

Strategy and Management


2010 Chunghwa Telecom CSR Report



中華電信
Chunghwa Telecom

Editorial Policy

Welcome to Chunghwa Telecom's fourth Corporate Social Responsibility Report. This report is published in both Chinese and English with a dedicated CSR website. We hope to integrate the advantages of paper-based and internet-based reports to let those who care about us have a further understanding on our CSR-related efforts and performances in 2010.

 <http://www.cht.com.tw/CSR/>

Reporting Period

This report disclose the company's CSR management policies, key issues, countermeasures and initiatives' results in 2010(i.e. January 1 to December 31, 2010). However, parts of the Report include description of initiatives taken outside the stated period (i.e. before January 1, 2010 of after December 31, 2010) and their results for a complete coverage.

Scope and Coverage

The report covers Chunghwa Telecom, and Chunghwa Telecom Foundation. Combined, they are referred as "Chunghwa Telecom." Data covered by the Report includes financial (of Chunghwa Telecom and its subsidiaries), environmental and social performances.

References

This Report is compiled following the G3 Guidelines and the Telecommunications Sector Supplement of the Global Reporting Initiative(GRI).

Assurance

This Report has been sent to SGS Taiwan Ltd. Taipei Branch for data confirmation and certifying purposes. This Report is certified to be in compliance with GRI A+ Application Level and AA1000 AS 2008.

Feedbacks

If you have any feedbacks to share regarding the "Chunghwa Telecom CSR Report 2010," please do not hesitate to contact us through:

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Chunghwa Telecom CSR Report 2007
Published in May, 2008



Chunghwa Telecom CSR Report 2008
Published in September, 2009



Chunghwa Telecom CSR Report 2009
Published in August, 2010



Chunghwa Telecom CSR Report 2010
Published in February, 2012



Carrying the environment on our shoulders

The Chunghwa Telecom CSR Report is printed using environmental-friendly soy ink.

Message from the CEO

2010 is a year of major digital development trends in the telecommunications industry. On the one hand, consumers demonstrate stronger demand for value-added services with the rising popularity of smart phones and flat screen computer products, committing us deeper into people's lives. On the other hand, due to innovative and forward-looking research capabilities, we have successfully transitioned into the information and communication industries. I was also fortunate to have been nominated as the Director of the Cloud Computing Association of Taiwan to contribute value-added services for the industry chain.

2010 is also the beginning of a new era of frequent cross-Strait exchanges that will bring Taiwan 5 million international tourists. We are committed to infusing ICT technologies into tourism, medicine, cultural innovation, and other emerging industries to enhance overall national competitiveness as our objective. We will also continue to expand overseas markets, develop new growing spaces, and establish a foundation for consolidated internationalization.

During its activities and developments, Chunghwa Telecom had always enjoyed the utmost business reputation. The power of being a reliable brand is our greatest foundation. The positive corporate image created from enforcing our corporate social responsibilities are also an important component of our brand assets.

In the past year, we have increased brand values through fulfilling corporate social responsibilities. We have won the platinum award for reliable telecommunications brands from Reader's Digest for seven consecutive years. The respectable Asian financial magazine, Finance Asia, also awarded us the best management, corporate governance, corporate social responsibility, and highest emphasis on dividend policy promise awards in the Taiwan region. Also, we were further awarded with Commonwealth Magazine's outstanding corporate social responsibility award, Global Views Magazine's outstanding service award in 2010, IT Magazine's best corporate governance and information disclosure awards for the greater Chinese region, and IR Global Ranking's gold awards from outstanding financial information disclosure in the Asia Pacific region, Taiwan corporate sustainability report gold award, etc., all of which resoundingly showcase our proactive image as a competent corporation.

Looking into the future, we will begin strategically, continue using our core capabilities, fulfill reliable business practices, and create benchmarks for corporate social responsibilities. We will also attend to employee needs, fulfill environmental education, welcome the cloud era, create responsible brands, address climate change, focus on digital opportunities, and face the new era's challenges. The core of all of our strategies point to the same objective, which is our vision: "to become the most valuable and reliable information and telecommunications company."

After the Taiwan Stock Exchange promulgated the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" in 2010, corporate social responsibilities have been fully infused into our business processes. Here, we would like to report to all of our stakeholders our strategies, management models, policies, responses, and objectives behind our promotion of corporate social responsibilities. We hope that everyone will participate in feedback and discussions.

Chairman
Shyue-Ching Lu

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Profile of Chunghwa Telecom

Chunghwa Telecom is committed to using innovative technologies and compassionate service to lead Taiwan's industries into a new era of development. We intend to transform our managerial role to one of promotion of economic development and service, in accordance with the orientation of "Strengthening Taiwan, Connecting the Taiwan Strait, and Deploying Globally."

Stable Performance

In 2010, the rise of smart phones and economic recovery invigorated communication volumes, and spurred the growth potential of the entire telecommunication industry. Under the diligence of all of our colleagues, growth continued for mobile added values, cell phone sales, and internet operations. Consolidated revenues reached NT\$ 202.43 billion, while consolidated net income attributable to shareholders of the parent company was NT\$ 47.61 billion, and earnings per share after tax was NT\$ 4.91. Consolidated income tax expenses totaled at NT\$ 9.13 billion. We continue to compensate our investors. In 2010, a total of NT\$ 49.1 billion was issued for cash dividends and capital reduction repayments.

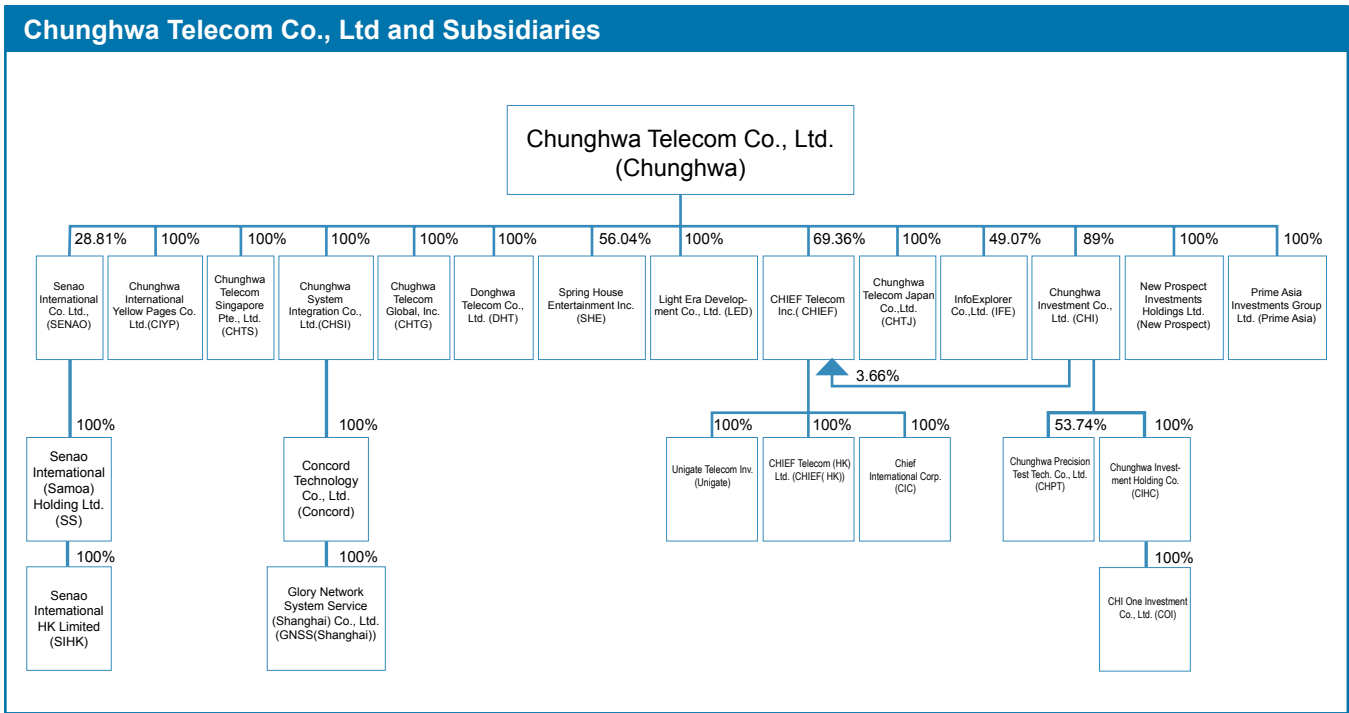
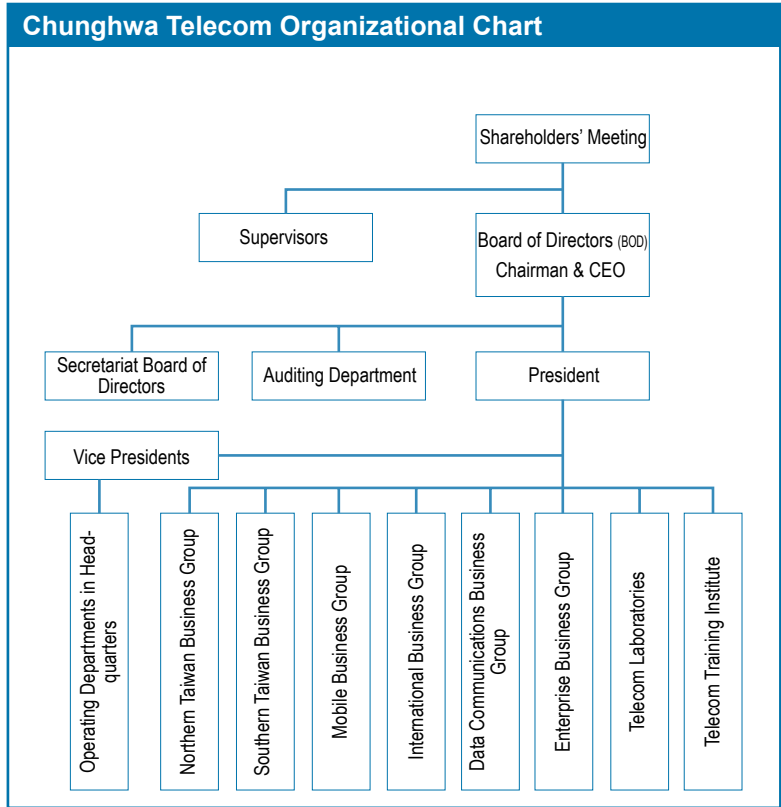
Other than traditional telecommunication services, we have successfully introduced many information, communication, and digital convergence services, providing clients with cloud computations and customized comprehensive solutions, continuing the corporate transformation into an information service provider.

Expanding Overseas Operations

Chunghwa Telecom and its affiliated companies primarily cover the telecommunication services industry. Generally, the greatest combined effects are generated through mutual support between technology, production, sales, and service, thus continuing the provision of the best professional service for our clients, and ensuring our leadership position in the market.

To expand overseas markets and develop new development spaces, we will work with subsidiaries to focus on ICT integrated services in turnkey project formats, with China and Southeast Asia as priority development regions. In China, we made joint investments in the creation of Shanghai Lihwa (Chunghwa Telecom (China) Co., Ltd.) and Sertec Business Technology, and also work with the three largest telecommunication firms in China to promote mobile added values. In Southeast Asia, we work with Vietnam's Viettel to create Vietnam's largest IDC firm, while also completing customized developments, creation, integrated tests, etc, for the overseas Indonesian version of satellite-based taxi business dispatch systems.

China and Vietnam harbor high demand for information and communication services. Due to our solid professional technologies and experience, we can make significant achievements in overseas developments of integrated information and communication services. Also, through our subsidiaries in US, Hong Kong, Singapore, and Japan, we export international fixed network business to overseas markets to enhance operational competitiveness, maintain high qualifies of service standards, and provide international corporate clients with international communication routing rentals, IPVPN, IP transit, voice and data sales, and other services.



Consolidated Financial Performance of Chunghwa Telecom and Subsidiaries (in Millions of NT\$)			
	2008	2009	2010
Net Revenues	201,670	198,361	202,430
Operating Costs	113,546	112,736	115,332
Operating Expenses	29,556	29,231	29,731
Income from Operations	58,567	56,394	57,367
Earnings per Share (NT\$)	4.64	4.51	4.91

Market Position of Chunghwa Telecom (User Number in Millions and Market Share)						
	2008		2009		2010	
Local Telephone	1,273	97.3%	1,244.8	97.1%	1,230.7	96.9%
Mobile Telephone	895	35.2%	926.9	34.4%	967.9	34.8%
Broadband Access	431	83.8%	430.4	83.0%	437.4	80.5%
HiNet	410	68.1%	406.7	71.8%	409.6	69.6%

Main Businesses of Chunghwa Telecom			
Services	Description	Revenue Comparison with the Same Period Last Year	Ratio
Mobile Communication Services	Mobile networks spurred increases in value-added business revenues and cell phone sales revenues.	NT\$ 89.04 billion (+2.9%)	44.0%
Internet	Increases in broadband users and continuous user upgrades from ADSL to optical fiber.	NT\$ 24.48 billion (+3.5%)	12.1%
Domestic Fixed Communication	Local Telephone Services	Effects of replacement by mobile phones and VOIP.	34.9%
	Domestic Long Distance Telephone Services	Effects of replacement by mobile phones and VOIP, as well as NCC demands for lower rates.	
	Broadband Access (ADSL and FTTx)	Growth in optical fiber revenues remedied reductions in ADSL revenues.	
International Fixed Communication	Growth in international routing rentals and international data exchanges.	NT\$ 15.33 billion (+1.9%)	7.7%
Others		NT\$ 2.68 billion (+82.0%)	1.3%
Total		NT\$ 202.43 billion (+2.1%)	100%

Effective Management of Capital Expenditures

Combined capital expenditures for 2010 totaled at NT\$ 24.617 billion, of which NT\$ 14.26 billion was spend on fixed domestic communication (including dial-up and broadband networks), NT\$ 5.261 billion on mobile communications, NT\$ 1.889 billion on internet, NT\$ 1.787 on fixed international communication, and NT\$ 1.42 on other expenditures.

Broadband operations consisted primarily of installing optical fiber networks to encourage ADSL clients to upgrade to optical fiber services, and thus catalyze user base growth and increase network efficiency. Mobile operations consisted primarily of upgrading coverage rates of 3G/HSPA/HSPA+ and other high speed networks while maintaining network communication quality. Also, in the next two to three years, there will be capital expenditures related to cloud operations.

Management of Subsidiaries

We cautiously proceed with strategic planning, assessment, evaluation, post-investment management, performance assessment, withdrawal mechanisms, and discipline, etc. of transfer investments. Not only are business conditions and performance of transfer investment industries analyzed regularly, we also assist our subsidiaries in formulating and promoting performance management systems.

Our internal control covers group level risk management and administrative level business activities, to enforce risk control mechanisms for subsidiaries. Simultaneously, we have also formulated the management mechanism to manage of our appointments of the CEO, President, and shareholder representatives of transfer investment businesses, in order to facilitate examination and managerial duties.

Capital Expenditures		
	2010 (Actual)	2011 (Estimated)
Domestic Fixed Communication	14,259,706	17,614,610
Mobile Communication	5,237,274	5,754,160
Internet	1,794,855	4,599,000
International Fixed Communication	1,654,047	2,217,485
Others	1,357,596	949,500
Total	24,303,478	31,134,755

Note: the data above are not consolidated information.

Corporate Social Responsibility Management

- S**trategy **Core Capabilities – Higher Benchmarks**
- M**anagement **Expansion of Supplier Management**
- A**ddress **Communication with Stakeholders**
 - Establishment of CSR Management System**
- R**esponse **Establishment of International CSR Partnership Relations**
- T**arget **Key Performance Indicators of Corporate Social Responsibility**



- *During Finance Asia 2010's nomination of the most outstanding Asian corporations, Chunghwa was honored with recognitions for being the "Best Managed Company," "Best Corporate Governance," "Best Corporate Social Responsibility," and "Best Commitment to Strong Dividends," also making Chunghwa the only Taiwanese telecommunications company to win awards*
- *Winning the "Taiwan Corporate Sustainability Report Award – Gold Award" for the third time*
- *Sixth "Corporate Social Responsibility Award by Global Views Monthly Magazine" in 2010*

Core Capabilities – Higher Benchmarks

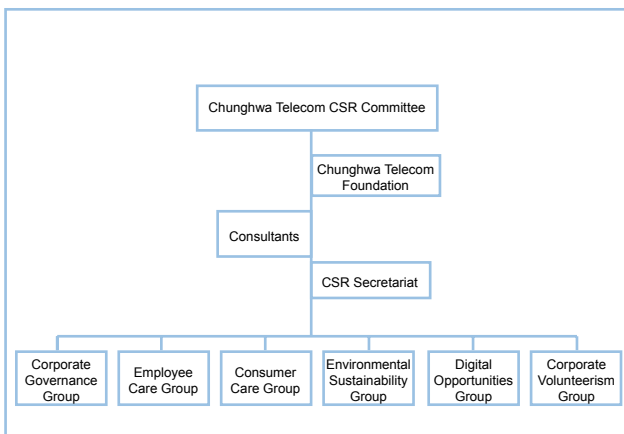
As a valuable enterprise, how to take more responsible actions to account for all stakeholders affected by our core business fields is an issue we have never ignored outside of our professional capacity. We believe that using unique corporate resources and specializations to focus on relevant public issues and improve corporate competition environments can simultaneously benefit society and corporations. Meanwhile, maturation of corporate social responsibility needs to be infused into a corporation’s core activities to become a corporate cultural foundation that empowers organizational integrity and inspiration of innovation.

Taiwan’s CSR Benchmarks

The driving force behind Chunghwa Telecom’s corporate social responsibility comes from demands for corporations in the globalized age: including global corporate deployments, risks and opportunities for corporate image and reputation, requirements for disclosure of non-financial performance information, competition for competent personnel, etc.

Since starting the corporate social responsibility initiative in 2007, our planned objectives are to use extra-legal voluntary actions to fulfill sustainable development and infuse corporate social responsibilities into core business processes. Over the years, Chunghwa Telecom had become a CSR benchmark for Taiwan’s telecommunications industry, and we will gradually develop corporate social responsibility from corporate strategies to competition strategies, and furthering it organizational operation strategies.

CSR Committee Organizational Chart



Dual Axis of CSR

The primary axis of our corporate social responsibilities is the core capability of transforming corporate resources to fulfill corporate social responsibilities. On one hand, we utilize our characteristics as an ICT operator to extend the empowerment of corporate social responsibilities and apply resources in the most efficient ways. On the other hand, we also encourage corporate volunteers to help promote corporate social responsibilities together.



Premier Den-yih Wu of the Executive Yuan represents CommonWealth Magazine to issue the Excellence in Corporate Social Responsibility Award, with Chairman Lu receiving the award.



Premier Den-yih Wu of the Executive Yuan photographed with Chairman Lu during the corporate social responsibility award ceremony of Global Views Magazine.

Expansion of Supplier Management

We are the first Taiwanese telecommunications company to formulate supplier management policies. In 2009, we have completed the “Basic Status Survey on Corporate Social Responsibility for Suppliers” questionnaire. In 2010, we have mailed out questionnaires and held supplier conferences. The “Code of Corporate Social Responsibility for Suppliers” and “Guidelines of Facilitating Suppliers to Fulfill Social Responsibilities” will be formulated and implemented in 2011.

