

Guiding principles for compensation of management executives

Remuneration policies, standards and package

- (1) Compensation paid 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 Remuneration and Nomination Committee for approval at the board meeting.

Procedures for setting performance bonuses

- (1) In accordance with the Company's Articles of Incorporation, employee profit sharing shall come from a 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 Remuneration and Nomination Committee.

Corporate Governance

Board of Directors attendance

1. The Board of Directors convened seven meetings in 2018

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	7	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	7	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: San-Cheng Chang	7	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Howard Lin	7	0	100%	None
Director	TCC Investment Co., Ltd. Representative: James Jeng	7	0	100%	None
Independent Director	Jack J.T. Huang	7	0	100%	None
Independent Director	Hsueh-Jen Sung	7	0	100%	None
Independent Director	Char-Dir Chung	7	0	100%	None
Independent Director	Jamie Lin	4	0	100%	Jamie Lin, who was elected on June 12, 2018 and resigned on February 11, 2019, was required to attend four board meetings.

Note: Attendance by all independent directors reached 100% in 2018.

2. Any objections or issues raised by independent directors against resolutions passed by the Board of Directors:

(1) Pursuant to Article 14-3 of the Securities and Exchange Act:

Not applicable. The Company has already established an audit committee.

(2) Other items not covered in the preceding table: None

3. Any recusals due to conflicts of interest:

Date	Name of directors	Proposal	Reasons for recusal	Participation in deliberation
2018.2.1	Daniel M. Tsai Richard M. Tsai James Jeng	2017 performance evaluation and proposed year-end bonuses for chairman, vice chairman and managers by the Remuneration and Nomination Committee	Messrs. Tsai and Jeng are members of the board and/or management team	All three were excluded from the deliberations
	Richard M. Tsai Hsueh-Jen Sung San-Cheng Chang James Jeng	Removal of non-competition restrictions for board members	Messrs. Tsai, Sung, Chang and Jeng are board members	All four were excluded from the deliberations
2018.7.26	James Jeng	Distribution of 2017 bonus and adjustment of 2018 remuneration for the Company's managers	Mr. Jeng is a member of the board and management team	Mr. Jeng was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai	Distribution of 2017 bonuses and adjustment of 2018 remuneration for the Company's chairman and vice chairman	Messrs. Tsai are board members	Messrs. Tsai was excluded from the deliberations

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. The total number of training hours was 111 in 2018, which included programs such as "AI & IoT development trends, operational strategies and risks."
- (2) Information transparency: Committed to upholding operational transparency 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 investor conferences on a quarterly basis and has set up Chinese/English sections for Investor Relations, Corporate Social Responsibility and Corporate Governance on its official website.
- (3) Liability insurance: The Company provides its directors and managers with annual liability insurance 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 of the Board of Directors is not a member of the Company's management team to ensure a system of checks and balances.
- (5) The Audit Committee and the Remuneration and Nomination 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.
- (6) The Company passed the Rules and Procedures on Evaluating Board of Directors' Performance to enhance efficiency, under which the Remuneration and Nomination Committee evaluates the board's performance and submits a report on proposed improvements to the board. The Company asked the Taiwan Corporate Governance Association to assess the board's performance in January 2018. All members participated in a self-evaluation of individual performances for 2018.
- (7) To strengthen corporate governance and enhance the board's functions, the Board of Directors passed a proposal that independent directors should comprise at least 40% of the board, and that the Remuneration and Nomination Committee should take charge of identifying and nominating competent candidates.

Audit Committee attendance

The Audit Committee is responsible for reviewing the following:

- Financial reports
- Internal control systems and related policies, procedures and assessment of their effectiveness
- Compliance with Article 36-1 of the Securities and Exchange Act
- Material asset or derivatives transactions
- Material monetary loans, endorsements or guarantees
- Offering, issuance or private placement of any equity-type securities
- Fairness and rationality of the Company's M&A plans and transactions
- Any matter that has a bearing on the personal interest of a management executive or director
- Fraud investigation reports
- IT security
- Interacting and communicating with management and listening to business strategy development reports
- Hiring or dismissal of an attesting CPA, or the compensation given thereto
- Performance, qualification and independence of CPAs
- Appointment or discharge of financial, accounting or internal auditing officers

1. The Audit Committee convened five times in 2018.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Hsueh-Jen Sung	5	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	5	0	100%	None
Independent Director	Char-Dir Chung	5	0	100%	None
Independent Director	Jamie Lin	3	0	100%	Mr. Lin, who was elected on June 12, 2018 was required to attend three committee meetings. Mr. Lin resigned on February 11, 2019.

2. Any objections or issues raised by the Audit Committee against resolutions passed by the Board of Directors

(1) Pursuant to Article 14-5 of the Securities and Exchange Act:

Date	BoD	Proposals and reports	Audit Committee's opinion	Company's response
February 1, 2018	5th meeting of the eighth BoD	4Q17 internal audit report	Approved as proposed	Approved as proposed
		2017 internal control statement		
		2017 business report and financial statements		
		2018 capital expenditure plan and donation to TWM Foundation		
		Issuance of unsecured straight corporate bonds		
April 27, 2018	6th meeting of the eighth BoD	Removal of non-competition restrictions for board members	Approved as proposed	Approved as proposed
		1Q18 financial statements		
		1Q18 internal audit report		
		2017 earnings distribution and cash return from capital surplus		
July 26, 2018	9th meeting of the eighth BoD	Appointment of CPA	Approved as proposed	Approved as proposed
		2Q18 financial statements		
November 1, 2018	10th meeting of the eighth BoD	2Q18 internal audit report	Approved as proposed	Approved as proposed
		3Q18 financial statements		
		3Q18 internal audit report		
November 21, 2018	11th meeting of the eighth BoD	Internal audit plan for 2019	Approved as proposed	Approved as proposed
		Resolution to participate in establishing LINE Bank, an online-only bank		

- (2) In addition to the items listed above, any resolution passed by over two-thirds of the Board of Directors, but not approved by the Audit Committee: None.

