

# IV. Corporate Governance Report

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## I. Organization System

### (I) Organization Structure

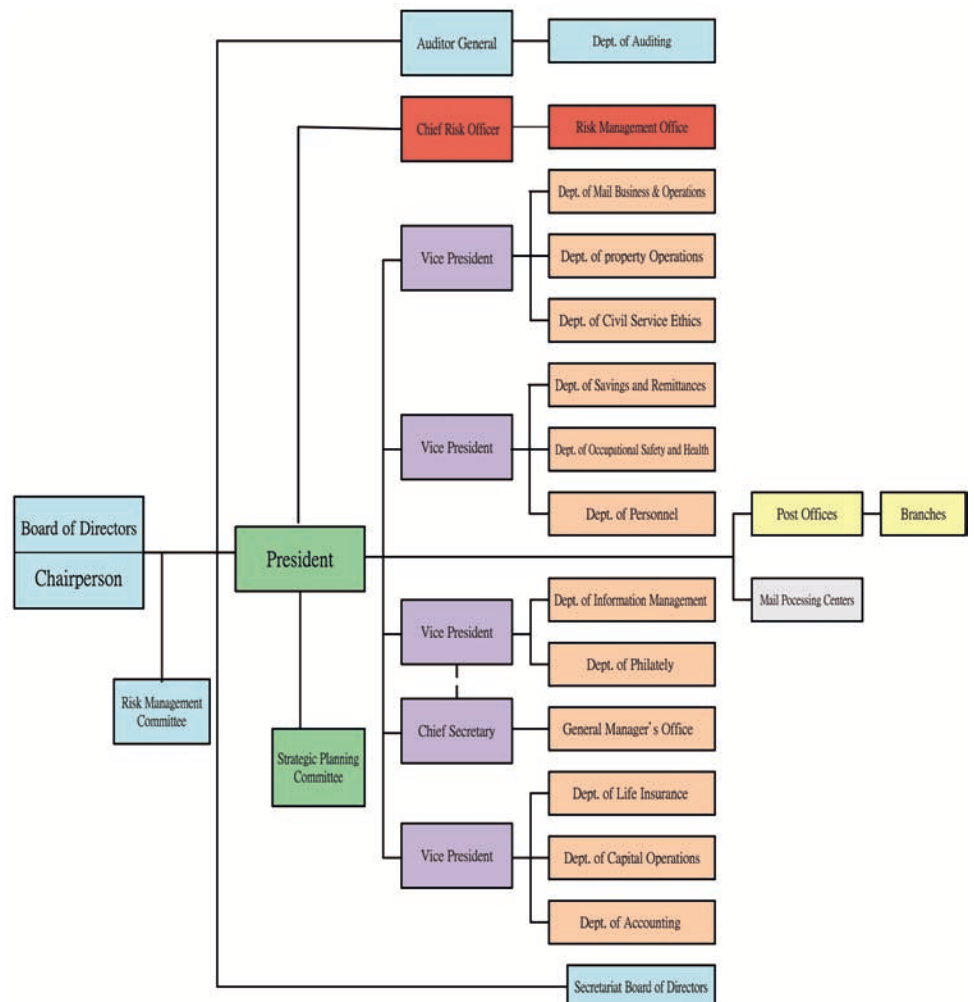
The organizational structure of Chunghwa Post includes the following:

- (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, one chief secretary and one chief risk officer.
- (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 Strategic Planning Committee. The committee shall have a chairman, who can also be company's president. The company has following departments: the General Manager's Office, 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 Personnel, 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.

- (6) There are 23 responsibility center offices designated as administrative and supervisory post offices, each administering a group of smaller branches.

- (7) To come to terms with the mail processing requirements and integrate mail handling process, mail delivery network and collection routes, high-performance automatic mail processing systems are used with mail processing centers set up in Taipei, Taichung and Kaohsiung. In addition, the Taoyuan and Tainan mail processing centers are established at the Chungli and Tainan post offices respectively to handle the mails collected from nearby.

### (II) Organization Chart



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

Current postal organization is divided into administrative and business establishments. Business establishments are in turn divided into self-management establishments and agential establishments. At the end of 2011, there were totally 2,595 administrative and business establishments. Among them, 24 were administrative establishments, including the headquarters and 23 post offices. The business establishments totaled 2,571 which consisted of 1,326 self-management establishments (3 mail processing centers and 1,323 branches) and 1,245 agential establishments (590 post agencies and 655 stamp-sales agencies), a decrease by 0.19% from the previous year. The establishment and adjustment of the units for the last two years are as follows:

#### Comparative Chart of Postal Establishments

Unit: Office

Types of Postal Establishments		2010	2011	Growth%	
Administrative Establishments	Headquarters	1	1		
	Post Offices	23	23		
	Total	24	24		
Business Establishments	Self-Management Establishments	Mail Processing Centers	3	3	
		Branches	1,321	1,323	0.15%
		Temporary Post Offices	0	0	
		Total	1,324	1,326	0.15%
	Agential Establishments	Post Agencies	506	590	16.6%
		Stamp-Sales Agencies	746	655	-12.19%
		Total	1,252	1,245	-0.56%
Grand total		2,600	2,595	-0.19%	

### (IV) The 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:**

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; risk management; and communicating with elected officials, 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 philately 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 Personnel:**

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:**

Uncovering and fighting staff corruption and handling tips given by informants; overseeing procurement; protecting official confidential information; preventing 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 11, 2012

