

Chap. 3 Corporate Governance

Corporate Governance Principles

The Company acknowledges the importance of good corporate governance and abides by the following practices:

1. Our Principle

- Timely disclosure of material information
- Check-and-balance between the board and management
- Audit Committee ensures fair and independent financial oversight
- Fair representation of independent board members
- Corporate Governance Committee ensures sound corporate governance practices and systems be in place
- Adoption of a cash dividend policy based on a high earnings payout ratio
- Distribution of all employee bonuses in the form of cash

2. Current Practices

To improve the Company's corporate governance practices, the Company has implemented a number of policy and strategy changes. On June 15, 2006, the Company revised the "Rules and Procedures Governing Shareholders' Meetings," which were set forth on January 30, 1997. On June 5, 2002, the Company revised the "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties," which were first passed on August 31, 1999. On April 30, 2004, the Company approved the "Corporate Governance Committee Charter" (later revised on June 13, 2008) and the "Audit Committee Charter" (later revised on October 26, 2006). On January 31, 2008, the Company revised the "Rules and Procedures Governing Board of Directors' Meetings," which were promulgated on October 28, 2005. And on January 22, 2009, the Company approved the "Regulations Governing Internal Material Information" (For detailed information on the rules and charters, please refer to the Company's official website). With these changes, not only does the Company's corporate governance mechanism comply with Taiwan's Securities and Exchange Act, but it also adheres to the highest international standards.

Current Corporate Governance Practices

| Item | | Current practice |
|--|--|---|
| Shareholding structure and shareholders' interests | Handling of shareholders' suggestions and disputes | The spokesperson or secretarial division personnel handles all non-legal issues; the legal division handles all legal issues. |
| | Identification of major shareholders and investors with controlling interests | The secretarial division provides a list of shareholders. |
| | Risk control mechanisms and firewalls between the Company and its subsidiaries | The Company has established "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties" and "Rules and Procedures on Monitoring Subsidiaries" as risk control mechanisms. |
| Board of directors and its responsibilities | Independent directors | The Company's board includes four independent directors. |
| | Periodic review of CPA's independence | The Audit Committee conducts periodic reviews. |
| Communication channels with stakeholders | | The spokesperson and spokesperson's mailbox serves as the main communication channel between the Company and stakeholders. |
| Information disclosure | Disclosure of financial, operational and corporate governance information | Disclosure of financial-related and corporate governance information is posted periodically on the Company's website. |
| | Other ways of disclosing information | The Company has set up an English website, investor relations as well as spokesperson function to enhance information disclosures. |
| Functional committees | | The Corporate Governance Committee oversees the functions of committees dealing with nominations of board directors and compensation. |

Corporate Governance Implementation

1. Corporate Governance Committee and Audit Committee

The Company's corporate governance structure is composed of two committees: a Corporate Governance Committee and an Audit Committee.

1. Corporate Governance Committee

The Corporate Governance Committee is composed entirely of independent board directors and its operation is bound by the "Corporate Governance Committee Charter." Its main responsibilities cover the following:

- (1) Maintaining a sound corporate governance mechanism
- (2) Nominating independent directors and supervisors
- (3) Supervising the operations of the board of directors, supervisors and functional committees

- (4) Reviewing the employee compensation system and structure

2. Audit Committee

Pursuant to the Securities and Exchange Act, shareholders approved the establishment of an Audit Committee consisting of independent directors to take over the responsibilities of supervisors during its annual meeting on June 13, 2008. The committee's operation is bound by the "Audit Committee Charter" and its main responsibility is to assist the board in overseeing the following:

- (1) Integrity of the Company's financial statements
- (2) Independent auditors' appointment (termination) and integrity/performance
- (3) Internal risk control
- (4) Company's compliance with legal and regulatory requirements
- (5) Company's existing and potential risks

