

## CORPORATE GOVERNANCE

### Board of Directors attendance

#### 1. The Board of Directors convened eight times in 2011

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	7	1	88%	None
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	8	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Cliff Lai	7	1	88%	None
Director	TCC Investment Co., Ltd. Representative: Vivien Hsu	8	0	100%	None
Director	Fu-Chi Venture Corp. Representative: Victor Kung	8	0	100%	None
Independent Director	Jack J.T. Huang	5	3	63%	None
Independent Director	Tsung-Ming Chung	8	0	100%	None
Independent Director	Wen-Li Yeh	8	0	100%	None
Independent Director	J. Carl Hsu	8	0	100%	None

#### 2. Any objections or issues raised by independent directors against resolutions passed by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: None

#### 3. Any conflict of interests among directors:

- (1) Discussion of a proposal to acquire 58,856,550 shares (translating into a 51% stake) of Fubon Multimedia Technology Co., Ltd. through Wealth Media Technology Co., Ltd., a 100%-owned subsidiary of the Company, from Fubon Financial Holding Venture Capital Corp., during the 19th meeting of the fifth Board of Directors on April 8, 2011: Chairman Richard Tsai, Vice Chairman Daniel Tsai and Director Victor Kung, who also held positions as directors or supervisors of Fubon Financial Holding Venture Capital Corp., abstained from discussion and voting to avoid a conflict of interest in accordance with Articles 178 and 206 of the Company Act.
- (2) During the 20th and 21st meetings of the fifth Board of Directors on April 28, 2011 and April 29, 2011, respectively, independent directors Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu abstained from discussion and voting on the nomination and review of candidates for independent directors to avoid a conflict of interest in accordance with Articles 178 and 206 of the Company Act.

#### 4. Other BOD objectives:

- (1) Performance evaluation and enhancement: The board approved the "Rules and Procedures Governing Board of Directors' Meetings," which was modeled after the "Regulations Governing Procedures for Meetings of Listed Companies' Board of Directors." It also passed the "Rules and Procedures on Evaluating the Board of Directors' Performance" to enhance efficiency, under which the Compensation Committee would evaluate the board's performance and submit a report on proposed improvements to the board. All members participated in a self-evaluation of individual performances for 2011 during the fifth meeting of the board on January 19, 2012.
- (2) Training programs for directors: Since 2008, the Company has conducted regular in-house seminars to facilitate interaction between the lecturer and directors and to meet the required training hours.
- (3) Information transparency: Committed to upholding transparency in operations and protecting shareholders'

interests, the Company regularly discloses resolutions by the Board of Directors in a timely and consistent manner. In addition, the Company holds institutional investors' conference on a quarterly basis.

- (4) Liability insurance: The Company purchases liability insurance annually for its directors and managers to cover risks as they carry out their duties.

## Audit Committee attendance

The Audit Committee has been set up since June 2008 to replace board supervisors, pursuant to provisions in the Securities and Exchange Act. The committee's operation is bound by the "Audit Committee Charter" and its main responsibility is to assist the board in overseeing the following:

- (1) Integrity of the Company's financial statements
- (2) Independent auditors' appointment (termination) and integrity/performance
- (3) Internal risk controls
- (4) Company's compliance with legal and regulatory requirements
- (5) Company's existing and potential risks

### 1. The Audit Committee convened eight times in 2011

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	8	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	6	2	75%	
Independent Director	Wen-Li Yeh	8	0	100%	
Independent Director	J. Carl Hsu	8	0	100%	

**Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors:** None

**2. Any conflict of interests among the independent directors:** None

**3. Communication between the independent directors and the Internal Audit Chief Officer and CPAs:**

- (1) In addition to presenting monthly reports to the independent directors, the Internal Audit Chief meets with the independent directors directly at the quarterly Audit Committee meetings, bringing communication into full play.
- (2) The CPAs present audit reports and findings to the independent directors during the committee's quarterly meeting.
- (3) The Internal Audit Chief and CPAs also communicate with the independent directors directly as needed.

## Corporate governance practices

	Item	Current practice
Shareholding structure and shareholders' interests	Handling of shareholders' suggestions and disputes	The spokesperson or Secretarial Division handles all non-legal issues; the legal division handles all legal issues.
	Identification of major shareholders and investors with controlling interests	The Secretarial Division reports the shareholding lists of directors, managers and major shareholders (above 10% holdings) to the authority on a monthly basis.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company's internal control system has established "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties" and "Rules and Procedures on Monitoring Subsidiaries" as risk

Item		Current practice
		control mechanisms.
Board of directors and its responsibilities	Independent directors	The Company's board includes four independent directors.
	Periodic review of CPA's independence	The Audit Committee conducts quarterly reviews on CPA's independence.
Communication channels with shareholders		The spokesperson and the mailboxes of spokesperson and the Audit Committee serve as the main communication channels between the Company and shareholders.
Information disclosure	Disclosure of financial, operational and corporate governance information	Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.
	Other ways of disclosing information	In addition to the spokesperson, the Company has set up an English website and designated personnel to gather and disclose Company information in time. A dedicated department, Investor Relations Division, was in place to enhance information disclosure.
Functional committees		<p>The Compensation Committee, composed entirely of independent directors, was set up in July 2011. Bound by the "Compensation Committee Charter," the committee's main responsibilities are as follows:</p> <p>(1) Establish a policy, system, standard and structure for directors and managers' compensation and review them periodically.</p> <p>(2) Decide compensation for directors and managers and hold periodic evaluations.</p>
<p>Has the Company established principles based on "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"? If yes, detail implementation progress and any differences:</p> <p>Although the Company has not established said principles, its operations fully comply with the requirements set forth in the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies." The Company also has a "CG6006 Advanced Corporate Governance System Evaluation" certification from the Taiwan Corporate Governance Association, issued on November 4, 2011.</p>		