Creating Win-Win Cooperative Relationships

Cooperating and growing with suppliers is our responsibility for the information and communications industry. Article 8 from the “Chunghwa Telecom Corporate Code of Ethics” stipulates that: we need to treat our suppliers fairly, and avoid obtaining unfair benefits from hidden, abuse of advantages, or other physical distortion. Article 10 also declares that we will not join forces with competitors to interfere with or reject transactions with suppliers.

Over the years, we have further used various measures to fulfill joint growth with suppliers. For example, we work with suppliers in research and development, as well as providing incentives. Rights to our patented technologies are also transferred fairly. In terms of hardware, we continue supporting telecommunications facilities and testing environments. In terms of software, we provide expansions and open cooperative platforms to achieve profit sharing.



We will continue holding supplier CSR exchange meetings to deepen partnership relations with suppliers.

First CSR Status Survey for Suppliers

We are the first Taiwanese telecommunications company to formulate supplier management policies. In 2008, we officially announced the “Environmental, Human Rights, and Ethical Principles for Suppliers.” In 2009, we have completed the “Basic Status Survey on Corporate Social Responsibility for Suppliers to Chunghwa Telecom” questionnaire. We have also mailed out questionnaires and held supplier conferences in 2010.

Of our top 200 suppliers, we have received 99 effective questionnaires. Questionnaire contents comprehensively cover: CSR policies and enforcement conditions, management organizations, labor and commercial ethics, environmental safety and hygiene, green concepts, and promotional activities.

Formulation of Code of Corporate Social Responsibility for Suppliers

To further institutionalize supplier management, we have drafted the “Code of Corporate Social Responsibility for Suppliers,” which is awaiting approval from CEO. Afterwards, relevant departments will begin preparing to formulate the “Guidelines of Facilitating Suppliers to Fulfill Social Responsibilities,” which is expected to be implemented in 2012.

As planned, suppliers who hold contracts valued above certain monetary amounts will need to write the basic status survey on corporate social responsibility for suppliers in the future. We will also visit major suppliers on site as is practically needed, to understand how they are currently enforcing their corporate social responsibilities. We will also publicly award recognition for suppliers who demonstrate competence in corporate social responsibilities.

Engagement with Stakeholders

We combine corporate social responsibilities with daily corporate business management because we believe that appropriate management of corporate social responsibility issues are a critical factor to achieving our mission, and enables us to face possible future problems and challenges more responsibly, thus creating more value for the company's business developments, clients, and vast stakeholder base. We focus on listening to the voices of all stakeholders, and adopt proactive communication approaches to promptly and reasonably respond to external demands.

Multilayered Channels

Engagement with stakeholders and identification of key issues is the core of CSR. Since publishing its first CSR report in 2007, Chunghwa Telecom had been enhancing interaction with stakeholders and irregularly inviting different stakeholders to meetings with relevant departmental managers. Our CSR reports are also verified by third parties to ensure the reliability and accuracy of information contained therein.

Our method can be summarized as follows:

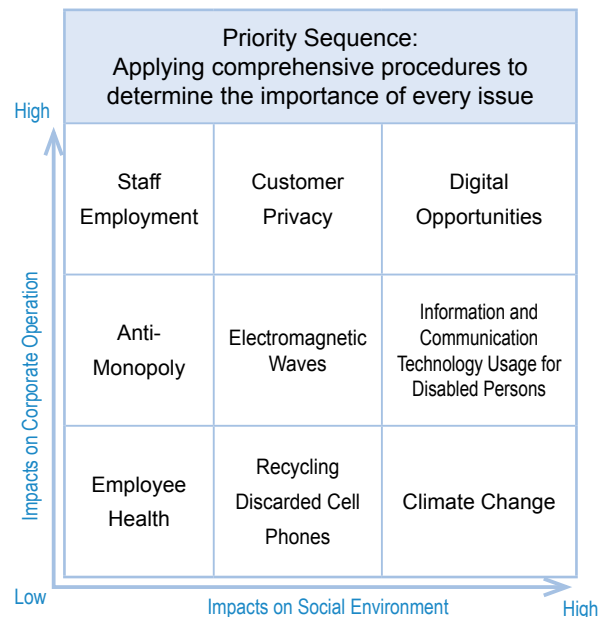
1. Inviting stakeholders: invitations issued by the Public Affairs Division.
2. Designing opinion survey questionnaires: contents of CSR reports are organized into questionnaires.
3. Meeting: stakeholders are invited to speak, while departmental managers respond as appropriate.

Analysis of Key Issues

We determine the priority sequence of different issues of concern to stakeholder through the "impacts on corporate operation" and "impacts on social environment" aspects. As before, creating digital opportunities is the most important task that our CSR operations should focus on. Also, "customer privacy protection" and "information and communication technology usage for disabled persons" is also closely related to our core operations. Under rapid technological development, we need to ensure that user rights are not violated. Also, creating specifically demanded products for different clientele groups is society's expectation for us, and also possible future business opportunities.

Key Issues Matrix

Identification: Issues from Multitudes of Stakeholders and Sources	
Primary Source: <ul style="list-style-type: none"> • Customer Feedback • Email • Stakeholder Meeting • Investor Questionnaire • Employee Questionnaire • Supplier Questionnaire • Consumer Survey • Community Investment Assessment • External Verification 	Primary Issues: <ul style="list-style-type: none"> • Climate Change • Digital Opportunities • Information and Communication Technology Usage for Disabled Persons • Staff Employment • Anti-Monopoly • Electromagnetic Waves • Energy Usage • Employee Health • Customer Privacy • Recycling Discarded Cell Phones



Establishment of CSR Management System

Chunghwa Telecom had become a CSR benchmark for Taiwan's telecommunications industry, and we will gradually develop corporate social responsibility from corporate strategies to competition strategies, and furthering it organizational operation strategies in investment, production, management, and other stages, thus infusing management visions for corporate social responsibilities and environmental sustainability and enforcing them accordingly.

SMART Management System

Since introducing corporate social responsibility in 2007, we continue to discuss and deepen our commitments. After the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” is passed by Taiwan Stock Exchange in 2010, it is now fully integrated into business processes.

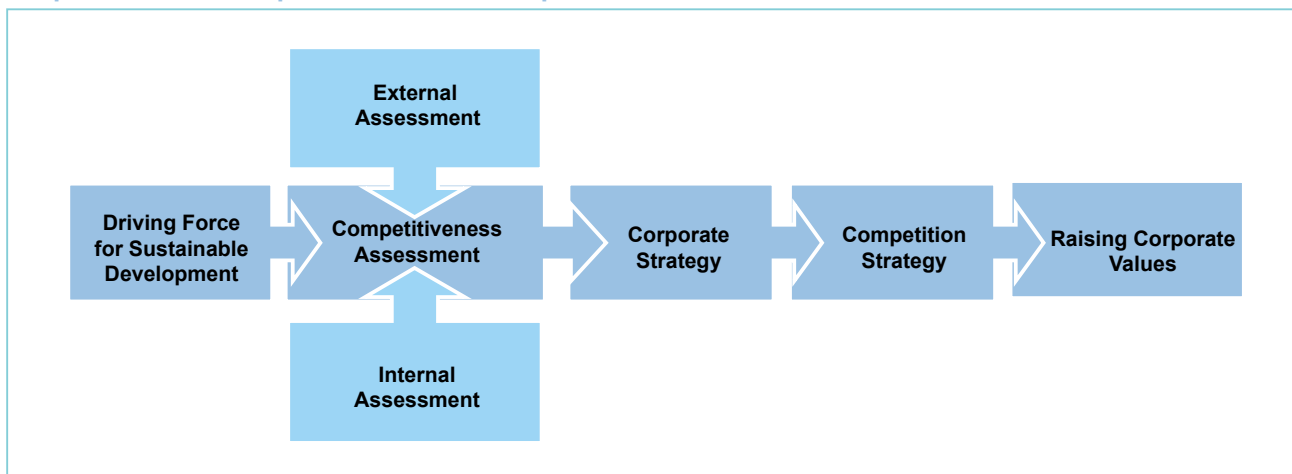
We have developed SMART corporate social responsibility management systems with unique strategies, management, actions, responses, and target stages to account for the six aspects of corporate social responsibility, including corporate governance, employee care, consumer care, environmental sustainability, digital opportunities, and corporate volunteerism, fully incorporating them into our business plans. Through external questionnaire and internal assessment procedures, all task groups are asked to formulate new targets for the following year at the end of the current year, as well as assessing whether their own strategies, management, actions, responses require additional reinforcement.

Raising Corporate Value

We believe that strategizing and management of corporate social responsibilities will effectively control risks, lower costs, increase brand values, and create new growth opportunities, thus incorporating more value for stakeholders, including shareholders.

Looking into the future, we will continue applying our core capabilities as we enforce ethical business practices to create corporate social responsibility benchmarks; attend to employee demands to welcome the cloud age and create responsible brands; and address climate change to concentrate on digital opportunities and face the challenges of the new era. The core of all strategies point to the same objective, which is our vision: “Becoming the most valuable and reliable information and telecommunications company.”

Corporate Social Responsibilities and Corporate Values



Establishment of International CSR Partnership Relations

We actively focus on exchanges with overseas industry leaders and international organizations, while also sharing our performance and results in CSR enforcement. We rely on these mutual learning opportunities to inspire more ideas in the direction of corporate social responsibilities and sustainable developments, while also encouraging mutual connection and cooperation, so that our promises produce more unlimited, wider, and deeper influences.

CSR Exchange and Learning

Facing the highly uncertain issues of sustainability and energy-saving, we learn from corporations that set the highest international benchmarks and absorb the experience of foreign CSR benchmark corporations to enable us to continue formulating and planning more appropriate and cost-effective strategies and actions to maintain our capacity for progress.

In 2010, we engaged in CSR experience sharing and exchange with Britain's Business in the Community (BITC), Vodafone, and Britain's Carbon Trust Company. We also shared Chunghwa Telecom's CSR performance results, thus attaining the benefits of international CSR exchange and learning.

Becoming a Global CSR Benchmark

Over the years, Chunghwa Telecom actively responds to the Dow Jones Sustainability Index (DJSI) questionnaire, and has engaged in in-depth discussions and exchanges with Vodafone regarding environmental sustainability, supply chain management, climate change, practical considerations over DJSI, and other issues.

We have joined the Mayday Network initiated by BITC. We are also working with international industry partners to commit to searching for the most efficient method to address climate change and taking concrete actions. By answering Mayday Network's carbon reduction target of "reducing 10% of greenhouse gas emissions by 2012 and returning to 2008 levels," Chunghwa Telecom declares its determination to confront global warming. By joining Mayday Network, we promise to:

- Transform into more sustainable directions to ensure long term corporate values
- Manage carbon emissions, develop carbon action

plans, and formulate reduction targets

- Participation from employees / customers / suppliers
- Reducing carbon emissions with concrete action

In the future, we will continue to be in contact with BITC. We also plan to inspire new innovative solutions to the four aspects of workplaces, markets, environments, and communities, and gradually enhance our foundation over environmental sustainability issues.

Low Carbon Products and Services

To comprehensively account for and enforce internal carbon management measures, we will also start focusing on developing low carbon products and services. We have met with the ICT representative of Carbon Trust to engage in in-depth exchange and learning over the foundation, schedule, and orientation of Chunghwa Telecom's future implementation of carbon tracking of products or services. In the future, we will use energy conserving products and energy conserving volunteer services to enhance education for consumers, corporations, and sales and service locations regarding identification of carbon footprint and carbon labels, and gradually promote product and service labels to act as future foundations for emission reduction.

Looking into 2011, we will deliberate over implementation strategies and coordinate action plans for the five CSR issues of: 1. Environmental information disclosure; 2. Increasing energy efficiency; 3. Creating renewable energy; 4. Promoting autonomous environmental protection; and 5. Added value for products and services.

Key Performance Indicators of Corporate Social Responsibility

Since introducing and promoting corporate social responsibility in 2006, we have gradually accumulated various performance indicators, represented by different symbols in this report. Legal indicators (📄) represent relevant legislations that we observe in our corporate social responsibility duties, benchmark indicators (🏆) represent the benchmark performance yielded by our corporate social responsibility duties, while management indicators (🔍) represent tasks that are under continuous performance management. Also, (🏆) represents our awards won in relevant fields.

Legal Indicators



Relevant regulations from code of conduct P.19

Formulation of ethical business practice regulations P.20

Risks and opportunities from addressing climate change P.18

Labor Union Act P.33

People with Disabilities Rights Protection Act P.33

NCC universal service policy P.53

Benchmark Indicators



First telecommunications company to formulate CSR policies for suppliers P.10

The only unionized telecommunications company that signed collective agreements with employees P.33

First telecommunications company to achieve carbon reduction targets P.43

Management Indicators



	2008	2009	2010	Explanation	Page No.
Customer Satisfaction: consumer customers (perfect score is 5)	3.66	3.73	3.81	↑	P. 27
Percentage of female managers (%)	22.11	22.48	23.04	↑	P. 33
Number of disabled persons employed	695	709	721	↑	P. 33
Number of maternity leave applications	52	55	54	Same	P. 36
Service providers with the highest amounts of green purchases (in millions of NT\$)	--	2.06	4.1	↑	P. 47
Total hours of corporate volunteer services	--	41,979	147,083	↑	P. 52
Operation of computer-related classes for remote areas (hours)	--	1,023	1,240	↑	P. 53
Monetary amounts of social contribution (in thousands of NT\$)	247,516	1,556,467	1,875,187	↑	P. 52

Table of Mandatory Duties

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1.Enforcement of Corporate Governance	
(1)Information regarding companies formulating corporate social responsibility policies or standards, and assessments of the implementation results of such programs.	9
(2)Information regarding the operation of units created by companies dedicated to overseeing enforcement of corporate social responsibilities.	9
(3)Information regarding companies conducting corporate ethical educational, training, and briefing for the Board of Directors, Supervisors, and employees, and incorporating them into employee performance evaluation systems to establish clear and effective incentive and disciplinary systems.	19-20
2.Development of sustainable environments	
(1)Information regarding companies committing to increasing the usage efficiency of all resources, and using renewable materials with low negative environmental impacts.	44-45
(2)Information regarding companies establishing environmental management systems appropriate for their industry's characteristics.	42-43
(3)Information regarding appointment of dedicated environmental management units or personnel for environmental maintenance.	42
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(4)Information regarding companies working with suppliers to jointly improve corporate social responsibilities.	10
(5)Information regarding companies participating in community development and relevant activities of public non-governmental organizations through commercial activities, material donations, corporate volunteer services, or other free professional services.	52
4.Enhancement of Information Disclosure	
(1)Methods with which companies disclose information related to the relevance and reliability of their corporate social responsibilities.	21
(2)Information regarding companies producing corporate social responsibility reports and disclosing and promoting corporate social responsibilities.	all
5.If companies establish their own corporate social responsibility regulations in accordance with the aforementioned Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies, please explain any differences between their business practices and their regulations:	all
6.Important information helpful towards understanding the enforcement of corporate social responsibilities (such as companies formulating programs and measures for environmental protection, community participation, social contribution, public interests, consumer rights, human rights, safety and hygiene, and other social responsibility activities, as well as the status of the execution of such actions):	all
7.If products or corporate social responsibility reports of companies have passed auditing standards of relevant verification agencies, they shall be explained in detail:	62-63

Strategy **Enforcement of Ethical Business Practices**

Management **Risk and Crisis Management**

Address **Code of Conduct**

Response **Ethical Corporate Culture**

Target **Strengthening Transparency and Management**



- Winning the “Classic Award” by China Credit Information Services as the only service industry company whose business performance ranked among the top 500 every year for the last 20 years
- Fifth consecutive year of winning the highest honor of A⁺ from the information disclosure assessment by the Securities & Futures Institute of Taiwan, and also ranked among the top ten largest companies with the A⁺ honor.
- Fifth consecutive year of winning the highest honor of A⁺ from the information disclosure assessment by the Securities & Futures Institute of Taiwan
- “Asia’s Best Companies” evaluation by Finance Asia 2010
- “Best Financial Disclosure Award” and “Best Financial Disclosure Award in the Asia-Pacific Region” by IR Global Ranking
- “Best Corporate Governance and Information Disclosure” award by IR Magazine
- Long-term credit rating of “AA” by Standard & Poor’s and “twAAA / twA-1⁺” on long / short issuer credit ranking by Taiwan Ratings Corporation

Enforcement of Ethical Business Practices

We intend to shape “Chunghwa Telecom” into the most valuable and most reliable information and telecommunications company. On top of expanding our operations, we further emphasize reliable values and ethical operation. The “Code of Corporate Governance for Chunghwa Telecom Co., Ltd” is our official corporate governance policy, which covers: establishment of effective corporate governance frameworks, protection of shareholder rights, enhancement of Board of Directors functions, utilization of Supervisor functions, respect for stakeholder rights, and increasing information transparency.

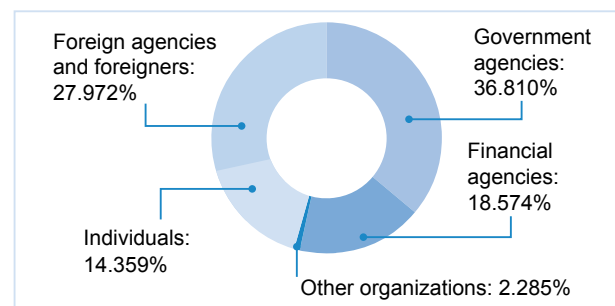
Operation and Performance Assessment of the Board of Directors

Chunghwa Telecom’s Board of Directors is the highest governance body, with the Chairman also acting as the company’s Central Executive Officer (CEO). The Board of Directors is responsible for appointing and nominating high level managers, as well as formulating the company’s corporate social responsibility, corporate citizenship, and sustainable development strategies. The Board of Directors contains 13 seats (with 3 independent seats), while there are 3 seats for Supervisors. Currently, there are 3 members in the 13-seat Board of Directors (including 1 independent seat), and the 3 Supervisor seats are all occupied by women. Also, 1 seat is stipulated for the Labor Director to ensure diversity in the Board of Directors. In 2010, the Board of Directors held 10 meetings, with average attendance rates among all members over 90%.

To consolidate supervisory functions and enhance management effectiveness, the company’s Board of Directors established the “Strategy,” “Audit,” and “Compensation” committees. To protect Directors and Supervisors from suffering losses from personal responsibilities and finances while performing their duties due to third party litigation, we have purchased indemnity insurance for Directors and Supervisors.

The Ministry of Transportation and Communications (MOTC) is the largest shareholder of Chunghwa Telecom, with the company’s Chairman and President acting as shareholder representatives for the government, committed to executing policies and fulfilling social responsibilities. They are also examined by MOTC at the end of each year. Compensation for Chunghwa’s Directors, Supervisors, President, and Vice Presidents account for 0.29% of net profits in 2010, and 0.32% of net profits in 2009.

Shareholder Structure



Note: information is accurate according to January 15, 2011, the standardized date of capital reduction and stock transfer for Chunghwa Telecom.

Information Disclosure

As a publicly traded company in Taiwan, we also issue American investment certificates that are publicly traded in the New York Stock Exchange. All issues of concern to investors are simultaneously disclosed domestically and abroad in Chinese and English, providing instant financial and business information. For six consecutive years from 2006 to 2011, we have been awarded the honor of A+ from assessments of information disclosure for publicly traded companies.