2. Corporate Governance Operation

1. Attendance of board members at board meetings

1. The Board of Directors convened seven times in 2009

| Title | Name | Attendance in person | By proxy | Attendance ratio | Remarks |
|----------------------|---|----------------------|----------|------------------|--|
| Chairman | Richard Tsai, Representative of Fu-Chi Venture Corp. | 7 | 0 | 100% | |
| Vice Chairman | Daniel Tsai, Representative of Fu-Chi Venture Corp. | 6 | 1 | 86% | |
| Director | Harvey Chang, Representative of TCC Investment Co., Ltd. (Note 1) | 7 | 0 | 100% | |
| Director | Vivien Hsu, Representative of TCC Investment Co., Ltd. (Note 1) | 7 | 0 | 100% | |
| Director | Victor Kung , Representative of Fu-Chi Venture Corp. | 6 | 1 | 86% | |
| Independent Director | Jack J.T. Huang | 6 | 0 | 86% | |
| Independent Director | Tsung-Ming Chung | 6 | 1 | 86% | |
| Independent Director | Wen-Li Yeh | 6 | 1 | 86% | |
| Independent Director | J. Carl Hsu | 6 | 1 | 86% | |
| Director | Benny Chen, Representative of Taiwan Fixed Network Co., Ltd. | 6 | 0 | 100% | Chen & Lin, who both resigned on September 18, 2009, were required to attend six meetings. |
| Director | Howard Lin, Representative of Taiwan Fixed Network Co., Ltd. | 6 | 0 | 100% | |

Note1: Former institutional director, TFN Investment Co., Ltd. was merged into TCC Investment Co., Ltd. on September 19, 2009.

2. Any objections or issues raised by independent directors against resolutions passed by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: None.

3. Directors' adherence to Company rules on avoiding conflict of interests:

At the 7th meeting of the Fifth Board of Directors on April 30, 2009, during the discussion of the issue involving Taipei New Horizons Co., Ltd.'s – the Company's 49.9% indirectly owned investment – signing of a construction management contract with Fubon Land Development Co., Ltd. (FLD), Chairman Richard Tsai and Vice Chairman Daniel Tsai abstained from voting to avoid conflict of interests in accordance with Articles 178 and 206 of the Company Act as they are major shareholders of FLD.

4. Other BOD objectives:

- (1) BOD performance evaluation: The 11th meeting of the Fourth BOD approved the "Rules and Procedures on Evaluating BOD Performance" on October 26, 2006. The Corporate Governance Committee evaluates the BOD's performance and submits a report on proposals for improvement. The 2008 BOD performance self-evaluation was conducted by all members at the 7th meeting of the Fifth BOD on April 30, 2009. The 2009 BOD performance self-evaluation was conducted by all members at the 12th meeting of the Fifth BOD on January 28, 2010.
- (2) Training programs for directors and supervisors: The Company has conducted regular seminars in the office to facilitate interaction between the lecturer and directors and meet the required training hours since 2008.
- (3) Information transparency: Committed to upholding transparency in operations and protecting shareholders' interests, the Company discloses BOD resolutions in a timely and consistent manner. In accordance with Interpretation No. 0970032392, promulgated by the Taiwan Stock Exchange on November 19, 2008, the Company approved the "Regulations on Dealing with Internal Material Information" on January 22, 2009 and disseminated

them to employees, managers and directors on April 9, 2009 to ensure that they promote information transparency and timely disclosure.

2. Attendance of Audit Committee members

During the annual shareholders' meeting on June 13, 2008, all independent directors were elected to the Audit Committee taking over the responsibilities of supervisors.

1. The Audit Committee convened six times in 2009

| Title | Name | Attendance in person | By proxy | Attendance ratio | Remarks |
|----------------------|------------------|----------------------|----------|------------------|------------------------------|
| Independent Director | Tsung-Ming Chung | 6 | - | 100% | Appointed committee chairman |
| Independent Director | Jack J.T. Huang | 5 | - | 83.33% | |
| Independent Director | Wen-Li Yeh | 6 | - | 100% | |
| Independent Director | J. Carl Hsu | 6 | - | 100% | |

Note:

- (1) Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors: None.
- (2) Any conflict of interests among independent directors: None.
- (3) Communication between Independent Directors and the Internal Audit Chief and CPAs:
 - a. In addition to presenting monthly reports to independent directors, the Internal Audit Chief submits regular reports on the progress of its audit program at the quarterly Audit Committee meetings.
 - b. The CPAs present audit reports and findings to independent directors during the committee's quarterly meeting.
 - c. The Internal Audit Chief and CPAs also communicate with independent directors directly as needed.

3. Major resolutions at the 2009 shareholders' meeting

Issues discussed and approved:

1. 2008 business and financial reports
2. 2008 earnings distribution proposal
3. Amendments to the Company's "Articles of Incorporation"
4. Amendments to the "Rules and Procedures on Lending and Making Endorsements/Guarantees"

Resolutions made in the 2009 general shareholders' meeting were all duly executed.

