

Guiding principles for compensation to management executives

Remuneration policies, standards and package

- (1) Compensation to the president and vice presidents comprises a fixed monthly salary and performance bonus.
- (2) Performance bonuses are determined based on the president's or the vice president's contribution to the Company and the results of an annual performance appraisal. The above-mentioned bonuses have been proposed by the Compensation Committee for approval at the board meeting.

Procedure for setting performance bonus

- (1) In accordance with the Company's Articles of Incorporation (which will be amended in the 2016 general shareholders' meeting), employee profit sharing shall come from the pool of 1% to 3% of the Company's annual net income after deducting losses from previous years.
- (2) Year-end bonuses are set based on the Company's performance and the annual budget approved by the board and the chairman.

Performance factor

- (1) Variable compensations in the form of employee profit sharing and performance-based bonuses account for approximately 50% of the remuneration and are determined based on the president's or vice president's contribution to the Company's operations. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.
- (2) The Human Resources Division is tasked with preparing the annual compensation for the president and vice presidents, and submitting a report to the Compensation Committee.

Corporate Governance

Board of Directors attendance

1. The Board of Directors convened four meetings in 2015

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu-Chi Venture Corp. Representative: Richard M. Tsai	3	1	75%	One absence due to other official business with proxy assigned to the Vice Chairman.
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel M. Tsai	4	0	100%	None
Director	TCC Investment Co., Ltd. Representative: James Jeng	4	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Howard Lin	4	0	100%	None
Director	Fu-Chi Venture Corp. Representative: Vivien Hsu	4	0	100%	None
Independent Director	Jack J.T. Huang	4	0	100%	None
Independent Director	Tsung-Ming Chung	4	0	100%	None
Independent Director	Hsueh-Jen Sung	4	0	100%	None
Independent Director	Guu-Chang Yang	4	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 interest among directors: None

4. Other BOD objectives:

- (1) Training programs for directors: Aside from encouraging directors to attend outside seminars, the Company holds annual in-house seminars to facilitate interactions between lecturers and directors. In-house seminars in 2015 included "Platform strategy" and "Green economy and low-carbon innovations: global trends and opportunities."
- (2) 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' conferences on a quarterly basis.
- (3) Liability insurance: The Company purchases annual liability insurance for its directors and managers to cover risks as they carry out their duties, and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.
- (4) The Chairman and Vice Chairman of the Board of Directors are not members of the Company's management team to maintain a system of checks and balances.
- (5) The Audit Committee and the Remuneration Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the Board on a regular basis.

Audit Committee attendance

The Audit Committee was set up in June 2008 to replace board supervisors, pursuant to provisions in the Securities and Exchange Act. The committee's operations are 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 five times in 2015

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	5	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	5	0	100%	None
Independent Director	Hsueh-Jen Sung	5	0	100%	None
Independent Director	Guu-Chang Yang	5	0	100%	None

2. 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

3. Any conflict of interest among independent directors: None

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

- (1) The Internal Audit Chief Officer and CPAs communicated directly with the independent directors when needed.
- (2) In addition to presenting monthly reports to the independent directors, the Internal Audit Chief Officer met with the independent directors at the quarterly Audit Committee meetings, bringing communication into full play.
- (3) The CPAs presented audit reports and findings to the independent directors during the committee's quarterly

meetings.

Corporate governance practices

Item		Current practice
Has the Company established principles based on the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”?		The Company has established said “Corporate Governance Best Practice Principles” and published them on the Company’s official website and MOPS (Market Observation Post System).
Shareholding structure and shareholders’ interests	Handling of shareholders’ suggestions and disputes	The “Corporate Governance Best Practice Principles” includes a chapter on upholding shareholders’ interests. 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 submits a monthly report listing the shareholdings of directors, managers and major shareholders (over 10% shareholding) to the authorities.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company’s internal control system set up the “Rules and Procedures on Conducting Transactions between Group Companies and Related Parties” and the “Rules and Procedures on Monitoring Subsidiaries” as risk control mechanisms.
	Prohibitions on insider trading	The Company has established “Rules and Procedures on Handling Internal Material Information.”
Board of directors and its responsibilities	Board diversity and execution	Board appointments and member qualifications are stipulated in the Company’s “Rules for Election of Directors.”
	Establishing a Compensation Committee and an Audit Committee in accordance with the law and voluntarily setting up other functional committees	The Company has established a Compensation Committee and an Audit Committee in accordance with the law. All corporate governance functions are executed by the Board, the Audit Committee and the Compensation Committee.
	Board performance evaluation	The Company passed the “Rules and Procedures on Evaluating Board of Directors’ Performance” to enhance efficiency, under which the Compensation Committee evaluates the board’s performance and submit a report on proposed improvements to the board. (All members participated in a self-evaluation on individual performances for 2015 during the board meeting on January 29, 2016.)
	Periodical review of CPA’s independence	The Audit Committee is authorized to evaluate the independence of the CPAs according to the “Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China” and “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” on an annual basis based on the following criteria: <ul style="list-style-type: none"> 1. Review of the CPA’s resumes. 2. The CPAs neither serve as a director/supervisor/

Item		Current practice
		<p>manager nor hold a position with major influence in the Company or its subsidiaries. They have no interests that conflict with the Company's.</p> <p>3. The Company has never engaged the services of the same CPA for seven consecutive years.</p> <p>4. The CPAs should provide the Company with a Declaration of Independence on a quarterly basis.</p> <p>5. Quality and efficiency of the audit, taxes and other professional services.</p> <p>6. The CPAs are not involved in any lawsuit or litigation and have never been censured by the authorities.</p> <p>7. Scale and reputation of the CPA firm.</p> <p>8. Interactions with management and internal audit officer.</p> <p>All CPAs engaged by the Company have fulfilled the aforementioned criteria.</p>
	Has the Company established communication channels with stakeholders, including setting up a stakeholders' section on the Company's website?	Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section in 2015.
	Has the Company outsourced its AGM management?	The Company has engaged the Transfer Agency and Registry Department of Fubon Securities Co., Ltd. to manage its annual general meeting.
Information disclosure	Disclosure of information on financial status, operations and corporate governance	Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.
	Other ways of disclosing information	Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure. It also has an English website and a team working on gathering and releasing relevant Company information.