3. Any recusals due to conflicts of interest:

Date	Name	Proposal	Reason for recusal	Participation in Deliberation
January 31, 2018	Hsueh-Jen Sung	Removal of non-competition restrictions for board members	Mr. Sung is an interested party	Mr. Sung did not join the deliberations.

4. Communication between independent directors and the Internal Audit Chief Officer and CPAs about major financial/operational matters:

- (1) The Internal Audit Chief Officer and CPAs communicated directly with independent directors when needed.
- (2) In addition to presenting monthly reports to the independent directors, the Internal Audit Chief Officer and CPAs met with the independent directors at the quarterly Audit Committee meetings, bringing communication into full play.
- (3) Regular communication between independent directors and internal audit officers/CPAs:

Date	Internal Audit Officers		CPAs	
	Subject matter	Results	Subject	Results
January 31, 2018 5th meeting of the fourth Audit Committee	1. 4Q17 internal audit report 2. 2017 internal control statement	1. Acknowledged 2. Reviewed and submitted to BoD for approval	1. 2017 financial statements, impact of amendments to the Income Tax Act and information sharing on Robotic Process Automation (RPA) 2. CPAs discussed inquiries raised by attendees	Acknowledged
April 25, 2018 6th meeting of the fourth Audit Committee	1Q18 internal audit report	Acknowledged	1. 1Q18 financial statements, impact of amendments to the Income Tax Act and latest information on the EU's General Data Protection Regulation (GDPR) 2. CPAs discussed inquiries raised by attendees	Acknowledged
July 25, 2018 7th meeting of the fourth Audit Committee	2Q18 internal audit report	Acknowledged	1. 2Q18 financial statements and impact of amendments to the Company Act 2. CPAs discussed inquiries raised by attendees	Acknowledged
October 31, 2018 8th meeting of the fourth Audit Committee	1. 3Q18 internal audit report 2. Internal audit plan for 2019	1. Acknowledged 2. Reviewed and submitted to BoD for approval	1. 3Q18 financial statements, communication of key audit matters and advance notice of amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies 2. CPAs discussed inquiries raised by attendees	Acknowledged

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 market observation post system (MOPS).
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 Remuneration and Nomination Committee and an Audit Committee in accordance with the law and voluntarily setting up other functional committees	The Company has also established a Risk Management Committee, CSR Committee and Innovation Management Committee to enhance various functions.
	Board performance evaluation	The Company passed the Rules and Procedures on Evaluating Board of Directors' Performance to enhance efficiency, under which the Remuneration and Nomination Committee evaluates the board's performance and submits a report on proposed improvements to the board. (The Company in January 2018 asked the Taiwan Corporate Governance Association to assess the board's performance, which lauded the board for exercising a high degree of self-discipline. All board members participated in a self-evaluation of individual performances for 2018.)
	Periodic 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 and procedures: 1. The CPAs' resumes. 2. The CPAs neither serve as a director/supervisor/manager nor hold a position with major influence in the Company or its subsidiaries, and that they have no interests that conflict with the Company's. 3. The CPAs have not served as auditors for the Company for seven consecutive years. 4. The CPAs should provide the Company with a

Item		Current practice
		<p>Declaration of Independence on a quarterly basis.</p> <p>5. The CPAs are not involved in any significant lawsuit or litigation, and have never been censured by any regulatory body.</p> <p>6. The scale and reputation of the CPA firm.</p> <p>7. Effective interaction with management and internal audit officer.</p> <p>The supervisors in the finance and other divisions of the Company and its subsidiaries had evaluated the independence of CPAs in the past two years and reported the results to the Audit Committee on January 31, 2018 and January 30, 2019 respectively.</p>
	<p>Has the company set up a full/part time unit or personnel in charge of handling corporate governance-related matters – including but not limited to providing information for board directors to carry out their duties, preparing board and shareholders' meetings, handling company registration and any changes therein, and preparing board and shareholders' meeting minutes?</p>	<p>The Secretarial Division is headed by the EVP/CFO, who has more than 12 years of experience managing publicly listed companies' financial and stock affairs, as well as meeting procedures. The division is in charge of corporate governance-related matters, as well as board and shareholders' meetings.</p> <p>In 2018, the division provided the following:</p> <ol style="list-style-type: none"> 1. Assisted directors in assuming their positions, furnished them with information required for business execution and held seminars to facilitate interaction between lecturers and directors. 2. Purchased annual liability insurance for directors. 3. Prepared board of directors' and shareholders' meetings, and handled company registration and any changes therein.
	<p>Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a stakeholders' section on the Company's website to respond to critical corporate social responsibility issues?</p>	<p>Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section. Special personnel have been assigned to handle CSR-related issues.</p>
	<p>Has the Company outsourced its AGM management?</p>	<p>The Company has engaged the Transfer Agency and Registry Department of Fubon Securities Co., Ltd. to manage its annual general meeting.</p>
Information disclosure	<p>Disclosure of information on financial status, operations and corporate governance</p>	<p>Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.</p>
	<p>Other ways of disclosing information</p>	<p>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.</p>

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 its official website and 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 2018