We have also formulated the “Administrative Regulations on Management and Control of Prevention against Insider Trading in Chunghwa Telecom,” to prevent inappropriate information disclosure, and ensure the timeliness and accuracy of information disclosed to the public.

Business Principles

To improve the quality of business sales and establish consumers’ trust, we have formulated the “Business Principles” to ensure compliance with legislative requirements from regulatory agencies, which is also incorporated into annual evaluation criteria for high level managers. Our reputation and corporate image is maintained by the joint diligence of all of our colleagues.

Risk and Crisis Management

Identifying and controlling risk incidents are responsible actions from corporations to enhance operations. Our framework contains comprehensive risk management policies and systems, augmented by complete information systems for recording and tracking, effectively utilizing risk control performance and reducing risks and dangers in managerial aspects.

Risk Analysis and Response

We have always been committed to risk management policies that: “1. Actively establish risk management awareness among colleagues; 2. Discover potential risks and make dynamic responsive adjustments to account for environmental changes; 3. Utilize opportunities within risks in a steadfast and proactive fashion to reasonably ensure achievement of company targets and create maximized shareholder values.”

We have always formulated the “Chunghwa Telecom Risk management Regulations” to act as references for all employees in the execution of the work. As well, the President is designated as the person of the highest level of responsibility for risk and crisis management, who reports to the Board of Directors.

Currently, we have adopted risk maps to act as risk assessment tools, and their parameters include: legal risks, network maintenance risks, market competition risks, and financial operation risks. At the same time, we conduct sensitivity analyses and stress tests for the company’s major business operations to minimize possible losses through risk absorption, risk transfer, risk reduction, and risk avoidance.

In 2011, a new control mechanism is added to request that responsible units conduct “preliminary risk assessments” and “response measures” for major and instantaneous risk information to facilitate tracking and control, in order to lower their impact levels.

Risk Management Responsibilities

Organization Name	Authorities and Responsibilities
Board of Directors (including Audit and Strategy Committees)	<ol style="list-style-type: none"> 1. Establish risk management policies, frameworks, and culture. 2. Ensure the effectiveness of risk management mechanisms and facilitate resource allocation.
High Level Management (Chief Executive Office, President, Vice President)	<ol style="list-style-type: none"> 1. Execution of risk management decisions rendered by the Board of Directors. 2. Coordinate interdepartmental risk management interactions and communications.
Headquarters (the Corporate Planning Department act as Executive Secretary)	<ol style="list-style-type: none"> 1. Compile the execution results of risk management actions. 2. Assist and supervise risk management activities in subordinate branches. 3. Determine risk classifications and recommend absorption methods based on environmental changes. 4. Conduct performance evaluation and coordinate after risk adjustments.
Subordinate branches	<ol style="list-style-type: none"> 1. Execute daily risk management activities. 2. Conduct self assessments for risk control activities.

Climate Change Risks

After the flood disaster of August 8, we have officially incorporated factors from “climate change issues” into the “performance and risk management” assessment system. Significant risks are listed in the group’s annual business plan, which will undergo target management and performance evaluation to facilitate continuous confirmation and feedback. In November 2010, we have completed the “Response for Climate Change – Chunghwa Telecom’s Strategic Actions for Environmental Protection, Energy Conservation, and Carbon Reduction.” Execution priorities or improvement plans were formulated to the overall project, current execution status, short term and long term action plans, etc, to enhance disaster resistance capabilities and enforce responsible communication.

Code of Conduct

We insist that the conduct of the company's employees fulfill ethical standards. In other words, strict codes of conduct and ethical doctrines shall be followed during business and administrative execution processes, and cannot be compromised to achieve special objectives, in order to ensure that our work fulfills legal and social ethical regulations, and that inappropriate behaviors can be prevented.

Amendments to Code of Conduct

The "Code of Ethics of Chunghwa Telecom Co., Ltd." is the basic regulation over daily execution of business operations for all of our employees, and also applicable to all service providers. Also, the "Chunghwa Telecom Corporate Principles on Violation Cases," "Chunghwa Telecom Corporate Principles on Business Secrets Keeping," and "Chunghwa Telecom Corporate Human Resource Department: Employees Complaints Hotline" are followed to provide austere complaint mechanisms that allow employees to communicate opinions under safety and secrecy.

The "Code of Ethics" outlines the principles that Directors, Supervisors, managers, and employees shall observe and maintain, the contents of which cover personal responsibilities, group responsibilities, and responsibility regulations regarding Chunghwa Telecom, the public, and other stakeholders. It is emphasized that employees shall act honestly and ethically, avoid conflicts of personal interests, protect business secrets, protect and appropriately use company assets, prohibit insider trading, etc, while responsibilities to be undertaken by employees who violate company regulations are also stipulated.

To account for changes over time, the "Code of Ethics" will be amended in the following directions:

1. Additions to employee care, anti-corruption, anti-bribery, environmental protection enforcement, and establishment of healthy and safe working environments to enhance corporate governance and internal controls.

2. Applicable to the whole group: affiliated industries and organizations of our company shall conduct business activities according to the spirit of our codes of conduct, and may also formulate relevant regulations over their business needs.

Ethical Evaluations of Employee Behavior

The "Code of Ethics" is not only published on the company's internal and external websites, online tests on codes of conduct are also held annually to enhance the conduct and value system within employees, so that the code of conduct may be observed by all. Also, the "Evaluation Principles of Employees of Chunghwa Telecom Co., Ltd." and "Incentive and Disciplinary Standards of Employees of Chunghwa Telecom" are formulated for employee evaluation. All regulations are communicated to and followed by employees, so that employees clearly understand their codes of conduct. When employees encounter incidents justifying rewards or actions justifying discipline, they will also be rewarded or disciplined according to the aforementioned regulations.

In 2010, a total of 15 persons were involved in 8 violations against codes of conduct, of which 3 persons were involved in 1 violation against information security regulations, 2 persons were involved in 2 violations against secrecy regulations, 3 persons were involved in 1 violation against telecommunications legislations, 4 persons were involved in 1 infringement on company finances, and 3 persons were involved in 3 cases of inappropriate conduct. Total violations were less than the 12 cases reported in 2009. Not only do we clearly enforce disciplinary orders, we also continue to enhance relevant education and promotional activities.

Ethical Corporate Culture

Ethical business practices not only enhance investor confidence in the company and increase corporate values, they can further reduce fundraising costs and achieve win-win objectives for enterprises and investors. Therefore, we have formulated the “Ethical Corporate Management Best Practice Principles for CHUNGHWA TELECOM CO., LTD.” to act as the policy to be followed by all of Chunghwa.

Ethical business practice is an important issue that greatly concerns all of us today. The United Nations already proposed the Global Compact in 1999, listing anti-corruption as a major topic in corporate social responsibilities, and proposing that corporations shall undertake the responsibility of proactive creating ethical and fair business environments.

Thus, the Board of Directors further passed the “Ethical Corporate Management Best Practice Principles for CHUNGHWA TELECOM CO., LTD.” to clarify legislations and regulations that shall be followed by Directors, Supervisors, managers and employees as they conduct their work, and also prevent unethical behaviors. Such regulations are policies that apply to all of Chunghwa.

1. Objective behind formulating such regulations (Article 1).
2. Clear prohibition against unethical behavior and attitudes on unethical profit (Articles 2 and 3).
3. Outlining relevant legislations to be followed by the company to fulfill ethical business practices (Article 4).
4. Outlining ethically sound policies that shall be formulated by the company to create business environments of sustainable development, as well as creating positive corporate governance and risk control mechanisms (Article 5).
5. Regulations over priorities on prevention of unethical behaviors that shall be formulated by the company, in order to enforce ethical policies (Article 6).
6. Outlining parameters of priorities on prevention of unethical behaviors (Article 7).
7. Outlining ethical business practice policies that the company shall clearly state within company publications and public documents, and proper execution of such policies, in order to enhance the company’s determination and promise for ethical business practices (Article 8).
8. Outlining prohibitions on the company engaging in transactions with entities with records of unethical

actions, so that the company may engage in commercial activities fairly and transparently (Article 9).

9. Clear prohibitions on issuing or accepting bribes, providing illegal political donations, inappropriate charity donations or sponsorships (Article 10 to 13).

10. Outlining the Board of Directors’ responsibility to supervise the company in prevention of unethical behaviors and ensuring fulfillment of policies, which will be handled by dedicated units (Article 14).

11. Outlining legislations, regulations, and priorities on prevention of unethical behaviors that shall be followed by the company’s Directors, Supervisors, managers, and employees as they conduct their work, in order to fulfill the company’s ethical business practices (Article 15).

12. Outlining conflict of interest avoidance policies that shall be formulated by the company for its Directors, Supervisors, and managers (Article 16).

13. The company shall establish effective accounting systems and internal control systems, while internal audit personnel shall also regularly inspect compliance to such systems (Article 17).

14. Outlining relevant operational procedures and behavioral guidelines that shall be formulated by the company to facilitate compliance from Directors, Supervisors, managers, and employees as they conduct their work, in order to fulfill ethical business practices (Article 18).

15. Outlining regular education, training, and promotional activities that shall be held by the company to fulfill and promote ethical business practices, as well as creating appropriate complaint and disciplinary systems (Article 19 and 20).

16. Disclosure of information (Article 21).

We have created promotional and executive units for malpractice prevention, as well channels for notifying violations and malpractice, to maintain the company’s business secrets, and prevent violations, malpractice, insider trading, etc.

Strengthening Transparency and Management

In 2010, we have won the gold award from the service industry section of the “Taiwan Corporate Sustainability Report Award” held by Taiwan Institute for Sustainable Energy, for the third time, which indicates stakeholder recognition from across society over our the direction and objectives of our commitments to information disclosure regarding corporate social responsibility. In the future, we will continue to keep ahead of regulatory agencies and act as Taiwan’s benchmark for corporate information disclosure.

Ensuring GRI Frameworks as the Ultimate Principles

After the introduction of the “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies,” Taiwan Stock Exchange further refined its developmental directions in terms of enhancing corporate social responsibility information disclosure for publicly listed companies. Taiwan Stock Exchange proposed the third generation guideline of Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines (also referred to as GRI G3 Guidelines) as the most important reference and framework of information disclosure. We will continue to emphasize CSR issues and report publication.



Our company had won the highest honor of A+ from the information disclosure assessment by the Securities & Futures Institute of Taiwan for the fifth consecutive year.



Vice President Siew presents the gold award from the service industry section of the “Taiwan Corporate Sustainability Report Award” to Chairman Lu.

Taiwan Stock Exchange also encourages trends of publicly listed companies disclosing greenhouse gas emissions and reduction information in their annual reports and public documents. In the future, we will follow orders from regulatory agencies and voluntarily disclose relevant information in annual reports and public documents, to enhance corporate governance and fulfill corporate social responsibilities.

Chunghwa Telecom is committed to energy conservation, carbon reduction, and sustainable environmental development, and is also the first Taiwanese telecommunications company to pass greenhouse gas examinations and certifications. In the future, we will also gradually disclose relevant information and continue to act as the benchmark of Taiwan’s domestic service industries.

AA 1000 as Reporting Certification Standard

To improve the quality of our reports, we began adopting AA 1000 as our reporting certification standard in 2009. AA 1000 is the certification standard devised by the Institute of Social and Ethical Accountability, which emphasizes reports shall base its certification on its production process, such as confirming the identifies of stakeholders, communication with stakeholders, and confirming mutual issues with stakeholders. The inclusiveness, completeness, and comparability of reports are also emphasized. We have adopted training classes and other methods to enhance recognition for AA 1000 within subordinate groups of the CSR committee.

Strategy **Welcoming the Cloud Age**

Service Development

Management **Brand Management**

Customer Relations Management

Customer Satisfaction Survey

Address **Privacy Protection and Information Security**

Responsible Communication

Response **Broadband Network Establishment**

Target **Open Cultural Innovation Platform**



- *Platinum Award from the telecommunications services section of the "Trusted Brand" award of 2010 for the Asian region held by Reader's Digest*
- *Winning "Taiwanese Benchmark Enterprise with Best Reputation in 2010 by Common-Wealth Magazine"*
- *Eighth Outstanding Service Award from Global Views Magazine in 2010*
- *Ninth consecutive year of winning "Ideal Consumer Brand in Taiwan, 2010 – 1st Place in the Mobile Phone System & Data Network Services (ADSL) category" by Management Magazine*
- *Third consecutive year of winning the "Ideal Brand Award – 1st Place in the Telecom Brands category" by Business Today*
- *Winning "Best Customer Support Center," "Best Contracting Service Team," "Best Technology Application," and "Outstanding Administrative President" from the Outstanding Asia Pacific Customer Relations Service Award in 2009*
- *Winning "Digital Contents Category Award – Outstanding Information Applications and Products of Information Month in 2010" with LBS expanded practical applications – mobile lifestyle search engine "hiPage search go!"*
- *Winning "Green Energy Product Category Award – Outstanding Information Applications and Products of Information Month in 2010" with "iEN Smart Low Energy Service System"*
- *Winning the product / system innovation award from the new industry innovation demonstration held by the Ministry of Economic Affairs' Department of Industrial Technology in 2009 with "Innovative Service Platform of Hami e-Bookstore"*
- *Winning "IPv6 Online Pioneer Award" and "IPv6 Promotional Contribution Award" by the Ministry of Transportation and Communications*
- *Reception of the "Research for Integrated Application Services for On-Board Units and Establishment of Value-Added Chains for Transportation Information and Communication" award from the Ministry of Transportation*

Welcoming the Cloud Age

We have the advantages of foundational network frameworks, value-added telecommunications services, and technological integration between software and hardware, to comprehensively lead the transformation and upgrading of Taiwan's information and communications industry, as well as providing clients with complete CRM cloud and value-added service solutions. Our vision consists of three elements: becoming the domestic leader in cloud computation services, playing the role of industry promoter in cloud computations, and creating new services for cloud computations with strategic cooperation partners.

Leadership in Promoting Cloud Computation Services

According to Gartner Group's analysis report, cloud computation ranks first in the ten most influential strategic technologies of 2011. The Council for Economic Planning and Development also believe that cloud computation will become Taiwan's next trillion dollar industry.

Simply put, cloud computation consists of cloud servers, terminals, networks, and services. Cloud "networks" and "services" is Chunghwa Telecom's industry field and advantage, which connects the "cloud" to the "terminals," providing people and businesses with convenient cloud computation services.

We have consolidated technological capabilities to comprehensively lead the transformation and upgrading of Taiwan's information and communications industry, and also build on our commitments. Our vision consists of three elements: becoming the domestic leader in cloud computation services, playing the role of industry promoter in cloud computations, and creating new services for cloud computations with strategic cooperation partners.

To promote cloud services, we have established the cloud computation service promotion task for in January 2010 to formulate development strategies. NT\$ 20 billion is expected to be invested in five years for cloud computation development plans. Currently, we have introduced hicloud cloud computation services, customer relations management services, and Hami e-bookstore services, as well as forming major centers for cloud service operations, research and development in cloud computations, cloud computation tests, and cloud service experience. We have further developed and established "innovative platforms for cloud services" for cloud software developers to provide comprehensive innovative environments for cloud services and development tools for software applications. We have introduced the "China

Cloud Market" to provide corporate clients with cloud application services that facilitate one-stop purchases for all essentials, conversion of purchases to rentals, and safety and stability, thus expanding cloud applications and shaping Taiwan as the largest cloud community.

Cloud Computation Association in Taiwan

In October 2010, we have jointly established the Cloud Computation Association in Taiwan with domestic information and communications industry leaders, while nominating Chairman Shyue-Ching Lu as the association's first President. Currently, the association contains over 100 companies as members, who participate in committees such as cloud systems, cloud services, legal standards, cooperative promotions, etc, as they commit to developing cloud computation solutions and cloud computation application services. This association has become the medium of increasing the value of the cloud computation industry chain in Taiwan, enabling industry and academic communities with development, integration, testing, commerce, and output media platforms, moving towards the objective of becoming Taiwan's next trillion dollar industry.



The creation of the Cloud Computation Association in Taiwan accelerates the development of cloud computation

Service Development

Cloud integration placements bring endless innovative and forward-looking developments. We employ ICT professionalism to provide comprehensive cloud service platforms and high standards of information security protection mechanisms and accelerate propagation of cloud applications.

Bringing Cloud to Homes – iHome Smart Phone

We have introduced the new home service “iHome Smart Phone” to address the modern “smart family’s” need for MICE (Monitor, Information, Communication, Entertainment). By combining NGN networks with cloud services and interconnected networks, the generic home phone can provide services of home monitoring and integration of online lifestyle information.

The “iHome Smart Phone” is of the same size as a home phone, combined with a 7-inch touch screen monitor to provide customers with home security, information services, communication services, and multimedia services, which can achieve many functions, including GPS, instantaneous road conditions, weather, and health services. Also, in the user-friendly spirit, people of any age can easily use this device.

Smart Medication

To provide patients with more competent and instantaneous medical care services, and thus increase the service quality and management efficiency of medical institutions, Show Chwan Health Care System had further incorporated cloud technology into medical application services after working with us to introduce mobile technologies into electronic patient record management. The initiative includes electronic cloud patient records, cloud nursing information systems, cloud medication information systems, and cooperative developments for plans of complete incorporation of private medical cloud network into all of Show Chwan’s clinics, creating Taiwan’s first private medical cloud network, opening a new age for medical clouds.

With cloud nursing information systems as an example, Show Chwan Health Care System’s head nurse acts as the patient’s “health agent,” instantaneously demonstrating cloud application and mobility through the iPad, monitoring and managing the patient’s health conditions, making Show Chwan the first medical clinic to use iPad application services with medical cloud. This initiative also moves Show Chwan Health Care System a tremendous step forward towards a healthy economy.



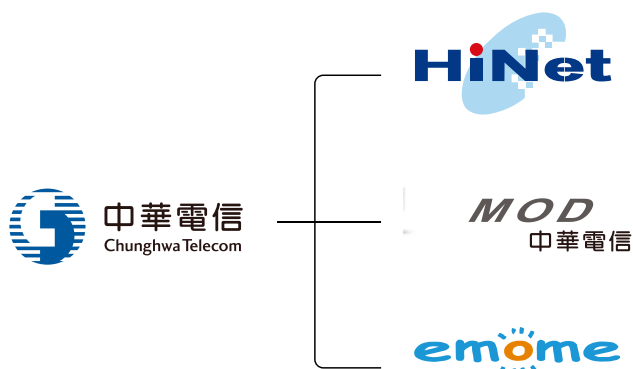
Chairman Shyue-Ching Lu and Superintendent Min-Ho Huang of Show Chwan Health Care System, jointly announcing the creation of Taiwan’s first health and medical cloud, while also combining medical imagery and health information delivery, forming an unprecedented new medical application for iPads

Brand Management

Chunghwa Telecom possesses unique brand assets in Taiwanese society, which we continue to build on through brand management and added value. In 2010, Chunghwa Telecom won the platinum award of the telecommunications services section of the “Trusted Brand” award held by Reader’s Digest for the Asia Pacific region for the seventh consecutive year, being the only Taiwanese telecommunications company to have won this honor.

Brand Organization and Brand Frameworks

Chunghwa Telecom adopts concentrated brand frameworks that account for individualistic brand presentation. We have a Brand Manager (President) in place to undertake supervise all brand creation, design, management, and adjustments in the company, as well as communicating with Deputy Brand Manager within each business group during CSR meetings. Deputy Brand Manager for business groups (i.e. vice presidents of subsidiaries) follows the company’s overall brand strategies as they undertake implementation responsibilities, as well as flexibly and independently operate their designated brands under authorized parameters.