## Additional information

### 1. Employee rights

The Company's human resource policies not only comply with, but offer even better provisions than those prescribed under the law, such as the Labor Standards Act, in safeguarding employee rights.

### 2. Employee care

The Company provides different communication channels to facilitate communication within the Company. These include holding regular employee and managerial meetings to accommodate suggestions for improvement and conducting surveys to collect employees' views and opinions.

### 3. Investor relations

The Company posts financial, operational and material information on the Company website and the market observation post system (MOPS) in a timely manner to keep investors abreast of Company developments and strategies and, thus, maximize shareholders' interests.

#### 4. Supplier relations

The Company holds procurement bids based on the "Procedures Governing Procurement," and suppliers deliver products in accordance with the contract.

#### 5. Stakeholders' rights

To protect the interests of stakeholders, the Company has established various free and open communication channels to promote trust and corporate social responsibility.

#### 6. Corporate governance related training program for management

Training program	Organizer	Date	Hours	Participants
CommonWealth Economic Forum	CommonWealth Magazine	2011/01/10	16	HS Wang, Egon Chen, Sean Hsieh, C.A. Chuang, Joseph Yang, Daphne Yang*, Jay Hong, Jeff Ku
Accountability	TWM HR Div.	2011/03/11	4	Vivien Hsu, Paul Huang, Tech Juan, HS Wang, Egon Chen, Chien Chen, C.A. Chuang, James Chang, Jay Hong, Ruth Liaw, Jeff Ku
Work plan for Compensation Committee	Taiwan Corporate Governance Association	2011/04/26	3	C.A. Chuang
Dynamic market competition strategies and practices	TWM HR Div.	2011/05/06	8	Jay Hong, Joseph Yang
Cross-field integration and innovation	TWM HR Div.	2011/08/12	3	James Chang, Jay Hong
Continuing education for accounting supervisor	Accounting Research and Development Foundation in Taiwan	2011/08/30	12	Ruth Liaw
How to read and analyze financial statements for managers with non-financial background	TWM HR Div.	2011/09/23	6	HS Wang, James Chang, Steve Chou
Case studies for management: Innovative business models	TWM HR Div.	2011/10/18	8	Cliff Lai, Vivien Hsu, Simon Wang, Tech Juan, Egon Chen, Sean Hsieh, C.A. Chuang, Steve Chou
Internal control system for enterprises - for Compensation Committee	Securities and Futures Institute	2011/11/04	8	Jay Hong
Fourth CAE (Chief Audit Executives) Forum	The Institute of Internal Auditors, R.O.C.	2011/11/18	8	Jay Hong
Withholding taxes for offshore companies	KPMG	2011/12/21	4	Ruth Liaw

\* Resigned manager

## 7. Training program for directors

Title	Name	Date of training		Organization	Training program	Hours (Note1)
		From	To			
Representative of Institutional Director	Richard Tsai	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/12/13	2011/12/13	Corporate Governance Association	The global financial crisis and a review of corporate values in the financial industry	3
Representative of Institutional Director	Daniel Tsai	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/12/13	2011/12/13	Corporate Governance Association	The global financial crisis and a review of corporate values in the financial industry	3
Representative of Institutional Director	Cliff Lai	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
Representative of Institutional Director	Vivien Hsu	2011/02/22	2011/02/22	Corporate Governance Association	Preparatory work for setting up a compensation committee	1
		2011/07/12	2011/07/12	Securities and Futures Institute	Orientation on adoption of International Financial Reporting Standards (IFRS)	3
		2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/09/30	2011/09/30	Corporate Governance Association	Strategies for companies to cope with global inflation and shrinking purchasing power	1
Representative of Institutional Director	Victor Kung	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
Independent Director	Jack J.T. Huang	2011/12/16	2011/12/16	Corporate Governance Association	Defending your company against intellectual property rights attacks in the face of global competition	1
		2011/12/23	2011/12/23	Accounting Research and Development Foundation	IFRS adoption – changes and adjustments	3
Independent Director	Tsung-Ming Chung	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board meeting practices and corporate governance	3
Independent Director	Wen-Li Yeh	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
Independent Director	J. Carl Hsu	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3

Note 1: The training requirements listed above have been fulfilled.

