

Corporate Social Responsibility Management



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- During the Finance Asia 2011 nominations for most outstanding Asian corporations, Chungghwa was honored with recognition as the “Best Managed Company,” and for having the “Best Corporate Governance,” “Best Corporate Social Responsibility,” and “Best Commitment to Strong Dividends.”



From Listening to Action

Chunghwa was the first domestic telecom to assemble a CSR committee. Since promoting the work of CSR, we have developed strategies, management and action plans, as well as observing responses and setting goals according to the SMART model.

In order for our business to better meet the expectations of stakeholders, starting in 2011, we have held regular stakeholder communication meetings to feed valuable opinions back to operating units to turn the meetings of Chunghwa Telecom and CSR into a careful listening and sustainability innovation cycle.

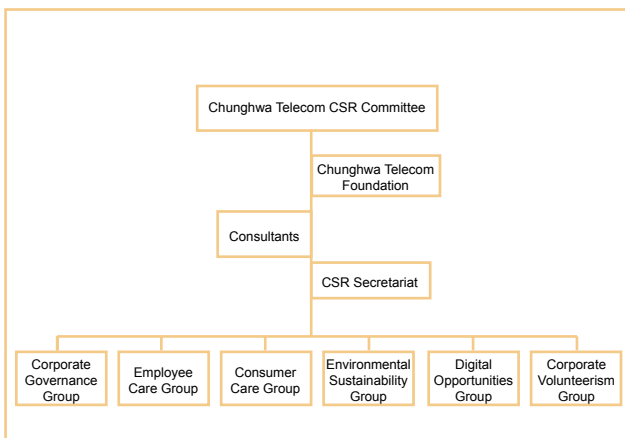
Core Capabilities – Higher Benchmarks

In addition to emphasizing our professional capacity as a valuable enterprise, finding ways to take more responsible action to account for all stakeholders affected by our core business fields is an issue we have never ignored. We believe that using unique corporate resources and specialization to focus on related public issues and improve the competitive environment can be of benefit to society as well as the corporations. At the same time, maturation of corporate social responsibility needs to be infused into the core activities of a corporation so that it becomes a cultural foundation to empower integrity and inspire innovation.

The Taiwan CSR Benchmarks

The driving force behind Chunghwa Telecom corporate social responsibility comes from the demands placed on corporations in this globalized age: these include global corporate deployment, the risks and opportunities for corporate image and reputation, the requirement of 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 extralegal voluntary actions to fulfill sustainable development and infuse corporate social responsibility into core business processes. Over the years, Chunghwa Telecom has become a CSR benchmark for the Taiwan telecommunications industry, and we will gradually develop corporate social responsibility from corporate strategy to competition strategy, and further into organizational operation strategy.

CSR Committee Organizational Chart



Reflection and Restart

Chunghwa Telecom led the domestic industry in promoting CSR and has received the recognition of related domestic and international awards over the years. After the competent authorities promulgated “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies,” we began formulating our own “CSR policy” and sought Board approval and support in response to the provisions in articles 5-7.

In accordance with the plan, the Board will be responsible for: CSR policy, governance, the management system; proposing the CSR mission (or vision, value); formulating the CSR policy statement; reviewing the efficacy of implementation at any time and continuous improvement. The existing CSR committee is responsible for the strategy of various tasks. The six work teams are responsible for proposing action programs and annual plans and implementing performance evaluations and review.

The core values of Chunghwa Telecom are “honest management, professionalism, and executive power.” Based on this, our CSR can be expressed in the following schematic diagram.

Scope of Chunghwa Tel CSecomR

Honest Management	Sustainable Operation	Inclusive Business
<ul style="list-style-type: none"> • Legal Compliance • Compliance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” 	<ul style="list-style-type: none"> • International Conventions • Environmental Protection Trends • Enrich the World • Listen to Voices • Raise Quality • Universal Design • Social Ethics 	<ul style="list-style-type: none"> • Corporate Citizen • Charity Activities • Digital Inclusion

The essential core of our CSR is “Sustainable Operation.” We hold ourselves to an even higher corporate ethics and moral standard in order to attain and keep social and government recognition. We expect all our colleagues to acquire proper CSR concepts and implement CSR when carrying out routine business.

The Establishment of a CSR Management System

Chunghwa Telecom has become a CSR benchmark in the Taiwan telecommunications industry. We will continue to develop corporate social responsibility from corporate strategy to competition strategy, and further on to organizational operation strategies in investment, production, management, and other stages, to infuse management visions for corporate social responsibility and environmental sustainability and to enforce these accordingly.

