

## Corporate Governance

### Board of Directors attendance

The Board of Directors convened nine meetings in 2020

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	9	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	8	0	89%	None
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai	8	1	89%	None
Director	TCC Investment Co., Ltd. Representative: Jamie Lin	9	0	100%	None
Independent Director	Hsueh-Jen Sung	9	0	100%	None
Independent Director	Char-Dir Chung	9	0	100%	None
Independent Director	Hsi-Peng Lu	9	0	100%	None
Independent Director	Tong Hai Tan	4	0	100%	Tong Hai Tan, who was elected on June 18, 2020, was required to attend four board meetings.
Independent Director	Drina Yue	4	0	100%	Drina Yue, who was elected on June 18, 2020, was required to attend four board meetings.
Director	TCC Investment Co., Ltd. Representative: Howard Lin	4	1	80%	Howard Lin, who completed his tenure on June 18, 2020, was required to attend five board meetings.
Independent Director	Jack J.T. Huang	5	0	100%	Jack J.T. Huang, who completed his tenure on June 18, 2020, was required to attend five board meetings.

Note: Attendance by all independent directors reached 100% in 2020.

1. 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

2. Any recusals due to conflicts of interest:

Date	Name of directors	Proposal	Reasons for recusal	Participation in deliberation
2020.1.21	Daniel M. Tsai Richard M. Tsai Jamie Lin	2019 performance evaluation and proposed year-end bonuses for chairman, vice chairman and managers by the Remuneration and Nomination Committee	Daniel M. Tsai and Jamie Lin: Personal interest Richard M. Tsai: Interested party	All three were excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Howard Lin Chris Tsai	Acquisition or disposal of right-of-use assets	Interested party	All four were excluded from the deliberations
2020.4.30	Daniel M. Tsai Richard M. Tsai Hsueh-Jen Sung Hsi-Peng Lu Christ Tsai Jamie Lin	Removal of non-competition restrictions for the 9 <sup>th</sup> newly-elected board members	Personal interest	All six were excluded from the deliberations
2020.6.18	Char-Dir Chung	Signed an Industrial-Academia Collaboration Agreement and Academic Rewards Contract with National Taiwan University	Personal interest	Mr. Chung was excluded from the deliberations
2020.8.4	Hsi-Peng Lu	Signed an Industry-Academia Collaboration Agreement and Academic Rewards Contract with National Taiwan University of Science and Technology	Personal interest	Mr. Lu was excluded from the deliberations
	Jamie Lin	Distribution of 2019 bonus and adjustment of 2020 remuneration for the Company's managers and audit supervisor	Personal interest	Mr. Lin was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai	Distribution of 2019 bonuses and adjustment of 2020 remuneration for the Company's chairman	Daniel M. Tsai: Personal interest Richard M. Tsai: Interested party	Messrs. Tsai were excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Chris Tsai	Acquisition or disposal of right-of-use assets	Interested party	All three were excluded from the deliberations
2020.11.6	Daniel M. Tsai Richard M. Tsai Chris Tsai	Acquisition or disposal of right-of-use assets	Interested party	All three were excluded from the deliberations

### 3. Information regarding the implementation of the evaluation of the BoD and functional committees

Cycle	Period	Scope	Method	Content
Once a year	January 1, 2020 to December 31, 2020	Performance evaluation of the board as a whole, individual directors, and functional committees	Self-evaluation by individual directors	1. Evaluation of the performance of the board of directors (1) Participation in the operation of the company (2) Improvement in decision-making quality (3) Composition and structure of the board (4) Election and continuing education of directors (5) Internal controls (6) Participation in corporate social responsibility 2. Self-evaluation by individual directors (1) Alignment with the goals and missions of the company (2) Awareness of the duties of a director (3) Participation in the operation of the company (4) Management of internal relationships and communication (5) Professionalism and continuing education of directors (6) Internal control. 3. Self-evaluation by Functional Committees: (1) Participation in the operation of the company (2) Awareness of the duties of the functional committee (3) Improvement in quality of decision-making (4) Election and composition of the functional committee (5) Internal controls
Every three years	March 1, 2020 to February 28, 2021	Commissioning of an external professional institution to conduct an overall evaluation of the board's performance	Commissioned the Taiwan Corporate Governance Association to conduct the evaluation	Evaluation of the performance of the board , including its composition, guidance, delegation, supervision, communication, internal controls and risk management, self-discipline and other matters, e.g. board meetings and support systems

### 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 75 in 2020, which included programs such as "Corporate management and strategies for handling a media crisis."
- (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 and Corporate Social Responsibility 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 Performance of the Board and Functional Committees to enhance efficiency, under which the Remuneration and Nomination Committee conducts an analysis and submits a report on proposed improvements to the board after annual performance evaluation. Board members completed an evaluation assessment in 2021.
- (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 be in 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
- 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 eight times in 2020.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Hsueh-Jen Sung	8	0	100%	Appointed committee chairman
Independent Director	Char-Dir Chung	8	0	100%	None
Independent Director	Hsi-Peng Lu	8	0	100%	None
Independent Director	Tong Hai Tan	4	0	100%	Mr. Tan, who was elected on June 18, 2020, was required to attend four committee meetings.
Independent Director	Drina Yue	4	0	100%	Ms. Yue, who was elected on June 18, 2020, was required to attend four committee meetings.
Independent Director	Jack J.T. Huang	4	0	100%	Mr. Huang, who completed his tenure on June 18, 2020, was required to attend four committee meetings.

### 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
January 21, 2020	17th meeting of the eighth BoD	4Q19 internal audit report	Approved as proposed	Approved as proposed
		2019 internal control statement		
		Revisions to the Internal Control System		
		2020 capital expenditure plan and donation to TWM Foundation		
		Issuance of unsecured straight corporate bonds		
		Acquisition or disposal of right-of-use assets		
February 21, 2020	18th meeting of the eighth BoD	2019 business report and financial statements	Approved as proposed	Approved as proposed
		Mobile Broadband(5G) Spectrum Bidding Results		
		2020 additional capex expenditures		
April 30, 2020	20th meeting of the eighth BoD	1Q20 financial statements	Approved as proposed	Approved as proposed
		1Q20 internal audit report		
		2019 earnings distribution & cash return from capital surplus		
		Appointment of CPA		
		Revisions to the Audit Committee Charter		