Additional information

1. Employee rights

The Company's human resources policies comply with provisions 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 firm. These include holding regular employee and managerial meetings to accommodate suggestions for improvement and conducting surveys to gather 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. Training programs for directors in 2015

Training program	Organization	Date	Hours	Name
Platform strategy	Corporate Governance Association	2015/11/17	3	James Jeng, Vivien Hsu, Tsung-Ming, Chung, Hsueh-Jen Sung
Interest rate liberalization and Taiwan banking industry's development, trends and prospects	Corporate Governance Association	2015/11/13	3	Richard M. Tsai, Daniel M. Tsai, Vivien Hsu
Green economy and low-carbon innovations: global trends and opportunities in 2015	Corporate Governance Association	2015/10/30	3	Richard M. Tsai, Daniel M. Tsai, James Jeng, Vivien Hsu, Hsueh-Jen Sung, Guu-Chang Yang
Macro view of global enterprises on sustainable development	Corporate Governance Association	2015/10/14	3	Howard Lin
Analysis of closed companies' structure and operations	Association for Research and Development Corporate Organization, Taiwan	2015/9/24	3	Vivien Hsu
Board meeting practices and corporate governance	Taiwan Academy of Banking and Finance	2015/9/22	3	Tsung-Ming Chung
How to increase the effectiveness of the Board	Corporate Governance Association	2015/9/20	3	Jack J.T. Huang
Analysis of the latest trends in commercial law	Association for Research and Development Corporate Organization, Taiwan	2015/9/18	3	Vivien Hsu
Listed companies' directors and supervisors' conference on corporate integrity, managing risks and social responsibility	Securities and Futures Institute	2015/9/7	3	Guu-Chang Yang
Innovations: from life to finance	Corporate Governance Association	2015/9/1	3	Richard M. Tsai, Daniel M. Tsai, Howard Lin, Vivien Hsu
Listed companies' directors and supervisors' conference on corporate integrity, managing risks and social responsibility	Securities and Futures Institute	2015/8/27	3	Vivien Hsu
Seminar on corporate governance, financial supervision and international law	Securities and Futures Institute	2015/6/26	5	Jack J.T. Huang

Evaluation of board responsibilities, capabilities and performance	Corporate Governance Association	2015/5/12	3	Jack J.T. Huang
Corporate governance 2.0: global perspective and Taiwan experience	Taiwan Academy of Banking and Finance	2015/5/5	3.5	Jack J.T. Huang
Corporate social responsibility report: demonstrating the value of corporate sustainability	Securities and Futures Institute	2015/1/22	3	Vivien Hsu

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

7. Corporate governance related training programs for management in 2015

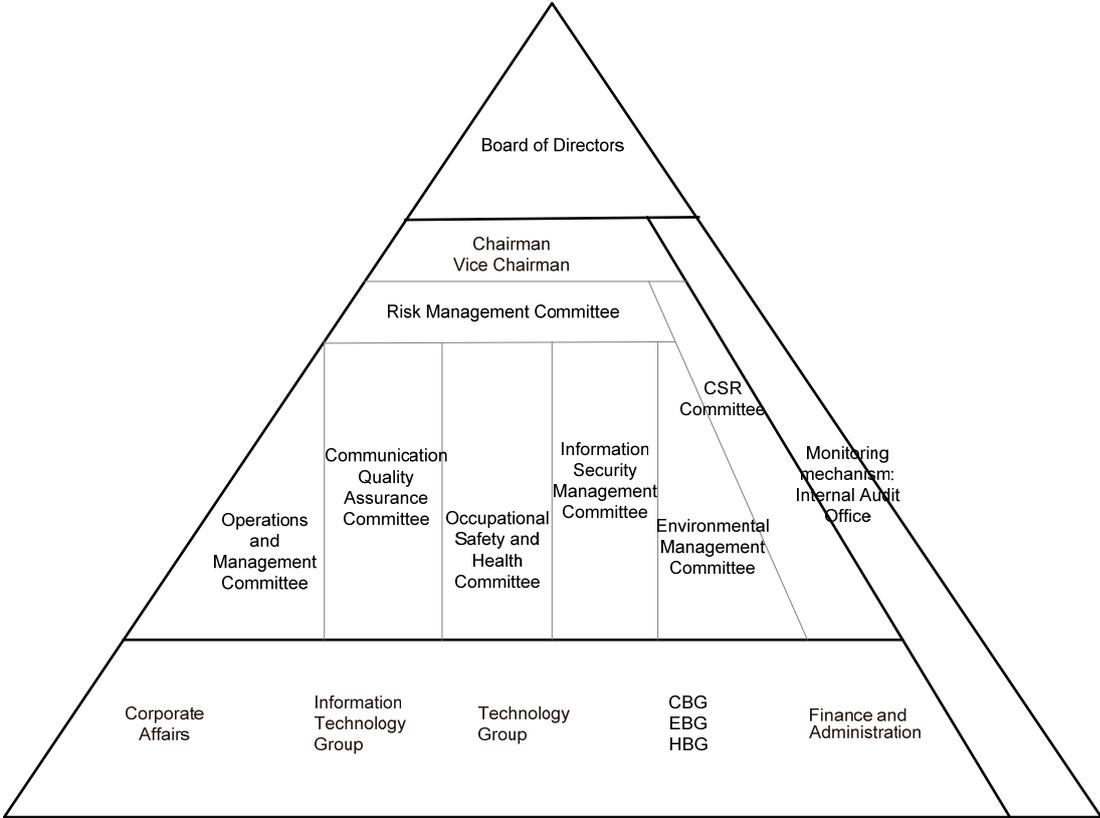
Training program	Organizer	Date	Hours	Participants
Information security (Part I): Preventing information leakage	TWM Internal Audit Office	2015/04/07	1	James Jeng, Rosie Yu, C.H. Jih, Jeff Ku, Ariel Hwang, Jay Hong, Iris Liu, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Forum on corporate leadership ethics for listed companies	Securities & Futures Institute	2015/05/27	3	Rosie Yu, Iris Liu
New profit model platforms – breaking supply chain barriers	TWM HR Division	2015/06/05	4	Jeff Ku, Iris Liu, James Chang, Chien Chen, Tom Koh
Information security (Part II): preventing information hacking	TWM Internal Audit Office	2015/08/03	1	James Jeng, Rosie Yu, C.H. Jih, Jeff Ku, Ariel Hwang, Jay Hong, Iris Liu, Naomi Lee, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Code of ethics	TWM HR Division	2015/08/17	0.1	Naomi Lee
Data analysis on industrial competitiveness	TWM HR Division	2015/09/11	4	C.H. Jih, Jeff Ku, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Prevention of and action against corporate corruption	TWM HR Division	2015/11/03	2	Rosie Yu, C.H. Jih, Egon Chen, Chien Chen, Tom Koh
Information security (Part III): Dissemination of the Personal Information Protection Act	TWM Internal Audit Office	2015/11/25	1	James Jeng, Rosie Yu, C.H. Jih, Jeff Ku, Ariel Hwang, Jay Hong, Iris Liu, Naomi Lee, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Corporate social responsibility	TWM Public Relations and Brand Management Division	2015/12/16	1.5	James Jeng, Iris Liu, Daphne Lee
Celebrity endorsements: Evaluating legal liability risks and case studies	Accounting Research and Development Foundation	2015/12/21	3	Rosie Yu

