

# **Procedures for Ethical Management and Guidelines for Conduct for Chunghwa Telecom Co., LTD.**

All articles adopted by the 6th Board of Directors at the 20th meeting on January 29, 2013.  
Announced in CHT 2013.2.18 Shin-Ren-Wu-Zu No. 1020000136 Letter.  
Amended by the 9th Board of Directors at the 8th meeting on August 5, 2020.  
Announced in CHT 2020.8.12 Shin-Ren-San-Zu No. 1090001416 Letter.  
Amended by the 9th Board of Directors at the 5th meeting on September 28, 2021.  
Announced in CHT 2021.12.30 Shin-Ren-Yi-Zu No. 1100002527 Letter.

## **Article 1 (Purpose of enactment and applicable scope)**

This Corporation engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines") are adopted pursuant to Article 6 of the Corporation's Ethical Corporate Management Best Practice Principles, with a view to providing all personnel of this Corporation with clear directions for the performance of their duties.

The scope of application of these Procedures and Guidelines includes the subsidiaries of this Corporation, any incorporated foundation in which this Corporation's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Corporation.

## **Article 2 (Applicable subjects)**

For the purposes of these Procedures and Guidelines, the term "personnel of this Corporation" means directors, supervisors, managers, employees, mandataries, and substantial controllers of the Corporation and other affiliated corporations and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of this Corporation through a third party will be presumed to be an act by the personnel of this Corporation.

## **Article 3 (Unethical conduct)**

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of this Corporation, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or

private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.

#### **Article 4 (Types of benefits)**

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

#### **Article 5 (Responsible unit and duties)**

This Corporation shall designate the Organization and Talent Development Department as the solely responsible unit (hereinafter, "responsible unit") to assist the board of directors in the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports (at least once a year) to the board of directors:

1. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

7. Preparing and retaining properly documented information such as ethical management policy and compliance statements, situations concerning the performance of undertakings and enforcement etc.

Service Stations of the Organization and Talent Development Department of the Corporation are responsible for the implementation and advisory services with respect to these Procedures and Guidelines and the recording and filing of reports. When encountering a case, they shall immediately report to the responsible unit of the Corporation. Also, they shall submit reports to the responsible unit of the Corporation every month in the form provided in the Attachment.

#### **Article 6 (Prohibition against providing or accepting improper benefits)**

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of this Corporation shall comply with the provisions of the Corporation's Ethical Corporate Management Best Practice Principles and these Procedures and Guidelines while the relevant procedures shall have been carried out:

1. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
2. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
3. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
4. Attendance at folk festivals that are open to and invite the attendance of the general public.
5. Rewards, emergency assistance, condolence payments, or honorariums from the management.
6. Social etiquette, or other conduct that complies with the rules of this Corporation.

#### **Article 7 (Procedures for handling the acceptance of improper benefits)**

Except under any of the circumstances set forth in the preceding article, when any personnel of this Corporation are provided with or are promised, either directly or indirectly,

any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of this Corporation's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
2. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of this Corporation's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.

A relationship of interest between the party providing or offering the benefit and the official duties of this Corporation's personnel, as referred to in the preceding paragraph, refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding this Corporation's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of this Corporation shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after it is submitted to the head of the institution for review and approval.

#### **Article 8 (Prohibition of and handling procedure for facilitating payments)**

This Corporation shall neither provide nor promise any facilitating payment.

If any personnel of this Corporation provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.

Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of

recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report it to the relevant judicial agency.

#### **Article 9 (Procedures for handling political donations)**

The Corporation is prohibited from offering political donations.

#### **Article 10 (Procedures for handling charitable donations or sponsorships)**

Charitable donations or sponsorships by this Corporation shall comply with relevant regulations of the Corporation such as the Segregation of the Responsibilities and Duties of the Board of Directors and Managerial Departments and the following:

1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where this Corporation is doing business.
2. A written record of the decision making process shall be kept.
3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received from sponsorship should be specific and reasonable, and the subject of the sponsorship may not be a counterparty of this Corporation's commercial dealings or a party with which any personnel of this Corporation has a relationship of interest.
5. Legitimate receipts shall be obtained after charitable donations or sponsorship are made.

#### **Article 11 (Recusal)**

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of this Corporation, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of this Corporation, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in an inappropriate manner.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

If in the course of conducting company business, any personnel of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of this Corporation may use company resources on commercial activities other than those of this Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of this Corporation.

#### **Article 12 (Special unit in charge of confidentiality regime and its responsibilities)**

Different departments and institutions under the headquarter shall be responsible for managing, preserving, and maintaining the confidentiality of this Corporation's trade secrets, trademarks, patents, works and other intellectual properties according to their business scope and relevant regulations, and they shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of this Corporation shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of this Corporation of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of this Corporation unrelated to their individual duties.

#### **Article 13 (Prohibition of unfair competition)**

This Corporation shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

#### **Article 14 (Prohibition of products or services from harming stakeholders)**

This Corporation shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of this Corporation to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

This Corporation shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services

from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Where there are sufficient facts to determine, that this Corporation's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, this Corporation shall immediately recall such batch of products or stop the service, investigate to verify the facts, and present a review and improvement plan.

The unit responsible for related businesses of this Corporation shall report the event as in the preceding paragraph, actions taken, and subsequent reviews and corrective measures taken to the board of directors.

