

## Corporate Governance Report

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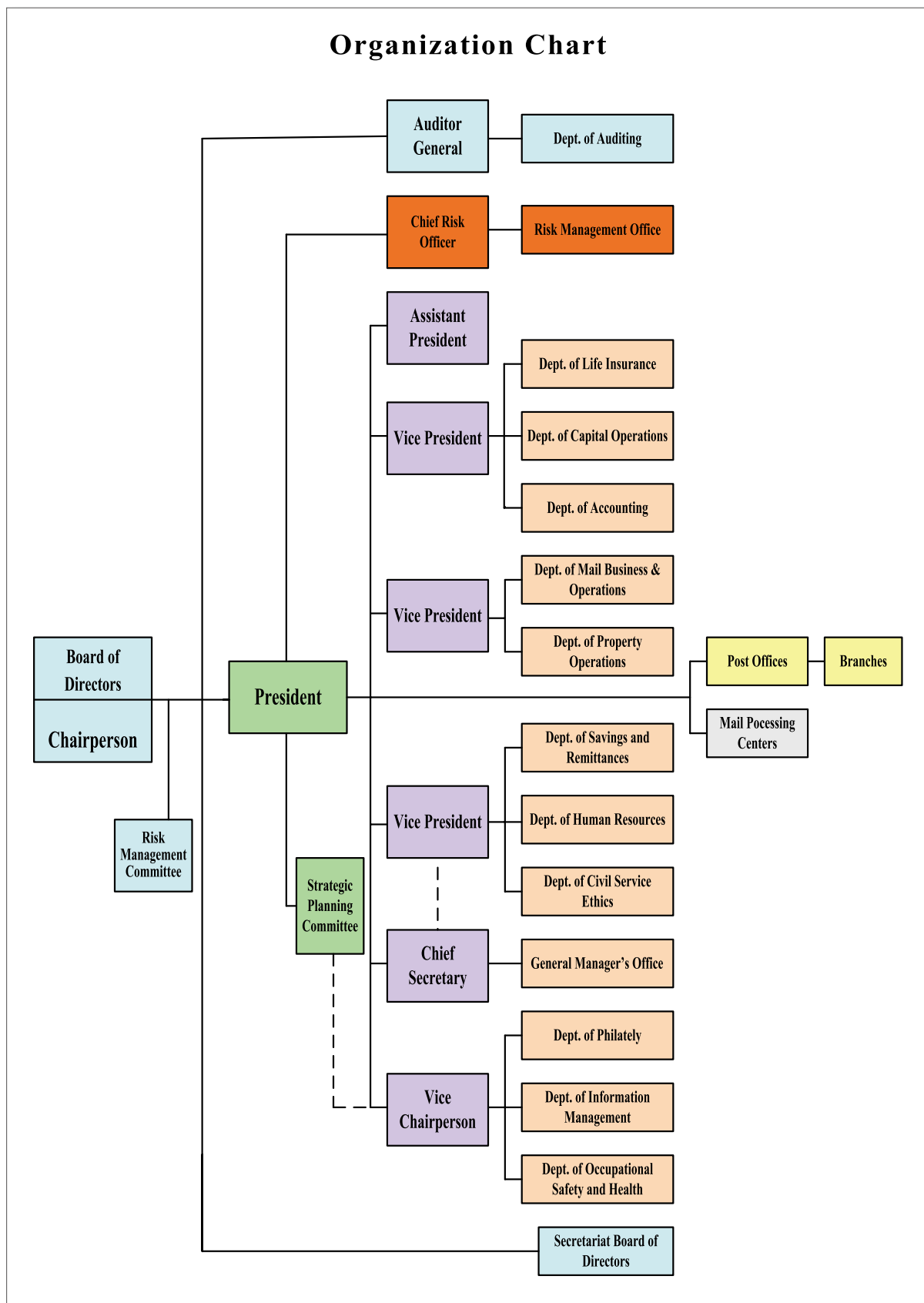
## I. Organization System

### (I) Organization Structure

Chunghwa Post Co., Ltd. belongs to the Ministry of Transportation and Communications (MOTC) with an organizational structure including the following:

1. The board of directors. The board is composed of 11 to 15 directors. According to law and the company's own Articles of Incorporation, this is the company's decision-making body. In addition, there is a board secretariat responsible for all administrative affairs of the board.
2. Three supervisors. According to law and the company's own Articles of Incorporation, the supervisors are charged with supervising the company's financial and business operations.
3. A president. According to law and the company's own Articles of Incorporation, the president is responsible for carrying out board decisions, overseeing corporate operations, as well as supervising all staff and departments of the company. The president shall be assisted by four vice presidents and one chief secretary.
4. An auditor general (elected by the board of directors) and an auditing department directly under the board. The auditor general and the auditing department are responsible for conducting audits of the company and making regular reports to the board and corporate supervisors.
5. A Chief Risk Officer who is responsible for overall risk management operations and a Director for Risk Management Office who may perform duties according to business requirement.
6. A Strategic Planning Committee. The committee shall have a chairman, who can also be company's president and 5 deputy chairmen, with one chairman working as full-time and several other committee members.
7. The company owns following departments: the Department of Mail Business and Operations, the Department of Philately, the Department of Savings and Remittances, the Department of Life Insurance, the Department of Property Operations, the Department of Capital Operations, the Department of Human Resources, the Department of Civil Service Ethics, the Department of Accounting, the Department of Information Management, the Department of Occupational Safety and Health, and the Risk Management Office (It was resolved on the 13th Meeting of the 4th Board of Directors on April 25, 2014 to rename The Department of Personnel into Department of Human Resources).
8. There are 20 responsibility center offices designated as administrative and supervisory post offices, each administering a group of smaller branches.
9. To come to terms with the mail processing requirements, 3 mail processing centers established to integrate mail handling process, mail delivery network and collection routes, using high-performance automatic mail processing systems to process the mails.

## (II) Organization Chart



### (III) Establishment and Adjustment of Units:

The current postal organization is divided into administrative and business establishments. Business establishments are in turn divided into self-management establishments and agential establishments. As of the end of 2013, there were totally 2,609 administrative and business establishments. Among them, 21 were administrative establishments, including the headquarters and 20 responsibility center offices. The business establishments totaled 2,588 which consisted of 1,325 self-management establishments (3 mail processing centers and 1,322 branches) and 1,263 agential establishments (668 post agencies and 595 stamp-sales agencies), a decrease by 0.04% from 1 agency over the previous year.

### Comparative Chart of Postal Establishments

Unit: Office

Types of Postal Establishments			2012	2013	Growth %
Administrative Establishments	Headquarters		1	1	
	Post Offices		23	20	-13.04%
	Total		24	21	-12.5%
Business Establishments	Self-Management Establishments	Mail Processing Centers	3	3	
		Branches	1,322	1,322	
		Temporary Post Offices	0	0	
		Total	1,325	1,325	
	Agential Establishments	Post Agencies	631	668	+5.86%
		Stamp-Sales Agencies	630	595	-5.56%
		Total	1,261	1,263	+0.16%
	Grand total		2,610	2,609	-0.04%

Note: Starting from March 1, 2013, post offices have been consolidated into 20 offices

### (IV) Operations of Major Departments

#### • Department of Auditing:

Providing guidance and performing audits on mail, banking and life insurance operations; and performing audits on the credit analysis of the life insurance business' real estate mortgage loans, etc.

#### • Strategic Planning Committee:

Reviewing the company's major business and investment plans as well as devising the company's reorganization policies, etc.

#### • General Manager's Office:



## IV. Corporate Governance Report

Planning, implementing and assessing the delegation of authority and duties; drafting, revising or eliminating postal regulations and reviewing any dubious interpretations; reviewing manuscripts; planning and control of important works; maintaining parliament relations; communicating with elected representatives, etc.

- **Department of Mail Business and Operations:**

Planning and promoting mail business plans and marketing strategies; setting and adjusting postal rates; establishing, closing and changing the status of postal facilities; planning and managing agential business; planning and supervising the collection, dispatch, transport and delivery of mails; ensuring the safety of mail operations, etc.

- **Department of Philately:**

Developing, planning, promoting and assessing the philately business; developing, designing, manufacturing and selling stamps and philatelic products, etc.

- **Department of Savings and Remittances:**

Drafting operational policy and goals; planning, supervising, promoting and assessing for remittances business and marketing strategies; dealing with investigations of judicial and tax collection agencies, etc.

- **Department of Life Insurance:**

Drafting and overseeing the development plans and operational goals of the company's simple life insurance business; as well as planning, supervising and evaluating its real estate mortgage loan business, etc

- **Department of Property Operations:**

Reviewing, assessing and planning for investment in development project, and postal properties utilization; as well as managing postal properties; assessment, planning and designing as well as making arrangements for specifications of machinery; management and maintenance of postal estates and properties; planning and implementation of postal business automation system.