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 risks
- (3) Create a company-wide risk management structure that can limit risks to an acceptable or controllable 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, and a monitoring mechanism:

	Responsible unit	Function
Ground	Corporate Affairs, Information Technology Group, Technology Group, Consumer Business Group, Enterprise Business Group, Home Business Group, Finance and Administration	<p>Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection.</p> <p>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 an appropriate course of action.</p>
Middle	Corporate Social Responsibility Committee	Promote corporate social responsibility and implement sustainable management within the Company.
	Risk Management Committee (Note)	<p>Integrate the company's risk management framework and internal control mechanism.</p> <p>Execute risk management strategies and conduct a review of the efficiency of the overall risk management mechanism.</p> <p>Exercise control over the five following committees:</p>
	Operations and Management Committee	Conduct periodic reviews of each business group's operating target and performance to meet the Company's guidance and budget.
	Information Security Management Committee	Control the potential threats of important information assets in order to control and reduce operational risks.
	Occupational Safety and Health Committee	Supervise and minimize potential risks to workers' safety and health.
	Communication Quality Assurance Committee	Ensure and manage network communication quality.
Top	Board of Directors	Responsible for assessing material risks, designating actions to control these risks and keeping track of their execution.
	Internal Audit Office	<p>Regularly monitor and assess potential and varying levels of risks that the Company may face and use this information as a reference for drafting an annual audit plan.</p> <p>Report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.</p>

Note: The Risk Management Committee exercises control over five units/systems: Operations and Management Committee, Information Security Management Committee, Occupational Safety and Health Committee, Communication Quality Assurance Committee and Environment Management Committee. Should any material event or situation arise, the responsible unit shall report it to the Operations and Management Committee or other committee(s) to undertake any necessary measures.

Risk factors and underlying mechanisms

	Important risk factors	Responsible unit	Examining committee	Decisionmaking and supervision
1	Operating risk	Technology Group / IT Group	Operations and Management Committee	The highest decisionmaking body: Board of Directors Monitoring mechanism: Internal Audit Office
2	Market risk A. Competition B. New products C. Channel management D. Inventory management	CBG, EBG and HBG		
3	Credit and collection risks	Business Operations Management Division and Billing Management Division		
4	Government policies and regulatory compliance	Regulatory and Carrier Relations Division		
5	M&A and investments	President's Office		
6	Volatility of interest rates, exchange rates and financial risks	Finance Division		
7	Financing and endorsements / guarantees provided to others, derivatives transaction and working capital management	Finance Division		
8	Financial report disclosure	Accounting Division		
9	Litigious and non-litigious matters	Legal Office		
10	Changes in shareholding of directors and major shareholders	Secretarial Division		
11	Board meeting facilitation	Secretarial Division		
12	Employee behavior, code and ethics	Human Resources Division		
13	Corporate image	Public Relations and Brand Management Division	CSR Committee	
14	Employee safety	Occupational Safety and Health Office and Administration Division	Occupational Safety and Health Committee	
15	Risks related to information security	Internal Audit Office – Information Security Management Department	Information Security Management Committee	
16	Technology and maintenance risks	President's Office – Communication Quality Assurance Department	Communication Quality Assurance Committee	
17	Environmental and energy risks	Network Engineering Division	Environmental Management Committee	

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 clients' trust and raise the quality of customer care.

