets,	(359,574)	(779,489)	(419,915)	(117)
Share of the gains (losses) of associates	21,446	86,929	65,483	305
Other Profits or Losses	261,466	292,299	30,833	12
Income before Income Tax	11,869,430	11,011,519	(857,911)	(7)
Income Tax expense	2,444,654	2,203,776	(240,878)	(10)

Items \ Year	2018	2019	Variance amount	Percentage (%)
Net Income	9,424,776	8,807,743	(617,033)	(7)
Other Comprehensive Income (Loss)	79,024	(14,847)	(93,871)	(119)
Total Comprehensive Income	9,503,800	8,792,896	(710,904)	(7)
Net Income (loss) Attributable to :				
Owners of Far EasTone	9,381,351	8,734,984	(646,367)	
Non-controlling interests	43,425	72,759	29,334	
Comprehensive Income (loss) Attributable to:				
Owners of Far EasTone	9,459,897	8,720,589	(739,308)	
Non-controlling interests	43,903	72,307	28,404	

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. Also, we not only pursue revenue growth but also seek ways of giving back to society.

Payments to shareholders: Cash dividend

2017	2018	2019
12,219,378	12,219,378	10,590,128

Payments to employees: Employee benefits

2017	2018	2019
7,430,312	7,492,670	6,667,293

Government grants received: Government subsidy income [6] (Unit: NT$ thousands)

2017	2018	2019
87,107	133,844	169,976

Payments to suppliers: Procurement spending

2017	2018	2019
35,290,000	29,543,940	34,173,864

Payments for income tax

2017	2018	2019
2,125,391	2,124,394	4,457,471

Social investments: Charity activities[7] (Unit: NT$ thousands)

2017	2018	2019
24,336	20,913	11,840

[6] Industrial Development Bureau of the Ministry of Economic: NT$ 51,807 thousand; Ministry Health and Welfare: NT$ 26,199 thousand; National Communications Commission: NT$ 89,452 thousand; Ministry of Labor: NT$ 2,518 thousand

[7] 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.

3.3 Big Data, AI & IoT Development

Summary

Upholding our vision to become the "digital partner" in the daily lives of our customers, we collaborated with partners in various fields to build forward-thinking application technologies through our outstanding research and developments in mobile telecommunications, big data analytics, artificial intelligence (AI) and IoT, and we're dedicated to promoting diverse information and communication technology (ICT) services.

Material Topics

- Innovative strategic management

Highlights

- Launched wearable positioning device "FET TicWatch" in 2019
- Expanded implementation of NB-IoT smart outdoor parking information system in the six municipalities in 2019
- Taiwan's first 5G remote diagnostics program; launched FET's remote clinic service platform
- Collaborated with Taoyuan City for "Taoyuan Smart NB-IoT Streetlights Project" and assessed the project's external environmental and social impacts in 2019

Performance Data

FET's investments in IoT products/service developments reached **NT$84.2 million**

FET's annual revenues from IoT products/services reached **NT$739.01 million**

Sustainable benefits from smart NB-IoT streetlights reached **NT$179.13 million**

Invested **NT$42.49 million** annually toward digital product/service R&D

FET's total revenues from digital product/services reached **NT$1.78 billion**

3.3.1 Digital Innovation Strategies

In 2020, FET's digital transformation plan will be focused on ""innovation, transformation, restructure for now/tomorrow," in which big data, AI, and IoT will be the core technologies and competences in our transformation and upgrade. We will continue to promote the government's smart city programs and develop new relevant 5G application services, thereby leading Taiwan's digital transformation toward smart logistics and smart city. FET aspires to assist consumers, enterprises, and partners in various fields to formulate a vision for smart living, smart commerce, and smart city through our core technologies and capabilities.

Innovation Strategy

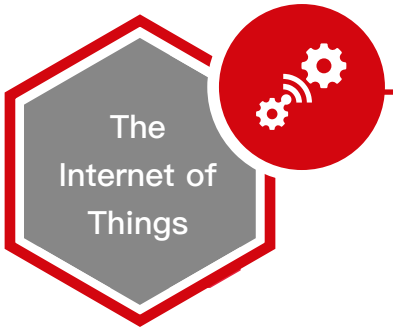
- Use big data to users' network experience, assist the government's application in public transportation planning, and facilitate enterprises to increase revenues and enhance productivity through digital transformation

Innovative Approach

- Quantitative data analysis
- User experience optimization
- Big data applications on Transportation

- Through predicting and automatically adjusting network performance through AI, we can achieve smart network operations and smart base station management, in addition to forming strategic alliances to develop technologies and talent.

- Develop AI applications
- Strategic partnership
- Cultivate technical talents
- Smart network operations and smart base station management



- By promoting upgrade in IoT value chain and developments in Taiwan's IoT industry, FET hopes to realize values through enhancing in-house R&D IoT application skills and to promote technical skills and innovative applications to external entities.

- Establish IoT ecosystem
- Promote IoT applications
- Support IoT industry development

2019 Highlights

- Develop AI smart fabric screening device and AI smart printed fabric screening device to distinguish the types and characteristics of quality and inferior fabrics through high-quality imaging. Moreover, data transmission will be enabled through field 5G; thereby greatly enhancing speed and accuracy.
- FET collaborated with Taoyuan City Government for the smart NB-IoT streetlights project; Taoyuan will be the first city with smart NB-IoT streetlights network throughout the world and will achieve up to 70% in power savings.
- Actively fight frauds with the police to great effects through innovative AI applications and received positive recognition from the Criminal Investigation Bureau.
- Launched the first 5G remote diagnostics clinical project in Taiwan to mediate the medical gap in urban-rural areas by collaborating with Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital, and Kaohsiung Medical University Chung-Ho Memorial Hospital.
- The "Parking GO" smart parking system was launched; by transmitting real-time parking data to the server through NB-IoT system, FET can assist management units to stay effectively up-to-date on the parking turnover ratio at each area and enhance city governance performance, as well as for the public to enjoy convenient parking services.

3.3.2 Smart Products and Services

FET continues to launch innovative products and services and strives to become the best partners in consumers' digital lives, as well as to drive industry transformation and sustainable development. By being closely aligned with the UN's Sustainable Development Goals (SDGs), FET is driven by the innovative objectives of developing and applying big data, AI, and IoT to products and services related to smart living, smart commerce, and smart city. This allows consumers to contribute toward the sustainability of the planet while choosing FET products and services.

FET launched TicWatch, reduce chances of family members from being lost and to safeguard the community.

FET Smart Products and Services

Smart living

FET continues to expand IoT applications to consumer products, and in 2019, after launching smart speakers including the Little Fox, we also launched the FET TicWatch positioning smart watch at the end of the year to bring new smart living applications to the consumers. The applications can be also connected to smart home devices to realize more smart home services in practice.

In addition, our digital brand friDay also continues to persist in creativity and innovation, and to build well-rounded smart digital services in all aspects of consumers' lives.

BoBee position tracker device Reduce chances of family members from being lost and to safeguard the community

- BoBee is the only positioning tracker whose power supports 72-hour emergency rescue in the market. Through patented dual-band (base station & GPS) positioning technology, we provide 24/7 security and protection services for all families with senior citizens suffering from dementia, parents worried about the safety of their children, and pet owners with loving furkids.

FET TicWatch Reduce chances of family members from being lost and to safeguard the community

- Launched in mid-December in 2019, the FET TicWatch is built-in with various functions including positioning, voice call, text SMS chat, and reminders, allowing wearers to use voice command on the watch. Caretakers can use the smartphone app to understand the position of the wearer and relevant watch usage.

friDay Brand Use Edutainment to Enhance Teaching Quality and Build Digital Lifestyle

- Video: friDay online video streaming service has the most number of subscribers and content quality in Taiwan. It has served as the exclusive online streaming platform for the Golden Horse Awards Ceremony for seven consecutive years. In 2019, friDay promoted environmental education through organizing the FET Online Movie Festival. friDay will continue to enter rapidly developing markets including classic tournaments, contents, movies, and concert tours through strategic partnerships in the future.
- Shopping: friDay launches promotional services from consumers' standpoints and continues to optimize its app to increase customer loyalty. In addition, friDay enhances customers' shopping experience and satisfaction through predicting their preferences using big data, as well as integrates with the FET ecology to enhance the convenience and contents of FET users.
- Music: friDay Music has more than 3 million newest, hottest songs and its membership continues to grow. Different playlists are generated through data analytics so that consumers can enjoy music from anytime, anywhere.
- Album: in 2019, FET launched the friDay album, an innovative digital application where users can upload and edit photos from their cell phones through the app to document the beautiful moments in their lives. Exquisite albums made in Japan will be air mailed to users in each month, which users can also share with their beloved ones to directly convey their emotions and warmth.

FET Smart Speakers Formulating Smart Home

applications including friDay music, weather forecast, air quality, local radio, audio books and hailing taxis simply by voicing their needs. In addition, the speaker can be connected to smart home network to allow voice command over home appliances, thereby realizing more smart home services.

Smart Commerce

Upholding FET's concept of "customer-oriented service," we provide one-stop shop ICT Integration Solutions based on the diverse characteristics of each industry and their respective needs for ICT services.

FET will look to provide business services such as information security, data center construction, cloud integration and mobile applications through 5G, IoT, big data, private cloud, cloud network management and storage technologies, and lead our enterprise customers as they move toward complete mobilization.

Smart Owner　Facilitate SME toward Digital Transformation

To assist the small and medium enterprises (SME) in Taiwan toward digital transformation, FET has launched the "Smart Owner" one-stop digital tool and O2O solution, which provides all the tools needed by SME startups and digital operations, thereby helping new business owners to rapidly digitize and to build optimized customer experiences.

BYOD Mobile Device Management Solution　Strengthen enterprise management

The popularization of mobile devices has swept the world in a trend to Bring Your Own Device (BYOD). FET provides the most suitable BYOD mobile device management solution to enterprises to safeguard customer information security, by facilitating manufacturing, retail, finance, life insurance, service, medical and healthcare, and restaurant businesses to implement BYOD applications to device storage restrictions, email/authorization system integration, and access, storage, and management of internal sensitive data.

FET launched Smart Owner one-stop digital tool and O2O solution, facilitates SME towards Digital Transformation.

Smart City

FET continues to cater to local needs; by upholding our R&D spirit of solving city and administrative problems through innovative technologies, we promote smart city transformation using 5G innovative applications by coordinating our expertise in cloud-based IT technology, data collection and analytics, IoT applications, and AI. We aim to rapidly spread our experiences in building smart city to all cities/counties in Taiwan.

FET is also a strategic member of the Go Smart organization. We interact and exchange ideas with smart city applications throughout the world via Go Smart, and actively participate in the Smart City Expo World Congress in every March.

Internet of Vehicles (IoV) Building an Eco-friendly Transportation System

By targeting the global IoV industry chain, FET has joined the 5G Automotive Association (5GAA). As Taiwan's first telecom service provider to join 5GAA, we collaborate with world-class vehicle manufacturers and leading ICT brands to develop the end-user solutions for smart transportation services. Presently, FET has already assisted to launch various shared-transportation such as bicycles, rental electric bikes, shared electric scooters, and shared vehicles as well as their alternative power charging stations and new economic model applications, thereby contributing toward environmental friendliness.

Smart Parking Enhance parking efficiency, solving traffic congestion problems and air pollution in the city

FET is the first large-scale smart outdoor parking application vendor in Taiwan. Besides building the "NB-IoT smart outdoor parking information system" with Taoyuan City, which was installed in the magnetometers of 400 parking spaces throughout the city and provides real-time, accurate parking information to the residents, the magnetometers were also installed in six major cities (Taichung City, Hsinchu City, Hsinchu County, Tainan City, New Taipei City, and Nantou County) throughout Taiwan in 2019. The system significantly enhanced the management effectiveness over parking spaces and the turnover ratio of outdoor parking, thereby solving congestion, traffic and air pollution from idle vehicles, as well as parking violations due to inability to locate parking spaces.

Smart NB-IoT Streetlights Enhanced Energy Efficiency Through Smart Monitoring Technology to Safeguard Transportation and Community Safety

FET's smart NB-IoT streetlights management project coordinates LED lighting technology with controllers and 4G/NB-IoT communications technology to collect real-time data on streetlights. In 2019, FET received the largest project in Taiwan, as well as worldwide – the "Taoyuan Smart NB-IoT Streetlights Project," which estimates to install 80,000 smart NB-IoT streetlights before July 2020. FET provides end-to-end services; besides utilizing own-brand streetlight controllers, the transmission network mostly uses NB-IoT, and VPN is also installed to enhance the safety in IoT applications

Smart Environmental Detection

Strengthen Air Pollution Management via Air Quality Detection

FET partnered with the environmental protection administrations from Yilan County and Tainan City over the air quality detection IoT installation project. By installing air quality detectors at industrial zones and uploading air quality detection data to the designated information platform by the Environmental Protection Administration (EPA), air quality information can be publicized. Value-added analysis will be provided, and local

FET's NB-IoT smart parking system enhances parking efficiency, solving traffic congestion and air pollution problems in the city.

Traffic Analysis　Assist Urban Disaster Prevention Planning through Big Data

FET collaborated with Department of Transportation, Taipei City Government over the "Taipei City Traffic Corridor: Integrated Transportation and Telecommunications Information Application Project, which analyzed the traffic congestion at Neihu Science Park using data analytics over telecommunications data. In addition, results were conveyed visually using heat signature of traffic, so that transportation agencies could completely comprehend the nature and areas of traffic congestion in Neihu District, which would facilitate the City Government in future transportation and policy plans. Subsequently, the data could also be used toward analysis and applications in various boundaries and aspects, including bus route planning, trip analysis for tourism and large-scale events, correlations between travel chain and movement, and disaster planning.

Innovations in Traffic Big Data　Reinforce Traffic Network Safety through Big Data

FET continues to research and develop Physical Footprint data for FET users via Signal Data. Such data include customer footprint, residency, workplace and more, and after desensitizing treatment, geographical traffic analysis could be conducted for fields including transportation and retail. Currently, we have achieved positive results in telecommunications big data projects for the traffic department of various city and county governments, the Tourism Bureau, the Institute of Transportation, MOTC, academic institutions, and traffic engineering consultants. Multiple innovative services have also been developed:

- Start/finish distribution: using the purpose and boundaries of regional trip behavior analysis, the data could be used as references for the industry, government and academia in proposing transportation planning and strategies.
- Road speed ratio: provide accurate, real-time road speed information as the performance indicator in valuating various traffic management assessments.
- Driving routes: understand regional transportation behavior and optimize planning and strategies to assist in conducting transportation management measures.
- Hotspot analysis: by understanding traffic flow and hotspots, we can provide business opportunities in making commercial expansions and regional selections.

5G Remote Diagnostics Project　Enhance resources and quality in rural healthcare

FET continues to implement 5G ecology applications with our partner, Ericsson Taiwan. We collaborated with three major medical centers, Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital, and Kaohsiung Medical University Chung-Ho Memorial Hospital, to commence the first 5G remote diagnostic project in Taiwan. We pioneered the Medical IoT concept in taiwan and realized mobilized remote medical services. By solving medical gaps between urban and rural areas with technology, we can fulfill the vision of "zero-distance" medical services.

FET launched the first 5G Remote Diagnostics Project in the nation, enhance resources and quality in rural healthcare.

Energy Management

Assist enterprises to build smart energy management system and increase adoption of renewable energies

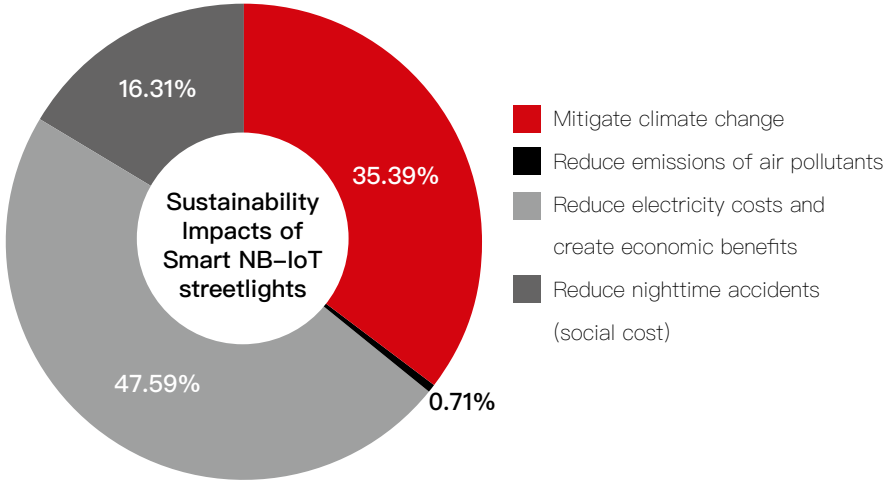
FET pays particular attention to energy management while creating a smart city. Subsidiary Prime EcoPower was established in 2018 to assist FET to plan solutions such as solar power and energy storage system and smart grid-building in the field of smart green power. At the same time, to effectively manage energies, FET has also developed in-house smart energy management system, which is not only introduced to all FET stores in Taiwan, but also used in helping the government and our enterprise partners to achive smart energy management so we can collectively work toward building a low-carbon, sustainable country.

3.3.3 Sustainability Impacts from Smart NB-IoT Streetlights Applications

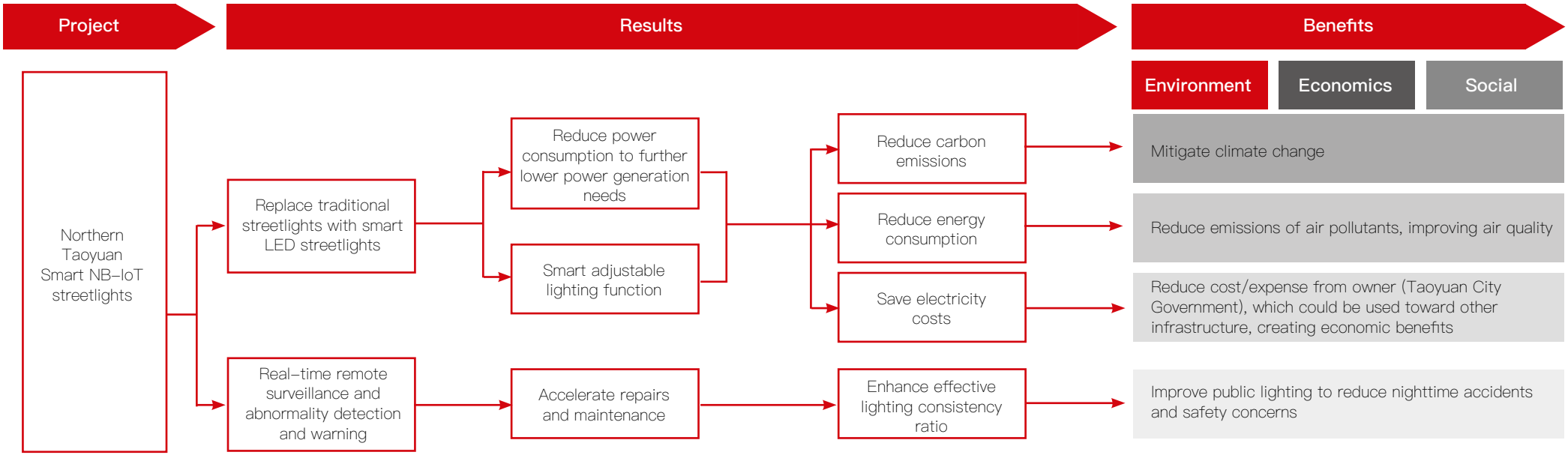
Starting in 2019, FET partnered with LITE-ON Technology Corporation and Taoyuan City Government to launch the "Taoyuan City Smart NB-IoT Streetlights Project". We were responsible for installing approximately 88,000 smart NB-IoT streetlights in northern Taoyuan (includes the following districts: Luzhu, Dayuan, Guanyin, Xinwu, Zhongli, and Pingzhen) and to assist the Taoyuan City Government in understanding the dispatching of all streetlights throughout the city. The project is aimed to provide the best lighting and road environment to the residents, as well as to significantly increase energy efficiency. After the completion of this project, Taoyuan City will have the greatest number of smart NB-IoT streetlights throughout the world.

FET views smart city applications as exemplary of the Company's efforts in utilizing our core technologies to drive the world toward low-carbon, green developments. In this year, we evaluated the external environmental and social impacts from this project to understand the values we create, which also serve as a reference toward continous promotions of this project in the future and in construing FET's innovative R&D objectives. By replacing traditional streetlights with smart NB-IoT streetlights, we realized that the project can effectively reduce power generation needs, thereby reducing emissions of carbon dioxide and air pollutants, which help to mitigate climate change and improve air pollution problems. Furthermore, the electricity costs saved from this project in each year could be used toward other city-wide infrastructure and create other economic benefits. In terms of social aspect, the effectively enhanced lighting ratio and functions such as real-time remote surveillance and abnormality detection and warning can also reduce occurrences of traffic accidents. The preceding environmental, economic and social impacts can cumulatively create NT$179.13 million of economic values in each year.

Distribution of sustainable benefits



Path of sustainable benefits



Smart NB-IoT streetlights are highly versatile with wide applications. They can be seen as indicators of smart city. In the future, by using FET's IoT technology, smart NB-IoT streetlights can further be integrated with machine learning and data analysis to build an AI model, which can provide applications in traffic flow analysis, image identification, and air quality detection. In addition, a variety of service models could be developed to meet customized needs, such as to support power transmission, provide charging needs for electric vehicles, or even serve as micro weather stations as well as 5G base stations. FET will continue to collaborate with top-notch enterprise partners to build forward-thinking innovative technologies in different fields. We will play the critical role in promoting digital and innovative transformation of enterprises and public sectors, and co-create a happy and smart city so that Taiwan's technical competences can be seen throughout the world.

Smart NB-IoT Streetlights

• Important cornerstone of smart city governance •

Management Platform

- Information Dashboard
- Warning
- Repair management
- Smart lighting
- Value-added applications

Internet Access

SIM card connection management platform

NB-IoT/ CAT1/ IoT 4G

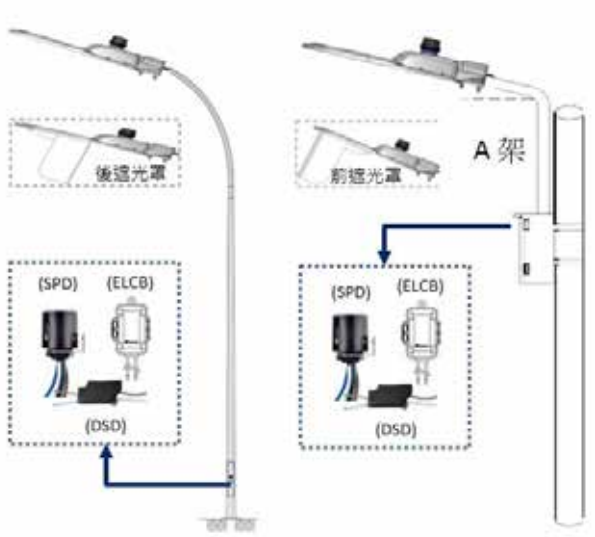
Equipment

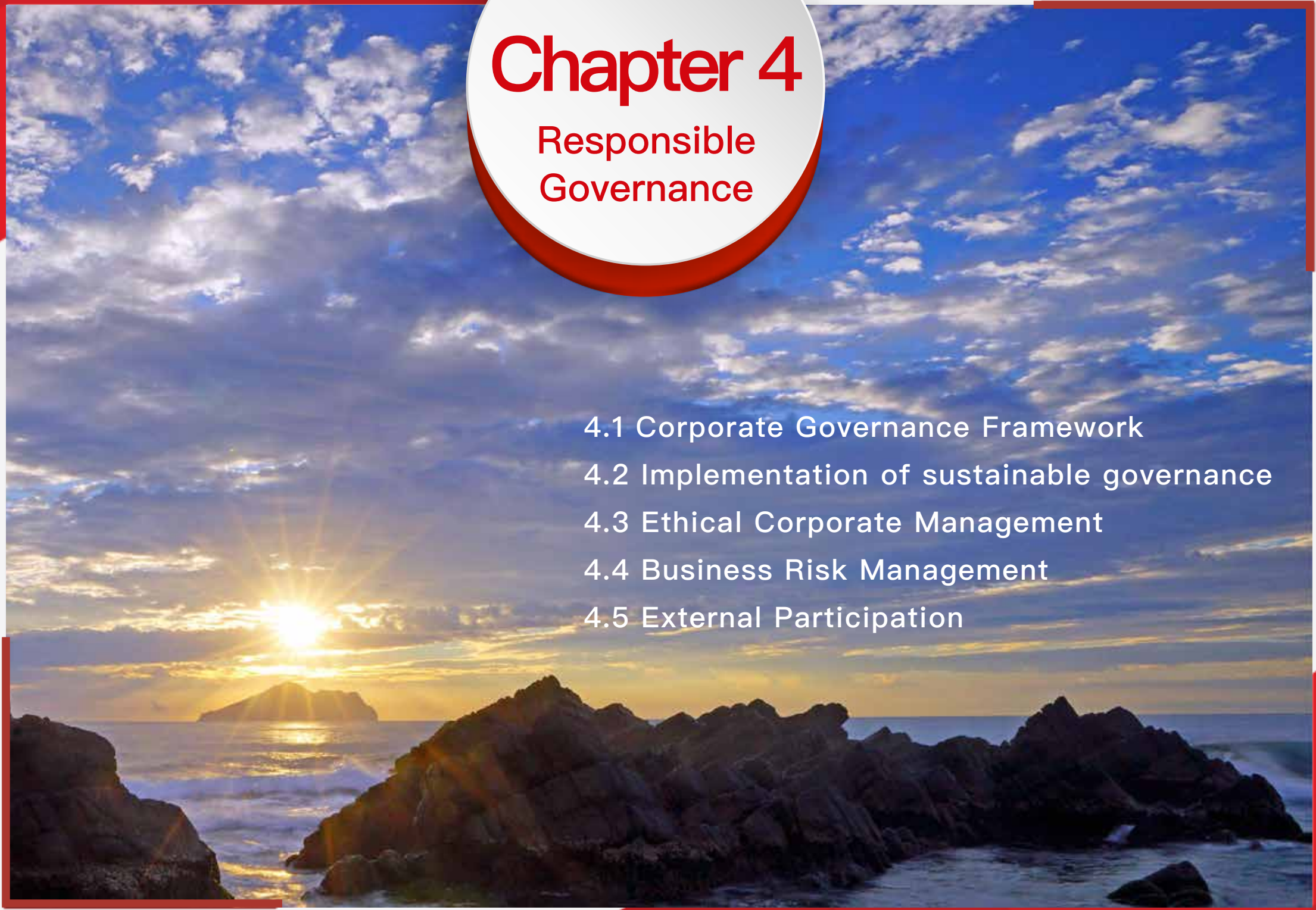
Basic Equipment

- LED streetlights
- Controller

Value-added applications

- Information board
- Temperature and humidity
- PM2.5
- Video surveillance
- Flood detection





Chapter 4

Responsible Governance

4.1 Corporate Governance Framework

4.2 Implementation of sustainable governance

4.3 Ethical Corporate Management

4.4 Business Risk Management

4.5 External Participation

Chapter Summary

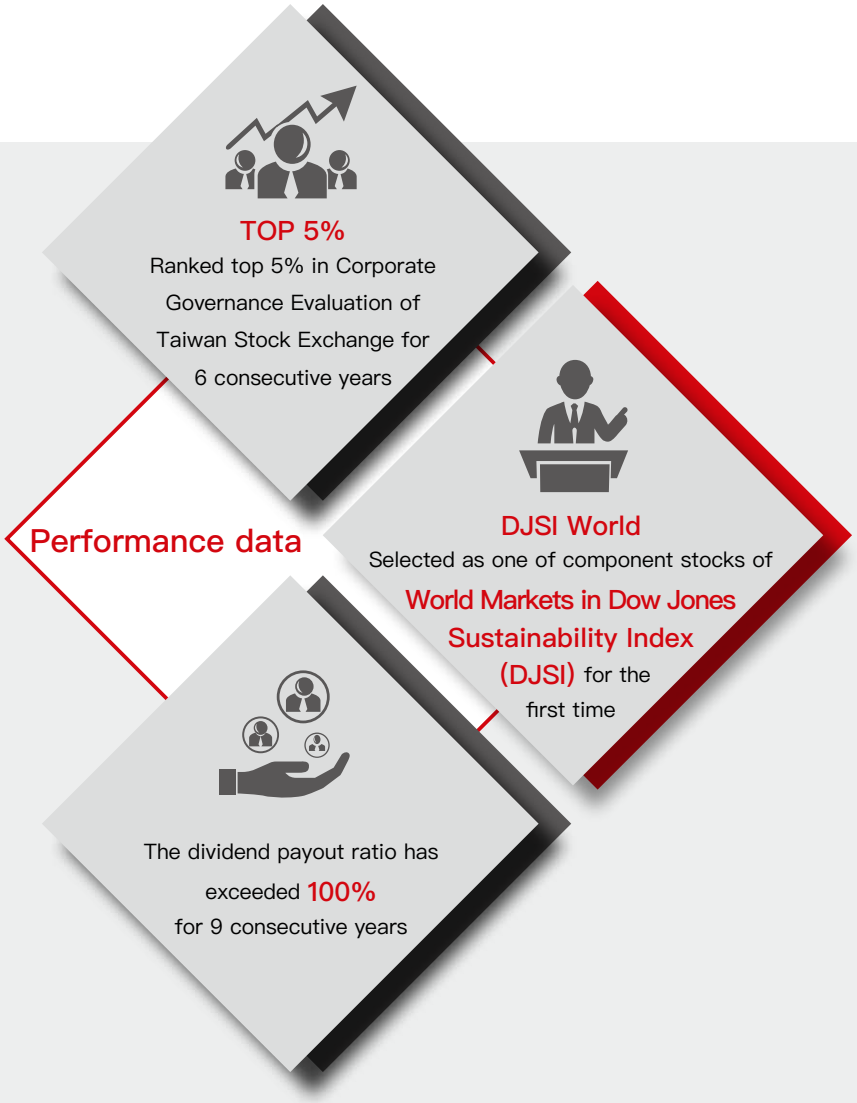
FET has made progressive steps to improve corporate governance, supervisory framework and business integrity, as the organization believes that a streamlined governance system with clearly defined responsibilities is the key to building a culture of responsible governance, and the foundation to long-term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

Material Topics

- Corporate governance and integrity
- Response to government policies and regulatory changes
- Information security and customer privacy protection
- Risk management and emergency response

Highlights

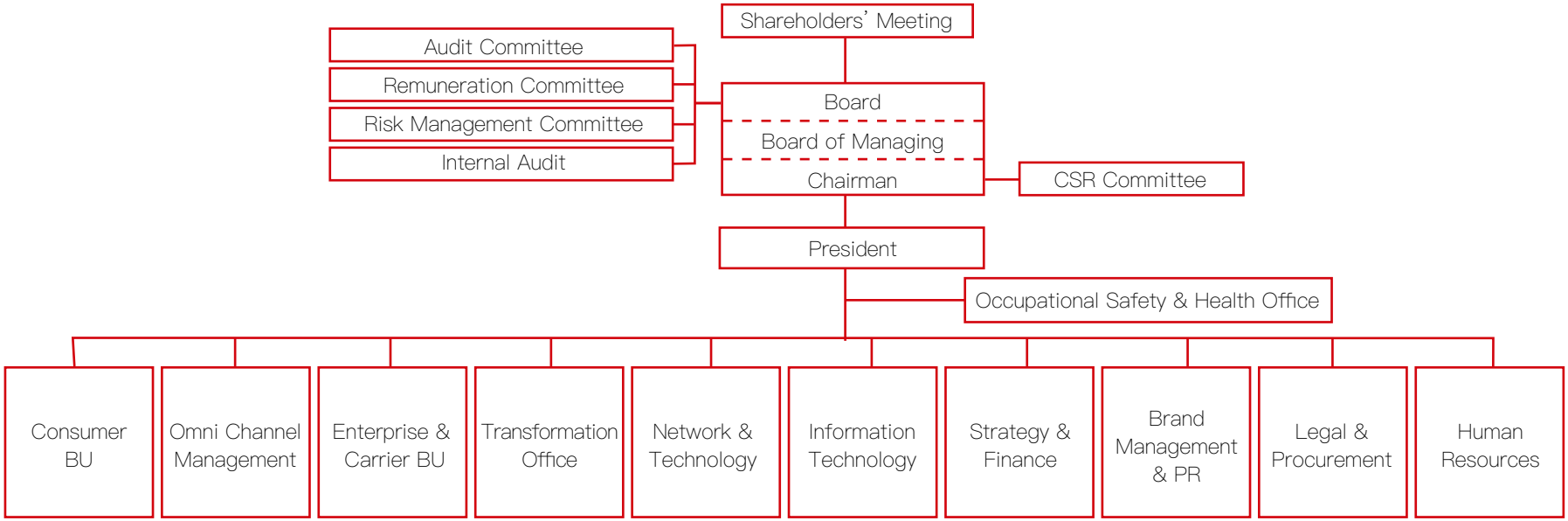
- Selected for the first time as one of component stocks of World Markets in the Dow Jones Sustainability Index (DJSI) and ranked as a “Dow Jones Sustainability Emerging Markets Index” component stock for the fourth consecutive year
- Celebrated as the "Industry Mover" by RobecoSAM for 2 consecutive years, and won Silver Class award for the first time
- Won 2 significant awards of Corporate Governance Asia’s 9th Asian Excellence Award 2019 including “Asia’s Best CFO” and “Best Investor Relations Company (Taiwan)”
- Won Asiamoney Magazine’s Most Outstanding Company in Taiwan—Telecommunication Services
- Won the National Sustainability Award of the Executive Yuan Enterprise category, the only award-winning telecommunications industry
- Won the CSR Award in Global Views Magazine´s 2019 "CSR Annual Grand Survey – Service Division". (for 3 consecutive years)
- Ranked Top 9 in the large enterprise category of Commonwealth Magazine’s 2019 "Excellence in Corporate Social Responsibility "Award.
- Won 9 awards of Taiwan Corporate Sustainability Awards (TCSA) including “Top Ten Domestic Corporates”, “Corporate Sustainability Report Awards Silver Class— Telecommunication”, “English Report Awards”, “People Development Awards”, “Social Inclusion Awards”, “Climate Leadership Awards”, “Creativity in Communication Awards”, “Growth through Innovation Awards”, “Gender Equality Awards”
- Won “GCSA– Reporting Award” of Global Corporate Sustainability Awards (GCSA)



4.1 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 interests 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. 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 2019 annual report.