## 8. Risk management

### Risk management policies

- (1) Promote a risk management-based business model
- (2) Establish a risk management mechanism that can effectively cite, evaluate, supervise and control risk
- (3) Create a company-wide risk management structure that can limit risk to an acceptable level
- (4) Introduce best risk management practices and continue to seek improvements

## Risk management structure



The Company's risk management structure is made up of three levels of control mechanism:

- (1) Ground: Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection.
- (2) Middle: Operations and Management Committee, Safety and Health Committee, and Information Security Management Committee assume responsibility. Co-President and committee chair convene a task force composed of unit chief officers and supervising vice president of concerned departments.
- (3) Top: Board of Directors
- (4) Monitoring mechanism: Internal Audit Office

## Risk management operation mechanism

- (1) Ground: Each unit shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the responsible unit shall report these to the Company for the appropriate course of action.
- (2) Middle: Should any material event or situation arise, the responsible unit shall report it to the Operations and Management Committee or the other two committees to examine the risks and undertake any necessary measures. The function of the three committees are as follows:
  - Operations and Management Committee: Conduct periodic review of each business group's operating target and performance to meet the Company's guidance and budget.
  - Safety and Health Committee: Tasked with supervising and reducing potential risks to workers' safety and health.
  - Information Security Management Committee: Supervise important information assets for confidentiality, integrity, availability, and regulatory compliance in order to control and reduce operational risks to an effective and reasonable level.
- (3) Top: The Board of Directors is the highest supervisory and decision-making body responsible for assessing material risk assessment, designating action to control these risks and keeping track of their execution.
- (4) Monitoring mechanism:
  - The Internal Audit Office regularly monitors and assesses potential and varying levels of risks that the Company may face and using this information as a reference for drafting its annual audit plan.
  - The Internal Audit Office should report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

## Risk factors and management structure

	Important risk factors	Responsible unit	Examining committee	Decision-making and supervision	
1	Operating risk	Technology units / IT	Operations and Management Committee	The highest decision-making body: Board of Directors	
2	Changes related to technology and industry	Systems Design Division			
3	Risks related to information security	Internal Audit Office			Information Security Management Committee
4	Market risk A. Competition B. New products C. Channel management	A. Marketing units B. Marketing units C. Business Operations Management units	Operations and Management Committee		
5	Government policies and regulatory compliance	Regulatory and Carrier Relations Division			
6	Corporate image	Public Affairs Division			
7	M&A and investments	President's Office			
8	Employee safety	Occupational Safety and Health Office and Administrative Division	Safety and Health Committee		Monitoring mechanism: Internal Audit Office
9	Employee behavior, code and ethics	Human Resources Division	Operations and Management Committee		
10	Volatility of interest rates, exchange rates and financial risks	Finance Division			
11	Financing and endorsement/guarantee provided to others, derivatives transaction and working capital management	Finance Division			
12	Financial report disclosure	Accounting Division			
13	Litigious and non-litigious matters	Legal Office			
14	Changes in shareholding of directors and major shareholders	Secretarial Division			
15	Board meeting facilitation	Secretarial Division			

## **9. Implementation of customer policy**

With the mission of “creating the best user experience,” the Company is continuously striving to improve its products, services and operations to win customer trust and raise the quality of customer care.

## **10. The Company has purchased liability insurance for its directors.**

## **11. Employees’ certifications relating to financial transparency**

- (1) Certified Internal Auditor (CIA): One employee in the Operation Analysis Division; seven in the Internal Audit Office.
- (2) First-level examiner of internal controls (Securities and Futures Institute): Five in the Secretarial Division.
- (3) Qualified Internal Auditor (QIA): One employee in the Operation Analysis Division; seven in the Internal Audit Office; one in Accounting Division.
- (4) Certified Public Accountant (CPA): One employee in the CFO Office; four in the Operation Analysis Division; three in the Accounting Division; one in the Finance Division.

## **12. Any internal evaluation or third party assessment reports on corporate governance. If yes, specify results, major flaws or recommendations for improvements:**

Taiwan Mobile received a “CG6006 Advanced Corporate Governance System Evaluation” certification, valid for two years, from the Taiwan Corporate Governance Association in 2011. The results of the evaluation and its major recommendations as well as improvements made by the Company, are listed below:

- (1) Overall strengths
  - A. Expansion of board functions: The Company’s initiative in setting up an audit committee and compensation committee is worthy of recommendation.
  - B. Continued pursuit of international standards in corporate governance: The Company has received numerous awards for corporate governance, financial disclosure and investor relations from domestic and foreign independent ratings institutions and serves as a role model for Taiwan’s listed companies.

- C. Commendable performance by Audit Committee: The Company's four independent directors all possess the professional expertise and knowledge to carry out their duties.
- (2) Recommendations and subsequent improvements made by the Company
- A. Set up a board-approved risk management policy and related regulations to cover all aspects of risks and standard procedures for reporting material events:  
The board passed the Risk Management Policy on October 27, 2011.
- B. Draw up quality assurance and improvement plans verified by independent institutions for internal audit:  
The quality assurance and improvement plans have been incorporated into the internal audit system and approved by the board on January 19, 2012.
- C. Promote participation by Audit Committee members in the appointment and evaluation of the Chief Internal Audit Officer:  
The Audit Committee will participate in the interview of the Chief Internal Audit Officer should there be a reshuffle. Evaluation of the Chief Internal Audit Officer's performance will be conducted by the Compensation Committee.

