

## **Code of Corporate Governance for Chunghwa Telecom Co., Ltd.**

Adopted by the 4<sup>th</sup> Board of Directors at the 2<sup>nd</sup> meeting on Aug. 26, 2004

Amended by the 4<sup>th</sup> Board of Directors at the 17<sup>th</sup> meeting on Dec. 26, 2006

Amended by the 5<sup>th</sup> Board of Directors at the 19<sup>th</sup> meeting on Oct. 29, 2009

Amended by the 6<sup>th</sup> Board of Directors at the 2<sup>nd</sup> meeting on July 27, 2010

Amended by the 6<sup>th</sup> Board of Directors at the 9<sup>th</sup> meeting on June 28, 2011

Amended by the 6<sup>th</sup> Board of Directors at the 19<sup>th</sup> meeting on Dec. 25, 2012

Amended by the 7<sup>th</sup> Board of Directors at the 2<sup>nd</sup> meeting on Aug. 13, 2013

Amended by the 7<sup>th</sup> Board of Directors at the 8<sup>th</sup> meeting on Aug. 12, 2014

Amended by the 7<sup>th</sup> Board of Directors at the 13<sup>th</sup> meeting on Nov. 10, 2015

Amended by the 8<sup>th</sup> Board of Directors at the 9<sup>th</sup> meeting on Dec. 5, 2017

Amended by the 9<sup>th</sup> Board of Directors at the 2<sup>nd</sup> meeting on Aug. 13, 2019

Amended by the 9<sup>th</sup> Board of Directors at the 6<sup>th</sup> meeting on February 26, 2020

### Chapter 1 General Principles

Article 1 Chunghwa Telecom Co., Ltd. ("Company") has hereby determined the Code of Corporate Governance for Chunghwa Telecom Co., Ltd. in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" drafted by the Taiwan Stock Exchange Corporation ("TWSE") and Taipei Exchange in order to establish a sound corporate governance system.

The Company shall establish an effective corporate governance structure and disclose the same on the Market Observation Post System ("MOPS").

Article 2 In addition to abiding by laws and articles of incorporation, the establishment of corporate governance system by the Company shall be based on the following principles:

1. Protect shareholders' rights and interests.
2. Strengthen duties and functions of the board of directors.
3. Respect stakeholders' rights and interests.
4. Enhance information transparency.

Article 3 The Company shall, pursuant to the Regulations Governing Establishment of Internal Control Systems by Public Companies, design and fully enforce the internal control system in consideration of the overall operating activities of the Company and its subsidiaries, and shall review the said system at

any time in response to environment changes inside and outside of the Company to ensure the design and implementation of the system continues to be effective.

The Company shall fully perform self-assessments of its internal control system. Its board of directors and management shall review the results of the self-assessments of by each department at least annually and review the audit reports of the internal audit department on a quarterly basis. The audit committee shall also attend to and supervise these matters accordingly. The Company shall establish communication channels and mechanisms between the audit committees and internal auditors. Directors shall periodically hold discussion with the Company's internal auditors to review the deficiencies of the internal control system. A record of the discussions shall be kept and all the deficiencies shall be followed up and fully improved and then report to the board of directors.

The Company's management shall pay special attention to the internal audit department and its personnel, fully empower them to facilitate assessment and to evaluate deficiencies of the internal control system and the efficiency of its operations so to ensure that the system can be implemented effectively on an on-going basis; and also to assist the board of directors and the management to perform their duties effectively and further to implement a sound corporate governance system.

Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of the Company shall be reported to the board of directors or shall be submitted by the Chief Auditor Executive to the chairman of the board for approval.

Article 3-1 The Company is advised to have an adequate number of corporate governance personnel with appropriate qualifications, and to appoint a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs.

It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

1. Handling matters relating to board meetings and shareholders meetings according to laws

2. Producing minutes of board meetings and shareholders meetings
3. Assisting in onboarding and continuous development of directors and supervisors
4. Furnishing information required for business execution by directors and supervisors
5. Assisting directors and supervisors with legal compliance
6. Other matters set out in the articles of corporation or contracts