Organization Structure



Composition and functionality of the Board of Directors

FET's 8th Board of Directors has 11 directors who serve a term of three years from June 14, 2018 until June 13, 2021. 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 twelve 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 Directors and Compliance Matters for Public Companies." The selection process takes into account not only candidates' personal professional capacity, but also their ethical behaviors and leadership reputation.

In order to ensure the diversity of the Board, 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 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 led against directors for business decisions they have made.

Title	Name	Nationality	Gender	Major Experience	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
Vice Chairman	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.;; Director 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 ;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	Tim Pan	R.O.C	Male	Chairman and CEO of Gemfor Technology; Co-founder and CEO of GoldKey Technology; Board member of St. John's University	Senior Outreach Director, Microsoft Research Asia
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; Director of United Microelectronics Corporation; Independent Director of Microelectronics Technology Inc.; Independent Director of Powerchip Semiconductor Corporation; Independent Director of Accton Technology Corp.
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	Nobutaka Kurata, Representative of U-Ming Marine Transport Corp	Japan	Male	Senior Manager, Global Business Office, Tokyo, Nippon Telegraph and Telephone Corporation (NTT DOCOMO's parent company)	Senior Manager, Platform Solutions Department, Smart-life 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	Adjunct Professor, College of Communication, National Chengchi University; Adjunct Professor, School of Communication, Ming Chuang 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

Note : The proportion of executive director with employee's identification is 0%, independent directors are 27%, and female directors are 9% in FET. One independent director has a tenure of more than 9 years, two independent directors have a tenure of less than 6 years. In addition, 6 directors are over 70 years old, 2 are between 60 and 69 years old, and 3 are under 60 years old.

Board member diversity skill matrix

Name	Professional knowledge and skills						Equipped knowledge, skill, and experience (Note)				
	Professional background	Professional skills	Industry experience	Operational judgement	Accounting and financial analysis	Business management	Crisis management	International market perspective	Leadership	Decision-making skills	Information
Douglas Hsu	Business		O	O	O	O	O	O	O	O	△
Peter Hsu	Business		O	O	△	O	O	O	O	O	O
Jan Nilsson	Telecom		O	O	O	O	O	O	O	O	△
Nobutaka Kurata	Telecom		O	O	△	O	O	O	O	O	△
Lawrence Juen Yee LAU	Economic	Professor of Economics	O	O	O	O	O	O	O	O	△
Champion Lee	Finance		O	O	O	O	O	O	O	O	△
Jeff Hsu	Business		△	O	△	O	O	O	O	O	△
Tim Pan	Technology		△	O	△	O	O	O	O	O	O
Chung Laung Liu	Technology	Professor of Electrical Engineering	O	O	△	O	O	O	O	O	O
Bonnie Peng	Telecom	Professor of Journalism	O	O	△	O	O	O	O	O	△
Toon Lim	Telecom		O	O	△	O	O	O	O	O	△

Note：△ refers to possessing the ability partially

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 understand 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 six meetings from 2019 to Q1 of 2020. Directors' attendance rate was 88% 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 interests by directors

None of the Board of Directors members held equity stake in any of FET's main suppliers. To prevent conflict of interests at the highest governance Board of Directors, 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. All directors of FET adhere to the principle of self-discipline and carry out interest avoidance. The outcomes of following the principle of self-discipline from 2019 to the beginning of 2020 are illustrated as below:

Company	Date of Board Meeting	Proposal contents	Status of the conflict of interest	Outcomes of following interest avoidance
New Centry InfoComm Tech Co., Ltd.	January 22, 2019	Appointment of the CEO of the company	Ms. Chee Ching has conflict of interest since she also is the director of FET	Except Ms. Chee Ching has conflict of interest so she cannot participate in discussions and votes, all other participated directors vote for approval without objection.
New Centry InfoComm Tech Co., Ltd.	June 28,2019	The company intends to fund the loan with the parent company FET for not higher than NT $ 9 billion	Chairman Douglas Hsu has conflict of interest since he also is the chairman of FET	Except Chairman Douglas Hsu has conflict of interest so he cannot participate in discussions and votes, all other participated directors vote for approval without objection.

Director performance evaluation

Self-Valuation

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 main improvement in 2019 is " organizing appropriate orientation for new directors ", which has been completed in 2019 before the appointment of the new Japanese director, Nobutaka Kurata. The overall evaluation result is good and has been reported in the 10th meeting of the eight-term board of directors on February 21, 2020. The aspects that have not been improved in 2019 include: the convener of the audit committee should attend the general meeting of shareholders and the relationship between directors. In 2020, all directors have been notified of the date of the annual general meeting of shareholders, and the convener of the audit committee has been asked to attend the meeting, hoping to improve the board performance.

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 (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

Third party evaluation

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 in 2018 commissioned risk consulting department of KPMG ("KPMG") to conduct external assessment on the effectiveness of the Board of Directors and the report was obtained in January 2019. The assessment results were between good to excellent and were reported to the 5th session of the 8th Board of Directors Meeting on February 20, 2019. The next third-party evaluation will be conducted in 2021.

Procedures of Third Party Performance Evaluation of Board Members

KPMG reviews and analyzes information regarding evaluation of the Board of Directors collected from FET.

KPMG sends two questionnaires to all board members, including "Self-evaluation of Board of Directors Performance" and "Self-evaluation of Board Members Performance."

KPMG interviews board members and staff related to operation of the Board of Directors.

KPMG provides reports to FET based on the analysis of the acquired information and interviews.

Y2019 Board Performances Evaluation Report

Rules and Procedure for the Board of Directors' Performance Assessments

Directors Training

All local directors of FET are required to undergo regular training and foreign directors are also provided trainings in English by experts to ensure continual improvement of knowledge in areas such as sustainable management and corporate governance. Training courses completed in 2019 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 Corporate Governance Association	Impact of US-China Trade War on Taiwan-funded Enterprises and Countermeasures	3	1
Taiwan Corporate Governance Association	Insider obligations of corporate governance, information disclosure and insider trading	3	1
Taiwan Corporate Governance Association	Corporate management and media crisis management strategies	3	1
Taiwan Corporate Governance Association	Directors' supervisory responsibilities of financial statement fraud	3	1
Taiwan Corporate Governance Association	Important issues of group corporate governance	21	7
Taiwan Corporate Governance Association	Risk and benefits of cloud computing	21	7
Taiwan Corporate Governance Association	Obligations and responsibilities of companies' directors under "Securities and Exchange Act."	3	1
Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	18	4

Audit Committee

FET assembled an "Audit Committee" 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 four meetings were held in 2019. 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.

Audit Committee Communication Policy

	Quarterly	Annual
Participants	Internal Audit Officers, Independent Directors	Certified Public Accountant, Independent Directors
Responsibilities	Internal Audit office is under Board of Directors and implements the audit process based on annual plans. It presents the outcomes of internal audits and internal control in the board meetings and has the power to hold meetings immediately if important irregular events happened. In addition, audit officers will present the monthly reports to independent directors.	The Certified Public Accountant will present to independent directors based on company's financial status, local and oversea subsidiaries' financial and overall operation status and internal audit status, and fully communicate about the status of whether major adjusting entries and legislative amendments affect the accounting status. The Certified Public Accountant also has the power to hold meetings immediately if important irregular events happened. Independent directors shall appoint Certified Public Accountant to audit the financial reports and provide the audit reports for discussion.

Risk Management Committee

FET restructured its risk management organization in 2018 and brought the Risk Management Committee (RMC) to the board level. The roles and responsibilities include: 1. reviewing risk management policies and structures, risk appetite or tolerance, 2. reviewing management reports on major risk issues, 3. reporting the risk management situation to the board of directors in due course. The committee meets at least twice a year and may hold meetings at any time as needed. The members of the RMC are appointed by the board of directors. The number of members should not be less than three, and more than half of them must be independent directors. The current members are Lawrence Juen-Yee LAU, Chung Laung Liu, and Tim Pan. For details, please refer to the " Board member diversity skill matrix". Two meetings were hold in 2019. RMC aims to implement enterprise risk management from a more comprehensive perspective that encompasses scopes including financial risk, strategic and operational risk, information security risk, and environment and energy risk.

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. 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 in 2019.

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 incorporates environmental and social performance into the evaluation process of remuneration of executive managers. Executive managers are required to set ESG goals depending on nature of business, which account for at least 5% of overall performance evaluation. 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.

	2017	2018	2019
Ratio of directors' compensation to after-tax net income	1.12%	1.18%	1.19%

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, ESG 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.

The remuneration of CEO and manager of FET and its major subsidiaries is determined by factors such as their roles and responsibilities, overall economic environment and market standards. The remuneration should reflect their performance, including the achievement of financial and relative financial metrics, and is linked to variable remuneration. Financial metrics include: operating income, EBITDA, new economic revenue growth, net profit after tax and ROE etc. Relative financial metrics compared with peers include: total shareholder return rate, dividend payment rate, customer net recommendation rate and achievement of sustainable development goals etc. The remuneration committee regularly reviews and evaluates the remuneration of senior managers according to the actual operating conditions and changes in related laws and regulations and submit the recommendations to the board of directors for discussion. The goal is not to engage in behavior that exceeds the company's risk by pursuing the remuneration, to effectively carry out risk management, and to practice the sustainable operation. The ratio of CEO compensation to the average of other employees is approximately 16.4: 1 in 2019.

Regarding the actual distribution ratio and amount of performance bonuses for CEO and senior managers, the results were decided by the Remuneration Committee and the Board of Directors based on the aforementioned operating indicators that was highly related to the Company 's operating performance. In order to prevent CEO and senior managers from pursuing profits through improper conduct, the company has a deferred bonus system, which will issue two-thirds of performance bonuses in March of the following year and one-thirds of performance bonuses in July of the following year.

	2017	2018	2019
Ratio of managers' compensation to after-tax net income	1.59%	1.61%	1.79%

Equity information

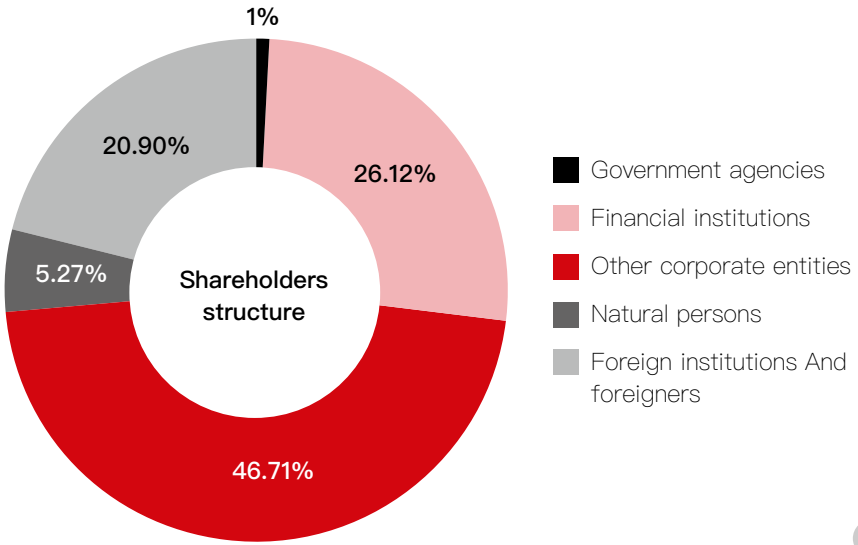
As at December 31, 2019, Far Eastern New Century Enterprise and affiliated companies directly or indirectly held a total of 38.28% shares of FET. Since Far Eastern New Century and subsidiaries have jointly acquired more than half of total seats on FET's Board of Directors, Far Eastern New Century is 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 21, 2020

	Government agencies	Financial institutions	Other corporate entities	Natural persons	Foreign institutions And foreigners	Total
Numbers Of Shareholder	15	55	182	39,607	712	40,571
Numbers of Shares	32,533,039	851,249,520	1,522,164,144	171,309,952	681,244,155	3,258,500,810

Note:According to the Financial Supervision and Administration Commission of the Executive Yuan' letter of No. 0990002770 on January 15, 2010, the telecommunications industry is an investment-prohibited industry for the mainland China investors. Therefore, mainland China's people, legal persons, groups and other institutions are unable to invest in the company. The direct shareholding ratio of investors from mainland China is zero.

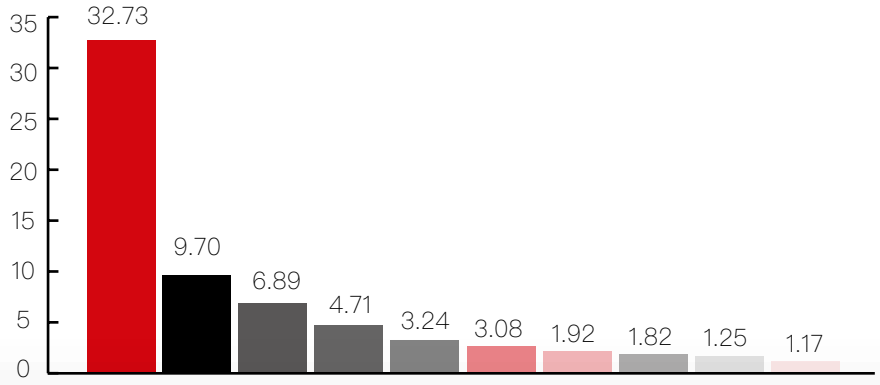
[8]Manager includes President, executive vice presidents, senior vice presidents, and vice presidents

Investor Relations



Top 10 shareholders(April 21,2020)(Unit：%)

- Yuan Ding Investment Co., Ltd.
- Shin Kong Life Insurance Co., Ltd.
- Cathay Life Insurance Co.,Ltd.
- NTT DOCOMO INC.
- Chunghwa Post Co., Ltd.
- Yuang Tung Investment Co., Ltd.
- Fubon Life Insurance Co., Ltd.
- Nan Shan Life Insurance Company, Ltd.
- An Ho Garment Co., Ltd.
- Taiwan Life Insurance Co., Ltd.



Tax policy and management

In response to international trends in tax governance, implement tax laws and regulations, and pursue sustainable development, FET has revised its tax policies in 2019 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 the promises and obligation to pay the taxes, optimization after-tax operating results, minimization the tax-related impacts and risks, tax risk-management, and protection of shareholders' rights and the major operational 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 company's operating income is 100% from Taiwan. From 2018 to 2019, the company's income tax payment information is as follows. Among them, the effective tax rate is slightly higher than Taiwan's legal tax rate (20%) which is caused by investment losses.

FET's income tax payment

Unit：NTD $ thousands

	2018	2019
Operating Revenue	86,634,971	83,865,872
Net operating profit	12,373,173	11,925,478
Net operating income for the year (A)	11,869,430	11,011,519
Amount of income tax (B)	2,444,654	2,203,776
Amount of income tax paid	2,124,394	4,457,471
Effective tax rate (C)=B/A	20.60%	20.01%
Explanation of difference between the effective tax rate and GICS global effective tax rate	The effective tax rate of FET is lower than the average effective tax rate of the GICS industry (about 23%), which is due to the fact that the operating location of FET is in Taiwan and the statutory tax rate of Taiwan (20%) is also lower than the average effective tax rate of the GICS industry.	
Cash tax rate	17.90%	40.48%
Explanation of difference between the effective tax rate and Taiwan statutory tax rate	Although the tax rate for Profit-seeking Enterprise Income Tax in 2018 was raised from 17% to 20%, the tax rate for 2017 was paid for income tax in 2017. The tax rate was 17%, resulting in the 2018 cash tax rate being lower than the legal tax rate.	This is due to the application of IFRS 15 "Revenue from Contracts with Customers" in 2018, the retroactive adjustment of retained earnings impacts in accordance with relevant regulations, and the payment of income tax in 2019.

Tax Policy

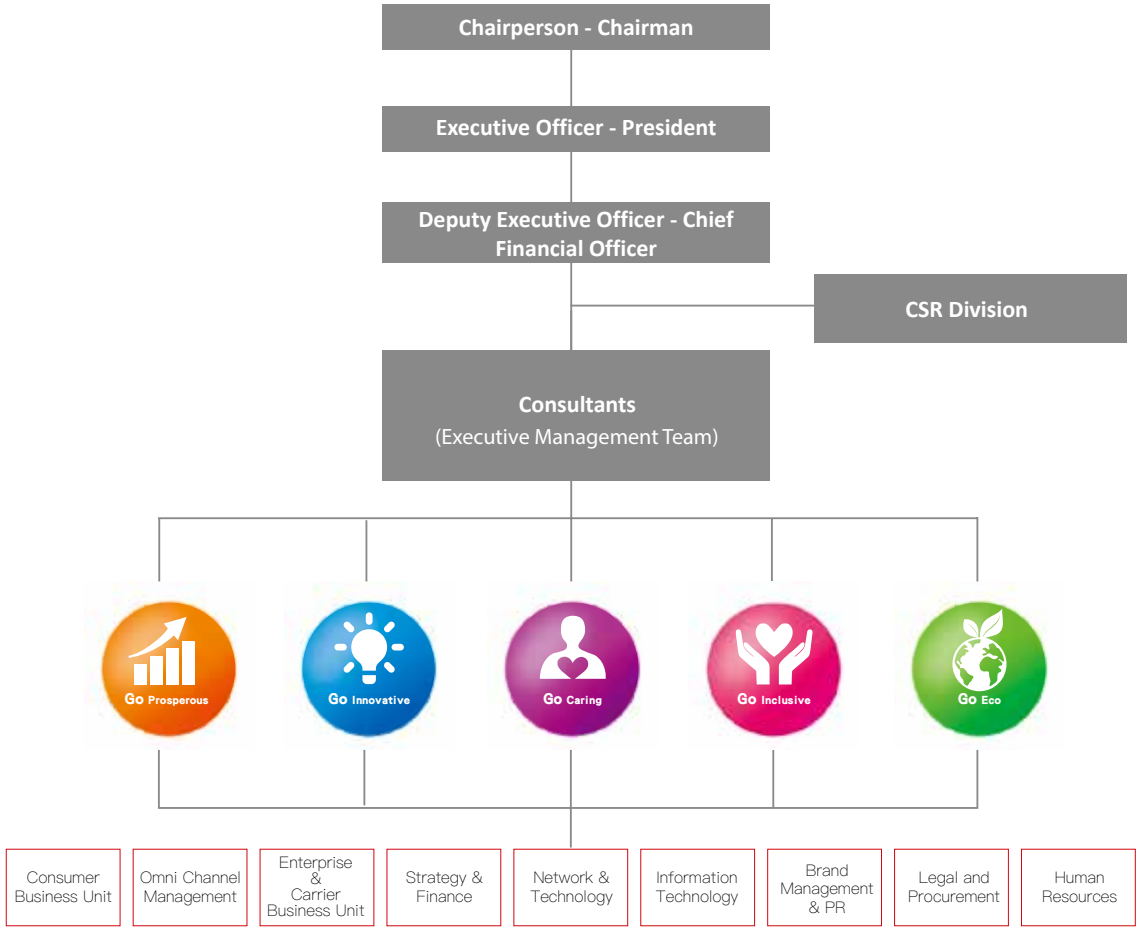
4.2 Implementation of sustainable governance

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 CSR Division as designated unit with the responsibility of enforcing CSR actions and measures within the organization.

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 2019. 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 2019 KPI and performances, please refer to chapter 2 " Sustainable Development Strategy and Performance".

FET continues to take 5 GO (Go Prosperous, Go Innovative, Go Caring, Go Inclusive, and Go Eco) as its main driving forces The short– to long–term sustainable development goals and actions were developed by each business group, and sustainable related KPIs were introduced in performance evaluation to associate director's level and above in 2019. The goal of linking the performance of all employees with sustainability–related KPIs in 2025 is set, and it is expected that the corporate social responsibility spirit to be embedded in daily operating culture to deepen the thinking of every employee.

CSR Committee Structure



4.3 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 2019, FET updated the Board of Directors every quarter 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 2019.

In response to the provisions of the draft sub-law of the "Telecommunication Management Act" passed in 2019, the Government's issuing of 5G license completed in 2020 and FET's promotion of emerging services in areas of big data, artificial intelligence and Internet of Things, such as services regarding smart city, the IoT, electronic id identification, OTT music/audio and video, mobile payment and electronic commerce, we continue to communicate with the competent authority to prompt the regulations and license release to loosen on the existing control and plan ahead in the direction of maintaining industry development, enhancing fair competition and facilitating flexibility in business operation. In removing obstacles and gaining advantages and achieving goals of reducing operational costs, securing fair competition and providing customers with services of higher quality, the industrial environment will be beneficial to the development of digital convergence and 5G hyper-fast broadband services. As for the DIGI+ plans and targets set by the Government, such as high-speed broadband service KPI, formulation of digital convergence laws and regulations and establishment of regulatory sandbox mechanism, FET will step up its effort to optimize network development and network coverage so as to earn greater recognition form customers.

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 follows the rules of The Code of Business Conduct and prohibits any action against it; In 2019, no political donation was made. FET continuously communicate issues related to anti-corruption and ethical corporate management. Except the trainings undertaken by new employees, FET also communicate and arrange trainings through intranet websites. The subsidiary — ARCOA also established its own "The Code of Business Conduct", and communicate through competency trainings and legal cases. FET and ARCOA had no breaches against code of conduct/ethics in 2019.

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 interests, 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. FET and ARCOA had no breaches against code of conduct/ethics in 2019. Other reporting channels include:

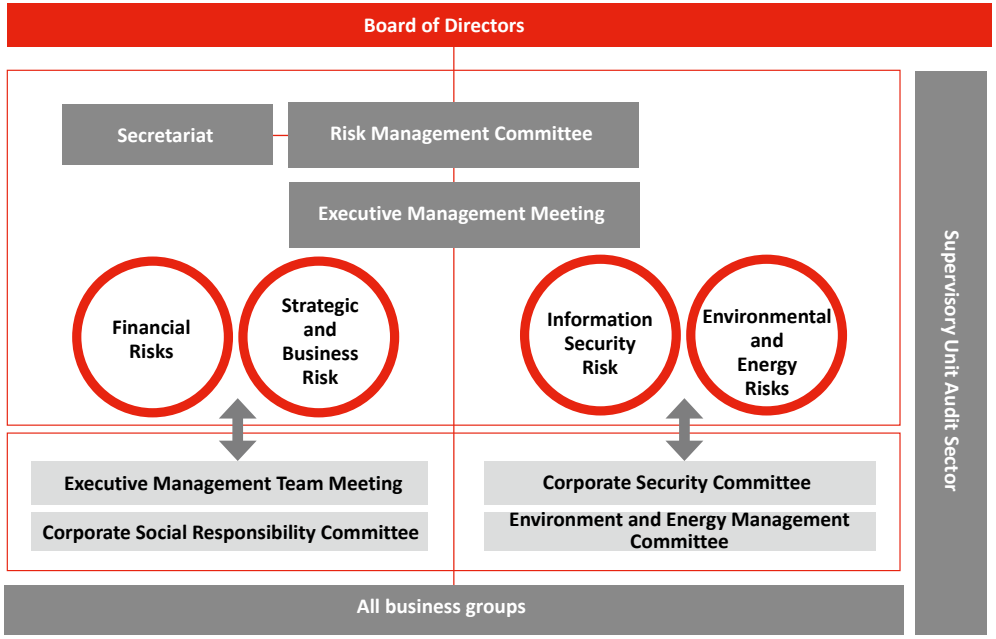
- Mailbox of Internal Audit：ia@fareastone.com.tw
- Whistle-blower internal email：whistle_blower@fareastone.com.tw
- Procurement management e-mail：http://www.ecome.com.tw/A00BG/ABG_Index.aspx → Please click "Contact us"
- ARCOA also has an "Opinion Box" available for employees to express opinions or report misconducts.

4.4 Business Risk Management

Composed of independent directors delegated by the Board of Directors, the Risk Management Committee aims 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 and through collaboration among different levels to implement enterprise risk management. As to the management systems, FET has formulated the Risk Management Policy based on ISO 31000 Risk management – Guidelines and the PDCA Cycle, which has been approved by the Board of Directors to be the guiding principles and basis for all business groups in the purpose of quickly adapting to changes in business environment and ensuring effective risk management.

The Board of Directors serves as the highest authority of the risk management system to approve policy framework and supervise management performance. The Risk Management Committee reviews the Company's risk appetite and tolerance and management reports of major risk issues. The Executive Management Team manages the overall corporate risks and facilitates the development of risk management culture. All business groups are responsible for identifying, analyzing, managing and reporting of relevant risks as well as taking necessary responsive solutions. The Internal Audit acts as a supervising role to perform audits and provide the Board of Directors with audit reports. Through the design and operation of multiple lines of defense comprising business units, the Executive Management Team, the Board of Directors, the Risk Management Committee and audit units, the company is equipped with the flexibility of risk management, supervision and response to risk and is able to quickly grasp the situation of changing environment and risk, and achieve the organization's strategic goals.

In 2019, the Risk Management Committee held a total of two meetings and the Corporate Security Committee held a total of four meetings which highlighted the analysis of primary global risks, threats and trends, review of relevant laws and regulations such as GDPR, identification of high risk issues and response plans and improvement plans. All units have planned, conducted and completed various projects, including raising staff members' awareness of risk management and safety, improvement in cyber–attack protection and physical security management, information security testing and business continuity drills to continue to upgrade the overall business security.



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 conducts annual information security risk evaluations to address high–risk issues such as mitigate, transfer, and ultimately reduce risk exposure. For outcomes of FET's information security promotion efforts in 2019, please refer to Chapter 5.3.3 "Customer Privacy Protection."

Environmental and energy risk management

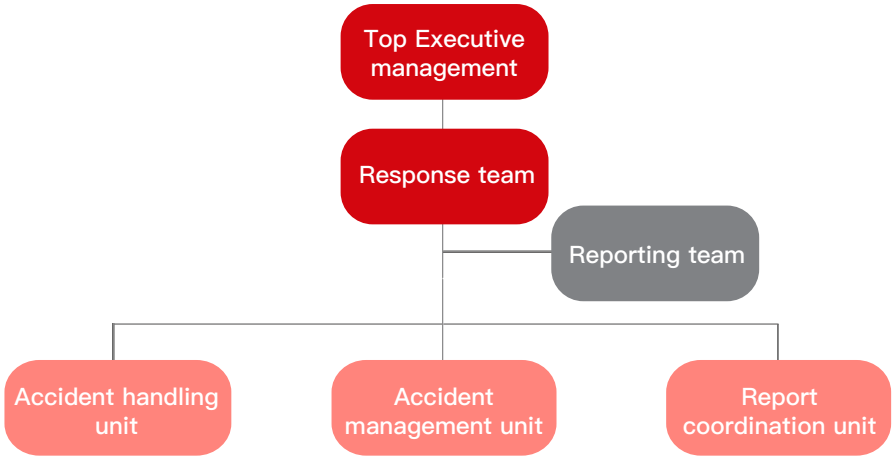
An "Environment and Energy Management Committee" of representatives from different departments has been assembled to identify and manage related risks. The committee convenes meetings on a quarterly basis to ensure proper coordination between the departments, and the effectiveness of environmental energy management systems, such as ISO14001 and ISO50001. For outcomes of FET's environmental management efforts in 2019, please refer to Chapter 6.1.2 "Climate strategy."

Emergency response management

The highest unit of the organization is headed by the Executive Management Team (EMT). In the event of an emergency or major accident, the reporting team will collect information from the accident management unit and the report coordination unit and provide them to the response team for decision of whether to activate emergency response procedures, so that risks and possible impacts can be controlled quickly and reduced to minimum.

The Business Continuity Management Organization held a total of eight meetings in 2019 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. In addition, in order to protect the health and safety of workplace employees and the continuous operation of critical infrastructure in the time of the global pandemic (COVID-19) occurred in December 2019, FET has started to respond in January 2020 with contingency plan based on the five major frameworks of epidemic situation, risk and impact assessment, response measures, contingency organization or emergency contact network, and confirmation of the feasibility of the continuous operation plan. The continuous operation plan was drawn up to enhance the protection and response capabilities of the business units.

Business Continuity Management Organization Framework



4.5 External Participation

FET gives close attention to the latest development in the industry both home and abroad, and actively participate in the telecommunications industry and corporate social responsibilities related public association, to ensure FET's corporate governance work in concert with important initiatives and operations worldwide, raise FET's corporate competitiveness, and help promote the overall development of the industry. All membership fees FET paid in 2019 add to NTD $8,543,192. FET did not support any lobby group in 2019.Also, no political donation was made in 2019.The following chart displays the associations in which FET occupied a position, or associations that are important.

(Unit: NTD $ thousands)

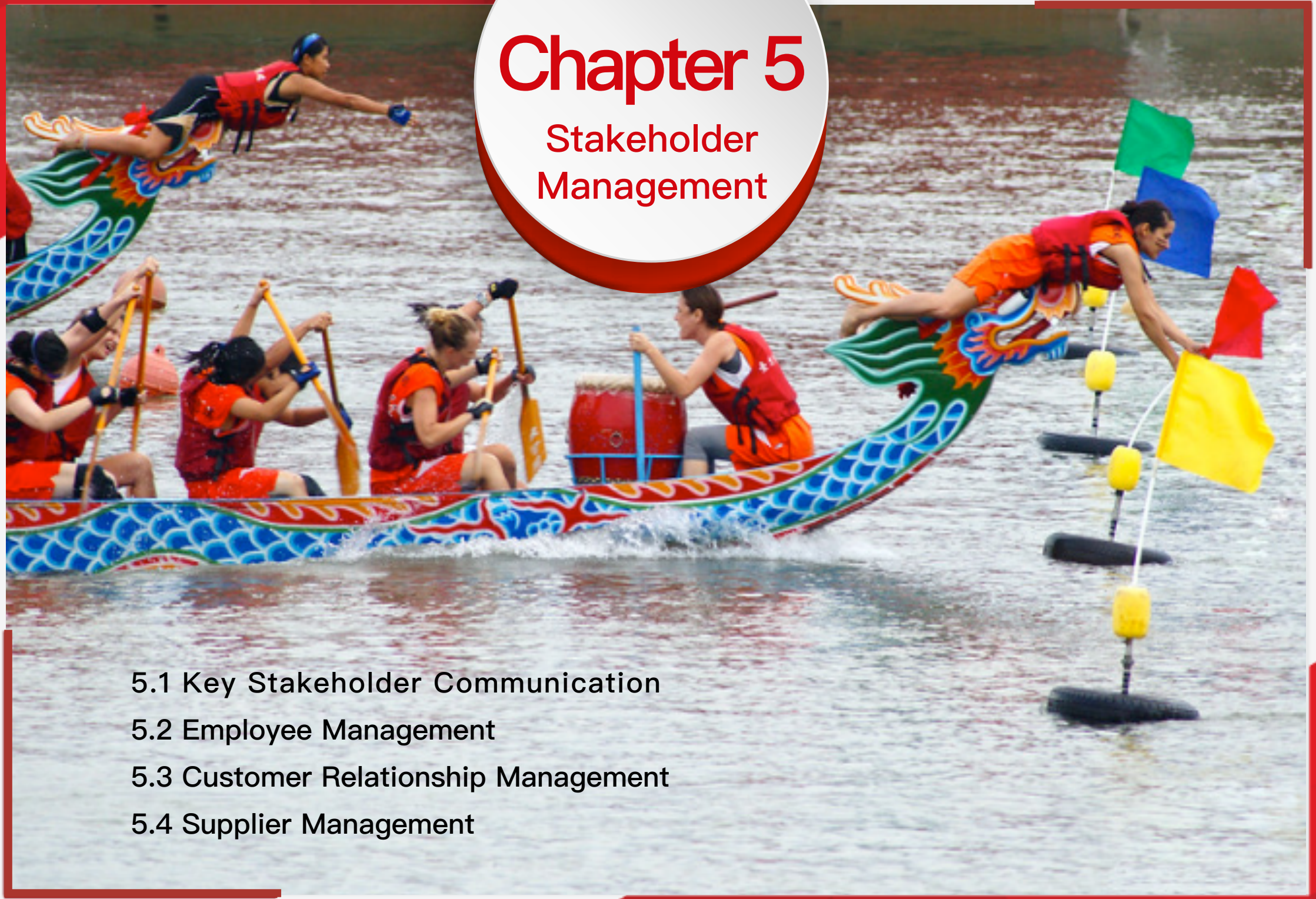
	2017	2018	2019
Telecommunications industry related association investment (Unit: NTD $ thousands)	9,709	8,592	8,543
Ratio to total revenue	0.01%	0.01%	0.01%

Type of association	Description	Yearly amount contributed
Telecommunication Industry	Relevant to the traditional telecom and technology business of FET, trade and business related organizations are also included in this type	7,135
Emerging Technology Development	The nature of the association is to explore new business models, which can be used for the purpose of future business research and development	330
Others	Not belong to the above two types (e.g. : sustainable development, corporate governance, transportation and other related organizations)	1,078

Name of Association	Nature of association	Yearly amount contributed
Taiwan Telecommunication Industry Development Association (TTIDA)	Industry Development	4,000
GSM (Groupe Speciale Mobile Association)	Industry Development	1,878
Taiwan Network Information Center	Industry Development	882
Taiwan Communication Society	Industry Development	112
Taiwan Internet Association	Industry Development	80
Cloud Computing & IoT Association in Taiwan	Emerging Technology Development	100

Name of Association	Nature of association	Yearly amount contributed
AIOTA – Asia Internet Of Things Alliance	Emerging Technology Development	60
Intelligent Transportation Society of Taiwan	Emerging Technology Development	50
Center for Corporate Sustainability	Others (Sustainability Initiative)	280
Chinese Institute of Transportation	Others (Transportation Industry)	100
ROC Business Council for Sustainable Development (BCSD)	Others (Sustainability Initiative)	90

Note: Only the significant organizations are listed above



Chapter 5

Stakeholder Management

5.1 Key Stakeholder Communication

5.2 Employee Management

5.3 Customer Relationship Management

5.4 Supplier Management

5.1 Key Stakeholder Communication

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.