- **Department of Capital Operations:**

Managing postal capital; managing foreign exchange and overseas investments; trading and managing derivatives, domestic stocks, beneficiary certificates, and so forth.

- **Department of Human Resources:**

Planning, executing and evaluating human resources; drafting and revising regulations governing personnel; managing affairs regarding staff, including examinations, selection, assignment, appointment, discharge, promotion, relocation, upgrading of rank, retirement, pension and severance, etc.

- **Department of Civil Service Ethics:**

Uncover and fight against staff corruption, and handle tips given by informants. Overseen procurement. Protect official confidential information. Prevent sabotage and vandalism, etc.

• **Department of Accounting:**

Analyzing, preparing and auditing the budget and the final account; analyzing, preparing and reporting capital utilization; managing asset accounts and calculating depreciation, amortization and reevaluation; preparing and filing corporate tax and enterprise income tax; development, review of accounting system and accounting process; internal audit; collection, compilation and analysis of statistical data; and announcing financial information.

• **Department of Information Management:**

Researching, analyzing and selecting new IT systems, network, software and hardware equipment; drafting, maintaining and managing of information security strategies, and so forth.

• **Department of Occupational Safety and Health:**

Conducting investigations into accidents and occupational injuries; managing staff health issues; handling related paperwork; managing bookkeeping and safekeeping of securities; providing office building security; procuring materials, providing warehousing, receiving orders and supplies; procuring services, etc.

• **Risk Management Office:**

Drafting and implementing policies for risk management; planning, executing and supervising mechanism of risk management; collecting, arranging, analyzing and controlling information of risk management

## II. Information about Directors, Supervisors, President, Vice Presidents and Managers

### (I) Information about Directors and Supervisors

May 15, 2014

Title	Name	Education	Prime Experience(s)	Date Elected	Other Current position(s)
Director of the Board	Philip W.Ong	Master in Investment and Financial Risk Management, City University of London	Delegation, Taipei Economic and Cultural Center in India FSC New York Office Director	11/4/2013	Chairperson, Chunghwa Post Co., Ltd.
Director of the Board	C.Wang	Department of Commerce, National Taiwan University	Vice President, Chunghwa Post Co., Ltd. Director, Dept. of Capital Operations, CHP	5/11/2012	President, Chunghwa Post Co., Ltd
Director of the Board	I. H Wu	Department of Commerce, National Taiwan University	Director, Dept. of Accounting, Chunghwa Post Co., Ltd.	7/12/2012	1. Vice President, Chunghwa Post Co., Ltd. 2. Supervisor, Chunghwa Telecom Co., Ltd.
Director of the Board	W.H. Chen	Ph.D. in Management Science, State University of New York at Buffalo, USA	Dean, College of Management, NTNU	5/11/2012	Professor in Department and Graduate Institute of Business Administration, NTU
Director of the Board	X. J. Lai	Ph.D. in Management Information Systems, Purdue university	Academic Deputy Dean College of Management National Sun Yat-sen University	12/19/2013	Professor in Department and Graduate Institute of Business Administration, NTU

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Title	Name	Education	Prime Experience(s)	Date Elected	Other Current position(s)
Director of the Board	C.M. Feng	Ph.D. in City and Regional Planning, Northwest University, IL, USA	Director, Institute of Traffic and Transportation, NCTU	5/11/2012	1. Professor, Institute of Traffic and Transportation, NCTU 2. Director of the Board, Vehicle Safety Certification Center
Director of the Board	P.J. Chen	Master of Economics, Yale University, USA	Deputy Director, Economic Research Department, CEPD	5/11/2012	1. Director, Department of Sector Planning, CEPD 2. Supervisor, Metal Research and Development Center
Director of the Board	Y.M. Chen	Graduate Institute of Labor Science, Chinese Culture University	gency, Executive Yuan	3/17/2014	Political Deputy Minister, Ministry of Labor
Director of the Board	Y.X. Cheng	Department of Statistics, NCCU	Director General, Dept. of Economic Research, Central Bank of the Republic of China(Taiwan)	4/3/2014	Research Fellow, Dept. of Economic Research, Central Bank of the Republic of China(Taiwan)
Director of the Board	K.Y. Huang	Master, Institute of Traffic and Transportation, NCTU	Deputy Director, Kaohsiung Harbor Bureau	5/11/2012	Vice President, Taiwan International Ports Corporation Ltd., and President, Kaohsiung Ports
Director of the Board	C. C. Rau	Master, Institute of Statistics, Central University	Special Commissioner, Directorate-General of Budget Accounting, Executive Yuan	5/11/2012	Deputy Director, Department of Statistics, MOTC
Director of the Board	T.Y. Chuang	Department of Land Economics, National Chengchi University	Chief Secretary, Deputy Director, National Property Administration	5/11/2012	Counselor, Ministry of Finance
Director of the Board	C.C. Lin	Dept. of International Trade, Open Business College Affiliated with National Taipei College of Business	Supervisor, Corporate Body of Taiwan Postal Association	5/11/2012	Junior Executive Officer, Planning and Marketing Section, Taipei Post
Director of the Board	W. F. Wu	Department of Business Administration, Tatung College of Business	Director, CPWU	5/11/2012	1. Chairman, Headquarters Branch, CPWU 2. Assistant, Planning and Development Section, General Manager's Office, Chunghwa Post Co., Ltd. 3. Supervisor, Taiwan Postal Association
Director of the Board	H.S. Yang	National Kaohsiung Institute of Technology	Chairman, CPWU Tainan Branch	5/14/2013	1. CPWU Director 2. Taiwan Post Office, Special Mail Division
Supervisor	C. C. Wu	Department of Land Economics, National Chengchi University	Counselor, Executive Yuan	5/11/2012	1. Deputy Director, Department of Transportation, Environment and Resources, Executive Yuan 2. Director, Taiwan Friendship Association
Supervisor	H.Y. Huang	Accounting Section, Department of Accounting and Statistics, Fujen Catholic University	Acting Director of Accounting, Tourism Bureau, MOTC	5/11/2012	Special Commissioner, Dept. of Accounting, MOTC



Title	Name	Education	Prime Experience(s)	Date Elected	Other Current position(s)
Supervisor	J.S. Huang	Master in Statistics, NCCU	Minister, Veterans Affairs Council, Ministry of Education, and Department of Statistics, Ministry of Economic Affairs	7/16/2013	Minister, Directorate-General of Budget, Accounting and Statistics, Executive Yuan

Jan. 1, 2013~ May 15, 2014

Title	Name	Education	Prime Experience (s)	Date Resigned	Note
Director of the Board	F.L. Yu	Master in Management Science, National Chiaotung University	Political Deputy Minister, MOTC Administrative Deputy Minister, MOTC	2/17/2013	Chairperson, Chunghwa Post Co., Ltd.
Director of the Board	K.M. Cheng	Air Force Institute of Technology	Chairman, Taipei Branch, Chunghwa Postal Workers' Union (CPWU)	5/11/2013	Chairman, Chunghwa Postal Workers' Union
Director of the Board	Y.H. Cheng	Department of Chinese, Tamkang University	Senior Secretary, MOTC	7/15/2013	Counselor, MOTC
Supervisor	M.H. Yang	Department of Accounting, National Chengchi University	Chief Executive, Accounting Management Center, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	7/15/2013	Director, Department of General Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan
Director of the Board	J.C. Lee	Ph.D. study in Economics at National Taiwan University	Vice Chairperson, Financial Supervisory Commission	8/8/2013	Chairperson, Chunghwa Post Co., Ltd.
Director of the Board	C.J. Chen	Ph.D. in Civil Engineering, North Carolina State University, U.S.A.	Political Deputy Minister, MOTC	11/4/2013	Chairperson, Chunghwa Post Co., Ltd.
Director of the Board	J.S. Liu	Department of Sociology, Chungsin University	Director of the Board, Chunghwa Post Co., Ltd	11/19/2013	Director of the Board, Chunghwa Post Co., Ltd.
Director of the Board	S.W. Pan	Ph.D. in Industry/ Labor Relations, University of Connecticut, U.S.A.	Chairperson, Workforce Development Agency, Executive Yuan	3/17/2014	Minister, Ministry of Labor, Executive Yuan
Director of the Board	P.Y. Chang	Ph.D. in Economics, National Taiwan University	Associate Professor, Department of Economics, Fugen Catholic University	4/1/2014	Research Fellow, Dept. of Economic Research, Central Bank of the Republic of China(Taiwan)

## 1.Principal Corporate Shareholder

Name of Corporate Shareholder	Principal Corporate Shareholder
Ministry of Transportation and Communications	This provision does not apply since Chunghwa Post Co., Ltd. is a 100% state-owned enterprise.