## Chapter 2 Protection of Shareholders' rights and interests

### *Section One Encouraging Shareholders to Participate in Corporate Governance*

- Article 4 The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders equally.
- The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.
- Article 5 The Company shall convene shareholders meetings in accordance with the provisions of the Company Act and relevant laws and regulations, and shall establish comprehensive rules of procedures for such meetings; any matters that must be resolved by shareholders meeting shall be implemented in accordance with the rules of procedures for such meeting.
- The content of resolutions of the shareholders meeting shall comply with the provisions of laws, regulations, and articles of incorporation of the Company.
- Article 6 The Company's board of directors shall properly arrange the agenda items and procedures for shareholders' meetings, and establish principles and operating procedures for shareholder to nominate directors and submit proposals. The board shall also properly handle the proposals duly submitted by shareholders. The shareholders' meetings shall be arranged to be held at a convenient location, reserve sufficient time and assign sufficient and qualified personnel to handle attendance registrations. In relation to evidentiary documents for the shareholders to base on to attend the meetings, no other arbitrary required documents shall be imposed on shareholders for attendance. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders meeting convened by the board of directors, it is advised that the chairman of the board to chair the meeting, and attended by a majority of the directors (including at least one (1) independent director), and convener of the audit committee, attend in person, and that at least one member of other functional committees attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7 The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable to appoint a professional stock agent to handle shareholders meeting matters so that shareholders meetings can proceed on a legal, effective and secure basis. The Company shall pursue every ways and means, including fully adopting technology-based method to disclose information, to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently, and shall adopt electronic voting so as to enhance shareholders' attendance rates at shareholders' meetings and ensure their exercise of rights at the meetings in accordance with laws.

When the Company holds a shareholders' meeting, shareholders may exercise their voting right either through electronic or on-site. Nomination system for the candidate of directors shall be adopted according to the Articles of Incorporation.

The shareholders will resolve all proposals by voting on a one-by-one basis in the shareholders meeting. The result of the voting, namely the numbers of votes cast for, against and abstentions, for the proposals shall be uploaded to the MOPS on the day after the adjournment of the shareholders' meeting.

Article 8 The Company shall, in accordance with the provisions of the Company Act and relevant laws and regulations, record the year, month, date, place, name of the chairman of the board, the method which the resolutions are adopted, a summary of the essential points of the proceedings and its results in the minutes of the shareholders' meeting. With respect to the elections of directors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes that elected directors received.

The minutes of shareholders' meeting shall be properly and perpetually kept by the Company during its legal existence, and should be fully disclosed on the Company's website.

Article 9 The chairman of shareholders' meeting shall be fully aware of and comply with the meeting rules of procedures established by the Company, and the chairman shall ensure the proper progress of the proceedings of the agenda, and may not arbitrarily declaring adjournment of the meeting.

In order to protect the rights and interests of the majority of shareholders, if the chairman declares the adjournment of a meeting in violation of the meeting rules of procedures, the other members of the board of directors is advisable to promptly assist attending shareholders at the shareholders meeting, in accordance with legal procedures, to elect a new chairman of the shareholders' meeting, on the basis of the majority of the votes represented by the shareholders' attending the said meeting.

Article 10 The Company shall place high importance on the shareholders' right to be aware of, and fully complies with relevant regulations concerning information disclosure to consistently and promptly provide shareholders with information relating to the Company's finances, operations, insiders shareholdings and corporate governance status through the MOPS or the Company's website.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information mentioned in the preceding paragraph in English.

To protect the shareholders' rights and interests and ensure fair treatment to shareholders, the Company shall adopt internal rules to prohibit Company insiders from trading securities by using information undisclosed to the market.

Article 11 Shareholders shall be entitled to share the Company's earning distributions. In order to ensure shareholders' investment rights and interests, the shareholders' meeting may, in accordance with Article 184 of the Company Act, examine the statements and books produced by the board of directors and the reports submitted by the audit committee, and may decide earnings distribution or loss make-up by resolution. The shareholders meeting may appoint an inspector to perform the foregoing audit tasks.

Shareholders may, in accordance with Article 245 of the Company Act, apply to the court to appoint an inspector to examine the Company's accounting records and asset status, particulars, documents and records of specific transaction.

The board of directors, audit committee and management shall fully cooperate with the inspector in the examination conducted by the inspector

mentioned in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

Article 12 In entering into material financial and business transactions such as acquisition or disposition of assets, loaning of funds, and making of endorsements/guarantees and other major financial business activities, the Company shall proceed in accordance with relevant laws and regulations and shall establish operating procedures in relation to these material financial and business transactions which shall be submitted to the shareholders' meeting's approval.