Title	Name	Education	Prime Experience	Date Elected	Other Ccurrent Position(s)
Director of the Board	F.L.Yu	Master in Management Science, National Chiaotung University	Political Deputy Minister, MOTC Administrative Deputy Minister, MOTC	05/11/12	1. Chairperson, Chunghwa Post 2. Director, Mega Financial Holding Co., Ltd. 3. Director, Commercial Development and Research Institute
Director of the Board	C. Wang	Department of Commerce, National Taiwan University	Vice President, Chunghwa Post	05/11/12	1. President, Chunghwa Post 2. Supervisor, Corporate Body of Taiwan Postal Association
Director of the Board	T.D. Chen	Master in Management Science, National Chiaotung University	Chief Secretary, Chunghwa Post	05/11/12	1. Vice President, Chunghwa Post 2. Director, Chunghwa Express

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Director of the Board	W.H. Chen	Ph.D. in Management Science, State University of New York at Buffalo, USA	Chairperson of Department and Graduate Institute of Business Administration, NTU	05/11/12	1. Professor in Department and Graduate Institute of Business Administration, NTU 2. Dean, College of Management, Taiwan Normal University
Director of the Board	.S. Liu	Department of Sociology, Chungsin University	Director of the Board, Chunghwa Post	05/11/12	1. Chairperson, Corporate Body of Tourism Business Development Foundation 2. Chairperson, Shaolin Martial Art Culture Co., Ltd. 3. Chairperson, Shaolin Medical Bio tech Development Co., Ltd
Director of the Board	C.M. Feng	Ph.D. in City and Regionl Planning, Northwest University, IL, USA	Director, Institute of Traffic and Transportation, NCTU	05/11/12	1. Professor, Institute of Traffic and Transportation, NCTU 2. Director of the Board, Vehicle Safety Certification Center
Director of the Board	C.C. Rau	Master, Institute of Statistics, Central University	Special Commissioner, General of Budget Accounting, Execuctive Yuan	05/11/12	Deputy Director, Department of Statistics, MOTC
Director of the Board	Y.H. Cheng	Department of Chinese, Tamkang University	Senior Secretary, MOTC	05/11/12	Counselor, MOTC
Director of the Board	P.Y. Chang	Ph.D. in Economics, National Taiwan University	Associate Professor, Department of Economics, Fujen University	05/11/12	Assistant Director General, Central Bank of the Republic of China (Taiwan)
Director of the Board	T.Y. Chuang	Department of Land Economics, National Cheng Chi University	Deputy Director, National Property Administration	05/11/12	Counselor, Ministry of Finance
Director of the Board	P. . Chen	Master of Economics, Yale University, USA	Deputy Director, Economic Research Department, CEPD	05/11/12	1. Director, Department of Sector Planning, CEPD 2. Supervisor, Metal Research and Development Center
Director of the Board	.Y. Huang	Master, Institute of Traffic and Transportation, NCTU	Deputy Director, Kaohsiung Harbor Bureau	05/11/12	Vice President, Taiwan Internatioanl Ports Corporation Ltd., and President, Kaohsiung Ports
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	05/11/12	Specialist, Labor Safety Section, Taipei Post Office

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Director of the Board	K.M. Cheng	Air Force Institute of Technology	Chairman, Taipei Branch, Chunghwa Postal Workers' Union (CPWU)	05/11/12	1. Deputy Chairman, Chunghwa Postal Workers' Union 2. Junior Executive Officer, Parcel Delivery Subsection, Second Delivery Section, Taipei Post Office
Director of the Board	W.F. Wu	Department of Business Administration, Tatung College of Business	Director, CPWU	05/11/12	1. Chairman, Headquarters Branch, CPWU 2. Supervisor, Taiwan Postal Association 3. Clerk, Planning and Development Section, General Manager's Office, Chunghwa Post
Supervisor	C.C. Wu	Department of Land Economics, National Cheng Chi University	Counselor, Executive Yuan	05/11/12	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, Fugen University	Acting Director of Accounting, Tourism Bureau, MOTC	05/11/12	Special Commissioner, Dept. of Accounting, MOTC
Supervisor	M.H. Yang	Department of Accounting, National Cheng Chi University	Chief Executive, Accounting Management Center, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	05/11/12	1. Director, Department of General Fund Budget, Directorate-General of Budget, Accounting and Statistics, Executive Yuan 2. Director, Bank of Taiwan

Jan. 1, 2011~May 11, 2012

Title	Name	Education	Prime Experience	Date Resigned	Note
Director	T.F. Su	Department of Law, National Taiwan University	Director, Chunghwa Post	07/16/11	1. Vice President, Chunghwa Post 2. Supervisor, Taiwan Life Insurance Co., Ltd
Director	K.L. Chang	Master in Urban and Regional Planning, Pennsylvania University, USA	Deputy Director, Council of Economic Development	07/16/11	1. Director, Council of Economic Development 2. Director, China Engineering Consultants, Inc.
Director	T.H. Hsiao	Master, Institute of Management Science, National Chiaotung University	Director, Keelung Harbor Bureau	08/29/11	Director, Kaohsiung Harbor Bureau