## 2. Information about Directors and Supervisors

May 15, 2014

Name	Qualification	5 years experience in the field of business, law, finance, or banking	1	2	3	4	5	6	Notes
Philip W.Ong		V	V	V	V	V	V	V	

## IV. Corporate Governance Report

Name	Qualification	5 years experience in the field of business, law, finance, or banking	1	2	3	4	5	6	Notes
C. Wang		V	V	V	V	V	V	V	
I.W. Wu		V	V	V	V	V	V	V	
W.H. Chen		V	V	V	V	V	V	V	
C. M. Feng			V	V	V	V	V	V	
X.J. Lai			V	V	V	V	V	V	
B.R. Chen		V	V	V	V	V	V	V	
T.Y. Chuang			V	V	V	V	V	V	
Y.M. Chen			V	V	V	V	V	V	
Y.X. Cheng		V	V	V	V	V	V	V	
C.C. Rau		V	V	V	V	V	V	V	
K.Y. Huang		V	V	V	V	V	V	V	
C.C. Lin			V	V	V	V	V	V	
W.F. Wu			V	V	V	V	V	V	
H.S. Yang		V	V	V	V	V	V	V	
C. C. Wu			V	V	V	V	V	V	
X. Y. Huang		V	V	V	V	V	V	V	
J.S. Huang		V	V	V	V	V	V	V	

Note:

1. Neither an employee of the company, a director, supervisor, nor employee of an affiliated enterprise.
2. Neither directly or indirectly, owns more than 1% of Chunghwa Post's outstanding shares, nor a top-ten individual shareholder.
3. Neither the spouse nor an immediate relative of a person specified in Notes (1) and (2).
4. Neither a director, supervisor, employee of a legal person shareholder who, directly or indirectly, owns more than 5% of Chunghwa Post's outstanding shares, nor a director, supervisor, or employee of a legal person shareholder who is a top-five shareholder of Chunghwa Post Co., Ltd..
5. Neither a director, supervisor, manager of a company or institution doing business or having a financial relationship with the company, nor a shareholder holding 5% or more of the company's outstanding shares.
6. Neither a professional, an owner, partner, board director, supervisor, manager, nor a spouse of any of the above-mentioned of a company or institution that had provided financial, business, or legal services to the company in the most recent fiscal year.

### (II) President, Vice Presidents, and Senior Management

Title	Name	Education	Prime Experience (s)	Date Elected	Other Current Positions	Notes
President	C. Wang	Dept. of Commerce, National Taiwan Univ. (NTU)	Vice President, Chunghwa Post Co., Ltd. (CHP) Director, Capital Operations Dept., CHP	5/11/2012	Director of the Board, CHP	
Assistant President	C.Y. Yeh	Dept. of Law, National Chung Hsing Univ.	Associate General Manager, CHP	7/16/2014	1. Director of the Board, CHP 2. Director, Chunghwa Express Co., Ltd.	Manager, Taipei Post Office starting July, 16 2014

Title	Name	Education	Prime Experience (s)	Date Elected	Other Current Positions	Notes
Vice President	Y.J. Wu	Master in Business Administration, Tatung Institute of Technology	Director, Capital Operations Dept., CHP	6/27/2012	1. Administrative Supervisor, Corporate Body of Taiwan Postal Association 2. Supervisor, Taiwan Fertilizer Co., Ltd.	
Vice President	S.J. Chen	Dept. of Chinese Literature, National Chung Hsing University	Chief Secretary, CHP Manager, Kaohsiung PO	1/16/2014	1. Director, Chunghwa Express Co., Ltd. 2. Director of the Board and Chairperson, Corporate Body of Taiwan Postal Association	Former Vice President T.D. Chen retired on January 16, 2014
Vice President	J. T. Chiang	Dept. of Law, NTU	Chief Secretary, CHP	7/16/2014	Commerce Development Research Institute	Former Vice President I.H. Wu retired on July 16, 2014
Vice Chairperson	J.C. Chou	Dept. of Journalism, Chinese Culture University	Manager, Panchiao PO	7/16/2014	Director, Chunghwa Express Co., Ltd.	Former Vice Chairperson C.R. Tsai resigned on December 24, 2013
Auditor General	L.Q. Chen	Department of Business Administration, NCCU	Director, Dept. of Occupational Safety and Health	1/16/2014		
Chief Secretary	G.T. Yang	Dept. of Political Science, Tunghai University	Manager, Taipei PO	7/16/2013	Supervisor, Cathay United Bank Corporation	J.T. Chiang ceased to be Chief Secretary and remained as a Vice President on July 16, 2014
Director, Dept. of Mail Business & Operations	G.X. Li	Chemical Engineering Department, Tamkang University	CHP Special Commissioner and concurrently serves as acting Deputy Director, Dept. of Mail Business & Operations	8/31/2012	1. Director, Chunghwa Express Co., Ltd. 2. Director, Corporate Body of Taiwan Postal Association	
Director, Dept. of Philately	L.L. Jian	Master of International Business, Tamkang University	Manager, Keelung PO	7/16/2014		Susan Lan ceased to be Director, Dept of Philately and remained as Manager, Panchiao PO on July 16, 2014
Director, Dept. of Savings & Remittances	S.M. Wang	Master of Computer Science, Asian Institute of Technology, Thailand	Director, Dept. of Information Management, CHP	1/16/2013		
Director, Dept. of Life Insurance	C.Y. Guo	Master in Law, Soochow University	Member of Strategic Planning Committee	7/18/2014		Former Director C.H. Chen retired on July 18, 2014
Director, Dept. of Property Operations	W.Q. Tsai	Master in Mechanical Engineering, NTU	Director, Dept. of Property Operations	1/16/2014	Director of the Board, Corporate Body of Taiwan Postal Association	Former Director C.I. Lin retired on July 16, 2014
Director, Dept. of Capital Operations	Y.K. Pan	Master in Finance, NTU	Deputy Director, Dept. of Capital Operations, CHP	7/2/2012	Supervisor, Corporate Body of Taiwan Postal Association	

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Title	Name	Education	Prime Experience (s)	Date Elected	Other Current Positions	Notes
Director, Dept. of Human Resources	J.H. Qiu	School of Law, NCCU	Director, Dept. of Human Resources	7/16/2014		Dept. of Personnel renamed to Dept. of Human Resources on May 21, 2014 Former Director H.L. Chen retired on July 16, 2014
Director, Dept. of Civil Service Ethics	Z.P. Lu	Special Study Program, Military Police School	Director, Dept. of Civil Service Ethics	7/16/2014		Former Director C.C. Chang retired on July 16, 2014
Director, Dept. of Accounting	J.R. Wang	Dept. of Business, Providence University	Director, Dept. of Accounting	7/16/2014	Director of the Board, Administrative Supervisor, Corporate Body of Taiwan Postal Association	Former Director N.L. Wang retired on July 16, 2014
Director, Dept. of Information Management	S.D. Chen	Department of Library, Fugen Catholic University	Deputy Director, Dept. of Information Management	1/16/2013		
Director, Dept. of Occupational Safety and Health	C.Y. Jiang	Dept. of Social Sciences, National Open University	Deputy Manager, Taipei PO	1/16/2014	Director of the Board, Administrative Supervisor, Corporate Body of Taiwan Postal Association	Former L.Q. Chen promoted to be the Chief Auditor on January 16, 2014
Chief Risk Officer	W.P. Liu	Department of Public Administration, Chengchi University	Chief Auditor, CHP	9/1/2012		
Manager, Taipei PO	C.Y. Yeh	Dept. of Law, National Chung Hsing University	Vice President	7/16/2014	1. Director of the Board. 2. Director, Chunghwa Express Co., Ltd	Former Manager G.T. Yang promoted to be Chief Secretary on July 16, 2014
Manager, Taichung PO	C.J. He	Dept. of Public Administration, National Open University	Depute Manager, Taichung PO	1/16/2014		Former Manager J.T. Chiang promoted to be Chief Secretary on January 16, 2014
Manager, Kaohsiung PO	C.D. Tsai	Dept. of Business Administration, Soochow University	Chief Auditor, Tainan Auditing Section, Dept. of Auditing	1/6/2014		Former Manager C.C. Chang retired on January 16, 2014
Manager, Panchiao PO	Susan Lan	Int'l Relations Sub-division, Dept. of Political Science, NTU	Director, Dept. of Philately	7/16/2014		Former Manager J.C. Chou promoted to Special Vice Chairperson
Manager, Sanchung PO	T.C. Kuo	Master in Risk Management and Insurance, National Kaohsiung First University	Manager, Pingtung PO	1/16/2014		Former Manager S.F. Hsiao retired on January 16, 2014
Manager, Taoyuan PO	C.H. Ku	Dept. of International Trade, Open Business College Affiliated with National Taipei College of Business	Manager, Chungli PO	3/1/2013		