## Compensation Committee operations

The Compensation Committee, composed entirely of independent board directors, is bound by the "Compensation Committee Charter." The committee is responsible for evaluation of the following matters:

- (1) Establish a policy, system, standard and structure for directors and managers compensation and review them periodically.
- (2) Decide compensation for directors and managers and carry out a periodic evaluation.

### The Compensation Committee convened once in 2011

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	1	0	100%	Appointed committee chairman
Independent Director	Tsung-Ming Chung	1	0	100%	
Independent Director	Wen-Li Yeh	1	0	100%	
Independent Director	J. Carl Hsu	1	0	100%	



## Corporate social responsibility (CSR)

Item	Current Practices															
<p><b>Corporate governance</b></p> <ol style="list-style-type: none"> <li>1. Establishing a CSR policy or system and review mechanism</li> <li>2. Setting up a unit to carry out this policy or system</li> <li>3. Holding regular training programs on business ethics for directors and employees and establishing a reward-and-punishment system</li> </ol>	<ol style="list-style-type: none"> <li>1. The concept of CSR has been embedded in the strategic decisions and daily operations of all departments of TWM. In accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" issued by the Taiwan Stock Exchange Corp, the board approved the "Taiwan Mobile CSR Policy" to serve as a long-term guideline for promoting CSR in January 2011.</li> <li>2. In 2007, TWM established a Social Responsibility Department under the Public Relations Division to draft and carry out CSR initiatives. With designated personnel and a separate budget, the department provides planning, execution and coordination across different divisions.</li> <li>3. In addition to regular training programs on business ethics, the Company has formulated a Code of Ethics that all directors, managers and employees are expected to follow and support. Employees can access the Code of Ethics via TWM's e-Learning website from August 2010. An intranet hotline has been set up for employees to report any violation of the Code. Violators shall be punished in accordance with Company regulations.</li> </ol>															
<p><b>Environmental sustainability</b></p> <ol style="list-style-type: none"> <li>1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment</li> <li>2. Establishing an environmental management system in line with the nature of the Company's business operations</li> <li>3. Setting up a framework and allocating staff to promote environmental conservation</li> <li>4. Adopting measures to reduce greenhouse gas emissions and minimize their impact on the environment</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company has continuously worked to improve the efficient use of resources, including paper, water and electricity as well as to promote recycling of cables and battery modules.</li> <li>2. TWM has established an internal Sustainable Development Committee. It is responsible for monitoring environment-related indexes and efforts to reduce carbon emissions as well as planning, promoting and integrating all of the company's environmental protection-related activities.</li> <li>3. The Company has designated personnel in the Administrative Division and Public Affairs Division to promote its environmental protection program.</li> <li>4. TWM has made use of its operating management practices and communications technology to reduce energy consumption and greenhouse gas emissions. These measures include: <ul style="list-style-type: none"> <li>● Internet data center energy-saving program</li> <li>● Base station equipment upgrading</li> <li>● Energy management program for TWM's office buildings and direct stores</li> <li>● Telepresence service</li> <li>● Green applications service</li> </ul> </li> </ol> <table border="1" data-bbox="683 1375 1433 1718"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Energy consumption (direct)</td> <td>19,425,250.0 million joules</td> <td>17,484,274.3 million joules</td> </tr> <tr> <td></td> <td>2010</td> <td>2011</td> </tr> <tr> <td>Greenhouse gas emissions (direct)</td> <td>2,743.1 tonnes carbon dioxide equivalent</td> <td>2,608.2 tonnes carbon dioxide equivalent</td> </tr> <tr> <td>Greenhouse gas emissions (indirect)</td> <td>233,397.1 tonnes carbon dioxide equivalent</td> <td>196,220.8 tonnes carbon dioxide equivalent</td> </tr> </tbody> </table>		2010	2011	Energy consumption (direct)	19,425,250.0 million joules	17,484,274.3 million joules		2010	2011	Greenhouse gas emissions (direct)	2,743.1 tonnes carbon dioxide equivalent	2,608.2 tonnes carbon dioxide equivalent	Greenhouse gas emissions (indirect)	233,397.1 tonnes carbon dioxide equivalent	196,220.8 tonnes carbon dioxide equivalent
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Item	Current Practices
<p><b>Commitment to corporate social responsibility</b></p> <ol style="list-style-type: none"> <li>1. Building a system to safeguard workers' rights in accordance with labor laws</li> <li>2. Providing employees with a safe and healthy working environment as well as regular training on safety and health education</li> <li>3. Drawing up a policy on protecting consumers' rights and providing a transparent and effective mechanism for filing and processing complaints about products and services</li> <li>4. Working with vendors to promote corporate social responsibility.</li> <li>5. Promoting community development projects and philanthropic work through commercial activities, donations, volunteer work or other services.</li> </ol>	<ol style="list-style-type: none"> <li>1. TWM's Code of Ethics serves as a guideline for employees. The company has also established a performance-based reward system to motivate employees.</li> <li>2. The Company aims to provide a safe and healthy working environment for employees and has implemented related measures to promote employee health and mental well-being. It also conducts periodic evaluations of the working environment and programs on promoting workers' safety and health education. Related information on employee safety and health is posted on the Company's intranet.</li> <li>3. To protect consumers' rights, the company provides various services and information, such as outdoor coverage of wireless broadband, free trial service for mobile internet, customers' prior agreement needed to activate mobile internet and measures to protect minors. All these are written in the customer service contracts and posted on the company website and on posters in the company stores. To raise customer satisfaction in line with TWM's "customer first" policy, the Company introduced a "mobile customer app" in 2011 that provides a variety of ways to access customer services – hotline, company store, website and phone app – with designated agents dealing with customer complaints in line with standard operating procedures. A dedicated unit monitors and conducts periodic reviews of measures to promote customer satisfaction.</li> <li>4. TWM believes that ethics serves as the moral foundation of a well-managed enterprise. To promote a fair and just system, the Company set up an open procurement system to select suppliers and required that all suppliers comply with "TWM's Environmental and Occupational Health and Safety Policy" and "Guidelines on Corporate Social Responsibility for Suppliers." Furthermore, TWM provides first bargaining rights to green-product and conflict-free product suppliers to encourage others to likewise produce environmentally friendly products. <ol style="list-style-type: none"> <li>(1) TWM does not use any product from conflict material/product suppliers.</li> <li>(2) TWM requests its suppliers to investigate their supply chains to ensure that no products are from conflict areas.</li> </ol> </li> <li>5. TWM has made significant progress in fulfilling its corporate social responsibility systematically and strategically. The Company leverages its core competence in telecommunications, network and digital convergence to generate wider benefits for society. <ol style="list-style-type: none"> <li>(1) The potential benefit of carbon emissions reduction throughout the ICT industry is far greater than what TWM can achieve on its own. As such, the Company has actively helped consumers and other organizations meet energy-saving and carbon-reduction goals through handset recycling, e-billing, green cloud IDC and video conferencing among others.</li> <li>(2) A number of digital learning centers have been established in remote areas in Taiwan, with digital teaching materials published. TWM organized the myfone Mobile Awards and Mobile Film Creation Camp to encourage teenagers to create digital content. The Company has also contributed hardware equipment, information literacy and information applications to help expand digital opportunities for remote and underprivileged communities, enrich digital content and applications, and enhance the nation's digital competitiveness.</li> <li>(3) The 5180 Mobile Donation Hotline and Discount Rate for Persons with Disabilities are examples of how the Company cares for disadvantaged groups. TWM also sponsored the Chinese Christian Relief Association's "After-school Tutor Program" for children from underprivileged families, Canlove Social Services Association's "Depression Consultation and Prevention," Champions Education Association's "Teenager EQ Management and Life Education Program".</li> <li>(4) Since 2007, TWM has implemented its "Corporate Volunteer Guidelines" to encourage employees to take an active role in fulfilling their social responsibilities. Volunteers can take two paid days off a year to participate in community service activities. Transportation allowances and insurance, as well as comprehensive training, are provided. To date, 958 participants have joined such activities.</li> </ol> </li> </ol>

