

# Organizational Regulations of Board of Directors Compensation Committee of Chunghwa Telecom Co., Ltd.

Authorized in the 9<sup>th</sup> Meeting of the 4<sup>th</sup> Board on November 8, 2005

Amended in the 17<sup>th</sup> Meeting of the 4<sup>th</sup> Board on December 26, 2006

Amended in the 10<sup>th</sup> Meeting of the 6<sup>th</sup> Board on August 26, 2011

Amended in the 2<sup>nd</sup> Meeting of the 7<sup>th</sup> Board on August 13, 2013

## Article 1 (Promulgation basis)

Chunghwa Telecom Co., Ltd. (referred to as the “Company” hereinafter), for improving corporate governance and the board of directors’ salary and compensation management function, hereby establishes the Board of Directors Compensation Committee (referred to as the “Committee” hereinafter) and the organizational regulations stipulated as guidelines in accordance with the Securities and Exchange Act Article 14-6 and the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter ” (referred to as the “Regulations” hereinafter).

## Article 2 (Committee members)

The number of the Committee members shall be 3-5 which shall be appointed by the Board of Directors. At least one of the Committee members shall be the Company’s independent director. One of the independent directors shall be elected by all the Committee members as the convener and chairman of the Committee.

The Committee members shall meet the professional qualifications and work experience defined in Article 5 of the Regulations and they must not have any of the restricted or prohibited matters defined in Article 6 of the Regulations.

The term of the Committee members is same as the board directors.

If there are less than three members on the Committee due to the dismissal of the Committee members for any reason, a board meeting must be held within three months from the date of the dismissal to have a new appointment made accordingly.

The appointment and dismissal of the Committee members must be announced and reported through the information reporting website designated by the competent authorities within two days from the date of the event occurred.

## Article 3 (Scope of responsibilities)

The Committee must exercise the duty of care as a good administrator to faithfully perform the following functions and present the proposals to the board of directors for discussion. In terms of proposing supervisors’ salary and compensation

to the board of directors for discussion:

1. Stipulate and periodically review the performance of the directors and managers, as well as the policy, system, standard, and structure of salary and compensation.
2. Periodically review and stipulate the salary and compensation of the directors and managers.

The Committee must perform the aforementioned scope of responsibilities in accordance with the following principles:

1. The performance evaluation and the salary and compensation level of directors and managers shall be referred to the general industry standard as well as take into account the reasonableness of the correlation between compensation and personal performance, the Company's operational performance, and future risk exposure.
2. There should be no incentives for the directors and managers to engage in activities that go beyond the Company's tolerable risk level in order to pursue salary and compensation.
3. It shall follow relevant rules with respect to the ratio of bonuses paid to the directors and senior management as well as take into account the balance between the bonuses paid to the directors, supervisors, and senior management and those paid to the shareholders and employees. In principle, the timing of paying salary and compensation to directors, supervisors, and senior management must be consistent with the payment to the Company's employees.

The scope of salary and compensation mentioned in the last two paragraphs must be consistent with the remuneration to directors and managers as stated in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The managers mentioned in this Article refer to the officers appointed or discharged by the board of directors. The senior management refers to the managers defined in the Company's Articles of Incorporation.

#### Article 4 (Proposals dealt with by the board of directors)

When discussing about the recommendations of the Committee, the board of directors must give comprehensive consideration to matters including amounts of salary and compensation, payment methods, and the Company's future risk.

If the board of directors decline to adopt or modify a recommendation of the Committee, it shall require the consent of a majority of the attending directors with

the attendance of more than two-thirds of all directors. Any deviation from the recommendations and the causes of deviation must be detailed in the meeting minutes of the board of directors.

The salary and compensation approved by the board of directors that is more favorable than those recommended by the Committee must be announced and reported through the information reporting website designated by the competent authorities within two days from the date of the approval.

If the salary and compensation of the subsidiary's directors and managers must be approved by the parent company's board of directors in advance in accordance with the subsidiary's decision-making hierarchy, the parent company's Compensation Committee must propose recommendations and presented to the board of directors first for discussion.

#### Article 5 (Convening the meeting)

The meeting of the Committee shall be held at least twice a year.

The Committee shall give a notice to the Committee members seven days prior to the scheduled meeting date setting forth therein the subjects to be discussed at the meeting. In emergency circumstances, however, the meeting may be convened at any time.