Title	Name	Education	Prime Experience (s)	Date Elected	Other Current Positions	Notes
Manager, Keelung PO	Z.H. Xu	Master of Public Administration, National Chung Hsing University	Manager, Miaoli PO	7/16/2014		Former Manager L.L. Jian promoted to be Director, Dept. of Philately on July 16, 2014
Manager, Changhwa PO	H.E. Chiu	Master in Public Administration, Dominican University USA	Manager, Taitung PO	7/6/2012		
Manager, Hsinchu PO	Z.A. Liao	Master in Accounting, NCCU	Chief Auditor, Dept. of Auditing	7/16/2014		Former Manager C.Y. Sun transferred and remained as member of Strategic Planning Committee on July 16, 2014
Manager, Chiayi PO	Y.H. Wang	Dept. of Business Administration, Tunghai University	Manager, Keelung PO	1/16/2013		
Manager, Tainan PO	J. Y. Zeng	Department of Economics, Fugen Catholic University	Manager, Kaohsiung PO	7/16/2013		
Manager, Yilan PO	S.F. Yang	Master in Management, Ming Chuang University	Vice Auditor (I), Panchiao Audit Section, Dept. of Auditing	1/16/2014		Former Manager M.S. Shue promoted to be Manager, Taipei PO on January 16, 2014
Manager, Miaoli PO	L.H. Peng	Dept. of International Business, Soochow University	Director, Dept. of Occupational Safety and Health	7/16/2014		Former Manager Z.H. Xu promoted to be Manager, Keelung PO on July 16, 2014
Manager, Nantou PO	X.C. Chen	School of Law, Fugen Catholic University	Director, Labor Safety (General Affairs) Section, Taichung PO	1/9/2014		Former Manager Y.C. Chang promoted to be Vice Manager, Taichung PO on January 16, 2014
Manager, Yulin PO	T.B. Shi	Master in Accounting & Information Technology, National Chung Cheng University	Vice Manager, Changhwa PO	7/16/2013		
Manager, Xinying PO	L.J. Huang	Dept. of Business Administration, National Cheng Kung University	Chief, Business Administration Section, Taichung PO	7/11/2013		Former Manager L.S. Du transferred to be Manager, Kaohsiung MPC on July 11, 2013
Manager, Pingtung PO	H.L. Wu	Master in Entrepreneur Management, DaYeh University	Manager, Penghu PO	1/16/2014		Former Manager T.C. Kuo transferred to be Manager, Sanchung PO on January 16, 2014

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Title	Name	Education	Prime Experience (s)	Date Elected	Other Current Positions	Notes
Manager, Hualien PO	J.W. Jiang	Dept. of Business, National Open University	Director, Business Development Section, Dept. of Mail Business & Operations	1/16/2014		Former Manager T.M. Chang transferred to Labor Safety Section, Taipei MPC on January 16, 2014
Manager, Taitung PO	R.H. Li	Dept. of Mechanical Engineering, Kaohsiung Polytechnic Institute (now known as National Kaohsiung University of Applied Sciences)	Director, Mail and Business Operation Section, Kaohsiung PO	7/16/2014		Former Director C.L. Tsai retired on July 16, 2014
Manager, Penghu PO	K.Y. Tsai	Dept. of Business Administration, Fugen Catholic University	Director, Labor Safety (General Affairs) Section, Kaohsiung PO	1/6/2014		H.L. Wu ceased to be Manager and was transferred as Manager, Pingtung PO on January 16, 2014
Director, Taipei MPC	R. Q. Yang	Master in Management Science, National Chiao Tung University	Deputy Director, Taipei MPC	7/16/2013		
Director, Taichung MPC	J.S. Wu	Dept. of Social Sciences, National Open University	Manager, Miaoli PO	11/7/2012		
Director, Kaohsiung MPC	L.S. Du	Open Junior College of Commerce, National Cheng Kung University	Manager, Xinyin PO	7/11/2013		

### (III) The Remuneration of the Members of the Board, Supervisors, President and Vice Presidents in the Last Fiscal Year

#### 1. The Remuneration of the Members of the Board

Jan. 1, 2013 – Dec. 31, 2013 (Currency: NT Dollars)

Title	Name	Salary	Bonus	Part-time Job Pay	Distribution of Net Earnings	Percent of Net Earnings (%)	Others
Chairperson	Philip W.Ong (Note 1)	7,698,118	2,965,945	938,911	-	-	738,378
Acting Chairperson	C.J. Chen (Note 1)						
Chairperson	J.C. Lee (Note 1)						
Chairperson	Y.L. Yu (Note 1)						
Director of the Board	C. Wang (Note 1)						
Director of the Board	I.H. Wu (Note 1)						
Director of the Board	C.C. Liu						
Director of the Board	C.M. Feng						
Director of the Board	W.H. Chen						
Director of the Board	B.R. Chen						
Director of the Board	P.Y. Chang						
Director of the Board	S.W. Pan						
Director of the Board	T.Y. Chuang						
Director of the Board	K.Y. Huang						
Director of the Board	Y.H. Cheng						
Director of the Board	C.C. Rau						
Director of the Board	X.J. Lai						
Director of the Board	Cheng (Note 1)						
Director of the Board	H.S. Yang (Note 1)						
Director of the Board	C.C. Lin (Note 1)						
Director of the Board	W.F. Wu (Note 1)						

The Remuneration Gaps Among the Members of the Board	Name of Directors
Below NT\$2,000,000	C.C. Liu, W.H. Chen, C.M. Feng, P.Y. Change, X.J. Lai, T.Y. Chuang, K.Y. Huang, Y.H. Cheng, P.R. Chen, C.C. Rau, S.W. Pan, F.L. Yu, J.C. Lee, W.Q. Ong, K.M. Cheng, W.F. Wu, C.C. Lin, H.S. Yang
NT\$2,000,000 (including) NT\$5,000,000	C. Wang, I.H. Wu
Total	20

Note 1: Chairperson F.L. Yu, Chairperson J.C. Lee, Chairperson W.Q. Ong, and Directors C. Wang, K.M. Cheng, H.S. Yang, C.C. Lin, and W.F. Wu received only salaries and no honorariums. Director C.J. Chen held the concurrent position as President, whose prime position is the Deputy Minister of MOTC and did not receive honorariums.

2: Chairperson F.K. Yu was discharged on February 17, 2013. Chairperson K.M. Cheng was discharged on May 11, 2013. Director Y.H. Cheng was discharged on July 15, 2013. Chairperson J.C. Lee was discharged on August 8, 2013. Chairperson C.J. Chen was discharged on November 4, 2013. Director C.C. Liu was discharged on November 19, 2013.

3: As a government-operated enterprise and with the government holding 100% of the shares, the company does not distribute earnings, employee bonuses and stock options.

4: Bonuses are temporary estimates.

## IV. Corporate Governance Report

### 2. The Remuneration of Supervisors

Jan. 1, 2013 – Dec. 31, 2013 (Currency: NT Dollars)

Title	Name	Part-time Job Pay	Remuneration from Distribution of Net Earnings	Total	Percentage of Net Earnings (%)	Others
Supervisor	C.C. Wu	288,000	—	288,000	—	—
Supervisor	J.S. Huang					
Supervisor	X.Y. Huang					
Supervisor	M.H. Yang					

Remuneration Gaps Among Supervisors	Name of Supervisors
Below NT\$2,000,000	C.C. Wu, J.S. Huang, X.Y. Huang, M.H. Yang
NT\$2,000,000 (including) NT\$5,000,000	—
Total	4

Note: Supervisor M.H. Yang was discharged on July 15, 2013

### 3. The Remuneration of President and Vice Presidents

Jan. 1, 2013 – Dec. 31, 2013 (Currency: NT Dollars)

Title	Name	Salary	Bonus	Total	Percentage of Net Earnings (%)	Others
President	C. Wang	8,490,840	3,113,308	11,604,148	—	749,586
Vice President	I.H. Wu					
Vice President	C.T. Chen					
Vice President	C.Y. Yeh					
Vice President	Y.J. Wu					

Note: 1. As a government-operated enterprise and with the government holding 100% of the shares, the company does not distribute earnings, employee bonuses and stock options.

