

Chunghwa Telecom Co., Ltd.

Internal and External Board Performance Evaluation Report for 2022

1. Basis: The Company's regulations governing the performance evaluation of the board of directors
2. Evaluation Method and Cycle
 - (1). Internal evaluation: The board performance self-evaluation scope covers the board as a whole, individual directors and functional committees, and shall be conducted by the end of each year.
 - (2). External evaluation: The board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years.
3. Internal Evaluation Indexes and Period
 - (1). The Company conducted board performance self-evaluation of individual directors which includes the following six aspects: Alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
 - (2). The Company conducted self-evaluation of the board's performance as a whole, which includes the following five aspects: participation in the operation of the Company, improvement of the quality of the board's decision making, composition and structure of the board of directors, election and continuing education of the directors, and internal controls.
 - (3). Performance self-evaluation by functional committees includes the following five aspects: Participation in the operation of the Company, awareness of the duties of the functional committee, improvement of quality of the decision made by the functional committee, the makeup of the functional committee and the election of its members, and internal control.
 - (4). Evaluation period: 2022/1/1~2022/12/31
4. Evaluation Procedure
 - (1). For internal board performance evaluation, the administrative unit shall collect information about the activities of individual directors and functional committees before December 31st, every year and distribute questionnaires to directors to fill in.
 - (2). The administrative unit shall collect all the questionnaires completed, give scores, record the evaluation results in a report, and submit the report to the board before the end of March of the following year as a reference for discussion and improvement.

5. Evaluation results

(1). **Internal evaluation:** Individual directors and functional committees are effective and are in compliance with corporate governance requirements. Each committee has performed its duties, effectively strengthening the board of directors' powers.

- i. Questionnaire for self-evaluation of individual director performance: With a total of 25 indexes across six aspects, the average score for each aspect ranges between 4.79 and 5 points out of 5 points.

Aspects of Evaluation	Average score
	Year 2022
Alignment of the goals and missions of the Company	5
Awareness of the duties of a director	4.98
Participation in the operation of the Company	4.90
Management of internal relationship and communication	4.79
The director's professionalism and continuing education	4.97
Internal control	5

- ii. Questionnaire for self-evaluation of board performance: With a total of 38 indexes across five aspects, the average score for each aspect ranges between 4.89 and 4.99 points out of 5 points.

Aspects of Evaluation	Average score
	Year 2022
Participation in the operation of the Company	4.94
Improvement of the quality of the board's decision making	4.97
Composition and structure of the board of directors	4.99
Election and continuing education of the directors	4.97
Internal control	4.89

- iii. Questionnaire for self-evaluation of functional committees' performance: The three functional committees were evaluated separately on five aspects totaling 15, 17, and 21 indexes, respectively. All aspects evaluated in the Audit and Compensation Committees received perfect scores of 5 points, except for four of the five aspects evaluated in the Corporate Strategy Committee which scored 4 points.

Aspects of Evaluation \ Functional Committee	Audit Committee	Compensation Committee	Corporate Strategy Committee
Participation in the operation of the Company	5	5	4.97
Improvement of quality of decisions made by the functional committee	5	5	4.95
Awareness of the duties of the functional committee	5	5	4.94
The makeup of the functional committee and the election of its members	5	5	5
Internal control	5		

- iv. The performance evaluation results mentioned above, indexes that did not achieve a perfect score, and recommendations were reported at the 5th meeting of the 10th term board of directors on February 24th, 2023.

(2). **External evaluation:**

- i. Board performance evaluation by an external professional independent institution

The Company commissioned Taiwan Institute of Ethical Business to evaluate the effectiveness of the board of directors in November 2022. The evaluation focused on four key aspects:

A、The board's professional functions, including

- ◇ Board composition diversity
- ◇ Continuing education of directors
- ◇ Use of external resources
- ◇ Others

B、The effectiveness of the board's decision-making, including

- ◇ The level of directors' participation in meetings and attendance rate
- ◇ The directors' grasp of the Company's operations
- ◇ The board's management of corporate risk
- ◇ The adequacy of information for directors to make their decisions
- ◇ Others

C、The level of the board's attention and supervision on internal control, including

- ◇ Stipulation and implementation of an employee code of ethics
- ◇ Supervision of internal audit and control
- ◇ Smooth communication and reporting channels
- ◇ Disclosure and recusal of interests

- ◇ Others

D、 The board's attitude towards sustainable management, including

- ◇ ESG information disclosure
- ◇ Talent cultivation and succession planning
- ◇ Actions towards sustainable management
- ◇ Others

The evaluation was conducted through questionnaires and on-site visits. The evaluation team, which was composed of three independent committee members and two lawyers from the Taiwan Institute of Ethical Business (“the Institution”), was engaged to review the current operations of the Company's board of directors. After interviewing and exchanging views with the Company's directors, the independent institution issued a report to the Company based on a professional and objective review. This report serves as a reference for strengthening the functions of the board of directors in the future.

ii. Comments by the external professional independent institution

- Overall comments

A. Professional Functions and Decision-Making Effectiveness of the Board of Directors:

There are five independent directors on the board, accounting for over one-third of the board members, with backgrounds in different professional fields such as law, communications, artificial intelligence, finance, and accounting, providing diverse opinions from different perspectives. Board members have expressed opportunities are provided for sufficient discussions during the meetings.

