誠信
Integrity

Corporate Social Responsibility (CSR) received a large amount of attention in the past few years. Taiwan Stock Exchange and Gre Tai Securities Market composed the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" to regulate said companies' responsibilities and liabilities in terms of environmental, human rights and labor rights protection. For Chunghwa Telecom, this marks that CSR is moving from voluntary disclose to governmental regulation compliance.

On the other hand, investors from around the world are also seeing CSR as an important index while evaluating potential profiting capability and operational risk management. Chunghwa Telecom will continue to strengthen our management on related issues and properly communicate with all related parties in order to achieve the ultimate goal of elevating our corporate value.

Responsible Management

Investors/shareholders, employees, government

Voices | We listen carefully to peoples' diversified expectations

Commitment | First company to declare compliance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
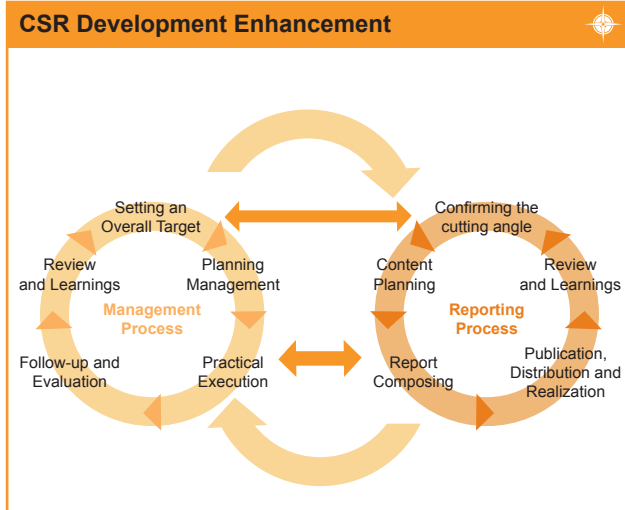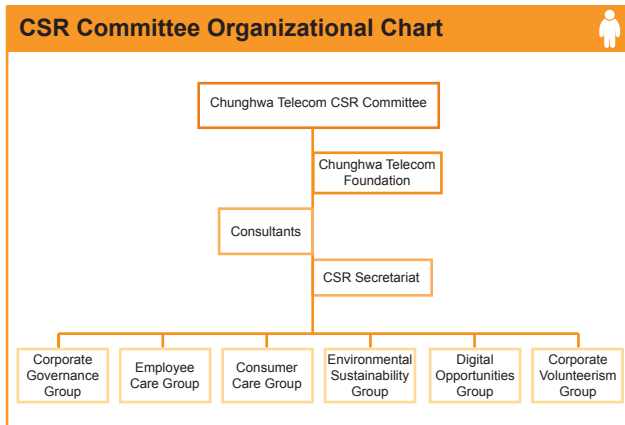
Index Category	2008 Commitment	2009 Performance	2010 Target	Page
Compliant Index — First telecom service provider to conduct CSR survey on institutional investors	Execution needed	Enforced ✔	Continued execution	P10

Awards won
- "National Sustainable Development Award" by Executive Yuan
- "Corporate Citizenship Award" by Common Wealth Magazine
- "Corporate Social Responsibility Award" by Global Views Monthly Magazine
- "Taiwan Corporate Sustainability Report Award - Gold Award" by Taiwan's Institute for Sustainable Energy
- "Best Corporate Social Responsibility" by Finance Asia

Responsible Management

Value Integration

Innovation

Environmental Sustainability

Employee Care

Inspiring Service

Digital Opportunities

Social Philanthropy

Management

Corporate Social Responsibility

In order to normalize our dialogue with all stakeholders and integrate CSR into our daily operations, a Corporate Social Responsibility Committee was formed comprising of senior executives from various departments in June 2006. The committee is responsible of planning strategies, setting goals and delegating tasks to the 6 taskforces.