When a merger and acquisition or public acquisition occurs, the Company shall, in addition to the relevant laws and regulations which it shall comply with, the Company shall pay attention to the fairness and reasonableness of the merger and acquisition or public tender offering transaction, and also information disclosure and the soundness of the Company's financial structure thereafter.

The company's personnel handling the relevant matters of the preceding paragraph should pay attention to conflicts of interest and avoidance.

*Section Two Establishing a Mechanism for Interaction with Shareholders*

Article 13 To protect shareholders' rights and interests, the Company shall appoint dedicated personnel to handle shareholders' recommendations, doubts, and disputes.

The Company shall properly deal with any legal action duly initiated by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors meeting in violation of applicable laws, regulations, or the company's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the company's articles of incorporation by any directors, supervisors or managers in performing their duties.

It is advisable for the Company to establish internal procedures to properly handle the matters referred to in the preceding two paragraphs with relevant written records for future reference and incorporating the procedures in its internal control system for control and management.

Article 13-1 The board of directors of the Company is responsible for establishing an interaction mechanism with shareholders to enhance mutual understanding of the Company's development goals.

Article 13-2 In addition to communicating with shareholders through shareholders'

meetings and encouraging shareholders to participate in such meetings, the board of directors of the Company together with its management and independent directors shall jointly understand the views and concerned issues of shareholders and clearly explain the Company's policies to acquire the support of shareholders.

*Section Three Corporate Governance Relationship between the Company and Affiliated Enterprises*

Article 14 The Company shall clearly identify its goal and rights and responsibilities between the Company and its affiliated enterprises with respect to the management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 Unless otherwise provided by the laws and regulations, the Company's managers may not concurrently serve as managers of its affiliated enterprises.

A director, who engages in any transaction for himself or on behalf of any third party within the scope of the Company's operations, shall explain the major content of such actions at the shareholders' meeting and obtain consent therein.

Article 16 The Company shall establish sound management objectives and systems for finance, operations, and accounting in accordance with relevant laws and regulations. It shall properly conduct the overall risk evaluation with its affiliated enterprises on main correspondent banks, customers, and suppliers, and shall implement necessary control mechanisms to reduce credit risk.

Article 17 Where the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between the parties shall be made in accordance with the principle of fairness and reasonableness. Pricing conditions and payment terms shall be clearly defined in the agreement and transactions not made under an arm's length shall be prohibited.

All transactions or agreement made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 18 A corporate shareholder having controlling power over the Company shall comply with the following provisions:

1. It shall bear a duty of good faith toward other shareholders and shall not directly or indirectly cause the Company to engage in transactions not in the normal course of business or in a management conduct for illegal

profit.

2. Its representative shall follow the Company's regulations with respect to the exercise of rights and participation in the resolution. When attending a shareholders' meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the duty of loyalty and duty of care of a director.
3. The nomination of directors of the Company shall be handled in accordance with the relevant laws and regulations and the Company's Articles of Incorporation, and shall not exceed the scope of the duties of the shareholders' meeting and the board of directors.
4. It shall not improperly intervene in the Company's decision-making or to obstruct business activities.
5. It shall not restrict or impede the Company's production or operations by methods of unfair competition such as monopolizing procurement or closing sales channels.
6. The representative designated when a corporate shareholder has been elected as a director or supervisor shall meet the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 19 The Company shall keep information on the identity of major shareholders at any time, who holds a relatively higher percentage of shares and who may actually control the Company, and of the persons with ultimate control over those major shareholders.

To enable other shareholders to exercise supervision function, the Company shall regularly disclose important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other important matters that may possibly trigger a change in the ownership of their shares.

### Chapter 3 Strengthening the Functions of the Board of Directors

#### *Section One Structure of the Board of Directors*

Article 20 The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and its shareholders. The operations and arrangements of its corporate governance system shall be able to ensure that, in exercising its authority,



the board of directors complies with the provisions of laws, regulations, its Articles of Incorporation, and the resolutions of its shareholders' meetings.

The board structure of the Company, in consideration of the scale of the Company's business development and the shareholdings of its major shareholders and the practical needs of the operation, to determine the number of seats of directors not less than five (5).