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Director	C. H. Fu	Attended Doctoral Program of Economics of Austin Texas University , USA	Deputy Executive Secretary, Taxation and Tariff Committee, Ministry of Finance	02/08/12	Counselor, Ministry of Finance
Supervisor	C.T. Huang	Master, Institute of Public Administration, National Cheng Chi University	Deputy Director, 3rd Dept., Executive Yuan	03/01/12	1. Director, 3rd Dept., Executive Yuan 2. Director, Yang Ming Marine Transport Corporation
Director	H.Y. Hu	MBA, Oregon State University, USA	Vice President, Chunghwa Post	05/11/12	President, Chunghwa Post
Director	M.H. Lan	Department of Public Policy and Management, Shih Hsin University	Junior Executive Officer, Chunghwa Post	05/11/12	Secretary-General, Chunghwa Postal Workers' Union
Director	Y.C. Shen	Department of Public Administration, Chungsing University	Manager, Taipei Shilin Lanya Post Office	05/11/12	Chairman, Taipei Branch, Chunghwa Postal Workers' Union

### 1. Principal Corporate Shareholder

Name of Corporate Shareholder	Principal Corporate Shareholder
Ministry of Transportation and Communications	Since Chunghwa Post is a 100% state-owned enterprise, this is not applicable.

### 2. Information about Directors and Supervisors

May 11, 2012

Name	Qualification	5 years experience in the field of business, law, finance, or banking	1	2	3	4	5	6	Notes
F.L. Yu		V	V	V	V	V	V	V	
C. Wang		V	V	V	V	V	V	V	
T.D. Chen		V	V	V	V	V	V	V	
T.Y. Chuang			V	V	V	V	V	V	
P.J. Chen		V	V	V	V	V	V	V	
P.Y. Chang		V	V	V	V	V	V	V	
K.Y. Huang		V	V	V	V	V	V	V	
C.C. Rou		V	V	V	V	V	V	V	
Y.H. Cheng		V	V	V	V	V	V	V	
W.H. Cheng		V	V	V	V	V	V	V	
J.S. Liu			V	V	V	V	V	V	
C.M. Feng			V	V	V	V	V	V	
C.C. Lin			V	V	V	V	V	V	
K.M. Cheng		V	V	V	V	V	V	V	
W.F. Wu			V	V	V	V	V	V	

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C.C. Wu		V	V	V	V	V	V
H.Y. Huang	V	V	V	V	V	V	V
M.H. Yang	V	V	V	V	V	V	V

### Note

1. Neither an employee of the company, nor a director, supervisor, or 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).
  - . Neither a director, supervisor, or 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.
5. Neither a director, supervisor, or 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.
  - . Neither a professional nor an owner, partner, board director, supervisor, manager, or 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

Sept.1, 2012

Title	Name	Education	Prime Experience	Date Elected	Other Current Position(s)
President	C. Wang	Dept. of Commerce, National Taiwan Univ.(NTU)	Vice President, Chunghwa Post (CHP)	05/11/12	Supervisor, Corporate Body of Taiwan Postal Association
Vice President	T.D. Chen	Master in Management Science, National Chiaotung Univ.	Chief Secretary, CHP	0 /01/0	Director, Chunghwa Express
Vice President	I.H. Wu	Dept. of Commerce, NTU	Director, Accounting Dept., CHP	0 /1 /10	Supervisor, Chunghwa Telecom Co., Ltd.
Vice President	C.Y. Yeh	Dept. of Law, National Chung Hsing Univ.	Chief Secretary, CHP	0 /2 /12	Supervisor, Cathay United Bank
Vice President	Y.R. Wu	Master in Business Administration, Tatung Institute of Technology	Director, Capital Operations Dept., CHP	0 /2 /12	Director, Corporate Body of Taiwan Postal Association
Auditor General	Y.C. Chiu	Dept. of English, National Taohsiung Normal College	Manager, Taipei PO	0 /1 /12	Director, Chunghwa Express
Chief Secretary	S. . Chen	Dept. of Chinese Literature, National Chung Hsing Univ.	Manager, Taohsiung PO	0 /0 /12	
Director, Mail Business Operations Dept.	. . Lee	Department of Chemical Engineering, Tamkang Univ.	Deputy Director, Mail Business Operations Dept.	0 /31/12	



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Director, Philatelic Dept.	L.C. Chen	Dept. of Business Administration, Chengchi Univ.	Manager, Sanchung PO	01/1 /10	
Director, Savings Remittances Dept.	M.Y. Shen	Dept. of Public Administration, Chengchi Univ.	Member of Strategic Planning Committee, CHP	01/05/10	
Director, Life Insurance Dept.	C. H. Chen	Dept. of Law, NTU	Manager, Taoyuan PO	01/0 /10	
Director, Property Operations Dept.	T.S. Chang	Master of Civil Engineering, Thailand Asian Institute of Technology	Chief Engineer, CHP	12/2 /0	Acting Chairman, Corporate Body of Taiwan Postal Association
Director, Capital Operations Dept.	Y. . Pan	Master in Finance, NTU	Deputy Director, Capital Operations Dept., CHP	0 /02/12	
Director, Personnel Dept.	H.L. Chen	Department of Banking, Chengchi Univ.	Deputy Director, Personnel Dept., CHP	01/1 /11	
Director, Ethics Dept.	C.C. Chang	Dept. of Law, NTU	Manager, eelung PO	0 /2 /05	
Director, Accounting Dept.	N.L. Wang	Dept. of Commerce, NTU	Chief Auditor, CHP	0 /1 /10	1. Director, Chunghwa Express 2. Director, Corporate Body of Taiwan Postal Association
Director, Information Management Dept.	S.M. Wang	Master of Computer, Thailand Asian Institute of Technology	Deputy Director, Savings Remittances Dept., CHP	0 /1 /10	
Director, Occupational Safety and Health Dept.	C.I. Lin	Dept. of Law, NTU	Vice Manager, Taipei PO	0 /1 /11	1. Supervisor, Corporate Body of Taiwan Postal Association 2. Supervisor of Taiwan Fertilizer Co., Ltd
Chief Risk Officer	W.P. Liu	Department of Public Administration, Chengchi Univ.	Chief Auditor, CHP	0 /01/12	
Director, Risk Management Office	M.N. Chang	Master, raduate School of Law, Soochow Univ.	Section Chief, Risk Management Section, eneral Manager s Office, CHP	1 12	
Manager, Taipei PO	G.T. ang	Dept. of Political Science, Tunghai niv.	Manager, Chungli PO	7 16 12	