Training program	Organization	Date	Hours	Participant(s)
100% e-voting to enhance corporate value	Taiwan Depository & Clearing Corp.	2018.03.05	6	James Jeng
Performance evaluation of board meetings	Taiwan Corporate Governance Association	2018.03.06	3	Daniel M. Tsai, Howard Lin, James Jeng, Jack J.T. Huang, Hsueh-Jen Sung
Current development trends in corporate governance and prospects for Taiwan's IPO capital market	Taiwan Corporate Governance Association	2018.03.21	3	San-Cheng Chang
The influence of global political and economic affairs on Taiwan's telecommunications industry	Taiwan Corporate Governance Association	2018.05.09	3	San-Cheng Chang
Important regulatory updates	Taiwan Corporate Governance Association	2018.08.08	1.5	San-Cheng Chang
FSC's new Corporate Governance Blueprint Series – Director's rights and obligations	Taiwan Stock Exchange and Taipei Bar Association	2018.09.10	3	Jamie Lin
Anti-Money Laundering and Countering the Financing of Terrorism for directors and executives	Taiwan Corporate Governance Association	2018.09.11	3	Richard M. Tsai, Daniel M. Tsai, Howard Lin
Lecture on corporate governance	Taiwan Academy of Banking and Finance	2018.09.12	3	Char-Dir Chung
The 12th Taipei corporate governance forum	Financial Supervisory Commission	2018.10.15	3	Jamie Lin
2019 global trade outlook – from the perspective of the US-China trade war	Taiwan Corporate Governance Association	2018.11.07	1.5	San-Cheng Chang
AI & IoT development trends, operational strategies and risks	Taiwan Corporate Governance Association	2018.11.21	6	Daniel M. Tsai, Richard M. Tsai, San-Cheng Chang, Howard Lin, James Jeng, Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung, Jamie Lin
Corporate governance driving digital transformation – managing digital risks	Taiwan Institute of Directors	2018.11.29	3	Jamie Lin

Training program	Organization	Date	Hours	Participant(s)
AI - ization of Taiwan's industry – How to get a foot in the door; Graph&AI – optimize your AI model	Taiwan Corporate Governance Association	2018.12.18	3	Jamie Lin
Performance evaluation of board meetings	Taiwan Corporate Governance Association	2019.01.14	3	Richard M. Tsai

Note 1: Jamie Lin resigned on February 11, 2019.

Note 2: The training hour requirements listed above have been fulfilled.

7. Corporate governance related training programs for management in 2018

At the end of every year, we develop a training plan for the following year in accordance with enterprise development strategies, a survey of training needs and interviews with each group's senior executives. Training courses for senior executives are closely aligned with corporate strategies and global business trends. For example, we invited a partner of a venture capital to discuss the trends driving the new industrial revolution and a consultant to talk about new trends in corporate sustainable development.

The Company has developed a succession plan for senior executives that is in line with corporate core values and future strategies. We evaluate the capability and performance of each executive on a regular basis and provide customized training programs, job assignments or job rotation accordingly. The progress of the succession plan is reviewed by the Remuneration and Nomination Committee.

We recently promoted two senior executives in line with the succession plan. Mr. Tom Koh current acting chief technology officer, originally served as supervisor of network planning and cloud product infrastructure. Mr. Koh was transferred to network engineering/management & technical support to help him gain the knowledge and experience needed to be a chief technology officer. Mr. Eddie Chan was promoted to Chief Data Officer. Mr. Chan joined the company as the supervisor of mobile marketing and IoT services and product technology development. He was assigned to different innovative mobile business units, such as mobile commerce and mobile advertising, to broaden and strengthen his expertise in new business areas.

Training program	Organizer	Date	Hours	Participants
The trends driving the new industrial revolution: Future of "Work"	In-house training	2018.03.14	2	Rosie Yu, James Chang, Naomi Lee, Steve Chou, David Lin, Michael Teng
Information security – preventing information hacking	In-house training	2018.04.24	1	Eddie Chan, Naomi Lee, C.H. Wu, Steve Chou, David Lin, Michael Teng,
New trends in corporate sustainable development	In-house training	2018.05.18	2	Tom Koh, Iris Liu, C.H. Wu, Steve Chou, Daphne Lee
20th GeSI General Assembly	Global e-Sustainability Initiative	2018.06.06 ~ 2018.06.08	18	Tom Koh
Information security – preventing information leaks	In-house training	2018.07.17	1	Ariel Hwang, James Chang, Eddie Chan, Jay Hong, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng,
Corporate sustainability and risk assessment	In-house training	2018.07.18	6.5	Jay Hong

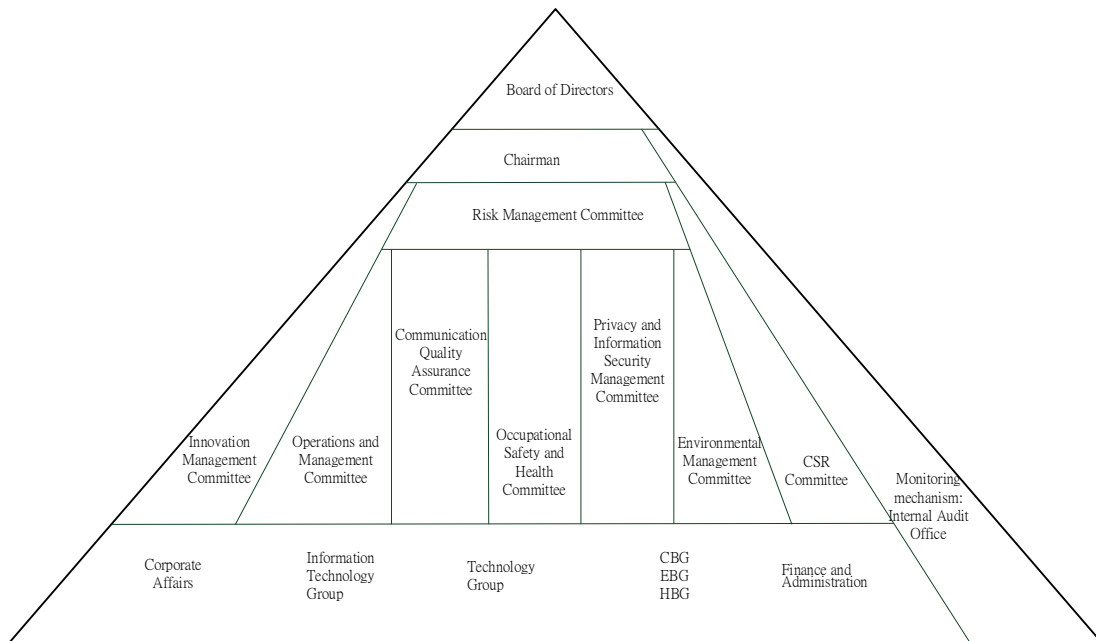
Training program	Organizer	Date	Hours	Participants
Global and cross-strait trends in combating tax evasion	Taiwan Academy of Banking and Finance	2018.08.29	3	Rosie Yu
Information security – dissemination of the Personal Information Protection Act	In-house training	2018.10.17	1	Jeff Ku, James Chang, Tom Koh, Eddie Chan, Jay Hong, Iris Liu, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng,
Deconstruction of AI techniques and how to follow the trend	In-house training	2018.10.26	2	James Jeng, Jeff Ku, Ariel Hwang, James Chang, Jay Hong, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng
Dealing with the impact of the EU's General Data Protection Regulation on businesses	In-house training	2018.12.05	2.5	Ariel Hwang, James Chang, Naomi Lee