Stakeholder	Communication Strategy and Response	Material Issues of Concern	
 Consumers	Communicate transparently, listen to every customer, and provide service with warmth and sincerity.	• Communications quality and infrastructure • Information security and customer privacy protection • Brand image management	• Quality customer experience • Communication and research on issues concerning electronmagnetic wave radiation • Rate plan transparency and communication
 Enterprise Customers	Maintain partnership; provide customized solutions according to unique enterprise management requirements.	• Social innovation and applications • Environmental innovation and applications • Climate strategy	• Quality customer experience • Information security and customer privacy protection
 Investors/ Shareholders	Transparently disclose FET's development strategy and major operating changes to maintain confidence of investors	• Operating performance • Investment in R&D/Innovation and collaboration • Social innovation • Climate strategy	• Environmental innovation • Corporate governance and integrity • Energy management
 Competent Authorities	Actively respond to policy trends and actively participate in policy formulation process	• Communications quality and network infrastructure • Information security and customer privacy protection • Risks management and emergency response • Response to government policy and regularity changes	• Digital inclusion • Energy management • Corporate governance and integrity • Climate strategy
 Employees	Enhance employee cohesion and sense of identity, cultivate innovative corporate culture, and implement two-way communications	• Operating performance • Human rights and workplace diversity	• Talent development and management • Corporate governance and integrity
 Suppliers/ Contractors/ Developers	Maintain stable partnership with suppliers/contractors, perform supply chain impact management, co-develop products or services with developers	• Operating performance • Corporate governance and integrity • Investment in R&D/Innovation and collaboration	• Supply chain management • Human rights issues and workplace diversity
 Community Groups/ NGOs	Maintain partnership, jointly promote social welfare, and create the social value of FET	• Community care and charity programs • Climate strategy	• Digital inclusion
 Media	Actively express opinions of the company, communicate transparently, and create positive corporate image	• Operating performance • Corporate governance and integrity	• Investment in R&D/Innovation and collaboration • Communication and research of issues concerning electromagnetic wave radiation
 Competitors	Keep competitive/cooperative relationships, mutually discuss material industry issues	• Response to government policy and regulatory changes	• Operating performance

2019 Stakeholders' communication performance

Stakeholder	Response and communication channels	Key communication results in 2019
Employees	• Education and training program • Annual performance evaluation • Quarterly two-way communications meeting • Employee satisfaction survey (ad hoc) • Employee complaints mailbox • Quarterly Lantern Legend Meeting (capital/labor discussion meeting) • Annual Employee Meeting • Employee Welfare Committee • FET e-Express/FET e-Paper • FET internal website/News update • Communication through dedicated units	• Through FET e-Express, all employees are informed of employee discounts, employee benefits and volunteer accomplishments for the year. • Through FET internal website, all employees are informed of operating procedure document, website update information and employee discounts. • 2,612 employee training courses held, and average training hours per employee was 74.9 hours. • Percentage of employee who received annual performance assessment: 100% • FET received 30 employee suggestions and 8 cases from the grievance mailbox. • Arcoa received one cases from the grievance mailbox. • For other communication performance, please refer to "5.2 Employee Management" of this report.
Consumers/ General Customers	• In-store face-to-face communications • Six complaint channels available to customers (official correspondence, arbitration meeting, customer service inbound, FET net Website, self-care APP, and online chat) • Customer Satisfaction Survey • Product information meeting and marketing activities • "For every thoughts, We go further" brand campaign • User behavior research/surveys • Communication through dedicated units	• Outsourced customer satisfaction rate was 69 %, Customer loyalty: Grade A. • Overall average customer satisfaction of FET's retail stores: 9.66(out of 10) ; Overall FET retail store repair and maintenance service satisfaction 9.3 (out of 10) • Overall FET call center satisfaction 9.12 (out of 10) • By the end of 2019, there were 7,680,000 friends on LINE accounts and 560,000 fans on Facebook fan pages. • For other communication performance, please refer to "Customer Relationship Management" of this report.
Enterprise Customers	• Business visits • Call Center	•First contact resolution of call center from January to July was 91%, August to December was 9.08 (out of 10) • For other communication performance, please refer to "Customer Relationship Management" of this report.
Competent Authoruties	• Business meetings and administrative inspections by the National Communications Commission (NCC) • Fair Trade Commission investigations(Ad Hoc) • Official correspondence(Ad Hoc) • Communication through dedicated units	• Took part in 160 NCC business meetings and 15 administrative inspections in 2019. NCC identified two violation relating to FET dealers, for more information please refer to "5.2.4 Human Rights, Diversification and Communications" of this report. • There were two cases investigated by the Fair Trade Commission in 2019. All cases were closed and no violation of the Fair Trade Act was found. • 298 Official correspondences
Suppliers/ Contractors/ Developers	• Supplier CSR Self-Declaration • FET Supplier Chain Guidelines for Corporate Social Responsibility • The Code of Business Conduct • Procurement Satisfaction Survey • Developers' Conference • Communication through dedicated units	• In 2019, 98% of material suppliers and 100% of new suppliers signed the "Supplier CSR Self-Declaration". • 242 suppliers participated in and completed trustworthy management training and exams of supplier's management, supplier's CSR risk management, office energy and environment management, and supplier's code of conduct • The satisfaction rate of supplier selection and process was 87.7% ; The satisfaction rate of supplier selection fairness was 81.6% . • Held Supplier general meeting in 2019, more than 242 suppliers attended. • For other communication performance, please refer to "5.4 Supplier Management" of this report.
Shareholders/ Investors	• Annual general meeting • Investor-related conferences • Investor Relations section on the website • Communication through dedicated units	• Hosted one general shareholders meeting. • Hosted four Global Investor Telephone Conference to facilitate direct communication between investors and executive management. • Dedicated units took part in domestic/overseas face-to-face institutional investor meetings to communicate with investors. • Published 12 monthly non-audited revenue, profit and operating statistical data on the FETnet website.

Stakeholder	Response and communication channels	Key communication results in 2019
Competitors	• Communication with competitors in the Taiwan Telecommunication Industry Development Association (TTIDA) • Competition/market survey	• Attended 103 meetings in 2019, including 58 on TTIDA promotion issues, 39 working groups and 6 consultation meeting related to the construction of base stations. • Other details on communication performances can be found in "6.1.4 Reducing Environmental Impacts from Services" of this report.
Media	• Press releases/conferences • Communication through dedicated units	• Hosted 16 media events and issued 220 press releases in 2019 • For more details on press releases, please refer to the News Room of FET net website
Community Groups/NGOs	• Information meetings/symposiums/forums • Sponsorship and collaboration	• Public welfare appropriation in 2019 was NT7,363 thousands and charity fundraising amount in 2019 was NT4,476 thousands. • A total of 3,311 volunteers participated in public welfare activities and 1.46 million people were benefited. • For details on communication performances, please refer to "6.2 Create Social Contribution" section of this report.

Participates in "Revolutionize Education, Spread Love Far" rural digital education camp, teaches students on digital technology applications.

EMT supervisors calls for ice skating club, in hopes of getting closer to employees.

5.2 Employee Management

Chapter Summary

FET's goal is to become the ideal enterprise for employees. By continuously perfecting our talent development system, benefits policy, and human rights and occupational safety policies and standards, we are committed to providing an equal, inclusive, diverse, and harmonious work environment. We hope to build employee cohesion and sense of accomplishment, as well as positive recognition for FET, while also attracting external talents to join us.

Material Topics

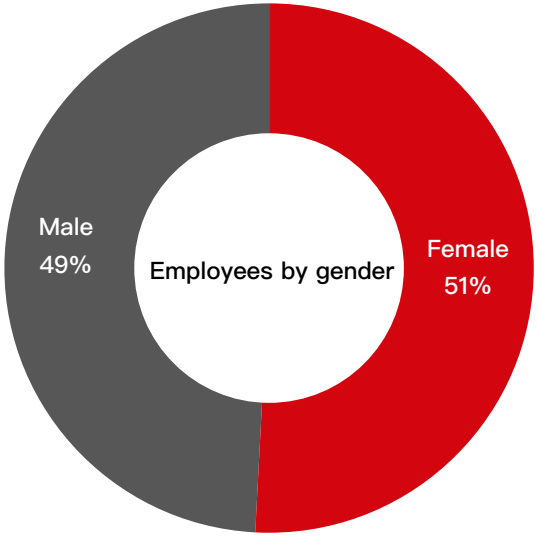
- Responses to changes in government policy and laws/ regulations
- Talent development and management
- Human rights and workplace diversity

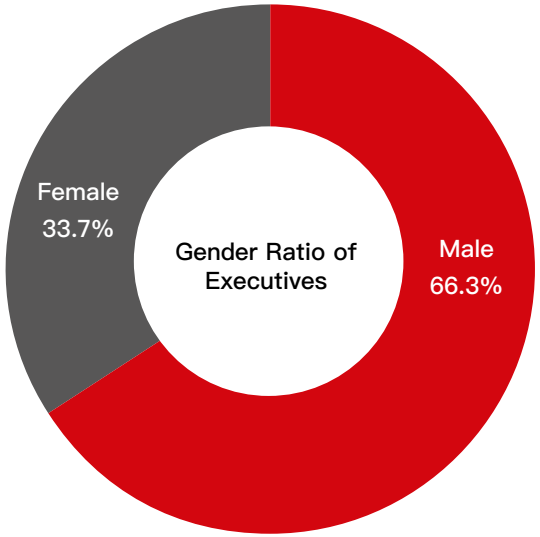
Highlights

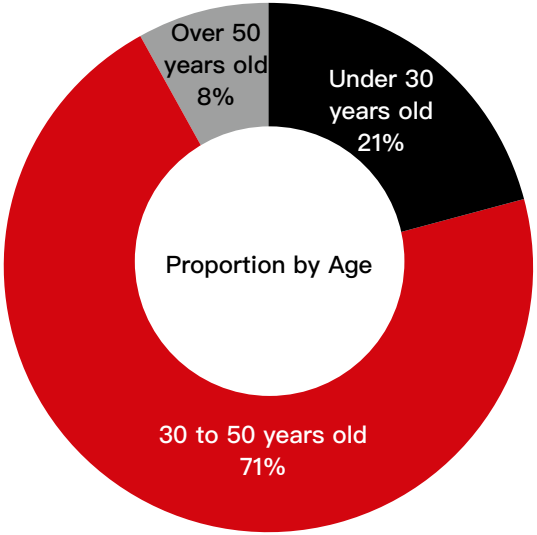
- Organzed "70 Years of Love: FET Happy GO Employee Competition," in which 1,295 employees won "health leaves" for walking more than 7,000 steps per day
- Organized two FET AI Hackathons with Microsoft and Amazon; 200 employees formed 42 teams to participate in the two contests
- Arcoa received Bronze Medal for Talent Quality-management System (TTQS) evaluation from Workforce Development Agency, Ministry of Labor in 2019
- Received "Taiwan iSport" designation from Sports Administration, Ministry of Education

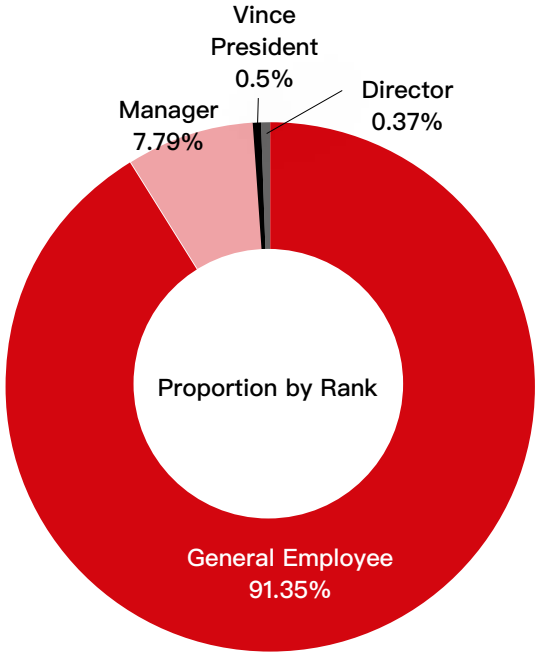
5.2.1 Human Resources Overview

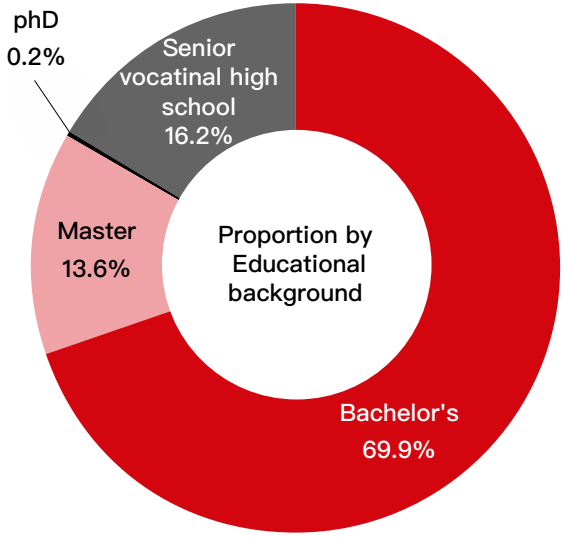
In terms of workforce structure at FET, 51% of employees are female and 49% male, of which females account for 33.7% of senior managers (deputy managers, managers and above). Over 99% of all FET employees are domestic citizens with indefinite contracts. In response to the incoming era of 5G, FET continues to recruit new technical talent and to appropriately adjust and plan the HR structure. Total number of employees in 2019 was 6,240 persons. 2019 employment status is shown in more detail as follows:











Number of Employees by Type of Contract Unit: number of people[9]

Indefinite Contract			Contract Type %	Temporary Contract			Contract Type %
Male	Female	Total		Male	Female	Total	
2,991	3,192	6,183	99.09%	39	18	57	0.91%

General Employees and Management by Age (FET Telecom) Unit: number of people

	Age	Male	Ratio	Female	Ratio	Total
General Employee	Under 30 years old	564	47.4%	648	52.6%	1212
	30 to 50 years old	1753		2068		3821
	Over 50 years old	220		96		316
Manager	Under 30 years old	0	69.3%	0	30.7%	0
	30 to 50 years old	186		108		294
	Over 50 years old	121		28		149
Director	Under 30 years old	0	61.5%	0	38.5%	0
	30 to 50 years old	8		8		16
	Over 50 years old	8		2		10
Vice President	Under 30 years old	0	56.5%	0	43.5%	0
	30 to 50 years old	2		2		4
	Over 50 years old	11		8		19

General Employees and Management by Age (ARCOA) Unit: number of people

	Age	Male	Ratio	Female	Ratio	Total
General Employee	Under 30 years old	31	38%	55	62%	86
	30 to 50 years old	96		154		250
	Over 50 years old	8		7		15
Manager	Under 30 years old	0	44%	0	56%	0
	30 to 50 years old	15		18		33
	Over 50 years old	4		6		10
Director	Under 30 years old	0	60%	0	40%	0
	30 to 50 years old	2		1		3
	Over 50 years old	1		1		2
Vice President	Under 30 years old	0	0	0	0	0
	30 to 50 years old	0		0		0
	Over 50 years old	0		0		0

Number of Employees by Nationality Unit: number of people

Local employees	Ratio	Foreign Employees	Ratio	Total
6,233	99.89%	7	0.11%	6,240

Employee Educational Background Unit: number of people

	Male	Female	Total
Senior or vocational high school	348	664	1012
Bachelor's	2124	2240	4364
Master	548	303	851
PhD	10	3	13

Average Employee Age and Seniority

	Average Age			Average Seniority (years)		
	Male	Female	Total	Male	Female	Total
FET	39.24	36.99	38.09	9.39	8.96	9.17
Arcoa	38	37	37	5	7	6

[9] Here, permanent contract is non-fixed term contract, and temporary contract is fix-term contract. According to Article 9 of Labor Standards Act, a contract in nature for temporary, short-term, seasonal or specific work may be made as a fixed term contract, but a contract for continuous work, should be a non-fixed term contract. Far EasTone Telecommunications (FET) only operates in Taiwan.

5.2.2 Recruiting and Retaining Talent

As the age of 5G approaches, in order to respond to revolutions in the telecom industry, FET continues to build its innovative talent resource by actively recruiting interindustry integrative service and technical personnel skilled in telecommunications, digital media, information security, cloud, artificial intelligence (AI), and the Internet of Things (IoT). At the same time, to attract more talent with future potential to join the ICT industry, FET has begun to explore campuses since 2016 and has developed diverse cooperation models with many universities and colleges with relevant disciplines. We strive to integrate campus resources to foster professional talent for various fields. Besides utilizing Group resources to promote the industry–academic cooperation projects with Yuan Ze University and Oriental Institute of Technology, FET also continues to reinforce collaborations with multiple universities including National Taiwan University, National Chengchi University, National Taiwan University of Science and Technology, and National Sun Yat-sen University. In 2019, FET offered 42 job openings as internship opportunities for current students or as industry–academic cooperation projects. The rate of new hires for employees under 30 in 2019 is higher than last year, mainly because of FET's effort on attracting young and innovative talents.

New Hires in 2019 – FET Telecom

Unit: number of people

	Male	Female	Total	Ratio of New Hires[10]
Under 30	226	199	425	7.28%
30~50	185	142	327	5.60%
Over 50	11	5	16	0.27%
Total	422	346	768	13.15%

New Hires in 2019 – ARCOA

Unit: number of people

	Male	Female	Total	Ratio of New Hires[11]
Under 30	16	30	46	11.53%
30~50	20	28	48	12.03%
Over 50	0	0	0	0%
Total	36	58	94	23.56%

Resignations in 2019 – FET Telecom

Unit: number of people

	Male	Female	Total	Turnover rate[12]
Under 30	222	254	476	8.15%
30~50	345	388	733	12.55%
Over 50	77	38	115	1.97%
Total	644	680	1324	22.67%

Resignations in 2019 – ARCOA

Unit: number of people

	Male	Female	Total	Turnover rate[13]
Under 30	14	26	40	10.03%
30~50	26	46	72	18.80%
Over 50	3	0	3	0.75%
Total	43	72	115	28.82%

Employee Salary and Welfare

FET believes that providing employees with competitive, fair salaries and welfare benefits are key factors in retaining talent. In terms of the compensation system, the starting salary at all levels is the same for male and female employees. It is also higher than the statutory minimum wage mandated by the government, with a balance maintained between average male and female salaries in all positions. The company also provides employees with annual bonuses, performance bonuses, sales bonuses and special incentives, to reward exceptional employees and create a high-performance corporate culture.

	FET	Arcoa
Basic-level employees paid above the legal minimum wage.[14]	17%	13%

Non Management Employees[15] Salaries – FET Telecom

Item	2018	2019	Annual difference
Number of non-management full time employees (Employees) [16]	5618	5260	-6.4%
Total salary of non-management full time employees (NT$ Thousands)	4865492	4706830	-3.3%
Average salary of non-management full time employees (NT$ Thousands)	866	895	3.3%
Median salary of non-management full time employees (NT$ Thousands)	– [17]	762	–

Non Management Employees Salaries – Arcoa

Item	2018	2019	Annual difference
Number of non-management full time employees (Employees)	337	333	-1.2%
Total salary of non-management full time employees (NT$ Thousands)	178,848	193652	8.3%
Average salary of non-management full time employees (NT$ Thousands)	531	582	9.6%
Median salary of non-management full time employees (NT$ Thousands)	518	550	6.2%

[10] New hire ratio = 2019 total number of new hires/2019 total number of employees
[11] New hire ratio = 2019 total number of new hires/2019 total number of employees
[12] Turnover rate=2019 total number of resignations/2019 total number of employees
[13] Turnover rate=2019 total number of resignations/2019 total number of employees
[14] Basic salary has been NT$23,100 in Taiwan since 1 of January 2019.

Average salary by employee type – FET Telecom

Basic salary	Male : Female
Technicians	1 : 0.96
Sales/Customer Service/Store sales	1 : 0.92
Marketing and Product	1 : 0.94
Non-management employees (store sales and customer services are not included)	1 : 0.87

Average salary by employee type– Arcoa

Basic salary	Male : Female
Store sales	1 : 0.99
Repair/Maintenance (technician)	1 : 0.90
Other support services	1 : 0.94
Logistics	1 : 0.76
Total	1 : 0.89

In terms of welfare policy, all FET employees receive more than the legally mandated minimum welfare benefits. The company also provides employees with health checks and preventative screening for cancer that are superior to the legally required basic minimum. In 2019, 100% of employees took the company provided health checks. In addition, in order to create a happy workplace environment that promotes an optimal work-life balance, FET also provides a range of other welfare items such as establishment of Employee Welfare Committee, group activities and employee outings both in Taiwan and overseas. To celebrate Far Eastern Group's 70th anniversary, FET organized the "70 Years of Love: FET Happy GO Employee Competition". During the competition, all employees who have walked for over 7,000 steps on a daily basis for 20 days or more would be eligible for one day of "health leave". A total of 1,295 employees have met the criteria for the health leave.

Employee Group Insurance	Paid sick leave	Retirement Benefits	Employee Canteen
This includes guaranteed term life insurance, personal injury insurance, injury treatment, hospitalization treatment, cancer etc.	In addition to existing legal provisions, employees receive five days per year than the paid sick leave pension statutory minimum.	Employees are also provided with retirement benefits in accordance with retirement measures based on the provisions of the "Labor Standards Act."	FET works with a nutritionist from Cathay General Hospital to promote healthy dietary habits and provide employees with vegetarian and healthy set meals selections.
Cellphone Subsidy	**Work from home**	**Remote office**	**Flexible work hours**
The company provides a cellphone allowance and monthly subsidy for phone bills.	Depending on the nature of their work, employees can seek permission from their managers to work from home.	Some employees, based on the nature of their work, such as salespersons or network maintenance technicians work long hours outside the office at different times and places.	The company has three flexible work time schedules. If employees in a work team need to start work at a different time, they can discuss the matter internally and apply for an adjustment of their work schedule.
Maternity / Paternity leave better than legal minimum	**Parental leave and childbirth compensations**	**Childcare program**	**Health and relaxation facilities at the offices**
Maternity leave (including pregnancy checkups) and paternity leave are one day longer than the legally mandated minimum. Miscarriage leave is paid in full and not counted as part of sick leave. Maternity and paternity leaves: 6 days for maternity (including pregnancy checkup) and paternity leaves, both are 1 additional day over the legally stipulated 5 days. Full pay is given in case of miscarriage, and will not be counted as sick leave.	Paid parental leave is offered according to applicable laws; NT$1,200 is offered as childbirth compensation for both female and male employees.	All offices are equipped with outstanding breastfeeding rooms, which has received numerous certification and awards from regional health institutions. Health seminars on breastfeeding and infant and baby's health are also regularly provided to support female workers with babies.	Automated External Defibrillator (AED) and blood pressure monitors are present in all offices, and some offices also offer massage chairs, fitness bicycles, and mini golf as stress-relief for employees.

[15] Management employee refers to the position responsible for leading.
[16] Number of non-management full time employees = (the number of employees who have been employed for more than six months(included) in the current year – the number of employees in management positions – the number of employees after deducting part of the working hours) and conduct weighted average of the number of days served.
[17] The data is collected as of 2019, and the 2018 data has not been audited by CPA and its accuracy cannot be confirmed. Therefore, the data will not be disclosed.

2019 Parental Leave

Unit: Number of people

Parental Leave	Male	Female	Total
Number of employees qualified for parental leave (A)	218	474	692
Actual number of applicants for parental leave (B)	10	119	129
Application rate (B/A)	**4.59%**	**25.11%**	**18.64%**
Number of employees returning from parental leave (C)	6	106	112
Applications to return to work (D)	4	76	80
Return to work rate (D/C)	**66.67%**	**71.70%**	**71.43%**
Total number of parental leave applications in the last period (E)	6	57	63
Number of employees who have been reinstated for one year as of the previous period(F)	4	51	55
Retention rate (F/E)	**66.67%**	**89.47%**	**87.30%**

In terms of retirement benefits, FET has enacted retirement scheme for all formally employed employees pursuant to applicable regulations in the Labor Standards Act. For employees who opt to remain with the old pension scheme, or those who choose the new scheme but retain their seniority from the old scheme, 2% of their monthly pay is appropriated toward the pension reserve on a monthly basis. The pension reserve is managed by the Worker Retirement Reserve Supervisory Committee and deposited in Bank of Taiwan under the name of said committee. In addition, the new "Labor Pension Act" has been enacted as of July 1, 2005. For employees who opt for the new scheme, FET appropriates 6% of their monthly pay to the Labor Insurance Bureau on a monthly basis. Full appropriation of the pension allowance is made to ensure that the pension reserve is sufficient to cover the pension expenses of employees who fulfill conditions for retirement.

2019 Pension Statistic

Unit: NT$1000

	2019
Pension Liabilities	497,721
Pension Expenses	55,492

5.2.3 Employee Training and Development

FET Telecom

FET sees continuously enhancing the quality of employee training and fostering employees' long-term development competences as an important corporate mission. We re-examine the thoroughness and suitability of employee development plan in each year to ensure that employee training is tightly linked with the Company's strategies and operating goals. Using our core values and functional model as a basis, the "3E" or "education, exposure, and experience" FET talent development model has been formulated. Focusing on the three themes of culture, leadership, and talent, we strive to enhance the well-rounded thoughts and competences in executives and employees. In addition to comprehensive talent and career development training, FET also bases the planning and arrangement of all employee training on internal evaluation, collecting market trends, and listening to the demand for internal and external customers. The Company embeds elements needed presently or in the future in FET's training programs, and emphasizes that the contents of courses for each level of employment shall be correlated so that employees can solve real problems through practical, hands-on courses and receive actual results. FET continues to encourage high-performing employees to apply for continuing studies at domestic and overseas universities through providing allowances for advanced studies. This both helps the Company to foster professional talent, and also helps employees on their respective career paths. For employees who pursue diverse career planning, FET also provides job matching opportunities within the Group and organizes courses on interview and skill training and encourages interested employees to sign up to further enhance their continued employability and to receive career counseling. In 2019, FET organized 2,515 training courses. On average, each employee has received 74.9 hours of training, or a 14% increase from that of the previous year. Total training investments have amounted to NT$24,971,847.

FET promotes employee's physical activities, builds a healthy working environment, creates LOHAS healthy workplace. ▶

FET Talent Development Strategy

Strategic Focus	Target	Key Projects in 2019
New Culture	Continue to Promote An Agile and Innovative Core Value	**Enthusiasm Leadership Camp (Boot Camp)** Entry-level and mid-tier executives represent FET's frontline in dealing with employees. Their conduct shall be the exemplary of all FET core values and conduct. We hope to strengthen the core values and help managers to both care about their subordinates and to display needed functions. **Hybrid Project Management Training** Starting from online/offline agility training course, agility coaching, introduction to agility tools, to building an agile work environment, we have built a one-in-one training system that combines theory with practice. Starting from the organization's pain point (lacking effective integration for product demand and system development), a cross-departmental project team is built and implemented in practice, thus applying FET's 3E talent development model toward promoting an agile cultur and building our agile mechanism.
New Leadership	Continue to Enhance Leadership Skills in Digital Transformation of Mid-tier Management	**FET Leadership Development Program** Faced with the challenges for digital transformation, FET continues to strengthen the management competences in our mid-tier management. Twenty-two managers have completed the leadership development program, which uses the innovative learning journey of 3E method to assist managers to easily commit to learning and to utilize their learning toward actual work. Accelerate leadership training for managers to become strategic, transformational, innovative, and result-oriented leaders for the digital era.
New Talent	Continue to Recruit and Develop Skilled Talents Needed for 5G, Big Data, AI, and IoT Developments	**Next Generation Elite Program** For our fourth year in campaigning for the Next Generation (Nex Gen) Elite Program, FET collaborated with subsidiaries for the first time to reinforce recruitment efforts and successfully recruited 29 employees. Faced with anticipated challenges in 5G development and digital transformation, FET hopes to attract talents with high potential to join, and to foster interdisciplinary, multi-talented talents with broad perspectives who will nurture key personnel with high potentials while also strengthening FET's reputation as an employer through offering diverse development planning. **AI Hackathon Competition** By collaborating with long-term AI partners, two "AI Hackathons" were separately held with Microsoft and Amazon. FET encouraged talents from every department to develop innovative AI solutions by brainstorming creative ideas and creating diverse AI solutions for different applications. The two competitions were participated by 200 employees, who formed 42 teams. And Professors from related fields, FET partners, and FET experts jointly selected 6 winning teams.

FET continues to strengthen the management competences in our mid-tier management, where 22 managers have completed the leadership development program.

FET collaborated with Microsoft and Amazon, hosted two "AI Hackathon"

FET training system – The five main categories

1 Talents and Career Developments

Next Gen Program and Future eTrainee Program

2 Core Competency Training

Creative thinking and innovative management, process improvements, time management, customer–orientation, performance and leadership management, project–based development model

3 Individual Skills and Professional Training

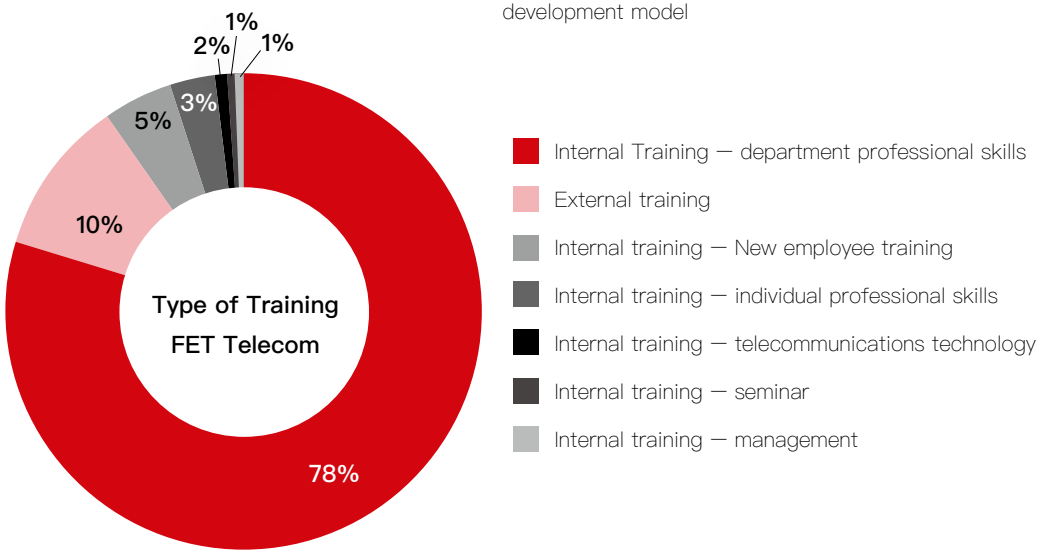
Telecommunications technology, industry and market trends, personal professional skills, departmental professional skills, external professional and certificate training

4 Self Development Training

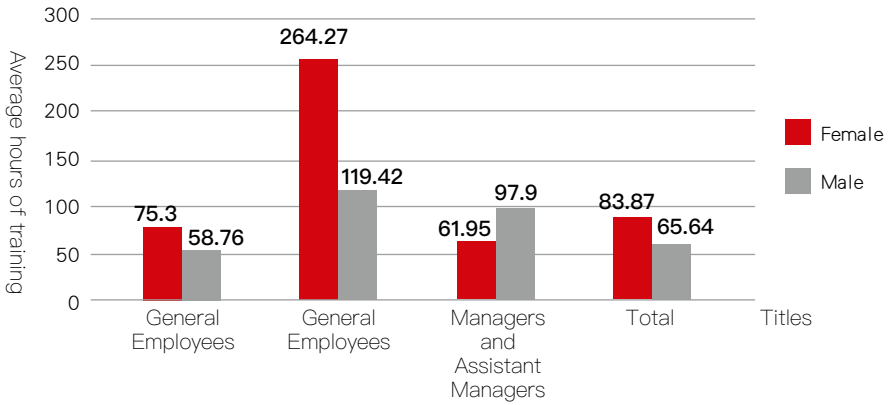
Arts and creative trends seminar, digital skills training, face–to–face talks with supervisors or seminars

5 New Employees / Managers Training

Ethical business management, information security, occupational safety and health and worker's health education, basic management and leadership skills



Number of Employee Training Hours in 2019 – FET Telecom



2019 Statistics on Employee Training by Type of Training – FET Telecom

Type of training	Number of classes offered in 2019
Internal training – New employee training	127
Internal training – seminar	16
Internal training – telecommunications technology	54
Internal training – management (including management and new managers)	25
Internal training – individual professional skills (including personal performance, project management and legal affairs)	64
Internal Training – department professional skills (including classes for in–store staff and others)	1971
External training	258
Total	**2515**

2019 Total Number of Employees Trained, Hours of Training, and Gender Distribution – FET Telecom[18]

	Female		Male	
	Persons	Average hours of training	Persons	Average hours of training
General Employees	2812	75.30	2537	58.76
Managers and Assistant Managers	136	264.27	307	119.42
Directors and Above	20	61.95	29	97.90
Total	2968	83.87	2873	65.64

[18] Note: the number of people does not include employees with indefinite contract and employees who failed in courses

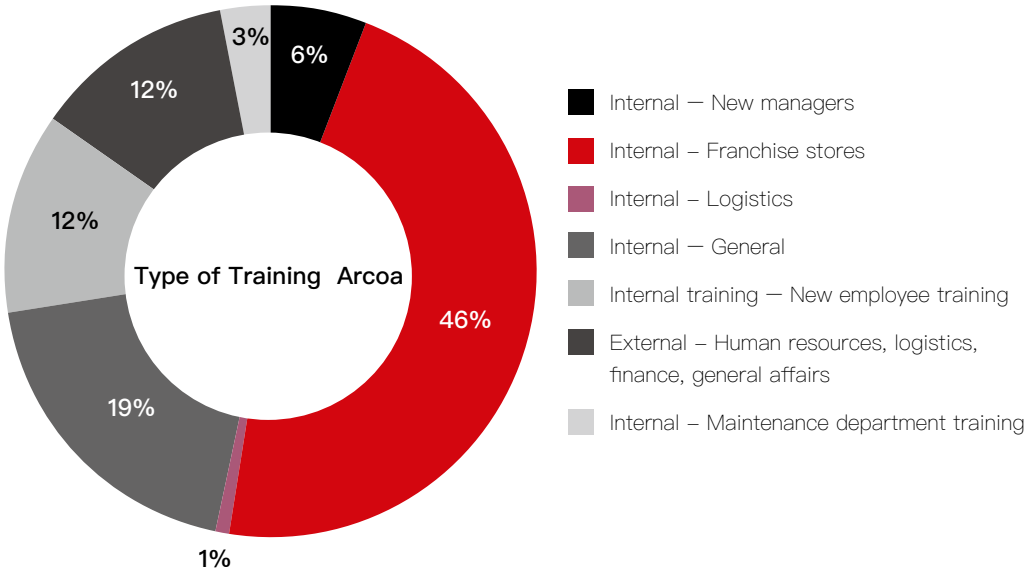
Arcoa

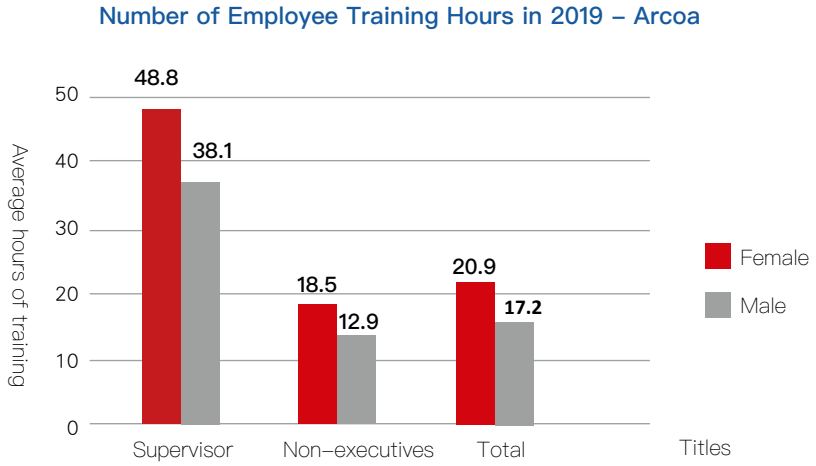
Arcoa's training was focused on "One Smart Team" in 2019 with the goals of upgrading digital talent and transformation, while striving to build high-functioning teams equipped with digital, marketing and teamwork skills. Arcoa also received the Bronze Medal certification for Talent Quality-management System (TTQS) in 2019, which helps to effectively build training systems that correspond to operating strategies, allowing employees to attain professional skills geared at implementing operating strategies. Such skills include strengthening logistics service response, enhancing technicians' ability to handle customer complaints, and to instill a mindset to provide quality service to internal customers in the backend support personnel. In addition, employees enhanced the skills to utilize digital marketing tools and consulting sales techniques through the "Elite Store Manager Development Program," allowing them to realize cross-departmental synergies to maximize operating profits.