2. Bonuses are temporary estimates

The Remuneration Gaps Among President and Vice Presidents	Name of President and Vice Presidents
Below NT\$2,000,000	
NT\$2,000,000 (including) NT\$4,999,999	C. Wang, C.T. Chen, I.H. Wu, C.Y. Yeh, Y.R. Wu
NT\$5,000,000 (including) NT\$10,000,000	-
Total	5

### III. Governance and Operations

#### (I) Board Meetings

Director and Supervisor Attendance of 10 Board Meetings for 2013:

Title	Name (Note 1)	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note 2)	Notes
Chairperson	F.L. Yu	1	0	100	Discharged on February 17, 2013; required to attend once
Chairperson	J.C. Lee	4	0	100	Assumed office on February 18, 2013; Discharged on August 7, 2013; required to attend 4 times
Acting Chairperson	C.J. Chen	3	0	100	Assumed office on August 8, 2013; discharged on November 3, 2013; required to attend 3 times
Chairperson	Philip W.Ong	2	0	100	Assumed office on November 4, 2013; required to attend 2 times
Director of the Board	C.Wang	9	1	90	
Director of the Board	I.H. Wu	8	2	80	
Director of the Board	C.Y. Chuang	9	1	90	
Director of the Board	B.R. Chen	10	0	100	
Director of the Board	B.Y. Chang	10	0	100	
Director of the Board	Y.H. Cheng	4	1	80	Retired on July 15, 2013; required to attend 5 times
Director of the Board	S.W. Pan	2	3	40	Assumed office on August 6, 2013; required to attend 5 times
Director of the Board	K.Y. Huang	7	3	70	
Director of the Board	C.C. Rau	10	0	100	
Director of the Board	W.H. Chen	10	0	100	
Director of the Board	C.C. Liu	9	0	100	Resigned on November 19, 2013; required to attend 9 times
Director of the Board	X.J. Lai	1	0	100	Assumed office on December 19, 2013; required to attend once
Director of the Board	X.J. Lai	10	0	100	
Director of the Board	K.M. Cheng	4	0	100	Resigned on May 11, 2013; required to attend 4 times
Director of the Board	H.S. Yang	6	0	100	Assumed office on May 14, 2013; required to attend 6 times

## IV. Corporate Governance Report

Title	Name (Note 1)	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note 2)	Notes
Director of the Board	W.F. Wu	10	0	100	
Director of the Board	C.C. Lin	10	0	100	
Supervisor	C.C. Wu	8	2	80	
Supervisor	M.H. Yang	5	0	100	Resigned on July 15, 2013, required to attend 5 times
Supervisor	J.S. Huang	5	0	100	Assumed office on July 16, 2013; required to attend 5 times.
Supervisor	X.Y. Huang	9	1	90	

### Others:

I. Any matter listed in Article 14-3 of Securities and Exchange Act as well as any recorded board resolution for which an independent director has a dissenting opinion or qualified opinion should be noted in the minutes, detailing its date, term, issue, all opinions of the independent director(s) and how the company handles it.

II. In the event that a director has to avoid voting on a resolution because of a conflict of interest, the name of the director, the content of the resolution, reasons and the result of the vote should be noted.

III. Goals (such as setting up an audit committee and raising information transparency) of the board for the year and the closest fiscal year as well as evaluation of its work.

Note: 1. When a board director or a supervisor works for a legal person, the legal person's name (company name) and the name of its responsible person should be disclosed.

2. By the end of a year, the dates of any board directors or supervisors' resignations and their actual attendance rate should be noted.

## (II) Governance and Operation of the Company as well as Its Divergence from Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and Reasons

Item	Status of Operation	Divergence from Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and reasons
<b>I. Equity Structure and Shareholder Rights</b> (1) How the company handles shareholder suggestions and disputes (2) Company's control of the list of its major shareholders and final decision-makers (3) How the company establishes its risk-management mechanism and firewalls involving related enterprise	(1) The company is neither a public-listed nor an OTC company. Therefore, the company has not issued stock. (2) The company is a state-run corporation with MOTC as its sole share holder. (3) The company has no affiliated enterprises as prescribed in Article 369-1 of the Company Act.	The company establishes internal control system and overall auditing system in accordance with the "Implementation Rules of Internal Audit and Internal Control System for Enterprises" promulgated by the Ministry of Finance by setting up the Department of Auditing at the Board of Directors to execute the auditing business and implement the internal control system as an independent surveyor.
<b>II. Organization and Responsibilities of the Board of Directors</b> (1) Establishment of independent directors (2) Regular assessment by independent CPA	(1) None designated at present. (2) Company auditors are hired in accordance with the Government Procurement Law. The contract is reviewed on a yearly basis.	The state-owned CHP is 100% owned by the government, and all directors are appointed by the MOTC. The board of directors consists of 11 to 15 members in accordance with the company's articles of incorporation. One fifth of the board directors had special expertise, providing professional opinions and enhancing the professionalism and independence of the board. One fifth of the board members represented the employees, bringing input from below, serving the functions of communication, coordination and monitoring.

Item	Status of Operation	Divergence from Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies and reasons
III. Organization and Responsibilities of the Panel of Supervisors (1) Establishment of independent supervisors (2) Communications between company employees and supervisors	(1) None designated at present. (2) Corporate supervisors are invited to attend all board meetings; corporate supervisors may, at any time, investigate the company's business and financial situation, and audit the company's accounts and paperwork.	(1) The state-owned CHP is 100% owned by the government, and all supervisors are appointed by the MOTC. (2) The board of the company had 3 supervisors, who monitored the financial situation and the execution of the company's business in accordance with the law and the company's articles of incorporation.
IV. Establishing Communications Channels with Related Parties	Customers may write to the company through the email box on its website or call its toll free customer hotline for suggestions, complaints or disputes.	
V. Disclosure of Information (1) Disclosure of financial situations and status of corporate governance through company website. (2) Other means of information disclosure (such as an English website, assigned personnel in charge of collecting and disclosing information, implementation of spokesman system, shareholder meeting records on company's website, etc.)	(1) The company has set up a global website to disclose company information. (2) The company has issued "Guidelines for Chunghwa Post Press Releases" as the collective principle for all public comments.	
VI. Status of Operations for the Company's Audit Committee, etc.	No Audit Committee or similar function committee has been set up at present time.	In accordance with Regulations Governing the Internal Controls and Audit Systems for Postal Remittances and Savings proclaimed by the MOTC and the MOF, and Regulations Governing the Internal Controls and Audit Systems for Insurance Industry proclaimed by the Financial Supervisory Commission, the company has established an internal control system, an audit system and a department of auditing under the board to impartially conduct audit and truly implement the internal control system.
VII. The company's governance and operation, and the differences and reasons for deviations from the Corporate Governance Best-Practice Principles for Banks: (see above)		
VIII. Other important information that is helpful for the understanding of the governance of the company (such as training of the directors and supervisors, status of director attending and supervisor presenting the Board of Director Meeting, implementation of risk management policies and risk measurement standards, implementation of consumers or customers protection policies, directors' avoidance of conflicts of interests, company's purchase of liability insurance for the directors and supervisors, and other social responsibilities)		

#### 1. Status for Further Study for Directors and Supervisors in 2013

Courses Given by	Date of Training	Course Title	Courses Taken By
Chinese National Association of Industry and Commerce	5/16/2013	Analysis of Key Provisions of Company Act	J.C. Lee, Y.H. Cheng, P.R. Chen

## IV. Corporate Governance Report

Courses Given by	Date of Training	Course Title	Courses Taken By
Chinese National Association of Industry and Commerce	5/17/2013	1. Corporate Governance and Risk Management 2. Precautions for Board of Directors and Shareholder Meetings	C.C. Rau, P.Y. Chang, C.C. Lin, X.Y. Huang
Taiwan Securities Association	7/17/2013	IFRS based Fixed and Intangible Asset Accounting Processing	P.R. Chen, X.Y. Huang, H.S. Yang
ROC Securities & Futures Institute	7/26/2013	Criminal Legal Risks and Responses of Directors and Supervisors – A Case study of major corporate frauds	Philip W.Ong
ROC Securities & Futures Institute	8/7/2013	Make corporate management decisions using financial information	Philip W.Ong
Taiwan Securities Association	8/14/2013	Responses and Countermeasures for Enterprises under Fluctuations in Foreign Exchange Rate	P.R. Chen, H.S. Yang, C.C. Lin
ROC Securities & Futures Institute	8/16/2013	Trend of Development in Corporate Corruption and Preventions	Philip W.Ong
Taiwan Corporate Governance Association	9/10/2013	Introduction to IFRS and its impact on the financial report of listed companies	C. Wang
Taiwan Securities Association	9/11/2013	Frequent Disputes and risk response to investments made by Taiwanese companies in China	P.R. Chen, H.S. Yang
Taiwan Corporate Governance Association	9/13/2013	The game of rebirth for Taiwanese companies	Philip W.Ong
ROC Securities & Futures Institute	9/25/2013	Specification and Analysis of Practical Cases of Listed Company Insiders Manipulation of Market Behaviors	Philip W.Ong
Ministry of Labor, Executive Yuan	9/30/2013-10/1/2013	2013 Labor and Director Knowledge Training Seminar	W.F. Wu, H.S. Yang, C.C. Lin
Taiwan Corporate Governance Association	10/8/2013	Green/Sustainable Social Responsibilities and Competitive Advantages	C. Wang
Taiwan Securities Association	10/16/2013	Understanding Anti-trust and Intellectual Property for Enterprises	P.R. Chen, H.S. Yang
Taiwan Securities Association	11/6/2013	Listing Practices in Taiwan for Overseas Companies	H.S. Yang
Taiwan Securities Association	11/7/2013	Introduction to the latest taxation laws which enterprises should pay more attention	H.S. Yang
ROC Securities & Futures Institute	12/6/2013	Legal responsibilities and risks faced by Taiwanese companies in management under globalization	T.Y. Chuang
Taiwan Securities Association	12/11/2013	Legal Responsibilities and Case Analysis of Falsified Financial Statements	P.R. Chen, X.Y. Huang, H.S. Yang, C. Wang

2. Regarding risk management: in accordance with the regulations set by its competent authorities, the company has assessed its operational risk and urged all operational departments to take necessary measures. To ensure the effectiveness of its promotion of its risk management policies, all operational departments are required to submit a quarterly report on the execution of its risk management work, which will be submitted to the company's risk management committee periodically.