The composition of the board members shall be considered in a diversified manner. Directors concurrently serving as Company managers shall not exceed one-third of the total number of the board members, and the appropriate policy on diversity should be based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy includes, without being limited to, the following criteria in two (2) aspects:

1. Basic requirements and values: Gender, age, nationality, culture and ethnicity;
2. Professional knowledge and skills: A professional background (e.g., legal, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Board members shall possess the necessary knowledge, skills, and experience to perform their duties. In order to achieve the ideal goals of corporate governance, the overall capabilities of the board of directors should be as follows:

1. The capability to make operational judgments;
2. Accounting and financial analysis capabilities;
3. Business management capabilities;
4. Capability to handle crisis management;
5. Industrial knowledge;
6. International insight;
7. Leadership;
8. Decision-making capability.

Article 21 The Company shall, according to the principles for the protection of shareholder rights and interests and fair treatment of shareholders, establish a fair, just and open procedure for the election of directors, encourage shareholder to participate, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

A spousal relationship or a familial relationship within a second-degree of kinship may not exist among more than half of the directors of the Company.

The Company shall elect a director to fill the vacancy at the latest subsequent shareholders' meeting after a director has been discharged for a particular reason whereby leaving the board with less than five (5) members. If, however, the number of vacancies reaches one-third of the number of directors set forth in the Articles of Incorporation, the Company shall, within 60 days after the occurrence of the fact, convene a special shareholders' meeting to elect for filling the vacancies.

The aggregate shareholding percentage of all of the directors of the Company shall comply with the provisions of laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and all the relevant information shall be fully disclosed.

Article 22 Before the Company convenes a shareholders' meeting to re-elect the directors, the Company is advised to carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 23 The responsibilities and duties of the Company's chairman of the board, CEO, and President shall be clearly defined.

It is inappropriate for the chairman of the board to also serve as the President of the Company. Where the chairman of the board also serves as the President of the Company, the number of independent directors shall be increased.

The board of directors of the Company shall clearly define the responsibilities and duties of functional committees.

### *Section Two Independent Director System*

Article 24 In accordance with the Articles of Incorporation, the Company shall have independent directors for not less than three in number and not less than one-fifth of the total number of directors.

The independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Except as required by relevant laws and regulations, it is not advisable for an independent director to serve as directors (including independent directors) or supervisors of more than five TWSE/Taipei Exchange listed companies at the same time, Independent

directors shall also maintain independence within the scope of their duties, and must not have any direct or indirect interest in the Company.

The nomination election system for directors is adopted by the Company as prescribed in Article 12-1 of the Articles of Incorporation.

Where the Company and its group enterprises and entities, and another company and its group enterprises and entities nominate each other's director, supervisor or managers as a candidate for an independent director of its own, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the eligibility of the candidate for independent director. Where the candidate is elected as an independent director, the Company shall disclose the number of votes in favor of the elected independent director.

The term of "group enterprises and entities" in the preceding paragraph are applicable to the Company's subsidiaries, direct or indirect donor funds, which have accumulated more than 50 percent of the legal entities and other institutions or juridical persons that are substantially controlled by the Company.

Independent directors and non-independent directors are not permitted to convert their status during their terms of office.

The independent directors, when carrying out their duties, shall maintain independence and may not have any direct or indirect interest with the Company; their professional qualifications, shareholding, and restrictions on holding concurrent positions as well as determination of independence, method of nomination to be complied with shall be governed by the Securities Exchange Act, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and other regulations and rules set forth by the Taiwan Stock Exchange Corporation.

Article 25 The Company shall clearly stipulate the scope of duties of independent directors and provide them with manpower and material resources to exercise of their powers. The Company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The directors' remuneration shall be stipulated by the Company in the Articles of Incorporation or pursuant to a resolution of the shareholders' meeting. The compensation of the directors shall fully reflect the long-term performance of the Company, and shall consider the Company's overall

operational risks. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

### *Section Three      Functional Committees*

Article 26      In order to improve the supervision function and strengthen management mechanisms, the board of directors of the Company may, taking into account the size of the Company, the nature of its business, and the number of directors, set up functional committees for auditing, remuneration, nomination, risk management or any other functional committees, and based on the concepts of corporate social responsibility and sustainability, may set up committees for environmental protection, corporate social responsibility, or other committees, and cleared defined in the Articles of Incorporation.

The functional committees shall be responsible to the board of directors and submit their proposals to the board of directors for resolution.

The functional committees shall establish organizational regulations governing the exercise of their power and duty to be approved by the board of directors. The content of organizational rules shall contain the number of committee members, term of office, authority and duties, meeting rules of procedures and resources to be provided by the Company to facilitate the committee's carrying out its duties.