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	Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection. 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.
Middle	Risk Management Committee*	Integrate the Company's risk management framework and internal control mechanism. Execute risk management strategies and conduct a review of the efficiency of the overall risk management mechanism. Exercise control over the five following committees:
	Operations and Management Committee	Conduct periodic reviews of each business group's operating target and performance to meet the Company's guidance and budget.
	Privacy and Information Security Management Committee	Demonstrate the Company's commitment to these principles by investigating reported violations of information privacy principles and policies and, if necessary, taking appropriate corrective measures.
	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.
	Environmental Management Committee	Develop and manage the Company's policies and objectives for environmental and energy management.
	Corporate Social Responsibility Committee	Promote corporate social responsibility and implement sustainable management within the Company.
	Innovation Management Committee	Integrate the Company's innovation strategies and establish a management mechanism.
Top	Board of Directors	Responsible for assessing material risks, designating actions to control these risks and keeping track of their execution.
Monitoring mechanism	Internal Audit Office	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. Report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

* The Risk Management Committee exercises control over five units/systems: Operations and Management Committee, Privacy and 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	Decision-making and supervision
1	Operating risk	Technology Group / IT Group	Operations and Management Committee	The highest decision-making body: Board of Directors
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 and tax risk management	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 of ethics and conduct	Human Resources Division		
13	Corporate social responsibility risks and other emerging risks	Public Relations and Brand Management Division		
14	Employee safety	Occupational Safety and Health Office and Administration Division	Occupational Safety and Health Committee	
15	Risks related to privacy and information security	President's Office	Privacy and 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	
18	Innovation risk	CBG, EBG, HBG, Technology Group, IT Group, Public Relations and Brand Management Division	Innovation 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. Liability insurance for board directors

The Company purchases annual liability insurance for its directors and reports the insurance coverage, amount and scope to the board of directors on a regular basis.

11. Employee certifications relating to information transparency

Certification	Number of Employees		
	Internal Audit Office	Corporate Affairs	Finance and Administration Group
Certified Public Accountant (CPA)			11
US Certified Public Accountant (US CPA)			1
Financial Risk Manager (FRM)			1
Certified Internal Auditor (CIA)	5	1	2
Certification in Control Self-Assessment (CCSA)	1		
Certification in Risk Management Assurance (CRMA)	1		
Certified Information Systems Auditor (CISA)	2	1	
Enterprise internal control basic skills (Securities and Futures Institute)			4
Stock affairs specialist (Securities and Futures Institute)	1		5
Bond specialist (Securities and Futures Institute)			1
ISO20000/ISO22301/ISO27001/ISO29100/ISO9001/BS10012/BS25999/BS7799 Lead Auditor	13	15	3

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 “Corporate Governance Evaluation” conducted by the Taiwan Stock Exchange and Taipei Exchange, ranking among the top 5% of listed companies for four consecutive years.

Remuneration and Nomination Committee operations

The Remuneration and Nomination Committee, composed entirely of independent directors, is bound by the Remuneration and Nomination Committee Charter. The committee is responsible for the following:

- (1) Establish a policy, system, standard and structure for directors’ and managers’ compensation and review them periodically.
- (2) Decide compensation of directors and managers and carry out periodic evaluations.
- (3) Select, assess and nominate candidates for directorships.

Qualifications and independence criteria of members of the Remuneration and Nomination Committee

Identity	Name	Over five years of experience in business, finance, legal and/or other areas related to the Company's business	Independence criteria (Note)								No. of public companies in which he or she also serves as a member of the Remuneration and Nomination 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	Hsueh-Jen Sung	V	V	V	V	V	V	V	V	V	0
Independent Director	Char-Dir Chung	V	V	V	V	V	V	V	V	V	0

Note: "V" denotes meeting the conditions specified below during their tenure or two years before assuming their posts:

Criterion 1: Not an employee of the Company or its affiliates

Criterion 2: Not a director or supervisor of the Company or the Company's affiliates (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, or 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

Remuneration and Nomination Committee attendance

- (1) The Remuneration and Nomination Committee consists of four members (Jamie Lin resigned on February 11, 2019).
- (2) Tenure of the Third Remuneration and Nomination Committee: June 14, 2017 to June 13, 2020. The committee convened three times in 2018:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	3	0	100%	None
Independent Director	Hsueh-Jen Sung	3	0	100%	None
Independent Director	Char-Dir Chung	3	0	100%	None
Independent Director	Jamie Lin	1	0	100%	Mr. Lin, who was elected on June 12, 2018, was required to attend one committee meeting. Mr. Lin resigned on February 11, 2019.