The SMART Management System

We have continued to discuss and deepen our commitments to corporate social responsibility since its introduction in 2007. The “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” that was passed by the Taiwan Stock Exchange in 2010 is now fully integrated into our business processes.

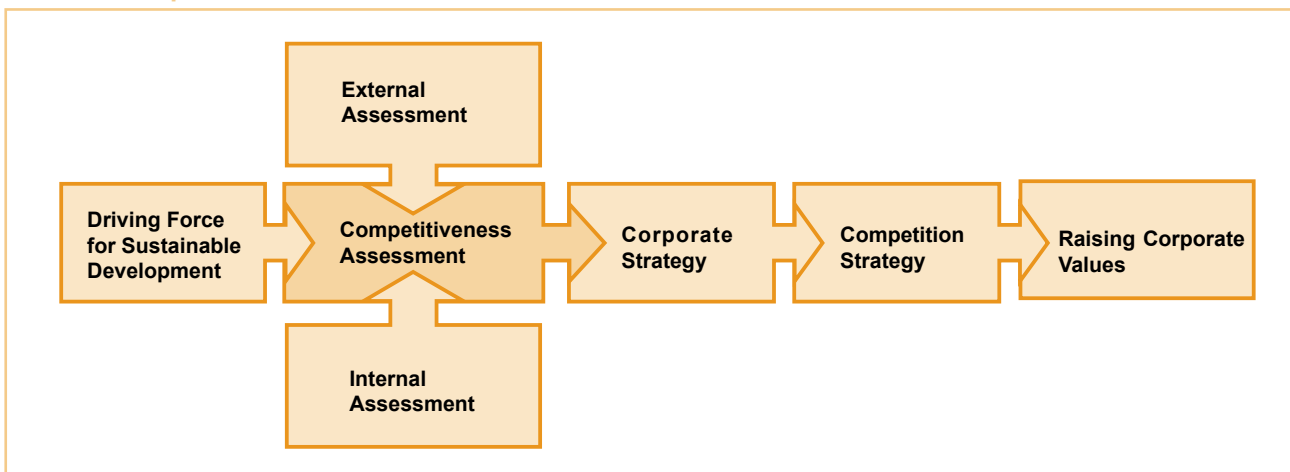
We have developed SMART corporate social responsibility management systems with unique strategies, management, actions, responses, and target stages to account for the six aspects of corporate social responsibility, including corporate governance, employee care, consumer care, environmental sustainability, digital opportunities, and corporate volunteering, and have fully incorporated them into our business plans. External questionnaires and internal assessment procedures are used at the end of each year and task groups formulate new targets for the following year. They also assess their own strategies, management, actions, and responses to decide whether they might require additional reinforcement.

Raising Corporate Value

We believe that the strategic planning and management of corporate social responsibility will effectively control risks, lower costs, increase brand values, and create new growth opportunities, to incorporate more value for stakeholders and shareholders.

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

CSR and Corporate Values



Engagement with Stakeholders

We combine corporate social responsibility with daily corporate business management because we believe that an appropriate management of corporate social responsibility issues is a critical factor for achieving our mission. It enables us to face possible future problems and challenges more responsibly, to create more value for company business development, clients, and the vast stakeholder base. We focus on listening to the voices of all our stakeholders, and have adopted a proactive communications approach to promptly and reasonably respond to external demand.

Multilayered Channels

Engagement with stakeholders and the identification of key issues is the core of CSR. Since the first CSR report was published in 2007, Chunghwa Telecom had been enhancing interaction by inviting different stakeholders to meetings with relevant departmental managers from time to time. Our CSR reports are also verified by third parties to ensure their reliability and accuracy.



Listening to Stakeholder Voices and Timely Responses by Department Managers.