3. In accordance with the company's articles of incorporation, a member of the company's board directors shall not vote in any resolution where there is a conflict of interest or duties.
4. All senior management and departments of the company operate in accordance with the company's division of work chart.

### (III) Social Responsibility Fulfillment:

Item	Operation Status
<b>I. Promotion of corporate governance</b> 1. The company formulates the social responsibility policy or system and review results of it  2. The establishment of dedicated (concurrently responsible) unit for promoting the social responsibilities of the company.  3. The company holds business ethics trainings and promotion campaigns for directors, supervisors and employees regularly and incorporates them into the performance appraisal and set up a clearly-defined and effective rewarding and disciplinary system	1. Provision of postal universal service with successful effect. (1) Provision of uniform and reasonable single-rate and nationwide service quality with excellence. (2) Provision of real-time, reliable and efficient services and adequate postal service facilities. A. Wide setup of post boxes: There were a total of 12,989 post boxes being set up at the end of 2013. B. Wide setup of postal establishments: There were 1,325 major establishments, 668 postal agencies, 595 stamp sales agencies, total 2,588 establishments. (3) Provision of "uneconomical postal use area" service. Same kinds of services were provided urban and rural regions, offshore islands and remote areas. There were about 350 post offices in the uneconomical postal service areas around the country. 2. A total of over NT\$1,597.7 billion dollars of postal capital were provided to support major government development projects and private investment financing. 3. The Social Welfare Postage Allowance Measures, Principles of Grants(Donations) to Civil Groups and Individuals and Operation Measures of Grants (Donations) to Life Insurance Groups and Philately Groups were developed and implementation was successful.  General Manager's Office was in charge of promotion.  1. The directors and supervisors participated in the training courses 2013 provided by Taiwan Corporate Governance Association, Chinese National Association of Industry and Commerce, ROC Securities & Futures Institute, Taiwan Insurance Institute and Council Of Labor Affairs Executive Yuan, totaling 34 persons/times. 2. Produced digital courses of business ethics, management ethics and service ethics, which were placed on the learning website "Postal eUniversity" for convenient study by the employees. 3. Employees with a credit for observance of business ethics may participate in the selection of outstanding postal service personnel or MOTC exemplary public servants through the recommendation of the unit superiors.
<b>II. Development of a sustainable environment</b> 1. The company's efforts to improve the efficiency of energy use and use of renewable materials with low burden and impact on the environment.  2. The establishment of environment management system by the company based on its industrial characteristics.	In line with the government's green procurement policy, the 2013 environment-friendly products procurement rate was 95.4%, exceeding the annual goal (90%).  Cleaning, waxing, sterilization and epidemic prevention work were conducted regularly in the offices. Waste cleanup, caring for garden and potted plants and flowers, as well as office environment beautification were performed as well.

## IV. Corporate Governance Report

Item	Operation Status
3. The establishment of dedicated environment management system or appointment of dedicated environment management personnel by the company to protect the environment.	In addition, the company assigned personnel in charge of the environment cleaning management, sterilization and epidemic prevention for the workplace of office. All CHP employees also took four hours of environmental training in 2013 to enhance employees' environmental ethics and responsibility.
4. The attention paid to the effects of climate change on the environment and formulation of energy saving and green house gas reduction strategy by the company.	The company formulated energy conservation strategies (four fields of conservation) with strict implementation accordingly. Power and water consumptions in 2013 were reduced by 24,195,342 and 154,272 in reading, down 16.29% and 19% respectively, compared to 2009. Fuel consumption of official vehicle for administration was reduced by 15,041 liters, down 21.87%, compared to 2012. Fuel consumption of official vehicle for postal service was increased by 17,412 liters, up 1.09%, compared to 2012. The paper purchased was reduced by 421,933 sheets, down 11.93%, compared to 2012.
III. Maintenance of public interest	
1. The compliance with labor laws and regulations for protection of the employees' legal rights and establishment of proper management methods and process by the company.	<ol style="list-style-type: none"> <li>1. The legal rights of the postal service employees are provided in the laws and regulations.</li> <li>2. To protect the rights of Chunghwa Post Co., Ltd. and the members of Chunghwa Postal Workers' Union, a group agreement was entered in accordance with the Group Agreement Law.</li> </ol>
2. Provision of safe and healthy work environment and regular safety and health education to the employees.	<ol style="list-style-type: none"> <li>1. To draw up management plan and implement the plan in accordance with provisions of the "Occupational Safety and Health Act."</li> <li>2. To cooperate with the Environmental Protection Agency with the promotion of "Clean Up Taiwan Multi-tiered Mobilization," the company regularly checked the implementation of the project at each post office and requested each office to increase participation in the community environmental protection and the surrounding neighborhood to keep the environment clean.</li> <li>3. Chunghwa Post Co., Ltd. regularly organizes labor safety and health trainings each year to reduce occupational disasters and performs health examinations in accordance with the regulations to protect the employee health.</li> </ol>
3. Development and publication of consumer rights policy and provision of transparent and effective consumer complaint procedure for the products and services by the company.	<ol style="list-style-type: none"> <li>1. The "Consumer Information Section" is set up in the official company website to provide information on consumer rights and services.</li> <li>2. The post office is linked with the anti-scam hotline (165) to provide latest information on scam prevention on the exchange rate signboard.</li> <li>3. T company has developed all types of standard agreements conforming to the regulations of the competent authorities.</li> <li>4. The customer service center provides 24-hour services to immediately answer customer complaints and suggestions regarding the postal service online and fax the issues to the related units and reply to the customers on the handling of the issues.</li> </ol>
4. Cooperation with suppliers to promote social responsibilities by the company.	Regarding agential business, CHP has set a certain standard on consignment vendor's period of establishment, capital sum and turnover. In addition, review of consignment products must comply with provisions of Commodity Labeling Act, Act Governing Food Sanitation and other related laws and regulations made by the government. Most of the commodities are required to obtain relevant certification or to pass inspection. Random sampling inspection shall be conducted from time to time annually after commodities are put on shelf for sales in order to protect rights and interests of consumers
5. Participation in community development, and charity organization activities through donations, volunteer service or other free services by the company.	<ol style="list-style-type: none"> <li>1. The company continued to promote the "Charities Postage Discount Program" to help the disadvantaged groups. In 2013 a total of NT\$8.48 million dollars of discount was offered.</li> <li>2. The company continued to promote the "Post Office Care for Elderly Living Alone" by encouraging the postmen to care for the life of the elderly living alone during their mail delivery duties. A total of 52,484 people have been served by the postmen in 2013.</li> <li>3. The company charges no service fee for disaster relief funds remitted through the accounts set up by the Ministry of Interior Affairs on a long-term basis.</li> </ol>

Item	Operation Status
	<ol style="list-style-type: none"> <li>A total of five voice-operated ATM machines for visually impaired people were set up to provide 24-hour convenient services.</li> <li>As of December 2013, a total of 617 ATM machines complying with barrier-free access functions had been installed.</li> <li>A caring for the community event “Your best neighbor to the community. Postal Office is your best friend.” was organized. Each post office was enthusiastic in holding various activities for public welfare, including hill cleaning, beach cleaning, charity bazaar, music appreciation, volunteer medical consultation and hiking, in addition to caring for family support centers and low-income families.</li> <li>The company sponsored a nationwide blood donation activity on “Postal Life Insurance Donation Month for Compassion in Winter” from Feb. 21 to Mar. 20, 2013 and collected a total of 29,288 units (250ml per unit) of fresh blood.</li> <li>The company offered a “Scholarship for the Children of Postal Life Insurance Policy Holders” program from April. 1 to April 30, 2013, giving out a total value of scholarships approximately NT\$4.8 million and as many as 2,868 children receiving the grant.</li> <li>The company held a nationwide “2013 Postal Insurance Policy Drawing Contest for Children” from April 1 to October 31, 2013, collecting a total of 5,532 pieces of work. Winning drawings were compiled into a pictorial for appreciation and collection.</li> <li>The company sponsored the “2013 Postal Cup Table Tennis Tournament for the Handicapped” on June 9, 2013, with 20 teams consisting of 158 players and staff participating in the event.</li> </ol>
IV. Information disclosure reinforcement through means used by the company to disclose critical and reliable information regarding social responsibilities.	<ol style="list-style-type: none"> <li>All the information was posted in all the operation premises in posters and foldouts and published in the official company website.</li> <li>The company set up the “Public Interest Network” in the official website to assist fundraising by public interest groups.</li> <li>The company published the Social Welfare Postage Allowance Measures, Principles of Grants (Donations) to Civil Groups and Individuals and Operation Measures of Grants (Donations) to Life Insurance Groups and Philately Groups.</li> </ol>
V. A description is needed for any product or corporate social responsibility report passing the verification standards of related certification bodies.	<ol style="list-style-type: none"> <li>For electric mails printing and packaging, the company continued passed the second review of ISO27001 for information security which was conducted semiannually.</li> <li>The Customer Service Center passed the ISO 9001:2008 Quality Control System certifications and obtained the certificate.</li> <li>The “Banking Operation System” received BS7799 information security accreditation in February 2005 and was upgraded to ISO 27001 in January 2007 and accreditation scope expanded to the Taichung backup center on November 27, 2009. The center passed the second review and certification has remained effective.</li> </ol>
VI. Other important information (protecting the interests of consumers) helped understand corporate social responsibility practices.	<p>Due to the implementation of “Personal Information Protection Act,” “The first phase of personal information protection management system” is established to strengthen personal information protection system of savings, life insurance, postmail business and its related information operations. The system has passed BSI's (British Standards Institution) BS10012:2009 Personal Information Management System certification.</p>