Date	BoD	Proposals and reports	Audit Committee's opinion	Company's response
		Acquisition or disposal of right-of-use of assets		
		Removal of non-competition restrictions on members of the ninth BOD		
June 9, 2020	21th meeting of the eighth BoD	3-year mobile broadband equipment procurement	Approved as proposed	Approved as proposed
June 18, 2020	1st meeting of the ninth BoD	Compensation contracts with members of the ninth BOD	Approved as proposed	Approved as proposed
		Sign up Industrial-Academic Collaboration Agreement and Academic Rewards Agreement with National Taiwan University		
August 4, 2020	2nd meeting of the ninth BoD	2Q20 financial statements	Approved as proposed	Approved as proposed
		2Q20 internal audit report		
		Resolved to participate in the new shares issuance of TWM VENTURE CO., LTD.,(TWMV) a 100%-owned subsidiary		
		Acquisition or disposal of right-of-use asset		
		Sign up Cooperative Education / Internship Agreement and Academic Rewards Agreement with National Taiwan University of Science and Technology		
September 1, 2020	3rd meeting of the ninth BoD	Capex budget additions in 2020	Approved as proposed	Approved as proposed
		Acquisition or disposal of right-of-use assets		
November 6, 2020	4th meeting of the ninth BoD	3Q20 financial statements	Approved as proposed	Approved as proposed
		3Q20 internal audit report		
		Internal audit plan for 2021		
		Acquisition or disposal of right-of-use assets		

(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
April 29, 2020	Hsueh-Jen Sung Hsi-Peng Lu	Removal of non-competition restrictions on members of the ninth BOD	Personal interest	Messrs. Sung and Lu did not join the deliberations
June 18, 2020	Char-Dir Chung	Sign up Industrial-Academic Collaboration Agreement and Academic Rewards Agreement with National Taiwan University	Personal interest	Mr. Chung did not join the deliberations
August 3, 2020	Hsi-Peng Lu	Sign up Industrial-Academic Collaboration Agreement and Academic Rewards Agreement with National Taipei University of Technology	Personal interest	Mr. Lu 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 20, 2020 15th meeting of the fourth Audit Committee	1. 4Q19 internal audit report 2. 2019 internal control statement 3. Revision of the internal control system	1. Acknowledged 2. Reviewed and submitted to BoD for approval 3. Reviewed and submitted to BoD for approval	-	-
February 21, 2020 16th meeting of the fourth Audit Committee	-	-	1. 2019 financial statements, explanations of key audit matters and computer audit Results. 2. CPAs discussed inquiries raised by attendees	Acknowledged
April 29, 2020 17th meeting of the fourth Audit Committee	1Q20 internal audit report	Acknowledged	1. 1Q20 financial statements, amendments to regulations on recognition of legal reserves and taxes on undistributed earnings 2. How to survive and continue to operate without interruption during a pandemic 3. CPAs discussed inquiries raised by attendees	Acknowledged
August 3, 2020 2nd meeting of the fifth Audit Committee	2Q20 internal audit report	Acknowledged	1. 2Q20 financial statements , Q&A on Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies 2. Responsible investment and ESG ratings 3. CPAs discussed inquiries raised by attendees	Acknowledged
November 5, 2020 4th meeting of the fifth Audit Committee	1. 3Q20 internal audit report 2. Revision of the risk management policy 3. Internal audit plan for 2021	1. Acknowledged 2. Reviewed and submitted to BoD for approval 3. Reviewed and submitted to BoD for approval	1. 3Q20 financial statements, communication of key audit matters and annual audit procedure 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, which are given to employees when they start work. The Company also provides guidelines on handling and processing internal material information and corporate ethics to ensure that employees and directors are familiar with and comply with said regulations.
Board of directors and its responsibilities	Board diversity and execution	Diversity of board members is stipulated in the Company's Rules for Election of Directors and fully implemented.
	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 Privacy and Information Security Management Committee, 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 Performance of the Board and Functional Committees to enhance efficiency, under which the Remuneration and Nomination Committee conducts an analysis and submits a report on proposed improvements to the board after annual performance evaluation and uses it as a reference for remuneration and re-appointment. The Performance Evaluation of the board was completed through self-assessments by board members, which covered evaluations of the performance of the board, board members and functional committees. Both the board and committees performed well, with an average score higher than 4.9, with 5 being the highest score. In addition, the external evaluation is currently under the assessment by Taiwan Corporate Governance Association.
	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:

Item	Current practice
	<ol style="list-style-type: none"> <li>1. The CPAs' resumes.</li> <li>2. The CPAs neither serve as a director/supervisor/ manager nor hold a position with major influence in the Company or its subsidiaries, and they have no interests that conflict with the Company's.</li> <li>3. The CPAs have not served as auditors for the Company for seven consecutive years.</li> <li>4. The CPAs should provide the Company with a Declaration of Independence on a quarterly basis.</li> <li>5. The CPAs have not provided non-audit services to the Company which might affect their independence.</li> <li>6. The CPAs are not involved in any significant lawsuit or litigation, and have never been censured by any regulatory body.</li> <li>7. The scale and reputation of the CPA firm.</li> <li>8. Effective interaction with management and internal audit officer.</li> </ol> <p>The supervisors in the finance and other divisions of the Company and its subsidiaries had evaluated the independence of the CPAs in the past two years and reported the results to the Board after approving by the Audit Committee on January 20, 2020 and January 25, 2021 respectively.</p>
<p>Has the company set up a full/part time unit or personnel and appointed a Chief Corporate Governance officer 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, Chief Corporate Governance officer, who has more than 10 years' experience managing publicly listed companies' financial and stock affairs, as well as meeting procedures. The division head attended the following training programs in 2020:</p> <ol style="list-style-type: none"> <li>1. Corporate governance managers' perspective and board of directors' operational view (Taiwan Corporate Governance Association, 3hr)</li> <li>2. Shareholder meeting planning and case analysis. (Taiwan Corporate Governance Association, 3hr)</li> <li>3. The dispute of managerial control from the perspective of corporate governance (Taiwan Corporate Governance Association, 3hr)</li> <li>4. Industry 4.0 and how enterprises lead to innovative transformation(Taiwan Corporate Governance Association, 3hr)</li> </ol> <p>The division provided the following:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Purchased annual liability insurance for directors.</li> <li>3. Prepared board of directors' and shareholders' meetings, and handled company registration and any changes therein.</li> </ol>



Item		Current practice
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?		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.
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.
	Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second and third quarters, as well as its operating status for each month, before the specified deadline?	In 2020, the Company published and reported its annual financial report within two months after the end of the fiscal year. It published and reported its first, second and third quarter reports before deadline, as well as its operating status ahead of the target date.