Brand Strategies

- Brand Policy: concentrated strategies that account for development needs of individual fields
- Brand Management: the company’s Brand Manager is designated to handle the formulation, control and adjustment of all brand strategies for the company, while subsidiaries are responsible for implementation
- Brand Structure: concentrated brand structures that account for individualistic brand presentation

New Appreciation from New Colors

Since our founding, we have always relied on considerable experience and professionalism in our leadership capacity over developments of Taiwan’s telecommunications industry. To address the challenges of the new century, we are also ceaselessly reforming and improving ourselves. We have decided to introduce complete and total renewal on the foundation of our original Corporate Identity (CI) system, using bright orange, green, and blue stripes to empower Chunghwa Telecom with new spirits and new corporate imageries of innovation, dedication, growth, passion, and energy. Not only is this a transformation and standardization of our external image, we are more emphatic on internal recognition and fulfillment of overall visions. All of the company’s colleagues are operators of the brand capable of accumulating value for Chunghwa Telecom’s brands and contributing their work as they attend to every customer and address every small detail.

Starting from July 2010, approximately 300 business locations in Taiwan will gradually undergo store logo replacement. We hope to present a new sensation to the public with innovative corporate imageries that combine inspiring services. In 2011, we intend to create multiple flagship stores, while also comprehensively introducing new augmented CI imageries and colors to improve consumer identification and impression in the new CI imageries through their presentation in the flagship stores, as well as creating new brand images.

Chunghwa Telecom’s new CI imageries, colors, and symbolic significances

- Orange: Passion, Energy
- Green: Growth, Care
- Blue: Technology, Innovation

Customer Relations Management

For better service integrity, we are enhancing not only the coordination between our business counters and call centers, but also our internet customer services. We have received the honors of “Best Customer Satisfaction Quality Control System ” and “Best Knowledge Management” from the “Customer Relationship Excellence Awards 2010” held by the Asia Pacific Customer Service Consortium in Hong Kong.

Multi-Channel Services

We are comprehensively improving customer service quality for every service channels, while enhancing coordination between business counters and call centers to provide integral services. In 2010, we are further enhancing internet customer services.

- Live web chat service:

For Instant Message (IM) users and for persons with hearing impairments, we have introduced text-based live web chat customer services. With continuous service expanding, now all Chunghwa’s operations (mobile / fixed-line/broadband) have been covered.

- Internet communities:

To serve the ever-growing Internet community populations, in January 2010, we have created a Facebook fan page “Chunghwa Telecom Dr. Q” to answer questions, to proactively publish information like FAQs, and discount offers, and to gather customer suggestions for internal references.

- Enhancing web call center:

To save our customers from the trouble of calling and visiting counters, we are increasing the scope of self- help services provided through the web call center.

- Plan for the mobile customer service:

For the increasing smart phone users, a mobile version of web call center and APPs for iOS and Android platform have been planned to provide friendly access to our services anywhere .

Exquisite Services

For constant service qualities improvement, customer satisfaction for our business counters, call centers, and equipment maintenance service centers are constantly measured by the in-house survey team. Consulting firms were also introduced to assist the counters with service refinement and service quality assurance mechanism through the evaluation of mysterious shoppers, so that any defects in customer service will be promptly detected and corrected. We were honored with “First Line Service Quality Survey 2010 – 1st Place in the Telecommunications Industry” from Global Views.

New measures introduced in 2010 were as follows :

- Emphasis on new technology equipment to bring new demands from customers. We established professional technical service team , such as online specialist instructors for smart phones to provide instantaneous, customized, and competent service.

- Proactive care: We proactively call the customers to inform them of useful information, to care and listen to their needs, then to devise the most suitable solutions for them.

- Commissioned a consultancy to handle ad hoc counseling into the aspiring service element, the business counter service standards, and instruct for customer service staff to master the critical moment of contact with customers, and refined service.

- An dedicated internal aspiring service web site : In order to motivate our agents to provide sincere and aspiring services that are beyond customers’ expectations, a dedicated internal aspiring service web site was set up to share aspiring service cases. Award ceremonies are also held to recognize the most aspiring service cases.

Customer Satisfaction Survey

Chunghwa Telecom aim to aspire our customers. We value customers' satisfaction of our each service indicators, and their cognition of our enterprise image, brand value and quality of service. Therefore, we regularly commissioned third parties to conduct customer service satisfaction surveys. Also, we are regular to accept the NCC's telecommunications industry service quality surveys, and our evaluation scores in all criteria significantly exceed NCC's specified standard scores.

International Certifications and Awards

After obtaining ISO 9001 quality certification in 2008, the customer service hotline is further challenging the ISO 10002:2004 (Quality control – customer satisfaction – Guidelines for complaints handling in organizations) international standard certification, which will not only be unprecedented in Taiwan's telecommunications industry, but also unprecedented worldwide.

We actively facilitate system integration and functional upgrades, winning the honors of "Best Customer Satisfaction Quality Control System" and "Best Knowledge Management" from the "Customer Relationship Excellence Awards 2010".

Key Performance Indicators for Customer Service Hotlines

	2008		2009		2010	
	Actual Value	Actual Value	Target Value	Actual Value	Target Value	Actual Value
Rate of Response within 20 Seconds	87.1%	82.61%	81.5%	82.9%		
Customer Satisfaction	4.71	4.74	4.32	4.59		
First Call Resolution Rate	96.7%	86.17%	74.25%	79.6%		

Key Performance Indicators for Telecommunications Service Industries

Criteria	Indicator Value	Actual Value of Chunghwa Telecom
Completed Connection Rate for Local Calls	≥ 95.6%	99.99%
Interrupted Connection Rate for Mobile Phones	≤ 3%	2G 0.74% 3G 0.24%
Digital Communication Connection Service Packet Loss Rate	≤ 3%	0.00698%

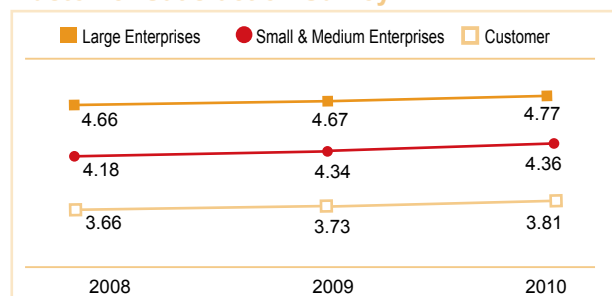
Customer Satisfaction Survey

To understand customer satisfaction levels for all aspects of service and recognition for our corporate image, brand values, and service qualities, we contract external market research firms annually to conduct customer satisfaction surveys for consumer, small & medium enterprises, and large enterprises. Questions and expectations that are of highest concern to them are explored for all aspects of our business.

Through the Customer Opinion Process System (CPS), we can convey customer feedback opinions instantly to product administration / operational unit personnel, as well as risk management departments and public relations departments for further handling. Furthermore, product subsidiaries will assist with holding monthly meetings with customer service units for review conferences.

The "first call resolution rate" performance indicator was added in January 2008, Starting from March 2009, new survey questions were added to confirm whether "only one phone call" was necessary, in order to more objectively understand customer concerns and recognition for our company's service procedures, as well as comply with international standards. System constraints were also overcome in October 2009, where the system can execute automatic voice interviews after a customer has called to more understand customer's opinions.

Customer Satisfaction Survey



Note: each service satisfaction indicator is rated with 5-point scales.

Privacy Protection and Information Security

We have established comprehensive protection and management systems for individual customer information to protect customers' privacies and rights. We have established the "Fraud Disruption Operation System" (FDOS), which works with police units to prevent fraud. Also, we continue to monitor formulation of regulatory obligations of Internet Service Providers (ISP) in the drafting process of the "Regulatory Regulations on Commercial Spam Electronic Mail."

Legal Compliance

The "Computer Processed Personal Information Protection Act" that was originally used to protect privacy rights were amended and renamed as the "Personal Information Protection Act" in April 2010. Major points in the amendments include: expansion of protected entities to include all personal information, while industry-specific restrictions were also removed.

Information security is one of the most significant priorities of consideration for customer service. Other than existing measures, such as maintaining mobile management, online rights controls, and prohibition on bringing in personal items into customer service seats we are reinvestigating establishment of comprehensive personal information protection and management systems to address new legislations and enforcement regulations and enhance education for employees.

The "Regulatory Regulations on Commercial Spam Electronic Mail" designates regulatory obligations to ISPs, and also includes formulations of public damage compensation mechanisms, which we will promptly communicate to relevant units.

Privacy Protection Measures

Chunghwa Telecom lists basic customer information as "top confidential" documents, while customer applications and all deposited and locked in dedicated containers. Administrative personnel are all required to sign the "Business Secret Protection Contract," while their direct supervisors have to assume collateral responsibilities. If outsourced work involves business secrets, contracted agencies and their employees are also required to sign relevant confidentiality agreements. All subsidiaries report enforcement conditions of personal customer information protection annually, while the Headquarters and all subsidiaries also irregularly visit service centers to conduct evaluations, in order to enforce consumer privacy protection.

Fraud Prevention

We have created the 165 reporting hotline since November 2007 to assist the government, which is operated by approximately 15 customer service personnel on a monthly basis in 2010 to assist police bureaus to undertake first line work during weekly peak periods. The FDOS was also created to provide information regarding fraud-like phone calls to police, which is operated by approximately 3 customer service personnel on a monthly basis to assist police units with instant termination of fraudulent calls.

Reduction of Negative Impacts

Eliminating possible negative impacts from telecommunications services is necessary for our services.

- Spam Mail: customers can use free webmail services when using HiNet mailboxes, which allows for direct deletion of spam-like email after a simple configuration decision.
- Pornographic information: provision of mandatory insulation for K12 mailboxes, HiNet pornography gatekeepers, and mobile online pornography guards to keep children and teenagers away from websites that are psychologically harmful.
- Controls over usage time: the programs of "HiNet online time management service" and "carefree 3G conversations" for cell phones allow parents to effectively control usage conditions for their children.
- Electromagnetic waves: our established bases and marketed cell phones are all compatible with regulatory standards of regulatory agencies. Currently, there is no clear scientific evidence to indicate health impacts from electromagnetic waves. We continue to conduct two-stage communication: during normal operation, we engage in base refinement and awareness promotion, and during disputes, we request impartial third parties to conduct tests.

Responsible Communication

Because of abnormal climate caused by climate changes, such as typhoons and intense rain, all of which affect telecommunications facilities, they are liable to interrupt communication of customers during disasters and severely compromise disaster rescue progress. In order to resolve operational difficulties from climate change adjustments encountered by all business locations, we have made proper disaster contingency preparations during normal operation, which allows for rapid establishment of emergency contingent response team to engage in emergency repairs and ensure proper communication within disaster areas.

Action Plan to Address Climate Change

Taiwan is located in areas highly susceptible to natural disasters, which are very likely to damage all communication network facilities after accounting for climate abnormalities due to climate change.

In November 2010, we have completed the “Response for Climate Change – Chunghwa Telecom’s Strategic Actions for Environmental Protection, Energy Conservation, and Carbon Reduction.” Execution priorities or improvement plans were formulated to the overall project, current execution status, short term and long term action plans, etc., to enhance disaster resistance capabilities and ensure proper communication and overall communication network security.

Communication System Innovation

The “Hundred Responses for One Call” system originally developed by us is already widely used by firefighting units. We have further combined it with geographical information systems and electronic phone book systems into the “Disaster Emergency Contingent Information Communication System,” which can send voice mail or text messages for predetermined local phones or mobile phones, as well as search for phone numbers in designated areas and deliver broadcast information. Also, the newly create “Low Frequently Wireless Time-Frequency Broadcast System” has characteristics of high speed, cost effectiveness, outage resistance, non-infringement on public communication system resources, and pan-Taiwan system coverage, which is appropriate for weather warnings, landslide warnings, and other disaster emergency contingent communication.

Isolation-Free Communication

To prevent disaster occurrence and exacerbation, we absorbed past disaster rescue experiences and enhanced multiple intermediate transmissions routing for remote areas, backup wireless routing, additional capacities of backup electricity, system backups for international undersea cables, and other measures. Network and equipment allocation and emergency repair exercises are also held annually to increase disaster prevention.

When any system base’s electric routing or electricity is interrupted, or when facilities malfunction, bases for other system can still maintain operation. When natural disasters cause interrupted communication, small microwave or satellite or portable bases can provide external communication according to the environment of disaster areas.

In October 2010, Typhoon Megi caused severe flooding in the Su-ao area and interruption in the Su-Hua Highway. We immediately dispatched 4 heavy all-terrain satellite vehicles and 2 portable satellite facilities to engage in emergency repairs for the base at Su-Hua Highway, and provide instantaneous disaster area communication service.

At the same time, improvement plans were formulated for major transportation routes with single entrances and exits, which not only ensures multiple coverage with signal strength above “3 bars” along the routes, but also enhances communication along the routes to ensure disaster resistance, which is also the best demonstration of corporate social responsibility.

We have examined and improved backbone transmission networks and backup systems for outer island regions to enhance network reliability. Also, system tests, backup exercises, and relevant facilitate maintenance training are conducted regularly to enhance the technical capabilities of maintenance personnel and ensure network service quality.

Broadband Network Establishment

Connecting online anywhere and anytime had become a necessity and trend for the mobile lifestyles of modern people. To satisfy rising bandwidth demands from online and corporate clients, we continue to expand existing undersea cable capacities and participate in construction of new undersea cable systems to actively construct optical fiber. By the third quarter of 2012, optical fiber network infrastructure volume is expected to exceed that of ADSL. Also, we continue to expand foundational networks for wireless internet hotspots to create more wireless internet hotspots, relieve mobile data workload, and improve service quality.

Optical Fiber Network Construction

Broadband networks are the foundation of digital transmission. We are also actively building optical fiber. By the third quarter of 2012, optical fiber network infrastructure volume is expected to exceed that of ADSL, to account for government plans to enable the objectives of allowing 80% of homes to connect to 100Mbps broadband networks by 2015 and creating 21 million mobile broadband internet users. Not only are we working diligently to achieve stage-based targets set out by the government, we are further expecting to achieve the objective of enabling nearly 100% of homes and customers can connect to higher speed optical fiber networks and mobile broadband networks by 2020, in order to provide the people with more prevalent, faster, and more convenient all-encompassing digital broadband foundational infrastructure.

We pledge to invest NT\$ 30 billion every year in the future, which will exceed NT\$ 300 billion of investments in 10 years, which will rapidly enhance the speed of broadband internet, bringing Taiwan's transmission speed from 50 Mbps and 100 Mbps into Gbps, achieving tenfold of growth.

Higher Speed at the Same Price

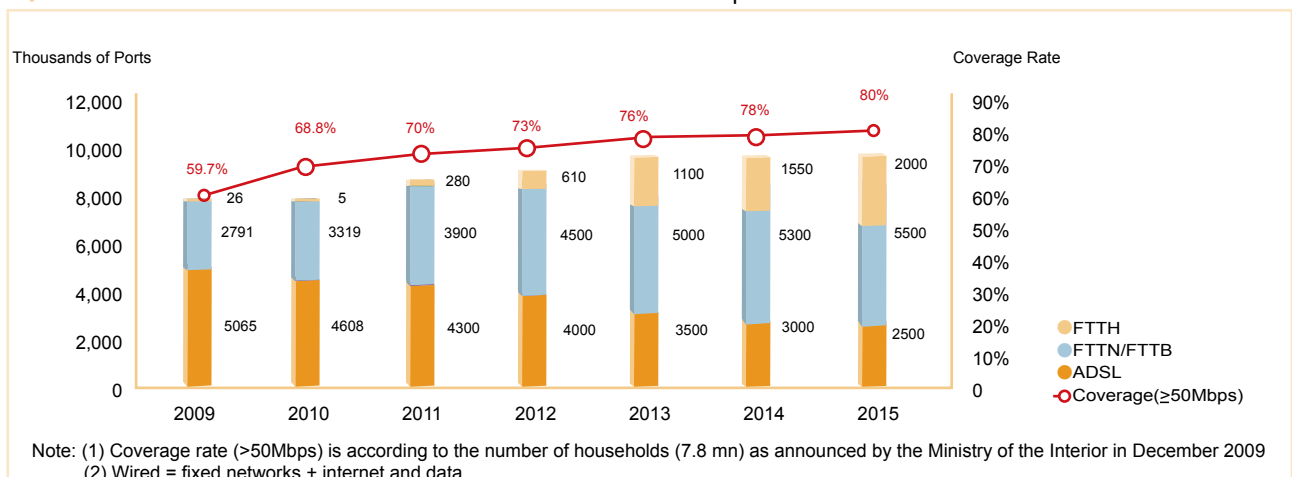
Under the precondition of not increasing costs for users, we have introduced initiatives to implement higher speed at the same price, in order to address public concerns over bandwidth and price issues. Threshold bandwidth for ADSL can be upgraded from 256K/64K to 512K/64K for free, while 1M/64K can be upgraded to 2M/128K for free, and the primary clientele of 2M/256K can be upgraded to 3M/384K for free. Close to 200 users are estimated to have benefited from this initiative.

Expansion of Wireless Hotspots

With the rapid growth of smart phone and flat screen computer users, mobile broadband transmission had been multiplying in the past two years. In 2010, we have purchased over 1,100 3.5G bases, which can achieve a maximum transmission rate of 42 Mbps, effectively expanding mobile broadband network capacities, transmission speeds, and coverage rates.

With our 3G users numbering above 5.26 million, wireless hotspots will become a future development strategy. Between 2010 and 2011, we plan to invest NT\$ 3 billion to expand foundational networks for wireless internet hotspots and create 30,000 wireless internet hotspots to alleviate mobile internet demands.

Optical Fiber Construction Plan



Open Cultural Innovation Platform

In echoing the government's promotion of digital media industries, we are actively integrating resources from contents, platforms, and end facilities to combine cultural innovation with technology, so that reading is no longer confined to time and location, and thus taking Taiwan's digital cultural innovation industry into new heights. We are also comprehensively development industry frameworks with mechanisms to support innovation and business, turning Taiwan into a hub of digital contents design, production, and publication, and enhancing the competitiveness of the digital media industry and the nation itself.

Digital Amazon

The spotlight of future eras will be dominated by the digital media and cultural innovation industries. We will commit to building a competent platform and creating an environment like the fertile soils of the Amazonian rainforests, allowing prosperous development of Taiwan's soft power. Currently, we have established an open digital media development platform, providing service interfaces such as uploading, transactions, account management, and copyright management, in order to facilitate cultural innovation and digital media enterprises to upload and sell their work and services through the platform.

Also, we promote innovative telecommunications services by holding the annual "Innovative Telecommunications Application Competition" to develop trends, discover and foster software development talent from universities, and promote the prosperous development of the digital media industry. We hope to attract participation from more innovative talents to expand the scope of the competition, bringing it from Taiwan across the Taiwan Strait, and ultimately shape the Innovative Telecommunications Application Competition into the "Oscar Awards of Telecommunications" for cultural innovation and digital media, which can also turn Taiwan into a global innovation center.

Development of Tourism ICT Service

Tourists to Taiwan exceeded 5 million for the first time in 2010, motivating Taiwan's relevant industries to invest in research, development, and innovation to improve tourism quality. Growth is particularly high in terms of attracting Chinese tourists.