1. Any suggestion made by the Remuneration and Nomination 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 Remuneration and Nomination Committee against resolutions passed by the committee: None

Meetings of Remuneration and Nomination Committee

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
2018.2.1	2nd meeting of the 3rd R&N Committee	2017 year-end bonus of the Chairman and Vice Chairman.	Approved as proposed	Approved by the BoD
		2017 performance evaluation results of the managers and year-end bonus distribution	Approved as proposed	Approved by the BoD
		2017 remuneration distribution plan for the Company's board of directors.	Approved as proposed	Approved by the BoD
		2017 performance evaluation plan of the BoD	Approved as proposed	Approved by the BoD
		Proposed amendment to the Remuneration and Nomination Committee charter	Approved as proposed	Approved by the BoD
2018.4.17	3rd meeting of the 3rd R&N Committee	Recommendation of the candidate for the independent director of the 8th BoD	Approved as proposed	Approved by the BoD
2018.7.26	4th meeting of the 3rd R&N Committee	2017 annual compensation and 2018 salary adjustment proposal for the Chairman and Vice Chairman.	Approved as proposed	Approved by the BoD
		2017 employee profit sharing distribution plan and 2018 salary adjustment proposal for the managers	Approved as proposed	Approved by the BoD

Corporate social responsibility (CSR)

Item	Current Practices
<p>Corporate governance</p> <ol style="list-style-type: none"> 1. Establishing a CSR policy or system and review mechanism 2. CSR course training 3. Setting up a unit to carry out this policy or system 4. Establishing a reward-and-punishment system as part of the Company's employee performance evaluation system and CSR policy 	<ol style="list-style-type: none"> 1. The Company set up its Corporate Social Responsibility Policy in 2011 and Corporate Social Responsibility Best Practice Principles in 2015 to ensure effective execution of corporate social responsibility. It also drafted a sustainability strategy blueprint to serve as the foundation for its CSR Vision 2020 Project. The Corporate Social Responsibility Committee reviews and tracks the performances of CSR-related projects on a quarterly basis. A year-end review showed that all projects' targets were already achieved in 2017. Taking pride in being an industry benchmark on sustainability, TWM initiated the Zetta Connected 2030 Project in 2018 by setting up critical key performance indicators, in response to the UN's 17 Sustainable Development Goals (SDGs). 2. CSR course training is held periodically. 3. In 2007, TWM established the 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. 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.