Article 27      The board shall establish an audit committee composed of the entire independent directors; one (1) of the audit committee members shall serve as chairman, and at least one (1) member shall possess an accounting or financial expertise.

The exercise of power by the audit committee and independent directors and the related matters shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing Exercise of Duties and Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE or Taipei Exchange Corporation.

Article 27-1      The Company shall establish a compensation committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of their duties and powers, the establishment of organizational rules, and related matters shall be handled pursuant to 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.

Article 27-2      It is advisable for the Company to establish and announce reporting channels for internal and external whistleblowers and have whistleblower protection

mechanisms in place. The unit that handles whistleblowers reporting shall be independent, encrypt and protect the files provided by the whistleblower, appropriately restrict access to such files and to establish internal operating procedures and incorporate it into internal control system controls.

Article 28 To improve the quality of its financial reports, the Company shall appoint a deputy to its accounting manager.

To strengthen the professional competence of the deputy of the preceding paragraph, the deputy shall be subject to continuing education by the same standard as the accounting manager.

Accounting personnel who prepare financial reports shall also participate in relevant professional-related courses for more than 6 hours each year. The courses may be organized by the internal training of the Company or professional courses offered by professional institutions for accounting managers.

The Company shall select a professional, responsible, and independent CPA to implement a regular review of the financial status and internal control of the Company. With regard to the irregularity or deficiency timely discovered and disclosed by the CPA during the review of the Company, and the concrete recommendations for improvement or prevention suggested by the CPA, the Company shall review and improve; and the Company shall establish channels and mechanisms of communication between the audit committee and the CPA, and to establish internal operating procedures and incorporate it into internal control system controls.

The Company shall assess the independence and competence of the appointed CPA on a regular basis (at least once a year). In the event that the Company engages the same CPA without replacement for 5 consecutive years, or if the CPA is subject to disciplinary action or other circumstances that may be prejudicial to the CPA's independence, the Company shall assess the necessity of replacing the CPA and report the assessment result to the board of directors.

Article 29 It is advisable for the Company to appoint professional and competent lawyers to provide appropriate legal advice to the Company, or assist the board and management to enhance their legal literacy, to avoid the Company and related personnel from breaching of the law or regulations, and to ensure that the Company's corporate governance can be operated under relevant legal frameworks and legal procedures.

In the event that the directors or the management are involved in litigation or a dispute with a shareholder as a result of performing his or her duties as provided by the law, as the case maybe, the Company shall engage an

attorney to provide assistance.

The audit committee or any of its independent director may, on behalf of the Company, appoints an attorney, CPA, or other professionals to perform necessary auditing tasks or provide consultation in connection with the committee's exercise of its duty and powers; the Company shall bear the expenses so incurred.

*Section Four Meeting Rules of Order of the Board of Directors and Decision-making Procedures*

Article 30 The board shall meet at least one time a quarter, and may be called at any time when urgent event arise. When convening the board meeting, the purpose to convene the meeting shall be explicitly and be delivered to the all directors at the time required. The Company shall also provide sufficient meeting materials when notifying the directors. If the materials provided are insufficient, the directors have the right to request for supplementary information, or may postpone the meeting following a board resolution.

The Company shall formulate meeting rules of order of board of directors and submit it to the shareholders' meeting. Its meeting agenda, working procedures, items to be explicitly stated in the minutes, announcements, and other matters requiring compliance shall be handled according to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

Article 31 Directors shall uphold a high degree of self-discipline. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship of the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

The matters that a director shall voluntarily recuse from voting shall be clearly set forth in the meeting rules of order of the board of directors.

Article 32 The independent directors shall attend board meetings in person, and may not appoint a non-independent director as a proxy, where the board meeting is convened to discuss matters that must be submitted to the board of directors pursuant to Article 14-3 of the Securities and Exchange Act. Independent directors' dissenting or qualified opinions shall be expressly recorded in the board meeting minutes. If an independent director cannot

attend a board meeting in person to express a dissenting or qualified opinion, unless he or she has a legitimate cause, the independent director shall submit a written opinion with justifiable reason in advance; and said opinion shall be expressly recorded in the board meeting minutes.

In any of the following events, decisions made by the board of directors shall be recorded in the meeting minutes, and in addition, publicly announced and filed on the MOPS 2 hours before the commencement of trading hours on the business day next to the date of the board meeting:

1. When independent directors express opposed or qualified opinions concerning the resolutions, with proper records or written statements.
2. A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee of the Company.