10. The Company has purchased liability insurance for its directors on a yearly basis.

11. Employee certifications relating to financial transparency

- (1) Certified Internal Auditor (CIA): seven employees in the Internal Audit Office; one in the Finance Division; and one in the Accounting Division
- (2) Certification in Control Self-Assessment (CCSA): two employees in the Internal Audit Office
- (3) Certification in Risk Management Assurance (CRMA): one in the Internal Audit Office
- (4) Certified Information Systems Auditor (CISA): four in the Internal Audit Office
- (5) First-level examiner of internal controls (Securities and Futures Institute): three employees in the Secretarial

Division

(6) Certified Public Accountant (CPA): two in the Finance Division; three in the Accounting Division; five in the Operation Analysis Division; and one in the Procurement and Logistics Division

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

The company participated in the "2014 Corporate Governance Evaluation" conducted by Taiwan Stock Exchange and the Taipei Exchange, ranking among the top 5% of listed companies. It received outstanding commendations in five categories: "Protection of Shareholders' Interests," "Equitable Treatment of Shareholders," "Board Composition and Operation," "Information Transparency" and "Protection of Stakeholder Interests and Corporate Social Responsibility."

Compensation Committee operations

The Compensation Committee, composed entirely of independent 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 periodic evaluations.

Qualifications and independence criteria of members of the Compensation Committee

Identity (Note 1)	Name	Over five years of experience in business, finance, legal and/or other areas related to the Company's business	Independence criteria (Note 2)								No. of public companies in which he or she also serves as a member of the Compensation Committee
			1	2	3	4	5	6	7	8	
Independent Director	Jack J.T. Huang	V	V	V	V	V	V	V	V	V	3
Independent Director	Tsung-Ming Chung	V	V	V	V	V	V	V	V	V	1
Independent Director	Hsueh-Jen Sung	V	V	V	V	V	V	V	V	V	0
Independent Director	Guu-Chang Yang	V	V	V	V	V	V	V	V	V	0

Note 1: The identities of the members of the Compensation Committee all meet the requirements stipulated in Item 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

Note 2: "V" denotes meeting the conditions during the tenure and a two-year duration prior to the tenure specified below:

- Criterion 1: Not an employee of the Company or its affiliated companies
- Criterion 2: Not a director or supervisor of the Company or the Company's affiliated companies (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)
- Criterion 3: Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others' names reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders
- Criterion 4: Not a spouse or a relative within second degree of affinity, or within three degrees of consanguinity to any person specified in criteria 1 to 3
- Criterion 5: Neither a director, supervisor, or employee of an entity that directly or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders
- Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company
- Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provides commercial, legal, financial or accounting services or consultations to the Company or its affiliates.
- Criterion 8: Not in contravention of Article 30 of the Company Act

Compensation Committee attendance

(1) The Compensation Committee consists of four members.

(2) Tenure: June 12, 2014 to June 11, 2017. The Compensation Committee convened three meetings in 2015:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	3	0	100%	Appointed committee chairman
Independent Director	Tsung-Ming Chung	3	0	100%	None
Independent Director	Hsueh-Jen Sung	3	0	100%	None
Independent Director	Guu-Chang Yang	3	0	100%	None

1. **Any suggestion made by the Compensation Committee that was not accepted or revised by the Board of Directors:** None
2. **Any written objections or issues raised by a member of the Compensation Committee against resolutions passed by the committee:** None

Corporate social responsibility (CSR)