Under frequent cross-Strait exchange, if Taiwan's advantages, such as foundational infrastructure, innovation, research, development, technical aptitude, and educational and training capabilities can be combined with China's overall economic stability and market scope, win-win solutions can be formed.

Within the ICT industries, we will continue to strengthen the fusion of cultural innovation, energy and carbon conservation, medicine, education, training, and tourism industries to produce more inspiring services.



Chunghwa Telecom's Show Taiwan worked with Dajia Mazu's Pilgrimage in 2010, and people could log online to instantaneously see the current location of Dajia Mazu's carriage

Strategy **Caring for Employee Needs**

Management **Human Resources Management**
Performance Evaluation

Address **Talent Attraction and Retention**
Joy at Work, Happiness at Home

Response **Occupational Health and Safety**

Target **Fulfillment of Environmental Education**



- *The Taichung campus and Kaohsiung campus of Chunghwa Telecom Training Institute both winning the gold medal from the “2010 Taiwan TrainQuali System (TTQS)Evaluation” event held by the Executive Yuan’s Council of Labor Affairs, and also selected as benchmark units.*
- *Reception of the outstanding unit award for promoting labor safety and hygiene from the Executive Yuan’s Council of Labor Affairs in 2009*
- *Reception of the Taipei City Government’s labor safety award*
- *Reception of the health initiative medal, health promotion medal, and anti-smoking prevention medal from the autonomous healthy workplace certification program of the Bureau of Health Promotion, Department of Health, Executive Yuan*

Caring for Employee Needs

We believe that employees are the company's most important assets and cooperative partners. Therefore, we respect every employee, with no differentiation over gender, age, and race. Wages are also paid on the principle of commensurate wages for commensurate work. We are committed to improving the work environment, focusing on employee rights, respecting employee opinions, attending to employee needs, and continuing enhancements over communication channels and dialogue with employees.

Employee Overview

In 2010, Chunghwa Telecom employed a total of 24,474 persons, of which 566 employees left their positions and 398 new employees were hired, resulting in an employee turnover rate of 2.31%. There were 6,927 female employees, accounting for 28.30% of all employees. The number of female employees remained nearly constant over the last three years, but the number of female managers rose gradually, accounting for 23.04% of all managers in 2010.

In accordance with the Gender Equality in Employment Act, we have outlined the "Prevention and Complaint Regulations for Sexual Harassment." In 2010, we did not receive any relevant complaints.

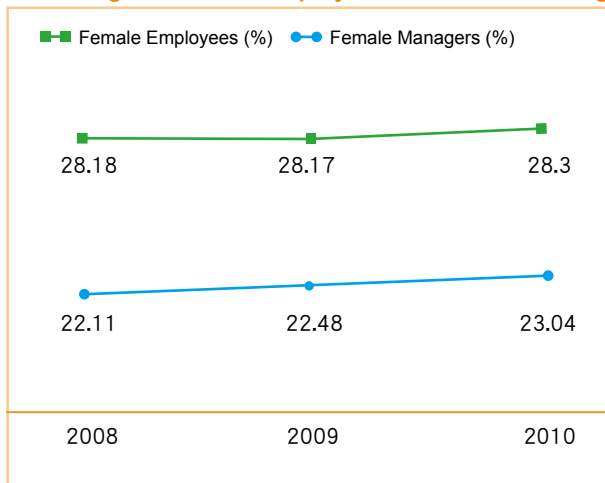
According to Article 38 of the People with Disabilities Rights Protection Act, Chunghwa Telecom shall employ 228 persons with disabilities. 721 such employees were actually hired, 3.16 times more than legally required. In 2010, we employed 49 aboriginal employees, while properly respecting their unique cultural traditions.

Labor-Employer Harmony

Employees not only enjoy rights to appeal, complaint, and union participation, the collective agreement stipulates that labor-employer representatives from the headquarters and all branches and subsidiaries shall hold at least one labor-employer meeting once every 3 months, with additional provisional labor-employer meetings if necessary. Labor representatives may be invited to staff appraisal meetings and sit in evaluation meetings, business reports, etc. also, the Board of Directors contains one seat for Labor Director. In 2010, union participation among employees reached 99.80%.

Chunghwa Telecom's Chairman and President irregularly holds meetings or telephone conversations with the union secretary general, supervisor, and other union representatives to ensure that there are proper labor-employer communication channels. A total of 6 national labor-employer meetings and 1 provisional meeting were held in 2010, reaching consensus on many relevant issues. Also, 18 coordination meetings related to labor conditions further increasing labor-employer harmony.

Percentage of Female Employees and Female Managers



Average Age and Years of Service of Employees

Year	2008	2009	2010
Total Employees	24,551	24,668	24,474
Average Age	47.08	47.66	48.21
Average Years of Service	22.80	23.31	23.81

Human Resources Management

To assist employees with their career development, we have established various professional skill training systems to increase work efficiency and human resource application. Our internal training classes are very diverse, providing higher learning required for employees of different levels and fields of work. All agencies also have personnel training teams to facilitate planning and execution of personnel training and undertake the career planning and training development of their colleagues.

New Training Development System Oriented for Professional Skills

We have established various professional skill training systems for various technical and commercial professions to gradually implement training development oriented towards professional capabilities. We hope that capabilities needed for work can be closely combined with training to increase work efficiency, and enable new replacement manpower to develop sufficient job aptitude within short periods of time through this solid training. Also, to develop managerial capabilities for all levels of management, we are currently planning educational classes to develop managerial talent for managerial and staff positions. After relevant plans are completed, professional skill-oriented training development will become more consolidated.

Employee Education, Training, and Higher Learning

We are committed to providing employees with an open and diverse learning environment. We have established the Telecom Training Institute and their Taichung and Kaohsiung campuses that are dedicated to employee education and training. The Telecom Training Institute holds annual professional aptitude training, which systematically focuses on the eight professions of core network technologies, connection network technologies, mobile communication technologies, value-added services, information technologies, business management, operational management, and human resources management. To develop high level managerial talent for the future, we hold "high level management preparation workshops". All agencies contain personnel training teams to undertake the career planning and training development of their colleagues, as well as fulfilling colleague education and training through planning, execution, and evaluation mechanisms, in order to increase the professional aptitude of our colleagues and improve service attitude and overall work performance. In 2010, employee training totaled at 1.98 million hours, while a total of NT\$ 728.58 million was invested for the endeavor.

Employee Education and Training

	2008	2009	2010
Total Training Budget (NT\$)	659,309,528	661,362,885	728,577,757
Per Capita Training Budget (NT\$)	26,855	26,819	29,769
Total Training Hours (Hours)	2,190,419	1,927,751	1,979,407
Per Capital Training Hours (Hours)	89	78	81

Performance Evaluation

To attract talented personnel and inspire morale, we have formulated the “Employee Performance Evaluation Regulations” to facilitate year-end evaluation of employees, which act as references of promotions, salary raises (reductions), awards, discipline, training, work adjustments, and issuing of incentives and bonuses for our colleagues.

Industry-Academic Cooperation

We have formulated the “International Corporate Staff Training Plan” with focus on expanding overseas markets. Also, we have established the “Chunghwa Telecom Southeast Asia Scholarship” to develop competent overseas telecommunications personnel, which annually provides scholarships to competent Southeast Asian and foreign students in National Chiao Tung University.

The Telecom Training Institute initiated the “Advanced Telecommunications Network Technologies” program with National Taiwan University, which can train 50 of our colleagues with each class, which lasts 4 terms and achieves distinguished results in setting the foundation for telecommunications network theories.

We also encourage employees to engage in lifelong learning, providing a maximum of NT\$ 30,000 in learning bursaries for each term. In 2010, a total of 1,135 employees applied for learning bursaries; while a total of NT\$ 17.65 million was invested.



Successful completion of the first telecommunications elite development program, conducted in partnership between Chunghwa Telecom and National Taiwan University

Enhancing Performance Evaluation Procedures

We have concrete operational regulations and operational procedures for performance reviews of employees at all levels in the company to achieve the objectives of impartial evaluation, rewarding competence, and remedying shortcomings. To ensure that the company's CSR policies can combine properly with business strategies, we further incorporate feedback to stakeholder opinions, achievement of environmental targets, raising the company's charitable image, etc., into our considerations of performance reviews for high level managerial personnel.

We have introduced the newly “Employee Performance Evaluation Regulations” and the “Essentials of Evaluation Interviews.” Evaluation managers will directly notify employees of work performances that require enhancement or improvement, and will provide necessary assistance and guidance. Through improvements in management procedures, employees of subpar performance can instantly and appropriately gain opportunities for improvement through managerial assistance and advice, which also fulfills the true function of performance reviews.

Employee Satisfaction Survey

To uproud to be employees of Chunghwa Telecom. To understand the status of employment satisfaction for Chunghwa Telecom, we have initiated continuous employee satisfaction surveys since 2010, which focuses on measuring employee satisfaction for their workplaces, benefits, and income, and thus achieve a composite understanding of employee satisfaction, impressions, and expectations from employees of different professional characteristics. According to the survey of 2010, 82% of employees are satisfied to work for Chunghwa Telecom. Also, 82.4% of employees feel that they are proud to be employees of Chunghwa Telecom.

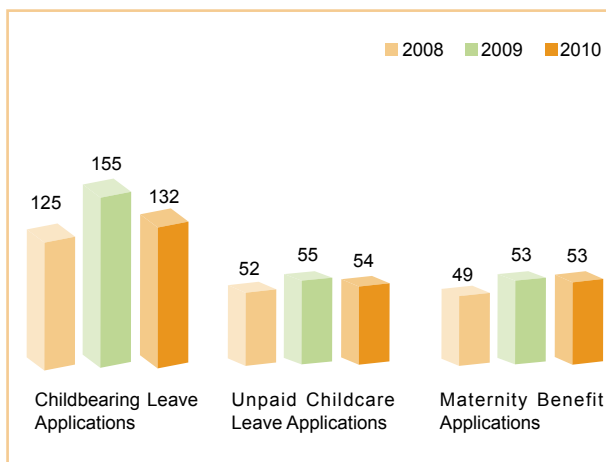
Talent Attraction and Retention

We focus heavily on competent personnel. To assist them with balancing career development and family life, we took initiative in implementing unpaid childcare leave systems, providing health and preventative care exceeding legislative requirements. In 2010, relevant employee health care expenditures account for 0.14% of annual revenues. Also, to improve employee well being, employee mutual fund systems are established to enable corporate profit sharing for employees.

Balancing Work and Family

To assist employees with balancing their careers and families, we took leadership in implementing unpaid childcare leaves starting from July 2006. To care for female employees, they are paid childcare leave benefits equal to half of their insured salaries during their leave, which they can receive for up to 2 years. After employees receive their maximum number of monthly employment insurance payments from the government, female employees can then begin receiving maternity leave benefits equal to half of their insured salaries. Family leaves, paternity leaves, menstrual leaves, nursing rooms, etc. are also provided. In 2010, a total of 132 persons applied for childcare leave, while 54 persons applied for unpaid childcare leaves, and 53 persons applied for childcare benefits.

Number of Employee Applications for Childcare Leave Benefits



Note: because both men and women are qualified to apply for unpaid childcare leave, and only women are qualified to apply for maternity benefits, the former category has more applications.

Employee Benefit Programs

We issue welfare payments according to the Employees' Welfare Funds Act, and we have established the Employee Welfare Committee to facilitate benefit measures such as employee marriage, childbearing, child education, retirement, bereavement, spousal bereavement support, group insurance, recovery, celebration activities, etc.

In terms of preventative employee health care, we provide health care exceeding legislative requirements, allowing employees one free health inspection every year. In 2010, inspection fees are increased by 25% to enhance inspection priorities and increase inspection accuracy. In terms of employee health promotion, we have established health clubs that provide various exercise and leisure facilities, such as basketball courts, badminton courts, tennis courts, ping pong tables, swimming pools, treadmills, etc. Leisure clubs have been established, which covers areas such as dance, singing, yoga, classical Chinese music, karate, etc. In 2010, we held a total of 208 health seminars, 25 sport competitions, and 99 field trips. Also, we continue to enforce the Employee Assistance Program (EAP), which provides one-on-one professional counseling service, which covers assistance with employees in resolving psychological, legal, financial, medical inquiries, as well as questions on work and lifestyle services. In 2010, a total of 360 persons received such services.

In terms of healthy lifestyles for employees, a total of 28 telecommunications clubs were established for employees in 2010, which encourages employee vacations and provides leisure and accommodation. Every employee is also provided with NT\$ 8,000 in travel subsidies. Relevant employee health care-related expenditures account for approximately 0.14% of annual revenues.

Joy at Work, Happiness at Home

Only happy employees can deliver heartfelt service to customers. In 2010, we held group marriages to encourage employees start up families and initiate a new phase in their lives. Furthermore, our comprehensive retirement benefits are the greatest foundation and support for our employees' families.

Retirement Benefits

To enhance employee well being, enhance employee loyalty for the company, and enable corporate profit sharing so as to ensure stability of employee lifestyle after retirement or leaving their jobs, employee mutual funds are established, which awards bonuses based on the amount of monthly salaries of employees and in accordance with the bonus ratio agreed upon by the company and the Employee Shareholder Committee.

Retirements are processed in accordance with the Employee Retirement Pension and Separation Guidelines, the Labor Standards Act and the Labor Pension Act. The maximum pension contribution (15%) is paid into employees' pension funds each month.

In 2010, Chunghwa Telecom donated \$4.5 Million to the CHT Retirement Association to improve the care of retired Employee. A dedicated website (<http://www.chtr.org.tw/>) has also been established to promote healthcare and lifelong learning among retirees.



30 newlywed couples complete their vows under the witness of Chairman Lu during Chunghwa Telecom's group marriage ceremony

Employee Health Inspections

	2008	2009	2010
Number of Employee Health Inspections	24,018	23,924	23,782
Percentage of Employees Receiving Health Inspections	98.09	98.03	98.35
Total Expenditures in Employee Health Inspections (NT\$)	39,851,601	67,978,876	67,874,199

Occupational Health and Safety

Providing healthy and safe occupational environments is our non-negotiable obligation to our employees. We not only continue in improving various occupational health and safety management systems and maintaining certification for such systems, but we have also completed various hazard identifications and risk assessments for the telecommunications industry, especially for work-related high risk operations, employed control measures such as work permits, in order to enhance risk control for high risk work and effectively prevent incidences of occupational Injuries.

Occupational Health and Safety Management Systems and Associated Certifications

We proactively provide workplace-related health and safety facilities and programs to establish safe, clean and comfortable work environments, which safety and health performance are also inspected regularly to ensure the effectiveness of such management. We have established a health and safety management system based on the PLAN-DO-CHECK-ACT framework. By the end of 2010, a total of 33 out of 34 branches have been certificated under the Occupational Health and Safety Assessment Series 18001, while 23 branches have passed the TOSHMS management system certification from the Council of Labor Affairs. Therefore, despite growing operational growth across all of our services, our safety and health performance is still distinguished. In 2010, occupational injuries rates per thousands of persons was far lower than the industry average.

Occupational Injuries Statistics

We have completed various hazard identification and risk assessments for the telecommunications industry, adopting control measures such as work permits for high risk work such as working at heights, confined space, manhole and tunnel excavations, hot work, live power lines, crane lifts, etc, to lower the risks from such work. In 2010, the “Safety Enforcement Regulations for On-Site Operational Personnel” was drafted, and then implemented in March 2011, focusing on high risk work such as working at heights, confined space, manhole and tunnel excavations, hot work, live power lines, crane lifts, etc. Other than enhancing onsite monitoring and management, we also incorporate our information and telecommunications professionalism to take 3G cell phone photographs of on-site safety facilities and personal protective equipments prior to work commencement, by sending those photos took on-site back to designated systems for real-time monitoring, so that we can enhance risk control over high risk work and effectively prevent incidents of occupational hazards.

Occupational Injuries Statistics

Occupational Injuries Indicator	Year	2008	2009	2010
Frequency of disability		0.89	0.56	0.83
Severity of disability		282	136	514
Occupational Injuries Rate per 1,000 Workers		1.06	1.09	1.26
Occupational Injuries Rate per 1,000 Workers (Industry-Wide)		2.09	1.92	1.96

Note:
 Frequency of Disability = Times of disability *10⁶/Total person-work hours
 Severity of Disability = Total workday lost*10⁶ / Total person-work hours
 Occupational Injuries Rate per 1,000 Workers = ratio of the annual average number of occupational injuries per 1,000 workers.Source: Council of Labor Affairs Web site.

Fulfillment of Environmental Education

The Environmental Education Act as passed by the Legislative Yuan in May 2010, containing a total of 26 articles aimed at imparting public education processes that improve people's knowledge, capabilities, attitudes, and value systems over environmental protection, and encourage people to focus on the environment, take action, and thus achieve sustainable development.

Fusion between Environmental Education and Business Activities

Article 19 of "Environmental Education Act" : "Government agencies, state-run enterprises and institutions... all employees... shall participate over four hours of environmental education," which appropriately echoes Article 15 of "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies": "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." To account for these obligations, we will begin implementing the following in the future:

1. 4-hour environmental classes for all employees every year.
2. Fusion between environmental education classes and major corporate activities.



Chairman Lu leads his colleagues in the visit to Tsuchi's recycling work, hoping to encourage environmental protection through the power of corporate volunteers

Corporate Volunteer Exchange

Our "CSR Committee" includes the "Environmental Sustainability Group" and "Corporate Volunteerism Group," enabling our colleagues from business locations across Taiwan to engage in environmental education, already accumulating considerable results and experience.

In 2010, we visited the environmental protection education area of Tsuchi Cultural Education Center's Guandu campus with Chairman Lu in the lead, jointly engaging in environmental protection practicums, as well as participating in spirituality seminars and all-day physical and spiritual environmental protection classes.

Also, Chunghwa Telecom's corporate volunteers participated in the Taiwan Energy Conservation Patrol initiated by Epson Technology and other corporations, which focuses on increasing energy efficiency within corporate operations and production processes, and thus achieving the objectives of carbon reduction and mitigating global warming. Hopefully, through on-site inspections and provision of energy conservation advice for inspected units, we can achieve maximum win-win benefits for environmental protection and corporate profits.



Our corporate volunteers join the "Taiwan Energy Conservation Patrol," assisting more corporations in achieving energy and carbon reduction

Strategy **Adaptation to Climate Change**

Management **Environmental Management System**

Greenhouse Gas Reduction Targets

Address **Increasing Eco-efficiency**

Response **Green ICT**

Target **Blueprint for Environmental Sustainability**



- *The mobile communications subsidiary is the first domestic mobile communications company to pass the ISO14001 environmental management system certification*
- *Outstanding Enterprises and Organizations in Green Procurement Award by the Environmental Protection Administration, Taiwan*
- *“Distinguished Enterprise Award” from the 2010 annual industrial waste and renewable resource cleanup and resource reduction, recycling, and reuse event held by the Environmental Protection Administration*
- *Corporate award from the 2010 green consumer competition held by the Environmental Protection Administration*
- *“Outstanding Award from the Communications and Broadcast Group” from the waste resource management performance nominations held by the Environmental Protection Administration*
- *First place in the clean homes category from the 2010 environmental awards of the Environmental Protection Administration*
- *Consecutive win of the 2010 award for outstanding green procurement benchmark corporation by the Taipei City government*
- *Winning the 2010 gold award for energy conservation by the Taipei City government*

Adaptation to Climate Change

We promise to use our core capabilities as our foundation as we commit to addressing global climate change issues, achieve energy and carbon reduction benefits, and enable consumers to enjoy low carbon telecommunications services.