Managers in relevant departments, who are not directors, shall attend the board meetings in a non-voting capacity in order to report on the Company's current business operation and answer questions from the directors. When necessary, CPA, legal advisers, or other professionals may also be invited to attend the meeting to assist the directors in understanding the current status of the Company and to make appropriate decisions, provided that they shall leave the meeting when deliberation or voting takes place.

Article 33 Personnel handling meeting related matters of the board of directors of the Company shall fully record the details in the meeting report as well as summary of discussion, method of resolution, and voting results of each proposal.

The board meeting minutes shall be signed or sealed by the chairman of the board and secretary of the meeting and be distributed to each director within 20 days of each meeting. The attendance sheet shall be a part of the meeting minutes fully recorded with attendance status which shall be deemed as an important corporate document to be well kept permanently during the existence of the Company.

The meeting minutes may be produced, distributed, and kept via electronic methods.

The Company shall make audio or video recordings of full proceeding of board meetings, and shall keep such recordings for at least five (5) years which may be kept via electronic methods.

Where a lawsuit concerning a relevant board resolution occurs before the end of the preservation period mentioned in the foregoing paragraph,

relevant audio or video recordings shall be kept indefinitely, and the preceding paragraph does not apply.

Where a board meeting is held by means of videoconferencing, audio and video recordings of the meeting shall be part of the meeting minutes which shall be kept indefinitely.

Where a resolution made in the board meeting is against laws, regulations, articles of incorporation, or resolutions adopted in the shareholders' meeting and cause damage to the Company, dissenting directors whose dissent can be proven by meeting minutes or written statements can be exempted from the liability for damages.

Article 34 The following matters shall be submitted by the Company to the board meeting for discussion:

1. Approval of the Company's business plan and budget.
2. Approval of the Company's financial forecast.
3. Review and approval of annual financial reports and business report.
4. Approval of establishment or amendment to systems in relation to human resource, procurement, accounting, and internal controls, as well as evaluation and review of the effectiveness of the internal control system.
5. Approval of statement for internal control system.
6. Establishment or amendment to handling processes for of major financial actions in relation to acquisition or disposal of assets, engaging in derivative trading, extension of loans to others, endorsements or guarantees in favor of others in accordance with Article 36-1 of the Securities and Exchange Act.
7. Offering, issuing, or private offering of securities with equity nature.
8. Appointment and discharge of finance, accounting, and internal audit officers.
9. Proposal on capital increase or decrease.
10. Approval of Company's organizational regulations;
11. Establishment, alteration, or revocation of domestic or foreign branches;
12. Proposal on distribution of profits or making up of losses;
13. Approval of amounts and terms of domestic and foreign debt of loans;
14. Approval of re-investment amount;
15. Approval of issuance of corporate bonds;



16. Establishment or amendment to organizational regulations for the board of directors and functional committees;
17. Establishment or amendment to regulations governing the scope of duties and authorities of independent directors;
18. Approval of treatment standard for associated personnel.
19. Appointment and discharge of President, Executive Vice Presidents, Presidents of branches and Presidents of the Telecommunication Laboratories and Telecommunication Training Institute.
20. Approval of chairmen and presidents of re-investment companies to be recommended by the Company.
21. Remuneration of directors and manager proposed by the remuneration Committee, with consideration of the remuneration amount, payment methods and potential future risks of the Company during the discussion thereof.
22. Matters that shall be submitted to the board of directors for resolution in accordance with the Organizational Regulations of the audit committee.
23. Remuneration of directors and managers of the subsidiaries which shall be approved by the board of directors in accordance with authorized duties and authorities of such subsidiary.
24. Matters that shall be submitted to the board of directors for resolution in accordance to the authorized duties and authorities of the board of directors and management department.
25. A donation to a related party or a significant donation to a non-related party, provided that a donation with nature of public interest in relation to a serious natural disaster may be submitted to the next board meeting for recognition.
26. Matters that must be resolved in the shareholders' meeting or board meeting in accordance with Article 14-3 of the Securities and Exchange Act, other laws or regulations, or articles of incorporation of the Company, or any other material matters designated by the competent authority.