4. Major resolutions by the board (between 2009 and the publication date)

1. Approved the removal of non-competition restrictions on Company management
2. Approved 2009 stand-alone and consolidated financial forecasts
3. Gave the green light to the Company's participation in future rights issues of Taipei New Horizons Co., Ltd., with the equity investment cap set at NT\$1.92bn
4. Approved 2009 capital expenditure projects for network optimization and 3G implementation
5. Approved 2008 profit distribution proposal
6. Approved the holding of the 2009 general shareholders' meeting
7. Approved expansion project for 3G network
8. Set record date for 2008 cash dividend distribution

9. Gave the green light to the Company's participation in future rights issues of Wealth Media Technology Co., Ltd., with the equity investment cap set at NT\$6.5bn
10. Approved a loan to Wealth Media Technology Co., Ltd.
11. Approved a loan to Taiwan Cellular Co., Ltd.
12. Approved the acquisition of Carlyle Group's CATV-related assets in Taiwan, with the cap set at 15.5% of the Company's treasury shares coupled with cash
13. Approved a maximum of NT\$3.5bn in endorsement /guarantee for Taiwan Fixed Network Co., Ltd
14. Approved a loan to TCC Investment Co., Ltd
15. Approved a loan to Taiwan Fixed Network Co., Ltd
16. Approved a loan to TFN Media Ltd
17. Approved 2010 stand-alone and consolidated financial forecasts
18. Approved 2010 capital expenditure projects for network optimization and 3G implementation
19. Approved the removal of non-competition restrictions on Company management
20. Approved the holding of the 2010 general shareholders' meeting

The above information is posted on <http://newmops.tse.com.tw>.

5. Major disputes between directors and supervisors in relation to board meeting resolutions from 2009 up to the publication date in 2010: None.

3. Additional Information

1. Training program for directors

| Title | Name | Date of training | | Organization | Training program | Hours |
|--|------------------|------------------|------------|--|--|-------|
| | | From | To | | | |
| Director, Representative of Fu-Chi Venture Corp. | Richard Tsai | 2009/07/07 | 2009/07/07 | Corporate Governance Association | Enterprise mergers and the legal responsibility of directors | 3.0 |
| Director, Representative of Fu-Chi Venture Corp. | Daniel Tsai | 2009/07/07 | 2009/07/07 | Corporate Governance Association | Enterprise mergers and the legal responsibility of directors | 3.0 |
| | | 2009/07/31 | 2009/07/31 | Corporate Governance Association | Insider trading and the legal responsibility of directors | 3.0 |
| Director, Representative of TCC Investment Co., Ltd. | Harvey Chang | 2009/05/15 | 2009/05/15 | Corporate Governance Association | Speaker at "Win-win enterprise strategy for shareholders, employees and company" forum | 1.0 |
| | | 2009/07/31 | 2009/07/31 | Corporate Governance Association | Insider trading and the legal responsibility of directors/supervisors | 3.0 |
| | | 2009/10/05 | 2009/10/05 | Corporate Governance Association | Discussing corporate governance and BenQ's case | 1.0 |
| | | 2009/12/02 | 2009/12/02 | Corporate Governance Association | Corporate governance forum | 1.0 |
| Director, Representative of TCC Investment Co., Ltd. | Vivien Hsu | 2009/05/15 | 2009/05/15 | Corporate Governance Association | "Win-win enterprise strategy for shareholders, employees and company" forum | 1.0 |
| | | 2009/07/01 | 2009/07/01 | Corporate Governance Association | "ECFA" forum | 1.0 |
| | | 2009/07/24 | 2009/07/24 | Financial Supervisory Commission, Executive Yuan | Orientation on regulations governing internal transfer of shares | 2.0 |
| | | 2009/07/31 | 2009/07/31 | Corporate Governance Association | Insider trading and the legal responsibility of directors/supervisors | 3.0 |
| Director, Representative of Fu-Chi Venture Corp | Victor Kung | 2009/07/07 | 2009/07/07 | Corporate Governance Association | Enterprise mergers and the legal responsibility of directors | 3.0 |
| | | 2009/07/31 | 2009/07/31 | Corporate Governance Association | Insider trading and the legal responsibility of directors | 3.0 |
| Independent Director | Jack J.T. Huang | 2009/02/05 | 2009/02/05 | Corporate Governance Association | Cross-strait business and trading amid the financial crisis | 1.0 |
| | | 2009/07/07 | 2009/07/07 | Corporate Governance Association | Speaker at "Enterprise mergers and the legal responsibility of directors/supervisors" | 3.0 |
| | | 2009/11/17 | 2009/11/17 | Securities & Futures Institute | Speaker at "Enterprise mergers and the legal responsibility of directors/supervisors" | 3.0 |
| Independent Director | Tsung-Ming Chung | 2009/07/02 | 2009/07/02 | Taiwan Academy of Banking and Finance | Board Meeting Practices and Corporate Governance | 3.0 |
| Independent Director | Wen-Li Yeh | 2009/07/31 | 2009/07/31 | Corporate Governance Association | Insider trading and the legal responsibility of directors/supervisors | 3.0 |
| Independent Director | J. Carl Hsu | 2009/07/31 | 2009/07/31 | Corporate Governance Association | Insider trading and the legal responsibility of directors/supervisors | 3.0 |