Climate Change Adaptation Strategy

We regard climate change Adaptation as an important issue in future continuations of impact reductions for provisions of telecommunication services. Currently, climate change phenomena in Taiwan consist primarily of excessive regional concentration of rain. Risks of climate change against us are expected to include primarily direct dangers against telecommunications machine rooms and facilities during our operation. We need to allocate budgets and execute disaster prevention plans and actions.

Risk Management Procedures

We have established the Environmental Sustainability Group under the CSR Committee to undertake compilation of the entire group's response measures and improvement results for climate change, formulation of short, medium, and long term targets, and incorporation of energy and carbon reduction and environmental issues into business plans, all of which are reported by the group's vice presidents to the Board of Directors. The Board of Directors is responsible for deciding management strategies / examination of results related to climate change. High management levels execute the strategies / interdepartmental communication and coordination determined by the Board of Directors. Management units within the company execute and supervise the action plans of their designated units, as well as compiling execution results of their activities. Meanwhile, branch agencies execute daily management activities and engage in self assessments.

Working with Policymakers

We actively participate in public hearings regarding climate change legislations with relevant government units (Environmental Protection Administration of the Executive Yuan, Bureau of Energy of the Ministry of Economic Affairs), as well as the post-COP15 Nama action plan and international legislative review conferences. We also participate in information seminars held by Taiwan's Environmental Protection Administration regarding greenhouse gas reduction policies, carbon trading, and energy and carbon reduction action plans.

Participation in International Organizations and Focusing on the Cancun Conference

We have been a member of the World Business Council for Sustainable Development (WBCSD), which is led by the CEOs of over 200 international corporations, focusing on commercial and sustainable development issues. Taiwanese members include Acer, CPC Corporation, and Chunghwa Telecom. Over the years, we have analyzed the newest international sustainability issues and trends through information sharing and frequent interaction in WBCSD. From November 29, 2010, to December 10, the United Nations Framework Convention on Climate Change's (UNFCCC) 16th Conference of the Parties (COP16) was held in Cancun, Mexico. We have also gained an in-depth understanding of international carbon reduction trends after the Kyoto Protocol from the depth of WBCSD's involvement in this conference.

Environmental Management System

As we continue to strive for “reduced environmental impacts” creating environmental management systems is an important element. We have taken leadership in the industry in conducting the first greenhouse gas audit in 2008. Under appropriate control, total greenhouse gas emissions in 2010 are far lower than emissions in 2009 and 2008, fulfilling our promise to greatly reduce total greenhouse gas emissions. We continue to actively strive for ISO14001 environmental management system certifications. Certifications for all agencies are expected to be complete by 2012.

Internal Corporate Enforcement Procedures

The Environmental Sustainability Group formulated internal corporate environmental codes of conduct and pamphlets, as well as green energy standards (greenhouse gas reduction targets). We have implemented the “Employee Innovation Proposal Regulations,” which stipulates financial rewards for employees who provide improvement plans and innovative ideas for climate change that are adopted by the company.

To enable convenient storage, retrieval, and control of environmental performance information for all units in the company, we have established the group environmental database – “Environmental Sustainable Development Management System” (EARTH). The systematic information and analytical aspects provide sufficient foundations for all business units to formulate quantifiable environmental improvement targets and effectively increase the efficiency of executing environmental management operations. This system completely displays audits on internal electricity usage, water usage management, water resource management, lighting facility management, resource recycling, vegetation plantation, etc, for all agencies, demonstrating more efficient management and environmental results. Nationwide promotional tours are also held to facilitate



Login page of the “Environmental Sustainable Development Management System”

education and training in all business units with focus on system functions and usage methods, so that all employees can understand system application methods.

ISO14001 Environmental Management System Certification

In order to ensure environmental sustainability in 2010, we continued our efforts to secure the ISO14001 environmental management system certification. Certifications for all agencies are expected to be complete by 2012. The mobile communications subsidiary opted for the ISO-50001 energy management system standard in 2011, which greatly improves environmental management.

ISO14001 Certification Sequence for Chunghwa Telecom’s Units

Year	Execution Unit
2008	Southern Taiwan Business Group
2009	Mobile Business Group
2010	Northern Taiwan Business Group / Data Communications Business Group
2011	International Business Group / Telecom Laboratories
2012	Telecom Training Institute / Enterprise Business Group

Greenhouse Gas Reduction Targets

In 2008, we took leadership in the industry and conducted greenhouse gas audits, becoming the first telecommunications company in Taiwan to receive the ISO 14064-1 confirmation letter. In 2009, we became the first telecommunications company to formulate energy and carbon reduction targets. In 2010, we reached our targets ahead of schedule, returning greenhouse gas emission in 2012 to 2007 levels. In the future, we will also account for the government's carbon reduction targets and return to 2005 levels by 2020.

Execution of Annual Greenhouse Gas Audits

In 2008, we took leadership in the industry and conducted the first greenhouse gas (GHG) audit, which is verified by SGS Taiwan as the third party. The GHG Protocol developed by the World Resource Institute (WRI) and WBCSD is also used as the audit tool for data calculations and creation of GHG emission records, which will act as the foundation for future efforts for GHG reduction and carbon management.

Reductions in GHG Emissions

Currently, our audit covers Scope 1 and Scope 2. Results indicate that externally procured electricity is our most significant source of GHG emission. Therefore, we have collectively initiated various electricity conservation actions. Scope 3 is currently not incorporated into audit coverage, and only fixed unquantifiable analyses can be done. In the future, we will gradually investigate the effects of GHG emissions from employee travels.

In 2010, our total GHG emissions is 905,095.14 t-CO₂e, far lower than emissions in 2008 and 2009. Under appropriate controls, we achieved great reductions in total GHG emissions. In the future, we will still capitalize on electricity usage management and electricity usage reduction as our main axis to implement effective and concrete actions and fulfill our promises.

Greenhouse Gas Emission Analysis of Chunghwa Telecom (Verified)

Scope	Greenhouse Emission Source	Emission Volume		
		2008	2009	2010
Scope1	1. Gasoline and diesel use by business and engineering vehicles 2. Kitchen and washroom facilities 3. Dispersion from wastewater clarifiers 4. Dispersion from fire extinguishers and refrigerants	31,721.54	39,087.09	30,710.73
Scope2	Externally procured electricity for office towers, telecommunications mechanical rooms, and optical fiber facilities	914,298.91	932,562.44	874,384.41
	Total emissions	946,020.45	971,649.53	905,095.14

Note 1: "Verified" refers to emission volume data verified by impartial third party verification.

Note 2: Emissions is calculated in CO₂ equivalents, in tons (t-CO₂e).

Note 3: Organizations covered by GHG emissions records for Scope 1 and 2 include those who borders cover Chunghwa Telecom Headquarters, its 6 subsidiaries (Northern Taiwan Business Group, Enterprise Business Group, Mobile Business Group, Southern Taiwan Business Group, International Business Group, and Data Communications Business Group) Telecom Laboratories, and Telecom Training Institute. All emission sources covered within such borders are 100% owned and controlled by our company.

Electricity Usage Management Targets

Energy and carbon reduction plans for information and communications mechanical rooms and office buildings will be executed in stages, which is expected to reduce electricity usage by 168 GWh by 2012, as compared to 2007 (excluding business growth).

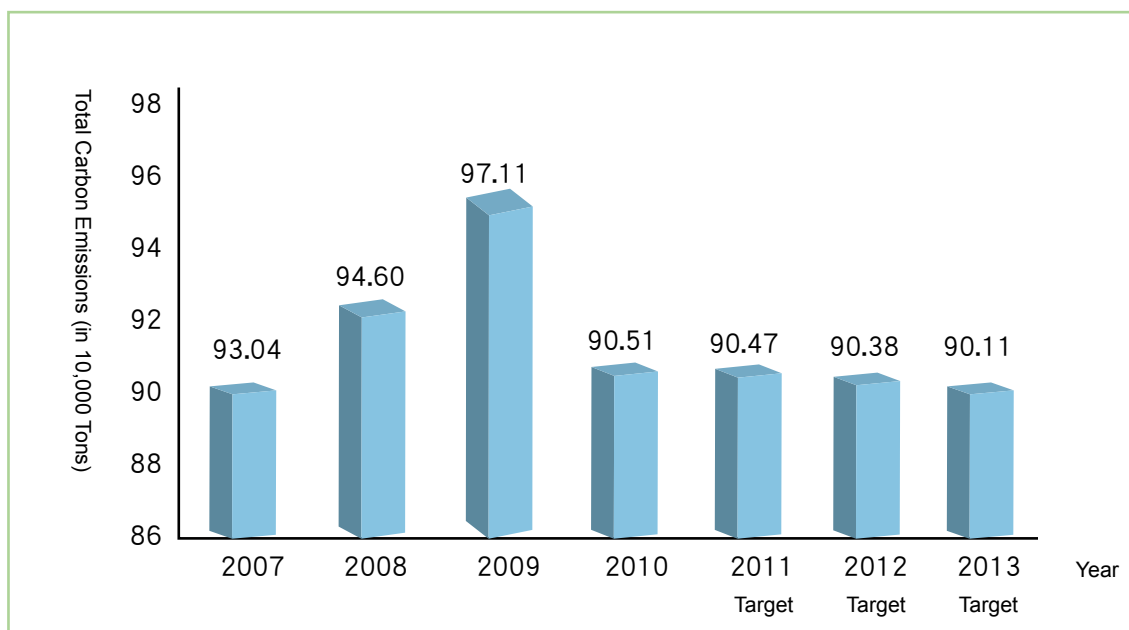
Carbon Management Targets

GHG emissions in 2012 have returned to 2007 levels (achieved ahead of schedule in 2010). Long term carbon emission reduction targets will account for the government's carbon reduction targets, which will return emissions to 2005 levels by 2020.

Targets of Chunghwa Telecom's Energy Conservation Plan



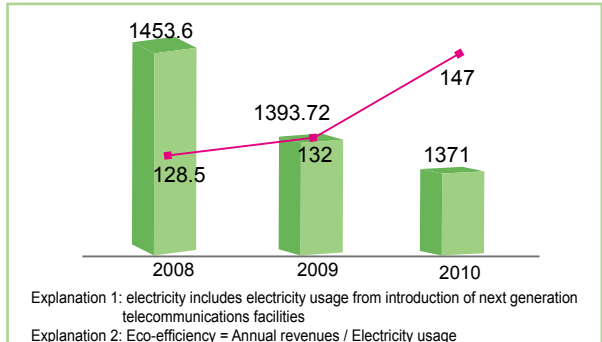
Targets of Chunghwa Telecom's Carbon Reduction Plan



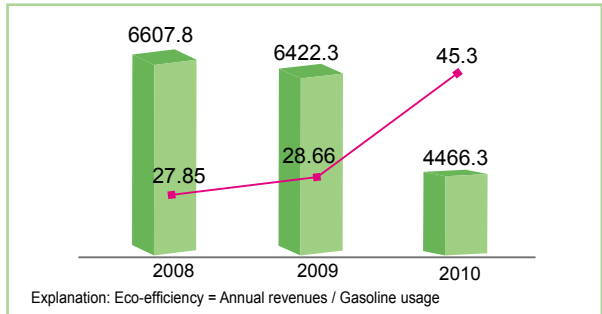
Overview of Environmental Impacts

Input

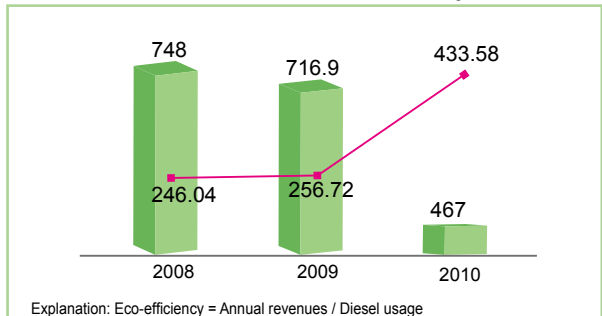
Electricity



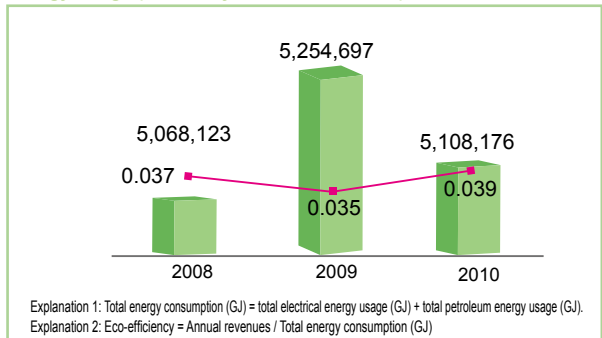
Gasoline



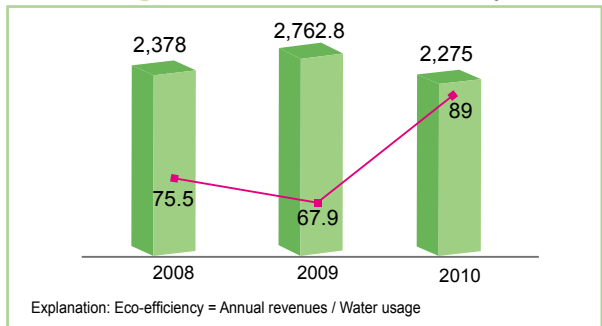
Diesel



Energy Usage (Electricity + Petroleum Fuels)

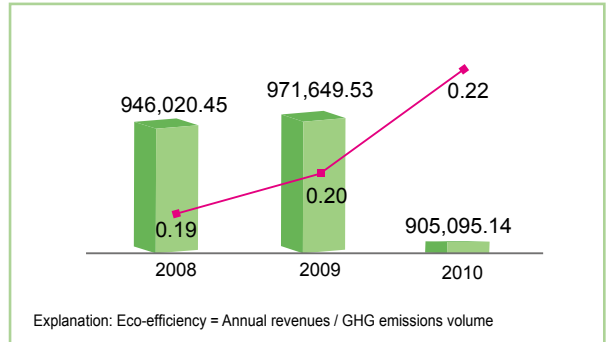


Water Usage

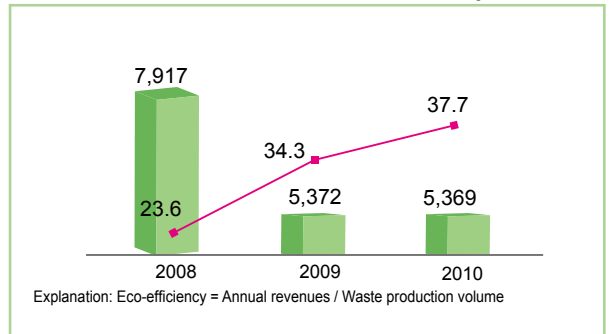


Output

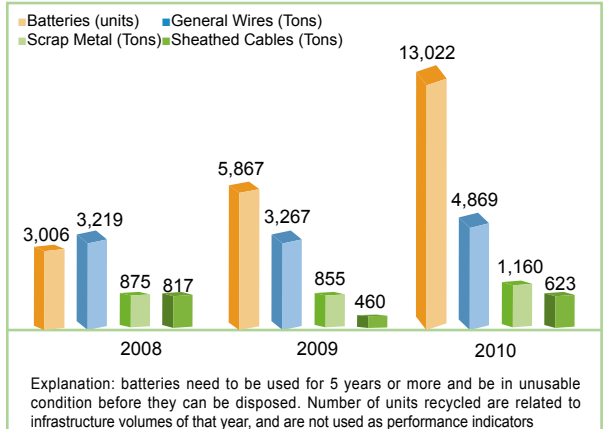
Greenhouse Gas Emissions



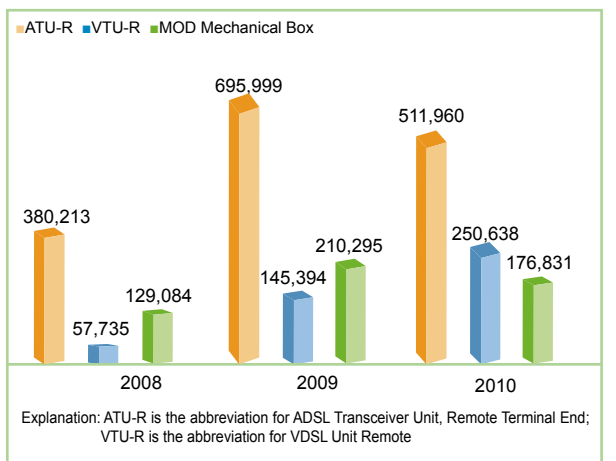
Waste



Scrap Metal Recycling Volume



End User Equipment Recycling Volume



Increasing Eco-efficiency

Eco-efficiency is proposed by WBCSD, aimed at improving more effective resource utilization and lower pollution emissions. This indicator allows an understanding of the conditions of a corporation's internal environment and business performance. In order to more effectively lower the environmental impacts from the telecommunications industry, and increase resource utilization, we have introduced many environmental energy conserving mobile products / services and programs, which can assist residential and commercial departments and the transportation industry with reducing carbon emissions.

Group Targets for Carbon Reduction

Our target is to reduce electricity usage and reduce petroleum fuel usage. The value behind such actions is reductions in operational electricity costs and reductions of group emissions of GHG. We plan to return to 2007 emission levels of 930,439.94 t-CO₂e by 2012, which we have achieved in 2010, where group electricity usage is 22,000,000 kWh less than 2009, while group gasoline usage is 84,125 L less than 2009, and diesel usage is 29,373 L less than 2009. Therefore, carbon emissions in 2010 were reduced by 13,731 t-CO₂e.

In 2010, we have invested NT\$ 20 million in energy conservation management for office towers. Meanwhile, energy conservation plans for telecommunications mechanical rooms include the following improvements: adoption of external air conditioning, high sensible heat air conditioning, increased mechanical room temperatures, use of frequency converters, and partial area lighting for mechanical rooms. NT\$ 9.79 billion is expected to be invested from 2010 to 2014. In 2010, energy savings totaled at NT\$ 57.20 million.

Carbon Reduction Results of 2009~2010

	Reduction in 2010 Compared to 2009	Carbon Emissions Reductions (tCO ₂ e)
Group Electricity Usage (kWh)	22,000,000	13,464
Group Gasoline Usage (L)	84,125	267
Group Diesel Usage (L)	29,373	
Total		13,731

Continuation of Environmental Protection and Energy Saving

We are not satisfied with merely achieving reduction targets. We continue to enhance promotions of energy saving operations with further hopes of helping the overall environmental transformation of the industry.

- Development of environmental sustainability EARTH systems to engage is carbon disclosure, carbon audits, carbon management, carbon reductions, and other low carbon lifestyle objectives.
- Signing energy conservation plans with the Bureau of Energy of the Ministry of Economic Affairs, which calls for electricity savings of 5% in 3 years.
- Encourage the government and global trends to engage in environmental protection and energy conservation activities: environmental affairs negotiation mechanisms for suppliers, supplier obligations for environmental protection and corporate social responsibilities, concrete commitment for creating green industry supply chains and product life cycle assessment systems, electronic waste recycling system plans, participation in Taiwan's environmental and ecological protection endeavors, engaging in green consumption to procure products labeled as environmental and energy saving.
- Promotion of green architectural action plan. Applications are made for green architectural certifications for all new buildings that cost NT\$ 50 million or more to build.
- Autonomous green energy in communications mechanical rooms: solar power generation, wind power generation, car and motorcycle reduction and retirement plans.

