

Operational Procedures for Loaning Funds to Others of Chunghwa Telecom Co., Ltd.

1. All 13 articles adopted by Annual General Meeting on June 15, 2007.
2. Articles 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13 amended by Annual General Meeting on June 19, 2009.
3. Articles 2, 6, 7, 9, 10, 11 and 13 amended by Annual General Meeting on June 25, 2013.
4. Articles 2, 8, 10, 12 and 13 amended by Annual General Meeting on June 21, 2019.

Article 1 (Purpose of Determination and Legal Basis)

Chunghwa Telecom Co., Ltd. (herein referred to as "The Company") has formulated 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 the loans of funds to others 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. Subsidiary and parent company: As determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. 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.
3. Public reporting: Means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
4. 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 loaning funds counterparty and monetary amount of the transaction, whichever date is earlier.
5. All audit committee members: Should be counted as the actual number of persons currently holding those positions.
6. All directors: Should be counted as the actual number of persons currently holding those positions.

Article 3 (Loan Recipients)

The Company's loan recipients (herein referred to as "borrowers") shall comply with the circumstances in any of the following subparagraphs:

1. A subsidiary in which the Company directly holds 100% of voting shares, and with which the Company has a business relationship.
2. A subsidiary in which the Company directly holds 100% of voting shares, and requiring short-term financing funds. "Short-term" refers to one year in this subparagraph.

Article 4 (Assessment Standards for Loaning Funds to Others)

Apart from conducting a careful assessment as prescribed in Articles 5 and 7, the Company shall ensure that the loans complies with the following standards before loaning funds to others :

1. When loaning funds due to a business relationship, the Company shall examine whether the loan amount and business transaction amount are equivalent.
2. When loaning funds to meet borrowers' short-term financing needs, the purpose of such loans shall be limited to helping subsidiaries reduce their financing costs.

Article 5 (Total Amount of Loans and Limit of Loans to A Single Borrower)

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

Loaning funds based on business relationship:

1. Total loans shall be limited to 2% of shareholders' equity on the Company's latest financial statement.
2. Loans to a single borrower shall be limited to the lowest of the following amounts:
 - (1) 0.2% of shareholders' equity on the Company's latest financial statement.
 - (2) 40% of shareholders' equity on the borrower's latest financial statement.
 - (3) Total amount of business transactions between the Company and the borrower during the most recent year. In this item, the total amount of business transactions refers to purchases or sale of goods between the two parties above, whichever is greatest.

Loaning funds based on short-term financing:

1. Total loans shall be limited to 2% of shareholders' equity on the Company's latest financial statement.
2. Loans to a single borrower shall be limited to the lowest of the following amounts:
 - (1) 0.2% of shareholders' equity on the Company's latest financial statement.
 - (2) 40% of shareholders' equity on the borrower's latest financial statement.

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

Article 6 (Duration of Loans and Calculation of Interest)

The duration of the Company's loans of funds may not exceed one year from the lending date.

When the Company loans funds to others due to a business relationship, the loan duration may be extended after approval by the audit committee and the Board, and the restriction of the preceding paragraph shall not apply; each extension shall be limited to one year, however.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the loan duration may be extended 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.

As a rule, interest shall be paid on a monthly basis. This restriction shall not apply, however, after approval by the Board.

Annual interest rate standards for the Company's loans of funds shall be determined on the basis of the interest rate of the Company's bank deposits and loans. When the Company has bank loans, however, the annual interest rate for the Company's loans of funds shall not be less than the maximum interest rate of the Company's short-term bank loans.

Article 7 (Procedures for Handling and Reviewing Loans)

The borrower shall submit its basic information, latest financial statement, and a detailed written list including the loan amount, period, fund uses, and collateral provided, etc. to the Company's Investment Department for applying financing. After preliminary review and approval by the Company's Investment Department, the application is forwarded to the Company's Finance Department for further assessment.

After accepting an application, the Finance Department shall convene relevant departments to 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 assess the borrower's business items, financial status, repayment ability, profitability, and loan use, etc.. An assessment report should be made after compiling the opinions of relevant departments; the content of the assessment report shall include at least the following:

1. The necessity and reasonableness of extending loans, the reasons for and conditions of extending loans.
2. Credit investigation and risk assessment of the borrower.

3. Effect on the Company's operating risk, financial status, and shareholders' equity.
4. Assessment of the collateral's value.

Before the Company offers loans, the Finance Department shall submit the assessment report in the preceding paragraph, including a preliminary draft of the loan contract and risk assessment results, etc., to the audit committee for approval firstly, then to the Board for a resolution, and after that may implement the loan.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the loans may be offered 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.

The management shall be authorized to separately determine the Company's Standard Operation Procedures (SOP) on loans of funds to others.

Article 8 (Announcement and Reporting Procedures)

The Company shall, before the tenth day of each month, report its subsidiaries' balance of loans during the previous month.

The Company whose balance of loans of funds reaches one of the following levels shall perform announce and reporting 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 loans of funds from the Company and its subsidiaries to others has reached 20% or more of the shareholders' equity on the Company's latest financial statement.
2. The aggregate balance of loans of funds from the Company and its subsidiaries to a single company has reached 10% or more of the shareholders' equity on the Company's latest financial statement.
3. The amount of a new loan of funds to others from the Company or a subsidiary reaches NT\$10 million and simultaneously reached 2% 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 announcement and reporting tasks for that subsidiary in Subparagraph 3 of the preceding paragraph.

Article 9 (Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights)

After loans have been issued, the Investment Department shall assist the Finance Department to track borrower finances, business, and credit on a monthly basis. When necessary, a borrower may be required to provide financial data at any time. Attention shall also be paid to 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 a borrower repays an expired loan, the borrower must pay any owed interest together with the principal before the Company registers cancellation of its collateral pledge rights or mortgage.

In the case of delinquent creditor's rights, a court shall be asked to give a ruling and compensation collection procedures initiated (including but not limited to disposal of collateral) if a borrower fails to repay a loan in arrears for more than 15 days after the Company has given written notification.

The Company shall assess the status of its loans of funds and reserve sufficient allowance for bad debts. The Company shall also appropriately disclose relevant information on its financial reports, and provide relevant information to CPA for implementation of necessary auditing procedures.

Article 10 (Internal Control)

When the Company provides loans, the Finance Department shall establish a memorandum book and record the following information in detail for future reference: borrowers, amount, date of Board approval, lending date, and matters to be assessed under Article 7, Paragraph 2.

An improvement plan shall be made if changes in the circumstances of the Company or a borrower result in the borrower no longer meeting the requirement on the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees or these Operating Procedures, or causing the loan balance to exceed the limit. All improvement plans shall be submitted to the audit committee and independent directors, and improvement shall be completed in accordance with the planned timetable.

The Company's Audit Department shall, at least once per quarter, audit the procedures for loaning funds to others and the state of their implementation, and keep 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 11 (Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries)

A subsidiary planning to loan funds to others shall formulate its loan 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, these procedures shall be submitted to the Company for future reference; likewise in the case of revisions.

Subsidiaries shall submit lists of loans of funds made during the previous 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 Company's Finance Department for announcement.

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

Subsidiaries shall implement their loans of funds to others in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees and their loan 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 12 (Penalties)

The handling of the Company's loans of funds to others shall fully comply with 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.

The responsible person of the Company who has violated Paragraph 1, Article 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to the Company resulted therefrom.

Article 13 (Formulation 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.