#### (IV) Fulfillment of Honest Operation and Measures Taken:

To prevent corruption and ensure implementation of anti-corruption measures by the company and create a business culture of integrity for sound operation, the company established the “Chunghwa Post Ethical Operation Process and Behavior Guidelines” and “Ethical Chunghwa Post Best Practice Principles” with a reference to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.”

### (V) Disclosure of Corporate Governance Best-Practice Principles and How to Locate Relevant Regulations:

Make disclosures on the company's website in accordance with Corporate Governance Best-Practice Principles for Banks.

### (VI) Disclosure of Important Information about the Governance and Operations of the Company:

Disclosed in the company's website.

### (VII) Implementation of Internal Control System

#### 1. Establishment and implementation of internal control system

Internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The company has established an internal control system. An internal control system has its own limitations, and no matter how well it is designed, effective internal control systems can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and situations of a company changes, the effectiveness of its internal control system will change with it. However, the company's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company shall take action to correct it immediately.

#### 2. Implementation of internal and external audit system

The purpose of internal audit system is to objectively assist the board of directors and the company's management team in inspecting and evaluating the performance of its internal control system and make timely suggestions to ensure its continual effectiveness.

In 2013, in accordance with Regulations Governing the Internal Controls and Audit Systems for Insurance, Regulations Governing the Internal Audit System of Chunghwa Post Co., Ltd. and the 2013 Audit Plan, the company audit department performed 1,357 general audits and 1,681 case audits on the 13 departments, 3 mail processing centers, 20 responsibility center offices and 1,322 branches. In addition, 2,751 audits were performed on cash on hand on business units. 160 audits were conducted for international exchanges, foreign currencies and RMBs. In addition, the department has, in accordance with regulations, submitted reports to the board of directors and continued to conduct follow-up evaluations on the suggestions and flaws found by the Financial Supervisory Commission, Central Bank of ROC and other external audit units such as the company CPA.

### 3. Internal Control Statement

#### **Internal Control Statement Savings and Remittances**

The results of internal examination of our company's internal control system regarding the business of Postal Savings and Remittances for the period from January 1, 2013 to December 31, 2013 are hereby declared as follows:

1. The company understands that establishing, implementing, and maintaining an internal control system is the responsibility of the company's board of directors and management team. The company has established such a system. The internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. These objectives include effective and efficient operations, reliable financial reports, and compliance with applicable laws and regulations. The financial data and statements are compiled in accordance with the Business Accounting Act, Postal Remittances and Savings Act and other applicable laws and regulations.
2. The Internal control system has its own limitations, and no matter how well it is designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and circumstances of the company change, the effectiveness of its internal control system will change with it. However, the company's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company will take action to correct it immediately.
3. The company evaluates the design and effectiveness of its internal control system based on the Regulations Governing the Internal Controls and Audit System for Postal Remittances and Savings (promulgated by the MOTC and the MOF) and the Processing Guidelines for the Establishment of Internal Control System by Securities and Futures Market Business Sectors. The system consists of five components: (1) control environment (2) risk assessment (3) control activities (4) information and communication (5) monitoring.
4. The company has adopted the five above-mentioned components so as to evaluate the design and effectiveness of its internal control system.
5. Based on the results of its evaluation as mentioned above, the company believes that the design and execution of its internal control system during the aforementioned period was effective and was able to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The company also believes that the financial data and statements of the company were compiled in accordance with the Business Accounting Act, Postal Remittances and Savings Act and other applicable laws and regulations.
6. This statement was approved by the company's board of directors during its board meeting on March 25, 2014. The 14 attending directors unanimously approved this statement.

**Chunghwa Post Co., Ltd.**  
**Chairperson: Philip W.Ong**  
**President: C. Wang**  
**Auditor General: L.Q.Chen**  
**Chief Compliance Officer: J.T.Chiang**  
**Date: March 25, 2014**

### Internal Control Statement Simple Life Insurance

The results of internal examination of our company's internal control system regarding the business of Simple Life Insurance for the period from January 1, 2013 to December 31, 2013 is hereby declared as follows:

1. The company understands that establishing, implementing, and maintaining an internal control system are the responsibilities of the company's board of directors and management team. The company has established such a system. The internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The objective of the company's operation is effectiveness and efficiency, including performance and profitability goals and safeguarding of resources; the goal of financial reporting is to provide reliable published financial statements; compliance refers to complying with those laws and regulations to which the company is subject. The financial data and statements are compiled in accordance with the Insurance Act, Simple Life Insurance Act, and other applicable laws and regulations.
2. The Internal control system has its own limitation, and no matter how well it is designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and circumstances of the company change, the effectiveness of its internal control system will change with it. However, the company's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company shall take action to correct it immediately.
3. The company evaluates the design and effectiveness of its internal control system based on the Regulations Governing the Internal Controls and Audit System of an Insurance Company (promulgated by the Financial Supervisory Commission) and the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (promulgated by the Securities and Futures Bureau, Financial Supervisory Commission). The system consists of five components: (1) control environment (2) risk assessment (3) control activities (4) information and communication (5) monitoring. For what factors into these components, please see the Regulations Governing the Internal Controls for Listed Companies.
4. The company has adopted the five components as mentioned above to evaluate the design and effectiveness of the internal control system for its simple life insurance business.
5. Based on the results of its evaluation as mentioned above, the company believes that the design and execution of the internal control system for its simple life insurance business during the aforementioned period was effective and was able to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations. The company also believes that the financial data and statements of the company were compiled in accordance with the Insurance Act, Simple Life Insurance Act and other applicable laws and regulations.
6. This statement is a major part of the company's annual report and will be made public. Under Articles 20, 32, 171 and 174 of the Securities Transaction Act, as well as Insurance Act and Simple Life Insurance Act, any fraudulent statements or intentional failure to make the necessary disclosure will incur legal responsibility.
7. This statement was approved by the company's board of directors during its board meeting on March 25, 2014

To  
Financial Supervisory Commission

**Declarant:**

**Chairperson: Philip W.Ong**

**President: C. Wang**

**Auditor General: L.Q.Chen**

**Chief Compliance Officer: J.T.Chiang**

**Date: March 25, 2014**

## Internal Control Statement

March 25, 2014

The following statement gives the results of a self-auditing of the internal control system of the bond-operating department of Chunghwa Post Co., Ltd., covering the period of Jan. 1, 2013 to Dec.31, 2013

1. The company understands that establishing, implementing, and maintaining an internal control system is the responsibility of the company's board of directors and management team. The bond-operating department of the company has established such a system. The internal control system aims to provide reasonable assurance regarding the achievement of the objectives of the company's effective and efficient operations (including performance and profitability goals and safeguarding of resources), reliable financial reporting, and compliance with applicable laws and regulations.
2. The internal control system has its own limitation, and no matter how well it is designed, an effective internal control system can only provide reasonable assurance regarding the achievement of the three above-mentioned objectives. In addition, as the environment and circumstances of the company change, the effectiveness of its internal control system will change with it. However, the bond-operating department's internal control system is equipped with a self-monitoring mechanism, and as soon as a problem is identified, the company will take action to correct it immediately.
3. The bond-operating department of the company evaluates the design and effectiveness of its internal control system based on the Processing Guidelines for the Establishment of an Internal Control System by Securities and Futures Market Business Sectors (Processing Guidelines). The system consists of five components: (1) control environment (2) risk assessment (3) control activities (4) information and communication (5) monitoring. For what factors into these components, please see the Processing Guidelines.
4. The bond-operating department of the company has adopted the five components as mentioned above to evaluate the design and effectiveness of its internal control system.
5. Based on the results of its evaluation as mentioned above, the company believes that the design and execution of the internal control system for its bond-operating department during the aforementioned period was effective and was able to provide reasonable assurance regarding the achievement of the objectives of the company's operations, financial reporting, and compliance with applicable laws and regulations.
6. Under Article 174 of the Securities Transaction Act, any fraudulent statements or intentional failure to make necessary disclosures will incur legal responsibility.
7. This statement was approved by the company's board of directors during its board meeting on March 25, 2014. The 14 attending directors unanimously approved this statement.