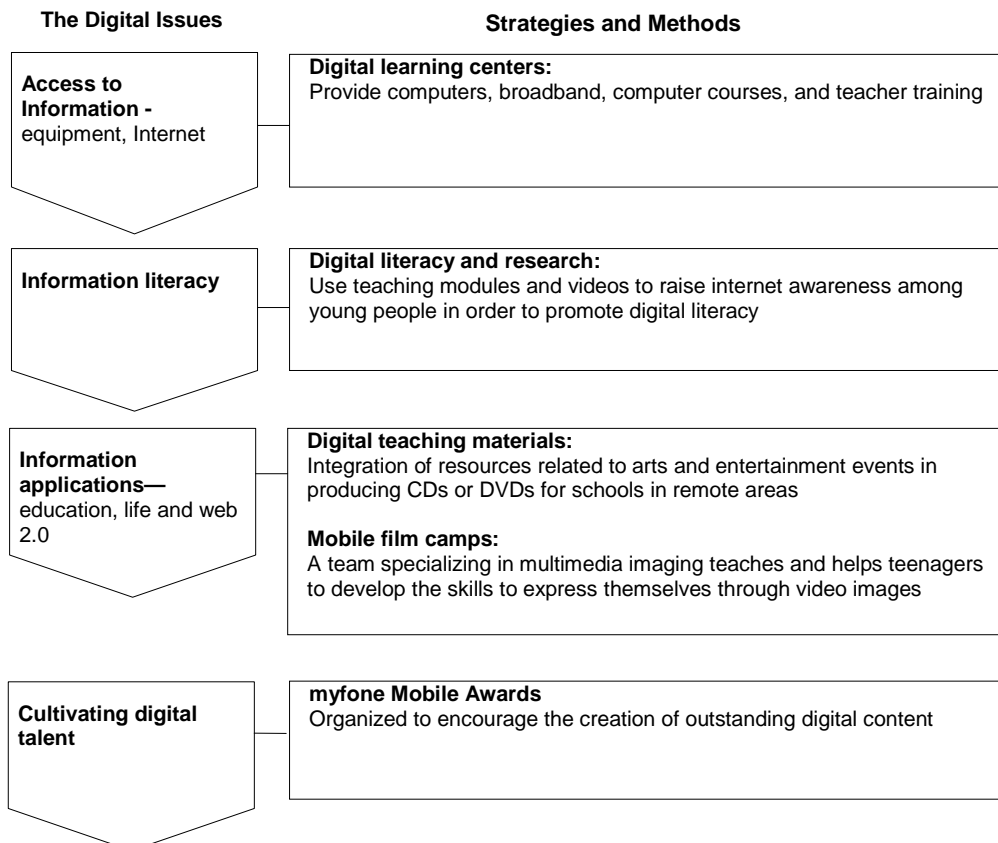
Item	Current Practices
<p><b>Information disclosure</b></p> <p>1. Disclosing relevant and reliable information on corporate social responsibility.</p> <p>2. Process for preparing and disclosing CSR information</p>	<p>1. CSR-related information is updated on the websites of the Company and the Taiwan Mobile Foundation in a timely manner. All information and data contained in the CSR reports are compiled internally and verified by an external party to ensure their reliability and accuracy. All information (subject and content) are deemed to be materially important and designed to meet stakeholders' expectations.</p> <p>2. TWM released its first CSR report in 2007. A second report, released in 2009, complies with the GRI G3 and the AA1000 assurance standards on CSR disclosure practices. In addition, information disclosed in the 2011 CSR report complies with the latest GRI G3.1 application level of B+, as audited by an independent third-party organization.</p>
<p><b>The Company's CSR policy and practices fully comply with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies."</b></p> <p>The concept of CSR has been embedded in the strategic decisions and daily operations of all departments. TWM went a step further, with the Board of Directors passing the "Taiwan Mobile CSR Policy" to serve as a long-term guideline for promoting CSR and fulfilling the company's commitment to society in January 2011.</p> <p>The policy contains six articles, with the Company's underlying corporate philosophy and core values serving as the foundation, emphasizing corporate governance, stakeholder's interests and full disclosure, and leveraging off the Company's core competence and services to promote environmental conservation and public welfare.</p>	