Based on the annual business strategic plans of each business group, Arcoa conducted functional interviews and gap analysis with each department. Results indicated that, faced with dramatic environmental changes, managers needed to rapidly enhance their commercial agility to lead digital transformation and innovation in order to respond to changes in future technological trends. Therefore, Arcoa's training programs will be focused on building key talent teams, and to assist managers to achieve needed skills through customized Individual Development Plans.
Arcoa plans to propose the following training programs and talent development plans for 2020:

- Management Function and General Education Training: training in 2020 will be focused on "building key talent teams for the future"
- Outstanding Store Manager Development Plan: elite store manager training (team influence), manager candidate training (training for store management), and store personnel training (enhance service levels)
- On-site Logistics Quality Management Training: focused on understanding smart logistics positioning and displaying relevant functions; to be more fluent with the process and train professional experts to achieve flawless operations
- Repair Shop Management Training: (1) Enhance mutually-beneficial negotiation skills and build positive partnerships; (2) Create customer complaint handling mechanism to increase customer satisfaction

Arcoa's training system includes management, general education, professional skills, and soft skills training courses on top of employee training. In addition, customized team building camps are also designed based on the needs of specific teams. A total of 97 sessions of internal and external trainings were held in 2019. Average hours of training per employee was 19.4 hours, representing a 23% growth over the previous year, and total training expenses was NT$1,577,661.





2019 Statistics on Employee Training by Type of Training – Arcoa

Type of training	Number of classes offered in 2019
Internal — New managers	6
Internal – Franchise stores	45
Internal – Logistics	1
Internal — General	18
Internal training — New employee training	12
External – Human resources, logistics, finance, general affairs	12
Internal – maintenance department training	3
Total	**97**

2019 total employee training cost – Arcoa

	2017	2018	2019
Total employee training costs (NT$)	466,580	831,929	1,577,661
Total employee training hours (hours)	6,073	5,940	7,756
Total number of employees	436	418	399
Average employee training costs per employee (NT$)[19]	1,070	1,990	3,954
Average employee training hours per employee (hours)[20]	13.9	14.2	19.4

2019 employee training – Arcoa[21]

	Female		Male	
	Persons	Average hours of training	Persons	Average hours of training
Supervisor [22]	19	48.8	27	38.1
Non-executives [23]	223	18.5	130	12.9
Total [24]	242	20.9	157	17.2

5.2.4 Human Rights, Diversification and Communications

FET Human Rights Policy

FET established the Human Rights Commitment and Policy and strives to protect the basic human rights of employees. The Company abides by relevant labor standards and applicable laws and supports and complies with international human rights agreements including the Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNGC), United Nations Guiding Principles of Business and Human Rights and the Declaration of Fundamental Principles and Rights at Work from the International Labour Organization (ILO). In addition, FET also reviews any gaps between human rights issues and Company policies and management systems through conducting the "human rights due diligence investigation" once every three years. Results of the due diligence investigation is announced and tracked for improvement progress in order to enhance and strengthen the human rights awareness in stakeholders including employees, partners, suppliers, and customers. FET's human rights commitment is applicable to FET itself and its subsidiaries. Moreover, FET has also established the FET Supplier Chain Guideline for Social Responsibility, which targets partner vendors to comply by the same standard and fundamental principles of the human rights commitment.

Diverse and Inclusive Work Environment

FET strives to build a diverse, inclusive, and equal workplace environment for men and women, and provides equal opportunities for recruitment and career development across genders. Compensations, bonuses, and promotions of employees are fully determined by individual competences and performance, and are not affected by factors such as nationality, ethnicity, age, gender, marital status, sexual orientation, physical and mental conditions, beliefs, or political status. FET has also established a Sexual Harassment Complaints Committee and a complaint process that includes employee complaint mailboxes. In 2018, no sexual harassment complaints were made at FET or Arcoa.

[19] Average employee training cost per employe = Total employee training costs/total number of employees
[20] Average employee training hours per employe = Total employee training hours/total number of employees
[21] Note: the number of people does not include employees with indefinite contract and employees who failed in courses
[22] Including the level of directors or station masters or above who have subordinates. Average training hours of each supervisor (female/male) (hours) = total training hours of supervisors (female/male)/ total number of employees of supervisors (female/male) (hours)
[23] Average training hours per non-supervisor (female/male) (hours) = total non-supervisor (female/male) training hours/ total number of supervisors (female/male) employees (hours)
[24] Average training hours per employee (female/male) (hours) = total training hours for employees (female/male) / (female/male) total employees (hours)

Employee Care and Communication

To build a transparent and open communications culture, FET has established diverse communication channels to maintain positive interactions with employees and to actively protect the rights and interests of employees. The main communication channels and the communication performance are described as below:

FET Telecom

Communication channels	2019 Communication Agenda
Lantern Legend Meeting (Capital/Labor Meeting)	Once in every quarter. Meeting includes discussions on the Company's profitability overview, future expansion plans and related employment relations issues. Lantern Legend Meeting was convened 4 times in 2019. The rights and interests of all FET employees are protected by collective bargaining.
Employee Welfare Committee	The committee shall meet once every two months, and may convene interim meetings when necessary. All benefits are regularly announced on the intranet website where they can be viewed by all employees. Mailbox is available for bilateral communication. Seven meetings were convened in 2019.
Town Hall Meeting	Town Hall Meetings are convened every year and chaired by the President. These meetings provide opportunities for employees to interact and discuss with the Chairman and senior executives face-to-face, and to share management performance and new strategic plans. Furthermore, FET conveys operational objectives and implementation results with all employees through internal live chat. Participating employees can pose management-related issues for discussion, and issues will be answered on the spot by senior executives. Respected experts and scholars are also invited to share market trends. Two meetings are held in 2019 with the following discussion topics: • Building consensus and strengthening communications • Focusing on big ata, AI, and IoT, FET highlights employees in Central Taiwan
Survey of Employee Opinions	"Connect for Best" employee survey is conducted once every two years. Apart from understanding and inspiring employees to achieve higher motivation, we also draw comparisons against top employers across various industries in Taiwan and the global high-tech industry so that the management team can be more objective and understanding of employees' thoughts and perception, and to use relevant data as references for improving the workplace environment. The latest survey response rate was 83% in 2019. Results indicated that nearly 80% (76%) of all employees hold the Company in very high esteem, and the Company scored 80% or more in terms of agility, promotions of an innovative culture, and talent development. Results indicated that employees are highly motivated, and FET is on par with benchmark industries in Taiwan and the global high-tech industry. The next survey will be implemented in 2021. Furthermore, to demonstrate FET's core value in caring for employees, we listened to opinions from employees and collected their feedback through the employee net promoter score (eNPS). A total of 169 suggested items have been completed.
FET Intranet	FET not only publishes the latest news, FET e-Newsletter and employee benefits on Intranet to help employees understand the company activities from time to time, but has also set up two employee feedback channels, "Employee Suggestions" and "Employee Grievances Mailbox". Contents of employee response are kept strictly confidential, and they are handled by dedicated units to provide communication platform for employees to express their opinions. • In 2019, 30 responses were received in the Employee Suggestions channel, most of which were focused on product suggestions, and safety and health issues. All of which have been publicly dealt with on the Company website. • The Grievance Mailbox received 8 employee cases in 2019. Separate project teams were set up to investigate the cases and to adequately communicate with the employees in question based on corporate regulations and procedures. All cases have been solved before December 31, 2019.

Arcoa

Communication channels	2019 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. Annual Employee Conference was simultaneously held across 7 locations through video conference in 2019. In addition, 4 face–to–face conferences were held for maintenance and in–store sales to obtain in–depth understanding of employees' needs and issues, and to propose subsequent improvement measures accordingly.
Employee Welfare Association	Meets quarterly to improve employee benefits and organizational harmony. Five meetings of Employee Welfare Committee were held in 2019 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 2019; focusing on Company activities, news of the parent company and subsidiaries, sharing of training courses, thoughts and feedback, and activity columns.
"I Want to Complain" Mailbox	Unsuccessful attempts or unsatisfactory responses from management or relevant department, employees can seek assistance via complaints mailbox One complaint was received in 2019, and was found to be misunderstandings between employees and properly dealt with after investigations from the HR unit. No violation of applicable laws concerning labor and human rights was found.

5.2.5 Employee Health and Workplace Safety

Occupational Safety and Workers' Health

FET Telecom

Building A Healthy Workplace Environment

FET actively encourages employees to exercise and to build a healthy workplace environment. The Company's dedication to create a healthy workplace has been positively rewarded by receiving the "Healthy Workplace Certification" from the Sports Administration, Ministry of Education in 2019. Relevant health promotional activities include:

Name of Activity	Scope of activity
"Calories Challenge"	The Calories Challenge, which could be monitored by the Health+ smartphone app, was launched from March to August 2019 to encourage employees to monitor their own health and to get into a habit of regular exercise. The activity was participated by 701 employees, who have cumulatively exercised for 256,404,109 calories. Rewards for the challenge included blood pressure/blood sugar monitors, body fat scales, and gift vouchers for Far Eastern Department Stores.
"FET Long–term Health Activity" Stamp Collection Game	A health passport stamp collection game was held between April to September 2019. Employees who have collected 8 stamps for participating in FET sponsored health promotional activities, club activities, or external competitions can enjoy the first "health leave" given throughout all industries in Taiwan. A total of 75 sessions of related activities were held to 3,841 participants. Finally, a total of 207 employees were awarded 1 day of health leave each.
"Weight Loss Competition"	First launched in 2018, the competition was held from June to October in this year to 661 contestants. A total of 274 contestants completed the challenge, and cumulatively lost 811.5 kilograms.
FET Long–term Health Club Activities	Starting from 2006, to this day, a total of 27 clubs have been formed at FET, and 19 of which are sports–related. FET subsidizes up to NT$100,000 toward club activities in each year. In 2019, as many as 620 club events were held, and were cumulatively participated by 9,845 persons.
Office Area Massage Room	FET commissions 16 visually–impaired massage therapists to provide free massage sessions to employees to relief their work–related stress and to relax their muscle tensions. Approximately 30,855 persons have enjoyed these massage therapies in a year.

Safeguarding Occupational Safety

FET has introduced and passed the OHSAS 18001 Occupational Safety and Health Management Certification in 2017, and also passed the ISO 45001:2018 and CNS 15506: 2011 (TOSHMS) Taiwan Occupational Safety and Health. Management System certification in 2019. FET is also committed to providing a hazard-free work environment to all employees and stakeholders through the FET's "Professional Health and Safety Policy":

I. To protect the health and safety of employees, with a people-oriented respect for life.

II. To provide a safe work environment by upholding related laws and requirements.

III. To encourage employee participation and facilitation in the continuous improvement of system performance.

IV. To adopt risk management and health promotion in pursuit of sustainable management.

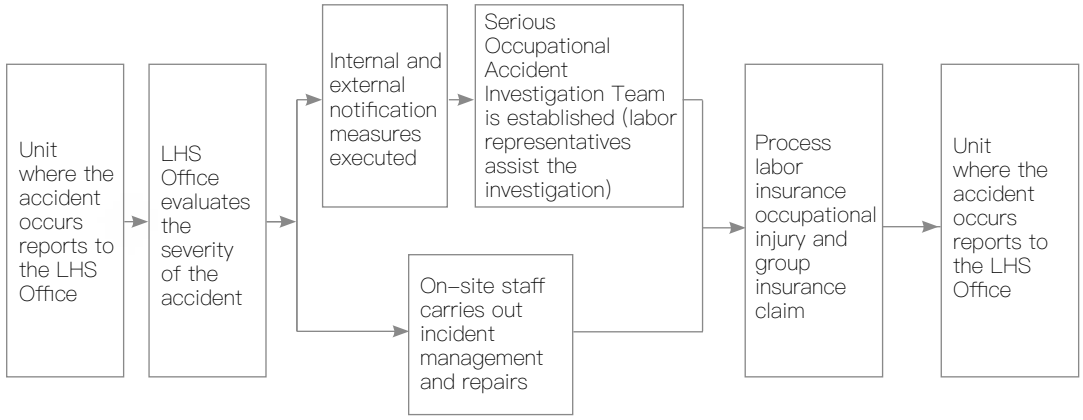
As most FET employees work from offices and in stores, they are explosed to relatively low occupational risks. To maintain workplace safety, inspections on work environments and construction sites including the offices, equipment rooms, base stations, and stores are carried out. A total of 213 work spaces were inspected, and progress was tracked where improvement was needed. Furthermore, improvement rate has been 100%, thus effectively preventing occupational hazards. 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 2019.

Establishing Dedicated Occupational Health and Safety Unit

FET has a "Labor Health and Safety Committee" ("LHS Committee") and a dedicated occupational health and safety unit, which seek to improve the workplace environment and to ensure the safety of employees. The LHS Committee comprises of 17 members, including 8 labor representatives, accounting for 47% of the committee's membership. The LHS Committee meets quarterly and proposes an occupational health and safety management plan and automatic inspection plan. It also discusses, investigates, and analyzes relevant occupational hazards and reviews improvements in occupational health and safety to implement hazard prevention communication and management measures. In addition, the LHS Committee also actively advocates hazard prevention awareness to employees and contractors. Eleven rounds of various occupational health and safety training were held in 2019 to 1452 participants in 2019. Meanwhile, the Company also established the "Health and Safety" website to disseminate information on hazard prevention and strengthen employees' awareness on preventive measures.

Unit: %		2017	2018	2019
Injury Rate (IR) [25]	Male	0	0	0
	Female	0	0	0.034
	Total	0	0	0.017
Occupational Disease Rate (ODR) [26]	Male	0	0	0
	Female	0	0	0
	Total	0	0	0
Absentee Rate (AR) [27]	Male	0.006	0.091	0.005
	Female	0.017	0.047	0.010
	Total	0.012	0.068	0.008
Lost Day Rate (LDR)[28]	Male	0	0	0
	Female	0	0	0.044
	Total	0	0	0.023

FET Occupational Health and Safety Accident Reporting System



[25] Injury Rate = (injury frequency / total work hours) x 200,000; Note: IR calculations don't include traffic accidents during journeys to and from work.
[26] Occupational disease rate = (occupational disease frequency/total work hours) x 200,000
[27] Absentee rate = (total days absent/total work days) x 100%; Definition of Absenteeism: Employee is away from work because they are unable to work (but not due to occupational injury or disease). This includes sick leave and personal leave, but does not include approved holidays, maternity leave and paternity leave and bereavement leave.
[28] Lost days rate = (total lost days/total work hours) x 200,000; Note: LDR calculations don't include traffic accidents during journeys to and from workplace.

Arcoa

Arcoa has set up the Labor Health and Safety Committee and a dedicated health and safety unit. Arcoa's LHS Committee comprises of 11 members, including 4 labor representatives, accounting for 36% of the committee's membership in accordance with applicable laws. The LHS Committee implements and ensures that workers have access to a safe workplace environment and carry out other matters related to environmental health improvements. The LHS Committee meets quarterly and proposes and reviews Arcoa's various occupational health and safety management plans and automatic inspection plan. It also supervises Occupational Safety Office in implementing various annual occupational health and safety plans. Arcoa has placed AED devices at six of its major operating sites and completed the certification for "AED Placement" for four of the locations.

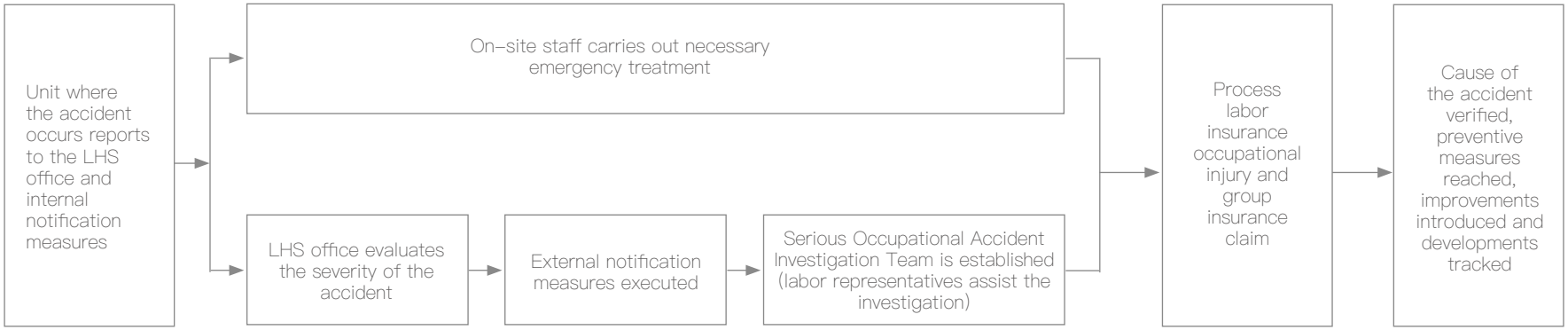
In addition, Arcoa's occupational health and safety unit also organizes various occupational and safety training sessions. In 2019, 1,179 employees participated in 59 sessions of occupational health and safety courses. Arcoa also conducts regular fire drills at major operating sites to enhance employees' contingency response in order to reduce risk of fire hazards on the employees and financial assets. Moreover, to ensure the safety of logistics center, the logistics and warehousing center also continues to train and strengthen the qualifications, certifications, on-the-job training, and automatic inspection mechanism of factory administration, machinery operators, emergency rescue staff, and OHS management staff.

	Number of courses	Total number of employees
Employee pressure-relief course	19	420
Employee caring and assistance course	15	350
AED and CPR emergency rescue training	12	215
Occupational health and safety training	13	194

Arcoa's Labor Health and Safety Performance in 2019

Unit:%		2017	2018	2019
Injury Rate (IR)	Male	0	0	0
	Female	0.39	0.79	0
	Total	0.23	0.48	0
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	0.01	0.01	0.01
	Total	0.01	0.01	0.01
Lost Day Rate (LDR)	Male	0	0	0
	Female	13.14	1.85	0
	Total	7.73	1.13	0

Arcoa Occupational Health and Safety Accident Reporting System



5.3 Customer Relationship Management

Chapter Summary

Paying attention to every customer's needs is essential to provide the best possible services that touch their hearts. FET aspires to achieve mutual growth with customers through redefining its brand philosophy of "For Every Thought, We Go Further," and to continue the Company's pursuit of customer recognition through thoughtful service. We aspire to create the perfect customer experience, thereby bridging the gap and formulating a service-oriented business that treats customers like family.

Material Topics

- Brand image management
- Quality customer experience
- Information security and customer privacy protection

Highlights

- Customer Service Excellence Awards (CSEA) – received 5 awards including Best Customer Service Enterprise, Best Customer Service System Innovative Application, Best Customer Service Technical Support, Best Customer Service Team and Best Training Team
- Pioneered the industry in creating the first hybrid digital store by collaborating with coffee shop, 7-11 convenience store, and E-life Mall Corporation
- Building A Well-rounded Digital Call Center and Working toward Customer Service 4.0
- FET was the only telecom operator in Taiwan to receive the Bronze Medal in Innovation in Customer Service Management, Planning & Practice category from Asia-Pac Stevie Awards
- Only company in Taiwan to consecutively win Gold Medal from Commercial Times's Best Service Evaluation
- Only telecom operator in Taiwan to win Exemplary Enterprise Award from the 2019 National Brand Yushan Award

5.3.1 Zero Distance Services

FET ensures the smooth operation of customer service mechanism through an iterative service management system. Regular service quality supervision and inspection and service quality meetings are convened to make sure that customers receive quality experience and services and that the brand value is enhanced.

360° Service

FET integrates warm caring into customer services through a the "360° Store Service" concept and continues to launch thoughtful customer care services. Customized services are provided to meet diverse customer needs, thereby implementing FET's thoughtful philosophy of "closing the distance" in practice.

	Caring Service	Service Content
Crafting the best and most efficient store service experience	Store reservation service	Reserve online or through mobile devices to shorten waiting times.
	100% promise 100% satisfaction	After 10 minutes of waiting time, customers are given NT$1 discount for every additional minute that they have to wait to be served in store, and the discount will be used as deductions toward their next bills.
	Self-service kiosks	Self-service kiosks are set up at certain stores throughout Taiwan, allowing customers to make credit card/electronic bill payments, recharge prepaid cards, and make bill inquiries.
	Free 4G road test	7-day free trial of 4G SIM card/ mobile phone.
Complete and Caring After-sales Service	Home delivery service for platinum members	FET Platinum VIP members can call customer service for repair, and FET will dispatch courier to pick up products requiring repair/maintenance.
	Mobile Device Insurance	Two-year repair and maintenance warranty is provided for cell phones and tablets on monthly plans. Starting from monthly fee of NT$99 for unlimited free repair and maintenance for accidentally damaged cell phones and tablets, and use of complimentary FET mobile phones during repair.
	Mobile Phone Trade-in	Trade-in value appraisal, and buyback of customers' unused or obsolete cell phones are provided as credits for customers purchasing new phones and to be more environmentally-friendly.

Training for Store Staff

For providing a consistent and professional standard of service, FET has established a 2x3 system training course on 6 pillars, which is based on two aspects – knowledge and skills. "Basic development" is first phase of training for new employees while "skill cultivation" and "diversity training" also provided as on-the-job training for existing employees. To strengthen online/offline integration strategies to promote physical channels, the online digital learning system was reinforced and an e-library that comprises of nearly 300 digital courses was built in 2019. Store staff can access the e-library on their smartphones to self-study from anytime, anywhere. Currently, the courses have been accessed 11,420 times. In addition, to strengthen store staff's customer care and community building skills, as well as to build their market competitiveness, FET also organized various external training courses including returning customer management, voluntary service skills enhancement, social media live feed teaching, sales strategies, market and social media management courses.

FET "2x3" system training course

5.3.2 Most Considerate Communication

FET is committed to realizing the corporate vision of "FET Connects and Enriches Life" into customer communications. Besides asking store staff to fulfill responsibilities in communications before and after-sales, FET also developed online and offline integration services in response to the global digitization trends. Convenient, instant, and comprehensive communications and service experiences are offered to customers through smartphone app and online customer support.

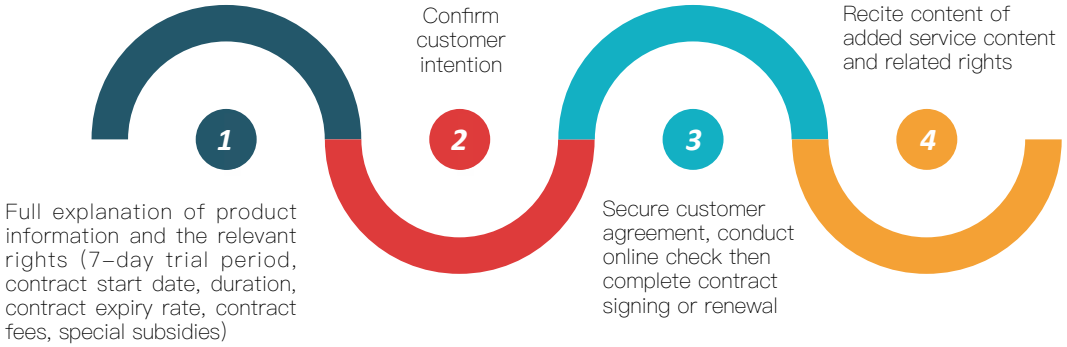
Product and Service Sales SOP

To ensure consumers' rights and interests in using mobile products, all promotions and sales of FET products and services conform to regulations from our competent authorities, namely the National Communications Commission (NCC) and the Fair Trade Commission (FTC). All products and service sold by FET are legal products supplied by contracted TWSE/TPEx-listed companies. Consumers are also entitled to product warranties provided by the original manufacturers. All mobile communication devices sold by FET are in compliance with the NCC's regulations on warning labels as well as Specific Absorption Rate (SAR) criteria and actual measurements, and information on EMR is also fully disclosed to consumers. In terms of after-sale services, warranty services are provided for all mobile phones and peripheral products sold by FET. Consumers can also contact the warranty service providers or send the damaged products to agents or distributors for repair. There were no product labeling and marketing communication related violations at FET in 2019.

Rate Plan Transparency and Service Procedure

Rate plan transparency and communications can enhance consumer trust by effectively reducing customer complaints from insufficient awareness or misunderstanding of products or services. The rate plans for new products and services must be submitted to the competent authority for approval or their reference in accordance with the "Standard Operating Procedure for Reporting of Telecommunications Rate Plans to the Competent Authority". It is then published before coming into effect as required by law and full disclosure is provided in the media, on the corporate website and at each business site.

FET Sales and Contract Signing Procedure



To ensure that users fully understand all rights and obligations under the rate plan, FET store staff will explain the content of the rate plans in details when consumers apply for services. 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 offers are included in their phone bills. When a customer qualifies for a contract renewal, a representative of FET will proactively suggest related promotions. Consumers can also conveniently renew the contract online or through Self-Care APP.

Localized and Digitized Customer Service

The FET store service handbook has service guidelines that cover interactions and service reminders for customers with special needs, including the elderly, young children, physically or mentally challenged, and those experiencing language or product difficulties, so that all consumers can experience the thoughtful customer care from FET. FET also encourages all stores to launch community service projects based on their local needs to expand opportunities to communicate with and reach out to the public. For instance, our channel training department collaborated with neighboring communities in Greater Taipei area to host neighborhood consumer courses, so that elderly citizens can learn about the uses and operations of smart products without going to a FET store. FET also organized the first-ever Sustainability Store event in 2019. Divided into three categories, Low-Carbon Environmental Protection, Innovative Caring, and Safety and Health, we led residents of nearby neighborhoods to gain more awareness to these issues and to achieve in-depth communications with these residents, thereby realizing our service perception of "innovative caring".

In addition, by planning and implementing innovative system and functions, FET's call center is gradually transforming from traditional to a digitized customer service center. By developing FET Self-Care APP and Customer Experience Management (CEM) system, we are committed to building a well-rounded digital service center and working toward customer service 4.0. Through continuing to strengthen self-service functions to increase the ratio of digitization, and also using big data to analyze consumer's online behavior, customer service personnel can quickly confirm customer status and provide fitting responses to solve signal-related problems. In 2019, FET was honored with numerous awards from the Customer Service Excellence Awards (CSEA), including Best Customer Service System Innovative Application, Best Customer Service Technical Support, and Best Customer Service Team and more.

5.3.3 Customer Privacy Protection

To fulfill our information and personal data visions to "treasure customer entrustment, respect for customer data, win the trust of customers, and maintain sustainable services," FET has set up a corporate security organization and has established nearly 100 quantitative measurement indicators for our business divisions and units to deal with personnel, operations, technology, and regulatory related issues. We regularly review the progress in achieving these targets and implement remedial measures for areas where we lag behind to ensure that personal data protection and information security are being effectively managed. As of December 2019, FET received 9 customer privacy related complaints from the competent authority. Except for one of which, where concerns of data protection arose from FET personnel's negligence and inappropriate management, all cases have been investigated and there were no violations to the Personal Data Protection Act.

Furthermore, in line with the requirement from Telecommunications Act and other applicable laws, which stipulate that Taiwan's telecom operators need to disclose the basic information and call detail records (CDR) of their customers upon receiving lawful written requests from government agencies, FET has established the "Standard Operating Procedure for Processing Requests for Call Detail Records and Customer Basic Information." Accordingly, all responses to such requests are sent via secure and encrypted methods, and details of such inquiries are also properly retained and documented. FET also actively responds to concerns of inappropriate leaks and usage of data and personal information by continuing to emphasize the importance of customer privacy protection to all departments, as well as by implementing processing trail management and advocates for the reinforcement of identity verification process. In 2019, FET responded to all written requests from government agencies. Number of responses accounted for approximately 2.7% of all SIM cards issued by FET.

Besides ensuring the thoroughness of information security management system through international standard certifications related to information security management, FET also continues to strengthen and test the information security and personal data awareness in internal staff. When risks are voluntarily identified, they are immediately improved to ensure the effective workings of information security protection and supervisory mechanism in the hopes of keeping anticipated risks to a minimum.

2019 FET Information Security Management Verification	
ISO 27001 Information Security Certification	FET has received the information security certification for 15 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; as well as the development and maintenance of the operations support system, maintenance and management of Internet data center. To test and ensure the effectiveness, information security maturity analysis is also conducted to ensure that both quantity and quality are verified by the certification.
ISO 20000 Service Management Certification	FET has obtained the certification on service management for 11 consecutive year.
BS10012 Personal Information Security System Certification	FET has obtained the certification of information security for 7 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 has obtained the highest recognition for 7th consecutive year.

FET Information Security Monitoring System

In response to the incoming era of the 5th generation mobile network (5G), FET has established the "Information and Communications Safety Plan" in 2019. Founded on existing safety management in place and targeting new businesses, structures and technologies (for instance, application services for IoT and VR/AR) driven by 5G, FET will continue to strengthen the protective mechanisms for technologies, management and personnel in terms of network building, operations, and operational management. Furthermore, resource allocations and adjustments will be instantly made based on demand to minimize potential risks and impacts, as well as to prevent unauthorized storage, use, control, leak, damage, tamper, or other infringements on the information or communications system, thereby ensuring its confidentiality, integrity, and availability. Finally, FET will also promote and implement the management over information security, privacy protection, business continuity, and other security-related fields.

In 2019, FET conducted 100 information security training sessions with 15,000 participants, accumulating a total of over 18,000 training hours. Through continuing to educate and train employees via multiple paths including the internal information security training courses, system pop-up messages, information advocacies and related activities, employees have achieved a pass rate of over 99.8% in the information security test. Additionally, to ensure the information security and personal data protection systems at FET are in line with international guidelines, an information security monitoring system has also been set up that manages the security of technology, personnel, physical environment, and personal information from customers.

FET's 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 personnels; validation and verification of policy/specification documentation and conformity.
Personnel Safety	All human resources files are fully and properly managed by FET. Personnels security responsibilities are stated at recruitment and in the employment contracts. 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 Data Protection Act, FET has issued guidelines for the collection, processing, use and arching 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.

5.3.4 Service Feedback and Improvement

An internal service quality and process management mechanism that understands customer opinions and feedback, and ensures that various needs are met, through regular internal and external service satisfaction survey and comprehensive customer complaint management system. These systems help FET to continuously optimize customer management processes. Concurrently, FET also includes customer satisfaction as one of the performance indicators for employee evaluation. By emphasizing on high service quality, we strive to provide unique user experience and the best service perception for customers.

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

FET Telecom

Store Satisfaction

Inspection items include overall satisfaction of store personnel, their problem-solving ability, and speed of case handling. To continuously enhance customer service, FET actively follows-up on customers who provided negative feedback while also rewards high-performing staff.

	2017	2018	2019
Number of Survey Call-outs	9,245,000	12,631,000	10,998,581
Number of Valid Call-outs	572,826	731,480	845,870
Satisfaction Rate	4.68	4.71	January to February (out of 5 possible points) 4.77 points March to December (out of 10 possible points) 9.66 points

Satisfaction Survey on Call Center

In addition to the existing overall satisfaction of telephone service operators, service attitude, and whether problem has been resolved, "customers' likelihood of promoting FET" has also been added to the survey items in 2019 to further understand customers' levels of satisfaction with FET's service. In addition, as basis for subsequent improvement, customers who provided negative feedback are also followed-up with via telephone to listen to their causes of complaint.

	2017	2018	2019
Valid call center satisfaction surveys on overall inbound calls (%) [29]	10.30%	11.20%	14.6%
Net promoter score (NPS) for call center satisfaction survey [30]	–	–	August to December 40%
Overall satisfaction of call center satisfaction survey (%)	92.6%	93.1%	January to July 4.75 August to December 9.12
First Contact Resolution [31]	83.30%	91.20%	January to July 91% August to December 9.08

Arcoa

Store Maintenance & Repair Satisfaction Survey

To provide quality and efficient after-sale maintenance and repair service and to achieve our goal of generating higher customer satisfaction than industry competitors, Arcoa conducts "telephone customer satisfaction survey for completed repair" within one week after completing the maintenance/repair for customers. To enhance overall satisfaction, weekly review is conducted and management is reinforced on items and areas where we lag behind.

	2019 Objectives	2019 Performance	2020 Objectives
24-Hours Engineer Reparability Rate	70%	81%	83%
Over-5-days Reparability Rate	15%	7.1%	6.8%
Satisfaction rate from telephone customer satisfaction survey for completed repair (out of 10 possible points starting from 2019)	9.1	9.24	9.3

[29] The call center satisfaction KPI has been integrated into three times, in which "The number of call-outs of internal telephone customer service satisfaction" and "Valid questionnaires of telephone customer service satisfaction survey" have been combined into "Valid telephone customer service satisfaction surveys as percentage of overall inbound calls (%)".

[30] Starting from August 2019, the scoring system of call center satisfaction survey has been altered from a 5-point system to a 10-point system, and the question "Based on your current experience of reaching out to the Call Center, will you recommend your friends and relatives to use [29] services from FET?" (Net Promoter Scores; NPS) has been added.

