

Rules Governing Financial and Business Matters between Chunghwa Telecom Co., Ltd and its Related Parties

Amendments to the complete text, consisting of 15 articles, were approved during the fourth meeting of the fifth Board of Directors on August 28, 2007.

Amendments to Articles 11 and 12 were approved during the fourth meeting of the seventh Board of Directors on December 17, 2013.

Amendments to Articles 1, 2, 3, 4, 8, 9, 9-1, 10, 11, 12, 13, and 14 were approved during the sixth meeting of the tenth Board of Directors on May 10, 2023.

Article 1 (Purpose and Basis)

To ensure sound financial and business interactions between this Corporation and its related parties and to prevent non arm's-length transactions and improper channeling of interests with respect to the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds between this Corporation and its related parties, these Rules are adopted pursuant to Article 17 of the Code of Corporate Governance.

Article 2 (Scope of Application)

Except as otherwise provided by law, regulation or internal operational rules or by the articles of incorporation, financial and business matters between this Corporation and any of its related parties shall be handled in accordance with the provisions of these Rules.

Article 3 (Identification of Related Parties)

The term "related parties" referred to in this Rules shall be determined in accordance with the criteria set forth in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term "affiliated enterprise" as used herein means an enterprise that, in accordance with Article 369-1 of the Company Act, exists independently and has either of the following relationships with this Corporation.

1. A relationship of control or subordination.

2. A relationship of mutual investment.

In determining whether a relationship of control or subordination under the preceding subparagraph exists, the substance of the relationship shall be considered in addition to the legal form.

Article 4 (Establishment of Internal Control System)

This Corporation shall establish an effective internal control system in regard to its own and its related parties' (including affiliated enterprises) overall operational activities, and shall continue to review the system in order to adapt to changes in the internal and external environment and ensure that the system's design and operation remain effective.

This Corporation shall ensure that any subsidiary develops an effective internal control system, taking into account the laws and regulations of the jurisdiction in which the subsidiary is located and the nature of its operations. For any affiliated enterprise that is not a public company, this Corporation shall still, in consideration of the degree of influence it has on this Corporation's business and finances, require that it develop effective systems for internal control and for managing financial, business, and accounting matters.

Article 5 (Supervision of Operations and Management)

In addition to implementing the Company Act, Securities and Exchange Act, and the adopted internal control system and operating rules of this Corporation, this Corporation shall pay close attention to the following matters when exercising supervision over the operation and management of its affiliated enterprises:

1. This Corporation shall consider the shareholding ratio and equity structure of affiliated enterprises and strive to obtain an appropriate amount of seats of directors and supervisors in the affiliated enterprise in accordance with the percentage of the shares it holds.

2. A director that this Corporation assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings, and in order to monitor its operation, shall carefully review its Corporate objectives and strategy, financial position, business performance, cash flows, and important contracts. The director assigned to the affiliated enterprise shall ascertain the cause of any irregularity found, complete pre- and post-meeting verification forms, compile a record, report the matter to the Investment Department of this Corporation and forward to the chairman.
3. A supervisor assigned to an affiliated enterprise by this Corporation shall supervise the affiliate's business operations, investigate its financial and business conditions at any time, and review its books, records and audit reports, and may also request reports from the affiliate's board of directors or managerial officers. For any irregularity (In case of significant deficiencies in internal controls or operational conditions) that may be found, the supervisor assigned to the affiliate shall ascertain the cause, report to the Investment Department and forward to the chairman. If necessary, professional accountants may be appointed in accordance with the regulations of the Company Act to conduct joint audits of the affiliated enterprises.
4. This Corporation shall assign competent personnel to assume important positions with decision-making responsibilities at its affiliated enterprise, such general manager, financial officer, or internal audit officer, in order to assume the duties and responsibilities of management, decision-making, and supervision and evaluation.
5. This Corporation, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, shall instruct

the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control system self-inspection operations.