**Additional information on CSR-related matters:**

TWM leverages its core competence in telecommunications, network and digital convergence to generate wider benefits for society.

**1. Enhancing digital competitiveness**

**Enhancing Digital Competitiveness Strategies**



- TWM continued to set up broadband services in remote areas like Nantou County's Sinyi township and Hsinchu County's Jianshih township in 2011. TWM has also collaborated with local nonprofit organizations (NPOs) to set up 13 digital learning centers.
- TWM has published 14 sets of digital teaching materials on culture, the environment and network safety as well as conducted online researches with NPOs to better understand teenage behavior.
- TWM hosted the "Mobile Film Creation Camp for Teenagers" to promote imaging education and applications, teaching teenagers how to express their ideas through creation of video images and to cultivate future multimedia talent.
- TWM launched the "myfone Mobile Awards" to encourage creation of new types of literature and music. The contest attracted a record nearly 50,000 entries. Awards were handed out for the best "SMS literature" and "original musical ringtones."

## 2. Environmental protection

Aside from compliance and reducing pollution, TWM has also taken the initiative in helping build an intelligent low-carbon society by leveraging its key resources in the ICT service industry. The Company helps other businesses reduce their carbon emissions through its mobile and e-services, and promote environmental protection through its extensive interaction with subscribers and consumers. In 2011, the Company was awarded "The 20th R.O.C. Enterprise Environmental Protection Award" by the Environmental Protection Administration – the only company in the service sector to have won this prize three times in a row.

## 3. Community participation and social care

- TWM introduced the "5180 Mobile Donation Hotline," a micro-donation platform, to provide a fund-raising channel for 56 NPOs.
- TWM sponsors tutorial sessions for some 200 children from underprivileged families every year.
- TWM works with the Canlove Social Services Association to provide professional counseling services to people suffering from depression and to promote suicide prevention awareness. More than 90,000 participants took part in these events in 2011.
- TWM sponsors an NGO that provides classes on "EQ Management" and "Suicide Prevention" to junior high school students. A total of 190,000 students have been involved in this program.

## 4. Consumers' interests:

TWM introduced a global standard information security management system to ensure that customers' personal information is strictly protected every step of the way – from form application to activation, information changes, billing, settlement and customer services.

## 5. Human rights:

TWM has never employed child workers. Pursuant to the Gender Equality in Employment Act and Employment Services Act, the Company has never discriminated against any employee and ethnic group or forced labor on its employees. Employees are free to form associations.

## 6. Safety and health:

To build up a vital, happy and healthy workplace, TWM has designed various activities for its employees with a focus on promoting a safe environment, disease prevention, health and spiritual relaxation. From 2007 to 2011, the Company received the following awards: "LOHAS (Lifestyles of Health and Sustainability)," "Community Health," "Leader in Health" and "Best Weight Loss Office" from the Cabinet-level of the Department of Health. It also received top certifications from Taipei City's Health Department for its breastfeeding rooms.

## 7. Cultural promotions:

- TWM introduced the "909 Mobile Phone Audio Guide," which employs mobile communications technology and cloud database to promote art and culture.
- To promote cultural literacy, TWM has since 2005 held 28 large outdoor concerts throughout the country, with more than 380,000 people attending these events.