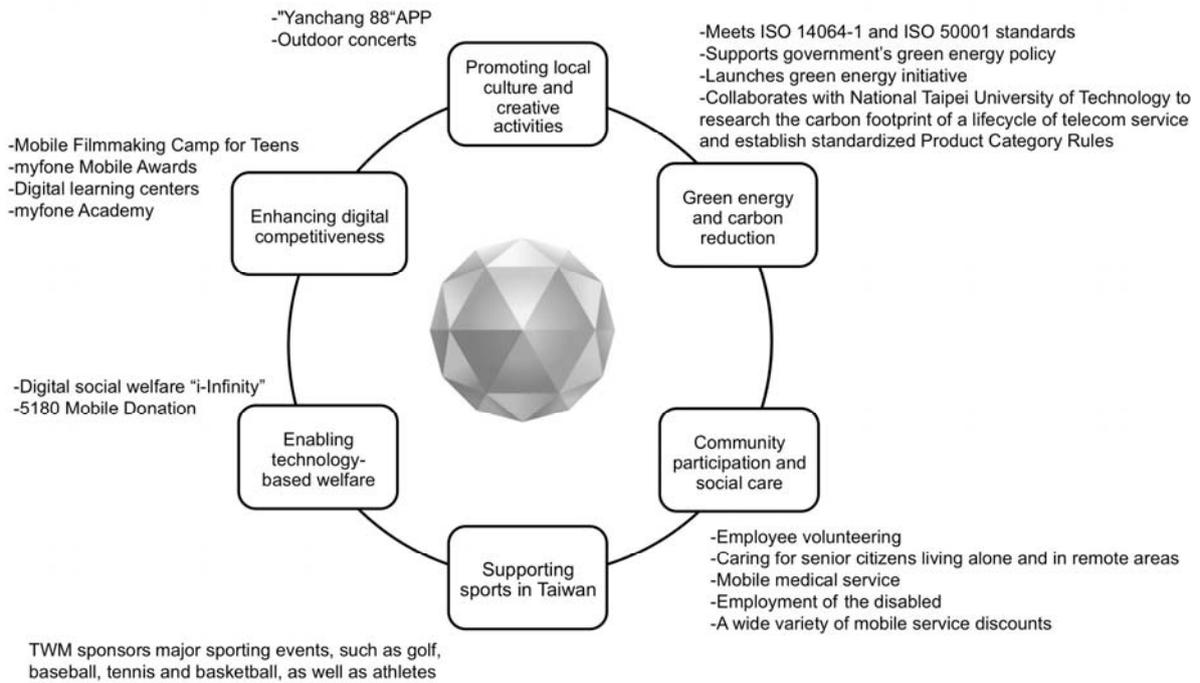
Item	Current Practices												
<p>Corporate governance</p> <p>1. Establishing a CSR policy or system and review mechanism</p> <p>2. CSR course training</p> <p>3. Setting up a unit to carry out this policy or system</p> <p>4. Establishing a reward-and-punishment system as part of the Company's employee performance evaluation system and CSR policy</p>	<p>1. The Company set up the "Corporate Social Responsibility Policy" in 2011 to ensure effective execution of corporate social responsibility, and the "Corporate Social Responsibility Best Practice Principles" in 2015. TWM has also developed a sustainability strategy blueprint that serves as the foundation for the CSR Vision 2020 Project. The Corporate Social Responsibility Committee reviews and tracks the execution of CSR related projects on a quarterly basis. A year-end review showed that all projects' targets were achieved in 2015. To bring more synergy in 2016, the Company will focus on integrating and optimizing resources to maximize efficiency.</p> <p>2. CSR course training is held periodically.</p> <p>3. In 2007, TWM established a Social Responsibility Department under the Public Relations and Brand Management 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. The Corporate Social Responsibility Committee was established in 2014, with the Company chairman and president serving as committee chairman and vice chairman respectively. The committee reports to the board on a quarterly basis.</p> <p>4. The Company's compensation policy is to reward employees commensurate with their performance. Evaluation meetings are held at the end of the year for supervisors and staff to discuss their performance over the past year and set objectives for the following year, including core functions and corporate social responsibility. Performance is graded based on employees' fulfillment of the annual objectives and accordingly rewarded with bonuses and/or salary increases.</p>												
<p>Environmental sustainability</p> <p>1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment</p> <p>2. Establishing an environmental management system in line with the nature of the Company's business operations</p> <p>3. Monitoring the impact of climate change on operating activities and adopting measures to reduce greenhouse gas emissions and minimize their impact on the environment</p>	<p>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.</p> <p>2. TWM established an internal Sustainable Development Committee in 2011 that is responsible for monitoring energy management activities and environment-related indexes, promoting efforts to reduce carbon emissions, and planning, promoting and integrating all of the Company's environmental protection-related activities. The committee is also tasked with incorporating the Company's environmental management rules and sustainable management roadmap into its CSR policies.</p> <p>3. TWM's operating management practices, including communications technology deployment, are designed to reduce energy consumption and greenhouse gas (GHG) emissions. These measures include:</p> <ul style="list-style-type: none"> ● Energy-saving program for data centers ● Base station equipment upgrading ● Energy management program for TWM's office buildings and direct stores ● Telepresence service ● Green value-added services ● e-service and mobile services <p style="text-align: right;">Unit: tCO₂e</p> <table border="1" data-bbox="632 1821 1378 2018"> <thead> <tr> <th></th> <th>2014</th> <th>2015*</th> </tr> </thead> <tbody> <tr> <td>Direct emissions</td> <td>7,118</td> <td>7,263</td> </tr> <tr> <td>Indirect emissions</td> <td>201,454</td> <td>236,960</td> </tr> <tr> <td>Total GHG emissions</td> <td>208,571</td> <td>244,223</td> </tr> </tbody> </table> <p>* The increase in emissions was due to the expansion of TWM's internet data center business and 4G services.</p>		2014	2015*	Direct emissions	7,118	7,263	Indirect emissions	201,454	236,960	Total GHG emissions	208,571	244,223
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Item	Current Practices
<p>Commitment to corporate social responsibility</p> <ol style="list-style-type: none"> 1. Complying with domestic and international labor laws to safeguard and uphold the rights of workers, following a non-discriminatory hiring policy and establishing appropriate management practices, procedures and execution 2. Setting up an employee appeals process 3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education 4. Building a regular communication mechanism and notifying employees about potential operating changes that may have a significant impact on them 5. Developing individual training plans for career development 6. Developing consumer rights protection policies and appeals procedures related to R&D, procurement, production, operations and service processes 	<ol style="list-style-type: none"> 1. Pursuant to related national regulations, including the Labor Standards Act, Employment Services Act and Gender Equality in Employment Act, the Company has never employed child workers, discriminated against any employee or ethnic group, or forced its employees to work. 2. The Company has set up an "Employee Appeals Process" and designated the Internal Audit Office to handle employee petitions and complaints through an exclusive e-mail or fax hotline. The complainant's name and identity are kept confidential and proper action shall be taken subject to verification of the case. 3. 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. 4. The Company has set up multiple channels to communicate with employees on a regular basis about the Company's operational decisions. <ol style="list-style-type: none"> (1) Dialogue between employees and management: Managerial meetings are held every three months to reinforce the Company's vision and convey recent critical developments to all employees. (2) Labor-management meetings are held quarterly to enhance communication between employees and management for consensus building and to promote cooperation. (3) A forum is held twice a year for newcomers to familiarize them with Company policies and practices and help them adapt to the new environment. (4) A President's Mailbox has been set up for employees to submit recommendations to the Company. (5) Employee opinion surveys: A survey is conducted every two to three years to gauge job satisfaction rates and employees' views about the workplace and management practices. Additional surveys are conducted after company activities such as the year-end party and medical checkup to gather employee opinions. (6) Information disclosure: All information is posted on the Company's intranet, where employees can view the company's press releases, product information and management measures. 5. Based on individual career interests, strengths and weaknesses, supervisors help their staff draw up individual training plans at the annual performance review to give them systematic guidance on enhancing their skills and abilities for career development. 6. With the advent of the 4G era, telecom services have become much more diversified and complex. TWM has met this challenge by providing convenient service channels, as well as professional, efficient, friendly, attentive and customer-oriented services. Its commitment to quality has received international recognition, as evidenced by its Qualicert service quality certification from SGS for four years in a row. To protect personal data security, a committee was established to guide the Company through the formulation of its information security policy and supervise its implementation of the "ISO/IEC 27001 information security management system," which aims to protect every aspect of customer information linkage by adopting a professional management system and promoting personal awareness. Information on customers' rights and how personal information is collected, processed and utilized are available on the Company's website, service contracts, customer hotlines and stores. Customers can also provide