CSR Committee

"Chunghwa Telecom CSR Committee" is chaired by the Chairman while the general manager serves as the deputy-director. The "CSR Secretariat" is appointed as the dedicated window of contact. The committee is divided into the following six groups: Corporate Governance, Employee Care, Consumer Care, Environmental Sustainability, Digital Opportunities and Corporate Volunteerism. The committee also collaborates with Chunghwa Telecom Foundation in various project promotions.

CSR Committee Organizational Chart

- Chunghwa Telecom CSR Committee
- Chunghwa Telecom Foundation
- Consultants
- CSR Secretariat
  - Corporate Governance Group
  - Employee Care Group
  - Consumer Care Group
  - Environmental Sustainability Group
  - Digital Opportunities Group
  - Corporate Volunteerism Group

CSR Development Enhancement

Management Process
- Setting an Overall Target
- Planning Management
- Practical Execution
- Follow-up and Evaluation
- Review and Learnings

Reporting Process
- Confirming the cutting angle
- Content Planning
- Report Composing
- Publication, Distribution and Realization
- Review and Learnings

Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies

- Article 54: "In developing its normal business and maximizing the shareholders' interest, a TSEC/GTSM listed company shall pay attention to consumers' interest, environmental protection of community and public interest issues, and shall have high regard for the social responsibility of the company."

CSR Vision 4 Is

Based on our corporate philosophy: "focus on core businesses, value professionalism, enhance efficiency and prove heart-warming services," we strive for becoming the most valuable and reliable information and communication Technology service provider. With years of CSR practice, we created a unique CSR vision that covers various sustainability-related issues.

- **Integrity** Practice honesty-based management to reach the ultimate goal of elevating corporate value.
- **Innovation** Facing the challenging environment and climate change with innovation to accomplish our mission of sustainable operation.
- **Inside** Care for the inner needs of employees and customers and continue all communications and care-giving.
- **Inclusiveness** Create a society free of information barriers by putting together the power of technology, software and volunteers.

CSR Management Model: SMART

We listen and comprehend the voices and needs of stakeholders, and take a step further to obtain information and evaluate our CSR performance. Following systematic information disclosure, we developed the "SMART" management model so that this report presents information in a clearer fashion. This way, the report can serve as a reference for future CSR promotions. Every chapter of the report is composed of five elements: Stakeholder, Management, Points to Address, Response and Target.
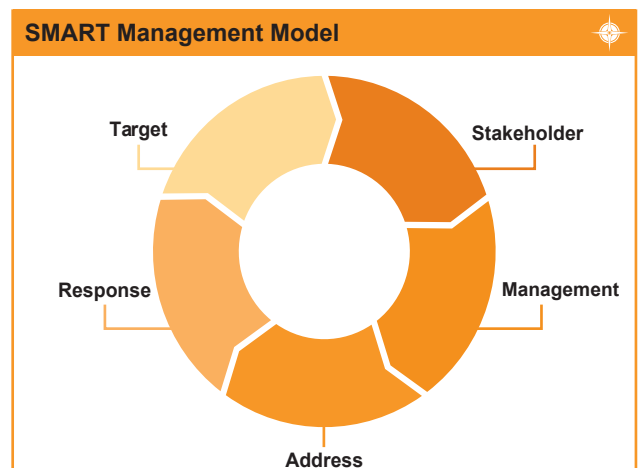
SMART Management Model

- Target
- Stakeholder
- Management
- Address
- Response

Management Reinforcing CSR Regulations

In 2009, Taiwan's efforts on CSR development had a major breakthrough. Taiwan Stock Exchange Co. (TWSE) and Gre Tai Securities Market (GTSM) established the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" serving as the basic principals for CSR.

Analysis and Responses on Current Situation

"Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and GRI G3 complement each other. One takes the viewpoint of the management process while the other of the reporting process. Since Chunghwa Telecom's 2008 CSR Report has already reached Application Level A, most of the regulations stated were already satisfied. Still, there is room for improvement. For example:

Article 6 states that: "The board of directors of a TWSE/GTSM-listed company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies."