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Manager, Taichung PO	Y.C. Meng	Transportation Communication Management, Chengkung Univ.	Manager, Hsinchu PO	0 /0 /0
Manager, Taohsiung PO	C.C. Chang	Dept. of Gardening, National Chia Yi Junior College of Agriculture	Manager, Changhwa PO	0 /0 /12
Manager, Panchiao PO	J.C. Chou	Dept. of Journalism, Cultural Univ.	Manager, Fengyuan PO	0 /1 /11
Manager, Sanchung PO	S.F. Hsiao	Master in Management Science, Chiaotung Univ.	Director, Taoyuan MPC	01/1 /10
Manager, Chungli PO	C.H. Hu	Dept. of International Trade, Open Business College Affiliated with National Taipei College of Business	Vice Manager, Taichung PO	0 /1 /12
Manager, Taoyuan PO	J.T. Chiang	Dept. of Law, NTU	Vice Manager, Changhwa PO	01/0 /10
Manager, Keelung PO	Y.H. Wang	Dept. of Business Administration, Tunghai Univ.	Manager, Hsinying PO	0 /2 /11
Manager, Changhwa PO	H.E. Chiu	Master in Public Administration, Dominican Univ., USA	Manager, Taitung PO	0 /0 /12
Manager, Fengyuan PO	J.C. Chen	Master of Management Science, Chiaotung Univ.	Director of Postal Training Institute, Personnel Dept., CHP	0 /1 /11
Manager, Hsinchu PO	C.Y. Sun	Dept. of Public Relations, World College of Journalism	Vice Manager, Chungli PO	0 /0 /0
Manager, Chiayi PO	S.O. Huang	Master in Management, Chengkung Univ.	Manager, Hsingying PO	0 /2 /0
Manager, Tainan PO	W. J. Fang	Dept. of Urban Affairs, Chinese Culture Univ.	Manager, Hsingying PO	01/1 /10
Acting Manager, Fengshan PO	J.Y. Tseng	Dept. of Economics, Fujen Univ.	Deputy Manager, Fengshan PO	01/1 /12

Manager, Yilan PO	M.C. Shue	Dept. of Business Administration, Tamkang Univ.	Chief, Second Delivery Section, Taipei PO	0 /1 /12
Manager, Miaoli PO	.S. Wu	Dept. of Social Sciences, Open unior College	Vice Director, Taipei Mail Processing Center (MPC)	0 /0 /0
Manager, Nantou PO	Y.C. Chang	Dept. of Business Administration, Tamkang Univ.	Deputy Manager, Changhwa PO	0 /0 /11
Manager, Yunlin PO	C. H. Su	Master in Business Administration, Chung Shan Univ.	Auditor, Auditing Dept. , CHP	0 /13/11
Manager, Hsinying PO	L.S. Tu	Open unior College of Commerce, Cheng kung Univ.	Chief, Postal Affairs Section, aohsiung PO	0 /13/11
Manager, Pingtung PO	T.C. uo	Master in Risk Management and Insurance, National aohsiung First University of Science and Technology	Chief, Planning and Marketing Section, aohsiung PO	0 /1 /12
Manager, Hualiean PO	T.M. Chang	Dept. of Business Administration, Chinese Culture Univ.	Auditor, Auditing Dept., CHP	0 /30/12
Manager, Taitung PO	C.L. Tsai	Master in Human Resources, National Sun, Yat sen Univ.	Manager, Penghu PO	0 /0 /12
Manager, Penghu PO	H.L. Wu	Master in Entrepreneur Management, Da Yeh Univ.	Chief, Postal Affairs Section, Chiayi PO	0 /0 /12
Director, Taipei Mail Processing Center(MPC)	S.S. Chen	Dept. of Law, NTU	Auditor, CHP	02/2 /03
Acting Director, Taichung MPC	H.L. uo	Fu Hsing ang College	Deputy Director, Taichung MPC	01/1 /12
Director, aohsiung MPC	C. . Chen	Dept. of Urban Affairs, Chinese Culture Univ.	Section Chief, aohsiung PO	02/21/03

## IV. Corporate Governance Report

### (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, 2011 – Dec. 31, 2011

Title	Name	Salary	Bonus	Part time Job Pay	Distribution of Net Earnings	Percent of Net Earnings ( )	Others
Chairperson	F.L. Yu (Note 1)	,2 ,3 5	3, 2 ,1 1	05, 1			1,11 ,
Director of the Board	S.Y. Hu (Note 1)						
Director of the Board	T.F. Su (Note 1、2)						
Director of the Board	T.D. Chen (Note 1、2)						
Director of the Board	.S. Liu						
Director of the Board	C.M. Feng						
Director of the Board	W.H. Chen						
Director of the Board	.L. Chang (Note 2)						
Director of the Board	P.Y. Chang						
Director of the Board	C.H. Fu						
Director of the Board	D.H. Hsiao (Note 2)						
Director of the Board	.I. Huang						
Director of the Board	Y.H. Cheng						
Director of the Board	P. . Chen						
Director of the Board	C.C. Rau						
Director of the Board	Y.C. Shen (Note 1)						
Director of the Board	.M. Cheng (Note 1)						
Director of the Board	M.H. Lan (Note 1)						