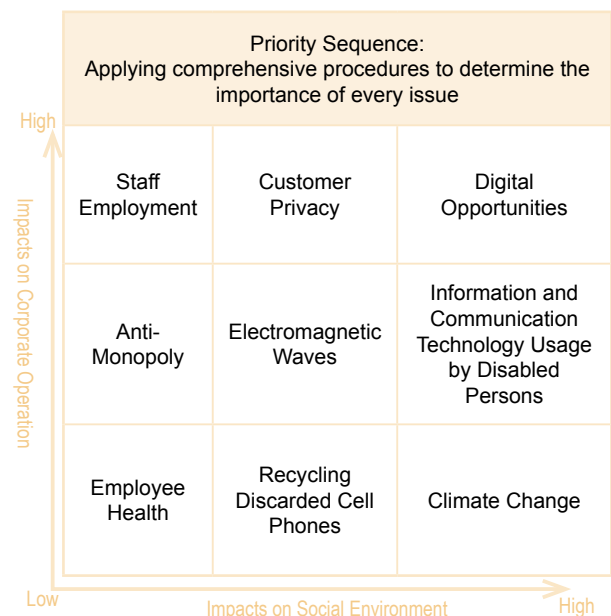
Key Issues Matrix

Identification: Issues from many Stakeholders and Sources	
Primary Source: <ul style="list-style-type: none"> Customer Feedback Email Stakeholder's 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 by Disabled Persons Staff Employment Anti-Monopoly Electromagnetic Waves Energy Usage Employee Health Customer Privacy Recycling Discarded Cell Phones



Analysis of Key Issues

We determined the priority sequence of different issues of concern to stakeholders through the aspects of "impact on corporate operation" and "impact on social environment." As before, creating digital opportunities is the most important task that our CSR operations should focus on, in addition, "customer privacy protection" and "information and communication technology usage for disabled persons" are also closely related to our core operations. In response to rapid technological development, we need to ensure that user rights are not violated. In addition, the creation of specifically requested products for different clientele groups is an expectation of society and also includes possible future business opportunities.



Deepen Supplier Partnerships

Working and growing together with suppliers is fulfilling our responsibility to the telecommunications industry. Article 8 of the “Chunghwa Telecom Code of Conduct” clearly specifies: We must treat our suppliers fairly and will not obtain unfair profit through obfuscation, the abuse of advantages, or other material misrepresentations. Suppliers are also strictly prohibited from obtaining improper profits. In addition, article 10 also declares that we will not join with competitors to boycott or refuse to deal with suppliers.

Creating Win-Win Cooperative Relationships

Over the years, we have continued to jointly grow with our suppliers. We provide incentives for them to work in research and development. Rights to our patented technologies are transferred fairly. In terms of hardware and software, we continue to support telecommunications facilities and testing environments. We provide expansion and open cooperative platforms to achieve profit sharing.

Incentive Measures

We provide financing through an open platform and assist suppliers to develop.

1. Digital Cloud Rainforest: By our comprehensive cloud service creation environment, a high-capacity cloud platform, we encourage software developers to participate with incentives to establish their results in the applications market. Hence, software developers can focus on the research and development of innovative services and enter market quickly.
2. The Firefly Project: Partnered with the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to establish the “Chunghwa Telecom Firefly (counter guarantee) Project Credit Guarantee.” All first-rate corporations recommended by us can apply for credit guarantee. So far, a total of 19 companies had been recommended, and the project was instrumental in obtaining NT\$ 240 million.

Building Ability

We share resources with suppliers to enhance their R & D capabilities. To mastering future technologies, We also committed to the advance of a friendly environment.

1. iEN service drives green industry: Our Intelligent

Energy Network (iEN) focuses on providing solution to the following discipline: electricity, illumination, air conditioning, heat pumps and boilers, environmental monitoring, solar photovoltaic applications, drainage, water conservation, smart buildings, and equipment room energy conservation, etc. We devoted into green procurement, R & D partnerships, and technological promotion with equipment manufacturers, integrators, and service providers. To date, we have established positive interactions with 65 corporate partners to develop competitive products.

2. Assist the Taiwan Telematics Industry Association (TTIA) complete the intelligent bus industry standard and project demonstration: The formulation of onboard device standards is key to sustain operation of the onboard device and telematics industries. Invited by the Ministry of Economic Affairs, Chunghwa Telecom participates in the “Smart Bus Working Group of the TTIA” with all aspects of the onboard device companies. We have been working on the establishment of a comprehensive industry standard.
3. Development on 4G LTE/LTE-A wireless communications technology standard: We collaborated with HTC and the Industrial Technology Research Institute to hold the first 3GPP standards meeting in Taiwan. More than 900 LTE/4G experts from around the world attended, which enhance our reputation and technology leadership.
4. Convene international symposiums and forums: such as; The Joint Conference of R.O.C.-USA Business Councils (Cloud Computing Group), the 3rd Taiwan-Japan IT Business Dialogue Conference, and the 29th Sino-Japanese Modern Engineering and Technology Symposium (Telecommunications Group).