## 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 labor-management meetings to accommodate suggestions for improvement and conducting surveys to gather employees' comments about the workplace and management practices.

### 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 2020

Training program	Organization	Date	Hours	Participant(s)
Key technologies and market applications of 5G and IoT	Taiwan Corporate Governance Association	2020.02.14	3	Hsi-Peng Lu
Augmented reality technology and smart manufacturing	Taiwan Corporate Governance Association	2020.04.23	3	Jamie Lin
Corporate Governance Lecture-Global Anti-Tax Avoidance Wave and Corporate Response	Taiwan Academy of Banking and Finance	2020.04.28	3	Hsueh-Jen Sung
Corporate governance and corporate financial information transparency	Taiwan Securities Association	2020.07.08	3	Char-Dir Chung
Investigation of "Cash Flow" of Fraudulent Financial Statements and Discussion of Related Legal Liability Cases	Accounting Research and Development Foundation	2020.07.17	3	Tong Hai Tan, Drina Yue
Enhancing the self-editing ability of financial reports: internal control, internal audit and information technology	Accounting Research and Development Foundation	2020.07.28	3	Tong Hai Tan, Drina Yue
The impact of IFRS17 on the business strategy of the insurance industry	Taiwan Insurance Institute	2020.08.14	3	Richard M. Tsai
Common corporate governance deficiencies in enterprises and analysis of related laws and regulations	Accounting Research and Development Foundation	2020.08.20	3	Tong Hai Tan, Drina Yue
Information security governance for forward-looking financial institution: business challenges and effective investment strategies	Independent Director Association Taiwan	2020.09.04	3	Daniel M. Tsai, Richard M. Tsai, Chris Tsai,
Dispute of managerial control and case analysis	Taiwan Corporate Governance Association	2020.09.08	3	Char-Dir Chung
Enterprise Analysis on "evaluation report" – a practical analysis.	Accounting Research and Development Foundation	2020.09.09	3	Tong Hai Tan

Training program	Organization	Date	Hours	Participant(s)
Corporate Governance Lecture	Taiwan Academy of Banking and Finance	2020.09.29	3	Daniel M. Tsai
Corporate management and strategies of media crisis.	Taiwan Corporate Governance Association	2020.11.20	3	Daniel M. Tsai, Richard M. Tsai, Chris Tsai, Jamie Lin, Hsueh-Jen Sung, Hsi-Peng Lu, Tong Hai Tan, Drina Yue

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

## 7. Corporate governance related training programs and succession plan for management in 2020

At the end of every year, the Company develops 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. In 2020, the Company arranged training courses covering topics such as "Corporate governance managers' perspective and board of directors' operational view," "Management dispute from the perspective of corporate governance," "Trade secrets and corporate governance," "AIoT and IloT trends" and "The innovative experience of Google".

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

In line with this plan, the Company recruited Mr. Tim Lee as Vice President and head of Corporate Development Office to monitor global economic developments and industry trends, provide insights into corporate development and corporate strategy, and lead financial strategic investments, as well as post-deal integration.

Training program	Organizer	Date	Hours	Participants
Corporate governance managers' perspective and board of directors' operational view	Taiwan Corporate Governance Association	2020.02.07	3	Rosie Yu
Shareholder meeting planning and case analysis	Taiwan Corporate Governance Association	2020.03.06	3	Rosie Yu
Management dispute from the perspective of corporate governance	Taiwan Corporate Governance Association	2020.03.17	3	Rosie Yu
5G spectrum bidding results	In-house training	2020.03.19	2	Eddie Chan, Jay Hong, Naomi Lee, Steve Chou, Daphne Lee, Joan Hung
Industry 4.0 and how enterprises lead to innovative transformation	Taiwan Corporate Governance Association	2020.03.27	3	Rosie Yu
Augmented reality technology and smart manufacturing	Taiwan Corporate Governance Association	2020.04.23	3	Jamie Lin

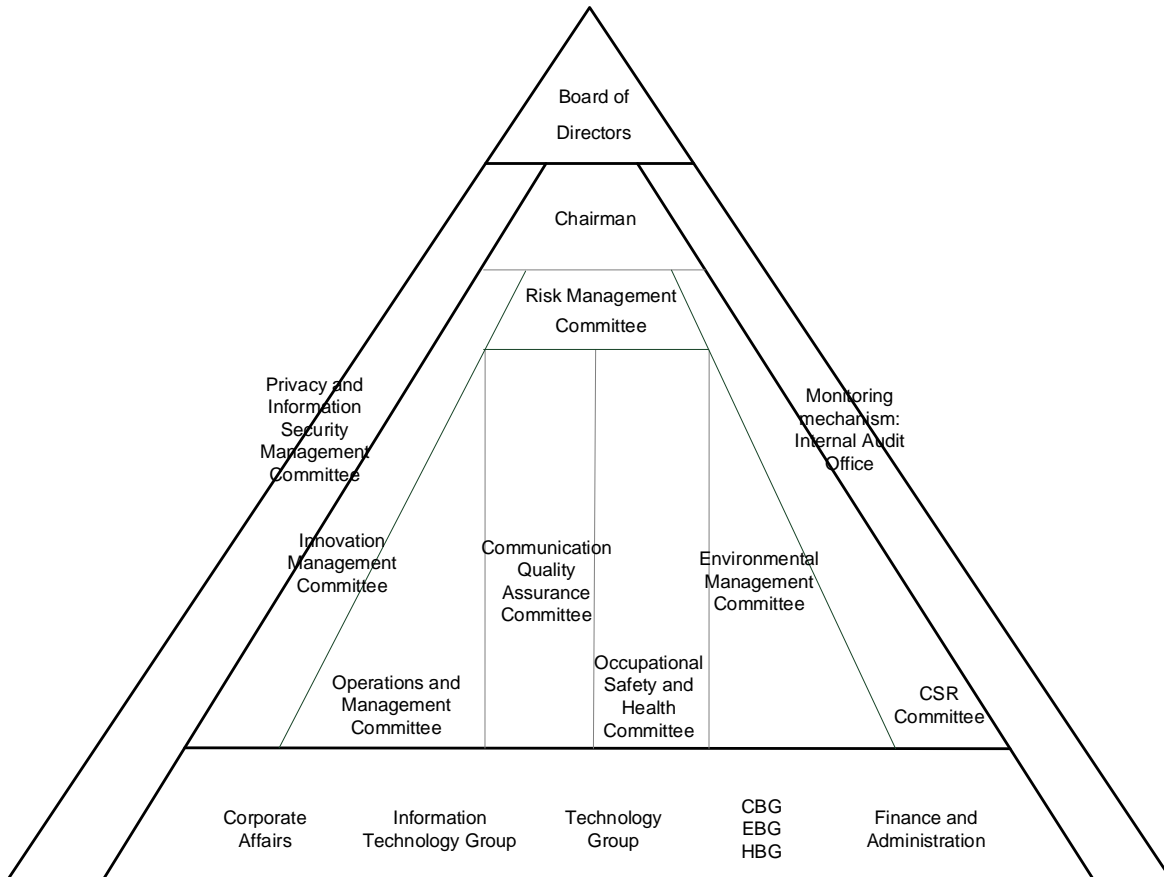
<b>Training program</b>	<b>Organizer</b>	<b>Date</b>	<b>Hours</b>	<b>Participants</b>
Trade secrets protection and non-competition	Taiwan Corporate Governance Association	2020.05.22	3	Joan Hung
AIoT and IIoT trends	In-house training	2020.07.10	2	James Chang, Iris Liu, Naomi Lee, C.H. Wu, Daphne Lee, David Lin, Shirley Chu, Joan Hung, Tim Lee
Trade secrets and corporate governance	Taiwan Corporate Governance Association	2020.08.18	3	Joan Hung
The innovative experience of Google	In-house training	2020.08.21	2	James Chang, Jay Hong, Naomi Lee, Steve Chou, Daphne Lee, David Lin, Michael Teng, Shirley Chu, Joan Hung, Tim Lee
Forum on enterprise circular economy application	In-house training	2020.11.09	3	Tom Koh, Jay Hong, Iris Liu
Corporate management and strategies of media crisis	Taiwan Corporate Governance Association	2020.11.20	3	Jamie Lin
Corporate governance summit 2020	Taiwan Corporate Governance Association	2020.12.02	4	Shirley Chu