Article 7 states that "For the purpose of managing corporate social responsibility initiatives, TWSE/GTSM-listed companies are advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies or systems of the company and to report on the same to the board of directors on a periodic basis."

Chunghwa Telecom has already set up a CSR Committee and a dedicated window of contact. In the future, a formal system will be in place for the Committee's Secretariat to periodically report back to the Board regarding CSR-related work process and directions of development.

Corporate Social Responsibility Practice Best Principles for TWSE/GTSM Listed Companies

- "Corporate Social Responsibility Practice Best Principles for TWSE/GTSM Listed Companies" is composed of 6 chapters with 31 articles. It aims at "to assist companies listed on the Taiwan Stock Exchange Corporation ("TWSE") and the GreTai Securities Market ("GTSM") to fulfill their corporate social responsibility and to promote economic, social and environmental balance and sustainable development."

Sustainable Development Training Program

The Environmental Education Act was passed by the Legislative Yuan in May 2010 which made Taiwan one of the few nations in the world that promote environmental education at a legislative level. Article 19 is the one that is most related to us. It states that "Employees of organizations and publicly-operated institutions should receive at least four hours of environmental education per year. The results should be reported back to the central administrative institution." Article 19 nicely responds to Article 15 on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" which states that "TWSE/GTSM Listed Companies should establish a dedicated unit or assign dedicated personnel for environment management to maintain the environment management system and should hold environment education courses for their managerial officers and other employees on a periodic basis." In regards of such articles, we set up plans for

1. All employees receive 4 hours annual training on sustainable development.
2. Managers of all regions should receive special training in terms of external stakeholder communication and participation and performance evaluation.

The Environmental Education Act

- The Environmental Education Act consists of 26 articles in total aiming at improving citizens' knowledge, capability, attitude and values on environmental protection. This law will educate citizens, make them more aware of the environment and urge people to take action towards sustainable development

Responsible Management

Value Integration

Innovation

Environmental Sustainability

Employee Care

Inspiring Service

Digital Opportunities

Social Philanthropy

Address CSR Survey on Stakeholders

Identifying and communicating with stakeholders is the foundation of CSR. We started to actively communicate with stakeholders since 2009 through surveys and interviews to collect internal and external opinions. Stakeholders targeted include employees, customers and institutional investors. We hope to have a comprehensive understanding on the experience and expectations of different kinds of stakeholders so as to serve as reference for future action plans.

Responsible Management

Value Integration

Innovation

Environmental Sustainability

Employee Care

Inspiring Service

Digital Opportunities

Social Philanthropy

Employees

Internally, we used intranet to conduct a series of surveys to collect employees' opinions regarding CSR-related issues. The results turned out impressive:

- The more satisfied employees are regarding a company's CSR performance, the more they identify themselves with the company.
- The more satisfied employees are regarding information disclosure, the more they identify themselves with the company.
- When CSR helps promote the company's brand image, the more employees identify themselves with the company.

Employee's View on CSR

	Agree	HighlyAgree
You feel satisfied about the performance of the company's efforts on promoting CSR.	37.49	56.82
You feel satisfied with the presentation of information regarding CSR by the company.	39.50	54.23
Chunghwa Telecom's performance on CSR is beneficial for enhancing the company's brand image.	30.67	65.54
How do you feel regarding"I am proud of being a Chunghwa Telecom employee."?	33.41	59.85

Source: 2009 Employee CSR Cognition Survey

Three CSR-related Issues that are Most Recognized by Employees

Issue	Percentage
Corporate Governance	20.13
Enhancing Economic Development	15.86
Charity Activities	15.61