Note: The training requirements listed above have been fulfilled.

2. Training program for management team

| Training Program | Organization | Date | Hours | Participant List of management team |
|--|--|------------|-------|--|
| [Corporate Governance Workshop] Management strategies for coping after the financial storm | TWM HR Div./ Polaris Research Institute | 2009/07/20 | 3 | Jeff Ku, James Chang, Egon Chen, Chien Chen, Paul Huang, Joseph Yang |
| [Corporate Governance Workshop] Enhancing organizational execution with customer value management | TWM HR Div./ Polaris Research Institute | 2009/10/14 | 3 | Cliff Lai, JC Dorng*, Techí Juan, James Chang, Chien Chen, Joseph Yang |
| [Corporate Strategy Workshop] Win-win Strategies for Organizations | TWM HR Div. | 2009/10/23 | 7 | Harvey Chang, Vivien Hsu, James Jeng, George C. Chou, JC Dorng*, Andrew Wong, Simon Wang, HS Wang, Jeff Ku, Techí Juan, Jay Hong, C.A. Chuang, Egon Chen, Chien Chen, Paul Huang, Joseph Yang, Ruth Liaw |

* JC Dorng resigned on October 31, 2009

3. Employees' certification related to financial transparency

Employees whose duties involve releasing Company's financial information are encouraged to obtain certifications in related fields. Certification details are as follows:

1. Certified Internal Auditor (CIA): One employee in Operation Analysis Division; eight in Internal Audit Office.
2. Basic examination on internal controls by the Securities and Futures Institute: Four in Secretarial Division.
3. Qualified Internal Auditor (QIA): One employee in Operation Analysis Division; eight in Internal Audit Office; one in Accounting Division.
4. Certified Public Accountant (CPA): One employee in the Office of the CFO; three in Operation Analysis Division; one in Accounting Division; one in Finance Division.

4. The Company has purchased liability insurance for its directors and supervisors.

5. Resigned/discharged officers responsible for financial reports: None.

Achievements and Recognitions

Aside from continually focusing on its core business and protecting shareholders' interests, the Company has won recognition locally and globally for its commitment to corporate governance and corporate social responsibility. In 2009, TWM was awarded the "Corporate Governance Asia Recognition Award" in the Asia-Pacific region by Corporate Governance Asia for the third year in a row. The Company was granted an A+, the highest ranking in Information Disclosure and Transparency Assessments, and ranked among the top 10 listed companies by the Securities and Futures Institute for the fourth consecutive year. Moreover, it was also awarded the "Excellence in Corporate Social Responsibility" and ranked No.1 in the corporate governance category by CommonWealth magazine for the third year in a row. TWM has become a benchmark for Taiwanese companies given its exemplary compliance with the strict rules on corporate governance and continuous pursuit of sustainable development.

Certified Public Accountant (CPA) Information

1. CPA and CPA opinions for the past five years

| Year | Accounting firm | Name of CPA | Opinion |
|------|-------------------|------------------------|------------------------------|
| 2005 | Deloitte & Touche | Peter Fan, Vita Kuo | Unqualified opinion |
| 2006 | Deloitte & Touche | Peter Fan, Vita Kuo | Modified unqualified opinion |
| 2007 | Deloitte & Touche | Peter Fan, Vita Kuo | Modified unqualified opinion |
| 2008 | Deloitte & Touche | Vita Kuo, Roger Tai | Modified unqualified opinion |
| 2009 | Deloitte & Touche | Peter Fan, S. C. Huang | Unqualified opinion |

2. Reasons for changing CPAs in the past five years

Regular job rotations within Deloitte & Touche resulted in the change of CPAs from 2005 to 2009.