Expanding Green Procurement

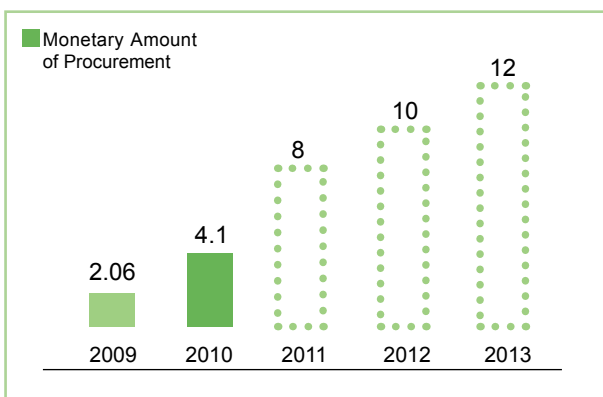
Chunghwa Telecom works with government policies to fulfill its corporate social responsibilities. We are fully promoting green procurement for all regional agencies, actively participating in the “Project on promoting private enterprises and organizations’ green purchasing activities” initiated by the Environmental Protection Administration of the Executive Yuan, and diligently investing in environmentalism and energy conservation among employees.

Promoting Green Procurement and Assistance in Creating Green Stores

We actively promote green procurement as we procure green environmental labels, energy saving labels, water saving labels, and green construction materials, sign green procurement agreements with private enterprises and groups, conduct green procurement seminars, etc., all of which are incorporated into annual budgets, with spending on such measures growing year after year.

We assist consumer cooperative commissaries of Northern Taiwan Business Group, Southern Taiwan Business Group, and Mobile Business Group in becoming green stores, while the Telecom Laboratories’ consumer cooperative commissary can also become a green store, making them the first private sector enterprise that joined the ranks of green stores as employee consumer cooperative commissaries.

Green Procurement Volume (in Hundred Millions of NT\$)



Note: amounts for 2009 and 2010 are actual, and amounts for 2011~2013 are budgeted.

Execution of Employee Environmental Protection and Energy Conservation Action Plans

Our employees gain a more meaningful understanding of climate change issues through education and awareness promotion, which helps harness consensus and promote internal carbon reduction actions for the company.

- Implement environmental education action plans to enforce the Environmental Education Act
- Encourage low-carbon commuting among employees: car-free days / carpools / public transit
- Holding “Environmental Protection and Energy Conservation Competition for Communications Mechanical Rooms and Offices”
- Implementation of “Internal Assessment of Energy Conservation Performance for All Operation Offices”
- Encourage environmental autonomy among employees
- Environmental education
- Donating second hand computers to charity or minority groups
- Creation of environmental protection, energy conservation, and charitable service volunteer teams



Green procurement can effectively expand a corporation’s economic, environmental, and social utility

Green ICT

“Green” not only represents environmentalism, but also high efficiency, social responsibilities, and low carbon lifestyles. It symbolizes visionary objectives that transcend world prosperity. “Green ICT” is regarded as an important tool with which to achieve carbon restriction objectives. Two widely advocated scopes include: supporting energy saving lifestyles with ICT technological applications, and energy saving, emission reducing, and high performance ICT products / systems.

Moving towards Green ICT

Governments, industries, and consumers in Taiwan are starting to focus on “energy and carbon reduction” issues. In the future, industry structures will also gradually develop towards low carbon industries. As part of the telecommunications industry, we can help other industries increase energy efficiency and reduce energy usage (such as smart energy saving services and video conferences), and moving towards green ICT is helpful for creating greater developments and profitable opportunities in the market for us in the future.

Internal Green Operations

- Consolidated bill transfer payments for nationwide water / electrical bills, and creation of electricity and water usage management information platforms.
- Using ODAS documentation systems to promote online document signing. Procurement bidding processes allow contractor electronic tendering and online electronic bidding, as well as allow agencies to upload bidding files and open online bidding services
- Promoting “electronic billing” services: customers are provided with online inquiry mechanisms for computers and cell phones, including bills owing, online payments, bill analysis management, etc.
- Telecommunications bill management: bills are merged to reduce paper billing, which reduces carbon emissions as well.

Primary Energy Saving Products / Services

- Autonomous research, development, and completion of “Intelligent Energy Network (iEN), which assists families, companies, and agency organizations with energy and carbon reduction to reduce electricity consumption.
- Selling energy and carbon reduction programs: including mobile video phones, mobile tour guides, mobile yellow pages, computer energy conservation, conference phones, video conferences, etc.
- Promoting “taxi dispatch services”: optimization of scheduling systems through satellite precision positioning, thus reducing vehicle gasoline consumption, and allows consumers to enjoy faster taxi services.
- Developing green energy saving products to reduce lighting electricity: development of LED-E27-9W lighting (expected cost recovery within 2 years).
- Providing “Unified Communications” (UC): provision of integrated services such as long distance instantaneous work communication, voice communication, application sharing, file sharing, personal computer video conferences, etc.
- Development of long distance medical care: integration of internal clinic resources through WiMAX broadband networks to engage in long distance diagnoses.
- Applying network technologies to integrate e-home care smart technology systems, material management, remote access home appliances, and other ICT contractor projects.
- Bill return records and clearance record procedures for HiNet clients of the Taiwan Clearing House: dedicated government research and development of land use systems that allow people to apply for land cadastre information online and receive electronic copies of such information.

Blueprint for Environmental Sustainability

In 2010, the Taiwanese government initiated the “National Energy and Carbon Reduction Plan” to set out priority benchmark plans according to the project’s policy orientation. Consumers have begun focusing on the developmental conditions of energy saving / green products from corporations, and developing products and services that help conserve energy is also helpful for raising our corporate image.

Encourage Economic Transformation

We are also working with the Taiwanese government in promoting the six new emerging industries, and will be devoted entirely to developing industry-tailored technology applications to assist corporations in developing towards green transformations. Therefore, we have planned environmental sustainability blueprints that are appropriate for our own characteristics. In the future, we will be focused on five major developmental aspects to fulfill our objective of creating a sustainable homeland

Investing in Green Futures

We will also start from supply chains and fully initiate green procurement plans. Starting from cloud facilities, we expect to invest NT\$ 40 billion in the next 5 years on cloud operations, which will be primarily focused on procuring cloud equipments with energy and carbon reduction and iEN smart system capabilities.

Five Major Aspects of Environmental Sustainability Blueprint

Environmental Disclosure	Energy Efficiency	Renewable Resource	Environmental Autonomy	Products and Services
<ol style="list-style-type: none"> 1. Continue carbon audits 2. Continue addressing relevant carbon information disclosure and environmental sustainability issues and producing reports 3. Continue increasing percentages of environmental expenditures 4. Engage in environmental sustainability awareness promotion and surveys for suppliers 	<ol style="list-style-type: none"> 1. Engage on consolidation of mechanical rooms 2. Build additional iEN systems 3. Engage in energy conservation of air conditioning systems 4. Use solar powered water heating equipments 5. Engage in recycling and reuse of water 6. Green construction: Chunghua Telecom Green Environmental Club 7. Develop environmental LED lights 	<ol style="list-style-type: none"> 1. Construct solar power systems 2. Construct wind power systems 3. Construct fuel cell power systems 	<ol style="list-style-type: none"> 1. Enforce green procurements 2. Use environmental energy saving vehicles 3. Use paper-free ODAS documentation systems 4. Incorporate ISO14001 management systems 5. Energy saving and environmental protection for offices 6. Energy saving and environmental protection for mechanical rooms 7. Health management systems 8. Account for car-free days 9. Account for Earth Day 10. Recycle and reuse industrial wastes 11. Create energy conservation service teams 12. Promote home cleanup activities 	<ol style="list-style-type: none"> 1. Provide electronic billing services 2. Provide ICT products / services for construction contractors 3. Provide iEN products / services for air conditioning 4. Enforce environmental management systems 5. Continue recycling cell phones 6. Continue researching and developing energy saving products 7. Assist suppliers with securing environmental labels for communications products

Strategy **Concentration on Digital Opportunities**

Management **LBG Social Contribution Assessment**

Address **Social Innovation**

Response **Investigation and Analysis**

Target **Inclusive Business**



- *Winning 3 out of 7 awards for “Distinguished Telecommunications Enterprises for Disaster Relief and Care Action,” as well as winning 7 out of 11 individual awards for “Distinguished Personnel for Emergency Repairs of Public Communications” during the corporate social responsibility award ceremony of the NCC’s fourth anniversary, making Chunghwa the recipient of the highest number of awards in the telecommunications industry.*
- *Receiving the “Commemorative Award for Participating in the Construction of High Disaster Resistance Communications Platform in Namasia Township, Kaohsiung County” from the NCC*
- *Reception of the Arts & Business Awards of the Council for Cultural Affairs, Executive Yuan*
- *Reception of the “2010 Gold Award of Athletic Promotion of the Executive Yuan”*

Concentration on Digital Opportunities

In the age of technological progress, “digital divide” have created unfair conditions in education and employment opportunities. Building on the characteristics and core professional capabilities of the telecommunications industry, our social investments are focused on “reducing digital divide” and “creating digital opportunities.” We are also significantly devoted on introducing “corporate volunteers” to participate in localized community services and actively assist with creation of digital opportunities in local communities.

Six Major Causes of Digital Gap

Digital divide in today’s society is primarily due to the following causes:

- Geographical gap: gap that result from people in urban and remote areas.
- Economic gap: gap that result from people of different income levels.
- Knowledge gap: gap that result from different levels of knowledge between different groups of people.
- Disability gap: gap those results from the general public and disabled persons.
- Health gap: gap those results from people of different age groups or health conditions.
- Gender gap: middle age and senior women suffer from significant disparities when using information and communication services due to traditional notions of family care.

Chunghwa Telecom had proposed many solutions to address the aforementioned digital gap. In the future, we will actively engage in social innovations to address these issues.

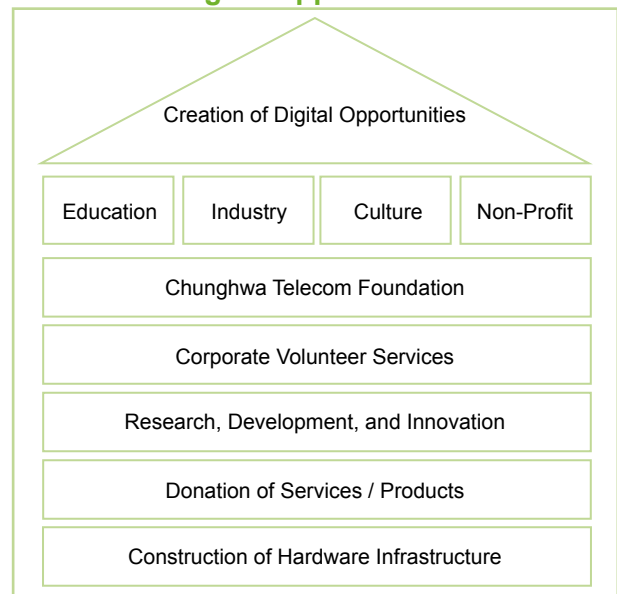
	Chunghwa Telecom Solutions
Geographical gap	Increased availability of services, etc
Economic gap	Communication incentives for low income and minority groups
Knowledge Gap	Computer classes for adults, etc
Disability gap	Customer service for visually impaired persons
Health Disparity	GPS, etc
Gender gap	Digital Good Neighbors

Five Major Aspects of Digital Opportunities

Based in the information and communications characteristics of Chunghwa Telecom, the two major missions of social investments from Chunghwa Telecom and the Chunghwa Telecom Foundation are “reduction of digital disparities and creation of digital opportunities.

Chunghwa Telecom’s commitment on this issue involves diverse social investments over five aspects. “Hardware infrastructure” is the foundation for modern people’s communication. “Product or service donation” allows communication technologies to properly utilize their values. “Research, development, and innovation” focuses on assisting disabled persons with sharing convenient communication. “Corporate volunteerism” allow our employees to directly utilize their capabilities and participate in community building. Meanwhile, “Chunghwa Telecom Foundation” is the pioneer in our endeavor to create digital opportunities.

Creation of Digital Opportunities



LBG Social Contribution Assessment

We have always been committed to our corporate vision of “utilizing society to care for society.” Not only are we Taiwan’s most significant composite telecommunications company with networks and services across Taiwan and its outer islands, our corporate vision further shapes our self recognition over social contributions. Over the years, we continue to apply our core capabilities to create concrete values for Taiwanese society and assist people with increasing their qualities of life.

Social Investment Statistics

Since 2008, we have gradually increased our social investment amounts. In 2010, social investment not only increased 20% from 2009, social investment also exceeded 1% of business revenues for the first time, achieving comparable standards compared to leading international corporations.

Also, we have improved our statistics calculation methods: the new section of “management expenditures” is added to social investment categories to allow people to further understand costs associated with engaging in non-profit activities. In 2010, cash donations account for 14.6%, product and service donations account for 78.4%, and management expenditures account for 7%. In the future, we will control management expenditures so that they remain below this level.

Social Investments (Unit: Thousands of NT\$)

Type of Social Investment	2008	2009	2010
Cash Donations	71,380	165,044	273,778
Product or Service Donations	176,136	1,391,422	1,470,014
Management Expenditures	---	---	131,395
Total	247,516	1,556,467	1,875,187
Percentage of Business Revenues	0.43%	0.84%	1.01%
Hours of Corporate Volunteer Services (Hours)	49,355	41,979	147,083

Social Contribution Assessment

In 2010, we have adopted the London Benchmark Group’s (LBG) model to assess the utility of social investments. This model is formed by a group of corporations and non-profit organizations committed to quantifying the effects of social investments. This model had been used for over 18 years internationally, with over 150 corporations around the world employing the LBG model.

According to the LBG model:

1. Formulation of planned targets: community / corporation
2. Activity type (classified by motivations)
3. Value of investment: total monetary value, physical objects, employee hours, and planning and management costs
4. External resource integration: community projects that result from other resources
5. Community benefit: performance assessment of project results for communities
6. Commercial benefit: performance assessment of project results for commerce
7. Assessment of effects on communities / corporations

Quantifying community investments can assist us with engaging in reasonable resource allocation and avoid repetitive resource investment. Thus, financial and non-financial investment can be effectively combined, while expectations of multitudes of stakeholders can be satisfied at the same time to create more effective social contributions. The priorities of our work will continue to focus on enhancing the volume, management, and dialogue associated with social participation.

Social Innovation

Chunghwa Telecom continue to assist the government with implementing increasing telecommunications availability and services. Also, we have established Chunghwa Telecom Foundation to fulfill the primary missions of reducing digital gap, assisting local cultural industries, and participating in community life. Starting from communities, we continue to assist local cultural industries and participate in community life by combining caring companionship concepts with Chunghwa Telecom's core professionalism.

Creation of Diverse Digital Values

The mission behind the establishment of Chunghwa Telecom is to improve digital disparities over education and broadcast for people of different urban and rural residence, identity groups, and income levels, as well as promoting physical and mental health and balancing overuse of information technology. In 2010, we continue to promote digital learning plans, as well as assisting communities with incorporating technologies into life and combining industry and culture, with the aim of creating more diverse values with digital technologies.

We continue to encourage and support various plans for computer classes, the contents of which are planned appropriately according to the needs and abilities of the students. In 2010, we have donated a total of 157 computers, 125 Windows XP programs, 166 Microsoft Office applications, and other relevant and necessary software and hardware equipments. We have also opened 1,240 hours of computer classes, the types of which range from basic computer learning and simple document processing to lifestyle blog management and simple artistic software application. We have further opened advanced professional artistic design classes to transform job requirements into learning motivations.

After Hurricane Morakot, Chunghwa Telecom Foundation provided free opportunities to establish virtual stores on HiNet for "Nanshalu Business Office of Namasia Township, Kaohsiung" and "Organic Produce of Shanmei Village, Chiayi," in order to assist industries in disaster areas with opening sales channels. We not only focus on short term sales profits, but also incorporate assistance for village industry workers to gradually understand electronic commerce concepts, and concretely bringing digital technologies into aspects such as industry needs and lifestyles. By developing professional aptitude through training classes, we can change traditional ways of thinking and selling, and convert crisis into business opportunities.

Continuous Feedback

Chunghwa Telecom had always played pivotal roles in the communications and networking field. However, we are not only thinking about market leadership. Of greater importance is how to give back to society and fulfill our corporate social responsibilities. Chunghwa Telecom Foundation is established to fulfill the primary missions of reducing digital disparities, assisting local cultural industries, and participating in community life. Starting from communities, we continue to assist local cultural industries and participate in community life by combining caring companionship concepts with Chunghwa Telecom's core professionalism.



The Hua Zang Geng Xin Educational Foundation, located in Sanzhong District, New Taipei City, was established into a Digital Good Neighbor in September 2010. Out of the vision for resource sharing, the unit provides free classes to community residents to provide opportunities of higher learning.

Introduction of Rural Volunteer Service

Young people frequently move out of rural communities, resulting in considerable impacts against local developments.

Since becoming a Digital Good Neighbor in 2006, Jingliao Village in Tainan is now in its fourth year of cooperation with Chunghwa Telecom Foundation. In order to fulfill CSR visions, corporate volunteers from Chunghwa Telecom's Tainan and Chiayi operation office were introduced at its founding, whose boundless spirit for service impressed many students as they held computer classes for new immigrant mothers in the Jingliao Church, which also made them role models. In 2010, Chunghwa Telecom's corporate volunteers diversified their services.

On top of class teaching, they also participated in preliminary operations of Good Neighbor establishment, including software and hardware environment establishment, equipment troubleshooting, and further participation in projects that helped maintain positive interactive relationships with local community village residents.

In addition to corporate volunteers, Chunghwa Telecom Foundation also directly contacts college and university student volunteers to work in Good Neighbor locations. Service formats primarily consist of learning aspects, which

provide college students with opportunities for rural service, and more importantly, introduces learning resources to minority rural areas, which is of great help for communities and villages that are significantly lacking in learning resources.



Student volunteers from National Chiao Tung University travel to Fenglin Church of Sheze Township, Pingtung County, to conduct summer service.

Promoting Compassion and Care for Digital Good Neighbors

In 2010, we worked with Paper Windmill Play Company and held a tour of eight shows in "Digital Good Neighbor" locations, combining local culture with environmental and contemporary issues. We have introduced the "New Immigrant Playhouse" and "Environmental Education Playhouse," which help viewers understand Southeast Asian cultural traditions and also educate viewers on the importance of mountain and forest resources and avoiding repetitions of the Typhoon Morakit disaster.

After Paper Windmill Play Company completed its tour, vibrant responses from the Good Neighbor location motivated us to invite other cultural groups to perform in rural areas. We hope to diversify such performances, and therefore decided to invite

the highly experienced "Taiwan Brass Quintet" to perform in Good Neighbor locations. As opposed to merely distant observation of music, local musical pieces were carefully arranged for the performances, while performers further informed the audience "what brass instruments are" in humorous and education manners, thus stimulating and energizing monotonous music theories.



Taiwan Brass Quintet performs in Jingliao Church of Houbi, Tainan. Every local musical piece impresses the audience below the stage.



Paper Windmill Play Company performs in Lushang Church of Fangwan Township, Changhua, and is well received by audiences of all ages.