## **Has the Company issued CSR reports that have been verified by an independent third-party assurance organization?**

In 2009, TWM's CSR report was verified by an independent third-party organization, the British Standards Institute, in accordance with its AA1000 assurance standards and GRI guidelines. In addition, information disclosed in the 2011 CSR report complies with the latest GRI G3.1 application level of B+, as audited by an independent third-party organization.

## **Honest and ethical conduct**

Integrity lies at the core of TWM's corporate culture, and employees are enjoined to act and perform their duties in an honest and ethical manner to fulfill their social responsibility to investors, consumers and the community. If an employee becomes aware of any conduct or activity that may violate the Company's "Code of Ethics," said employee is duty-bound to promptly report the matter through the Company's intranet. TWM has also invested in liability insurance for all employees, with the insured value rising along with the risks associated with an employee's work.

## **Corporate governance rules and procedures**

The Company has implemented a number of rules and procedures to enhance its corporate governance practices. It has revised the Rules and Procedures Governing Shareholders' Meetings, Rules and Procedures on Conducting Transactions between Group Companies and Related Parties, the Corporate Governance Committee Charter, the Audit Committee Charter, Rules and Procedures Governing Board of Directors' Meetings, Regulations Governing Internal Material Information, the Code of Ethics, Ethical Corporate Management Best Practice Principles and Corporate Social Responsibility Policy. With these changes, not only does the Company's corporate governance mechanism comply with Taiwan's Securities and Exchange Act, but it also adheres to the highest international standards.

## **Additional information on corporate governance operations:**

### **Corporate governance principles**

- Timely disclosure of material information
- Checks and balances between the board and management
- Fair representation of independent board members
- Audit Committee ensures fair and independent financial oversight
- Compensation Committee ensures sound corporate governance practices and compensation systems for directors and managers are in place
- Adoption of a cash dividend policy based on a high earnings payout ratio
- Vote for each proposal at AGM to promote execution of shareholders' rights
- Comply with Code of Ethics and Ethical Corporate Management Best Practice Principles and implement internal audit mechanism

To ensure that employees, managers and directors promote information transparency and timely disclosure, the Company disseminates "Regulations on Dealing with Internal Material Information" (approved by the Board on January 22, 2009) on an annual basis and incorporates it into its internal control system to avoid risks of insider trading.

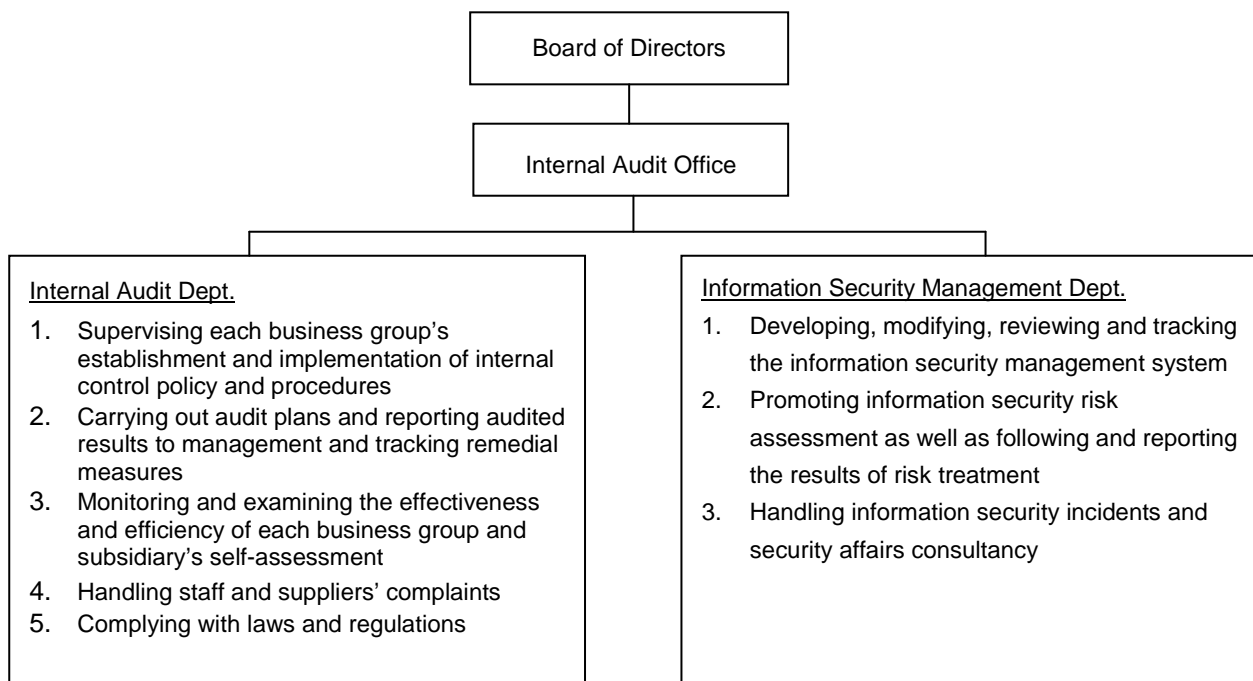
## Internal control system

### 1. Internal control mechanism

The Company's Internal Audit Office is made up of two departments: internal audit and information security management. The internal audit department carries out audits while the information security management department sets information security affairs into action.