Three Employee-related Issues that are Most Recognized by Employees

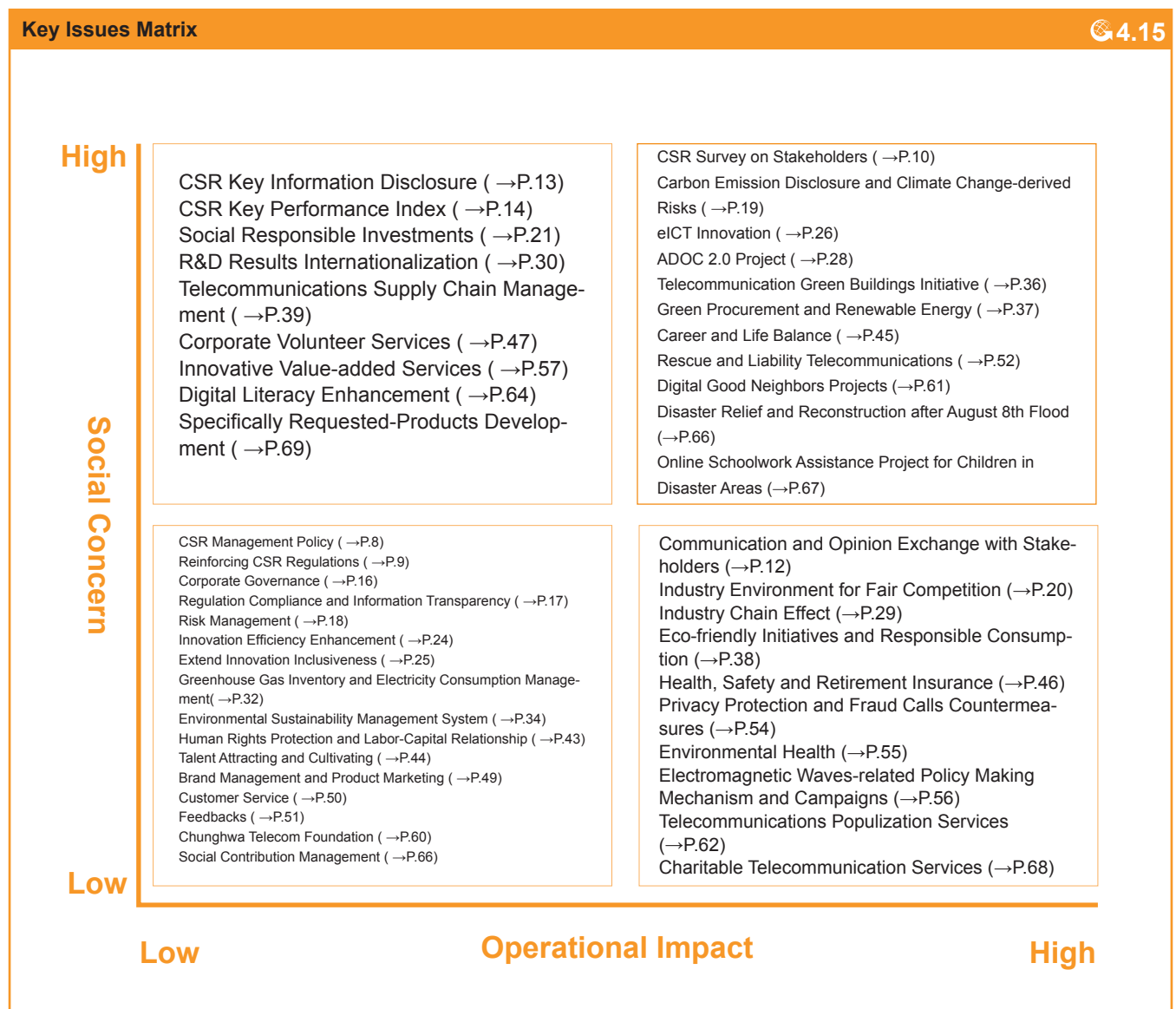| Issue	Percentage
Health and Safety	31.98
Educational Training	21.22
Labor-Management Harmony	20.57

Customers

The public has grown highly suspicious over how trustworthy corporate brands are due to recent financial crisis and company scandals. We commissioned external financial experts to conduct researches on how Chunghwa Telecom's efforts in carrying out CSR reflect on our brand value.