## 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:

	<b>Responsible unit</b>	<b>Function</b>
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 four following committees:
	1) Operations and Management Committee	Conduct periodic reviews of each business group's operating target and performance to meet the Company's guidance and budget.
	2) Occupational Safety and Health Committee	Supervise and minimize potential risks to workers' health and safety.
	3) Communication Quality Assurance Committee	Ensure and manage network communication quality.
	4) Environmental Management Committee	Develop and manage the Company's policies and objectives for environmental and energy management.
	Privacy and Information Security Management Committee	Demonstrate the Company's commitment to these principles by investigating reported breaches of information privacy principles and policies, and, if necessary, take appropriate corrective measures.
	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 might 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 four units/systems: Operations and Management Committee, Occupational Safety and Health Committee, Communication Quality Assurance Committee and Environmental 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 management scope

	<b>Important risk factors</b>	<b>Responsible unit</b>	<b>Examining committee</b>	<b>Decision-making and supervision</b>
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 transactions 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	Sustainability and Brand Development Division	CSR Committee	
14	Employee safety	Occupational Safety and Health Office and Administration Division	Occupational Safety and Health Committee	
15	Risks related to privacy and information security	ICT and Personal Information Security Management Division	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, Sustainability and Brand Development Division	Innovation Management Committee	

## Emerging risk

TWM has identified significant risks through the ERM framework, as well as an assessment of emerging risk factors, including level of impact, risk response strategies, and the appropriate level of risk at which opportunities should be explored to promote business development.

Two important emerging risks were identified:

1. Climate change/natural disasters:

Intensifying storms could lead to greater equipment damage, and demand for air-conditioning for telecommunication facilities is growing, driving up electricity consumption, as periods of excessively high temperatures are prolonged. Both factors could result in higher operating costs. Furthermore, labor costs could rise as employees would have to put in extra hours to rebuild after a natural disaster. Extreme weather would also give way to unstable power and water supply, which could lead to interruptions in operations. We have employed the Task Force on Climate-related Financial Disclosures (TFCD) framework to measure the financial impact of climate risks. The total loss due to typhoons in 2019-2030 is estimated to hit NT\$58 million. In response, the Company has introduced high temperature/moisture resistant equipment, reinforced training in emergency recovery after major disasters, and installed more back-up power generators at base stations located in natural disaster hotspots.

2. Telecommunication technology innovations:

In addition to mass deployment of 5G, 3G and 4G still need to be maintained, significantly increasing the power consumption of base stations. In response, the Company deploy more energy-efficient base stations, adopt more aggressive network power-saving solutions, and plan spectrum refarming, equipment consolidation and elimination in advance.

## 9. Implementation of customer policy

With customer service as a core value, the Company is continuously striving to improve its products, services and operations to create the best user experience, win clients' trust and improve customer value.

## 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)			9
Certified Internal Auditor (CIA)	4	1	2
Certification in Control Self-Assessment (CCSA)	1		
Certified Information Systems Auditor (CISA)	2		
Chartered Financial Analyst (CFA)		1	
Corporate Governance basic skills			3
Stock affairs specialist (Securities and Futures Institute)			5
Bond specialist (Securities and Futures Institute)			2
ISO20000/ISO22301/ISO27001/ISO27701/ISO29100/ISO9001/BS10012/BS25999/BS7799 Lead Auditor	10	21	10

## **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 six 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) Establishing a policy, system, standard and structure for directors' and managers' compensation and reviewing them periodically.
- (2) Deciding the compensation of directors and managers and carrying out periodic evaluations.
- (3) Selecting, assessing and nominating candidates for directorships.

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

Identity	Name	With work experience of more than 5 years and the following professional qualifications			Independence criteria (Note)										No. of public companies in which he or she also serves as a member of the Remuneration and Nomination Committee		
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to company operations at a public or private junior college, college, university	A judge, public prosecutor, attorney certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a specialty needed for company operations.	Having work experience in the area of commerce, law, finance, or accounting, or other experience needed for company operations	1	2	3	4	5	6	7	8	9	10			
Independent Director	Char-Dir Chung	V		V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Hsueh-Jen Sung			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Hsi-Peng Lu	V		V	V	V	V	V	V	V	V	V	V	V	V	V	2
Independent Director	Tong Hai Tan			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Drina Yue			V	V	V	V	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, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under subparagraph 1 or any of the persons in the preceding two subparagraphs
- Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders, director, supervisor or employee of a corporate shareholder who appoints a representative as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act
- Criterion 6: Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a person that also controls the same of the company.
- Criterion 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent)
- Criterion 8: 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 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- Criterion 10: Not in contravention of Article 30 of the Company Act.