Expand Supplier Management

We were the first Taiwanese telecommunications company to formulate supplier management policies. In 2009, we completed the “Basic Status Survey on Corporate Social Responsibility for Suppliers” questionnaire. In 2010 we held supplier conferences and sent questionnaires out by mail. In 2011, the “Code of Corporate Social Responsibility for Suppliers” and “Guidelines of Facilitating Suppliers to Fulfill Social Responsibility,” were released and we began preparing a supplier sustainability assessment plan that is expected to be implemented from 2012.

International Standards

All Chunghwa Telecom operation sites support and encourage a high standard of CSR implementation. The purpose of the “Code of Corporate Social Responsibility for Suppliers” is to specify what we expect from our suppliers with respect to CSR standards concerned with ethics, labor, environment, health, and safety. We hope to express our commitment and responsibility to suppliers through these guidelines, achieve good moral standards together, and show respect for worker’s rights and a sustainable environment. The “guidelines” apply to all suppliers providing products or services to the Chunghwa Telecom Group, subsidiaries and joint venture companies and companies in the supply chain. Contents of the “guidelines” include five aspects:

- Corporate Standards
- Ethical Standards
- Labor Standards
- Environmental Standards
- Health and Safety Standards

According to the “Guidelines of Facilitating Suppliers to Fulfill Social Responsibility,” we will strive to understand supplier CSR implementation status through the provision of training, surveys, onsite visits, or third party verification. We will encourage suppliers who have not conformed to the guidelines, and advise them in the establishment of a suitable improvement plan. These measures for facilitating supplier implementation of CSR will be planned and executed by the secretary of the CSR committee with assistance of CRS members assigned by the related business units.

Supplier CSR Status Survey and Audit

In the past, our audits were limited to engineering suppliers. In 2011 audits were conducted on 87 companies (approximately 1.2% of all suppliers). Management and employees were interviewed to monitor production quality through onsite audits (announced and unannounced). From 2012, suppliers with procurement of NT\$ 5 million or more must agree to abide by the e “Code of Corporate Social Responsibility for Suppliers” and “Guidelines of Facilitating Suppliers to Fulfill Social Responsibility,” and implement supplier CSR surveys to facilitate our supervision of the sustainability risks of suppliers. Our definition of high sustainability risk is as follows:

- Economic: Occurrence of business ethics violations due to supplier not having formulated a code of conduct
- Environmental: Supplier has yet to formulate a written environmental policy and has not formally requested that suppliers comply with environmental regulations.
- Social: Company has yet to formulate a written labor policy or health safety policy.

According to our preliminary supplier sustainability assessment plan, suppliers in the equipment and labor category will also be gradually included in the scope of audits to further integrate ESG (environment, social, governance) factors and supplier selection criteria.

Key Performance Indicators of Corporate Social Responsibility

Since the introduction and promotion of corporate social responsibility in 2006, we have gradually accumulated a range of performance indicators, represented by different symbols in this report. Legal indicators (📄) represent the relevant legislation that we observe in our corporate social responsibility duties; benchmark indicators (🏆) represent the benchmark performance yielded by our corporate social responsibility duties; management indicators (🔍) represent tasks that are under continuous performance management; and represents the awards we have won in the related fields.

Legal Indicators	Benchmark Indicators
<p>Relevant regulations from code of conduct P.20</p> <p>Formulation of ethical business practice regulations P.21</p> <p>NCC universal service policy P.33</p> <p>People with Disabilities Rights Protection Act P.38</p> <p>Labor Union Act P.39</p> <p>Risks and opportunities from addressing climate change P.48</p>	<p>First telecommunications company to formulate CSR policies for suppliers P.14</p> <p>The only unionized telecommunications company that has signed collective agreements with employees P.39</p> <p>The first telecommunications company to achieve carbon reduction targets P.52</p>

Management Indicators	2009	2010	2011	Explanation	Page No.
Customer Satisfaction: consumer customers	3.73	3.81	9.45 ^{Note}	↑	P. 29
Percentage of female managers(%)	22.48	23.04	23.71	↑	P. 38
Number of disabled persons employed	709	721	757	↑	P. 38
Number of maternity leave applications	55	54	171	↑	P. 42
Service providers with the highest amount of green purchases (in millions of NT\$)	2.06	4.1	8	↑	P. 58
Total hours of corporate volunteer services	41,979	147,083	19,452	↓	P. 63
Monetary amounts of social contribution (in thousands of NT\$)	1,556,467	1,875,187	1,604,862	↓	P. 63
Operation of computer- related classes for remote areas (hours)	1,023	1,240	934	↓	P. 64

Note: Customer Satisfaction index change different count in 2011.