Item	Current Practices
<p>7. Complying with relevant regulations and international standards on marketing and labeling of products and services</p> <p>8. Evaluating prospective suppliers' track record on environmental and social issues</p> <p>9. Right to terminate a contract if supplier violates its social responsibility, causing a significant impact on the environment and society</p>	<p>feedback or file complaints through these channels or a special mobile app.</p> <p>7. TWM's mobile base stations were constructed in accordance with relevant laws and regulations, and passed base station electromagnetic checks by the National Communications Commission (NCC), having fully complied with the International Commission on Non-Ionizing Radiation Protection (ICNIRP) standards.</p> <p>8. Before entering into a contract with a supplier, TWM requires that the supplier comply with rules and regulations on protecting workers and the environment to avoid any incidents deemed harmful to society or the environment.</p> <p>9. 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 the "Environmental and Occupational Health and Safety Policy for Contractors" and "Guidelines on Corporate Social Responsibility for Suppliers." Should a supplier break its social responsibility and adversely impact the environment and society, the Company has the right to suspend its account. Furthermore, TWM provides first bargaining rights to green-product and conflict-free product suppliers to encourage others to likewise produce environmentally friendly products.</p> <p>(1) TWM does not use any product from conflict material/product suppliers.</p> <p>(2) TWM requests its suppliers investigate their supply chains to ensure that no products are from conflict areas.</p>
<p>Information disclosure</p> <p>Disclosing relevant and reliable information on corporate social responsibility</p>	<p>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) is deemed to be materially important and designed to meet stakeholders' expectations.</p>
<p>The Company's CSR policy and practices fully comply with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies."</p> <p>The concept of corporate social responsibility is embedded in the strategic decisions and daily operations of all departments. TWM's Board of Directors passed the "Taiwan Mobile CSR Policy" in January 2011 to serve as a long-term guideline for promoting corporate social responsibility and the "Taiwan Mobile CSR Guidelines" in January 2015 to ensure effective execution of the Company's commitment to the society.</p> <p>With its underlying corporate philosophy and core values serving as the foundation, the Company emphasizes corporate governance, stakeholders' interests and full disclosure, and leverages off the Company's core competencies and services to promote environmental conservation and public welfare.</p>	

Additional information on CSR-related matters:

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



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

Since 2009, TWM's CSR reports have been verified by an independent third-party organization, the British Standards Institute, in accordance with its AA1000 assurance standards and GRI guidelines. In 2014, Taiwan Mobile was proud to be the first Taiwanese telecom company to pass the International Standard on Assurance Engagements (ISAE) 3000, demonstrating the Company's commitment to management integrity. In 2015, Taiwan Mobile published its 2014 CSR report based on the limited assurance engagement conducted by KPMG in accordance with ISAE3000, with the information disclosed complying with the latest GRI G4 framework in accordance with the comprehensive option.

Ethical corporate management

Item	Current Practice
<p>1. Establishing a policy on ethical corporate management:</p> <p>(1) Specifying the Company's policy on ethical corporate management in its official charter and material documents, including the board and management's commitment to its implementation</p> <p>(2) Setting up a system, including operation, guidelines, punishment of violations and reporting system, to prevent dishonest behavior</p> <p>(3) Adopting measures to prevent high-risk unethical conduct as specified in Article 7 Paragraph 2 of "Ethical Corporate Management for TWSE/GTSM-listed Companies"</p>	<p>(1) The Company has promulgated its Ethical Corporate Management Best Practice Principles and reinforces them on an annual basis to ensure that employees, management and the board comply with the principles. Moreover, the principles have been incorporated into the Company's internal control system.</p> <p>(2) The Company's Ethical Corporate Management Best Practice Principles details preventive measures against the following:</p> <ul style="list-style-type: none"> a. offering and accepting bribes b. illegal political donations c. improper charitable donations or sponsorship d. offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits <p>The aforementioned principles and related regulations have been announced and disseminated to board directors, managers, employees and appointees to enhance integrity and self-discipline.</p> <p>Employees and suppliers are required to sign a "Declaration of Integrity" or "Declaration of Integrity in Business Conduct" to ensure that they fully understand the Company's determination to enforce ethical management and the consequences of behaving in a dishonest manner.</p> <p>(3) The Company has set up an accounting system and internal control system for business activities that are at a higher risk of dishonest behavior. The aforementioned systems are reviewed periodically to ensure that they are working and measures are implemented.</p> <p>The Company avoids contact with dubious traders. Its business contracts specify that suppliers or vendors must observe ethical corporate management, and failing that, the Company reserves the right to terminate or cancel the contract.</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) Avoiding transactions with parties that have a record of dishonest behavior, stipulating in all contracts what constitute unacceptable behavior</p> <p>(2) Establishing a full-time or part-time unit to promote the Ethical Corporate Management Best Practice Principles under the supervision of the board of directors</p> <p>(3) Setting up policies to prevent conflict of interest and providing channels to report such conflict</p>	<p>(1) The Company provides "Guidelines on Social Responsibility for Suppliers" and requires all suppliers to sign a "Declaration of Ethical Corporate Management," which states that suppliers must not engage in bribery; otherwise, the Company has the right to suspend their account and terminate or rescind the contract at any time.</p> <p>(2) Audit Committee, Compensation Committee and Internal Audit Office were established under the Board of Directors, which also authorized the establishment of the Risk Management Committee and Corporate Social Responsibility Committee. The oversight responsibilities for integrity management are fulfilled according to each committee's authorities and the operational results of all departments concerned are reported to the Board of Directors on a regular basis to ensure the implementation of the highest guiding principle for integrity management.</p> <p>(3) The Company has promulgated policies to prevent conflict of interest. Should there be a conflict of interest, directors should recuse themselves from discussing or voting on the issue. Any board director, manager, employee and appointee must not use his or her position or influence in the Company to obtain improper benefits.</p> <p>Any breach of ethical corporate management practices can be reported via email or fax hotline to the Company.</p>