## Remuneration and Nomination Committee attendance

- (1) The Remuneration and Nomination Committee consists of five members.
- (2) Tenure of the Fourth Remuneration and Nomination Committee: June 18, 2020 to June 17, 2023. The committee convened four times in 2020:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Char-Dir Chung	4	0	100%	None
Independent Director	Hsueh-Jen Sung	4	0	100%	None
Independent Director	Hsi-Peng Lu	4	0	100%	None
Independent Director	Tong Hai Tan	1	0	100%	Mr. Tan, who was elected on June 18, 2020, was required to attend one committee meeting.
Independent Director	Drina Yue	1	0	100%	Ms. Yue, who was elected on June 18, 2020, was required to attend one committee meeting.
Independent Director	Jack. J. T. Huang	3	0	100%	Mr. Huang, who resigned on June 18, 2020, was required to attend three committee meeting.

- Any suggestion made by the Remuneration and Nomination Committee that was not accepted or revised by the Board of Directors: None
- 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
2020.1.21	8th meeting of the third R&N Committee	Overview of a joint-venture plan for middle and senior management	Approved as proposed	Approved by the BoD
		Results of a 2019 performance evaluation of managers/head of internal audit, and year-end bonus distribution	Approved as proposed	Approved by the BoD
		2019 year-end bonus of the Chairman	Approved as proposed	Approved by the BoD
2020.2.21	9th meeting of the third R&N Committee	BoD remuneration policy report	Approved as proposed	Approved by the BoD
		2019 remuneration distribution plan for BoD	Approved as proposed	Approved by the BoD
		Severance pay proposal for manager	Approved as proposed	Approved by the BoD

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
2020.4.30	10th meeting of the third R&N Committee	Report on the results of a 2019 performance evaluation of the BoD and functional committees	Approved as proposed	Approved by the BoD
		BoD remuneration policy report	Approved as proposed	Approved by the BoD
		Recommendation of a candidate for director of the 9th BoD	Approved as proposed	Approved by the BoD
		Revision of Remuneration and Nomination Committee Charter	Approved as proposed	Approved by the BoD
		Appointment of a manager	Approved as proposed	Approved by the BoD
2020.8.4	1st meeting of the fourth R&N Committee	Recommendation of a convener for the 4th Remuneration and Nomination Committee	Approved as proposed	Approved by the BoD
		2019 employee profit sharing distribution plan and 2020 salary adjustment proposal for managers/head of internal audit	Approved as proposed	Approved by the BoD
		2019 annual compensation and 2020 salary adjustment proposal for the Chairman	Approved as proposed	Approved by the BoD

## Corporate social responsibility (CSR)

Item	Current Practices
<p><b>Corporate governance</b></p> <p>1. Applying the materiality principle to identify material environmental, social and corporate governance (ESG) topics, and setting corresponding policies or strategies</p> <p>2. Setting up a unit to carry out corporate social responsibility (CSR) policy or system</p>	<p>1. A total of 23 topics concerning sustainability were selected by applying the materiality principle. Specifically, we prioritized topics that were more important to the Company's operations, concerned stakeholders more, and in which the Company had a high impact on society. We also considered topics that the Company would manage internally in an autonomous manner. Accordingly, a total of seven key topics were identified in 2020. We conducted an impact analysis of these key topics to explore how we should respond and set strategic targets in accordance with the Company's risk management policies, as well as continue to track the progress of implementing these targets.</p> <p>2. The Company established the Sustainability and Corporate Citizenship Department under the Sustainability and Brand Development Division to draft and carry out CSR initiatives. 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>

Item	Current Practices
<p><b>Environmental sustainability</b></p> <ol style="list-style-type: none"> <li>1. Establishing an environmental management system in line with the nature of the Company's business operations</li> <li>2. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment</li> <li>3. Evaluating climate change risks and opportunities to the Company and taking action</li> </ol>	<ol style="list-style-type: none"> <li>1. The Environmental Management Committee was set up in 2016 and tasked with developing environmental policies and objectives, as well as integrating the administration of ISO14001 environmental management, ISO14064-1 greenhouse gas inventories, ISO50001 energy management, and smart energy conservation. Various tasks are carried out by separate teams, and their progress is reported to the Environmental Management Committee.</li> <li>2. The Company's "Circular Economy Cooperation Declaration" was announced in 2019, and in 2020 we transformed recycled waste fiber optic cables into bespoke furniture, including coffee tables, chairs and bricks. We are also assessing the possibility of substituting rebar stirrups with optical fiber waste. We have continuously worked to improve the efficient use of resources, including paper, water, electricity and oil, as well as to promote reduction and recycling of domestic and electronic waste (cables, batteries and cellphones).</li> <li>3. The Task Force on Climate-related Financial Disclosures framework was introduced at the end of 2018.</li> </ol> <p><b>Governance</b> The identification and management of climate change risks and opportunities are handled by the Environmental Management Committee, and the climate and environmental risk issues are reported to the Risk Management Committee on a regular basis in accordance with the Company's risk management system, and then relevant mitigation and adaptation projects are assessed and approved by the Risk Management Committee. In addition, the Risk Management Committee reports the Company's risks (including climate risks) to the Board of Directors on a regular basis, allowing the board to understand and monitor the risks faced by the Company.</p> <p><b>Risk Management</b> A total of 12 major climate risks were identified, four of which belonged to high-risk impacts on operations, namely increased frequency and severity of typhoons/hurricanes, increased costs of greenhouse gas emissions, increase in demand and regulations relating to sustainability, and increase in the cost of transformation to low-carbon technology.</p> <p><b>Financial Impact Assessment</b> An impact assessment on two of risks selected from the four high climate risks was conducted to fully evaluate their financial impact on the Company. (1) Increased frequency and severity of typhoons/hurricanes: Total losses due to typhoons in 2019-2030 are estimated to reach up to NT\$58 million. (2) Increase in the cost of transformation to low-carbon technology: Investment is estimated to reach NT\$2.05 billion in 2019-2030.</p> <p><b>Strategic Objectives</b> Based on the results of a financial impact assessment, five core strategies were set: (1) Green energy installation for self-use (2) Green energy consumption through substitute transmission (3) Green energy investment (4) Smart energy conservation in telecommunication facilities and base stations (5) Climate-related financial disclosures</p>