The Company's Internal Audit Office is an independent unit that reports directly to the Board of Directors. It is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations and management departments. All departments, including those of the subsidiaries, are subject to its audit.

Regular internal audits are executed according to the annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements. In accordance with corporate governance, audit reports are regularly submitted to and reviewed by the Chairman as well as the Audit Committee. The Internal Audit Office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, it generates and consolidates related inspection reports for the CEO and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.



## 2. Internal control statement

Taiwan Mobile Co., Ltd.  
Internal Control Statement

Date: January 19, 2012

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2011:

1. TWM is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission, and the Executive Yuan (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment and response, 3. Control activities, 4. Information and communications, 5. Monitoring. Please refer to the Regulations for details on these five key elements.
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that as of Dec. 31, 2011, its internal control system (including its supervision of subsidiaries), which encompasses internal controls for the knowledge of the degree of achieving operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating and reasonably assured the achievement of the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 19, 2012, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Richard Tsai  
Chairman



Cliff Lai  
Co-President



Vivien Hsu  
Co-President

**Violation of regulations and internal policies:** None

## **Major resolutions at the shareholders' meeting and board meetings**

### **1. Major resolutions at the 2011 shareholders' meeting**

Issues approved and subsequent execution:

- (1) 2010 business and financial reports
- (2) 2010 earnings distribution proposal

Execution: set record date of ex-dividend on July 8, 2011, cash payment on July 21, 2011.

- (3) Cash capital reduction of NT\$3.8bn

Execution: set record date of capital reduction on August 1, 2011, record date of replacing share certificates for capital reduction on October 3, 2011 and cash payment on October 13, 2011.

- (4) Amendments to the Company's "Articles of Incorporation"
- (5) Election of the sixth Board of Directors (including independent directors)

Directors: Richard Tsai, Daniel Tsai and Victor Kung, representatives of Fu-Chi Venture Corp.

Cliff Lai and Vivien Hsu, representatives of TCC Investment Co., Ltd.

Independent Directors: Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu.

- (6) Removal of non-competition restrictions for the above-mentioned directors

### **2. Major resolutions by the board (between 2011 and the publication date)**

1. 18<sup>th</sup> meeting of the fifth BOD on January 27, 2011

- (1) Approved 2010 business report and financial statements
- (2) Approved 2011 stand-alone and consolidated financial forecasts
- (3) Approved 2011 capital expenditure plans
- (4) Approved the holding of the 2011 general shareholders' meeting
- (5) Approved the removal of non-competition restrictions on Company management
- (6) Approved plans to carry out 3G network expansion

2. 19<sup>th</sup> meeting of the fifth BOD on April 8, 2011

- (1) Approved the acquisition of common shares (translating into a 51% stake) of Fubon Multimedia Technology Co., Ltd. through Wealth Media Technology Co., Ltd., a 100%- owned subsidiary of the Company
- (2) Approved cash injection in Wealth Media Technology Co., Ltd.

3. 20<sup>th</sup> meeting of the fifth BOD on April 28, 2011

- (1) Approved 2010 profit distribution proposal
- (2) Approved the removal of non-competition restrictions on Company management

4. 1<sup>st</sup> meeting of the sixth BOD on June 15, 2011

- (1) Elected Richard Tsai and Daniel Tsai, representatives of Fu-Chi Venture Corp., as Chairman and Vice Chairman, respectively

5. 2<sup>nd</sup> meeting of the sixth BOD on July 28, 2011

- (1) Approved 1H11 financial statements
- (2) Approved 2011 additional capital expenditure plans
- (3) Approved cash injection in Taiwan Cellular Co., Ltd.



- (4) Approved the record date for capital reduction and a preliminary plan for the replacement of share certificates for capital reduction
- (5) Established the Compensation Committee
- 6. 3<sup>rd</sup> meeting of the sixth BOD on August 26, 2011
  - (1) Approved the recognition of an impairment loss from investment in Taiwan High Speed Rail common stocks for Taiwan Fixed Network Co., Ltd., a 100%-owned subsidiary of the Company
- 7. 4<sup>th</sup> meeting of the sixth BOD on October 27, 2011
  - (1) Approved a loan to TFN Media Co., Ltd.
  - (2) Approved the removal of non-competition restrictions on Company management
- 8. 5<sup>th</sup> meeting of the sixth BOD on January 19, 2012
  - (1) Approved 2011 business report and financial statements
  - (2) Approved 2012 stand-alone and consolidated financial forecasts
  - (3) Approved 2012 capital expenditure plans
  - (4) Approved a loan from Taiwan Fixed Network Co., Ltd.
  - (5) Approved the holding of the 2012 general shareholders' meeting

The above information is posted on <http://mops.twse.com.tw>.

**Major dissenting comments between directors over board meeting resolutions from 2011 up to the publication date in 2012:** None

**Resigned/discharged officers responsible for financial reports:** None

## Certified Public Accountant (CPA) Information

### 1. CPA service fees

Unit: NT\$'000

Accounting firm	Name of CPA		Audit fee	Non-audit fee			Period covered by CPA's audit	Remarks
				Company registration	Other	Total		
KPMG	Simon Chen	Janice Lai	8,620	150	550	700	Year 2011	Fees for other non-audit services were mainly for tax-related consultation