

Chunghwa Telecom Company, Ltd.

Guidelines for Facilitating Suppliers' Implementation of Sustainable Development

Approval and revision of Articles 3, 4, 5, and 14
based on Gong-Guan-Zi-No. 1120001416 dated May 8, 2023; addition of
Articles 1-1, 9, 10, 11, 12, and 13.

- Article 1 (Purpose of enactment and applicable scope)
Chunghwa Telecom Company, Ltd. and its affiliated institutions (hereinafter, CHT) have formulated these guidelines by CHT's supplier sustainability / ESG standards to facilitate suppliers' implementation of sustainability / ESG responsibilities.
The applicable scope of these guidelines covers group enterprises and organizations, including CHT's subsidiaries and joint ventures, and other institutions or juridical persons substantially controlled by CHT.
- Article 1-1 Article 1-1 (Terms)
Those who meet one of the following conditions and have a business relationship with CHT are vital suppliers:
(I) Suppliers with an annual transaction of more than NT\$50 million with CHT.
(II) Suppliers who provide irreplaceable products or services to CHT.
(III) Suppliers with leading technological capabilities or critical components.
Irreplaceable suppliers include the following vendors:
(I) Suppliers with exclusive rights or suppliers who provide complete manufacturing service or supply.
(II) Original suppliers must be designated for the subsequent maintenance, supply, replacement, or expansion of spare parts of the original equipment due to the need for compatibility or interoperability.
(III) Suppliers of prototypes or objects manufactured and provided for the first time are R&D, experimentation, or development suppliers.
(IV) Commercial resale, lease, or other suppliers designated by the proprietor.
Suppliers of critical components: Refer to "upstream suppliers" of the key suppliers. If regular shipments cannot be made, loads of "key suppliers" will be affected, which will, in turn, affect CHT's operations.
- Article 2 (Standards of conduct)
All suppliers of CHT are expected to follow the content provided in the supplier sustainability / ESG standards. CHT shall uphold an encouraging attitude and adopt relevant guidance measures to assist suppliers in implementing the sustainability / ESG standards.
- Article 3 (Supplier self-management)
When entering the contract, suppliers shall agree to abide by CHT's supplier sustainability / ESG standards and the Supplier Code of Conduct.
- Article 4 (Audit and improvement)
CHT shall monitor suppliers' implementation of sustainability / ESG by conducting education and training, questionnaire surveys, on-site visits, or designating a third party to conduct independent verification. For suppliers that do not meet the relevant standards, CHT shall also persuade them to formulate appropriate continuous improvement plans. Suppose the suppliers cannot complete applicable standards when the improvement period expires. In that case, CHT may suspend the transactions with such suppliers until the suppliers improve.

- Article 5 (Implementing measures)
CHT's measures to facilitate suppliers to implement sustainability / ESG include:
- (I) Supplier communication meetings: CHT shall hold regular supplier communication meetings to promote sustainability / ESG policies; the communication results can also be used as a reference for CHT's suppliers in devising their management action plan.
 - (II) Education and Training: After discussions with suppliers, CHT may provide education and training when necessary to assist suppliers in building sustainability / ESG management capabilities.
 - (III) Questionnaire surveys: Suppliers whose contract value exceeds a certain amount shall complete the supplier sustainability / ESG status questionnaire before signing contracts.
 - (IV) On-site visits: CHT may conduct on-site visits to significant suppliers or authorize a third party to conduct independent verification to check their sustainability / ESG implementation status.
 - (V) Supplier self-evaluation: Based on the Responsible Business Alliance Code of Conduct (RBA Code of Conduct), CHT has formulated a self-evaluation checklist for suppliers to report their sustainability performance. The list is prescribed as a required document for project bidding.
 - (VI) Carbon management: Suppliers whose contract value exceeds a certain amount shall agree to participate in the CDP project and cooperate with CHT to undertake work related to a scope three greenhouse gas inventory before signing contracts.

Article 6 (Division of responsibilities)
The supplier communication meetings, education and training, and on-site visits in the preceding Article are planned and implemented by the secretariat of CHT's Sustainable Development Committee. The supply and procurement department is responsible for compiling supplier information and contacting suppliers. The task forces of CHT's Sustainable Development Committee and relevant business units shall designate personnel to assist. The questionnaire surveys are planned and implemented by the supply and procurement department and the internet department.