Item	Current Practices																						
<p>4. Statistics on GHG emissions, water consumption and waste, and formulation of environmental sustainability policies</p>	<p>4. The Company's Environmental and Energy Policy comprises four main aspects: compliance with environmental protection regulations, green purchasing for ecological balance, sustainability through recycling of resources, and energy conservation and carbon reduction.</p> <p>Statistics on GHG emissions, water consumption and waste for 2019-2020 are detailed below:</p> <table border="1" data-bbox="684 450 1355 790"> <thead> <tr> <th colspan="2">Category</th> <th>2019</th> <th>2020*</th> </tr> </thead> <tbody> <tr> <td rowspan="3">GHG emissions (ton-CO<sub>2</sub>e)</td> <td>Scopes 1+2 location based</td> <td>236,119.53</td> <td>240,705.32</td> </tr> <tr> <td>Scopes 1+2 market based</td> <td>235,938.84</td> <td>240,705.32</td> </tr> <tr> <td>Scope 3</td> <td>399,079.71</td> <td>425,337.05</td> </tr> <tr> <td colspan="2">Water consumption (m<sup>3</sup>)</td> <td>299,237</td> <td>303,060</td> </tr> <tr> <td colspan="2">Waste landfilled (tons)</td> <td>17.70</td> <td>23.94</td> </tr> </tbody> </table> <p>*The increase in GHG emissions was due to the deployment of 5G infrastructure and the expansion of our internet data center business, while regular replacement of fiber optic cables led to the rise in our waste landfilled. In response, we have been pursuing ways to minimize our impact on the environment by actively saving energy, cutting down carbon emissions and assessing the potential reuse of optical fiber waste.</p> <p>** Changes in the scope and calculation of waste management was approved during the 28<sup>th</sup> CSR committee meeting and 2019 waste landfilled was revised accordingly.</p>	Category		2019	2020*	GHG emissions (ton-CO <sub>2</sub> e)	Scopes 1+2 location based	236,119.53	240,705.32	Scopes 1+2 market based	235,938.84	240,705.32	Scope 3	399,079.71	425,337.05	Water consumption (m <sup>3</sup> )		299,237	303,060	Waste landfilled (tons)		17.70	23.94
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Item	Current Practices
<p><b>Commitment to corporate social responsibility</b></p> <ol style="list-style-type: none"> <li>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</li> <li>2. Establishing reasonable employee benefits measures (such as remuneration and leave policy) and linking company performance to employee compensation</li> <li>3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education</li> <li>4. Developing individual training plans for career development</li> <li>5. Complying with relevant regulations and international standards on marketing and labeling of products and services</li> </ol>	<ol style="list-style-type: none"> <li>1. Pursuant to related national regulations, including the Labor Standards Act, the Employment Services Act, the Gender Equality in Employment Act and the 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.</li> <li>2. The Company offers a well-rounded benefits package. Our Employee Welfare Committee is responsible for planning and implementing various benefits, including general benefits, free group insurance coverage for employees and their spouses, an employee stock ownership trust, high subsidies for phone bills and purchase discounts for Company products. The Company offers maternity leave, sick leave and bereavement leave that surpass requirements stipulated in Taiwan's labor law. Moreover, the company provides paid volunteer leave, flexible work hours, and work-from-home as an option.  Year-end bonuses and employee-profit sharing plans are set based on the Company's performance. 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 annual objectives and accordingly rewarded with bonuses and/or salary increases.</li> <li>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.</li> <li>4. The Company conducts a survey of employees' career development plans and supervisors provide feedback to all employees. Based on individual key job achievements, 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.</li> <li>5. 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, having fully complied with the International Commission on Non-Ionizing Radiation Protection standards.</li> </ol>

Item	Current Practices
<p>6. Establishing a policy on supplier management, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, and labor rights</p>	<p>6. 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>Has the Company issued CSR reports that have been verified by an independent third-party assurance organization?</p>	<p>In 2014, Taiwan Mobile was proud to be the first Taiwan telecom company to pass the International Standard on Assurance Engagements (ISAE) 3000, demonstrating the Company’s commitment to management integrity. In 2020, the Company published its 2019 CSR report in conformity with the GRI Sustainability Reporting Standards “comprehensive” options. A limited assurance of the report’s contents was performed by KPMG, a reputable independent institution, in accordance with the Assurance Standard No. 1 of the Republic of China.</p>

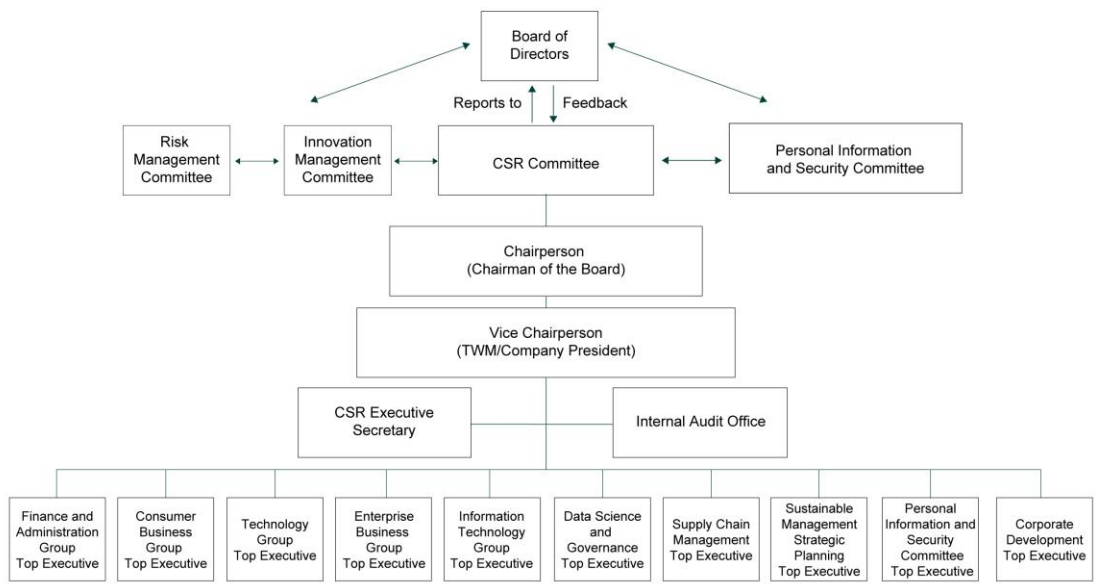
**The Company’s CSR policy and practices fully comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.**

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” and “Taiwan Mobile CSR Guidelines” in 2011 and 2015, respectively, 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.