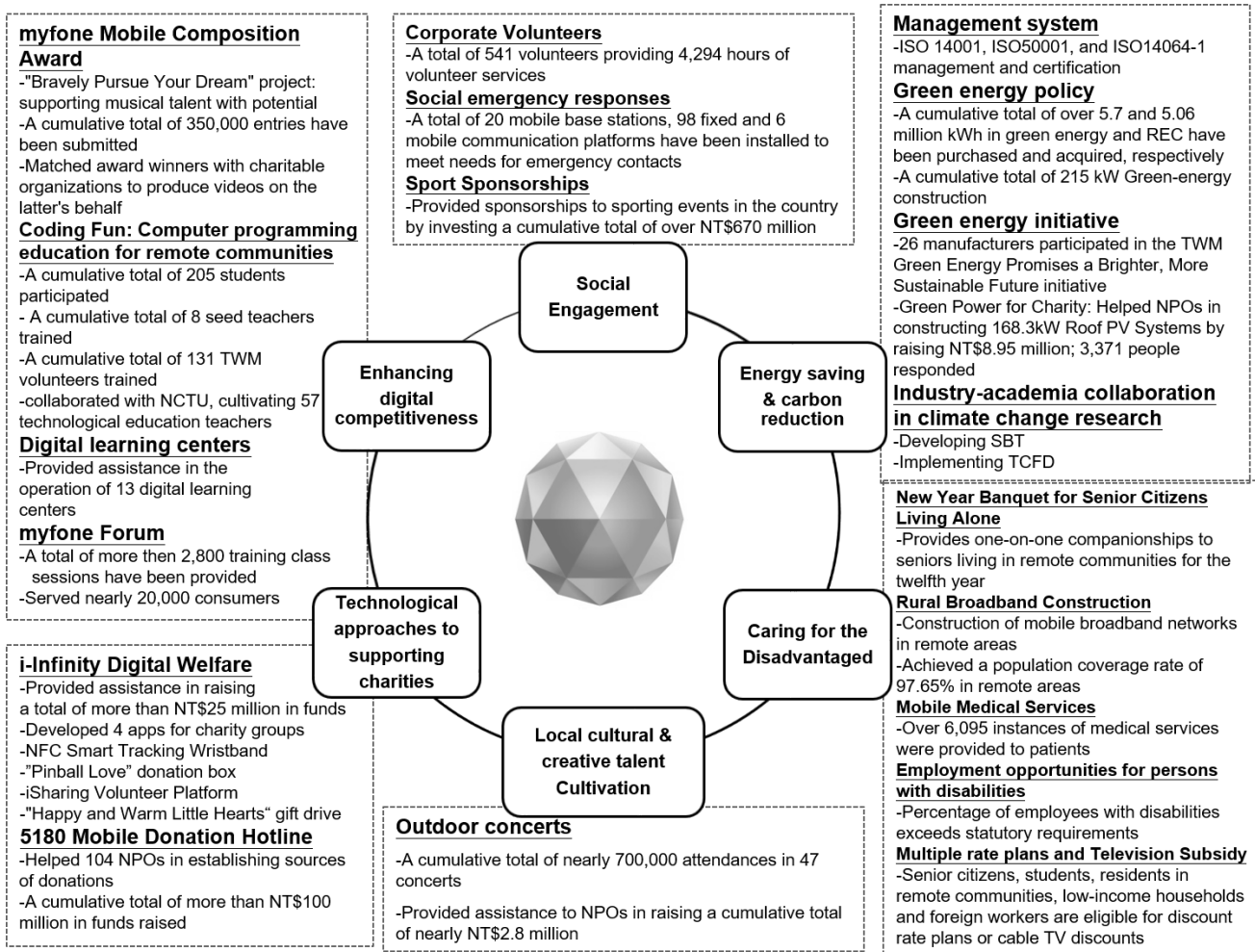
Item	Current Practices																												
<p>Environmental sustainability</p> <p>1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment</p> <p>2. Establishing an environmental management system in line with the nature of the Company's business operations</p> <p>3. Monitoring the impact of climate change on operating activities and adopting measures to reduce GHG 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, electricity and oil, as well as to reduce and recycle domestic and electronic waste (cables, batteries and cellphones).</p> <p>2. The Environmental Management Committee was set up in 2016 to develop environmental policies and objectives, integrate the administration of ISO 14001 (environmental management), ISO 14064-1 (greenhouse gas inventories) and ISO 50001 (energy management), and promote smart energy conservation strategies. These various tasks are carried out by separate teams, and their progress and results are reported to the Environmental Management Committee.</p> <p>3. The Company's operating management practices, including communications technology deployment, are designed to reduce energy consumption and greenhouse gas emissions. These measures include:</p> <ul style="list-style-type: none"> ● Green energy infrastructure ● Smart energy conservation for machine rooms, base stations, office buildings and direct stores ● Green energy initiative: TWM Green Energy Promises a Brighter, More Sustainable Future ● Green logistics ● Green office ● Green products and services ● Corporate (Scopes 1 & 2) GHG emissions accounting ● Corporate Value Chain (Scope 3) GHG emissions accounting ● Task force on implementation of climate-related financial disclosures ● 2030 carbon emission target: Reduce total GHG emissions by 31.4% from 2016 levels <table border="1" data-bbox="651 1196 1393 1599"> <thead> <tr> <th>Unit: ton-CO₂e</th> <th>2016*</th> <th>2017*</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Direct emissions (Scope 1)</td> <td>5,871</td> <td>4,847</td> <td>4,940</td> </tr> <tr> <td>Indirect emissions (Scope 2): Location based</td> <td>246,508</td> <td>247,829</td> <td>238,722</td> </tr> <tr> <td>Indirect emissions (Scope 2): Market based</td> <td>-</td> <td>-</td> <td>235,916</td> </tr> <tr> <td>Total GHG emissions (Scopes1+2) : Location based</td> <td>252,379</td> <td>252,676</td> <td>243,662</td> </tr> <tr> <td>Total GHG emissions (Scopes1+2) : Market based</td> <td>-</td> <td>-</td> <td>240,856</td> </tr> <tr> <td>Indirect emissions (Scope 3)**</td> <td>-</td> <td>-</td> <td>705,169</td> </tr> </tbody> </table> <p>* Scope 2 Emissions for 2016 and 2017 were revised due to an update of the electricity emission factors of 2016 and 2017 announced by the Bureau of Energy, Ministry of Economic Affairs.</p> <p>**We accounted for 15 categories of scope 3 emissions, including purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, use of sold products, end-of-life treatment of sold products, downstream leased assets, and franchises; Two categories, processing of sold products and investments, are not applicable to the Company.</p>	Unit: ton-CO ₂ e	2016*	2017*	2018	Direct emissions (Scope 1)	5,871	4,847	4,940	Indirect emissions (Scope 2): Location based	246,508	247,829	238,722	Indirect emissions (Scope 2): Market based	-	-	235,916	Total GHG emissions (Scopes1+2) : Location based	252,379	252,676	243,662	Total GHG emissions (Scopes1+2) : Market based	-	-	240,856	Indirect emissions (Scope 3)**	-	-	705,169
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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 operational changes that may have a significant impact on them 5. Developing individual training plans for career development 	<ol style="list-style-type: none"> 1. Pursuant to related national regulations, including the Labor Standards Act, Employment Services Act, Gender Equality in Employment Act and International Bill of Human Rights, 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 are taken subject to verification of the case. 3. The Company aims to provide a safe and healthy working environment for employees and has implemented 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 its operational decisions. <ol style="list-style-type: none"> (1) Dialogue between employees and management: Managerial meetings are held every quarter to reinforce the Company's vision, convey recent critical developments to all employees, and respond to employee concerns and opinions. (2) Employee opinion channel: Employees are encouraged to provide constructive opinions on any issue. Operational issues are addressed by relevant departments, while those concerning company strategies and overall situation are handled during managerial meetings led by the president, with the results being announced to all employees. (3) Labor-management meetings are held quarterly to enhance communication between employees and management to build consensus and promote cooperation. (4) 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. (5) A President's Mailbox has been set up for employees to submit recommendations to the Company. (6) Employee opinion surveys: A survey is conducted every two years to gauge job satisfaction and employees' views about the workplace and management practices. Additional surveys are conducted after company activities, such as the year-end party and medical checkups, to gather employee opinions. (7) 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. The Company conducts a survey on employees' career development plans and supervisors provide feedback to all employees. Based on individual career interests, strengths and weaknesses, supervisors help their staff draw up individual development plans during the annual performance review to give them systematic guidance on enhancing their skills and abilities for career development.