Remedying Education Resource Disparity with Long Distance Education

After Typhoon Morakot, Chunghwa Telecom Foundation and Fu Jen Catholic University's long distance education assistance group immediately initiated cooperative plans to establish the first long distance education assistance class in Majia Township, Pingtung County.

In March 2010, the long distance educational assistance program provided learning opportunities to the children of Good Shepherd Social Welfare Services. Although this area is not in the so-called "rural towns," new immigrant families in large cities suffer disadvantages in securing resources. New immigrants cannot assist children's schoolwork on their own, and cannot afford the costs of tutors and extracurricular classes. After several assessments,

we have combined the Chunghwa Telecom's Banqiao training grounds with Fu Jen Catholic University's professional teams and decided to distribute resources to people that need them most.

In September, Fenglin Church of Sheze Township, Pingtung County became the third long distance education assistance location. Most families there were economically disadvantaged. Subsequently, we incorporated available space in Sheze Township's digital opportunities center to facilitate long distance education assistance programs.

To ameliorate the emotional distance caused by the nature of long distance education assistance, Chunghwa Telecom Foundation and Fu Jen Catholic University coordinated meet-and-greet

activities. Through personal face-to-face interaction, teachers and students can understand each other better, which is helpful for subsequent class proceedings. Also, to account for the free time over winter and summer breaks, Fu Jen Catholic University's team created customized "summer school" programs. In July, students from Good Shepherd Social Welfare Services participated in 20-day summer school programs, and experienced a wider range of classes and knowledge, thus spending an enriched and meaningful summer.



Chunghwa Telecom's Banqiao training school provides dedicated computer classrooms to facilitate long distance education assistance programs. Every Tuesday and Thursday, students will come here to initiate journeys of learning with education assistance teachers from the other end.



The "Summer School" held during the summer school provides Good Shepherd's children with different learning contents through the class designs of Fu Jen Catholic University's professional teams.

Innovative Reading, Reading Innovation

Digital disparities are not only caused by shortages of hardware equipment. More often, they result from entrenchment of erroneous concepts. Through continuous education processes, we encourage users to “use computers well” so that “computers can serve well.” In 2010, Chunghwa Telecom Foundation attempted to infuse reading concepts into computer

applications, and held five innovative reading camp events with Senao Technical and Cultural Foundation. By using digital technology as the medium and converting reading experiences into video recordings, students can achieve balance between text reading and technical images, and develop various aspects of computer applications.

By starting from “reading,” we

extend the definition of reading to allow wider room for imagination. By exceeding the traditional methods of text reading, and incorporating elements such as bodily movements, traditional games, drama performances, students can properly understand experiences described by words during the process of their participation in the event.



Incorporation of mobile book vehicle resources of the Changhua County Neighborhood Care Association facilitates reading activities in Lushang Church, which connects local resources and avoids resource repetition.



Chunghwa Telecom Foundation and Senao Technical and Cultural Foundation held five innovative reading camps, which were well received by critics and students alike.

“Innovative Reading Camp” Events in 2010

	Event Time	Event Location
1	5/29 ~ 5/30	Shegang Community, Taichung County
2	7/5 ~ 7/7	Renhe Elementary School, Chiayi County
3	7/19 ~ 7/21	Tonglin Elementary School, Taichung County
4	8/3 ~ 8/6	Huanan Elementary School, Yunlin County
5	8/16 ~ 8/18	Shuichuan Elementary School, Pingtung County

Chunghwa Telecom Passing-the-Love Market Event

In August 2009, as Taiwan was ravaged by Typhoon Morakot, Chunghwa Telecom rushed into disaster areas at the first available opportunity and utilized core telecommunications technologies to assist with repairing terminated electric routing in disaster areas and providing shelter residents with operational free phone lines and bandwidth, so that local residents can contact their families as early as possible.

In January 2010, Chunghwa Telecom and Chunghwa Telecom Foundation arranged four “Chunghwa Telecom Passing-the-Love Market” event. The “Passing-the-Love Market,” which is formed

at Chunghwa Telecom’s operation offices in Fengshan, Chiayi, Pingtung, and Taitung with the “great neighbor” concept, provides free sales space for businesses in disaster areas, allowing more people to understand Taiwan’s local industries and become more willing to help disaster areas through consumer action. The 7-day “Chunghwa Telecom Passing-the-Love Market” event in four locations won positive recognition

from industry workers, Chunghwa Telecom employees, and consumers alike.

2010 Passing-the-Love Market Events

	Location	Date
1st Event	Gangshan Service Center, Fengshan Operation Office	1/12~1/13
2nd Event	Chiayi Operation Office	1/14~1/15
3rd Event	Pingtung Service Center, Pingtung Operation Office	1/17
4th Event	Taitung Operation Office	1/19~1/20

Taiwan’s Hotspots

After Typhoon Morakot, Chunghwa Telecom Foundation initiated the “Taiwan’s Hotspots” project with Taipei Culture Foundation and Ximen’s Red House out of insistence on its original vision. Industry workers from disaster areas who are willing to participate in exhibits are invited to enter Taipei City’s busiest commercial districts. To promote local industries and infuse developments from cultural innovation industries, the Red House jointly held the “Taiwan’s Hotspots” event series from June to September, enabling cultural innovation industries to prosper and develop with local cultures. Allowing people to see Taiwan’s local industries through more diverse methods also brings new inspirations for cultural innovation industries through interdisciplinary cooperation. By using different methods, incorporating joint sales

from multiple innovators and Chunghwa Telecom, and relying in Ximending’s geographical advantage, young customer clienteles can be increased for local cultural innovation industries. We also used the “point market” method to invite local workers to set up booths, and their interaction with consumers also inspired more opportunities for innovative inspirations for innovators. As well, the “point workshop” cooperation model was adopted to attract people of all ages who enjoy innovating with their hands, which not only allows consumers to understand the process and value of original creations, but also becomes seeds of invention. Furthermore, the event was augmented with “innovative theme booths” to intimate with clienteles, so that everyone can understand innovation stories within Taiwan through more channels.

The exhibit space is based

on the main axis of “Innovation Theme Booth of Taiwan’s Hotspots,” combined with “point markets” and “point workshops,” so that consumers in general can understand the industries involved through different formats and depth levels. As they make their purchases, buyers become closer to the production grounds and producers of their products through industry story cards. Meanwhile, the weekly market event is an excellent opportunity for innovators to explain innovative principles to the public. Also, practice classes in workshops provide consumers with valuable experience in handicraft innovation industries. With every element’s design and every sale process, we hope to provide industry workers with opportunities to repeatedly review their work and thus increase market competitiveness.

Assisting Villages with Online Stores

“Taiwan’s Hotspots” provide businesses with physical sales locations. However, to industry workers from disaster areas or rural towns, utilizing online store models can reduce transportation costs for imports and exports of goods and increase product visibility. Also, product innovation and market compatibility can be further inspired by having producers directly encounter buyers. Therefore, in 2010, we have incorporated Chunghwa Telecom’s networked online store advantages to provide people intent on opening online stores with professional training classes and store opening services.

“Nanshalu Business Office of Namasia Township, Kaohsiung” and “Organic Produce of Shanmei Village, Chiayi” are located in

Namasia Township of Kaohsiung County and Alishan Township of Chiayi County, which were most severely damaged by Typhoon Morakot. After the typhoon disaster, Alishan Township, which relied on agricultural produce, almost became bankrupt. Meanwhile, N a m a s i a T o w n s h i p , which relied on handicraft items, could not sell anything.

Currently, the contents of online store assistance programs include rental and internet fees required for sponsored

community industries, and also provision of human resource management fees, in order to encourage village people in achieving the objective of “digital learning and application.”



With opening online stores through the HiNet platform, we are creating new sales platforms.

Dream Building Workshop of Namasia Township, Kaohsiung County

The consecutive nights of heavy rain from Typhoon Morakot turned Xiaolin Village of Jiaxian Township, Kaohsiung County into one of the most disaster-stricken villages from the typhoon disaster. Namasia Township, located in Kaohsiung County, also suffered similar damages.

After Chunghwa Telecom’s Fengshan operation office became aware of conditions in Nanshalu, it proactively provided an area of the operation office to act as industry sales spaces. By incorporating Chunghwa Telecom’s specialization and the advanced and convenient “iHome Smart Phone” system,

consumers can directly engage in online inquiries and purchases with sellers in Nanshalu, which not only resolves consumer concerns over products, but also increases direct contact between sellers and consumers, which is helpful for establishing long term sales lines.

Chunghwa Telecom Continuously Helping Community Villages Sell Local Products through Action

The concept of harmonious coexistence between people and land is becoming increasingly common, and consumers are beginning to harness trust and acceptance in “non-toxic,” “organic,” “local,” and other products. Therefore, in 2010, we hoped to rally more corporate volunteers to apply actual purchases to further understand and interact

with local industries. Other than holding irregular large market events in Chunghwa Telecom’s Headquarters and the weekly small market sales of Piyaway organic product, provide grounds for Piyaway villagers from Taoyuan (35 events from May 6 to the end of the year) and our partners from Geng Xin in Sanhong (13 events since September 17) to sell healthy

produce and self-produced foods, which, helps village communities with pioneering sales channels and encourage autonomous business development, and also encourage internal employees to apply concrete action to participate in the process of corporate promotion of social responsibilities.

Investigation and Analysis

Our vision behind initiating the “Digital Good Neighbors” project in 2006 was: allow everyone to “use computers well,” so that “computers can serve well,” and allow everyone to “use internet well,” so that “internet can serve well.” The final objective is that people can “use opportunities well,” and that “opportunities can serve well.” Over the last several years, Chunghwa Telecom’s employees across Taiwan continuously provide ceaseless service assistance, and our corporate promise and commitment to creating digital opportunities have won recognition from local authorities and local residents alike.

Stable Growth of Digital Good Neighbors

In order to help residents living in remote areas overcome digital disparity issues, Chunghwa Telecom had been continuously facilitating the “Digital Good Neighbor” project for many years. Other than sponsoring computer, network, and communication equipments, and forming long term cooperation partnerships with local non-profit organizations. From 2006 to 2010, “Digital Good Neighbors” were created across over 40 communities and villages.

In order to understand the operational conditions of all “Digital Good Neighbors,” Chunghwa Telecom conducted questionnaire surveys in 2010. 30 questionnaires in total were issued, of which 20 effective questionnaires were returned, resulting in an effective return rate of 70%.

Because of Chunghwa Telecom works closely with all establishment and implementation units, the mature and stable “Digital Good Neighbors” can mostly devise their own class contents appropriate for their communities, while Good Neighbors in development can also proactively discuss class contents with Chunghwa Telecom Foundation. Therefore, classes were all conducted properly, all yielding significant results.

According to the analysis of this questionnaire survey, each “Digital Good Neighbor” opens for 657 hours on average, and is used by 1,447 persons on average. An average of 72 people participate in an average of 14 computer learning classes held.

Significant Leverage

“Digital Good Neighbors” also resulted in significant leverage effects, allowing communities to reconnect to government or corporate resources. The 20 implementation units who responded to questionnaires consolidated a total of 18 categories of resources, secured NT\$ 517,000 in funding support. Also, there are equipment or facility donations and participation from local private sector units. The operation of “Digital Good Neighbors” can also inspire participation from local authorities, who may contribute their capabilities or time. Meanwhile, every unit has 7 volunteers on average, serving as many as 388 hours.

The multitudes of benefits accumulated by “Digital Good Neighbors” are also of considerable importance towards sustainable development of communities, of which the most significant effects include “allowing residents to become more familiar with each other,” “convenient learning of new knowledge,” “more convenient lifestyles,” “learning new capabilities,” “better facilitated dialogue and cooperation,” and “people focusing more living environments.”

Under optimal foundations, all “Digital Good Neighbors” still have considerable growth potential, and also demonstrate intense intents. On average, every unit has 3 subsequent projects under planning, which can effect more long term benefits for community residents.

Inclusive Business

In this age of rapidly evolving technologies, we are committed to creating a digitally inclusive information society. In this non-discriminatory information society, no one will experience any disparity in terms of opportunities of interacting with and using information due to differences in education levels, gender, age, ethnicity, or locations of residence.

Three Major Operational Priorities

In our future resolution of digital disparities, we will explore ways to account for commercial profits and corporate social responsibilities at the same time, while preemptively addressing large business opportunities and markets from people who want to increase their living standards. Our diligence will be directed as follows:

1. Education: providing ICT education services for students in rural towns, aboriginal mountain areas, and schools destroyed by typhoons, so that children can learn anywhere they go, or take photographs of their current scenery and upload them to international databases to search for information in the photograph. Innovative technologies will also be applied to increase children's interest in learning and innovative developmental capabilities (current services include: storytelling with love 12512).

2. Health: work with medical clinics to improve care for chronic illnesses or seniors through ICT assistance, such as regular transmission of morning and nighttime blood pressure and blood sugar measurements back to the hospital, recommended exercises and healthy cookbooks, instant video inquiry hotlines, etc (current similar products offered include: iHome Care).

3. Disabled persons: develop ICT solutions and services that fulfill the needs of disabled persons.

Non-Profit Cooperation with Public Departments

We also provide proposals to address current conditions of large workloads and manpower budget constraints surrounding public departments, aimed at assisting public departments with caring for every citizen. In 2010, we proposed the "Delivery Service Plan for Hsinchu County," which is briefed to government leaders. In the future, all information regarding disaster prevention and response, county government bulletins, education services, industrial and commercial services, etc. can be easily retrieved by clicking on "MOD County Deliveries."

Under the contemporary trend of servicing the people, the internet can assist public departments by starting from public and household safety and eventually achieving the mission of providing convenient services to the people through agricultural produce sales, education quality, home energy saving, local cultures, care for social welfare, and employment incentives. Public departments can also use MOD to instantaneously understand public opinion, response to public demands, and at the same time provide the stage for new emerging industries to develop new job opportunities.

Public-Help-Search System

In addition to cooperating over many non-profit text message and free service codes with the government, we also tested the "Public-Help-Search System" in 2010. The "Public-Help-Search System" is the result of innovation, research, and development from Chunghwa Telecom Laboratories. Through the text messaging function of a personal cell phone, relevant information can be sent proactively to volunteers to assist the Child Welfare League Foundation (abbreviated as CWLF) and Federation for the Welfare of the Elderly (abbreviated as "Seniors' League") with finding lost children and seniors. According to system operation results, currently, the resolution rate of lost person cases is approximately 52%. The capacity of more search volunteers is badly needed to improve these statistics.

Special Edition: Innovative Technology and Inspiring Service

In 2010, we have introduced various innovative technology products and services, based on the main axis of “innovative technology” and “inspiring service,” as well as inviting people to experience these accomplishments during various major events.

Expo 2010 Shanghai China

During the Expo, the Taiwan Pavilion was a distinguished section. In order to allow people who could not attend the event in person to also experience the pride of the Taiwan Pavilion, we have established the “Expo Zone” in the three platforms of hiChannel, emome, and MOD, where people can watch instantaneously. The 16 ambassadors of the Taiwan Pavilion were also invited to broadcast live from Chunghwa Telecom’s Xuite blog. Also, we have also introduced the “Daily Rental of Digital Expo Tour” proposal, allowing people in the Expo to share their thoughts instantly with family and friends.

FIFA World Cup 2010 in South Africa

The FIFA World Cup 2010 in South Africa, the first World Cup in an African country, is a high profile event to people around the world, and also one of the most popular international attractions. We have long been committed to broadcasts of sports events, but in this event, not only do we provide high quality MOD bilingual broadcasts, so that soccer fans do not miss any captivating moment, HiNet and emome also broadcast live from the event throughout its entire duration, so that people can travel and watch at the same time.



Taipei Mayor Lung-pin Hau, Chairman Lu, and soccer team members attend the opening live broadcast press conference of “Taipei High World Cup”

2010 Taipei Flora Expo



The greatest event at the end of 2010 – the Taipei International Flora Expo, contained Chunghwa Telecom as its only telecommunications sponsor. Other than overall foundational network establishment and end user equipments, we also provided dedicated event-wide wireless applications, mobile tour guide services, and mobile added value services, allowing people to experience the charm of the mobile Flora Expo before they arrive at the event itself.

The Flora Expo, spanning 6 month long, exhibited at least 3,300 species and 3.297 million plants, as well as various theme pavilions distributed in the vast Flora Expo exhibit region. The QR Code / NFC Bluetooth Dongle service that we introduced enables instant retrieval of relevant information upon photographing of the QR Code or retrieval of RFID, to eliminate confusion for people attending the event



ASSURANCE STATEMENT

SGS TAIWAN'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE CHUNGHWA TELECOM CO., LTD.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2010

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan was commissioned by Chungghwa Telecom Co., Ltd. (hereinafter referred to as CHT) to conduct an independent assurance of the Corporate Social Responsibility Report of 2010. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in CHT's operational sites in Taiwan of this report.

The information in the CHT's Corporate Social Responsibility Report of 2010 and its presentation are the responsibility of the superintendents, CSR committee and the management of CHT. SGS Taiwan has not been involved in the preparation of any of the material included in the CHT's Corporate Social Responsibility Report of 2010.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all CHT's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines and the AA1000 Assurance Standard (2008). These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured at a high level of scrutiny using our protocols for:

- evaluation of content veracity;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G3 2006); and
- evaluation against the AA1000 Stakeholder Engagement Standard (2005).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at headquarter and operational sites of CHT in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Taiwan affirms our independence from CHT, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with QMS, EMS, SMS, EnMS, GPMS, SA 8000, GHG Verification Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within CHT's Corporate Social Responsibility Report of 2010 verified is accurate, reliable and provides a fair and balanced representation of CHT sustainability activities in 01/01/2010 to 12/31/2010. Some statements and data within the scope were not assured due to lack of accessible records during the timescale allowed for assurance, and these are clearly marked throughout the text.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. The report is the third to be assured by an independent assurance team and CHT has taken a bold step by offering the report to evaluation against both Global Reporting Initiative's G3 guidelines and the AA1000 Assurance standard. This shows a deserved confidence in their reporting process. In our opinion, the contents of the report meet the requirements of Global Reporting Initiative G3 Application Level A⁺ and AA1000 Assurance Standard (2008) type 2, high level.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS **Inclusivity**

CHT has demonstrated a strong commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts underpin the organization's understanding of stakeholder concerns, and its ability to integrate them into its decision making processes. This is demonstrated by the surveys of employees and consumers, by communications with investors, local communities, and suppliers, and also by engagements with NGOs and other stakeholders. For future reporting, CHT may proactively consider having more direct involvement of stakeholders during the engagement.

Materiality

CHT has established appropriate processes for determining issues that are material to the organization. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders. For future reporting, CHT might consider profiling the sustainability impacts and performance of organization's businesses in more detail.

Responsiveness

The report provides a comprehensive response to the issues and stakeholder concerns relating to CHT's activities. The timeliness of response need to be further considered in future reporting.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (2006) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Principles, Standard Disclosures and Indicators

The report is adequately in line with the Global Reporting Initiative G3 Application level A⁺. The principles of timeliness and stakeholder inclusiveness may be further enhanced by issuing next report no later than nine months after end of reporting period and having higher degree of direct stakeholder involvement during the engagement. Contents of Disclosure on Management Approach may be further addressed in next report.

Signed:

For and on behalf of SGS Taiwan



Dennis Yang, Chief Operating Officer
Taipei, Taiwan
8 February, 2012
WWW.SGS.COM



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