3. CPA service fees

Unit: NT\$'000

| Accounting firm | Name of CPA | | Audit fee | Non-audit fee | | | Whether the CPA's audit period covers an entire fiscal year | | Note |
|-------------------|-------------|------------|-----------|----------------------|-------|----------|---|----|--|
| | | | | Company registration | Other | Subtotal | Yes | No | |
| Deloitte & Touche | Peter Fan | S.C. Huang | 9,220 | 257 | 1,802 | 11,279 | v | | Fees for other non-audit services were mainly for tax related consultation |

Unit: NT\$'000

| | Range of CPA service fee | Audit fee | Non-audit fee | Total |
|---|-----------------------------|-----------|---------------|-------|
| 1 | NT\$0~NT\$1,999,999 | - | - | - |
| 2 | NT\$2,000,000~NT\$3,999,999 | - | 2,059 | 2,059 |
| 3 | NT\$4,000,000~NT\$5,999,999 | - | - | - |
| 4 | NT\$6,000,000~NT\$7,999,999 | - | - | - |
| 5 | NT\$8,000,000~NT\$9,999,999 | 9,220 | - | 9,220 |
| 6 | NT\$10,000,000 and above | - | - | - |

4. Chairman, CEO, and chief officer of finance or accounting held positions in the Company's audit firm or its affiliates: None

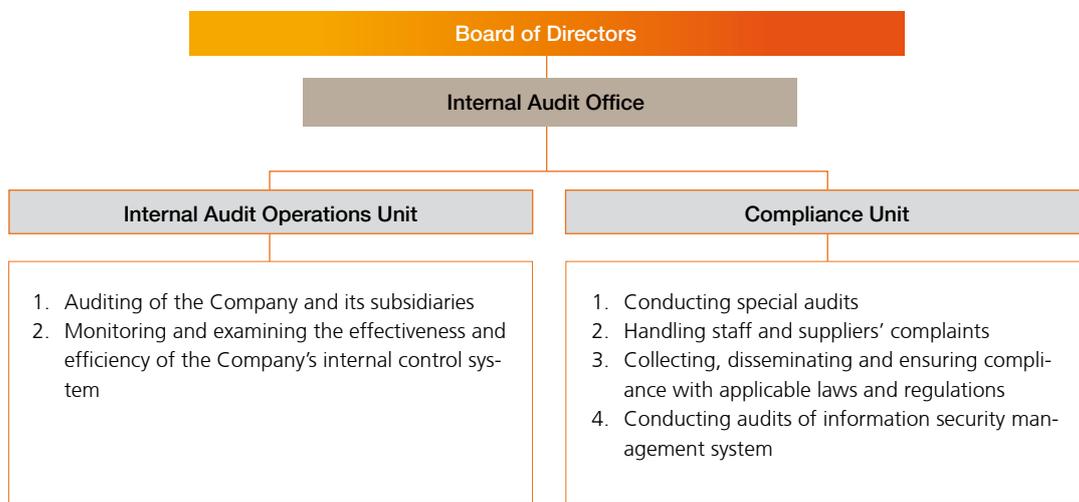
Internal Control System

1. Internal Control Office Organization

The Company's Internal Audit Office is an independent unit that reports directly to the Board of Directors. The Internal Audit Office is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations, and management departments. All departments, including those of the subsidiaries, are subject to its audit.

Regular internal audits are executed according to the annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements. In accordance with corporate governance, audit reports are regularly submitted to and reviewed by the Chairman as well as the Audit Committee.

The Internal Audit Office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, it generates and consolidates related inspection reports for the CEO and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.



2. Report from CPA after examining the internal control system: None.

3. Violation of regulations and internal policies: None.

Taiwan Mobile Co., Ltd. Internal Control Statement

Date: January 28, 2010

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2009:

1. TWM is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by Public Companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission, and the Executive Yuan (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment and response, 3. Control activities, 4. Information and communications, 5. Monitoring. Please refer to the Regulations for details on these five key elements.
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that as of Dec.31, 2009, its internal control system (including its supervision of subsidiaries), which encompasses internal controls for the knowledge of the degree of achieving operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating and reasonably assured the achievement of the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 28, 2010, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Richard Tsai
Chairman



Harvey Chang
President