

## Chunghwa Post Co., Ltd. Establishment Act

### Article 1

Chunghwa Post Co., Ltd., hereinafter called the Company, is established under the provisions of Article 3 of the Postal Act by the Ministry of Transportation and Communications (MOTC). Its establishment shall be based on the provisions of this act hereof. Where matters are not covered under this act, all other laws shall govern.

### Article 2

Upholding the principle of adopting corporate management practices, the Company aims to provide accessible, fair and reasonable postal services and to promote sound development of the postal business and thereby enhance the welfare of all citizens.

### Article 3

The Company may engage in the business of mail delivery, savings, remittances, simple life insurance, philately and related merchandise as well as management of postal assets. Subject to approval by the MOTC, the Company may also operate as an agent for other businesses, and make investments or operate related businesses.

When engaging in any of the businesses or business items mentioned in the preceding paragraph, the Company shall abide by the Postal Act, the Postal Remittances and Savings Act, and the Simple Life Insurance Act.

Upon completion of corporate registration for the Company, the Company shall take over en bloc all the businesses and business items originally handled by Directorate General of Posts and its subordinate organizations under the MOTC.

Management of the Company's business, in accordance with general commercial practices, may entail the payment of agency or sales commissions.

### Article 4

The Company shall be located in the city where the Central R.O.C. Government situates and may, depending on business needs, set up post office branches.

### Article 5

The Company shall have a board of directors composed of 11 to 15 directors.

One-fifth of the directors shall be experts in their fields and one-fifth shall be labor representatives. In addition, there shall be three to five comptrollers.

The labor representatives mentioned in the preceding paragraph shall be elected by labor unions.

### Article 6

The board of directors shall have authority over the following:

1. Reviewing and approving the regulations governing the organization of the Company.
2. Reviewing and approving the Company's annual business guidelines and plans

- before submitting them for approval to the appropriate regulatory agencies.
3. Reviewing the Company's budget and final accounts.
  4. Reviewing and approving proposals to create new post office branches, or to move or to close post office branches, before submitting these proposals for approval to the appropriate regulatory agencies.
  5. Appointing and dismissing the Company's president and vice presidents.
  6. Reviewing and approving the regulations governing the administration of personnel of the Company before submitting them for approval to the appropriate regulatory agencies.
  7. Reviewing and approving the regulations governing the business operations of the Company.
  8. Reviewing and approving postage rates for mail items other than letters, postcards, and other items of correspondence mail.

#### Article 7

Comptrollers shall execute the following matters:

1. Investigate the Company's business and financial status.
2. Audit the Company's account books and documents.
3. All other matters required by laws or by the Company's Articles of Incorporation.

#### Article 8

The following matters are subject to approval by the MOTC:

1. The Company's Articles of Incorporation and the regulations governing the organization of the board of directors.
2. Adjustment of capitalization and issuance of shares.

#### Article 9

The Company shall have a president. Candidates for this position must have a professional background in postal business or business management.

#### Article 10

The Civil Servant Services Act shall apply to the salaried chairperson, president, comptrollers and directors representing state-owned shares of the Company. With the exceptions of Articles 11 and 12, regulations governing civil servants shall not apply to staff members of the Company from vice president on down. Instead, the Company's regulations governing the administration of personnel shall apply.

#### Article 11

Prior to the enforcement of this act, all incumbent employees of the Directorate General of Posts and its subordinate organizations under the MOTC shall be transferred to the Company. Or, within six months after the re-organization, they may take the early-retirement incentive or leave with severance pay, which will be designated by the MOTC and subject to approval by the Executive Yuan.

Except in the case of employees leaving on their own volition, employees transferred to the Company as described in the preceding paragraph shall not lose their jobs due to the re-organization.

Staff transferred to the Company under the provisions of the first paragraph hereof shall maintain their years of service, wages, retirement conditions, severances, indemnities and other benefits as well as the same working conditions.

#### Article 12

For those incumbent employees of the Directorate General of Posts and its subordinate organizations under the MOTC who transferred to the Company already enjoying a rank as specified in the Appointment Regulations of the Employees Working in the Enterprises of the MOTC, those Appointment Regulations shall still apply, and the relevant regulations regarding employees of MOTC enterprises (postal employees) shall still apply to their salaries, benefits, performance ratings, retirements, severances and indemnities. The original regulations shall also still apply to those employees who don't have a rank (apart from contract workers), and they shall remain at their original posts until they leave the employ of the company or until they retire.

Personnel mentioned in the preceding paragraph may, within five years after this act comes into force, opt instead to fall under the regulations governing the administration of personnel of the Company in accordance with the second paragraph of Article 10 hereof. Once personnel make this change, they may not change back

The Company may, when it sees fit, apply the regulations governing the administration of personnel of the Company as specified under the provisions of paragraph 2 of Article 10 hereof to contract workers hired in accordance with the Postal Contract Workers Management Guidelines prior to the enforcement of this act upon or before the expiry of their contracts.

The Company shall appropriate needed retirement funds for retired employees of the Company. These funds shall be appropriated in full before the privatization of the Company.

#### Article 13

If employees for whom regulations governing civil servants no longer apply in accordance with paragraph 2 or paragraph 3 of the preceding article lose benefits due to the shift of coverage from civil servant insurance to labor insurance, they are eligible for compensation calculated according to the old-age benefit calculation standards under the provisions of Article 14 of the Civil Servants Insurance Act. If, in accordance with the law, they are later covered by civil servant insurance, they shall return the aforesaid compensation to the Company when they receive their old-age

benefits.

#### Article 14

After payment of all taxes and before the distribution of surplus, the Company shall allocate 25% out of the surplus as the legal reserve. The Company may allocate an additional special reserve.

If the legal reserve mentioned in the preceding paragraph has reached the level of the Company's capitalization, the restrictions cited in the preceding paragraph shall no longer apply.

#### Article 15

The Company shall, in accordance with the Employee Welfare Fund Act and related regulations, appropriate money for employee welfare.

#### Article 16

Enforcement of this act shall be at the directive of the Executive Yuan.