The Remuneration Caps Among the Members of the Board	Name of Directors
below NT 2,000,000	T.F. Su、.S. Liu、C.M. Feng、W.H. Chen、.L. Chang、P.Y. Chang、C.H. Fu、D.H. Hsiao、.I. Huang、Y.H. Cheng、P. . Chen、C.C. Rau、Y.C. Shen、.M. Cheng、M.H. Lan
NT 2,000,000 (including) ~NT 5,000,000	F.L. Yu、S.Y. Hu、T.D. Chen
Total	1

Note 1 : Chairperson F.L. Yu and Directors S.Y. Hu, T.F. Su, T.D. Chen, Y.C. Shen, .M. Cheng and M.H. Lan received only salaries and no honorariums. Other directors receive only honorariums. Board Director S.Y. Hu held the concurrent position as President; T.F. Su and T.D. Chen held the concurrent position as Vice President.

2 : Directors T.F. Su and .L. Chang were discharged on July 1, 2011; Director T.D. Chen assumed the position on July 2, 2011; Director T.S Hsiao was discharged on Aug. 2, 2011.

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.

: Bonuses are temporary estimates.

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### 2. The Remuneration of Supervisors

Jan. 1, 2011 – Dec. 31, 2011

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

The Remuneration Gaps Among Supervisors	Name of Supervisors
below NT\$2,000,000	C.T. Huang 、 H.Y. Huang 、 M.H. Yang
NT\$2,000,000 (including) ~ NT\$5,000,000	-
Total	3

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

Jan. 1, 2011 – Dec. 31, 2011

Title	Name	Salary	Bonus	Total	Percentage of Net Earning (%)	Others
President	S.Y. Hu	9,197,127	3,606,102	12,803,229	-	1,470,666
Vice Preident	T. F. Su (Note 1)					
Vice Preident	T.D. Chen					
Vice Preident	S.C. Chen					
Vice Preident	I.H. Wu					
Vice Preident	C. Wang (Note 1)					

The Remuneration Gaps Among President and Vice Presidents	Name of President and Vice Presidents
below NT\$2,000,000	T. F. Su
NT\$2,000,000 (including) ~ NT\$4,999,999	S.Y. Hu 、 T.D. Chen 、 S.C. Chen 、 I.H. Wu 、 C. Wang
NT\$5,000,000 (including) ~ NT\$10,000,000	-
Total	6

Note 1. Vice President T.F. Su discharged his position on July 16, 2011 and Vice President C. Wang took the position on the same day.

2. As a government-operated enterprise, with the government as the 100% stockholder, no Distribution of Earnings and the Certificate of Stock Option for Earnings.

3. Bonuses are temporary estimates, including the seniority bonus.

## IV. Corporate Governance Report

### III. Governance and Operations

#### (I) Board Meetings

Attendance of Board Meetings (6 total) for 2011 :

Title	Name (Note 1)	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (Note 2)	Notes
Chairperson	F.L. Yu	6	0	100	
Director of the Board	S.Y. Hu	6	0	100	
Director of the Board	T.F. Su	3	0	100	Discharged on July 16, 2011. Required to attend 3 times.
Director of the Board	T.D. Chen	3	0	100	Assumed on July 28, 2011. Required to attend 3 times.
Director of the Board	W.H. Chen	6	0	100	
Director of the Board	C.M. Feng	5	1	83	
Director of the Board	J.S. Liu	6	0	100	
Director of the Board	C.H. Fu	6	0	100	
Director of the Board	K.L. Chang	2	1	67	Discharged on July 16, 2011. Required to attend 3 times.
Director of the Board	Y.H. Cheng	4	1	80	Assumed on April 12, 2011. Required to attend 5 times.
Director of the Board	P.J. Chen	3	0	100	Assumed on Aug.23, 2011. Required to attend 3 times.
Director of the Board	B.Y. Chang	6	0	100	
Director of the Board	T.H. Hsiao	2	2	50	Discharged on Aug. 30, 2011. Required to attend 4 times.
Director of the Board	K.I. Huang	5	1	83	
Director of the Board	C.C. Rau	2	0	100	Assumed on Aug. 30, 2011. Required to attend 2 times.
Director of the Board	Y.C. Shen	6	0	100	
Director of the Board	K.M. Cheng	6	0	100	
Director of the Board	M.H. Lan	6	0	100	
Supervisor	C.T. Huang	6	0	100	
Supervisor	H.Y. Huang	5	0	83	
Supervisor	M.H. Yang	6	0	100	