**Chunghwa Post Co., Ltd.**  
**Chairperson: Philip W.Ong**  
**President: C. Wang**

### (VIII) Law Violations Resulting in Punishment, Misconduct, and Improvement

#### 1. Legal violation(s) by a senior manager or a lower-grade employee resulting in indictments:

- (1) The procurement of money detectors and counters was conducted by CHP during the period from 2003 to 2006. Three CHP employees were suspected to be involved in corrupt practices of collusion with the procurement bidders. After the prosecutor's investigation concluded on March 28, 2013, the said three CHP employees were prosecuted for violation of criminal law in accordance with Article 342 of the Criminal Code of the Republic of China and Article 87 of the Government Procurement Act.
- (2) Employee Lee in charge of saving from Daren Post Office in Gangshan involved suspected of involving in occupational embezzlement by handing the amount of NT\$500,000 in cash under his management to the saving staff next to him for deposit into his account via postal Giro on May 31, 2013. The prosecutor's investigation concluded on January 13, 2014, and the said CHP employee was prosecuted.

#### 2. Law violation(s) that led to fines by the competent authority:

An employee of the National Palace Museum post office was suspected of exchanging for RMBs with false exchange rates, violating Article 10 of the "Postal Deposit Exchange Law". A fine of NT\$ 300,000 was levied in accordance with Letter Jinguanyinguozi No. 10120000560 issued on February 7, 2012 by Financial Supervision Commission of the Executive Yuan and Article 26, Section 2 of the same measures.

#### 3. Misconduct(s) resulting in serious disciplinary action by the competent authority:

- (1) Some cases of improper handling and control of blank receipts were found in the company, including overdue blank receipts that were not returned for checking and blank receipts that did not have expiration date. The aforesaid cases were determined not complying with provisions of preceding paragraph of Article 7 of "Directions for Insurance Companies to Authorize Collection of Premiums." Financial Supervisory Commission (FSC) has taken disciplinary action against CHP for the aforesaid violations in accordance with Paragraph 1 of Article 149 of the Insurance Act through FSC official letter of jinguanbaoshouzi No. 10102557391 dated November 23, 2012.
- (2) Financial Examination Bureau of Financial Supervisory Commission found a violation in the auditing process of CHP in March, 2012 that the seal of underwriter was left out on the new CHP contract proposal, which was in breach of provisions of Article 17 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises." Financial Supervisory Commission had sent an official letter jin-guan-bao-shou-zi No. 10200400021 dated March 4, 2013 to CHP to take corrective action for the aforesaid violation in accordance with provisions of Paragraph 1 of Article 149 of the Insurance Act.

#### 4. Relative disciplinary measures had been stipulated by the Financial Supervisory Commission, according to the Article 61-1 of the Banking Act: None

#### 5. Nature and amount of loss as a result of frauds, major random incidents (fraud, theft, appropriation and theft of assets, falsified transactions, document and security forgery, receiving kickbacks, natural disaster loss, loss caused by external forces, hacker attacks, theft of information, and leaking business secrets and client information, etc.) or failure to comply with the Instructions for the Maintenance of Safety by Financial Institutions that led to security accidents, and individual or accumulated losses for the year that amounted to NT\$ 50 million or more: None

Improvement:

Apart from strengthening internal controls and audits, the company requires its management team to pay more attention to the lives and working situation of employees to prevent fraud.

## (IX) Major Board Resolutions

1. The 6th meeting of the fourth board (2013.02.17):
  - (1) The board unanimously passed the administration guidelines and operation policy, operation goals, fixed assets investment purchase projects and new project proposals for 2014.
  - (2) The board unanimously passed the 2014 budget.
2. The 1st provisional meeting of the fourth board (2013.02.17):
  - (1) The board unanimously elected board director J.C. Lee as the Chairperson.
  - (2) The board unanimously passed the appointment of board director C. Wang as the President.
3. The 2nd provisional meeting of the fourth board (2013.03.19):
  - (1) The board unanimously passed the 2012 report on business.
  - (2) The board unanimously passed the 2012 financial report, life insurance department financial report and the catalogue of assets checked and approved by the accountants.
  - (3) The board unanimously passed the 2012 surplus allocation plan.
  - (4) The board unanimously passed the 2012 dividend allocation plan of Hung-Yun-Gao-Zhao participating policy.
  - (5) The board unanimously passed the 2012 Internal Control Evaluation Table as well as agreed to provide internal control statements for savings and remittances department, simple life insurance department and bond-operating department.
4. The 7th meeting of the fourth board (2013.04.26):
  - (1) The board recognized 2012 report on business, financial report, life insurance department financial report and allocation of surplus on behalf of the shareholders' meeting.
  - (2) The board unanimously passed the company's insurance capital risk appetite in 2013 shall not fall below 7% of Capital Adequacy Ratio (hereinafter referred to as BIS rate).
5. The 8th meeting of the fourth board (2013.06.28):
 

The board unanimously passed the appointment of Mr. C.R. Tsai as the special vice chairperson of the Strategic Planning Committee.
6. The 3rd provisional meeting of the fourth board (2013.08.08):
  - (1) The board unanimously elected board director C.J. Chen as the Chairperson.
  - (2) The board unanimously passed the appointment of board director C. Wang as the President.
7. The 9th meeting of the 4th board (2013.08.23):
 

The board unanimously passed the 2013 Q2 life insurance business report reviewed by the accountants.
8. The 10th meeting of the fourth board (2013.10.25):

The board unanimously passed the appointment of actuary H.X. Xi as the insurance business actuary of the company.

9. The 4th provisional meeting of the fourth board (2013.11.04):

- (1) The board unanimously elected board director W.Q. Ong as the Chairperson.
- (2) The board unanimously passed the appointment of board director C. Wang as the President

10. The 11th meeting of the 4th board (2013.12.27):

- (1) The board unanimously passed the 2014 annual audit plan.
- (2) The board unanimously passed the 2014 allocation limit for postal capital deployment of the company.
- (3) The board unanimously passed the 2014 compliance program for the company's life insurance program.
- (4) The board unanimously passed the proposal to prescribe the “insurance business capital adequacy ratio not to be lower than 250%” for the company's life insurance capital risk appetite in 2014.
- (5) The board unanimously elected chief secretary S.J. Chen as the Vice President.
- (6) The board unanimously passed the appointment of Department of Occupational Safety and Health director L.Q. Chen as the Chief Auditor

11. The 12th meeting of the 4th board (2014.02.27):

- (1) The board unanimously passed the administration guidelines and operation policy, operation goals, fixed assets investment purchase projects and new project proposals for 2015.
- (2) The board unanimously passed the 2015 annual budget plan.

12. The 5th provisional meeting of the 4th board (2014.03.25):

- (1) The board unanimously passed the 2013 report on business.
- (2) The board unanimously passed the 2013 financial report, life insurance department financial report and the catalogue of assets checked and approved by the accountants.
- (3) The board unanimously passed the 2013 surplus allocation plan
- (4) The board unanimously passed the 2013 dividend allocation plan of Hung-Yun-Gao-Zhao participating policy.
- (5) The board unanimously passed the 2013 Internal Control Evaluation Table as well as agreed to provide internal control statements for savings and remittances department, simple life insurance department and bond-operating department.

13. The 13th meeting of the fourth board (2013.04.25):

- (1) The board unanimously passed another measurement of company's life insurance capital risk appetite in 2014 as the “likelihood of no less than 20% for proprietor equity with lower than 21.393 billion.”
- (2) The board unanimously passed to rename the “Department of Personnel” to “Department of Human Resources.”

(X) Directors or Supervisors Who Were on Record or Had Submitted Written Declaration for Holding a Different Opinion of Major Resolutions Passed by the Board of Directors: None

### (XI) Resignation of Person(s) related to the Company's Financial Reports

TITLE	NAME	DATE ELECTED	DATE OF DISCHARGE	REASON FOR RESIGNATION OR DISCHARGE
Chairperson	F.L Yu	5/11/2012	2/17/2013	Discharge
Chairperson	J.C. Lee	2/18/2013	8/8/2013	Discharge
Chairperson	C.J. Chen (Acting)	8/9/2013	11/3/2013	Acting Discharge

Note: Person(s) related to the company's financial reports refers to chairperson, president, accounting supervisor, chief audit executive, etc