If the convener of the meeting takes a leave or is unable to convene a meeting for any reason, the convener must designate an independent director in the Committee to convene the meeting. If there is no other independent director in place, the convener must designate another Committee member to convene the meeting. If the convener does not appoint a deputy, other Committee members must elect among them a person to convene the meeting.

The Committee may invite directors, the managerial personnel of relevant departments, internal auditors, CPAs, legal advisors, or other related personnel to attend the meeting as nonvoting participants and provide them with necessary information.

#### Article 6 (Meeting agenda and resolutions)

The Committee's meeting agenda is drafted by the convener. Other Committee members may propose motions to the Committee for discussion. Meeting agendas must be forwarded to the Committee members in advance.

When the meeting of the Committee is held, an attendance book prepared for signature by the attending members must be in place and thereafter made available for reference.

Committee members shall attend the meeting in person. If a Committee member cannot attend the meeting in person, he/she may appoint another member to attend as his/her proxy by issuing a letter of authorization with the detailed scope of authorization regarding the subjects on the agenda. The aforementioned proxy may act on behalf of only one member. Attending a meeting via videoconferencing is deemed as attending in person.

A resolution of the Committee requires the approval of one-half or more of all the members. When a proposal is put to a vote, the proposal is deemed approved if no member voices objections in response to the meeting chairman's inquiries. Approval in this manner shall be equally valid as approval by vote. The results of voting must be reported on the spot and recorded in writing.

#### Article 7 (Preparation and distribution of the meeting minutes)

The meeting minutes must be prepared regarding the deliberation of the Committee, detailing the following information in an accurate manner:

1. The session, time, and location of the meeting.
2. Name of meeting chairman.
3. Committee member's attendance, specifying the names and numbers of members in attendance, excused and absent.
4. Name and job title of those present at the meeting as nonvoting participant.
5. Name of minutes taker.
6. Reporting matters.
7. Discussions: the method of resolution and outcome of each motion, and any Committee member's objections or reservations opinions.
8. Extraordinary motions: name of the proposer, the method of resolution and outcome of the motion, the summary of any comments, objections, or reservations opinions of the Committee members, experts, and other person.
9. Other matters required to be recorded.

When the Committee members express objections or reservations opinions against any resolution, and there are records or written statements, in addition to keeping record in the meeting minutes, the opinions must be publicly announced and reported through the information reporting website designated by the competent authorities within two days from the date of the event occurred.

The Committee's attendance book is a part of the meeting minutes. If the

meeting is held by videoconferencing, the audio and video materials are a part of the meeting minutes.

The meeting minutes must be signed or sealed by the meeting chairman and the minutes taker and be distributed to each of the Committee members within twenty days of each meeting and be presented to the board of directors and preserved for five years as material files of the Company. The meeting minutes may be prepared and distributed by electronic means.

For any lawsuit filed against the Committee prior to the expiry of the preservation period, the meeting minutes must be preserved as long as the lawsuit is in existence.

#### Article 8 (Audit and advisory)

The Committee may, at the expense of the Company, resolve to retain the service of a lawyer, CPA, or other professionals to exercise necessary auditing or obtain advises with respect to the matters within their scope of duties.

#### Article 9 (Implementation of resolutions)

The implementation of tasks relating to resolutions reached by the Committee may be delegated to the convener or other Committee members for follow-up with a written report presented to the Committee during the implementation period. And it must be ratified by or reported to the Committee in the next meeting, if necessary

#### Article 10 (Performance evaluation)

The Committee must conduct a performance evaluation at the end of each year by way of self-evaluation of the members. The evaluation sheet will be filled in by the members and collected and summarized by the operating unit for the board of directors' review.

#### Article 11 (Assessment appeals)

The assessment appeal and re-appeal of managers is reviewed by the Committee.

The assessment appeal and re-appeal of auditors is reviewed altogether by the assessment appeal panel that is formed by the Committee and the directors and employees. The rules for the assessment appeal panel is stipulated separately.

#### Article 12 (Attendance allowances and traveling expenses)

The Committee members are without pay. However, members who attend the meeting of the Committee are entitled to the attendance and traffic allowances according to relevant rules.

#### Article 13 (Operating unit)

Administrative operations of the Committee are handled by the Human Resources Department of the Company.

#### Article 14 (Enforcement and amendment)

This Organizational Regulations shall be in force after approval by the board of directors; likewise in the case of revisions.