Article 7 (Rewards)
CHT shall openly commend suppliers with good sustainability / ESG performance. When CHT handles selection and procurement cases, the supplier's sustainability / ESG implementation status may be listed as a selection criterion so that suppliers with excellent performance are given a preferential price negotiation opportunity as a substantial incentive.

Article 8 (Handling of significant violations)
For significant violations of CHT's supplier sustainability / ESG standards which cause damage to CHT's image, goodwill, or finances, each organization shall report to the head office after handling them. CHT may suspend the suppliers' rights by the procurement management rules.

Article 9 (Internal training)
To facilitate requisition and procurement personnel's understanding of the sustainable development direction of suppliers, CHT shall organize internal education and training regularly to jointly promote suppliers' ESG goals according to the implemented content of these guidelines.

Article 10 (Regularly review procurement policy documents)
CHT works to align with the United Nations Sustainable Development Goals (UN SDGs), where it follows and complies with sustainability / ESG regulations and standards or principles set by the country and industry. Furthermore, CHT shall regularly review supplier-related policies, integrate procurement and supplier ESG strategies, and conduct timely reviews and revisions.

Article 11 (Supplier screening)

CHT screens and selects major suppliers based on business relevance, ESG capabilities, and specific risks:

- (I) Key suppliers are relevant to the business operations.
- (II) ESG capabilities: Based on the framework of the UN SDGs and the RBA Code of Conduct, the self-evaluation checklist for the supplier's sustainability performance is divided into three aspects—environmental, social, and governance—to screen and select suppliers for their ESG capabilities.
- (III) Specific risks: Screening and selection are based on country-, industry- and product-specific risks.
 - (1) Country-specific risks: CHT is a crucial infrastructure company. Due to information security considerations, purchasing information and communications products from companies in countries with high information security risks is wholly prohibited. Furthermore, business transactions with countries with serious corruption are strictly controlled.
 - (2) Industry-specific risks: Based on the attributes of procurement categories, CHT identifies and strengthens the management of suppliers more likely to have adverse environmental, social, and governance risk impacts. The content includes but is not limited to negative risks, such as illegal employment, child labor, overtime work, industrial safety incidents, energy consumption, greenhouse gas emissions, or potential pollution.
 - (3) Product-specific risks: According to the supply chain structure of different products, CHT identifies and strengthens the management of potential adverse risks of suppliers. The content includes but is not limited to negative risks, such as using conflict minerals, raw materials, and forced labor.

Article 12 (Supplier evaluation)

To evaluate the ESG capabilities of suppliers to facilitate suppliers' implementation of sustainable development, CHT adopts the following evaluation methods:

- (I) Written evaluation: Conduct an online ESG questionnaire survey in CHT's procurement system to understand suppliers' ESG capabilities through their replies to the questionnaire.
- (II) On-site evaluation: CHT's personnel shall conduct on-site inspections of suppliers to verify their sustainability / ESG implementation status.
- (III) Third-party on-site evaluation: Entrust a third-party verification unit to inspect suppliers by CHT's supplier sustainability / ESG standards to check their sustainability / ESG implementation status.

Based on the evaluation results in the preceding paragraph, for suppliers that fail to meet the standards, a continuous improvement plan for more than six months will be formulated according to the circumstances. The improvement progress will be tracked regularly to mitigate the adverse risks posed by CHT's suppliers.

Article 13 (Support ESG sustainable development of significant suppliers)

To support the ESG sustainable development of major suppliers, CHT provides the following resources:

- (I) Conduct education and training and organize annual environmental visits to significant suppliers.
- (II) Discuss and share information with significant suppliers, provide ESG benchmark practices of the industry and international development trends, etc.

To support the continuous improvement plans formulated by significant suppliers, CHT offers telephone consultation services, e-mail, and meeting discussions to help significant suppliers continuously implement improvements.

Article 14 (Enforcement and revision)

These guidelines shall take effect following the approval of the Chairman, and the same shall apply for revisions.