Combining our profiting capability index, risk evaluation index and market value index, the research showed that our stock prices are more stable than others against market volatility and economic turmoil. Through integrating CSR into our daily operation, we performed well in many areas which show that introducing the concept of CSR into an enterprise is beneficial for stabilizing a company's financial performance.

Address **Key Issues Matrix**

> The Materiality Assessment Process was continued on 2009. "Social Concern" and "Operational Impact" were used as the main indexes of evaluation to prioritize key CSR issues and evaluate the tools used to tackle these issues.

To increase objectivity, we conducted analysis on media reports, international standards and global telecommunication industry benchmarks. At the same time, external opinion was sought which includes professional advice from the academia. After we assessed the impact of these issues on our financials, risk management and corporate reputation, final results were agreed on and disclosed in the CSR report.

Key Issues Matrix 4.15

High

Social Concern

CSR Key Information Disclosure (→P.13)
CSR Key Performance Index (→P.14)
Social Responsible Investments (→P.21)
R&D Results Internationalization (→P.30)
Telecommunications Supply Chain Management (→P.39)
Corporate Volunteer Services (→P.47)
Innovative Value-added Services (→P.57)
Digital Literacy Enhancement (→P.64)
Specifically Requested-Products Development (→P.69)

CSR Survey on Stakeholders (→P.10)
Carbon Emission Disclosure and Climate Change-derived Risks (→P.19)
eICT Innovation (→P.26)
ADOC 2.0 Project (→P.28)
Telecommunication Green Buildings Initiative (→P.36)
Green Procurement and Renewable Energy (→P.37)
Career and Life Balance (→P.45)
Rescue and Liability Telecommunications (→P.52)
Digital Good Neighbors Projects (→P.61)
Disaster Relief and Reconstruction after August 8th Flood (→P.66)
Online Schoolwork Assistance Project for Children in Disaster Areas (→P.67)

CSR Management Policy (→P.8)
Reinforcing CSR Regulations (→P.9)
Corporate Governance (→P.16)
Regulation Compliance and Information Transparency (→P.17)
Risk Management (→P.18)
Innovation Efficiency Enhancement (→P.24)
Extend Innovation Inclusiveness (→P.25)
Greenhouse Gas Inventory and Electricity Consumption Management(→P.32)
Environmental Sustainability Management System (→P.34)
Human Rights Protection and Labor-Capital Relationship (→P.43)
Talent Attracting and Cultivating (→P.44)
Brand Management and Product Marketing (→P.49)
Customer Service (→P.50)
Feedbacks (→P.51)
Chunghwa Telecom Foundation (→P.60)
Social Contribution Management (→P.66)

Communication and Opinion Exchange with Stakeholders (→P.12)
Industry Environment for Fair Competition (→P.20)
Industry Chain Effect (→P.29)
Eco-friendly Initiatives and Responsible Consumption (→P.38)
Health, Safety and Retirement Insurance (→P.46)
Privacy Protection and Fraud Calls Countermeasures (→P.54)
Environmental Health (→P.55)
Electromagnetic Waves-related Policy Making Mechanism and Campaigns (→P.56)
Telecommunications Populization Services (→P.62)
Charitable Telecommunication Services (→P.68)

Low

Low   **Operational Impact**   **High**

Responsible Management

Value Integration | Innovation | Environmental Sustainability | Employee Care | Inspiring Service | Digital Opportunities | Social Philanthropy

Response Communication and Opinion Exchange with Stakeholders

Chunghwa Telecom values the opinions of all stakeholders. We proactively communicate with them to timely respond to their needs. We also exchange opinions with international advance organizations to widen our eyes to more knowledge regarding CSR and sustainable development. Through collaboration projects, our commitment is now much more influential than before.