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
<p>I. Equity Structure and Shareholder Rights</p> <p>(1) How the company handles shareholder suggestions and disputes</p> <p>(2) Company's control of the list of its major shareholders and final decision-makers</p> <p>(3) How the company establishes its risk-management mechanism and firewalls involving related enterprise</p>	<p>(1) Chunghwa Post is not a public-listed nor an OTC company. Therefore, the company has not issued stock.</p> <p>(2) The company is a state-run corporation with MOTC as its sole share holder.</p> <p>(3) The company has no affiliated enterprises as prescribed in Article 369-1 of the Company Act.</p>	
<p>II. Organization and Responsibilities of the Board of Directors</p> <p>(1) Establishment of independent directors</p> <p>(2) Regular assessment by independent CPA</p>	<p>(1) None designated at present.</p> <p>(2) Company auditors are hired in accordance with the Government Procurement Law. The contract is reviewed on a yearly basis.</p>	<p>The company 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.</p>
<p>III. Organization and Responsibilities of the Panel of Supervisors</p> <p>(1) Establishment of independent supervisors</p> <p>(2) Communications between company employees and supervisors</p>	<p>(1) None designated at present.</p> <p>(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.</p>	<p>The company is 100% owned by the government, and all supervisors are appointed by the MOTC. 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.</p>

## IV. Corporate Governance Report

<p>IV. Communications Channels with Related Parties</p>	<p>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.</p>	
<p>V. Disclosure of Information (1) Through company website (2) Others such as an English website, personnel in charge of collecting and disclosing information, implementation of spokesman system, shareholder meeting records on company's website, etc.</p>	<p>(1)The company has set up a global website to disclose company information. (2)The company has issued "Guidelines for Chunghwa Post Press Releases."</p>	
<p>VI. Status of Operations for the Company's Audit Committee, etc.</p>	<p>None at present time</p>	<p>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.</p>
<p>VII. Detail the company's governance and operation, as well as the differences and reasons for deviations from the Corporate Governance Best-Practice Principles for Banks: (see above)</p>		
<p>VIII. Other important information that is helpful for the understanding of the governance of the company (such as training of the directors and supervisors, attendance in board meetings by directors and inspectors, 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).</p>		



## 1. Status for Further Study for Directors and Supervisors in 2011

Courses Given by	Date of Training	Course Title	Courses Taken by
Taiwan Insurance Institute	0 /0 /01	Major impacts of IFRS guidelines on insurance industry	S.Y. Hu Y.C. Shen
Taiwan Insurance Institute	0 /15/11	An exploration on the joint liability of directors, supervisors and top management when a business corruption case occurs	T. S. Hsiao P.Y. Chang C. C. Liu
Taiwan Insurance Institute	05/05/11	Risk management VS operation performance	M. H. Lan 、 M. H .Yang
Chinese National Association of Industry and Commerce	05/1 /11	As the International Financial Reporting Standards (IFRS) are adopted in Taiwan, the measures for directors, supervisors and top executives in response to it and an exploration on the advantages of the adoption of IFRS	H. Y. Huang
Chinese National Association of Industry and Commerce	05/1 /11	Business perpetual innovation and competitiveness	H. Y. Huang
Taiwan Insurance Institute	0 /0 /11	Corporate governance business risk management strategies	F. L. Yu 、 W. H. Chen C. M. Feng 、 P. Y, Chang C.H. Fu 、 M.H. Lan .Y. Haung
	10/20/11	Corporate Governance Forum Improve the international competitiveness of Taiwan businesses	F.L. Yu 、 T.D. Chen W.H. Chen 、 Y. C. Shen
Taiwan Corporate Governance Association	10/21/11	Corporate Governance Forum Improve the international competitiveness of Taiwan businesses	F.L. Yu 、 P. . Chen C.C. Rau 、 C.M. Feng C.C. Liu 、 W.H. Chen Y.C. Shen
ROC Securities Futures Institute	10/2 /11	Practical operation of compensation committee	W.H. Chen
Taiwan Securities Association	11/1 /11	Corporate governance and responsibilities of directors and supervisors	P. . Chen C.C. Rau
Taiwan Securities Association	12/0 /11	Solutions to common disputes and risks for Taiwan businesses in mainland China	C.M. Feng Y.C. Shen
Taiwan Securities Association	12/15/11	A see through view of the crises hidden in the financial statements	C.C. Feng C.C. Rau

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 should not vote in any resolution where there is a conflict of interest or duties.

. All senior management and departments of the company operate in accordance with the company's division of work chart.

## IV. Corporate Governance Report

### (III) Social Responsibility Fulfillment:

Item	Operation Status
<p>I. Promotion of corporate governance</p> <p>1. The company formulates the social responsibility policy or system and review results of implementation.</p> <p>2. The establishment of dedicated (concurrently responsible) unit for promotion of social responsibilities by the company.</p> <p>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.</p>	<p>(1) The provision of postal universal service was successful.</p> <p>① Provision of uniform and reasonable single-rate and nation wide service with good “service quality” .</p> <p>② Provsision of real-time, reliable and efficient services and adequate postal service facilities.</p> <p>A. Wide setup of post boxes: There were a total of 13,383 post boxes being set up at the end of 2011.</p> <p>B. Wide setup of postal establishments: There were 1,326 major establishments, 590 postal agencies, 655 stamp-sales agencies, total 2,571 establishments.</p> <p>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.</p> <p>(2) A total of over NT\$1,597.7 billion dollars of postal capital were provided to support major governement development projects and private investment financing.</p> <p>(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.</p> <p>General Manager's Office was in charge of promotion.</p> <p>(1) The directors and supervisors participated in the training courses provided by Taiwan Corporate Governance Association, Securities and Futures Institute, Chinese National Association of Industry and Commerce and Taiwan Securities Association, totaling 34 persons/times.</p> <p>(2) Produced courses of business ethics, management ethics and service ethics, which were placed on the learning website “Postal eUniversity” for convenient study by the employees.</p> <p>(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.</p>