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

The Company has formulated a comprehensive mechanism for sustainable operations management. The CSR Committee, the Risk Management Committee and the Innovation Management Committee were established in 2014, 2015 and 2017, respectively, and since 2020 the Company has a board director with relevant background in information security to oversee the Personal Information and Security Committee. The senior management from each business group serves as members of the CSR Committee, enhancing the levels of accountability, participation and governance of senior management. To strengthen CSR implementation, since 2016, the compensation of the President and Vice Presidents have been tied to the Company’s CSR performance. A self-assessment of CSR performance by the Board of Directors has been implemented since 2017.





## Ethical corporate management

Item	Current Practice
<p><b>1. Establishing a policy on ethical corporate management:</b></p> <p>(1) Has the Company established an ethical management policy approved by the Board of Directors, and clearly stated in the regulations and external documents the policies and practices of ethical management and the commitment of the Board of Directors and senior management to actively implement the policy?</p> <p>(2) Has the Company established a mechanism for assessing risks of unethical conduct, regularly analyzing and evaluating business activities with a higher risk of unethical conduct, and formulating a plan to prevent unethical conduct, and at least covering the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies' precautionary measures in Article 7 (2)?</p> <p>(3) Has the Company set up a system, including operational guidelines, a reporting system and punishment for violations, to prevent dishonest behavior, as well as reviewed the aforementioned guidelines periodically and amended them as needed?</p>	<p>(1) The Company has promulgated its Ethical Corporate Management Best Practice Principles to establish its ethical management policy. Its formulation and amendments were approved by the Board of Directors, submitted to the shareholders' meeting, and disclosed on the corporate website and MOPS to declare the commitment of the board and senior management to implementing the policy.</p> <p>(2) (i) The Operating Rules of Ethical Corporate Management Principles provide specific regulations on matters that the Company should pay special attention to in conducting its business. The Audit Office regularly analyzes and evaluates business activities with a high risk of dishonest behavior by conducting annual risk assessments, and makes audit plans to check compliance.</p> <p>(ii) The Company avoids contact with dubious traders. Contracts signed with third parties specify compliance with ethical corporate management practices and, failing that, the Company reserves the right to terminate or rescind the contract.</p> <p>(3) (i) The Operating Rules of Ethical Corporate Management Principles prohibits 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 of fiduciary duty.</p> <p>(ii) 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>(iii) The Audit Office shall periodically notify senior management and the Legal Office of the auditing results of compliance with the prevention plan, and prepare an audit report for the Board of Directors.</p>

Item	Current Practice
<p>2. Implementation of ethical corporate management</p> <p>(1) Has the Company avoided transactions with parties that have a record of dishonest behavior, stipulating in all contracts what constitute unacceptable behavior?</p> <p>(2) Has the Company established a dedicated unit to promote ethical corporate management under the supervision of the Board of Directors and regularly (at least once a year) report to the board its management policy and implementation?</p> <p>(3) Has the Company set up policies to prevent conflicts of interest and provide channels to report such conflicts</p> <p>(4) Has the Company built an effective accounting system and internal control system to carry out ethical corporate management, and has the internal auditor set up relevant audit plans based on the results of assessments of risks of dishonesty and compliance with the prevention plan, or delegated the task to an accountant?</p> <p>(5) Has the Company conducted regular internal and external training courses on ethical corporate management?</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) (i) The Audit Committee, Compensation Committee and Internal Audit Office were established under the Board of Directors to supervise and audit the practices and implementation of the Company's ethical corporate management policy. In addition, the Legal Office, which reports to the President directly, is responsible for executing the 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 ethical management.</p> <p>(ii) To implement the ethical corporate management policy 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> <p>(3) (i) The Company has promulgated policies to prevent conflicts of interest. If there is any proposal that might 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/her position or influence in the Company to obtain improper benefits for himself/herself or any other person.</p> <p>(ii) Any breach of ethical corporate management practices can be reported via email or fax hotline to the Company.</p> <p>(4) (i) The Company has established an effective accounting system and internal control system. In addition, the Audit Office regularly analyzes and evaluates business activities with a high risk of dishonest behavior through annual risk assessment processes, and sets up an audit plan and checks its execution, then reports the findings to the board on a periodic basis.</p> <p>(ii) The Company periodically delegates independent accountants to audit its financial statements and to verify the effectiveness of its 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. The Company also conducts related training courses (including integrity management regulations compliance, telecommunications management and personal information protection and internal control) upon request to strengthen colleagues' awareness. From January 1, 2020 to February 26, 2021, a total of 5,265.3 training hours were held, with 12,475 participants.</p>

Item	Current Practice
<p>3. Reporting ethical violations</p> <p>(1) Has the Company established a reporting and incentive system to facilitate the processing of complaints and assigned a person or unit to deal with the cases?</p> <p>(2) Has the Company set up investigation and confidentiality procedures?</p> <p>(3) Has the Company protected whistle-blowers 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 handling the cases.</p> <p>a) Supplier complaints can be filed with the Internal Audit Office in written form or via fax to (02) 6636-1600.</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 a 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>
<p>4. Has the Company strengthened information disclosure by posting related information on ethical corporate management and promoting its effectiveness on the Company's website and MOPS?</p>	<p>The Company has posted its Ethical Corporate Management Best Practice Principles on its 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 Best Practice Principles 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. The Board of Directors approved amendments to the Ethical Corporate Management Best Practice Principles on November 6, 2020.</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, 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, Rules and Procedures on Conducting Transactions between Group Companies and Related Parties, and Standard Operational Protocol for responding to requests from directors. 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](http://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 at a minimum of 40%. Current ratio is 56%
- 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 hold employee training of its Regulations Governing Internal Material Information on an annual basis and have incorporated them into its internal control system to avoid insider trading risks.