Stakeholder Engagement		🌐 4.16
	Issue	Communication Channel
Supervising Party (NCC, the Legislative Yuan)	Fair Competition Communication Management	Dedicated division/ Single Window for Communication
Investors (Shareholders, Institutional Investors)	Financial status & Business development	Chunghwa Telecom's Official Website Annual Reports Scheduled and nonscheduled reports
Customers (Individuals, Corporate Customers)	Quality of Service Charges	Customer Service Hotline/ Project Manager
Partners (Suppliers, Contractors)	Communication of CSR Policies	Scheduled and nonscheduled information survey Suppliers' Conference
Employees (Current employees, family of employees)	Welfare/ Salary Performance Management System Personnel Development Educational Training	The Chunghwa Telecom Web 2.0 Interactive Platform
Communities/NPOs/NGOs	Public Welfare Activities Care for the disadvantaged	Communication with communities
Media/ General Public	Brand Image Care for the disadvantaged Charges Electromagnetic Waves	Dedicated divisions
Industry Peers	Industry Development Fair Competition	Taiwan Telecommunication Industry Development Association(TTIDA)

World Business Council for Sustainable Development

Chunghwa Telecom joined the World Business Council for Sustainable Development (WBCSD) in 2006. WBCSD is the world's most influential business alliance concerning sustainable development and CSR which has many experiences worth us studying. In 2009, we signed the WBCSD Manifesto for Energy Efficiency in Buildings(EEB).

🏠 The World Business Council for Sustainable Development (WBCSD): http://www.wbcsd.org/

Communication with International Environmental Protection Organizations

In September 2009, we visited various environmental protection organizations in UK to learn from advanced enterprises and organizations' experiences and share our performance and results on CSR promotion.

● Carbon Trust: An independent institution set up by the British Government aiming at creating low carbon economy. From them, we learned the most advanced energy saving and carbon reduction standards and specifications, and discussed future long-term strategies together.

● Business in the Community (BITC): Dedicated institution to promote corporate engagement to charity projects. This visit enabled us to exchange opinions with BITC members and brainstorm on how to enhance social development with our initial power.

Chunghwa Telecom was also invited to join the "The Prince's Mayday Network," the largest anti-climate change corporate organization with over 3,027 British corporations as members. We already received the official 2010 May Day logo and committed to reduce carbon emission, record and respond to climate change tracks, take part in industrial initiatives and play out our influence on climate change issues along with large British enterprises.

Target CSR Key Information Disclosure

In order to let the public have a better understanding on our CSR management performance, organizational, management policies and case studies are included in this report. Organizational Index 👤 refers to the relevant organizations we have working on CSR. Policy Index ✦ refers to the guidelines of CSR-related works. Case Index ◎ are examples of best practices.

Responsible Management | Value Integration | Innovation | Environmental Sustainability | Employee Care | Inspiring Service | Digital Opportunities | Social Philanthropy

Target CSR Key Performance Index

Since we started to enforce CSR in 2006, various performance indexes were accumulated and are presented on this report by different symbols. Compliant Index 📄 stand for the CSR works that we performed in compliance with relevant regulations. Benchmark Index 🏅 refer to those items on which we set a benchmark for others to follow while Management Index 🔍 refers to the items on which performance management is still conducted. 🏆 represents the awards we won on such field.

Management Index

	2007	2008	2009	Description	Page No.
Percentage of female supervisors	21.51	22.11	22.48	↑	P42
Number of employees with disabilities	656	695	709	↑	P42
Applications for maternity leave (ppl.)	----	52	55	↑	P45
Corporate volunteer service hours	----	----	41,979	First time to be listed as an index item	P47
Customer satisfaction: regular customers (5 as highest score)	3.81	3.66	3.73	↑	P51
Computer lessons provided in remote areas (hours)	----	----	1,023	First time to be listed as an index item	P61
Number of remote area residents that passed the TQC certification (ppl.)	----	----	100	First time to be listed as an index item	P61
Amount of donation for community investment (thousand NTD)	----	247,516	1,556,467	↑	P65

Responsible Management

Value Integration

Innovation

Environmental Sustainability

Employee Care

Inspiring Service

Digital Opportunities

Social Philanthropy