Item	Current Practice
<p>(4) Building an effective accounting system and internal control system to carry out ethical corporate management, with internal/external auditors auditing the process</p> <p>(5) Conducting regular internal and external training courses on ethical corporate management</p>	<p>(4) The Company has established an effective accounting system and internal control system. In addition, internal auditors schedule regular audits according to the level of risks and report the findings to the board on a periodic basis.</p> <p>The Company periodically delegates independent accountants to audit its financial statements and to verify the effectiveness of the internal control system.</p> <p>(5) The Company promotes the importance of Ethical Corporate Management Best Practice Principles to directors, managers, employees and appointees on an annual basis to help them fully understand the need to comply with ethical corporate management practices.</p>
<p>3. Reporting ethical violations</p> <p>(1) Establishing a reporting and incentive system to facilitate the processing of complaints and assigning a person or unit to deal with the cases</p> <p>(2) Setting up investigation and confidentiality procedures</p> <p>(3) Protecting whistleblower from harm</p>	<p>(1) The Company has established procedures for dealing with complaints about employees or suppliers, with the Internal Audit Office tasked with dealing with the cases.</p> <p>a) Suppliers' complaints can be filed with the Internal Audit Office in written form or via fax to (02) 66361600.</p> <p>b) Employees' complaints can be sent to a designated internal email account.</p> <p>(2) The Internal Audit Office must immediately launch an investigation upon receipt of the complaint and ensure that the name and identity of the complainant are kept confidential.</p> <p>(3) The Internal Audit Office must be objective and fair in its investigation. It must report the results of its investigation directly to a higher supervisor and ensure the whistleblower be kept unharmed.</p>
<p>4. Strengthening information disclosure</p> <p>Disclosing related information on ethical corporate management on the Company's website</p>	<p>The Company has posted its Ethical Corporate Management Best Practice Principles on its official website and MOPS. Its annual report and corporate social responsibility report further shed light on its execution and enhance corporate transparency.</p>
<p>5. Has the company promulgated its own ethical corporate management principles in accordance with the "Ethical Corporate Management for TWSE/GTSM-listed Companies"? If yes, describe the differences between the principles and current practices: No difference.</p>	
<p>6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices:</p> <p>(1) The Company's electronic procurement system mandatorily requires suppliers to sign a "Declaration of Integrity in Business Conduct" every year; otherwise, they are not allowed to participate in the bidding process.</p> <p>(2) The Company regularly monitors developments in domestic and international ethical corporate management standards and reviews its performance to ensure compliance.</p>	

Corporate governance rules and procedures

The Company has implemented a number of rules and procedures to enhance its corporate governance practices: Corporate Governance Best Practice Principles, Audit Committee Charter, Compensation Committee Charter, Rules and Procedures Governing Board of Directors' Meetings, Rules and Procedures Governing Shareholders' Meetings, Regulations Governing Internal Material Information, Procedures Governing Applications to Suspend or Resume Trading, Code of Ethics, Ethical Corporate Management Best Practice Principles, Corporate Social Responsibility Policy, Corporate Social Responsibility Best Practice Principles, and Rules and Procedures on Conducting Transactions between Group Companies and Related Parties. With these efforts, 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. The aforementioned charters and rules are available on the Company's website: www.taiwanmobile.com.

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 was established to ensure fair and independent financial oversight.
- Compensation Committee was established to strengthen corporate governance practices and promote a sound compensation system.
- Adoption of a high cash dividend payout policy
- Shareholders' rights are guaranteed with the right to vote on all proposals at the annual general shareholders' meeting or through an electronic voting system.
- Strict compliance with the Code of Ethics and Ethical Corporate Management Best Practice Principles and establishment of an internal audit mechanism