6. In addition to reviewing the audit reports or self-inspection reports submitted by each subsidiary, the internal audit personnel of this Corporation must also carry out audits of the subsidiaries on a scheduled or unscheduled basis. After audit findings and recommendations have been presented, they shall instruct the audited subsidiaries to make any necessary corrections, and shall prepare follow-up reports on a regular basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
7. Subsidiaries of this Corporation shall regularly submit monthly financial statements for the preceding month, including balance sheets, income statements, statements of cash flow, accounts receivable aging schedules and statements of delinquent accounts receivable, aging inventory analyses, and statements of loans to others and endorsements/guarantees. In the event of irregularities, analysis reports shall also be submitted to allow management and control by this Corporation. Other affiliated enterprises shall also regularly submit financial statements for the preceding quarter, including balance sheets and income statements, for analysis and review by this Corporation.

Article 6 (Prohibition of Competition and Personnel Utilization)

A managerial officer of this Corporation may not concurrently serve as a managerial officer of any affiliated enterprise of this Corporation, and shall not operate the same type of business as this Corporation, either on the officer's own behalf or with another party, unless otherwise approved by a resolution of the board of directors. The

division of powers and responsibilities between this Corporation and its affiliated enterprises with respect to personnel management shall be clearly specified.

Article 7 (Communication System and Risk Management)

This Corporation shall establish an effective system of communication with each affiliated enterprise with respect to financial and business matters, and to mitigate credit risks, shall regularly conduct comprehensive risk assessments of their banks, principal clients, and suppliers. With respect to an affiliated enterprise with which it has financial and business interactions, this Corporation shall especially maintain close control over material financial and business items for the purpose of risk management.

Article 8 (Financial Transactions)

Any loans or endorsements/guarantees between this Corporation and an related parties shall be carefully assessed and carried out in compliance with the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and with the procedures prescribed by this Corporation regarding loans to others and provision of endorsements/guarantees.

With respect to the provision of loans, endorsements, or guarantees between this Corporation and an related party, the matters set out below shall be closely reviewed, and results of the assessment submitted to the board of directors. Any loan of funds shall be made only by a resolution of the board of directors, and no other party may be authorized to decide on the matter. The board of directors, in accordance with the preceding paragraph, may authorize the chairman to provide an endorsement or guarantee within a specific limit, provided it is subsequently submitted to and ratified by the next board meeting.

1. The necessity and the reasonableness of the loan or the

endorsement or guarantee. When funds are loaned or an endorsement or guarantee is made because of business dealings, an assessment shall be made of whether the amount of the loan or amount of the endorsement or guarantee is commensurate with the total amount of the business involved. When short-term financing is needed, the reasons for and the circumstances surrounding the loan shall be set out.

2. A credit check and a risk assessment of the counterparty requesting the loan or the endorsement or guarantee.
3. The effects on this Corporation's operational risk and financial position and the rights and interests of its shareholders.
4. Whether collateral must be obtained, and an appraisal of its value. This Corporation shall properly implement subsequent control measures with respect to loans or endorsements or guarantees. When there is a likelihood of overdue claims or the occurrence of loss, this Corporation shall adopt appropriate conservatory measures to safeguard its rights and interests.

Article 9 (Business Transactions)

Price terms and payment methods shall be expressly stipulated for any business interaction between this Corporation and any related parties. The purpose, pricing, and terms of a transaction, and its formal and substantive nature and the related handling procedures, shall not differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable.

When business needs require the purchase of finished products, semi-finished products, materials, labor, or technical services from an related party, purchasing personnel shall thoroughly evaluate the reasonableness of the price quoted by the related party based on market prices and other transaction terms and conditions. Except in special

circumstances, or given advantageous conditions that differ from those of ordinary suppliers, under which the granting of preferential pricing or terms of payment can be reasonably stipulated, any other remaining tasks shall be handled in accordance with the Corporation's procurement management regulations.

Price quotes for the sale of any finished products, semi-finished products, materials, labor, or technical services to an related parties shall be made with reference to current market prices. Except in cases of long-term cooperation or other special factors that are different from ordinary clients, under which reasonable stipulations may be made to grant preferential pricing or terms of payment, any other prices and payment terms shall be commensurate with those offered to ordinary clients.

By the end of each month, the accounting personnel of both this Corporation and its related parties shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

According to the “Regulations Governing Assessment of on Non-Arm’s-Length Transfer Pricing”, the accounting personnel of both this Corporation and its related parties shall review the relevant transaction data and perform cross checks every six months.

