

## **Operational Procedures for Endorsements/Guarantees of Chunghwa Telecom Co., Ltd.**

1. All 8 articles adopted by Annual General Meeting on November 25, 1998.
2. Rule name and all 25 articles amended by Extraordinary General Meeting on May 18, 2000.
3. Articles 3, 4 and 6 amended by Annual General Meeting on June 4, 2001.
4. Articles 4, 5, 7, 8, 9, 13 and 14 amended, and articles 15 and 16 added by Annual General Meeting on June 25, 2004.
5. Articles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12 amended, and articles 13, 14, 15, and 16 deleted by Annual General Meeting on June 15, 2007.
6. All 12 articles amended by Annual General Meeting on June 19, 2009.
7. Articles 3, 4, 5, 8 and 10 amended by Annual General Meeting on June 18, 2010.
8. Articles 2、3、5、7、8、9、10 and 12 amended, and article 2-1 added by Annual General Meeting on June 25, 2013.
9. Articles 2, 7, 8 and 12 amended by Annual General Meeting on June 21, 2019.

### **Article 1 (Purpose of Determination and Statutory Basis)**

Chunghwa Telecom Co., Ltd. (herein referred to as "The Company") has determined these Operating Procedures pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies" (herein referred to as "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees") and Article 2, Paragraph 2 of the Company's Articles of Incorporation in order to manage endorsement / guarantee matters and comply with laws and regulations.

All of the unspecified matters in these Operating Procedures shall uniformly be handled in accordance with relevant laws and regulations.

### **Article 2 (Definitions)**

Terms used in these Operational Procedures are defined as follows:

1. Endorsement / guarantee : Refers to the following:
  - (1) Financing endorsements / guarantees include:
    - (A) Bill discount financing.
    - (B) Endorsements or guarantees made to meet the financing needs of other companies.
    - (C) Issuance of a separate note to a non-financial enterprise as security to meet the financing needs of the Company.
  - (2) Customs duty endorsements and guarantees: Endorsements and guarantees for the Company or other companies in relation to customs duty matters.
  - (3) Other endorsements and guarantees: Endorsements and guarantees made that cannot be classified in the previous two items.
2. Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. Shareholders' equity: Means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Public reporting: Means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
5. Date of occurrence: Means the date of contract signing, date of payment, dates of board of directors resolutions, or other date that can confirm the endorsement/guarantee counterparty and monetary amount of the transaction, whichever date is earlier.
6. All audit committee members: Should be counted as the actual number of persons currently holding those positions.
7. All directors: Should be counted as the actual number of persons currently holding those positions.

### **Article 2-1 (Application by Analogy)**

Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also be handled in accordance with these Operating Procedures.

### **Article 3 (Beneficiaries of Endorsements / Guarantees)**

The Company may extend endorsements/guarantees only to subsidiaries in which the Company directly holds 100% of voting shares and the subsidiary's shareholders' equity shall not be less than one-half of its paid-in capital.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

### **Article 4 (Endorsements/ Guarantees Limits)**

The total amount of the Company's endorsements and guarantees shall be limited to 4% of the shareholders' equity on the Company's latest financial statement.

The total amount of endorsements and guarantees extended by the Company to a single beneficiary company shall be limited to 1% of shareholders' equity on the Company's latest financial statement.

The total amount of endorsements and guarantees extended by the Company and its subsidiaries shall be limited to 5% of the shareholders' equity on the Company's latest financial statement.

The total amount of endorsements and guarantees extended by the Company and its subsidiaries to any single beneficiary company shall be limited to 2% of the shareholders' equity on the Company's latest financial statement.

The total amount of the Company's loans of funds to others and endorsements/guarantees shall be limited to 5% of shareholders' equity on the Company's latest financial statement.

### **Article 5 (Endorsements / Guarantees Implementation and Review Procedures)**

The company applying for an endorsement or guarantee shall submit its basic information, latest financial statement, and a detailed written list including the purpose of applying for an endorsement/guarantee, collateral provided, and other information to the Company's Investment Department. After preliminary reviewing and approval, the Investment Department shall forward the application to the Company's Finance Department for further assessment.

After accepting a case, the Finance Department shall convene relevant departments and carefully assess whether the case complies with the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees and these Operating Procedures, and shall assess the endorsement / guarantee recipient's business items, financial status, repayment ability, profitability, and purpose of the endorsement/guarantee, etc., and draft an assessment report after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:

1. Necessity and reasonableness of the endorsements / guarantees.
2. Credit status and risk assessment of the entity for which the endorsements/ guarantees is made.
3. Influence on the Company's operating risk, financial status, and shareholders' equity.
4. Whether collateral must be obtained and appraisal of the value thereof.

Before making endorsements / guarantees for others, the Company's Finance Department shall attach the assessment report in the preceding paragraph, including the contract draft and risk assessment results, to the audit committee for approval firstly and then to the Board for approval, and shall implement the endorsements/ guarantees based on Board's decision.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the endorsement/ guarantee may be provided if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

When an endorsement or guarantee is about to expire , the Finance Department shall notify the Accounting and other relevant departments, clearly state the terms of responsibility for canceling the endorsement or guarantee, the date of cancellation, and other necessary matters, submit the case to the President, and report to the Board.

The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) for endorsements/ guarantees.

## **Article 6 (Procedures for Use and Custody of the Company's Seal)**

The dedicated seal used by the Company in the making of endorsements and guarantees shall be a corporate seal registered with the Ministry of Economic Affairs. This seal shall be kept in the custody of a designated person approved by the Board of Directors, and shall be used to seal or issue negotiable instruments only in accordance with the Company's stipulated procedures.

