

# Corporate Social Responsibility Management

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- *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

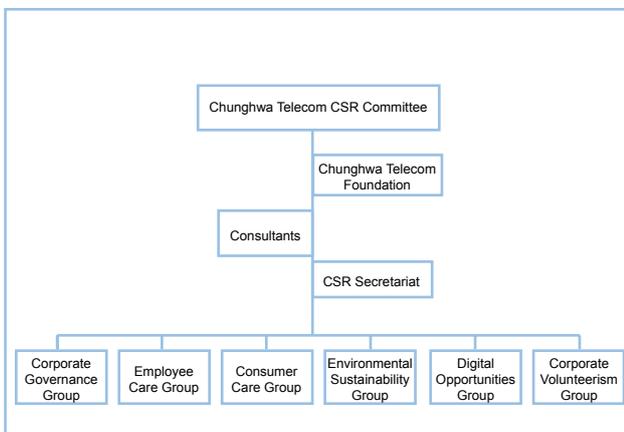
*As a valuable enterprise, how to take more responsible actions to account for all stakeholders affected by our core business fields is an issue we have never ignored outside of our professional capacity. We believe that using unique corporate resources and specializations to focus on relevant public 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:

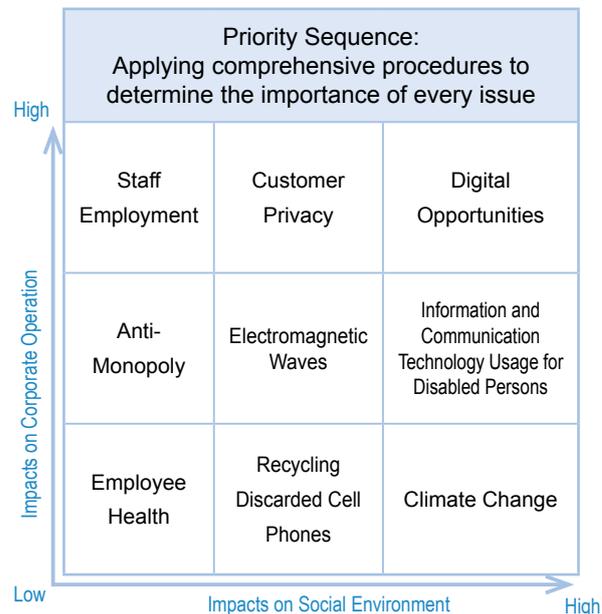
1. Inviting stakeholders: invitations issued by the Public Affairs Division.
2. Designing opinion survey questionnaires: contents of CSR reports are organized into questionnaires.
3. Meeting: stakeholders are invited to speak, while departmental managers respond as appropriate.

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



# 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.

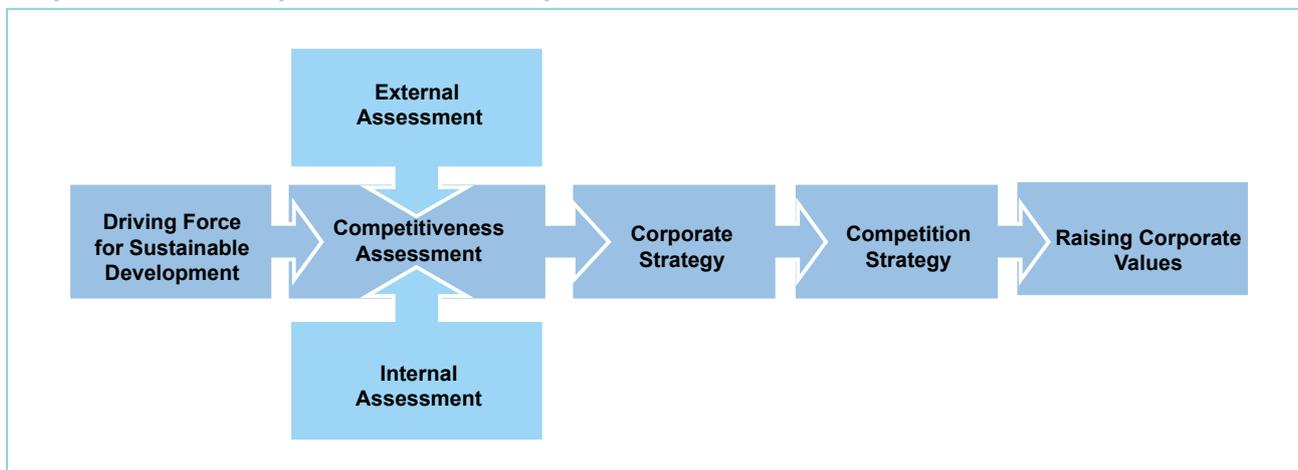
We have developed SMART corporate social responsibility management systems with unique strategies, management, actions, responses, and target stages to account for the six aspects of corporate social responsibility, including corporate governance, employee care, consumer care, environmental sustainability, 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

Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies	Page No.
<b>1.Enforcement of Corporate Governance</b>	
(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
<b>2.Development of sustainable environments</b>	
(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
(4)Information regarding companies addressing the impacts of climate change on business activities and formulating corporate energy and carbon conservation and greenhouse gas reduction strategies.	43
<b>3.Protection of Public Interests</b>	
(1)Information regarding companies complying with relevant labor legislations, protecting legal rights of employees, and establishing appropriate management methodologies and procedures.	34-35
(2)Information regarding companies providing employees with safe and healthy working environments, and conducting regular safety and health education for employees.	38
(3)Information regarding companies formulating and disclosing its consumer rights policies, and providing transparent and effective consumer complaint procedures for its products and services.	26-27
(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
<b>4.Enhancement of Information Disclosure</b>	
(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