#### **Article 15 (Prohibition against insider trading and non-disclosure agreement)**

All personnel of this Corporation shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside of this Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by this Corporation shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Corporation acquired as a result, and that they may not use such information without the prior consent of this Corporation.

#### **Article 16 (Compliance and announcement of policy of ethical management)**

This Corporation shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

This Corporation shall disclose the policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of the Corporation's principles and rules with respect to ethical management.

## **Article 17 (Ethical management evaluation prior to development of commercial relationships)**

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, this Corporation shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When this Corporation carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
3. Whether enterprise's business operations are located in a country with a high risk of corruption.
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. The long-term business condition and degree of goodwill of the enterprise.
6. Consultation with the enterprise's business partners on their opinion of the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

## **Article 18 (Statement of ethical management policy to counterparties in commercial dealings)**

Any personnel of this Corporation, when engaging in commercial activities, shall make a statement to the trading counterparty about this Corporation's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

## **Article 19 (Avoidance of commercial dealings with unethical operators)**

All personnel of this Corporation shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical

conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement this Corporation's ethical management policy.

## **Article 20 (Stipulation of terms of ethical management in contracts)**

Before entering into a contract with another party, this Corporation shall gain a thorough knowledge of the status of the other party's ethical management, and shall incorporate the ethical management policy of this Corporation as part of the terms and conditions of the contract, stipulating at the least the following matters:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim damages in accordance with the contract, and may also deduct the full amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

## **Article 21 (Handling of unethical conduct by personnel of this Corporation)**

As an incentive to insiders and outsiders for reporting unethical or unseemly conduct, this Corporation will, after obtaining the approval from the head of the reporting institution, grant a reward depending on the seriousness of the circumstance concerned. Insiders having made a false report or malicious accusation shall be subject to punishment according to the Corporation's Employee Reward/Disciplinary Standards, and their employment contracts will be terminated if the circumstance concerned is material.

The Corporation shall set an independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, on the Corporation's website and the intranet to allow internal and external personnel of the Corporation to submit reports. A whistle-blower shall at least provide the following

information:

1. The whistle-blower's name, ID number (a whistle-blower may also report anonymously), and the address, phone number or e-mail address which can be used to contact the whistle-blower.
2. The name of the individual being reported or other information which is sufficient in identifying the reported individual.
3. Specific facts available for investigation.

When handling a report, this Corporation's personnel handling the report shall state that they will keep the identity of the whistle-blower and content of reports confidential in writing. This Corporation further assures that whistle-blowers will be protected from mistreatment for submitting reports.

This Corporation's responsible unit dedicated for receiving reports shall receive reports in accordance with the principle of segregation of power for the investigation of violations of this Corporation's employees and the guidelines for handling employee appeals, and it shall handle reports in accordance with the following procedure:

1. Any report involving an ordinary staff shall be submitted to the department manager. Any report involving a director or a senior manager shall be submitted to the independent directors or the Audit Committee.
2. This Corporation's responsible unit dedicated for receiving reports and the manager or staff receiving reports in the preceding paragraph shall immediately verify relevant facts. Where necessary, the legal department or other relevant department will provide assistance.
3. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Corporation's ethical management policy and rules, this Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Corporation will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
4. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.
5. With respect to a confirmed information, this Corporation shall charge relevant

units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.

6. The Corporation's responsible unit dedicated for receiving reports shall submit to the board of directors a report on the unethical conduct, actions taken, and subsequent reviews and corrective measures taken.

## **Article 22 (Actions upon event of unethical conduct by others towards this Corporation)**

If any personnel of this Corporation discovers that another party has engaged in unethical conduct towards this Corporation, and such unethical conduct involves alleged illegality, this Corporation shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, this Corporation shall additionally notify the governmental anti-corruption agency.

## **Article 23 (Internal awareness sessions and establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)**

The responsible unit of this Corporation shall organize awareness sessions at least once a year to communicate the importance of ethics to its directors, employees, and mandataries.

This Corporation shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of this Corporation seriously violates ethical conduct, this Corporation shall dismiss or terminate the personnel in accordance with applicable laws and regulations or relevant rules of this Corporation.

This Corporation shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

## **Article 24 (Enforcement)**

This Procedures and Guidelines shall be implemented after the board of directors grants the approval. The same procedure shall be applicable to the amendments thereof.

When these Procedures and Guidelines are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

## Form of Report of Substantial Situations for Chunghwa Telecom Company, Ltd.

Period of the Report: From (yyyy) (mm) (dd) to (yyyy) (mm) (dd)

Reason							
Report Category	<input type="checkbox"/> Disciplinary Cases <input type="checkbox"/> Disclosure Cases <input type="checkbox"/> Unethical Conducts <input type="checkbox"/> Safety Cases <input type="checkbox"/> Major Public Opinions <input type="checkbox"/> Ordinary Cases	Level	<input type="checkbox"/> Important <input type="checkbox"/> Fairly Important <input type="checkbox"/> Highly Important	The Original Reporting Institution		Source	<input type="checkbox"/> Proactive Discovery <input type="checkbox"/> Proactive Reporting <input type="checkbox"/> Receive of a Report <input type="checkbox"/> Designated for Investigation <input type="checkbox"/> Media Reports <input type="checkbox"/> Cooperative Investigation <input type="checkbox"/> Others
Content of the report and actions taken							
Proposed				Comments			