[31] Starting from August 2019, "overall satisfaction level" and "First Contact Resolution" have been adjusted to be an average point system

Customer Satisfaction Survey：External Survey

Overall Satisfaction Survey

FET commissions external market survey companies to conduct mobile phone user satisfaction survey in April and October in each year. Approximately 1,200 FET subscribers are interviewed in each survey. These surveys randomly target mobile phone users aged between 15 and 64 who have used the services of one of the five telecommunication companies in Taiwan, including FET. These consumer surveys help FET understand how we position ourselves against our competitors in each service category. 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. For the overall services FET provided in 2019, 69% of the survey participants were satisfied. In terms of customer loyalty indicators, FET opted for the even more challenging customer net promoter score (NPS) in this year, and scored a Grade B, indicating room for growth. Other details on the satisfaction survey are as follow:

2017	2018	2019
A	A	B*

* Customer Net Promoter Score (NPS) is used in 2019

Other Detailed Satisfaction Score[32]

	2017		2018		2019	
	Mean value	%	Mean value	%	Mean value	%
Communication and Internet Quality	3.11	64%	3.35	72%	3.29	71%
Store Service	3.79	87%	3.94	91%	3.88	88%
Telephone service	3.88	86%	4.04	92%	4.00	90%
Overall satisfaction	3.14	67%	3.26	69%	3.25	69%

Customer Complaint Mechanism

To strengthen customer center management, and to instantly and appropriately handle customer complaints through systematic means, FET has introduced the ISO 10002 Complaint Management certification and ISO 18295 Customer Contact Centres certification. FET provides five individually-managed grievance channels for customers to ensure that customers can freely provide feedback and opinions, and to ensure that all complaints will be solved properly. Material customer complaints are forwarded to the customer relations management team by the customer service unit manager within 2 hours. At the same time, by establishing a dedicated cross-department customer complaint improvement team is formed to regularly review and track the timeliness, FET is dedicated to reducing the number of complaints, increasing customers' satisfaction for complaint resolutions, and fulfilling our mission of Zero Distance Services.

Grievance Channels	Complaint Management	Responsible Unit	Number of Complaints		
Government documents	FET has a complete internal customer complaints management system for handling official complaints from local governments and consumer protection groups.	Customer Relations Management Team	2017	2018	2019
			1,852	1,929	1443
Customer Service Hotline			2017	2018	2019
			107	95	83
Self-Care App	Complaints are delivered in the form of messages. These are handled by dedicated staff at the call center and responses are sent via e-mail.	Customer complaints handling team	2017	2018	2019
			21,577	17,868	16,001
FETnet website	Complaints are delivered in the form of messages. These are handled by dedicated staff at the call center.	Customer Service Department	2017	2018	2019
Self-Care App			2,857	6,143	2,624

[32] 2,400 users aged 15-64 years old who have used FET services for more than three months (inclusive) were randomly selected for the interview, accounting for approximately 80% of all FET users. Scores were from 0-5 points.

5.4 Supplier Management

Chapter Summary

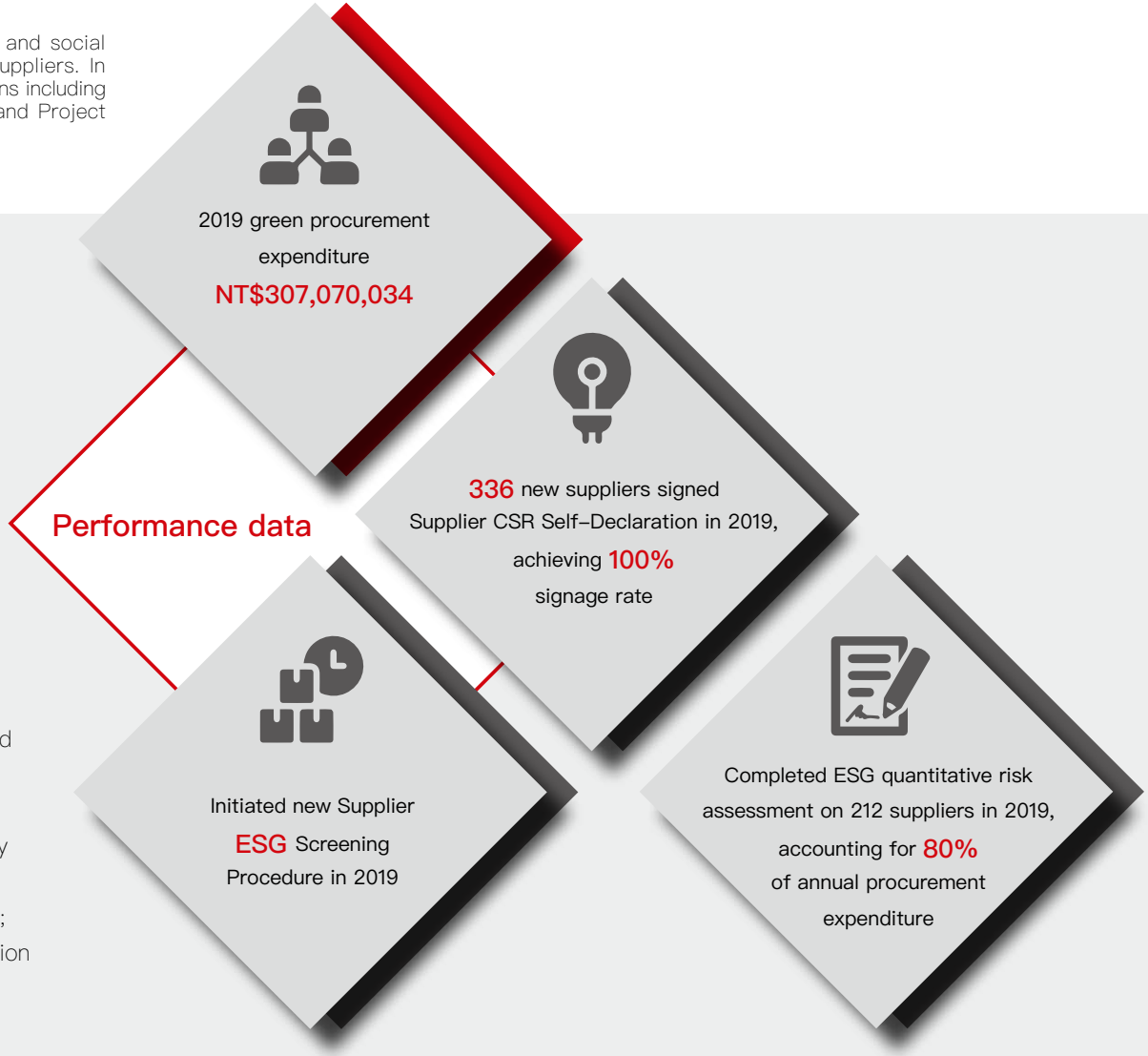
By continuously enhancing the management over our supply chain's environmental and social impacts, we FET are committed to building a sustainable supply chain with our suppliers. In addition, FET procurement operations have already received 8 licenses from organizations including the Institute for Supply Management (ISM), Supply Management Institute, Taiwan, and Project Management Institute (PMI) among others.

Material Topics

- Supply chain management

Highlights

- Initiated new Supplier ESG Screening Procedure in July 2019, requiring all newly registered suppliers to fill out the ESG quantitative assessment table and to be scored accordingly
- ESG screening procedure is implemented on all material projects beginning in October 2019. All suppliers participating in the tender must pass the ESG risk assessment, and those who fail must not be included. As of March 2020, 48 major projects have been screened, and all suppliers who placed successful bids comply with relevant ESG risk assessment standards.
- Continue to organize Supplier general meeting in 2019, and cumulatively more than 242 suppliers have participated in the conference.
- Invited 500 suppliers to study the "Personal Data Protection Act" online; 431 suppliers completed and passed the test, achieving a 86% completion rate.
- Collaborated with supplier to implement the Construction Innovation for Fiber Optic Enclosure Installation to significantly reduce costs and engineering time, and received relevant patent.



2020 Aggressive Objectives

Increase response and review rate of self-declaration to all current top 200 suppliers and achieve 90% KPI or above.	Expand supplier ESG risk assessment to more than 350 suppliers.	Establish "Partnership for Sustainability Pioneer Team" and call on suppliers to join FET's efforts to improving the living environments and educational resources of disadvantaged groups and schools in remote areas. Currently the sports facility improvement program for rural schools is under way.	Expand FET's in-house onsite audit to 35 suppliers	Establish ESG risk assessment supplier screening system control mechanism	Encourage suppliers to join FET in Earth Day and "Cherish the Earth, Spread Love Far" activities

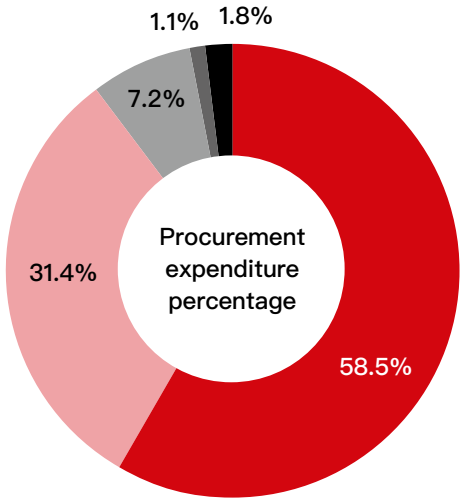
5.4.1 FET Supply Chain Overview

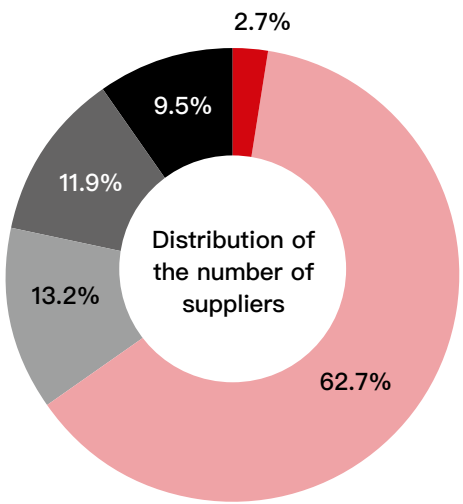
In 2019, total procurement expenditure at FET reached NT$34.17 billion, accounting for 36.5% of total expenditure, and involved transactions with 1,131 suppliers. Procurement costs from transactions with top 100 suppliers accounted for 91.3% of FET's annual procurement costs. FET separately manages the five types of suppliers, namely information and communications (ICT), handsets, construction, general administration, and media/non-media. As reference for strengthening supplier management, FET has identified 74 first-tier critical suppliers using quantitative and qualitative standards. Furthermore, 20 second-tier critical suppliers were identified through questionnaire survey.

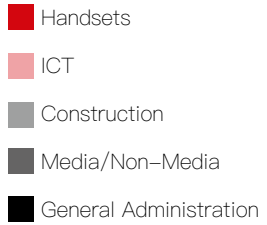
FET's Critical Supplier Screening Criteria		
First-tier critical suppliers	Quantitative screening criteria	• ICT, Construction, General Administration, and media/non-media: Transactions are carried out for two consecutive years and cumulative transactions exceed NT$50 million • Handsets: for two years in a row and total transactions exceed NT$100 million
	Qualitative screening criteria	• Screening focuses on qualitative factors including irreplaceability, high replacement costs, fixed qualifications, exclusivity and equipment binding
Second-tier critical suppliers	Questionnaire Qualitative screening criteria	• Questionnaires are submitted to first-tier critical suppliers with a focus on the products/services they supply to FET, and are traced to directly-related products provided by their upstream suppliers. This is used to determine whether they meet the screening criteria such as exclusivity, fixed qualifications, important equipment binding, or have high replacement costs

Analysis of Annual Procurement Costs

In 2019, FET has had 1,337 effective suppliers. This helps us to achieve diversified development and to effectively reduce the risk of supplier concentration. In particular, procurement costs for handsets and network devices amount to approximately nearly 90% of all FET procurements. In addition, there are 838 ICT suppliers, accounting for 62.7% of all FET suppliers. This category is mostly related to FET's Enterprise Business Unit, and works with the Network and Information Technology unit to serve the corporate customers inTaiwan. They are critical to FET's corporate transformation process.







Local and Green Procurement

Besides encouraging foreign companies to establish offices in Taiwan to promote local economic development, FET is also committed to supporting the local industry. If we deduct the orders from overseas companies and foreign brands, then in 2019 a total of 97% of FET's procurement was made with local companies in Taiwan. In addition, to support FET's "Environmental and Social Friendly Program" and to promote a green supply chain, FET encourages suppliers of all types and their respective supply chains to refer to the green procurement regulations during procurement. When the Procurement Department considers procurement bids, it also consults the Energy Saving Team for energy efficiency assessment, and includes energy-saving specifications as an open bid item. Monitoring mechanism is also established for all orders. In 2019, FET's green procurement expenses reached NT$307,070,034. [33]

Units: NT$

FET Green procurement	
2017	500,703,351
2018	387,900,000
2019	307,070,034[34]

5.4.2 Supply Chain Management

FET has established its "Supply Chain Management Policy" as the basis for supplier management, and the Supplier Corporate Social Responsibility Guidelines have also been introduced to encompass economic, social, and governance requirements in supplier standards. On top of requiring suppliers to sign the Corporate Social Responsibility Self Declaration and Integrity Management Agreement, FET has also established the supply chain sustainability risk identification, management, and evaluation mechanisms, and initiated the new supplier ESG screening process in July 2019. All newly registered suppliers are required to fill out the ESG quantitative assessment table and to be scored accordingly. Moreover, ESG supplier screening have been implemented on all important projects valued over 15 million since October 2019. All suppliers participating in the bid need to pass the ESG risk assessment, and those who fail the assessment will not be eligible.

Supply Chain Management Strategy

Using the aforementioned supply chain management policy as a principle, four strategic directions have been planned with separate objectives. The level of relevant impacts will be expanded to include FET's critical suppliers, other first-tier suppliers, and second-tier critical suppliers. In addition, in 2019, the performance assessment of all staff in the Procurement Department included sustainability-related objectives, which were tied in with the incentive system.

FET Management Strategy	Sustainability Execution Policy	Tracking Objectives	2019 Achievements	2020 Goals
Actively enhance strategic partnership with suppliers to strengthen partnership and create win-win scenarios	Strengthen cooperation with suppliers Jointly develop new sustainable services and products	Number of innovative technical collaboration projects with suppliers	One project	Cumulatively complete three projects before 2020
Collaborate with suppliers to promote corporate social responsibility (CSR); set environmental, social, and governance (ESG) aspects as the core to mutual development	Strengthen suppliers' CSR awareness Enhance ESG performance in telecom industry	Proportion of suppliers in signing the CSR Self Declaration	Proportion of top 100 suppliers in signing the CSR Self Declaration was 98%	Proportion of top 200 suppliers in signing the CSR Self Declaration: 90%
		All bidding suppliers shall meet lowest ESG threshold	ESG screening procedure is enacted on all major projects beginning in October 2019. All bidding suppliers with important projects valued over 15 million and above must pass ESG risk assessment, and those who fail will not be eligible	To be implemented across all types of suppliers
		Number of new suppliers participating in the supplier CSR training in the supplier general meeting	242 suppliers	300 suppliers

[33] Refer to companies registered in the territory of the Republic of China (including Taiwan branch offices)

[34] Since we are waiting to build new 5G facilities, existing facilities were not expanded in 2019; therefore, the green procurements have decreased from that of 2018.

FET Management Strategy	Sustainability Execution Policy	Tracking Objectives	2019 Achievements	2020 Goals
To protect the rights and interests of stakeholders, FET communicates with suppliers over issues including quality, cost, delivery, service (QCDS), reasonable profits, labor safety, human rights and environmental protection and uses results of communications as basis for management decision-making	Strengthen communications with suppliers Showcase transparency in value chain	Annual supplier general meeting	Once a year	Once a year
		New supplier ESG screening procedure	Initiated the new supplier ESG screening procedure, and all newly registered suppliers are required to fill out the ESG quantitative assessment table and to be scored accordingly, and results of which will be used as reference for future management	
Emphasis on the principle of corporate business management and to work with suppliers in punishing legal violations. Strive to enhance the brand reputation and sustainability developments of FET and suppliers through proactive audits and guidance	Strengthen the durability of the supply chain Reduce industry chain risk	Number of suppliers conducted ESG assessment annually	212 suppliers (Coverage was 79.2% in the last three years)*	300 suppliers (Coverage in the last three years will reach 80%, and no lower than 85% from 2022)
		Number of suppliers conducted ESG onsite audit annually	63 suppliers	65 suppliers
		Proportion of high-risk supplier improvements tracking performance improvement	11 of the 12 high-risk suppliers improved, with an improvement rate of 91.7%	80%

*Note: Coverage calculation includes the number of signatories for physical review, written review and CSR declaration

FET Supply Chain Management Processes

1. Basic Requirements	2. Risk Identification	3. Evaluation and Audit	4. Communications and Improvements	5. Satisfaction Survey
All suppliers are required to: • Read the full content of "FET Supplier Chain Guidelines for Corporate Social Responsibility" • Sign the "Integrity Management Agreement" and "Corporate Social Responsibility Self-Declaration"	Sustainability risk assessment is carried out on the top 300 suppliers. All new suppliers are required to undergo the ESG risk quantitative assessment since 2019, and ESG screening procedure is carried out on all major projects valued at 15 million	• Annual routine supplier assessment is conducted on suppliers whose procurement transactions with FET are valued at top 95% • ESG onsite audit is carried out at first-tier critical suppliers, including FET's in-house audit and a third-party audit	When any deficiency is found during the assessment or audit process, supplier is required to make necessary improvement within a fixed period, and guidance will be provided when necessary	Supplier satisfaction survey is conducted as the basis for optimizing supply chain management

In addition, all FET procurement contracts clearly stipulate that all vendors are required to comply with applicable regional, environmental, and labor safety and health laws and regulations. Construction suppliers are required to sign the Contractors Labor Health and Safety and Environment Commitment, Declaration on Announcement of Contractors Worksite Environmental Hazards and to carefully read the Labor Health and Safety Management Implementation Points for Contractors. These suppliers are also required to carry out applicable management and hazard prevention tasks pursuant to the Regulations for Labor Safety and Health Organization Management and Self-Check to prevent occupational hazards to workers' safety and health. In addition to regularly conducting supplier assessment to ensure that suppliers comply with the aforementioned regulations in practice, FET also suspends the accounts of vendors who have not transacted with the Company for three years or more. To ensure information on suppliers' creditworthiness and corporate social responsibility are up-to-date, in case transaction shall be restarted, such suppliers are required to offer new credit reports, proof of no bounced checks, and self-declaration. In 2019, transactions with 299 suppliers were suspended.

Supplier Self–Declaration

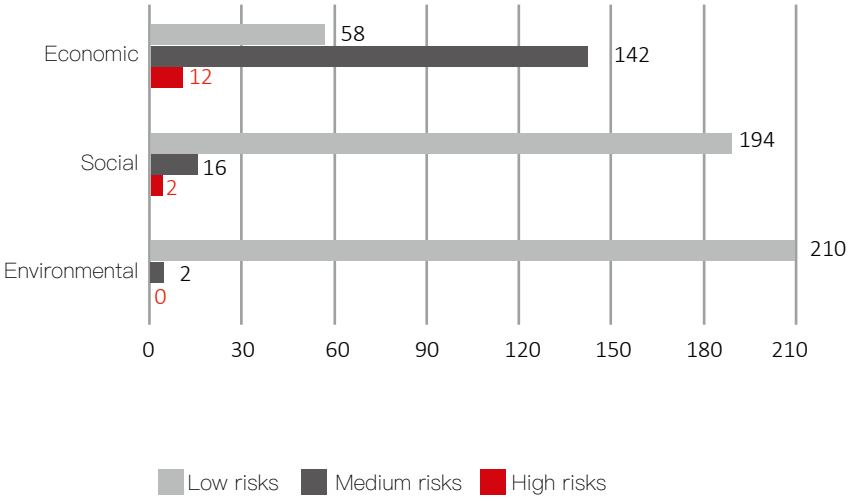
FET requires all suppliers to sign the Integrity Management Agreement and the Corporate Social Responsibility Self Declaration within a designated period of time. In 2019, all new 336 suppliers have signed the aforementioned documents. In terms of FET's top 100 suppliers, 98 of whom have signed the Corporate Social Responsibility Self Declaration, reaching a response rate of 98%, exceeding the annual objective of 95%, and accounting for 91% of the annual total procurements.

Type of supplier	Total number of suppliers	Signage ratio	% on the total procurement value of the year
Active suppliers	1131	810 (71.6%)	97.7%
First–tier critical suppliers	74	73 (98.6%)	81.66%

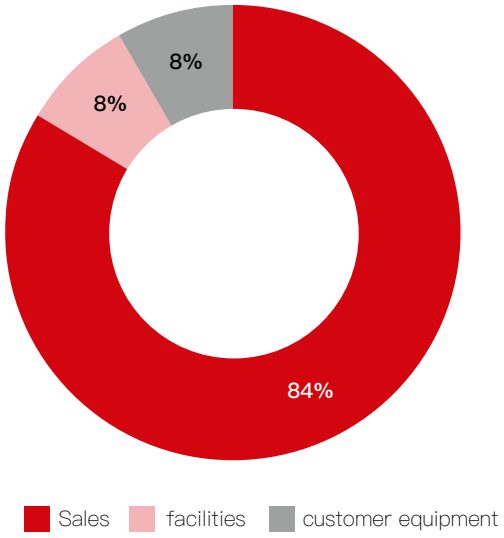
Supplier Sustainability Risk Assessment

FET adopts the sustainability surveys to conduct supplier sustainability risk assessment. Scope of the said assessment includes 19 indicators from five aspects, ranging from sustainable governance, supplier management, environmental management, labor rights, and social impacts. Once the suppliers have completed the survey, FET would verify the authenticity of suppliers' data through document review. A total of 212 assessments were completed in 2019 which accounted for 80% of the annual purchases. Twelve high–risk suppliers have been identified this year. Risks are mostly centered around confidentiality agreement and protection of intellectual property rights, and 83% of all high–risk suppliers are media/non–media suppliers. FET has established relevant improvement plans and continues to track relevant improvement progress for the high–risk suppliers. As of March 2020, eleven suppliers have presented their improvements, which have been confirmed by FET to have met their designated progress. The improvement rate is 91.7%. The boundaries of ESG risk assessment will be expanded in 2020, and FET is projected to assess more than 350 suppliers.

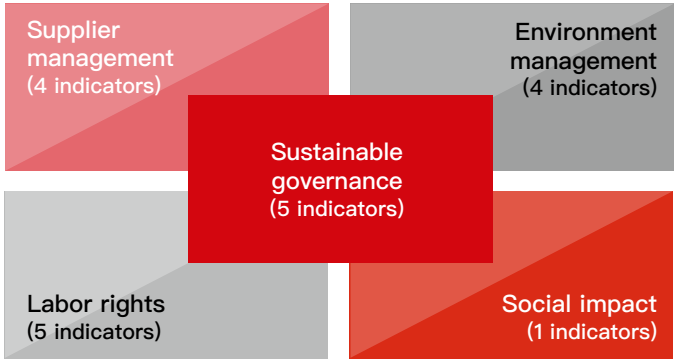
Supplier sustainable risk distribution



Distribution of 12 high sustainable risk



Supplier sustainability management evaluation framework



Supplier Assessment and ESG Onsite Audit

FET Telecom

Supplier Assessment Result

FET conducts routine supplier assessment and audit in each year. ESG assessment results will comprise of 25% weight toward all suppliers that rank among top 30% of their category in terms of procurement values. Suppliers that score 5% lower than that of the previous year, and less than 70 points on the annual assessment, will be listed as requiring priority guidance. They need to carry out an improvement plan and require a second assessment. All suppliers with scores of 60 points or less will be excluded from transactions. In 2019, 169 suppliers were assessed, accounting for 95% of total procurement expenditure. The assessment results were published at the external procurement system website and Supplier general meeting. Four suppliers were praised for their outstanding performance by the President of FET at the 2019 Supplier general meeting.

Evaluation Outcome	Number of suppliers in 2018	Number of suppliers in 2019	Measures adopted
Outstanding suppliers (90–100 points)	7	4	Awarded by FET President at the 2019 Supplier general meeting
Qualified suppliers (70–89 points)	122	159	–
Suppliers in need of improvement (60–69 points)	2	5	The need for improvement has been communicated and improvement plan has been drafted; second assessment has been planned.
Unqualified suppliers (59 points or less)	0	1	Supplier has been suspended due to inability to meet quality, delivery schedule, and service standards during project execution period.
Total	131	169	

Supplier ESG Onsite Audit

Besides the routine annual inspections, since beginning in 2016, FET also arranges for ESG onsite audit to ensure that suppliers are fulfilling their commitments to sustainable development during day-to-day operations. The method of such audits includes FET's in-house audit and audits from third-party experts. The number of suppliers subjected to in-house audit and third-party audits in 2019 were 33 and 30 suppliers respectively, accounting for 91% of all first-tier critical suppliers. FET expects to finish third-party audits on all first-tier critical suppliers by 2020. In terms of in-house audits, FET has completed onsite audits for 33 suppliers in 2019, and 11 of which scored 90 points or more, 14 scored between 70 to 98 points, and 8 suppliers with scores between 60 to 70 points. All audited suppliers have complied with the audit requirements for environmental protection goals and policy, environmental pollution prevention from contracted engineering, and occupational health and safety management. In addition, FET will continue to require suppliers that scored between 60 to 70 points to make necessary improvements.

Number of Suppliers Subjected to Sustainability Risk Evaluation and Onsite Audit

	2017	2018	2019
Sustainability Risk Evaluation	42	158	212
Onsite Audit[35]	20	40	63

Arcoa

Arcoa assesses suppliers on quality, cost, delivery, and service on an annual basis. In 2019, Arcoa completed the assessment of 54 suppliers through the online supplier assessment system. This figure represents 93% of Arcoa's overall procurement expenditure, and the survey response rate has been 100%. Based on evaluation results, Arcoa will increase the procurement volume with suppliers with excellent scores and disqualify the underperforming suppliers. In 2019, 1 supplier was assessed as C-level, or in need of improvement (scores between 60 to 69 points) and had been re-evaluated in February 2020. The deficiencies including delivery time and product quality issues have been improved.

[35] Number of suppliers that did not overlap between those audited by FET and those audited by third-party experts

Arcoa's Supplier Assessment Result in 2019

Evaluation results	Number of suppliers	Measures adopted
Excellent suppliers (90–100 points)	15	Increase procurement volume and develop long–term partnership
Qualified suppliers (70–89 points)	38	Resume normal procurement transactions
Suppliers in need of improvement (60–69 points)	1	Improvements will be required for deficiencies, and a secondary assessment will be given within six months
Unqualified suppliers (59 points or less)	0	Disqualified, and Arcoa will seek for potential substitute
Total	54	

5.4.3 Supplier Communication Management

Annual Supplier General Meeting

To strengthen the effectiveness of communicating with partners in our supply chain and to collectively promote corporate sustainable development, FET continues to organize the supplier general meeting in 2019. More than 242 suppliers have taken part in the conference, and during which, in addition to sharing FET's vision for sustainable development and ESG mechanism, FET also built the cohesion and awareness for jointly building corporate sustainable values with our suppliers. The latest supplier sustainability assessment results were also announced, and 10 suppliers including Ericsson Taiwan, Nokia Taiwan/Alcatel TAISEL, Delta Electronics, and Stark Technology Inc. have received the "Outstanding Sustainability Enterprise Award". In addition, three suppliers including Jun Kair Technology, Uni–President, and Taiwan–EAS received the "A–level Grade Excellent Supplier Award" and were awarded by the FET CEO Ms. Chee Ching.

Supplier Education and Training

To enhance the sustainability awareness and knowledge of our partners throughout the supply chain, FET implements supplier training through the Supply Chain e–Learning Platform. The objective of the e–Learning platform was further expanded in 2019, in which top 500 suppliers were selected as targets of the online training, and appropriate training and education was provided based on issues of concern to the industry (such as online social engineering and the Personal Data Protection Act), in order to further exert FET's CSR impact. Of all 500 suppliers, 431 have completed the training, indicating an 86.6% completion rate. In the future, FET will set annual objectives and continue to improve and advance based on feedback from suppliers.

Besides the e–Learning platform, FET has also planned classroom–based training courses in line with the 2019 Supplier general meeting. Training were focused on supplier management conduct, supplier CSR risk assessment, energy and environmental conservation at office areas, and supplier code of conduct, and have been completed by 242 suppliers. In addition, courses that suppliers wanted to join based on their feedback, ranging from energy and environmental conservation at office areas, CSR management mechanism, environmental education, labor safety, and occupational health and safety management and more, will be gradually included in relevant training.

Number of suppliers receiving CSR training

Year	2016	2017	2018	2019
e–Learning platform	79	121	220	431
Supplier general meeting	N/A	135	215	242
Total	79	256	435	673

Procurement Satisfication Survey

FET Telecom

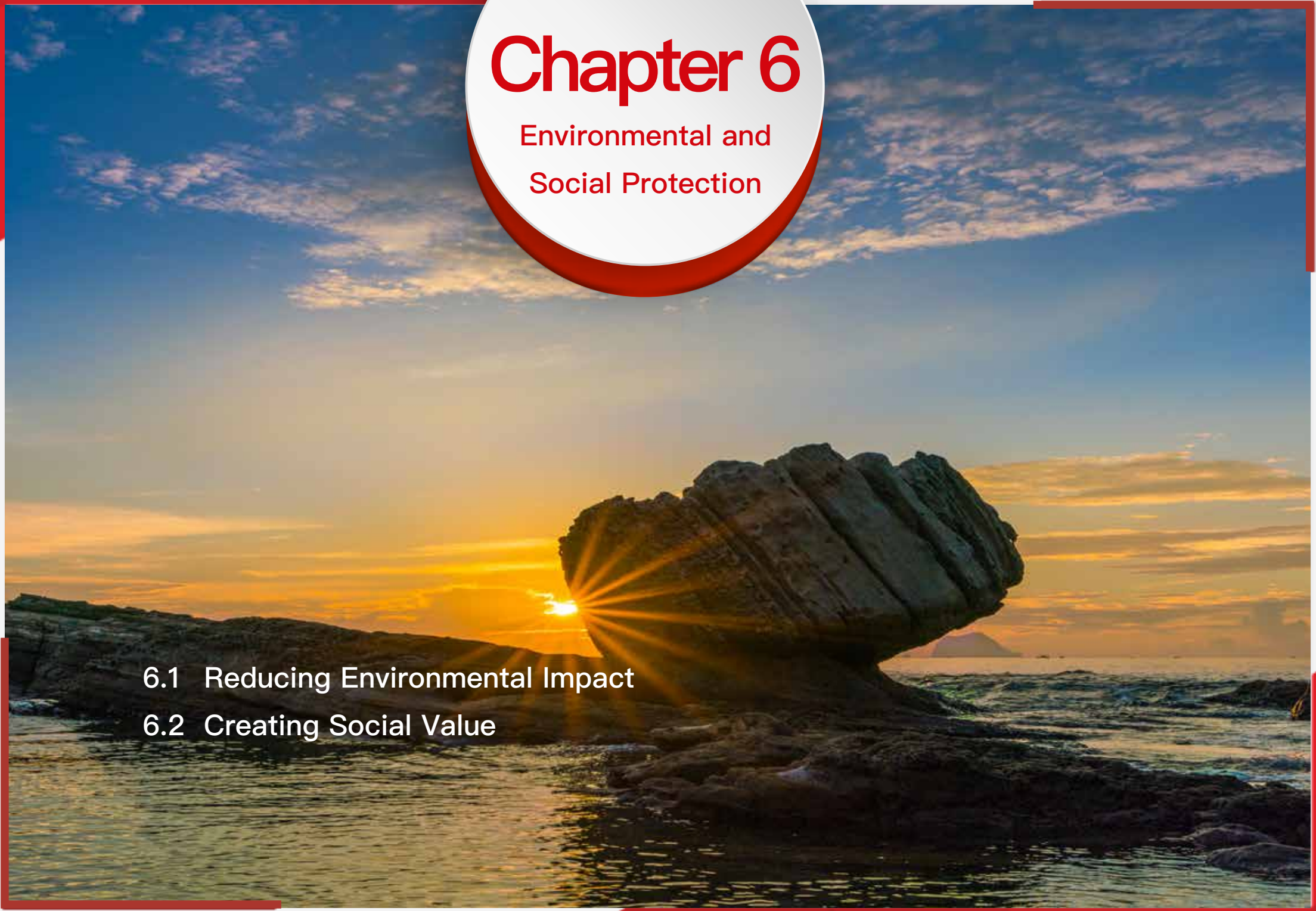
FET regularly conducts procurement satisfaction survey for suppliers in each year. In 2019, two surveys, including one for CSR education and training during Supplier general meeting, and the other for procurement satisfaction, have been carried out. Results from the Supplier general meeting survey indicated that 59.3% of all suppliers were highly satisfied about the CSR education and training arrangement during Supplier general meeting, while another 37.5% were satisfied and gave FET high levels of positive recognition. In addition, suggestions for contents of the conference and training subjects were collected, and will be used toward planning the 2020 conference. In terms of procurement satisfaction survey, 150 surveys were disseminated, and 82 effective responses were received, achieving a 54.7% response rate. More than 87.7% were satisfied about the supplier screening policy and processes, while 81.6% were satisfied about the fairness in supplier selection.

Arcoa

An open–ended response method is adopted for Arcoa's procurement satisfaction surveys. Interactions between Arcoa's procuring units and suppliers or purchasing tasks were collected to facilitate in instant problem recognition and immediate improvement. Opinion and feedback collection was conducted on 78 procurement documents from/to 42 suppliers in 2019, and no material negative impacts have been found.