Item	Current Practices
<p>6. Developing consumer rights protection policies and appeals procedures related to R&D, procurement, production, operations and service processes</p> <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>6. The Company aims to turn innovative technologies into practical and user-friendly services for our customers by providing excellent service quality through various convenient and prompt service channels. TWM have received the SGS Qualicert service certification for seven consecutive years. To protect personal data security, it introduced 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 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 NCC, having fully complied with the International Commission on Non-Ionizing Radiation Protection 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 Company's website 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 shareholders' 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. The Board of Directors passed the Taiwan Mobile CSR Policy in 2011 and the Taiwan Mobile CSR Guidelines in 2015, serving as long-term guidelines for promoting corporate social responsibility as well as ensuring effective execution of the Company's commitments to society. With its underlying corporate philosophy and core values serving as the foundation, TWM 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:

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



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

Since 2009, Taiwan Mobile's CSR reports have been verified by an independent third-party, the British Standards Institute, in accordance with its AA1000 assurance standards and Global Reporting Initiative (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 its commitment to management integrity. In 2018, the Company published its 2017 CSR report in conformity with the GRI Sustainability Reporting Standards comprehensive options. KPMG, a well-respected independent institution, issued a limited assurance report on its content in accordance with the Assurance Standard No. 1 of the Republic of China.

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's and management's commitment to its implementation</p> <p>(2) Setting up a system, including operational guidelines, reporting system and punishment for violations, 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.</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)</p> <p>a) The aforementioned principles and related regulations prohibit directors, managers, employees and other mandataries of the Company from directly or indirectly offering, promising to offer, requesting or accepting any improper benefits, or committing unethical acts that contravene the principle of good faith, are illegal or a breach fiduciary duty.</p> <p>b) 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 rescind 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>2.</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 accounts and terminate or rescind their contracts any time.</p> <p>(2) The Audit Committee, Remuneration and Nomination Committee and Internal Audit Office were established under the Board of Directors to supervise and audit the practice and implementation of the Company's integrity management. In addition, the Legal Office, which reports to the President directly, is responsible for executing the Company's integrity management policy, setting up guidelines to prevent dishonest behavior and reporting to the Board of Directors at least once a year to ensure the implementation of the highest guiding principles for integrity management.</p> <p>To implement ethical corporate management and prevent unethical conduct, the Company has set up Ethical Corporate Management Best Practice Principles and Operation Rules of Ethical Corporate Management Best Practice Principles</p>

Item	Current Practice
<p>(3) Setting up policies to prevent conflicts of interest and providing channels to report such conflicts</p> <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>(3) The Company has promulgated policies to prevent conflicts of interest. If there is any proposal that may be harmful to the interest of the Company, board directors who have conflicts of interest with the Company shall recuse themselves from discussing or voting on the issue. Any board director, manager, employee and mandatary must not use his or her position or influence in the Company to obtain improper benefits for himself/herself or any other person.</p> <p>Any breach of ethical corporate management practices can be reported via email or fax hotline to the Company.</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 risk 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 mandataries on an annual basis to help them fully understand the need to comply with ethical corporate management practices. The Company also conducts training courses on topics such as ethical corporate management, telecommunication management and personal data protection, and internal control and audit upon request. From 2018 to February 25, 2019, a total of 13,840 training hours were held, with 15,386 participants.</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 whistle-blowers from harm</p>	<p>3.</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) Supplier complaints can be filed with the Internal Audit Office in written form or via fax to (02) 66361600.</p> <p>b) Employee 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 that the whistle-blower is not harmed.</p>

Item	Current Practice
4. Strengthening information disclosure Disclosing related information on ethical corporate management on the Company's website	4. The Company has posted its Ethical Corporate Management Best Practice Principles on the company website and MOPS. Its annual report and corporate social responsibility report further shed light on its execution and enhance corporate transparency.
5. Has the Company promulgated its own ethical corporate management principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? If yes, describe the differences between the principles and current practices: None.	
6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices: <ol style="list-style-type: none"> <li data-bbox="199 584 1406 645">(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 biddings. <li data-bbox="199 656 1406 741">(2) The Company regularly monitors developments in domestic and international ethical corporate management standards and reviews its performance to ensure compliance. The Board of Directors approved amendments to the Ethical Corporate Management Best Practice Principles on February 1, 2018. 	

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, Remuneration and Nomination 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, 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
- Setting the target share of independent directors on the board at a minimum of 40%
- Audit Committee was established to ensure fair and independent financial oversight
- Remuneration and Nomination Committee was established to strengthen corporate governance practices, promote a sound compensation system for directors and managers, and select candidates for directorships.
- 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 on an annual basis and have incorporated them into its internal control system to avoid insider trading risks.