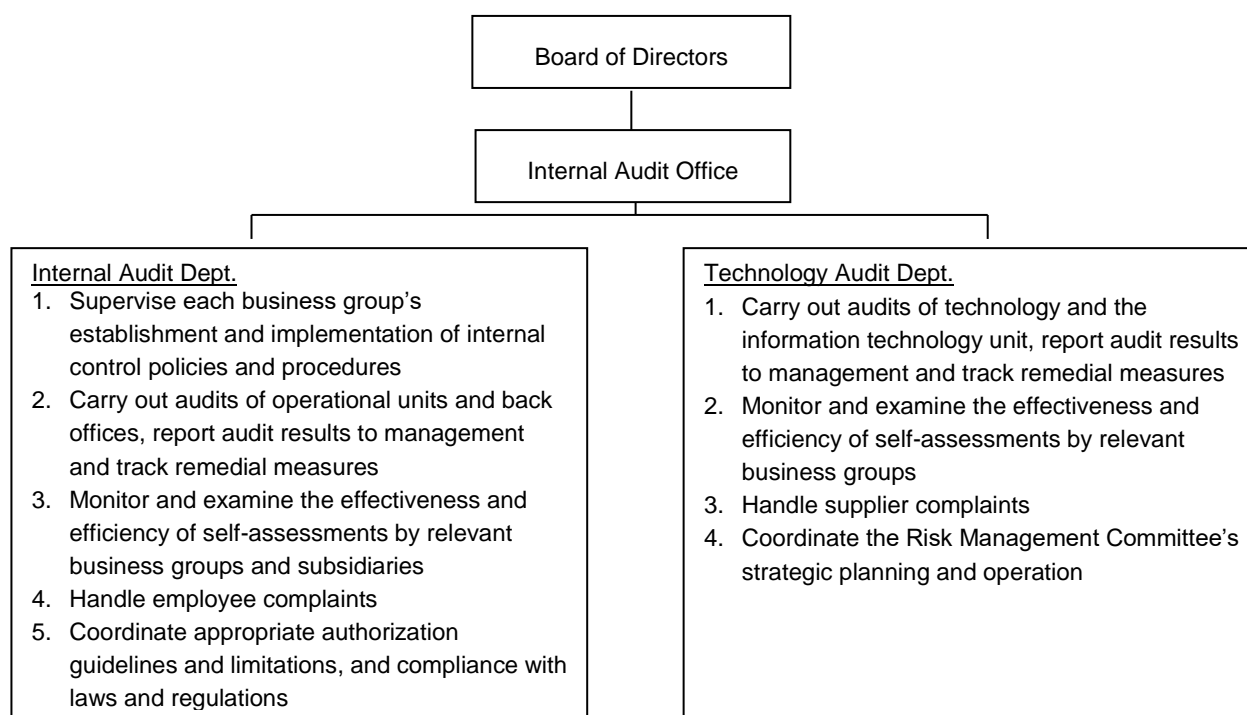
## Internal control system

### 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 26, 2021

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2020:

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, 2020, 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 26, 2021, 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



Jamie Lin  
President

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

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

### **1. Major resolutions at the 2020 shareholders' meeting**

Issues approved and subsequent execution:

- (1) 2019 business report and financial statements
- (2) Distribution of 2019 earnings and cash return from capital surplus  
Execution: Set record date of ex-dividend on July 25, 2020, and cash payment of NT\$4.75 per share on August 12, 2020.
- (3) Revisions to the Company's Articles of Incorporation  
Execution: Approved by the Ministry of Economic Affairs on July 24, 2020, the revised rules were posted on the Company's website.
- (4) Revisions to the Rules and Procedures Governing Shareholders' Meeting  
Execution: Published on the Company's website and MOPS on June 18, 2020.
- (5) Revisions to the Rules for Election of the Directors  
Execution: Published on the Company's website and MOPS on June 18, 2020.
- (6) Election of the ninth Board of Directors (including five independent directors)  
Directors: Fu-Chi Investment Co., Ltd. (representatives: Daniel M. Tsai, Richard M. Tsai and Chris Tsai)  
TCC Investment Co., Ltd. (representative: Jamie Lin)  
Independent Directors: Hsueh-Jen Sung, Char-Dir Chung, Hsi-Peng Lu, Tong Hai Tan and Drina Yue  
Execution: Approved by the Ministry of Economic Affairs on July 9, 2020, the result was published on the Company's website.
- (7) Removal of non-competition restrictions on board directors  
Execution: Published on MOPS on June 18, 2020.

### **2. Major resolutions by the board (from 2020 up to publication date in 2021)**

1. 17th meeting of eighth BoD on January 21, 2020
  - (1) Approved the 2020 capital expenditure plan and donation to TWM Foundation
  - (2) Approved the issuance of unsecured straight corporate bonds
  - (3) Approved the acquisition or disposal of right-of-use assets
  - (4) Approved the schedule for the 2020 Annual General Meeting
2. 18th meeting of eighth BoD on February 21, 2020
  - (1) Approved the 2019 business report and financial statements
  - (2) Approved the 2020 consolidated financial forecasts and the 2020 additional capex for TWM and its subsidiaries
3. 19th meeting of eighth BoD on April 10, 2020
  - (1) Approved an increase in the number of directors
4. 20th meeting of eighth BoD on April 30, 2020
  - (1) Approved the 2019 earnings distribution proposal and cash return from capital surplus
  - (2) Approved the acquisition or disposal of right-of-use assets
5. 21st meeting of eighth BoD on June 9, 2020
  - (1) Approved the three-year mobile broadband equipment procurement plan
6. 1st meeting of ninth BoD on June 18, 2020
  - (1) Daniel M. Tsai was elected as Chairman
  - (2) Appointment of members the fourth Remuneration and Nomination Committee
7. 2nd meeting of ninth BoD on August 4, 2020
  - (1) Approved the Company's participation in a new share issuance by TWM Venture Co., Ltd., a 100%-owned subsidiary.
  - (2) Approved the acquisition or disposal of right-of-use assets
8. 3rd meeting of ninth BoD on September 1, 2020
  - (1) Approved the additional 2020 capex budget plan



9. 4th meeting of ninth BoD on November 6, 2020
  - (1) Approved the acquisition or disposal of right-of-use assets
10. 5th meeting of ninth BoD on January 26, 2021
  - (1) Approved the 2021 capital expenditure plan and donation to TWM Foundation
  - (2) Approved the acquisition or disposal of right-of-use assets
11. 6th meeting of eighth BoD on February 25, 2021
  - (1) Approved the 2020 business report and financial statements
  - (2) Approved the 2021 Guidance
  - (3) Approved the schedule for the 2021 Annual General Meeting
  - (4) Approved the acquisition or disposal of right-of-use assets

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

## Major dissenting comments over board meeting resolutions from 2020 up to publication date in 2021: None

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

As of February 26, 2021

Title	Name	Date of taking office	Date of resignation	Reason for resignation/discharge
Vice President and General Counsel	Ariel Hwang	2016/04/28	2020/03/01	Retirement

## Certified Public Accountant (CPA) Information

### 1. CPA service fees

Accounting firm	Name of CPA	Period covered by CPA's audit	Remarks
Deloitte & Touche	Pei-De Chen Kwan-Chung Lai	2020.01.01~2020.12.31	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	Pei-De Chen Kwan-Chung Lai	9,183	-	-	-	1,804	1,804	2020.01.01 ~ 2020.12.31	Fees for non-audit services were mainly for tax-related consultations and attestation services