### II. Development of a sustainable environment

- |  |   |
|--|---|
| <p>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.</p>                          | <p>In line with the government's green procurement policy, the environment-friendly products procurement rate was 97.2%, exceeding the annual goal (90%).</p>                     |
| <p>2. The establishment of environment management system by the company based on its industrial characteristics.</p>   |   |
| <p>3. The establishment of dedicated environment management system or appointment of dedicated environment management personnel by the company to protect the environment.</p> | <p>Specialists were appointed to handle the sanitation, sterilization and of the public places, The entire staff received a 4- hour training on environmental protection.</p>     |
| <p>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.</p>       | <p>Energy efficiency policies were made and strictly implemented. Power and water consumptions in 2011 were reduced by 14.37% and 17.36% respectively from the previous year.</p> |

### III. Maintenance of public interest

- |   |   |
|---|---|
| <p>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.</p>     | <p>(1) The legal rights of the postal service employees are provided in the laws and regulations.<br/>(2) To protect the rights of Chunghwa Post and the members of Chunghwa Post Labor Union, a group agreement was entered in accordance with the Group Agreement Law.</p>  |
| <p>2. Provision of safe and healthy work environment and regular safety and health education to the employees.</p>  | <p>(1) To assist the Environmental Protection Agency with the promotion of "Project of Cleaning Our Homeland with Everyone's Participation", the company regularly checked the implementation of the project at each post office and requested each office to beef up participation in the community environmental protection with the surrounding neighborhood to keep the environment clean.<br/>(2) Chunghwa Post 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.</p>   |
| <p>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.</p> | <p>(1) The "Consumer Information Section" is set up in the official company website to provide information on consumer rights and services.<br/>(2) The post office is linked with the anti-scam hotline (165) to provide latest information on scam prevention on the exchange rate signboard.<br/>(3) The company has developed all types of standard agreements conforming to the regulations of the competent authorities.<br/>(4) The customer service center provides 24/7 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.</p> |

## IV. Corporate Governance Report

4.Cooperation with suppliers to promote social responsibilities by the company.

5.Participation in community development, and charity organization activities through donations, volunteer service or other free services by the company.

- (1) The company continued to promote the “Charities Postage Discount Program” to help the disadvantaged groups. In 2011, a total of NT\$7.75 million dollars of discount was offered.
- (2) The company continued to promote the “Post Office Care for the Lone Elderly” by encouraging the postmen to care for the living of the lone elderly during their mail delivery duties,
- (3) The company continued to provide the physically and mentally disabled people with a delivery service for the postmen to go to their homes to take the registered mails they wanted to send.
- (4) We continued to work with the Children Are Us Foundation by promoting the moon cakes baked by people with intellectual disabilities and giving discounts to the delivery fees of the moon cakes.
- (5) The company charge no service fee for disaster relief funds remitted through the accounts set up by the Ministry of Interior Affairs on a long-term basis.
- (6) The company launched a community care campaign in 2011 for all the post offices to hold various public welfare activities such as cleaning the trash in mountain and beach areas, charity sales, music galas, clinics and hiking and care for orphanages and the low-income households.
- (7) The company held a nationwide blood donation activity from Feb.12th to Mar.18th , 2011 and collected 20, 489 units (250ml per unit ) of fresh blood.
- (8) The company offered a scholarship program for the children of postal life insurance policy holders with the total value of scholarship and souvenirs reaching NT\$6.5 million and as many as 3,620 children receiving the grant.
- (9) The company held a nation wide drawing contest for children from March.5th to April 24 and collected around 6,000 pieces of work. Winning works were compiled into a pictorial for appreciation and collection.
- (10) On October 22nd, 2011, the company held a bicycle riding activity in 23 places around the island to heed the government's energy efficiency and low-carbon policy and encourage the people to engage in beneficial outdoor activities.
- (11) The company held the “2011 Postal Cup Table Tennis Tournament for the Handicapped” on Oct.30th, 2011 with 193 competitors of 16 teams participating.
- (12) To heed the idea of “walking ten thousand steps and doing a good deed a day” promoted by the Hope Foundation, the company participated in the fitness walking activity on Jan.1st, 2011.

### IV. Information disclosure reinforcement

The method used by the company for disclosure of critical and reliable information regarding social responsibilities.

- (1) All the information was posted in all the operation premises in posters and foldouts and published in the official company website.
- (2) The company set up the “Public Interest Network” in the official website to assist fundraising by public interest groups.
- (3) 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

V. Other important information for understanding of fulfillment of social responsibilities (such as adoption and implementation of the systems and measures by the company for environmental protection, community participation, social contribution, social services, social interests, consumer rights, human rights, safety and health and other social responsibility activities).

To realize the ideal of the two UN conventions in 1966 (International Covenant on Civil and Political Rights and International Covenant on Social and Cultural Rights), and help ensure legal protection of property rights and privacy and conform to the international standards and meanwhile serve the purpose of postal service penetration. Articles 10, 20 and 49 of the Postal Law were revised and decreed by the President on Apr. 27, 2010.

VI. A description is needed for any product or corporate social responsibility report passing the verification standards of related certification bodies.

- (1) For electric mails printing and packaging, the company continued passed the second review of ISO27001 for information security which was conducted semiannually.
- (2) The Customer Service Center passed the ISO 9001:2008 Quality Control System certification and obtained the certificate.
- (3) The “Banking Operation System” received BS-7799 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 27th, 2009. The center passed the second review and certification has remained effective.