Article 9-1

When the Corporation engages in the purchases and sales of goods, labor or technical services to related parties, and the projected annual transaction amount with five percent of the Corporation’s consolidated total assets or the consolidated net operating income for the most recent fiscal year, except for transactions subject to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public

Companies and the asset acquisition or disposal procedures set forth by the Corporation, or transactions between the Corporation and its subsidiaries or between subsidiaries, the following information must be submitted to the Board of Directors for approval before conducting the transaction:

1. The item, purpose, necessity, and expected benefits of the transaction.
2. The reason for selecting the related party as the transaction counterparty.
3. The calculation principles for the transaction price and the limit of projected annual transaction amount.
4. The explanations of whether the transaction terms conform with ordinary commercial terms, and it is not damaging to the interests of the Corporation and its shareholders' equity.
5. Any restrictions on the transaction and other important stipulations.

Regarding transactions with related parties as mentioned above, the following matters should be submitted to the most recent shareholders' meeting upon the end of the fiscal year:

1. The actual transaction prices and conditions.
2. Confirmation of compliance with the transaction price calculation principles approved by the Board of Directors.
3. Confirmation of compliance with the annual transaction amount limit approved by the Board of Directors. If the transaction amount limit has been exceeded, a detailed explanation of the reasons, necessity, and reasonableness should be provided.

Article 10 (Acquisition or Disposal of Assets)

Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between this Corporation and an related party shall be conducted in accordance with the "Regulations Governing

the Acquisition and Disposal of Assets by Public Companies” and the procedures for acquisition and disposal of assets prescribed by this Corporation.

When this Corporation makes an acquisition of securities, a disposition of securities to an related party, or an acquisition of securities underlying the stock of an affiliated enterprise, before the date of occurrence, the financial statements of the issuing company, audited and attested or reviewed by a certified public accountant (CPA), should be obtained prior to the occurrence of the event as a reference in appraising the transaction price.

When this Corporation engages in the acquisition of unlisted or private securities, memberships or intangible assets or its right-of-use assets from related party, if the amount of the transaction is NT\$300 million or more, it shall request a CPA to provide an opinion on the reasonableness of the transaction price.

Article 11 (Real Estate or Other Asset Transactions)

When this Corporation intends to conduct any acquisition or disposal of real property or its right-of-use assets from or to any of its related parties, or to conduct an acquisition or disposal of assets other than real property or its right-of-use assets from or to any of its related parties in which the transaction amount is NT\$300 million or more, with the exception of the purchase or sale of government bonds, repo or reverse repo bond transactions, or subscription to or redemption of domestic money market funds, it shall have the following matters submitted to the audit committee and approved by the board of directors before it may enter into a contract for the transaction and pay the required monies:

1. An appraisal issued by a professional appraiser as required by regulations, or a CPA opinion.

2. The purpose, necessity, and projected benefits of the acquisition or disposal of real property.
3. The reason for choosing the related party as a trading counterparty.
4. Information relating to appraisal of the reasonableness of the preliminary transaction terms.
5. The date and price at which the real property was originally acquired by the related party, the trading counterparty, and the trading counterparty's relationship with this Corporation and its related parties.
6. Monthly cash flow forecasts for a full year commencing from the scheduled month of contract signing, and an evaluation of the necessity of the transaction and the reasonableness of the utilization of funding.
7. Any restrictions on the transaction and other important stipulations.

When the amount of the transaction under the preceding paragraph is NT\$300 million or more, this Corporation shall obtain an appraisal report issued by a professional appraiser. For transactions amounting to NT\$1 billion or more, at least two or more professional assessors shall be engaged for the appraisal. If the discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount or differs from the appraisal results of two or more professional appraisers by 10% or more of the transaction amount, this Corporation shall additionally request a CPA to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price, and it shall be approved by a majority of the directors in attendance at a board of directors meeting attended by two-thirds or more of the directors.

In an acquisition of real property or its right-of-use assets from an related party, if the actual transaction price is higher than the appraised

transaction cost, and no objective evidence can be presented and no concrete opinion that the transaction is reasonable can be obtained from a professional appraiser and a CPA, the audit committee shall thoroughly review the transaction and determine whether it may prejudice the rights and interests of this Corporation and its shareholders, and when necessary, shall refuse to enter into the transaction. The supervisors shall also exercise their supervisory powers in respect of such a transaction, and when necessary, shall notify the board of directors to stop the transaction.