Chapter 6

Environmental and Social Protection



6.1 Reducing Environmental Impact

Chapter Summary

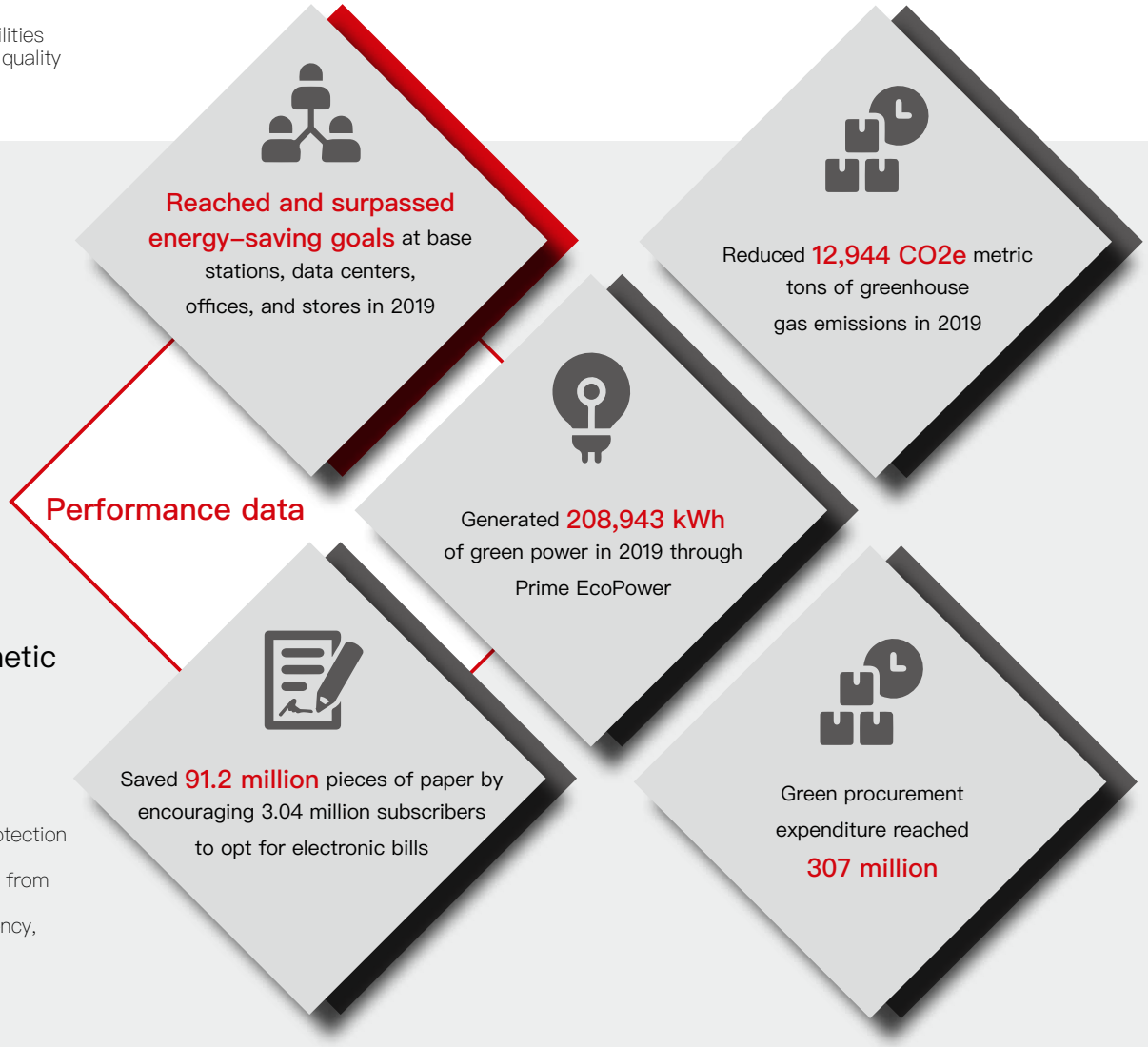
FET continues to focus on and actively respond to mitigating climate change and reducing environmental impact. In addition to promoting environmental and energy strategies in line with our core businesses and introducing SBTi (Science Based Targets), we have also identified key climate risks based on the Task Force on Climate-related Financial Disclosures (TCFD) Recommandation Guidelines. In addition, FET also strives to fulfill the environmental responsibilities as a telecommunications operator through launching sustainable products and building stable, quality telecommunications infrastructure.

Material Topics

- Climate strategy
- Energy management
- Environmental resource management and application
- Environmental innovation and application
- Government policy and responding to changes in existing laws
- Discussion and research into the impact of electromagnetic fields

Highlights

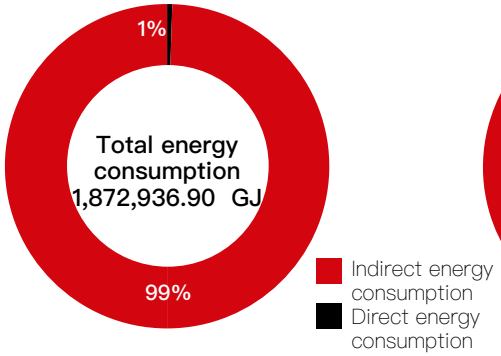
- Received National Enterprise Environmental Protection Awards from Environmental Protection Administration, Executive Yuan, R.O.C.
- Received Outstanding Energy Conservation from Enterprises in Service Industry Award from the Bureau of Energy, MOEA
- Received Water Saving Outstanding Achievement Prize from the Water Resources Agency, MOEA



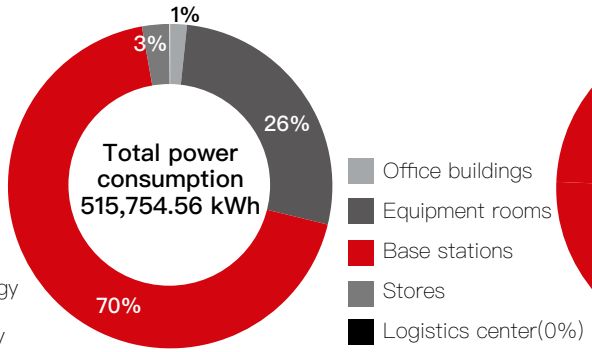
6.1.1 Overview of FET's Environmental Footprint

Environmental impacts from telecom services are mostly from energy consumption and associated greenhouse gas (GHG) emissions. Below is an overview on FET's environmental footprints in 2019, including overall energy consumption, energy use distribution, GHG emissions, total waste generation, and water consumption.

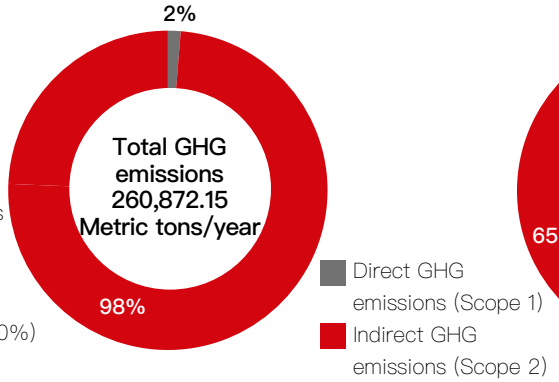
Overview of Energy Consumption in 2019



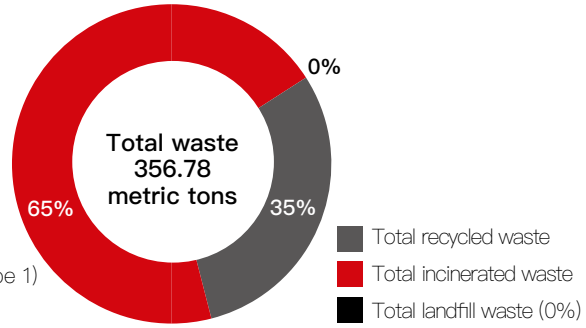
Power Consumption Distribution



Overview of Greenhouse Gas Emissions in 2019



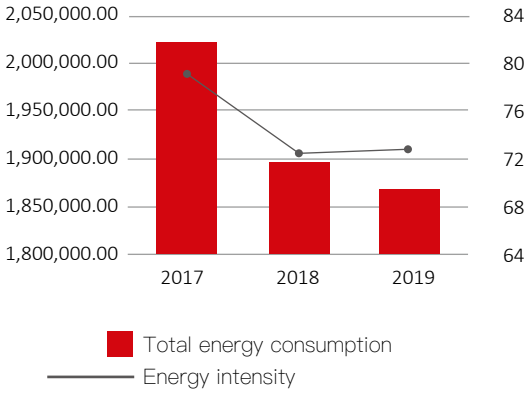
Overview of Generic Waste in 2019



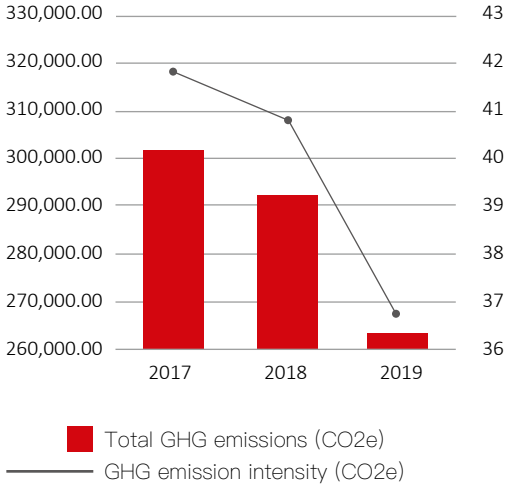
Environmental Footprint Trends Over the Past Three Years

FET is dedicated to promoting environmental sustainability, and advocates for various reduction measures for energy issues, GHG emissions, waste and water management in each year. As a result of these ongoing efforts, FET's total energy consumption, energy intensity, total GHG emissions, and water consumption volume have all been reduced over the past three years. The volume of waste generation showed relatively larger reduction in 2019, and we continue to increase the volume of recycling for the past three years. Please see the Appendix for environment–related data for the past three years.

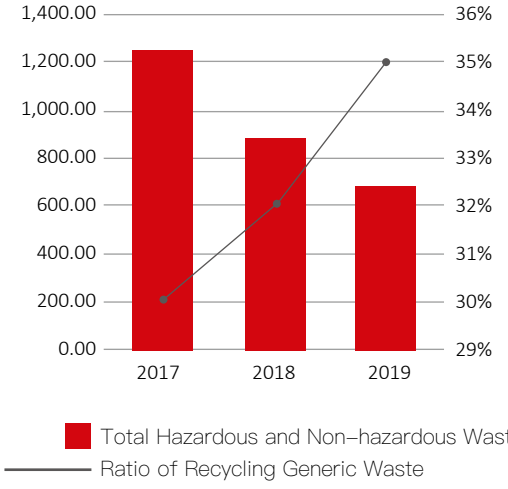
Energy Consumption over the Past Three Years



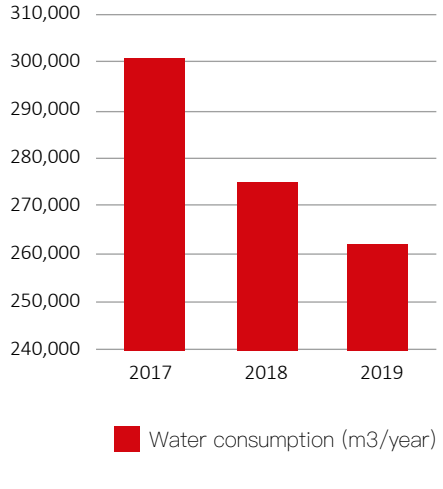
Greenhouse Gas Emissions over the Past Three Years



Total Waste over the Past Three Years



Water Consumption for the Past Three Years



6.1.2 Climate Strategy

FET followed Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to present a comprehensive inventory of key climate changes, energy risks and FET management, with a focus on corporate governance, strategy, risk management, indicators and targets. FET identified six major climate change risks, while also evaluating the process and scale of financial impacts related to those risks and related countermeasures in the event of an increase in global temperatures by 2 degrees Celsius.

TCFD Guide Framework

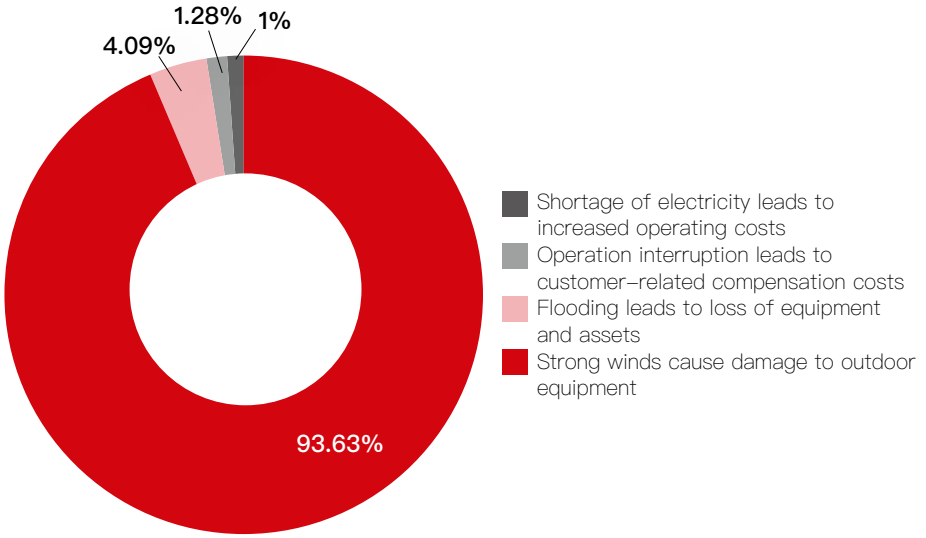
Governance

FET's Board-level "Risk Management Committee" is the company's highest risk governance body and hold regular discussion with the board of directors on key corporate risk management issues, including climate change risks. Under the Risk Management Committee is an "Environment and Energy Management Committee" which is responsible for promoting and executing climate change related policies. For more details on the organizational framework and operations of the Risk Management Committee, see section 4.4 Operational Risk Management. For more details on the Environment and Energy Management Committee see section 6.1.3 Environmental and Energy Management.

Strategy

FET uses a climate change risk matrix to identify and prioritize related risks, while also drawing up risk pathways in order to better understand the impact of different key risk factors on company operations and establishing an inventory of adaptive strategies. FET has analyzed our greatest entity risk factor of this year — severe typhoon's increase frequency of occurrence — with a quantitative assessment on financial impact. According to our analysis, "Maintenance cost and damaged value of equipment caused by strong wind" is our main potential loss event (accounts for 93.63% of total loss amount), followed by "Maintenance cost and damaged value of equipment caused by flooding" (accounts for 4.09% of total loss amount). Due to most base stations and machine rooms are located within the building or at the top floors, flooding has little impact on equipment. As for the base station equipment (ex. Antennas or power supplies) and machine room equipment (ex. Generators, air-cooled chillers or cooling towers) damaged by strong wind, FET has minimized the financial risk caused by strong typhoons with insurance transfer. In the future, the company will seek to further quantify the scale of potential financial impacts for these risks, to more precisely evaluate how climate change risk factors will influence FET's corporate governance and commercial strategy.

Quantitative assessment on financial impact of severe typhoon's increase frequency of occurrence



Risk scenario analysis

- Reference: IPCC AR5 and 1.5℃ special report,
- Typhoon Scenario: with the context of an annual increase in 1.2 grade 4 typhoon (wind velocity of 58m/s or above, gust level of 17 or above) and 1.2 grade 5 typhoon (wind velocity of 70m/s or above, gust level of 17 or above)

Confirm Impact Factors

- Key Impact Factors:
  1. Strong winds (gusts above level 17) cause damage to outdoor equipment
  2. Heavy rain (650mm/day) caused equipment damage on the ground or in low-lying areas
  3. Shortage of electricity leads to increased operating costs
  4. Operation interruption leads to customer-related compensation costs

Assess the property loss of impact factors

- Evaluate the number of equipment that may cause losses under different typhoon paths, and evaluate the amount of repair and replacement; also evaluate the operating costs (such as generators) derived from the power shortage, and the number of customers and compensation amounts that will be affected if the service is interrupted.

Risk Management

Risk management includes identifying climate change risk factors and Climate Change Risk Response:

Identifying Climate Change Risk Factors

This year FET used a climate change risk matrix to identify and prioritize related risks. FET then conducted an evaluation based on degree of potential impact, vulnerabilities and likelihood of occurrence, classifying climate risk as high, medium and low risk. This categorization mainly references three aspects to calculate risk value and distribution in the risk matrix. Those risk values that fall in the top 30% or the first quadrant are considered key risk factors and include costs and expenses on low carbon technology transformation, increased frequency of severe typhoons, increased frequency of extreme rainfall, energy policy uncertainty, increase in average temperatures and increase in the cost of greenhouse gas emissions. The identification process is detailed below:

1 Create the Climate Change Risk list

Based on the TCFD recommended risk list, International research papers, and Industry attributes and benchmarks to create the Climate Change Risk list, in which the transition risks include policy and regulation, technology, market, reputation; the physical risks include Acute and Chronic risk.

2 Identification and Prioritization

Conduct three-dimensional analysis based on potential impact, potential vulnerability, and likelihood for each risk, and draw the Climate Change Risk Matrix.

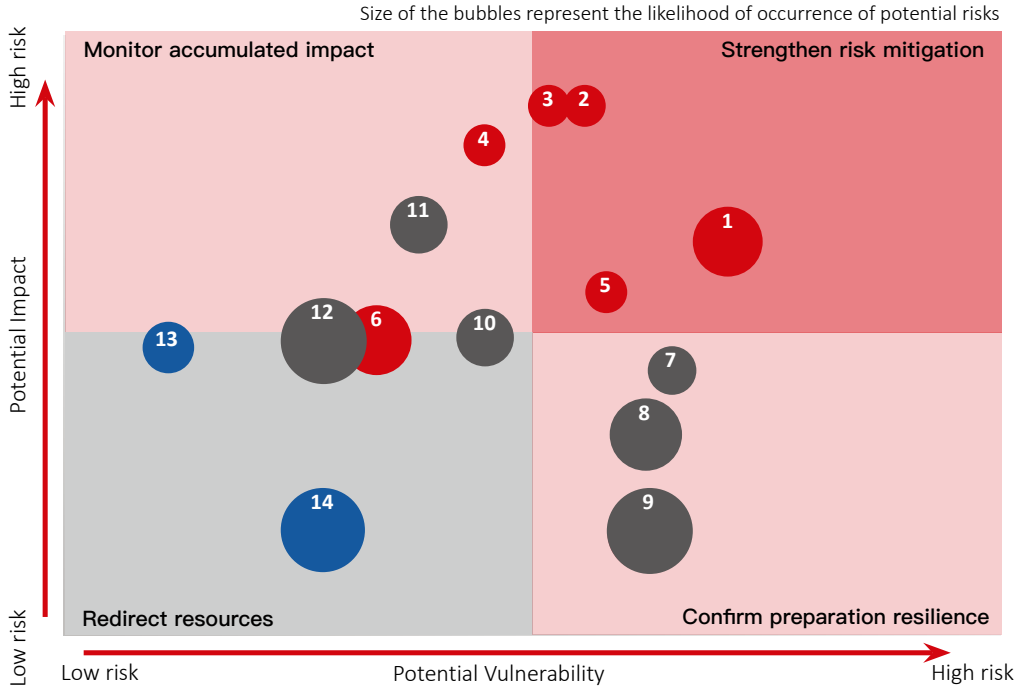
3 Confirm key climate change risks

Review prioritization results and confirm key climate change risks. Then draw the impact pathways based on the 2-degree scenario.

4 Develop countermeasures

Develop countermeasures for FET's six key climate change risks by each department.

Climate Change Risk Matrix



1	Costs to transition to lower emissions technology	8	Enhanced emissions-reporting obligations
2	Increased frequency of severe typhoon	9	Changing customer behavior
3	Increased frequency of extreme rains	10	Increased regulations for sustainability
4	Uncertainty of energy policy	11	Heat waves (extreme heat events)
5	Increased pricing of GHG emissions	12	Negative shareholder feedback and external disclosure and initiation
6	Rising mean temperatures	13	Substitution of existing products and services with lower emissions options
7	Unsuccessful investment in new technologies	14	Shifts in consumer preferences

High risk Moderate risk Low risk

Climate Change Risk Response

Related departments conduct internal consultations and an inventory of existing or future countermeasures in response to the six key climate risks identified.

Risk Category	Risk Factors	Potential Impact	Likely Occurrence	Countermeasures
Transition Risk	Costs and expenses on low carbon technology transformation	• The early replacement of equipment in response to the trend toward low carbon transformation will cause an increase in operational costs. • Improving the management of greenhouse gas emissions in the telecommunications industry chain and joint research into energy saving and low carbon technologies will increase operational costs.	Already occurred	• Roll out new renewable energy business and research renewable energy use targets and timetable, while increasing the installation capacity of renewable energy annually (including increasing the purchase of renewable energy certificates and self–certification capability) and in the future build solar energy base stations. • Effective control and reduction of greenhouse gas emissions created in FET operations and supply chain, proactively cultivating low carbon technology transformation talent and cooperating with upstream and downstream operators. • Evaluate the impact and current implementation of important related laws, while conducting quarterly reviews of possible legal changes and planning countermeasures. • Strengthen energy monitoring and management systems, while using equipment replacement and upgrades to improve the efficiency of energy use and reduce overall power consumption, to balance the cost of rising electricity prices. • Renewable energy next to newly constructed machine rooms should be included as part of evaluations • FET should purchase related liability insurance and adopt other disaster prevention measures to improve business continuity management.
	Energy policy uncertainty Increase in cost of greenhouse gas emissions	• Failure to achieve national greenhouse gas reduction and renewable energy use targets could lead to the imposition of fines on FET or the need to buy carbon credits from other enterprises, impacting the image of the company. • If FET adjusts its business model and is forced to forgo services with high levels of carbon emissions that will impact enterprise revenue. • If national renewable energy policy leads to an increase in electricity prices or unstable power supply, it could disrupt FET operations or services	Could occur in next 3–5 years	
Physical Risk	Increased frequency of severe typhoons	• Typhoons and extreme rainfall can disrupt power provision / or cause equipment malfunction, leading to an increase in repair and maintenance costs, while disrupting operations and services. • Countermeasures taken before or after natural disasters increase FET's operational expenditure, including employee work hours, rate reductions or deferred payments along with the provision of other care services.	Could occur	• Conduct structural strengthening maintenance at existing base stations and improve disaster prevention base station work, with regular flood pressure testing. • Strengthen business continuity management, ensure base stations have backup power and establish mobile base station and temporary base station deployment capability. This facilitates rapid response after a severe typhoon, thereby reducing the potential impact of typhoons on service quality. • Include climate conditions (especially in climate areas where the average temperature is relatively low and salt damage minimal) as part of the evaluation when building new machine rooms. • Regular inspections to determine whether property insurance needs to be adjusted in response to the potential impacts of climate change. • Base stations will continue to include air injector fans, with the fans turning off air conditioning, thereby reducing electricity charges and the impact of thermal exhaust caused by the long–term operation of air conditioners, resulting from an increase in average temperature. • Increase frequency of maintenance work to reduce the malfunction rate in machine rooms / base stations.

Targets and Indicators

In terms of mitigating climate change, the biggest issue for the telecommunications industry is energy use. Every year, in response to the global objective of keeping increases in temperature to under 20C degrees Celsius, FET tracks the energy use of its base stations, machine rooms, stores and office buildings and drafts science-based volume reduction targets, while also increasing renewable energy installed capacity annually as part of its pursuit of energy transformation. The company also establishes management indicators and targets for energy use in those aforementioned areas of major energy consumption and promotes energy conservation. For more details see 6.1.3 Environmental and Energy Management. In terms of climate change adaptation, every year FET tracks the financial impact of physical risk factors (such as natural disasters), followed by discussion and introduction of improvements.

Managing Reductions in Greenhouse Gases

FET's mid- and long-term carbon reduction targets comply with the Science-Based Targets (SBT), and after submitting our targets to the Science-Based Targets initiative (SBTi) in June 2019, we were approved in July of the same year, making FET the third telecommunications operator in Asia to receive this international certification. FET's target is to reduce total Scope 1 and Scope 2 greenhouse gas emissions in year 2030 by 20.3% from our base year in 2016, and to reduce total Scope 3 emissions by 17.2% from that of 2016. Due to version update of the ISO14064-1 to the 2018 version, FET's GHG emissions data in 2019 will present the existing Scopes 1 through 3 in six categories as indicated in the following table. FET's cumulative Scope 1 and 2 emissions continue to decrease year-by-year for the past three years, and 2019 emissions have also decreased by 4.4% from the previous year. In addition, FET is gradually expanding the scale of inventories for indirect GHG emissions throughout its industry value chain that are associated with its operating activities (formerly classified as Scope 3 emissions), and external assurance is also achieved.

Inventories of FET Telecom's 2019 GHG Emissions[36]

GHG Inventory Categories	Item	Total (metric tons of CO2e/year)
Category 1: Direct GHG emissions	Formerly Scope 1	5,973.30
Category 2: Indirect GHG emissions from imported energy	Formerly Scope 2	241,888.06
Category 3: Indirect GHG emissions from transportation	Upstream logistics and product shipping, business travels	3,524.04
Category 4: Indirect GHG emissions from products used within the organization	Product procurement, fuel and energy (excluded from Categories 1 and 2), use of service (waste disposal, rented vehicles, rented water fountains)	118,675.48
Category 5: Indirect GHG emissions from use of products from the organization	Product use, asset lease (GHG emissions from FET's leased equipment room was originally classified as Scope 2), and product disposal	19,032.83
Category 6: Emissions from other sources		0
Direct GHG emissions		**5,973.298**
Indirect GHG emissions		**383,120.415**

GHG emission inventories (statistical data based on Scopes 1-3)

		2019 FET Telecom	2019 Arcoa
Direct GHG emissions (Scope 1)	GHG Emissions in CO2e (Tons/Year)	5973.30	2.6325
Indirect GHG emissions (Scope 2)	GHG Emissions in CO2e (Tons/Year)	254144.62	751.601
External GHG emissions (Scope 3)	GHG Emissions in CO2e (Tons/Year)	128975.79	NA
Statistics of GHG Emissions in CO2e	Total emissions (ton/year)	260,117.921	754.23

[36] ISO 14064-1: 2018 was adopted for FET's 2019 greenhouse gas inventories. The categories for types of GHG emissions has now adopted the six categories as shown in the table in place of the existing Scopes 1-3

6.1.3 Environmental and Energy Management

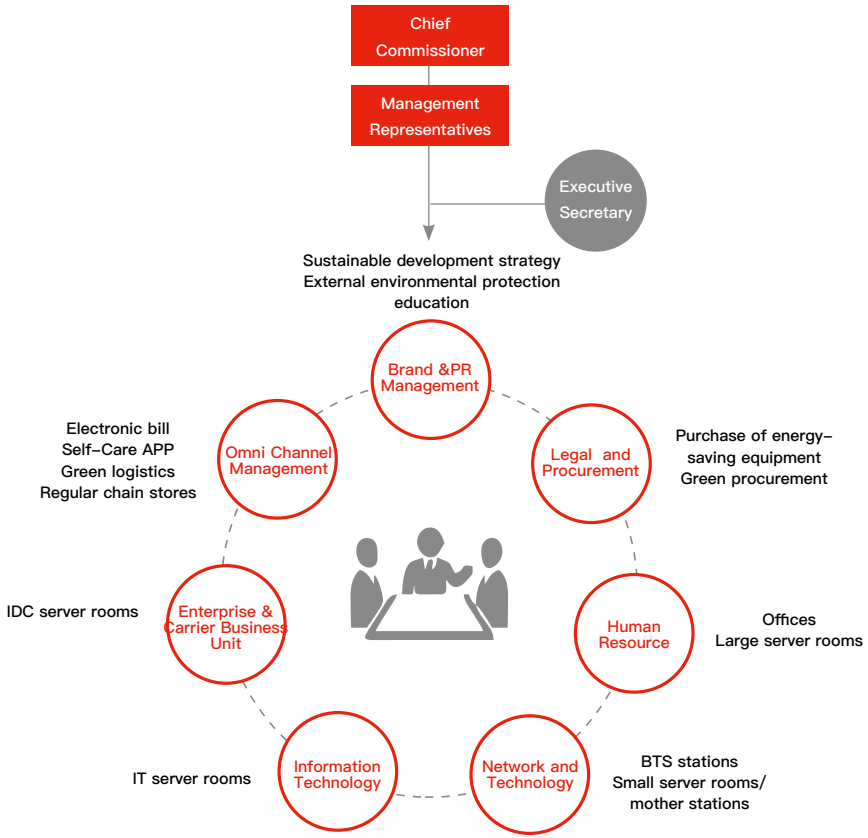
FET continues to enhance energy efficiency through adopting the Energy Management System (ISO 50001) and Environmental Management System (ISO 14001) certification. In addition, we have also introduced the Greenhouse Gas Inventories (ISO 14064–1) to systematically manage negative environmental impacts from energy consumption. FET Environment and Energy Policy and Statement of Greenhouse Gas Management Policy have also been established to guide FET in managing various environmental impacts. We aspire to conserve energy and enhance energy efficiency throughout the life cycles of telecom services, and to participate in climate change mitigation and adaptations.

FET Environment and Energy Policy

Environment and Energy Management Committee

FET has established an Environment and Energy Management Committee, which is chaired by the CFO. Members include the heads of different departments, and quarterly meetings are convened to discuss energy and environment–related targets and performance. By adopting a vertical management model, energy policy is promoted from the head office to each department, ensuring collective participation and implementation. FET has also established the Environment and Energy Management Policy, which includes management over energy and environment, GHG reductions and responses to climate change.

Structure of Environment and Energy Management Committee



Environmental Management System

FET has long since introduced ISO 14001 Environmental Management, ISO 50001 Energy Management, and ISO 14064–1 Greenhouse Gases, and also obtains assurance from external units. To enhance the credibility of our environmental management, the boundaries of management have also been extended from energy management to environmental management, GHG reductions and responses to climate change.

Certification	Category (site of introduction)	Coverage rate	2019 Results	2020 Plans
ISO 5001 Energy Management System [37]	Taipei: 5 points (offices/ equipment rooms/stores) New Taipei: 2 points (offices/equipment rooms) Taichung: 1 point (offices) Kaohsiung: 2 points (offices/equipment rooms)	72%	• Converstion to ISO 50001:2018 • 5 action plans saved 5.16 million kWh of electricity and reduced carbon emissions by 2,750 tons/CO2e	• 8 action plans targeting 1.13 million kWh of electricty
ISO 14001 Environmental Management System	Taipei: 5 points (offices/ equipment rooms/stores) New Taipei: 2 points (offices/equipment rooms) Taichung: 1 point (offices) Kaohsiung: 2 points (offices/equipment rooms)	72%	• Conserved 10,000 m3 of water • Reduced 19 metric tons of waste • Reduced 10.7% of SIM card purchases • Increased CSP plant visits by 18% • Achieved 65% electronic bill adoption rate	• Reduce waste treatment by 2% • Increase CSR plant visits by 10% • Increase green procurement values by 5% • Purchase less than 500 thousand SIM cards • Achieve 70% electronic bill adoption rate • Expand the scale of "Green Carnival" by working with members of Sustainability Pioneers
ISO 14061–1 Greenhouse Gases [38]	FET New Century KGEX	88%	• Introduced inventories of Scope 3 emissions from purchasing of products and services, employee travels, and fuel and energy consumption from other activities • Passed and received SBTi certificate	• Passed and received ISO 14064–1:2018 certificate

Note: coverage rate is calculated as revenues at point of introduction relative to total revenues.

[37] Adopted ISO 50001: 2018
[38] Adopted ISO 14064–1: 2018

FET Energy Management and Energy Conservation Policy

To gradually work toward energy transition, FET sets annual targets and promotes energy-saving measures for major high-energy consumption departments, including base stations, equipment rooms, stores, offices, and logistics.

	2019 Targets	2019 Progress	Achievement rate	2020 Targets
Base station	Decrease 1.5% power consumption per 1 GB of traffic volume (million kcal consumed/GB) at base stations per year	Annual reduction of 15.76%	☑	Annual reduction of 5%
Equipment rooms	Annual reduction of 1% in PUE	Annual reduction of 1.31%	☑	Annual reduction of 1%
Stores	Annual reduction of 5% in power consumption	Annual reduction of 5.33%	☑	Annual reduction of 3%
Offices	Annual reduction of 1.5% in EUI [39]	Annual reduction of 4.28%	☑	Annual reduction of 1.5%

Base station Energy-Saving Performance and Programs

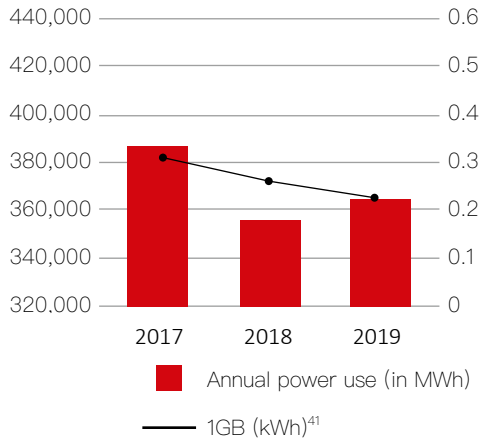
Energy consumption at base stations account for 68% of overall operating power consumption and is the single largest source of energy consumption throughout FET's operations and facilities. Therefore, in terms of energy management over base stations, FET tracks and monitors energy indicators to ensure that energy is effectively used toward serving customers' web service needs. The increase in total energy consumption at FET's base stations in 2019 was mostly attributable to the continued building of 4G base stations to enhance the customers' wireless Internet service quality. Though total operating energy consumption continued to grow, by the energy consumption per signal unit (1 GB) has continued to drop. In this year, FET invested a total of NT$34.05 million toward energy-saving programs at base stations. Most energy-saving programs entailed installing convection fan systems at base stations to replace temperature-controlled AC convection systems. Cumulatively, the energy-saving programs have been estimated to save 15.65 million kWh of power in 2019, or NT$43.83 million in electricity bills. In terms of the effectiveness of the energy-saving programs, power consumption per 1GB in 2019 was reduced by 16% from 2018. And total power conservation was estimated to be nearly 15.65 million kWh, thereby achieving reducing carbon emissions by 8,341 CO2e tons. Besides enhancing energy-saving effectiveness at base stations, FET has also planned to build base stations that consume mostly renewable energies in line with the Company's energy conservation and carbon reduction and renewable energy policies.

Energy Saving Strategies and Measures

FET has also been committed to providing quality networking services to customers over the years. In terms of energy management at base stations, we track and monitor energy indicators in each year to ensure that energy consumption is effectively used toward serving customers' web service needs.
Definition of base station energy indicators: power consumption (kWh) from customers' web use per Giga Bytes (GB)
Energy indicator = power consumption kWh / 1 GB traffic of power consumption (GB)

Strategies and Measures		2019 Energy Saving Results and Effectiveness	
Short-term ・Continue to evaluate and manage the construction of new base stations.(track effectiveness of energy investments) ・Reform ventilation system at base stations(swap air conditioners with convection fans) ・Replace worn air conditions with inverter AC ・Optimize parameters of 4G carrier wave ・Optimize 3G traffic card panel ・Continue to build solar power capacity at base stations	**Long-term** ・install high-performance energy conversion equipment ・Evaluate and manage building of new 5G base stations(track effectiveness of energy investments) ・Evaluate 3G Sunset implementations ・Build base stations that mostly run on renewable energies	Expenditure (NT$ 10,000)	3,405
		Energy saving benefits (in 10,000 kWh)	1,565
		Carbon emission reductions (in tons CO2e)[40]	8,341

Base station energy consumption



[39] Energy Use Intensity (EUI): power consumption in kWh/total floor area of the building (Unit; kWh/m2*year)

[40] For the calculations of this year's carbon reductions, the electricity carbon emission coefficient in 2018, or 0.533 kgCO2e/kWh, was used throughout this Chapter.