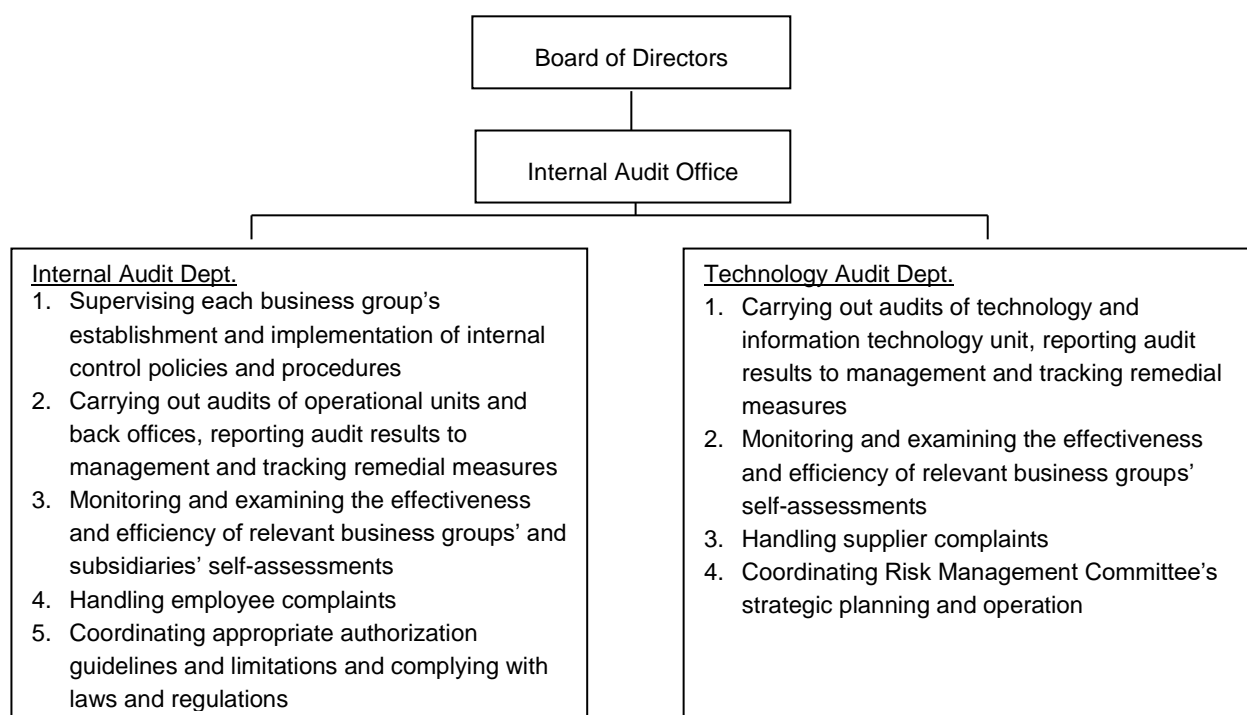
Internal control system

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 12 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

Internal Control Statement

Date: January 31, 2019

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2018:

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 December 31, 2018, 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 31, 2019, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Daniel M. Tsai
Chairman



James Jeng
President

Violation of regulations and internal policies:

- (1) The Taipei City Department of Labor in May 2018 inspected working conditions at the Company's direct stores and found breaches of working hours and break time as defined in Article 32, Section 2, and Article 35 of the Labor Standards Act. The breach was an isolated incident, and the Company immediately implemented corrective action.
- (2) The National Communications Commission (NCC) fined the Company NT\$2.4 million on May 31, 2018 and NT\$3 million on November 20, 2018 for lending its access network to Asia Pacific Telecom (APT), which has not yet completed the corrective measures mandated by the NCC. The Company on October 31, 2018 completed its 4G network data service connection interface shutdown and APT stopped using said network in accordance with the NCC's directive.

Major resolutions at the shareholders' and board meetings

1. Major resolutions at the 2018 shareholders' meeting

Issues approved and subsequent execution:

- (1) 2017 business report and financial statements
- (2) Distribution of 2017 earnings and cash return from capital surplus
Execution: Set record date of ex-dividend on July 16, 2018 and cash payment of NT\$5.6 per share on August 1, 2018.
- (3) Revisions to the Company's Articles of Incorporation
Execution: Approved by the Ministry of Economic Affairs on July 11, 2018, and the revised rules were posted on the Company's website.
- (4) By-election of an independent director
Independent Director: Jamie Lin
Execution: Approved by the Ministry of Economic Affairs on July 11, 2018, and the result was published on the Company's website.
- (5) Removal of non-competition restrictions for board directors
Execution: Published on MOPS on June 12, 2018.

2. Major resolutions by the board (from 2018 up to publication date in 2019)

1. 5th meeting of the eighth BoD on February 1, 2018
 - (1) Approved the 2017 business report and financial statements
 - (2) Approved the 2018 consolidated financial forecasts and donation to TWM Foundation
 - (3) Approved the 2018 capital expenditure plan
 - (4) Approved the issuance of unsecured corporate straight bonds
 - (5) Approved the schedule for the 2018 annual general meeting
2. 6th meeting of the eighth BoD on April 27, 2018
 - (1) Approved the 2017 earnings distribution proposal and cash return from capital surplus
3. 8th meeting of the eighth BoD on June 12, 2018
 - (1) Appointed a board member for the Remuneration Committee
4. 10th meeting of the eighth BoD on November 1, 2018
 - (1) Approved change of Chief Technology Officer
5. 11th meeting of the eighth BoD on November 21, 2018
 - (1) Approved the Company's participation in establishing LINE Bank, an online-only bank
6. 12th meeting of eighth BoD on January 31, 2019
 - (1) Approved the 2018 business report and financial statements
 - (2) Approved the 2019 consolidated financial forecasts and donation to TWM Foundation
 - (3) Approved the 2019 capital expenditure plan
 - (4) Approved the procurement of mobile broadband equipment from Nokia Siemens Networks Taiwan Co., Ltd
 - (5) By-election of an independent director
 - (6) Approved change of President and the removal of non-competition restrictions
 - (7) Approved the appointment of Chief Data Officer
 - (8) Approved the acquisition or disposal of right-of-use assets
 - (9) Approved the schedule for the 2019 Annual General Meeting

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

Major dissenting comments over board meeting resolutions from 2018 up to publication date in 2019: None

Resigned/discharged chairman, president, chief accounting officer, chief financial officer, chief internal audit officer and chief research officer:

As of February 25, 2019

Title	Name	Date of taking office	Date of resignation	Reason for resignation/discharge
Vice Chairman	Richard M. Tsai	2016/10/12	2018/08/27	Resigned
Senior Vice President and Chief Technology Officer	C.H. Jih	2014/02/10	2018/09/22	Resigned

Certified Public Accountant (CPA) Information

1. CPA service fees

Accounting firm	Name of CPA	Period covered by CPA's audit	Remarks
Deloitte & Touche	Li-Wen Kuo Kwan-Chung Lai	2018.01.01~2018.12.31	None

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:

Unit: NT\$'000

Accounting firm	Name of CPA	Audit fee	Non-audit fee					Period covered by CPA's audit	Remarks
			System design	Company registration	Human resources	Others	Total		
Deloitte & Touche	Li-Wen Kuo Kwan-Chung Lai	8,944	-	-	-	3,783	3,783	2018.01.01 ~ 2018.12.31	Fees for other non-audit services were mainly for tax-related consultations and consultant fees

- (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: None

4. Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past year: None