When a transaction as described under the preceding paragraph has been approved by the board of directors, this Corporation shall set aside a special reserve against the difference between the transaction price and the appraised cost, and may not distribute the difference or use it for capital increase or for issuance of bonus shares. In addition, this Corporation shall report the handling of the above transaction to the shareholders meeting and shall disclose the details of the transaction in the annual report and any prospectus.

When any of the following circumstances is present in a transaction with an related party, after approval by the board of directors, the respective information specified in any subparagraph of the first paragraph shall also be submitted to the shareholders meeting for approval of a resolution, and a shareholders who has a personal interest in the matter shall not exercise the voting right:

1. The transaction involving this Corporation or its non-public subsidiary under the first paragraph, and the amount of the transaction reaches 10% or more of this Corporation's total assets.
2. In accordance with the Company Act, this Corporation's Article of Incorporation, or its internal operational rules, the transaction

amount and conditions that have a material effect on the Corporation's operations or shareholders' equity.

Any business interaction between this Corporation and any related party as described under the first paragraph, the actual transaction details, including the actual transaction prices, conditions, and information specified in the first paragraph, shall be reported to the most recent shareholders' meeting upon the end of the fiscal year.

Article 12 (Conflict of Interest)

With respect to any financial or business interaction between this Corporation and any related parties that requires a resolution of the board of directors, full consideration shall be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of board meetings.

When a director or the behalf of a legal entity they present is an interested party with respect to a particular agenda item, that director or behalf of a legal entity shall enter into recusal and may neither vote on that item nor exercise voting rights as proxy for another director. Directors shall maintain self-discipline among themselves and may not enter into relationships of inappropriate mutual support with other directors.

Upon discovering that, in the course of their duties, the board of directors or a director has committed a violation of law or regulation, the articles of incorporation, or a shareholders meeting resolution, a supervisor shall immediately notify the board of directors or the individual director to cease the misconduct, and shall take appropriate measures to curb expansion of the misconduct. When necessary, a supervisor shall also file a report with the relevant regulatory authority or agency.

Article 13 (Information Disclosure)

This Corporation, in compliance with the requirements of laws and regulations regarding matters that must be publicly disclosed or filed and the deadlines for so doing, shall make timely arrangements for the provision by each subsidiary of required financial and business information, or to retain CPAs to audit or review the financial reports of each subsidiary.

This Corporation shall publicly disclose the consolidated balance sheets, consolidated statements of comprehensive income, and CPA secondary review reports covering affiliated enterprises by the deadlines for the filing of the annual financial reports under applicable laws and regulations. Information on any increase, decrease, or other change in affiliated enterprises shall be filed with the TWSE within 2 days of the change.

Information on any material transaction between this Corporation and an related party shall be fully disclosed in the annual report, financial statements, the three reporting forms for affiliated enterprises, and prospectuses.

If an related party experiences financial difficulties, this Corporation shall obtain its financial statements and related materials in order to assess the resulting effect on the finances, business, or operations of this Corporation, and when necessary, appropriate conservatory measures shall be adopted to safeguard this Corporation's rights as a creditor. Under the above circumstances, in addition to specifying the resulting effect on this Corporation's financial position in its annual report and prospectus, this Corporation shall also make a timely announcement of material information on the Market Observation Post System (MOPS).

Article 14 (Announcement and Reporting)

When any of the following circumstances applies to an affiliated enterprise, this Corporation shall make a public disclosure and regulatory filing on its behalf:

1. For a subsidiary whose shares have not been publicly issued domestically, the dollar amount of the subsidiary's acquisition or disposal of assets, endorsements or guarantees for others, and loans of funds to others meets the criteria for public disclosure and regulatory filing.
2. The parent or the subsidiary undergoes bankruptcy or reorganization proceedings pursuant to applicable laws and regulations.
3. A major policy is approved by resolution of the affiliated enterprise's board of directors that has a material effect on the rights and interests of the shareholders or the securities prices of this Corporation.
4. Any matter regarding an unlisted subsidiary of this Corporation constitutes material information required to be announced under the provisions of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.

Article 15 (Implementation Procedures)

These Rules, and any amendments hereto, shall be implemented after approval by the board of directors.