Equipment room Energy-Saving Performance and Programs

In 2019, FET's energy consumption from equipment rooms continue to fall, with a year-on-year decrease in power consumption of about 5.80 million kWh, or 4.10%. Key programs implemented in 2019 include using magnetic bearing units with capacity of excess of 1,000 refrigeration tons (RT). On average, these are 20% more efficient than domestic equipment rooms, and therefore largely decrease energy consumption. As a result of our ongoing promotions of energy-saving programs at equipment rooms, PUE continues to decrease, achieving an average PUE of 1.74 this year, or a 1.4% decrease from last year's numbers. In addition, in line with our expanding business needs, FET also continues to implement server virtualization to reduce costs, enhance efficiency, simplify management tasks, and conserves the environment. In 2019, FET spent NT$19.02 million toward energy-saving programs at equipment rooms, and NT$23.68 million toward server virtualization. After introducing 1,242 new servers this year, the Company now has 4,852 virtual technology servers. Currently, the Company only needs 64 physical servers and has helped to reduce over NT$7.34 million of electricity bills.[42] FET has promoted environmental protection and energy conservation for a long period of time, and continued to improve energy efficiency and the proportion of renewable energy use. In 2019, FET strove to build its own power generation equipment in a limited field and increased the proportion of renewable energy utilization to 0.782%. We will also comply with Taiwanese energy policy, assess the introduction of other technologies, and increase the proportion of renewable energy use.

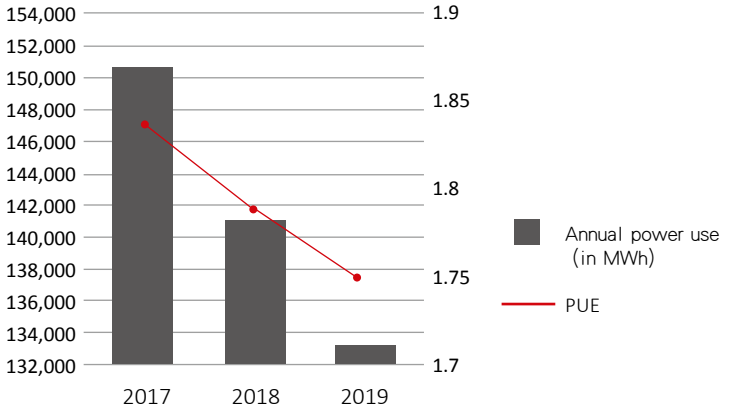
Equipment room Energy-Saving Strategies and Programs

Strategies and Measures	2019 Energy Saving Results and Effectiveness	
・Enhance efficiency of cooling systems in equipment rooms ・Optimization and replacement of air conditioner units ・Use of LED lighting ・Use of high-efficiency power equipment ・Promotion of energy management control system ・Optimization of lighting control systems	Expenditure (NT$ 10,000)	1,902
	Energy saving benefits (in 10,000 kWh)	580
	Carbon emissions reduction (tons CO2e)	3,091

Server virtualization

2019 Energy Saving Results and Effectiveness	
Expenditure (NT$ 10,000)	2,368
Energy saving benefits (in 10,000 kWh)	272
Carbon emissions reduction (tons CO2e)	1,450

Equipment room energy consumption



Store Energy-Saving Programs

FET continues to transform our stores to be more eco-friendly by setting the Energy Label as the standards for equipment while opening new stores and contracting work. In addition, we are also improving the energy-saving measures at stores step-by-step, and opting for inverter air conditioning units and energy-saving lights. All energy-saving eco-friendly stores have adopted energy-saving equipment including T5 energy-saving lighting, energy-saving inverter air conditioners, and LED emergency exit signs. In addition, we also replaced traditional posters with digital, interactive multimedia equipment to reduce resource consumption. In 2019, 22 stores underwent renovation at approximately NT$71.06 million total. Total energy consumption throughout all stores has been reduced by 2.4%, saving approximately 86,700 kWh of power in each 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.

Average power consumption at FET stores (kWh)

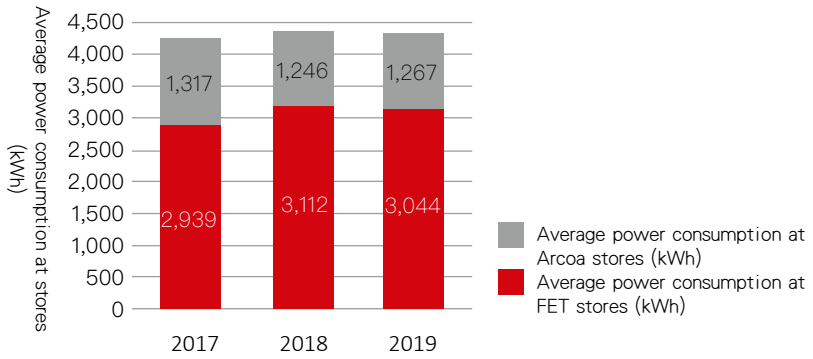
2017	2018	2019
2,939 kWh	3,112 kWh	3,044 kWh

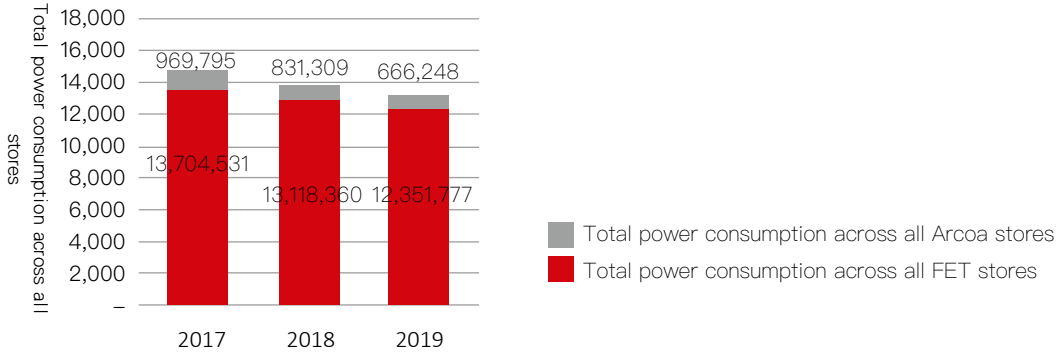
Store Energy-Saving Strategies and Measures

Strategies and Measures	2019 Energy Saving Results and Effectiveness	
・Continue to reform stores and expand the ratio of eco-friendly, green stores ・Set the Energy Label equipment as standard when opening new stores and contracting work ・Adopt energy-saving equipment including T5 energy-saving lighting, energy-saving inverter air conditioners, and LED emergency exit signs in all new stores ・Replace traditional posters with digital, interactive multimedia equipment ・Replace worn air conditioners at Arcoa to enhance operating efficiency	Expenditure (NT$ 10,000)	7,132
	Energy saving benefits (in 10,000 kWh)	86
	Carbon emissions reduction (tons CO2e)	458

[41] Base station energy indicator is defined as the power consumption (kWh) from customer's Internet use per giga byte (GB).
[42] PUE (Power Usage Effectiveness): total energy consumption of server room/energy consumption of IT equipment

2019 Average power consumption (kWh) and total power consumption across all stores – FET Telecom + Arcoa





Office Energy Saving Performance and Programs

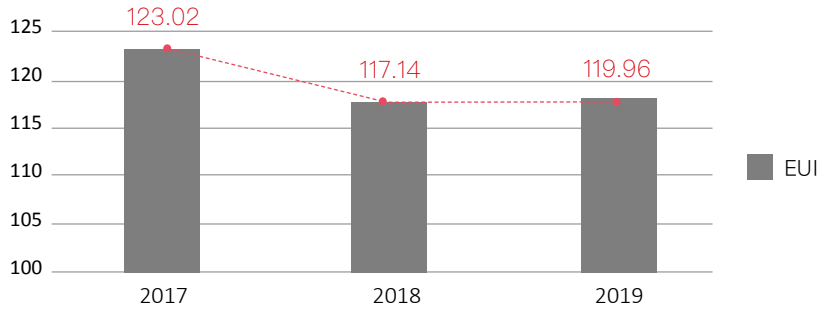
In 2019, FET continues to reduce power consumption from offices through energy-saving and carbon reduction measures, renewing equipment and optimizing operational management. As a result of our efforts, energy consumption at FET's offices are continuing to be reduced over the past three years, and the EUI in 2019 has reached 119.96 (kWh/m2/year), representing an approximately 980,000 kWh of power consumption, or 4.22% reduction from the previous year. Since 2011, FET has continued to replace and donate less efficient computer equipment to charities. In selecting replacements, priority has been given to leasing Green Mark-certified products to enhance the efficiency and green benefits of information equipment. In 2019, the rental rate for newly added personal computers was 99.07%, laptop computers for 93.04%, and 92.56% for LCD monitors.

Arcoa's Neihu offices continue to replace worn air conditioning units and opting for energy-saving lighting, as well as setting temperature and timer control over air conditioners to effectively conserve energy and promote green, eco-friendly measures. In 2019, Arcoa saved 6,705 kWh in power consumption, achieving a 3.57 ton of carbon reduction benefits.

Statistics of Leased Equipment

	2017	2018	2019
Personal computers	97.9%	99.6%	99.07%
Laptop computers	96.2%	88.4%	93.04%
LCD monitors	98.7%	95.9%	92.56%

Office Energy Consumption at FET



Office Energy Saving Strategies and Measures at FET

Strategies and Measures	2019 Energy Saving Results and Effectiveness	
· Optimization and replacement of air conditioner units · Use of LED lighting · Use of high-efficiency power equipment · Promotion of energy management control system · Optimization of lighting control systems · Activation of leased equipment	Expenditure (NT$ 10,000)	540
	Energy saving benefits (in 10,000 kWh)	98
	Carbon emissions reduction (tons CO2e)	522.3

Office Energy Saving Strategies and Measures at Arcoa

Strategies and Measures	2019 Energy Saving Results and Effectiveness	
· Optimization and replacement of air conditioner units · Use of LED lighting · Regularly checking to turn off unnecessary energy sources · Warnings and tracking system for abnormal monthly power consumption · Promotions of energy-saving awareness	Expenditure (NT$ 10,000)	1.5
	Energy conservation benefits (kWh)	6,705
	Carbon emissions reduction (tons CO2e)	3.57

Green Logistics and Packaging

FET promotes green logistics and continues to optimize logistics routes through data analytics in line with different opening hours of each store. At the same time, to avoid making individual order deliveries and increasing the number of shipping trips required, FET divides products into two categories, "marketable merchandise" (cell phones and accessories purchased by customers) and "auxiliary sales products" (fliers, point of sales materials (POSM) and SIM cards), and different logistics measures have been established to reduce transportation costs and environmental pollution associated with products. While FET continues to reduce number of cardboard boxes used for logistics purposes and optimizing logistics routes, Arcoa is focused on continuing to update energy-saving equipment at logistics centers and optimizing logistics routes. Cumulative carbon reduction benefits in 2019 has reached 334.6 metric tons of CO2e.

FET + Arcoa

	Energy Saving Measures	2019 carbon reductions (tons CO2e)
Marketable Merchandise	Combined order processing	176.7
	Use of environmentally friendly packaging	74.4
	Picking up products by hand rather than conveyor belt	0
Auxiliary sales products	Collective delivery of store auxiliary products every month	83.5
Total carbon reduction benefits		334.6

FET Logistics Energy-saving Strategies and Measures

Strategies and measures (FET)	Strategies and measures (Arcoa)
· Continue to optimize logistics routes through big data analysis of different store opening hours · Require all deliveries to turn off engine when parked to reduce fuel consumption · Promote green product packaging to reduce environmental impacts	· Opting for energy-saving lighting and adjusting power consumption processes, and requiring factory affairs personnel to patrol sites to ensure that energy consumption is effective · Plan for future installation of infrared sensors in unmanned areas of the logistics center to automatically switch off the lights to prevent wasting energy · Long-term planning on feasibility of solar energy generation at the logistics center to produce green energy

6.1.4 Reducing Environmental Impacts from Services

Eco-friendly Products and Services

FET integrates the recycling and reuse concepts of key services, products, and resources at major stores throughout Taiwan. By recovering and reselling used mobile devices and promoting paperless services, we have been reducing resource consumption from consumers' use of our products and services, and we aspire to continue expanding our positive influence on the environment.

In-store Mobile Phone Recycling

Electronic waste continues to be an issue of concern for the public, as well as an issue that telecom service providers and consumers need to address. To make it easier for consumers to recycle waste mobile communications products and promote resource cycling, FET signed a "Memorandum of Understanding on the Cooperative Recycling of Waste Mobile Communications Products" with the Environmental Protection Administration (EP), in which cell phone recycling points that offer free recycling of waste cell phones, PDAs, GPS and charging devices are set up at stores across Taiwan. The waste products are then handed to qualified operators for reuse.

	2017	2018	2019
Recycled cell phones	1,742	538	1,347
Recycled accessories (batteries/ chargers/ cables) (kg)	117	111.5	173.38

Resale of Mobile Devices

FET strives to develop a secondary market to attract specific customer groups. We resell display products, out of season cell phones and accessories to secondhand equipment dealers or FET outlet stores, thereby encouraging the development of secondhand market. In 2019, FET recycled 5,783 cell phones, reducing carbon emissions by approximately 71 tons. [43]

	Resale to Secondhand Equipment Dealers	Resale to FET Outlets
Cell phones	1,943	3,840
Tablets	603	211
Accessories	603	98
Total	3,149	4,149
Energy saved from cell phone resale (kWh)	42,746	84,480
Carbon reductions from cell phone resale (tons)	24	47

Paperless Services

To reduce unnecessary resource wasting together with our customers, FET continues to promote digitalization of electricity bills and forms and building formless systems, modules, processes, and even management, thereby implementing paperless telecommunications services in practice. 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 a rewards program. As such, FET provides a variety of discounted goods to encourage consumers to adopt electronic billing. As of 2019, a total of 3.04 million subscribers are using e-bills, representing 65.1% usage rate. A total of 91.20 million pieces of paper can be saved in a year, equivalent to reducing 110.4 tons of carbon emissions. We expect to increase e-bill use rate to 70% by 2020. In 2019, 349 service outlets, or over 62% of all FET outlets are exclusively using e-forms to process customer information. We expect to maintain e-form usage rate to above 85% in 2020, which represents a reduction of carbon emissions by approximately 6.4 tons.

	Electronic forms		Electronic bills	
	Usage rate	Reduction in CO2 emissions (ton/year)	Number of users (thousands)	Reduction in CO2 emissions (ton/year)
2017	74.3%	10.18	2,350	85.3
2018	62%	5.65	2,650	96.2
2019	87%	6.76	3,044	110.4

Base Station and Electromagnetic Fields Management

Base Station Management Regulations

Besides meeting relevant regulations from competent authority in terms of base station and antenna setup, FET also strives to use shared structures, stations, and antenna to significantly reduce the number of antennas needed, thereby reducing resource waste. We also actively strengthen the landscaping around base stations to reduce the visual impacts of base stations and antenna. In 2019. 50.57% of FET's base stations were shared stations and 5.24% were independent stations, thus achieving a 44.19% shared structure ratio. We are also committed to strengthen disaster prevention work at base stations. In 2019, FET was fined 3 times and a total of NT$1.5 million for violations related to base station installations. This represents 8 fewer cases, and a reduction of NT$4 million fines from the previous year. Violations were mostly attributable to the urgency of customer coverage requirements, resulting in stations being activated while still in the process of applying for an operational license. FET has already continued to strengthen communications with customers and negotiations with NCC to shorten the license application process, thus reducing the number of stations being activated before approval and related fines. [44][45]

Tracking Electromagnetic Radiation Issues

To directly address public concerns over electromagnetic fields, FET continues to participate in the "Base Station Work Group" formed by the Taiwan Telecommunications Industry Development Association (TTIDA), whose membership include the NCC and fellow telecom operators. FET also continues to advocate and communicate on the issue of electromagnetic fields as a way of reducing safety and health concerns from the public on electromagnetic fields from base stations. To eliminate public concerns on electromagnetic fields, 93 advocacy/educational sessions were held in 2019, including 11 sessions organized by the TTIDA.

Electromagnetic Fields Measurement and Advice Hotline

A hotline is established to answer questions on electromagnetic fields and to accept requests to measure electromagnetic fields. In 2019, TTIDA provided 603 electromagnetic related questions, with most of the questions concerning: are electromagnetic fields hazardous to human health, the legality of base stations and control over their numbers, electromagnetic fields measurement processes, and telephone pole electrical sub stations and satellite broadcasting, etc. In addition, 383 electromagnetic fields measurement services were provided, and 66 of which were conducted by FET. Together with 12 requests from the public for voluntary measurements from FET, FET has provided a total of 78 electromagnetic fields measurement services in 2019 with relevant expenditures of NT$358,800. All test results passed Equivalent Isotopically Radiated Power (EIRP) and electric wave power density standards specified by NCC in mobile broadband base station verification technical regulations.

2019 Main types of questions received by the Electromagnetic Fields Advice Service

Main types of questions received	Ratio	Major questions
Health concerns	51%	Standard values of electromagnetic fields and their likelihood of health impacts
Legality	24%	Base station legal standards (legality or building process and related laws)
Others	25%	Taipower facilities or telecom facilities (e.g. range extenders, set-top boxes, and equipment room facilities)

Number of base station measurement services completed over the years

Type of measurement	2017	2018	2019
FET TTIDA measurement cases	63	64	66
FET's own measurement cases	16	8	12
Other TTIDA measurement cases	305	253	317

Number of media coverage on base station issues over the years

	Positive news	Negative news
2017	86	75
2018	69	31
2019	57	21

[43] According to announcement of Environmental Protection Administration, a recycled mobile phone can save about 22 kWh, Electricity Emission Factors (released in 2018) was 0.554 kg of CO2e/kWh

[44] Shared location refers to one or more mobile service operators setting up base stations at the same building.

[45] Shared construction refers to one or more mobile service operators using the same antenna to set up base stations, or to reserve antenna ports and rack space that other operators can also use when setting up their base stations.

6.2 Creating Social Value

Chapter Summary

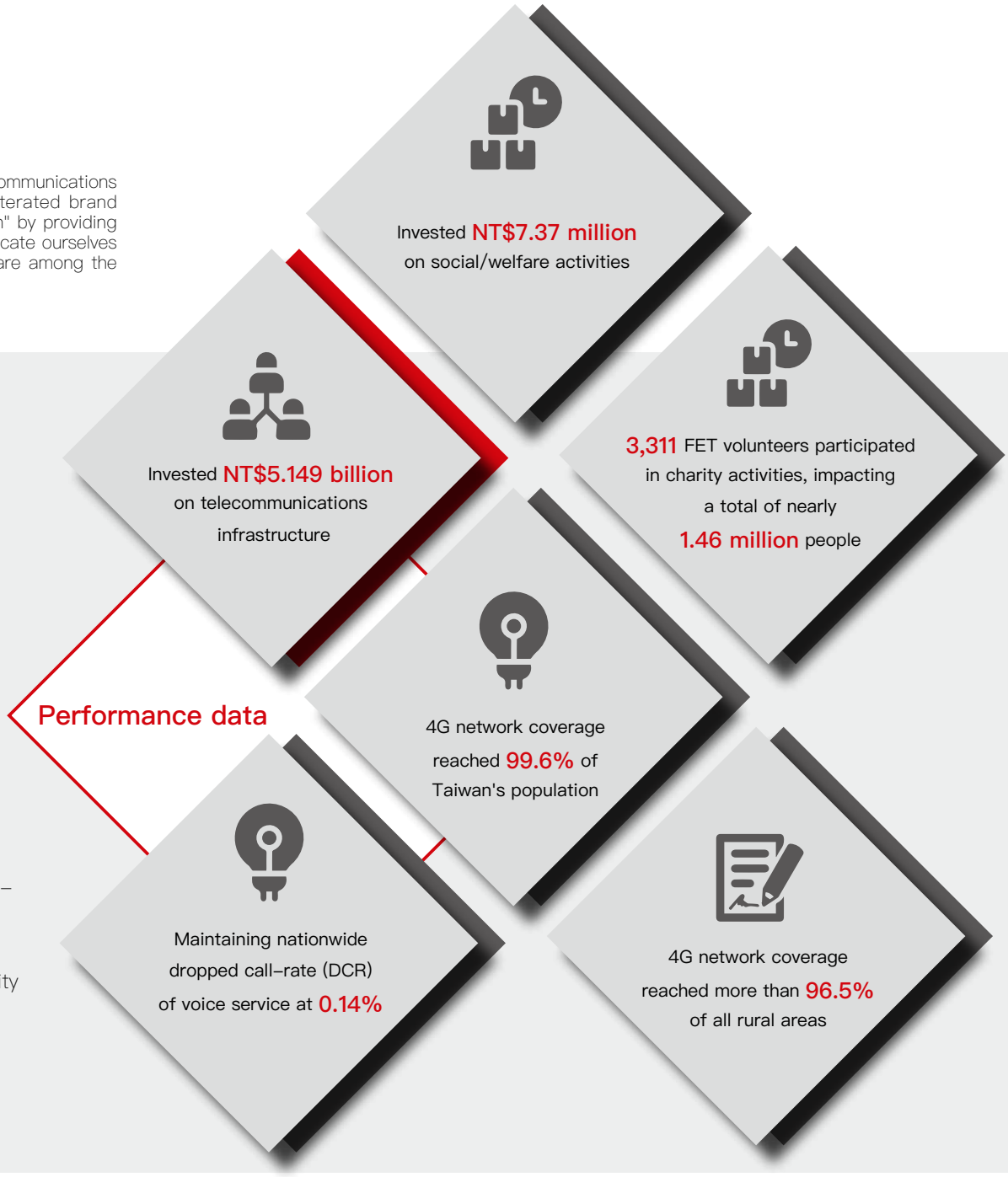
FET conveys our commitment to not only bring people closer together through our core telecommunications technologies, but also to minimize the social gap to new technologies through our reiterated brand philosophy, "For Every Thought, We Go Further". We aspire to be a "connector with warmth" by providing positive telecommunications services, promoting 5G technological advancement, and to dedicate ourselves to social welfare activities, in order to strengthen the zero-distance communication and care among the public.

Material Topics

- Telecommunications quality and infrastructure
- Digital inclusion
- Social innovation and applications

Highlights

- First 5G network data voice call testing throughout Taiwan
- Carried out outdoor field verification of 5G technology at Tpark in New Taipei City, becoming the first telecom operator in Taiwan to complete dual-connection testing for 4G LTE and 5G NR
- Achieved 5G OpenLab and commercial experiments and research and development telecommunications network in collaboration with the Taipei City Government
- Completed and commenced operation of the first 4G base station at Yushan hiking trail in August 2019 to ensure external communications from mountaineers and local residents



6.2.1 Investments in Communication Infrastructure

FET actively invests in construction and maintenance of telecommunications infrastructure and facilities to ensure that the quality of telecommunication is not affected by natural disasters and urban–rural gaps. Besides ongoing implementation of network and speed maintenance measures such as building base stations and infrastructure and adjusting regional spectrum, FET is also focused on enhancing 4G signal coverage at remote areas. In terms of developing and building 5G networks, FET has also continuously demonstrated our innovative and teamwork abilities, and received various industry–leading achievements in 2019, thereby demonstrating our flair as an industry pioneer.

Excellent Communication Quality Maintenance

To make timely improvements on connection rate and transmission speed, FET regularly measures telecommunication signal in each quarter and includes measurement results in the decision–making for subsequent mobile network building and adjustments. To satisfy the growing data traffic demand for millions of users, FET continues to expand the 4G core network structure and capacity and to increase network speed through quad–band carrier aggregation (CA). To enhance FET's competitive strengths in Taiwan's six special municipalities and to augment the Internet experiences of media streaming, we have built 1,919 base stations including 700/1800/2100/2600 frequencies. FET has continued to maintain a stable network in 2019, with 99.7% of the total availability of network.

Voice communication services	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 would examine antenna feeder cables, adjust antenna coverage, and adjust and optimize wireless parameters to improve reception quality. The dropped call rate (DCR) of FET's nationwide voice service is maintained at a stable 0.14%.	**Data communication services**	• FET expanded the 700/1800/2100/2600 MHz station in 2019 and provided multi–frequency carrier aggregation (CA) services to enhance 4G network speed and 3G voice qualities, and to provide 4G VoLTE users with high–quality voice services. • FET continues to build 4G base stations throughout Taiwan and 5G base stations in key areas, including rural areas, scenic areas, and metropolitan areas. • We are committed to optimizing the indoor signal coverage and to expanding the capacity of metropolitan areas to improve signal congestion. Currently, FET's 4G successful connection rate in all areas have reached a stable performance level of more than 99.96%. • For 4G services, FET continues to improve 4G networks in 2019, and to solve the no–signal area due to protests in order to take over the difficult area with protests and provide customers with good signal quality. • Currently, the success rate of FET's nationwide 3G voice and packaging access have been stable at 99.85% performance level.

Establishment of New Business Related Services

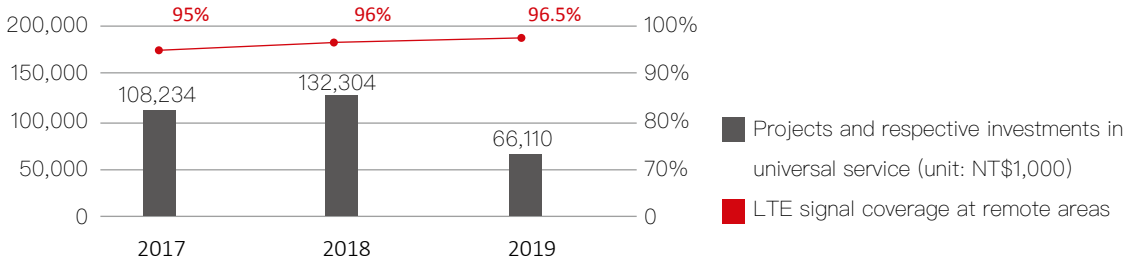
To improve the quality of NB–IoT services for enterprise users, FET continues to optimize NB–IoT signals and parameters at related service points in 2019. Our diverse current NB–IoT applications currently include smart NB–IoT streetlights, geomagnetic parking, air quality detection, water levels monitoring, refrigeration unit monitoring, and smart grids. In line with the 5G Non–Standalone (NSA) network structure demand, FET actively discusses 5G network functions and service needs with our equipment suppliers, and hope to integrate the best 5G roll out plan through continuous testing and verification. In February 2019, FET conducted the first 5G network data voice call testing throughout Taiwan, and further completed the outdoor field verification of 5G technology at Tpark in New Taipei City at the end of August, becoming the first telecom operator in Taiwan to complete dual–connection testing for 4G LTE and 5G NR. In addition, FET also collaborated with the Department of Information Technology, Taipei City Government and Cloud Computing & IoT Association in Taiwan in October 2019 to initiate the "Neihu Smart Park 5G Trial Program," thereby building the first industry–governmental cooperation project for 5G Open Trial Field. Moreover, the first Proof of Business (PoB) is planned to be introduced at this program to assist enterprises to introduce business models during the experimental stage in order to accelerate industry adoption and market practices. In the future, FET will continue to collaborate with various partners in the 5G Pioneer Team and focus on the end–to–end technical verification of 5G products, vertical industry chain cooperation, building a 5G ecosystem, and demonstration and promotions. The Company also expects to commence even more innovative partnerships that are closely aligned with industry needs.

Investment in Remote Area Construction

FET's 4G network currently covers 99.6% of Taiwan's population, with signals available at 368 townships throughout Taiwan. Moreover, FET also actively complies with NCC's 'Telecommunications Universal Service Regulations' and continues to invest toward "universal service" in each year. We strive to upgrade data access speed in remote areas to levels comparable with metropolitan areas. To effectively enhance quality and coverage of communications service at remote areas, and to strengthen the stability of communication services in case of disaster, FET continues to apply for subsidies for the construction of base stations for public service agencies in areas with high disaster potential or public buildings released from rural areas throughout Taiwan. In 2019, a total of 34 stations were completed by FET for "strengthening the communication infrastructure of disaster prevention and relief operations," and 12 stations for "popularizing the infrastructure of remote broadband access base". Since launching the 4G service in 2014, by 2019, 4G construction has been completed in more than 740 outlying islands and remote villages, achieving more than 96.5% 4G signal coverage.

In addition, FET also continues to work toward enhancing communications quality in remote areas through participating in the following programs:

- **i-Tribe Wireless Network Construction Plan:** Proposed to assist aboriginal tribes to build outdoor wireless networks in aboriginal villages. As of December 31, 2019, FET has helped 115 tribes across 12 counties to build outdoor wireless networks.
- **"Signals Boost up Project" from the Administration Division of Taroko National Park:** FET has optimized the communications service of more than half of Taiwan's popular hiking trails and established nearly 414 communication noticeboards, thereby providing the most critical support for the rescue work in mountainous areas. In August 2019, FET completed the first 4G base station at Yushan hiking trail to ensure external communications from mountaineers and local residents, thereby providing communication services in case of emergency and rescue and effectively increasing disaster prevention skills



6.2.2 Charity Care Projects

With environmental education, digital inclusion, and social engagement as the three main aspects of FET's public charity input strategy, we fully respond to the United Nations Sustainable Development Goals (UN SDGs) with the visions of achieving no poverty (SDG 1), good health and well-being (SDG 3), quality education (SDG 4), reduced inequalities (SDG 10), and climate action (SDG 13). In addition, upholding the spirit of protecting everyone's right of basic telecommunications services, FET also provides diversified rate plans based on the needs of low-income and special groups.

Special Consumer Group	Program name	Program content
Students	Student Youth Unlimited Plan	At NT$588 per month, customers will get unlimited domestic data allowance, plus inter-network/landline calls 40/60 minutes, respectively
Foreign Visitors (Taoyuan Airport Exclusive)	Internet Access Card for Foreign Visitors	Provide internet access charged by day, 4G unlimited data, starting from NT$300
The Physically and Mentally Handicapped	Genial Plan	Bundling with Student 4G Ideal Plan or New Student 4G Ideal Plan, and enjoy 100 inter-network SMS, 300 intra-network SMS, and 1GB Internet data
Seniors over the age of 60	Evergreen Plan	Based on the characteristics for senior citizens to spend less on telecommunications services and to use the same cell phone for many more years, FET planned the value-added rate plan for seniors to enjoy some Internet services with inter-network/landline calls 20/25 minutes at just NT$199 per month
Foreign Workers	Foreign Worker IF Card	New immigrant workers in Taiwan can apply for free SIM card and a 15-day unlimited Internet services Unlimited access 30-day Internet service starting at NT$499.

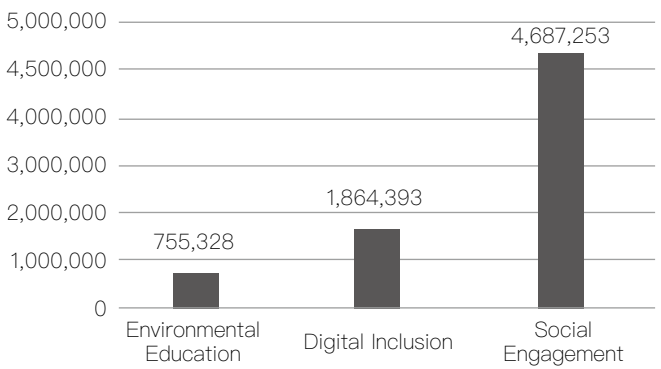
Total Values from Annual Charity Care Projects

Unit: NTD

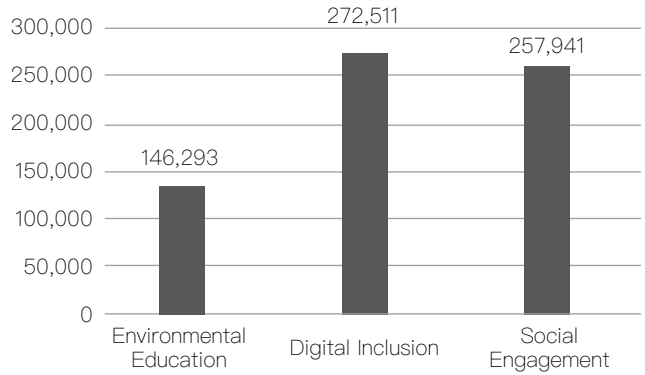
	2018	2019
Direct input amount of public charity projects	8,595,405	5,393,246
Amount translated from employee volunteer services	15,825,532	14,417,265
Value of in-kind donations	2,711,382	1,254,331
Other personnel and administrative expenses	6,109,480	4,566,000
Total	33,241,799	21,051,121

Public Charity strategy	Strategy description	Respond to UN Sustainable Development Goals	Business Benefits KPI	Social/environmental benefits KPI
Environmental Education	As telecommunication service operators are largely affected by climate change, FET uses diverse communication channels to appeal to the public to join in environmental protection actions. Various education schemes in line with FET's core products/ services have been developed through "Cherish the Earth, Spread Love Far" program to enhance the public's awareness and social resilience to mitigate the impacts from climate change.		• Number of potential customers for communication services and digital value-added services: "Live with Wild Animals" film has cumulatively generated 17,633 views; Physical fim exhibition was participated by 369 persons • Number of employees participating the projects: 405 employees participated in beach cleanup, vegan week and environmental education progams	• Number of students participated in environmental education program: Green Tutoring Program reached 120,257 persons through children's online monthly participation • The public's environmental awareness is translated into actual green actions: Accumulated 7,299 green actions during the Earth Day Taiwan event
Digital Inclusion	As a telecommunications operator, FET takes the responsibility to reduce the digital deviation. Therefore, we help ensure the diversity and fairness of quality education and promote the lifelong learning opportunities with relevant digital technology.		• Number of potential customers in digital learning platform (schools, students): Online learning competition was participated by 733 students from 82 elementary schools and 71 junior high schools; Online digital learning platform reached 271,022 students • Number of potential customers for communication services and digital value-added services: Six digital learning camps were held, participated 191 students and teachers. • Number of employees participated and their satisfaction: 31 volunteers participated; 100% of the participating colleagues expressed satisfaction with the activity and expressed their willingness to continue participating in volunteer activities.	• Satisfaction of students participating in the project: students participated "Revolutionize Education, Spread Love Far" expressed their satisfaction of the project estimated at 80%. • Degree of beneficiary students' increasing interest in digital learning: FET's PaGamO platform is expected to increase students' interest in digital learning by at least 80%.
Social Engagement	By realizing synergies from integrating our core competences, FET is dedicated to social welfare through many actions and has raised funds for disadvantaged groups and abandoned children in the past 13 years to improve their health care, living environment and basic needs.		• Number of potential customers participating in fundraising (social public): 20,450 people • Number fo employees participated in fundraising for babies and children waiting for adoption project: 225 employees participated.	• Number of babies and children waiting for adoption assisted by employees: 225 babies and children waiting for adoption were assisted by employees. • Annual fundraising amount and the number of children that can be assisted: Cumulatively raised NT$3,995,319 and assisted 125 babies and children waiting for adoption.