### (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 2011, in accordance with Regulations governing the Internal Controls and Audit Systems for Insurance, Regulations governing the Internal Audit System of Chunghwa Post and the 2011 Audit Plan, the company audit department performed 1,300 general audits and 1,000 case audits on the 12 departments, 23 responsibility center offices, 3 mail processing centers and 1,323 branches. From Oct. 2011, 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 (see pages 35-36)

## 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, 2011 to December 31, 2011 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 23, 2012. The 14 attending directors unanimously approved this statement.

**Chunghwa Post Co., Ltd.**

Chairperson: Yu Fang-lai  
President: Hu Sheue-yun  
Auditor General: Su Chien-chung  
Chief Compliance Officer: Yeh Chung-yuan

Date: March 23, 2012

### 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, 2011 to December 31, 2011 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 23, 2012.

To  
Financial Supervisory Commission

Declarant:  
Chairperson: Yu Fang-lai  
President: Hu Sheue-yun  
Auditor General: Su Chien-chung  
Chief Compliance Officer: Yeh Chung-yuan

Date: March 23, 2012



### Internal Control Statement

March 23, 2012

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, 2011 to Dec.31, 2011:

- 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 23, 2012. The 14 attending directors unanimously approved this statement.

**Chunghwa Post Co., Ltd.**

**Chairperson: Yu Fang-lai  
President: Hu Sheue-yun**

## IV. Corporate Governance Report

### (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: None
2. Law violation(s) that led to fines by the competent authority:
  - (1) For the company's insurance business, A claim clerk's execution of the compensation of the case he underwrote was not in compliance to Article 45, Section 2 of "Supervision and Management Measures for Postal Simple Life Insurance". A fine of NT\$ 300,000 was levied in accordance with Letter Jinguanyinguodzu No.10002509641 issued on July 1st, 2011 by Financial Supervision Commission of the Executive Yuan.
  - (2) 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 Jinguanyinguodzu No.10120000560 issued on February 7th, 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: None
4. Relative disciplinary measures had been stipulated by the Financial Supervisory Commission, Executive Yuan, 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 lead 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 12<sup>th</sup> meeting of the third board (2011.02.25)  
The board unanimously passed the 2012 budget.
2. The 13<sup>th</sup> meeting of the third board (2011.04.26):
  - (1) The board unanimously passed the 2010 report on business.
  - (2) The board unanimously passed the 2010 financial report, life insurance department financial report and the catalogue of assets checked and approved by the accountants.
  - (3) The board unanimously passed the 2010 surplus allocation plan
  - (4) The board unanimously passed the 2010 dividend allocation plan of Hung-Yun-Gao-Zhao participating policy..
  - (5) The board unanimously passed the 2010 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.
3. The 14<sup>th</sup> meeting of the third board (2011.06.24):
  - (1) The board recognized 2010 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 increase of 3% of compensation of the postal employees from July 1, 2011 as same as public servants.
  - (3) The board unanimously passed the Operational Integrity Principles.
4. The 15<sup>th</sup> meeting of the third board (2011.08.26):
  - (1) The board unanimously passed increase of registered capital of the company to NT\$100 billion dollars.

(2) The board unanimously passed the first half of 2011 life insurance business report reviewed by the accountants.

### 5. The 17<sup>th</sup> meeting of the third board (2011.12.23):

- (1) The board unanimously passed the appointment of Chief Secretary C.Y. Yeh as the top risk management officer of the company
- (2) The board unanimously passed the commission of KPMG for the audit and certification of the finance, taxation and internal control of the company from 2012 to 2014.
- (3) The board unanimously passed the appointment of actuary C.C. Chan of Milliman Inc. as the insurance business actuary of the company.
- (4) The board unanimously passed the 2012 annual audit plan
- (5) The board unanimously passed the 2012 compliance program for the company's life insurance program.
- (6) The board unanimously passed the proposal to prescribe the “insurance business capital ratio to be not lower than 200%” for the company's insurance capital risk appetite in 2012.
- (7) The board unanimously passed the operational integrity procedure and behavior guideline.

### 6. The 18<sup>th</sup> meeting of the third board (2012.02.10):

- (1) The board unanimously passed the administration guidelines and operation policy, operation goals, fixed assets investment purchase projects and new project proposals for 2013.
- (2) The board unanimously passed the 2013 annual budget plan.

### 7. The 2<sup>nd</sup> provisional meeting of the third board (2012.03.23):

- (1) The board unanimously passed the 2011 report on business.
- (2) The board unanimously passed the 2011 financial report, life insurance department financial report and the catalogue of assets checked and approved by the accountants .
- (4) The board unanimously passed the 2011 surplus allocation plan.
- (5) The board unanimously passed the 2011 dividend allocation plan of Hung-Yun-Gao-Zhao participating policy.
- (6) The board unanimously passed the 2011 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.

### 8. The 19<sup>th</sup> meeting of the third board (2012.04.27):

- (1) The board recognized 2011 report on business, financial report, life insurance department financial report and allocation of surplus on behalf of the shareholders' meeting.
- (2) The board unanimously recognized the 2013 budget revision.

### 9. The 1<sup>st</sup> meeting of the 4th board (2012.05.11):

- (1) The board unanimously elected board director F.L. Yu as the Chairperson.
- (2) The board unanimously passed the appointment of C. Wang as the President.

(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 related to the company's financial reports: July 16, 2012

Title	Name	Date Elected	Date Resigned	Reasons for Resignation
President	S.Y. Hu	06/11/08	05/11/12	Term expired
Auditor General	C.C. Su	01/19/10	07/16/12	Retired

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