If the Company makes an endorsement or guarantee to a foreign subsidiary company, the letter of guarantee provided by the Company shall be signed by a person authorized by the Board of Directors.

## **Article 7 (Announcing and Reporting Procedures)**

The Company must, on the tenth of each month, publicly report its own and its subsidiaries' balance of endorsements and guarantees together with its sales for the previous month.

The company whose balance of the endorsements and guarantees reaches one of the following levels should announce and report within the filing time limits of the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities":

1. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries reaches 50% or more of the shareholders' equity on the Company's latest financial statement.
2. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches 20% or more of the shareholders' equity on the Company's latest financial statement.
3. The aggregate balance of the endorsements and guarantees made by the Company and its subsidiaries to a single company reaches NT\$10 million or more, and the aggregate amount of all endorsements/ guarantees for, book value of the investment under equity method, long-term nature investment in , and balance of loans to reaches 30% or more of the shareholders' equity on Company's latest financial statement.
4. The amount of a new endorsement or guarantee from the Company or a subsidiary reaches NT\$30 million or more and 5% or more of the shareholders' equity on the Company's latest financial statement.

When a subsidiary of the Company is not a domestic public company, the Company shall perform the announcing and reporting tasks in Subparagraph 4 of the preceding paragraph for that subsidiary.

## **Article 8 (Internal Control)**

The Investment Department shall assist the Finance Department to track beneficiary finances, business, and credit on a monthly basis. When necessary, a beneficiary may be required to provide financial data at any time. If collateral has been provided, the Investment and Finance Departments shall also monitor the changes in the value of collateral; any major changes shall be immediately reported to the Chairman & CEO, and appropriate action taken in accordance with instructions.

When the Company provides an endorsement or guarantee, the Finance Department shall prepare a memorandum book and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5.

An improvement plan shall be made and submitted to the audit committee and independent directors if the beneficiary no longer meets the requirement on the Regulations Governing Lending of Funds and Making of Endorsements / Guarantees or these Operating Procedures, or the endorsement / guarantee amount exceeds the limit as a result of the Company or the beneficiary's condition changing. The improvement shall be completed in accordance with the planned timetable.

The Company's Audit Department shall, at least once per quarter, audit the Endorsement / Guarantee Operating Procedures and the state of their implementation, and prepare written records accordingly. The audit committee shall be notified immediately in writing if any material

violations are discovered, and the independent directors shall also be notified in writing.

#### **Article 9 (Disclosure of Endorsements/Guarantees Losses)**

The Company shall assess or recognize contingent losses from endorsements and guarantees, appropriately disclose endorsement / guarantee information in its financial reports, and provide relevant information to CPA for implementation of necessary audit procedures.

#### **Article 10 (Procedures for Controlling and Managing of Subsidiaries' Endorsements / Guarantees)**

When a subsidiary plans to make endorsements or guarantees for others, it shall determine its endorsement/guarantee operating procedures on the basis of the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees. After approval by the subsidiary's board and shareholders' meeting, the case shall be submitted to the Company for future reference; likewise in the case of revisions.

The endorsements/guarantees granted by a subsidiary shall be reported to the Company's Board of Directors.

The subsidiaries in which the Company directly or indirectly holds 90% or more of the voting shares may extend endorsements/guarantees among themselves. A subsidiary may not engage in the activity above until it is approved by the Company's Board of Directors.

The total endorsement /guarantee amount granted by subsidiaries shall be limited to 3% of the shareholders' equity on the Company's latest financial statements.

The total amount of endorsements/guarantees granted by a single subsidiary to any single beneficiary company shall be limited to 1% of the shareholders' equity on the Company's latest financial statements.

Subsidiaries shall submit lists of endorsements and guarantees made in last month to the Company's Investment Department before the fifth day of each month; the Investment Department shall compile such lists and forward them to the Finance Department for announcement.

The Company's Investment Department shall check subsidiaries' monthly lists of endorsements and guarantees, and shall immediately instruct the subsidiary to make improvements in accordance with relevant regulations if any abnormalities are discovered.

Subsidiaries shall provide endorsements and guarantees in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and their endorsement/guarantee operating procedures . In addition, relevant matters to be carried out should be included in the self-assessment items under the annual internal control project. Subsidiaries should also submit their self-assessment reports to the Company.

The Company's Audit Department shall review self-assessment reports submitted by all subsidiaries.

#### **Article 11 (Penalties)**

The handling of the Company's external endorsements and guarantees shall fully comply with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and these Operating Procedures. Disciplinary action shall be taken against any managers or other responsible personnel in accordance with the Company's personnel rules in the event of any violations of regulations.

#### **Article 12 (Determination and Revision)**

After approval by the Board, these Operating Procedures shall be submitted to shareholders at the Shareholders' Meeting for approval. If any director expresses a dissenting opinion, and there is a record or written statement, the Company shall submit the dissenting opinion to shareholders at the Shareholders' Meeting for discussion; likewise in the case of revisions.

When these Operating Procedures are submitted for discussion by the board of directors under the preceding paragraph, each independent director's opinions shall be taken into full consideration. If an independent director expresses objections or reservations about any matter, they shall be recorded in the minutes of the board of directors meeting.

Starting from the 7th Board of Directors, the amendment of these Operational Procedures

should be approved by more than half of all audit committee members firstly before be submitted to the Board for a resolution. If the requirement above is not obtained, these Operational Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.