The term "related party" in Item 25 of the preceding paragraph refers to a related party as defined in the Regulations Governing Preparation of Financial Reports by Securities Issuers. The term "significant donation to a non-related party" refers to a single donation, or accumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to 1 percent or more of net operating

revenue or 5 percent or more of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph refers a period of 1 year retroactively from the date of the board meeting. Amounts already submitted to and resolved in a board meeting are exempted from calculation.

The Company shall submit the meeting minutes of the seminars regarding problems and review of the internal control system to the board of directors.

In addition to matters in the foregoing paragraph that shall be submitted to the board for discussion, the chairman of the board and CEO or President shall exercise the authorities of the board of directors in accordance with the authorized duties and authorities of the board of directors and management departments during the period where there is no board meeting held, provided however that matters involving the Company's material interests must still be resolved by the board of directors.

Article 35 The Company shall specifically ask appropriate execution department or personnel to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. The matters shall be followed up and managed and the execution of which shall be fully reviewed.

The board of directors shall be fully informed of the progress of execution which shall also be reported in the next board meeting to ensure the actual implementation of the board's management decisions.

#### *Section Five Duty of Loyalty, Duty of Care and Liabilities of Directors*

Article 36 Members of the board of directors shall exercise the business with loyalty and with duty of care of a good administrator, and exercise their duties and authorities with a high level of self-discipline and prudence. Unless matters are otherwise required by law or articles of incorporation to be resolved in the shareholders' meeting, execution of the business of the Company shall be handled according to the resolutions of board of directors.

It is advisable that the Company establishes regulations and procedures for performance assessments for board of directors, and that each year it shall conduct performance assessments on the board of directors, functional committees, and individual directors through self-assessment, peer-to-peer assessments, engaging external professional institutions or other appropriate manners. The performance assessment of the board of directors shall include the following aspects, and establish appropriate assessment indicators according to the Company's needs:

1. Degree of participation in the Company's operations.
2. Improvement in quality of decision made by the board of directors.
3. Composition and structure of the board of directors.
4. Election of directors and continuing professional education.
5. Internal controls.

Performance assessments of board members (self-assessments or peer-to-peer assessments) shall include the following aspects, with appropriate adjustments to be made on the basis of the Company's needs:

1. Grasp of the Company's goals and missions.
2. Realization of director's duties.
3. Degree of participation in the Company's operations.
4. Management of internal relationships and communication.
5. Professionalism and continuing professional education.
6. Internal controls.

It is advisable that the performance assessment of a functional committee cover the following aspects, subject to changes according to the Company's needs:

1. Their degree of participation in the Company's operations.
2. Their recognition of the duties of the functional committee.
3. Improvement in the quality of decision making by the functional committee.
4. The composition of the functional committee, and election and appointment of committee members.
5. Internal control.

The Company is advised to submit the results of performance assessments to the board of directors and use them as reference in determining the nomination and additional office term for individual directors.

Article 36-1 The Company is advised to establish a succession plan for management. The board of directors shall evaluate the development and implementation of the said plan on a regular basis to assure the sustainability of the performance of the said plan.

Article 37 Where a resolution of the board of directors violates laws, regulations or the Company's articles of incorporation, upon the request of shareholder(s)

holding shares continuously for one (1) year or more or of an independent director to discontinue the implementation of the resolution, members of the board of directors shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering any event that may likely to cause material damage to the Company, members of the board of directors shall handle according to the foregoing paragraph and immediately report to the audit committee or any independent director of the audit committee.

Article 38 The Company shall take out liability insurance for directors with respect to their liabilities as a result of exercising their duties during their terms of office so as to reduce and diversify the risk of significant damage to the Company and shareholders arising from any fault or misconduct.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next board meeting.

Article 39 Members of the board of directors are advised to consistently attend training courses, offered by an organization designated in the Directions for the Implementation of Continuing Education for the Directors and Supervisors of TSE/GTSM Listed Companies, of finance, risk management, business, commerce, accounting, law or corporate social responsibility which cover subjects relating to corporate governance at the time they become directors and throughout their terms of office. They shall also cause the Company employees at all levels to enhance their professionalism and legal knowledge.

#### Chapter 4 Respecting Stakeholders' Rights

Article 40 The Company shall maintain smooth communication channels with corresponding banks and other creditors, employees, consumers, vendors, community, and all other stakeholders of the Company, and shall respect and maintain those parties' legal rights and interests; and the Company shall establish a stakeholders' section on its website.

Where any of a stakeholder's legal rights or interests is damaged, the Company shall handle the matter in a proper manner with good faith.