B. Supervision of Internal Control by the Board of Directors: The evaluated company

has established a Corporate Strategy Committee at the board level to regularly discuss key issues such as development strategies, operational status, and significant transactions. In addition, a Risk Management Committee is established at the managerial level to monitor the overall risk exposure of the evaluated company. By establishing these committees, the board members can effectively identify potential risks and enhance risk management and supervision.

C. Attitude towards Sustainable Management: The evaluated company has

established a Sustainable Development Committee at the managerial level, jointly promoting the execution of sustainable development related action plans by the Chairman and the management team. The Committee reports to the board of directors on the implementation of sustainability strategies to ensure the board's understanding of the implementation of sustainability strategies and to continue promoting and monitoring the strategies. In addition, the evaluated company has incorporated ESG-related indicators into corporate management performance evaluation indicators to strengthen the implementation of ESG programs.

- Recommendations:

- A. **Optimizing Board Meeting Efficiency:** Some interviewed directors have suggested that the evaluated company's organizational structure is rather large in scale, and there are many proposals to be discussed in the board meetings. The interviewed directors recommend that the management team shall consolidate the questions or opinions raised by each director after communication. This will enable other directors to be informed of the key concern from different directors in advance, which will promote a more understanding of each proposal and increase the efficiency of board meetings.
- B. **Building a Talent Database and Recruiting Industrial Talents:** It is recommended that performance evaluation standards be reviewed regularly, so that they can be aligned with the actual needs of the Company, and that more detailed and clear operational standards can be developed for the evaluation criteria, so as to provide a diversified perspective of talent cultivation and development. In addition, to formulate appropriate development plans, reward systems, or performance evaluation standards linked to performance. Make good use of diverse recruitment marketing strategies to attract young talents, provide multiple collaborative programs, such as increasing cooperation programs with universities and colleges, offering internship programs, and scholarships for outstanding talents. For employees of evaluated company, to formulate individual development plans and competency development systems, and provide career development planning and training for individual employees.
- C. **Developing Short, Medium, and Long-term Goals for Organizational Transformation and Proper Allocation of Resources:** As the evaluated company is currently undergoing an organizational transformation and in a period of adjustment, how each business group allocates resources and plans for development needs shall be carefully considered. It is suggested that the evaluated company's board of directors first take stock of the operational situation, market operations, and industry trends of each business group, utilize internal data to conduct comprehensive risk identification and measurement, so as to formulate short, medium, and long-term goals and strategies for each business group, and further to continuously monitor the operational situation and adjust plans to facilitate proper allocation and use of resources.
- D. **Providing Directors with Industry-related Continuing Education or Information:** Some interviewed directors expressed concern that not all board members may possess relevant industry knowledge related to the evaluated company. To address this issue, the evaluated company could consider providing further training to board members regarding industry trends and knowledge, or have the management team share recent industry information to continuously strengthen the board's understanding of the industry in which the Company operates.

- Improvement Plans:
- A. Moving forward, the Company will compile and summarize the questions or opinions raised by individual directors before the board meeting. This will provide other directors with advance knowledge of the issues that different directors are concerned about.
 - B. The performance evaluation criteria of our company are based on annual operational goals, management strategies, sustainability issues (ESG), and talent development strategies (including succession planning), among other factors. We will continue to periodically review our performance evaluation criteria to effectively align with the Company's strategic direction and meet the needs of the business operation. In terms of incentive compensation, we are continuously designing more flexible incentive measures and establishing a comprehensive talent development plan. To attract excellent talents, we have planned to implement an "Industry-Academia Cooperation Talent Recruitment Mechanism" starting from 2023. Through collaborations with schools on curriculum development, internships, and establishing connections with students, we aim to bring potential candidates into the Company through pre-employment. Additionally, we are committed to refining employee career training and continuing education systems. For career training, we provide a more diversified learning environment for our employees to enhance their functions and development through internal/external training, e-Learning, knowledge management system and guidance from supervisors/peers, to improve their professional capabilities and development.
 - C. The Company will continue to formulate short-term, medium-term, and long-term strategic goals for each business group based on their operational conditions, market operations, and industry trends, as well as the use of internal data to conduct comprehensive risk identification and assessment. The Company will also regularly monitor and review operational conditions in order to adjust plans in a timely manner, ensuring proper allocation and utilization of resources.
 - D. In the future, the board of directors will arrange training courses for directors that are closely related to telecommunications domain knowledge or trends, in order to continuously strengthen the board's understanding of the industry in which the Company operates.