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

Internal control system

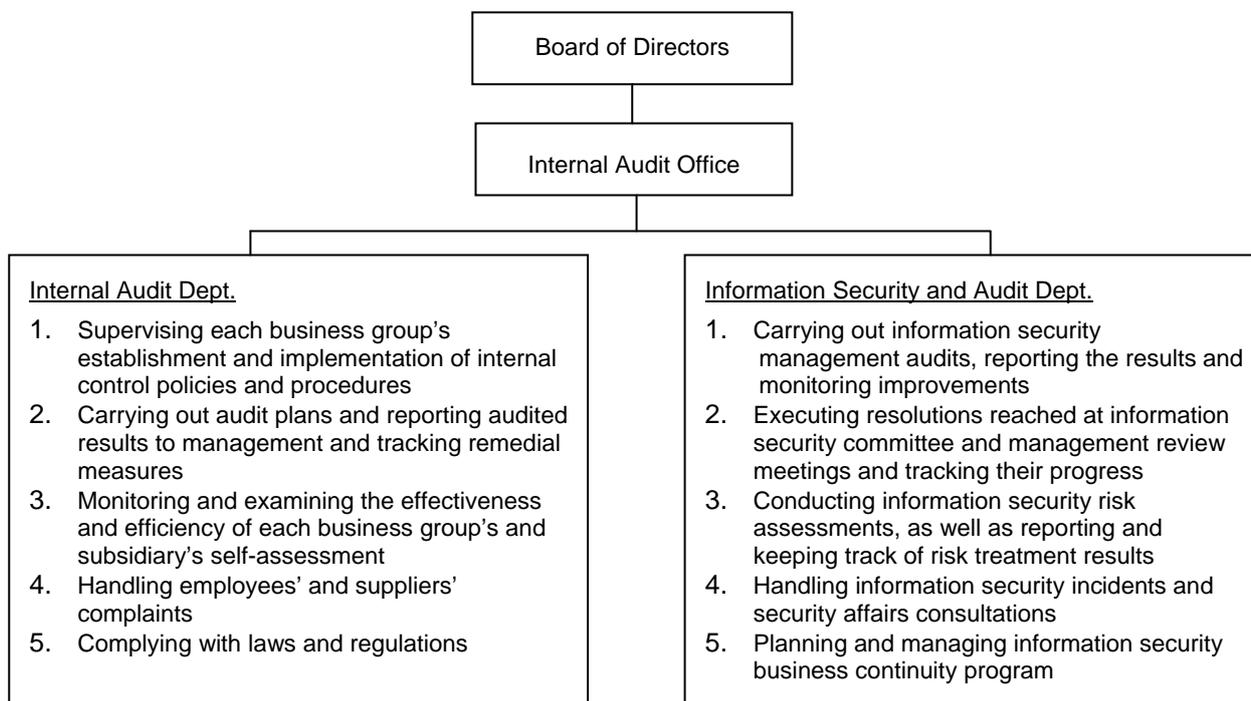
1. Internal control mechanism

The Internal Audit Office is an independent unit with designated personnel who report 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 an 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 submitted on a regular basis and reviewed by the Chairman, as well as presented to the Audit Committee and the Board of Directors by the Chief Internal Auditor.

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 President and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.

There are 14 dedicated internal audit staff members, including one supervisor in charge of the Internal Audit Office, whose responsibilities are detailed below:



2. Has the Company delegated CPAs to review its internal audit system and issued an audit report?

No.

3. Internal control statement

Taiwan Mobile Co., Ltd.

Internal Control Statement

Date: January 29, 2016

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2015:

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 the "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, and 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, 2015, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving 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 29, 2016, 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 M. Tsai
Chairman



James Jeng
President

Violation of regulations and internal policies: None

Major resolutions at the shareholders' meeting and board meetings

1. Major resolutions at the 2015 shareholders' meeting

Issues approved and subsequent execution:

- (1) 2014 business report and financial statements
- (2) Distribution of 2014 earnings

Execution: Set record date of ex-dividend for July 4, 2015, cash payment on July 17, 2015.

- (3) Revisions to the Rules and Procedures for the Acquisition or Disposal of Assets

Execution: The revised rules were posted on the Company's official website and MOPS, and implemented accordingly.

- (4) Termination of contract with Taiwan Digital Service Co., Ltd. on managing TWM's direct store operations

Execution: Contract terminated on July 1, 2015.

2. Major resolutions by the board (from 2015 up to publication date in 2016)

1. 5th meeting of the seventh BOD on January 29, 2015

- (1) Approved the 2014 business report and financial statements
- (2) Approved the 2015 consolidated financial forecasts and the donation to TWM Foundation
- (3) Approved the 2015 capital expenditure plan
- (4) Approved the schedule for the 2015 general shareholders' meeting

2. 6th meeting of the seventh BOD on April 30, 2015

- (1) Approved the 2014 earnings distribution proposal
- (2) Approved the change in CPA
- (3) Approved the termination of Taiwan Digital Service Co., Ltd's contract on managing TWM's direct store operations
- (4) Approved the cancellation of the issuance of TWM's 1st Euro-Convertible Bond (ECB)
- (5) Approved the change of venue for the 2015 general shareholders' meeting

3. 7th meeting of the seventh BOD on July 30, 2015

- (1) Approved the Company's participation in the 2500MHz and 2600MHz spectrum auction

4. 8th meeting of the seventh BOD on October 29, 2015

- (1) Approved the new vice presidents' exemption from non-competition restrictions

5. 9th meeting of the seventh BOD on January 29, 2016

- (1) Approved the 2015 business report and financial statements
- (2) Approved the 2016 consolidated financial forecasts and donation to TWM Foundation
- (3) Approved the 2016 capital expenditure plan
- (4) Approved the procurement of mobile broadband equipment from Nokia Siemens Networks Taiwan Co., Ltd.
- (5) Approved the schedule for the 2016 general shareholders' meeting

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

Major dissenting comments among directors over board meeting resolutions from 2015 up to publication date in 2016: None

Resigned/discharged chairman, president, chief accounting officer, chief financial officer, chief internal audit officer and chief research officer: 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	Others	Total		
KPMG	Simon Chen Leo Chi	1,260	-	-	-	2015.01.01~2015.03.31	
Deloitte & Touche	Kuo Li-Wen Lai Kwan-Chung	6,345	-	1,400	1,400	2015.04.01~2015.12.31	Fees for other non-audit services were mainly for tax-related consultation services.

Note: The Company changed the CPA firm starting 2Q15 to meet the company's operational requirements.

Range of CPA service fee	Audit fee	Non-audit fee	Total
NT\$0~NT\$1,999,999	-	✓	-
NT\$2,000,000~NT\$3,999,999	-	-	-
NT\$4,000,000~NT\$5,999,999	-	-	-
NT\$6,000,000~NT\$7,999,999	✓	-	-
NT\$8,000,000~NT\$9,999,999	-	-	✓
NT\$10,000,000 and above	-	-	-

2. Other information

- (1) If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services: Not applicable
- (2) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: Not applicable
- (3) If audit fees dropped by more than 15%, specify the amount and percentage of decline and reasons: Not applicable

3. Information on CPA changes:

- (1) Former CPA