Article 41 The Company shall provide sufficient information to corresponding banks and other creditors in order to facilitate their judgments concerning the

Company's operating and financial status and decision-making process. The Company shall respond proactively when the legal rights and interests of these parties are damaged, and shall provide creditors with appropriate means for redress out of responsible attitude.

Article 42 The Company shall establish communication channels with employees, and encourages employees to appropriately express their opinions concerning the Company's operating and financial status and major decisions involving employees' interests.

Article 43 The Company shall pay attention to consumers' rights and interests while it maintains normal operations and seeks to maximize stockholders' right and interests. The Company will actively participate in various types of activities through marketing to enhance the Company's public image and fulfill its social responsibilities.

## Chapter 5 Enhancement of Information Transparency

### *Section One Strengthening Information Disclosure*

Article 44 The Company shall faithfully discharge its duties of information disclosure fully in accordance with relevant laws and regulations, including regulations of Taiwan Stock Exchange.

The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publishes and reports its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

To ensure the timely and appropriate disclosure of information that may affect the decisions of shareholders and stakeholders, the Company shall designate dedicated personnel in charge of information collection and disclosure, and shall establish a spokesperson system.

Article 45 To enhance the accuracy and efficiency of information disclosure, the Company shall appoint a spokesperson and deputy spokesperson(s) who have a comprehensive understanding of the Company's finances and operations, or who are able to coordinate the provision of relevant information from various departments, and the aforementioned persons shall be able to independently speak on behalf of the Company to the public, to serve as the Company's spokespersons and deputy spokespersons.

The Company shall appoint one (1) or more deputy spokespersons, and

each of them shall be able to speak on behalf of the spokesperson independently when the spokesperson is unable to perform the speaking duties. However, to avoid confusion, the Company shall confirm the order in which deputy spokespersons perform their duties.

In order to effectively implement its spokesperson system, the Company shall expressly prescribe unified speaking procedures, and shall request management and employees to maintain the confidentiality of financial and business secrets and not arbitrarily disseminate information without authorization.

Any changes to the status of spokespersons or deputy spokespersons shall be promptly disclosed.

Article 46 The Company shall set up a website via internet containing the information regarding finance, operation and corporate governance for shareholders' and stakeholders' reference; and shall provide an English version of finance, corporate governance or any other related information on the website.

The website in the foregoing paragraph shall be maintained by dedicated personnel. To avoid from misleading, posted data shall be accurate, in detail and updated in a timely manner.

Article 47 The Company shall hold a juristic investor conference in compliance with the regulations of the TSEC, and shall keep an audio or video record of the conference. The financial and business information provided in the investor conference shall be disclosed on the MOPS in accordance with the TSEC rules and be able to queried via the website or other channels established by the Company.

## *Section Two Disclosure of Corporate Governance Information*

Article 48 The Company shall disclose and update from time to time the information regarding corporate governance in the current fiscal year in accordance with relevant laws and regulations of TSEC and Taipei Exchange.

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders, including specific and explicit dividend policy).
3. Structure of the board of directors, and professionalism and independence of the members.
4. Responsibility of the board of directors and managers.
5. The composition, duties, and independence of the audit committee.

6. Composition, duties and operation of the remuneration committee and other functional committees.
7. The remuneration paid to directors, supervisors, general manager and vice general manager in the last two (2) fiscal years, analysis of ratio of total remuneration to net profit after tax in the stand-alone or individual financial reports, payment policy, standard and composition of remuneration payment, procedure for determination of remuneration and relevance between operation performance with future risk. Under special circumstances, remuneration of individual directors and supervisors shall be disclosed.
8. Training status of directors.
9. Rights, relationships, channels for complaint, concerns, and appropriate response mechanism regarding stakeholders.
10. Detailed status of the information disclosure required by laws and regulations.
11. Enforcement of corporate governance, differences between the corporate governance principles implemented by the Company and these principles, and the reason thereof.
12. Other relevant information relating to corporate governance.
13. The Company is advised to, according to the actual performance of the corporate governance; disclose concrete plans and measures to improve its corporate governance via appropriate mechanisms.

## Chapter 6 Supplementary Provisions

- Article 49 The Company shall at all time pay attention to domestic and international development in corporate governance as a basis for review and improvement of its own corporate governance mechanisms, so as to enhance its effectiveness.
- Article 50 The Codes of Corporate Governance are implemented with the approval of the board of directors; so is the amendment.