Total investments (NTD)



Number of people reached



Environmental education: total investments NT$755,328 and reached 146,293 persons.

Since 2015, FET had advocated for the public's awareness on environmental issues through developing environmental education schemes centered around "Cherish the Earth, Spread Love Far" program. The Company also focuses on three major core actions, namely, establishing FET's green culture, promoting environmental green education, and advocating consumer green responsibility to respond to the UN Sustainable Development Goals (SDGs), including SDG 4 quality education, SDG 13 climate action, and SDG 14 life below water. In 2019, FET conveyed the awareness of environmental protection through various environmental education activities ranging from organizing an Environmental Film Festival, producing environmental conservation animation video, coastal clean-up, to calling on FET employees for beach cleanup. At the same time, FET also encourages employees, suppliers, and the general public to undertake environmental protection actions through providing various programs and anticipates that the public and FET can join forces to fulfill our responsibilities as citizens of this world.

"Cherish the Earth, Spread Love Far" Environmental Education Projects and Results

Taipei and Kaohsiung beach cleanup

- To respond to the goal of reducing marine waste in UN's SDG 14, FET actively participated in coastal clean-up in both northern and southern Taiwan. We have been cleaning the beaches at Shanwei Fishing Harbor in southern Taiwan for the past three years, and besides calling on employees to clean marine waste in each year, we also provide opportunities for employees to witness changes in the local environment. In 2019, FET's Executive Vice President has also led a team of employees in beach cleanup.

- **Beach cleanup participated by 120 FET employees**
- **Cleared out 139.8 kg of marine waste**

"Live with Wild Animals" Earth Day Taiwan

- FET joined forces with Taiwan Environmental Information Association for this year's Earth Day, in which we promoted the "One Million Acts of Green" at the "Live with Wild Animals" market to encourage the public to practice green actions in their daily lives.

- **Accumulated 7,299 green actions during the two-day event**

Green Tutoring Program

- Based on previous SROI results, FET realized that activities' impact on children will gradually diminish over time. Therefore, FET collaborated with PaGamO to enhance the impact on children through a long-term green tutoring activity. Environmental knowledge is incorporated into online game competition to attract children to actively learn and to acquire more knowledge on environmental protection.

- **Reached 120,257 persons through children's online monthly participation**

Environmental Film Festival activities

- Online film exhibit: organized a 30-day "Live with Wild Animals" online film exhibition on FET's friDay media platform to convey environmental media from any time, any place. Themed and curated exhibitions were focused on four environmental issues including energy/energy conservation and carbon reduction, land/national land project, pollution, and biodiversity. We hoped to inspire the possibility of "peaceful co-existence of people and the natural environment".
- Production of environmental and general sciences animation: produced the environmental educational animation, "If All Bugs Disappeared" with Taiwan Environmental Information Association
- Physical film exhibition: organized five physical film viewing events with Taiwan Environmental Information Association

- **Online film exhibit and environmental education animation have cumulatively generated 17,633 views**
- **Physical fim exhibition was participated by 369 persons**

Green Carnival

Every year, FET regularly promotes internal activities related to environmental protection and energy saving in "Green Carnival", including body slimming in office environment, organizing a vegan week, environmental education seminars, and promoting energy-saving tips.

- Vegan Week: encouraging meat-less cooking to reduce carbon emissions. FET provides promotional methods and encourages employees to bring their own utensils and to order vegan meals
- Circular economy donations: in line with office reforms, usable furniture, tables, and chairs are provided to employees at a reasonable price and proceedings are then donated to charity groups, thereby reusing secondhand objectives while promoting social welfare.
- Environmental education programs: to enhance environmental protection awareness in FET employees, exciting and lively environmental education courses including DIY handkerchief dyeing, energy-saving green living, and marine ecology seminars are organized in the hopes of ingraining environmental protection and going green in the lives of employees and work environment.

- **FET's Vegan Week was participated by 200 persons.**
- **160 pieces of secondhand furniture found new homes.**
- **Three environmental education seminars were held and attended by 85 employees.**

Digital inclusion: total investment NT$1,864,393, and reached 272,511 persons.

In recent years, Taiwan's urban–rural gap continues to widen and children residing in remote areas lack the access to decent learning environment. By enhancing the overall quality of education and for children and teenagers throughout Taiwan and continuing to improve social disparity through our core business competences, FET actively responds to UN SDG 4 quality education and SDG 10 reduced inequalities. By promoting a series of digital universal knowledge projects including "Revolutionize Education, Spread Love Far", compiling general science textbooks and creating forums, FET hopes to bridge the urban–rural educational gap via digital technology. Moreover, by introducing digital educational resources and overcoming time and spatial constraints, thereby providing even more diverse learning methods, every child can be more motivated to learn.

Digital Inclusion Projects and Results

Revolutionize Education, Spread Love Far

- Digital learning camp for remote areas: FET organized digital learning camps at remote schools in New Taipei City and Hu Jhu Elementary School in Renai Township, Nantou County. Designed to teach digital technological applications, the camps utilized the much–beloved online game learning platform PaGamO and FET's smart voice assistant, Little Fox to assist children in rural areas to understand big data, AI, and IoT, the future trends in technology. In addition, game–assisted learning is used to inspire the children's motivation to learn while giving them the warmest caring. Furthermore, FET's President Chee Ching had personally led a team of senior executives and employees to accompany children in Hu Jhu Elementary School to learn.
- FET x PaGamO Digital Education eSports competition: FET was the first to organize an education–themed e–sports competition using digital learning method through the online game learning platform, PaGamO. By using FET's focus of "big data, AI, and IoT" as quiz questions, elementary and junior high school students can learn about relevant new technologies and fields, thereby increasing their digital awareness. Besides providing scholarships to top 10 students in the competition, scholarships are also given to students from rural areas to spread love while also revolutionizing education.

- **Six digital learning camps for remote areas were held, participated by 31 volunteers and 191 students and teachers.**
- **Online digital learning platform reached 271,022 students**
- **Online learning competition was participated by 733 students from 82 elementary schools and 71 junior high schools**

friDay English Learning for Remote Regions

- FET's friDay media collaborated with International Community Radio Taipei (ICRT), in which ICRT DJs selected fun English slang and conversations from various popular animation videos, and to prepare short instructional videos for online English teaching. Children are encouraged to learn English through watching these exciting videos. FET employees and ICRT DJs also traveled to Wu–Yuan Elementary School of Yi–lan County to accompany and to teach English to the local students for one day.
- Complimentary movie coupons on friDay were given to the public, in which FET would donate NT$1 for each view. All donations would go toward the Child Welfare League Foundation to care for children in rural areas, so they would be better fed and cared for that summer.

- **English learning for remote areas was participated by 40 students and 4 volunteers**
- **In line with the learning English for charity program, a total of 20,000 views were achieved on friDay, and FET donated NT$20,000 to CWLF accordingly.**

"Diverse Learning at Elementary School – Big Data, AI & IoT/APP" Charity School Teaching

- Partnering with National Taiwan Normal University and Oriental Institute of Technology, FET carried out the half–day big data, AI & IoT/APP charity teaching program at elementary schools. In line with the global AI trends and the 2019 course syllabus, this program assists elementary school students to get to know big data, AI, IoT, and applications, introducing the young leaders of tomorrow to technology education.

- **Ten sessions were held at 3 elementary schools and participated by 231 elementary school students**
- **Involved 10 FET volunteers, 30 teaching assistants, and 10 external instructors**

"High School AI APP" Experiential–based Teaching

- To nurture the students' knowledge of AI applications, the AI APP teaching activity is organized for students at the Technology Division of Yu Chang Technical & Commercial Vocational Senior High School.

- **One session was held to 40 students and 1 teacher**

Publishing Charity General Science Textbooks

- We continued to participate in the "Digital Application Promotions Program" and "Elementary and Junior High School Mobile Learning Promotions Program" from the Ministry of Education, and donated "Revolutionary 5G Mobile Communications", a charity book published by FarFastone Education Center. In the book, the protagonist, "5G Superman" introduced members of his communications family (2G to 5G) to help elementary school students, residents in rural areas, and the general public to be more aware of 5G technology.

- **950 books were donated to 116 rural area digital learning centers and 59 elementary schools recommended by the Ministry of Education**

2019 International Green and Smart Mobility Forum

- Experts from the government, industry, and academia were invited to discuss ways for 5G Internet of Vehicles (IoV) infrastructure to innovate the economy, assisting the public to learn more about green transportation, and to accelerate industry promotion and development.

- **Four themed talks and 5 keynote speeches were organized.**
- **Participated by 240 persons**

Social Engagement: total investments NT$4,687,253, and reached 257,941 persons

By combining our core competences and linking online and offline platforms, FET has been committed to promoting "Save Abandoned Children, Spread Love Far" charity activities for many years. Fundraising activities are held to help babies waiting for homes in order to provide better care for the babies and to respond to the UN's SDG 1 no poverty and SDG 3 good health and well-being. In addition, by caring about senior citizens and disadvantaged groups via SMS and supporting the World Vision's "30 Hour Famine" and "Sponsor a Child" programs in action, we also strive to respond to SDG 10 reduced inequalities. In the future, FET will continue to realize the industry advantages of ICT and to remain committed to promoting social innovations to achieve our objectives in balanced social development and to co-create a better society.

Social Engagement Projects and Results

"Save Abandoned Children, Spread Love Far" fundraisers

- FET has been collaborating with Child Welfare League Foundation for the past 13 years to raise funds to provide better care for babies and children waiting for adoption. By combining our core competences, FET held fundraisers throughout our 800+ stores. The Company also cooperated with friDay media to link online and offline channels in order to build the largest charity network throughout Taiwan which provides the most comprehensive care to children waiting to be adopted.

- **20,000 persons purchased warmth blankets and donated at our stores**
- **450 persons donated through SMS**
- **225 employees also contributed toward the project**
- **Cumulatively raised NT$3,995,319 and assisted 125 babies and children waiting for adoption**

Sustainable Store Project

- FET's sustainable store project is promoted in three aspects, low-carbon and environmental protection, innovative caring, and safety and health. By tightly linking FET's directly operated stores with community residents, we demonstrate customer service and community caring in practice. In addition, the ways for caring were also different and based on local needs. For instance, certain stores organized resident classrooms, while others volunteered at NGO groups or elementary schools at remote areas. FET aspires to spread our power of caring and to encourage our directly-operated stores to become the best representatives of the Company through conveying our philosophies of corporate social responsibility and to continuously cultivate FET's positive influence.

- **Sustainable store projects throughout Taiwan and community management activities at various stores have cumulatively reached 50,908 persons, and were volunteered by 1,890 FET employees**

BoBee position tracker device

- BoBee position tracker device is a complimentary social service provided by FET. Families and caretakers can apply for BoBee position tracker device for directly-operated FET stores across Taiwan. Once senior citizens with dementia wearing BoBee is found, a dedicated personnel at our notification center will immediately contact his/her family members via APP and telephone to help lost family members to return home.
- FET participated in Yuan Ze University's exhibition at Keelung's Taiping Community, and BoBee position trackers were given at the event.
- Trackers can be obtained at Long-term Care Center of Keelung Hospital as well as FET stores

- **A total of 12,700 BoBee position trackers were distributed**

Supporting World Vision's "Sponsor a Child" in Action

- FET actively promotes information digitization to support World Vision's "Sponsor a Child" program. We support World Vision through "mobilization," ie. By donating hundreds of smartphones, so social workers from World Vision's locations throughout Taiwan can immediately record children's developments, allowing sponsors to receive faster updates on the children, allowing for more timely caring.

- **Number of children receiving sponsorship in Taiwan: approximately 43,000 children**
- **Cell phone can support up to approximately 60,000 children**
- **Number of social workers using these cell phones: 600 persons**

SMS Donations and Care Messages

- FET collaborates with various social welfare charities and associations for cell phone-based donations. Users can make donations simply by dialing the donation codes provided by FET.
- FET has been working with Far Eastern Hospital's Suicide Prevention Center to send caring messages via SMS on important holidays to provide timely care and reminder for seeking for medical advice.

- **Cell phone-based donations were made by 818 persons, for a cumulative sum of NT$402,516.**
- **Cared for 832 suicide prevention targets and cumulatively sent 2,298 caring messages via SMS.**

Immigrant Care Program

- Organization and participation in activities designed for immigrant workers: Vietnamese Lunar New Year, Thai Songkran Festival, Indonesian Idul Fitri, Filipino National Day and Marathon, Indonesian National Day, Vietnamese Mid-Autumn Festival, Indonesian Cultural Festival, and Filipino Christmas etc.
- Immigrant worker caring programs are organized in line with the NGO group, One-Forty, in which Indonesian immigrant workers are encouraged to join a Facebook Group designed to learn Mandarin, and free Mandarin textbooks are also given.

- **Eight activities were organized and were collectively participated by more than 20,000 persons.**
- **The six-month program served 500 persons**

Appendix

Material Operational Issues

ESG Data

GRI Standards Index

Third-party Assurance Statement

Material Operational Issues

Based on the material issues identified through materiality analysis in 2018, FET conducts annual review and adjustment in 2019 by referring to telecom industry's material topics which are recognized by institutional investors, peer companies and Sustainability Accounting Standards Board (SASB). The Company will also review major news events related to FET into consideration and adjust the material topics after comprehensive evaluation.

Adjustment Process for Materiality Matrix

STEP 1 Comparison of benchmark

- Reference to the major topics of the institutional investors, peer companies and Sustainability Accounting Standards Board (SASB)
- The adjustment or addition of the major topics for this year include Social innovation and application, environmental innovation and application, human rights and workplace diversity.

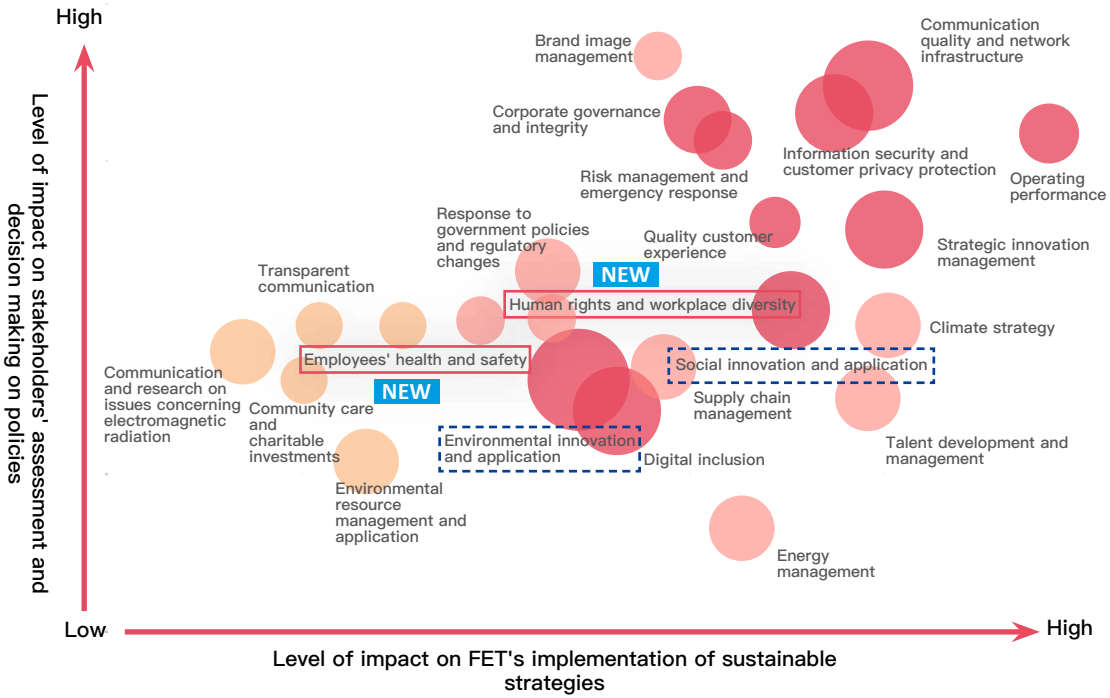
STEP 2 Review of Significant News Events

- Review news events important for FET in 2019, especially negative news and penalty cases.
- The main issue that has been identified is the 5G spectrum auction, which corelates to the material topics including response to government policies and regulatory changes, operating performance, communication quality and network infrastructure, strategic Innovation Strategy. Within these material topics, their materiality won't be changed since they already are important or critical

STEP 3 Confirmation

- In the context of the adjustments above, the Company has conducted an internal stakeholder engagement, and has completed the material topics adjustment after the CSR Committee has confirmed.

Materiality Matrix and Definition of Materiality in 2019



Critical

Issues are highly relevant to FET's sustainability strategy and value creation capacity, or present significant ESG impact (positive or negative). These issues are disclosed in the CSR report with details on the response strategies, goals, management performance, and outlook.

Important

Issues are material to the Company's operation and management. These issues are disclosed in the report with complete description about the management approach, performance, and direction of improvement.

Basic

Issues mostly involve the basic level of operational management, and only those issues involving material management changes are disclosed in the report together with the related performance tracking.

Name adjustment | New issue

Implications and changes of critical topics in 2019

Adjustment of Critical Issues		Implications and changes
Operating performance	Unchanged	The display of results achieved by the company's operation, growth and development in the process of business management.
Corporate governance and integrity	Unchanged	Robust corporate governance framework and trustworthy management provide the foundation for corporate sustainability.
Risk management and emergency response	Unchanged	Changes in the external environment have given rise to financial risk, business risk and other new forms of risk, which may cause potential impact on company's continuous operation.
Climate strategy	Unchanged	The Intergovernmental Panel on Climate Change (IPCC) issued a special report on warming up of 1.5 degrees, alarming the significant impacts of global warming and extreme climate. Therefore, the impact of typhoon and extreme storm weather on FET's operation will increase. In addition, to reach Paris Agreement's goal of controlling the global warming under 2 degrees, Taiwan government has set up the Intended Nationally Determined Contributions, which covers FET's operation under the regulation. At the same time, institutional investors also start to put attention on how telecom industry can utilize its core capability to response to the climate change issue. Thus, FET has to actively response to the demand of CDP and TCFD guidance.
Communication quality and network infrastructure	Unchanged	Good communication quality provides the foundation for telecommunication service and related applications and directly affect the customer experience and satisfaction.

Adjustment of Critical Issues		Implications and changes
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, which is highly relevant with company reputation and customer trust.
Social Innovation and application	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. In order to make the theme more clearly correspond to related products or services, the name is adjusted.
Environmental innovation and application	Name adjustment	
Strategic innovation management	Unchanged	In response to the ICT industry trend in 5G, Internet of Things and digital transformation, FET will increase the innovation and R&D efforts to the overall strategic level of the enterprise.
Digital inclusion	Unchanged	Digital inclusion is the issue that ICT industry has to consider when pursuing growth. It includes improving user friendliness and fairness of services and products, addressing the needs of the socially disadvantaged and narrowing the gap between them and the public.
Quality customer experience	Unchanged	Our customers´ trust and satisfaction are key drivers of sustainable growth for the Company.
Human rights and workplace diversity	New issue	In response to human rights and workplace diversity, and occupational health and safety, the original human rights issue is separated into two independent topics.
Energy management	Unchanged	Focus on the management of energy saving and increasing energy efficiency.

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	●						
Operating performance		201	Economic Performance	●	●					
Social Innovation and application		–	–	●		●	●			
Information security and customer privacy protection		418	Customer Privacy	●	●	●				
Strategic innovation management		–	–	●		●				
Risk management and emergency response		102	General Disclosure	●	●					

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
Corporate governance and integrity	Critical	205 206 415	Anti-corruption Anti-competitive behavior Public Policy	●	●	●				
Environmental innovation and application		–	–	●		●	●			
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 management		302	Energy	●	●	●	●	●		
Climate Strategy		201 305	Economic Performance/ Emissions	●	●	●				
Human rights and workplace diversity	Important	405 406 407 408 409 412	Diversity and Equal Opportunity/ Nondiscrimination/ Freedom of Association and Collective Bargaining/ Child Labor/ Forced or Compulsory Labor/ Human Rights Assessment	●	●	●				

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 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		–	–	●	●					
Employee health and safety		403	Occupational Health and Safety	●	●	●				
Community care and charitable investments		–	–	●	●					●

ESG Data

Environmental Aspect Data

		2017 results	2018 results	2019 results
GHG emissions[46]				
Direct GHG emissions (Scope 1)	GHG Emissions in CO2e (Tons/Year)	5,830.39	4,999.63	5975.93
Indirect GHG emissions (Scope 2)	GHG Emissions in CO2e (Tons/Year)	294,360.06	288,817.78	254,896.22
External GHG emission (Scope 3)	GHG Emissions in CO2e (Tons/Year)	1,425.62	94558.02	128,975.79 [47]
GHG Emissions in CO2e	GHG Emissions in CO2e (Scope 1 + Scope 2) (Tons/Year)	300,190.45	293,817.41	260,872.15
	Emission intensity (kg/number of subscribers)	41.94	40.97	36.78

		2017 results	2018 results	2019 results
Energy Consumption				
Direct energy consumption	Gasoline (kL/year)	511.40	494.84	444.36
	MWh	4,636.69	4,486.55	4,028.88
	Diesel (kL/year)	91.99	94.80	48.81
	MWh	898.67	926.11	476.81
Indirect energy consumption	Overall power consumption (1000kwh)	556,446.22	521,398.73	515,754.56
	MWh	556,446.22	521,398.73	515,754.56
Overall energy consumption	MWh	561,981.59	526,811.39	520,260.25
	Energy intensity (kWh/number of subscribers)	77.59	72.34	72.71
Waste[48]				
Total waste	tons	420.57	383.36	356.78
Recycled waste / Recycled percentage	tons / percentage	124.85 (30%)	122.01(32%)	125.94(35%)
Incinerated waste	tons	264.03	261.35	230.84
Landfilled waste	tons	31.68	0	0
Water [49]				
Water consumption	(kL)	300,265	274,502	265,314

[46] The scope of ISO14064-1 inventory covers FET, NCIC and KGEx. This table also covers all ARCOA data. The following energy consumption table is the same.

[47] In 2019, the scope of category 3 emissions expanded due to increased inventory categories.

[48] 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.

[49] Part-time Employees: the working hours and practices are less than full-time employee defined by the operating region ; FET only operates in Taiwan.

Social Aspect Data

		2017 results	2018 results	2019 results
Employee Structure Overview				
Full-time Employees[50]	Number of people	6,876	6,550	6,183
Male	Number of people	3,207	3,096	2,991
Female	Number of people	3,660	3,454	3,192
Part-time Employees[51]	Number of people	16	14	0
Male	Number of people	10	11	0
Female	Number of people	6	3	0
Temporary Workers	Number of people	337	9	57
Male	Number of people	101	6	39
Female	Number of people	236	3	18
Employment of Disabled People	Number of people (percentage)	48(0.7%)	46(0.7%)	60(1.03%)
Percentage of females in management level	(percentage)	33%	32%	32%
		2017 results	**2018 results**	**2019 results**
Employee Training and Development				
Employee training cost – FET				
Total employee training costs	(NT$)	30,064,816	31,243,164	24,971,847
Total employee training hours	(hours)	399,980.08	402,407.36	437,501.19
Total number of employee	Number of people	6,427	6132	5,841
Average employee training costs	(NT$)	5,098.42	6010.65	4,275.27
Average employee training hours	(hours)	62.23	65.62	74.9
Employee training cost – ARCOA				
Total employee training costs	(NT$)	466,580	831,929	1,577,661
Total employee training	(hours)	6,073	5,940	7,756
Total number of employee	Number of people	436	418	399
Average employee training costs	(NT$)	1,070	1,990	3,954
Average employee training hours	(hours)	13.9	14.2	19.4

		2017 results	2018 results	2019 results
Creating Social Value				
Communication infrastructure investments				
Amount invested in network infrastructure and equipment	(NTD $millions)	4,455	4,130	5,101
Amount invested in of construction in remote areas	(NTD $millions)	221	31	48
Total Communication infrastructure investments	(NTD $millions)	4,676	4,161	5,149
Amount invested in social public welfare				
Amount invested in public welfare	(NTD $thousands)	20,404	15,754	7,363
Amount raised	(NTD $thousands)	3,933	5,159	4,476
Total amount invested in social public welfare	(NTD $thousands)	24,336	20,913	11,840
Number of social public welfare volunteers				
Number of volunteers involved	Number of people	413	352	3,311
Total committed hours [52]	(hours)	3,304	2,816	38,078

[50] he scope of ISO14064–1 inventory covers FET, NCIC and KGEx. This table also covers all ARCOA data. The following energy consumption table is the same.

[51] In 2019, the scope of category 3 emissions expanded due to increased inventory categories.

[52] 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.

GRI Standards Index

GRI Standards 2016	Disclosure	Corresponding Chapter	Note	Page
General Disclosures Core				
GRI 102: General Disclosures	Organizational profi¬le			
	102–1 Name of the organization	1. FET Overview		7
	102–2 Activities, brands, products, and services	1. FET Overview		7
	102–3 Location of headquarters	1. FET Overview		7
	102–4 Location of operations	1. FET Overview		7
	102–5 Ownership and legal form	1. FET Overview		7
	102–6 Markets served	1. FET Overview		7
	102–7 Scale of the organization	1. FET Overview		7
	102–8 Information on employees and other workers	5.2.1 Human Resources Overview		66
	102–9 Supply chain	5.4.1 FET Supply Chain Overview		87
	102–10 Signi¬ficant changes to the organization and its supply chain	About this Report		4
	102–11 Precautionary Principle or approach	4.4 Business Risk Management		59
	102–12 External initiatives	4.5 External Participation		60
	102–13 Membership of associations	4.5 External Participation		60
	Strategy			
	102–14 Statement from senior decision–maker	Message from the Chairman and the President		5
	102–15 Key impacts, risks, and opportunities	3.1.2 Key Sustainability Risks		32
	Ethics and integrity			
	102–16 Values, principles, standards, and norms of behavior	4.3 Ethical Corporate Management		58

GRI Standards 2016	Disclosure	Corresponding Chapter	Note	Page
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	Governance			
	102–18 Governance structure	4.1 Corporate Governance Framework		49
	102–19 Delegating authority	4.1 Corporate Governance Framework		49
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	102–21 Consulting stakeholders on economic, environmental, and social topics	4.2 Implementation of Sustainable Governance		57
	102–22 Composition of the highest governance body and its committees	4.1 Corporate Governance Framework		49
	102–23 Chair of the highest governance body	4.1 Corporate Governance Framework		49
	102–24 Nominating and selecting the highest governance body	4.1 Corporate Governance Framework		49
	102–25 Conflicts of interest	4.1 Corporate Governance Framework		50
	102–26 Role of highest governance body in setting purpose, values, and strategy	4.1 Corporate Governance Framework		49
	102–27 Collective knowledge of highest governance body	4.1 Corporate Governance Framework		49
	102–28 Evaluating the highest governance body's performance	4.1 Corporate Governance Framework		55
	102–29 Identifying and managing economic, environmental, and social impacts	4.3 Implementation of Sustainable Governance 5.1 Key Stakeholders		58 62
	102–30 Effectiveness of risk management processes	4.4 Business Risk Management		59
	102–31 Review of economic, environmental, and social topics	4.4 Business Risk Management		59
	102–32 Highest governance body's role in sustainability reporting	About this Report		4
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	102–34 Nature and total number of critical concerns	4.4 Business Risk Management		59

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GRI 102: General Disclosures	102–35 Remuneration policies	4.1 Corporate Governance Framework		54
	102–36 Process for determining remuneration	4.1 Corporate Governance Framework		54
	102–37 Stakeholders' involvement in remuneration	5.1 Key Stakeholders		62
	102–38 Annual total compensation ratio	4.1 Corporate Governance Framework		54
	Stakeholder Engagement			
	102–40 List of stakeholder groups	5.1 Key Stakeholders		62
	102–41 Collective bargaining agreements	5.2.4 Human Rights and Workplace Safety		74
	102–42 Identifying and selecting stakeholders	5.1 Key Stakeholders		62
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	Reporting practice			
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	102–46 Defining report content and topic Boundaries	About this Report		4
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	103–2 The management approach and its components	Disclosed in each material topics		
	103–3 Evaluation of the management approach			
Material Topics				
Communications quality and network infrastructure				
GRI 103: Management Approach	103–2 The management approach and its components	6.2.1 Investments in Communication Infrastructure		107
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GRI 203: Indirect Economic Impacts	203–1 Infrastructure investments and services supported	6.2.1 Investments in Communication Infrastructure		107
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GRI 201: Economic Performance	201–1 Direct economic value generated and distributed	3.2.3 Economic Value Distribution		38
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	103–3 Evaluation of the management approach	4.4 Business Risk Management		59
Corporate governance and integrity				
GRI 103: Management Approach	103–2 The management approach and its components	4.3 Ethical Corporate Management		58
	103–3 Evaluation of the management approach	4.3 Ethical Corporate Management		58
GRI 205: Anti–corruption	205–2 Communication and training about anti–corruption policies and procedures	4.3 Ethical Corporate Management		58
	205–3 Confirmed incidents of corruption and actions taken	4.3 Ethical Corporate Management	No such incidents in 2019	58
GRI 206: Anti–competitive behavior	206–1 Legal actions for anti–competitive behavior, anti–trust, and monopoly practices	4.3 Ethical Corporate Management		58

GRI Standards 2016	Disclosure	Corresponding Chapter	Note	Page
GRI 415: Public policy	415–1 Political contributions	4.3 Ethical Corporate Management	All forms of political contribution were prohibited	58
Environmental innovation and application				
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Digital Inclusion				
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GRI 103: Management Approach	103–2 The management approach and its components	5.3.1 Zero Distance Services		80
	103–3 Evaluation of the management approach	5.3.1 Zero Distance Services		80
GRI 417: Marketing and Labeling	417–1 Requirements for product and service information and labeling	5.3.2 Most Considerate Communication		81
	417–2 Incidents of non–compliance concerning product and service information and labeling	5.3.2 Most Considerate Communication	No such incidents in 2019	81
	417–3 Incidents of non–compliance concerning marketing communications	5.3.2 Most Considerate Communication	No such incidents in 2019	81
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	103–3 Evaluation of the management approach	5.2 Employee Management		65
GRI 202: Market Presence	202–1 Ratios of standard entry level wage by gender compared to local minimum wage	5.2.2 Talent Recruitment and Retention		68
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	404–2 Programs for upgrading employee skills and transition assistance programs	5.2.3 Employee Training and Development		72
	404–3 Percentage of employees receiving regular performance and career development reviews	5.1 Key Stakeholders	All FET employees undergo	62
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GRI 307: Environmental Compliance	307–1 Non–compliance with environmental laws and regulations	6.1.4 Reducing Environmental Impacts from Services		104
GRI 419: Socioeconomic Compliance	419–1 Non–compliance with laws and regulations in the social and economic area	4.3 Ethical Corporate Management	No such incidents in 2019	58
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	103–3 Evaluation of the management approach	5.4.2 Supply Chain Management		88
GRI 204: Procurement Practices	204–1 Proportion of spending on local suppliers	5.4.1 Supply Chain Overview		87
GRI 308: Supplier Environmental Assessment	308–1 New suppliers that were screened using environmental criteria	5.4.2 Supply Chain Management		88
	308–2 Negative environmental impacts in the supply chain and actions taken	5.4.2 Supply Chain Management		88
GRI 414: Supplier Social Assessment	414–1 New suppliers that were screened using social criteria	5.4.2 Supply Chain Management		88
	414–2 Negative social impacts in the supply chain and actions taken	5.4.2 Supply Chain Management		88
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GRI Standards 2016	Disclosure	Corresponding Chapter	Note	Page
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	302–3 Energy intensity	6.1.1 Environmental Footprint Overview		95
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Climate strategy				
GRI 103: Management Approach	103–2 The management approach and its components	6.1.2 Climate strategy		96
	103–3 Evaluation of the management approach	6.1.2 Climate strategy		96
GRI 201:Economic Performance	201–2 Financial implications and other risks and opportunities due to climate change	6.1.2 Climate strategy		96
GRI 305: Emissions	305–1 Direct (Scope 1) GHG emissions	6.1.1 Environmental Footprint Overview		95
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GRI 406: non–discrimination	406–1 Incidents of discrimination and corrective actions taken	5.2.4 Human Rights and Workplace Diversity	No such incidents in 2019	74
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	5.4.2 Supply Chain Management	No such incidents in 2019	88
GRI 408: Child labor	408–1 Operations and suppliers at significant risk for incidents of child labor	5.4.2 Supply Chain Management		88
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GRI 412: Human Rights Assessment	412–2 Employee training on human rights policies or procedures	5.2.3 Employee Training and Development 5.2.4 Human Rights and Workplace Diversity		70 74

Third-party Assurance Statement

GRI Sustainability Reporting Standards (GRI Standards)

Account Ability 1000（Account Ability 1000）Type 2

The International Integrated Reporting Framework（<IR> Framework）

SGS

ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTONE TELECOMMUNICATIONS CO., LTD.'s INTEGRATED REPORT FOR 2019

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 2019 (hereinafter referred to as IR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during on-site verification (2020/04/07~2020/05/27). SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements

The information in the FET's IR Report of 2019 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 IR Report of 2019.

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 of the sustainability performance information based on the materiality determination at a high level of scrutiny for FET and moderate level of scrutiny for subsidiaries, joint ventures, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.
- 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 and Task Force on Climate-related Financial Disclosures has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

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

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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, RBA, 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 IR Report of 2019 verified is accurate, reliable and provides a fair and balanced representation of FET sustainability activities in 01/01/2019 to 12/31/2019.

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.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FET's IR Report of 2019, 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. The evaluation process and the performance results in different level within the organization related to GRI 205 anti-bribery is encouraged to be enhanced in the future reporting.

Signed:
For and on behalf of SGS Taiwan Ltd.

AA1000
Licensed Assurance Provider
000-8

David Huang
Senior Director
Taipei, Taiwan
17 June, 2020
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遠傳FET

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