

Corporate Governance



S	Strategy	Enforcement of Ethical Business Practices
M	Management	Risk and Crisis Management
A	Address	Enhance Code of Conduct
R	Response	Ethical Corporate Culture/ Transparent Disclosure and Management
T	Target	Sharing Value through the Cloud Platform



- Chunghwa Telecom was rated A+, the highest honor, and listed amongst the top 10 A+ public companies in the Public Companies Information Disclosure Ranking, hosted six years in a row, by the Securities & Futures Institute.
- Chunghwa Telecom was selected by IR Global Rankings to receive the Best Financial Disclosing Company in the Asia Pacific Region Award, the Best Financial Disclosing Company in the Great China Area and Bronze medal, Best Investor Relations Website in Taiwan.
- Chunghwa Telecom was selected by TM Forum Management World to receive a 2011 Business Innovation Excellence Award.
- Chunghwa Telecom's sustainability performance was ranked second in Asia and first in Taiwan.
- Chunghwa Telecom received the 2nd Ten Outstanding Project Managers Award.
- Exhibited in the "TWSE Listed Companies Expo'11" and was awarded the CG6006 advanced corporate governance assessment certificate and CSR award for excellence.
- Awarded the "2011 Common Wealth Corporate Citizenship Award" - promoted to most futuristic new value Telecom enterprise in Taiwan.



From Green Industry to **Digital Rainforest**

Ever since Chunghwa Telecom, previously under the Ministry of Transportation and Communications' Directorate General of Telecommunications, became a corporation and was listed in Taiwan and New York, we have been committed to the improvement of corporate governance and regard ourselves as a green business that can integrate the sustainability issue into daily operations.

Since promoting the work of CSR, we have been actively cooperating with business partners to drive positive social development. In the future, we will commit to the promotion of the digital rainforest concepts of "Living Water Fertile Ground, Sustainable Green Energy, Prosperous Innovation, and a Multiplex Coexistence."

Enforcement of Ethical Business Practices

We intend to shape “Chunghwa Telecom” into the most valuable and most reliable ICT 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: the establishment of effective corporate governance frameworks, the protection of shareholder’s rights, the enhancement of the functions of the Board of Directors, the utilization of Supervisor functions, respect for stakeholder rights, and increasing information transparency.

Enforce Board of Directors

The Chunghwa Telecom Board of Directors is the highest governance body, with the Chairman also acting as the Chief Executive Officer. The Board of Directors is responsible for appointing and nominating high level managers, as well as formulating company corporate social responsibility, corporate citizenship, and sustainable development strategies. The Board has 13 directors which includes 3 independent directors and 3 supervisors. To date, 3 female directors (1 independent) amongst 12 directors, and all the supervisors are female. At the same time, a labor directorship has been specifically provided to ensure diversity of the Board. In 2011, the Board convened a total of 8 meetings and the average rate of Board attendance exceeded 90%.

To consolidate supervisory functions and management effectiveness, the Board of Directors established “Strategy,” “Audit,” and “Compensation” committees. To prevent financial losses from third party litigation for directors and supervisors, we have purchased indemnity insurance for Directors and Supervisors.

The Ministry of Transportation and Communications (MOTC) is the largest shareholder of Chunghwa Telecom. Our Chairman and President act as their shareholder representatives. They are committed to executing policies and fulfilling social responsibilities, and are examined by MOTC yearly. Compensation for the Chunghwa Directors, Supervisors, President, and Vice Presidents accounted for 0.31% of net profits in 2011, 0.33% in 2009, and 0.30% in 2010.

Shareholder Structure

Government agencies	Financial agencies	Other organizations	Foreign agencies and foreigners	Individuals
36.84%	21.58%	2.50%	24.59%	14.49%

Note: this information is accurate as on July 27, 2011, the standardized date of dividend and capital gain distributions for Chunghwa Telecom.

Information Disclosure

As a publicly traded company in Taiwan, we also issue American investment certificates that are publicly traded on 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.

Supplier Management Standards

The “Chunghwa Telecom Code of Conduct” clearly specifies: We must treat our suppliers fairly and will not obtain unfair profit from them. For many years we have provided software assistance to create a win-win relationship with suppliers. In 2011, we lead the industry in formulating the “Chunghwa Telecom Supplier CSR Guidelines” and strive for sustainable development with all our business partners.

Business Principles

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

Risk and Crisis Management

Identifying and controlling risk incidents are responsible actions of 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 risk and danger 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 firm and proactive fashion to reasonably ensure achievement of company targets and create maximized shareholder value.”

We have always formulated the “Chunghwa Telecom Risk Management Regulations” to act as references for all employees in the execution of their work. The President is designated as the person with 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.

Climate Change Risks

In order to prevent service interruptions, personnel, and financial losses caused by floods and mudslides, we are actively completing data center flood prevention and repair operations, holding disaster prevention and emergency response drills and mitigating the operational risks from climate change to ensure clear communications and the overall safety of the communications network.

After the flood disaster of August 8, we 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 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 towards the overall project, current execution status, short term and long term action plans, etc, to enhance disaster resistance capabilities and enforce responsible communication.

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 Proceed with Resource Allocation
High Level Management (Chief Executive Office, President, Vice President)	<ol style="list-style-type: none"> 1.Execute Board of Directors Risk Management Decision-Making 2.Coordinate with Inter-Departmental Risk Management Interaction and Communication
Headquarters (The Corporate Planning Department takes on the duties of Executive Secretary)	<ol style="list-style-type: none"> 1.Compile Implemented Results of Risk Management Activities 2.Assist and Supervise Risk Management Activities in Subordinate Branches 3.Decide Risk Types based on Environmental Changes and Establish Risk Undertaking 4.Proceed with Efficiency Assessment and Coordination after Risk Adjustments
Subordinate Branches	<ol style="list-style-type: none"> 1.Execute Risk Management Activities 2.Execute Self-Evaluation of Risk Management and Control Activities

Enhance Code of Conduct

We insist all our employees to comply with ethical standards. This means that during the process of operations and task performance, our employees must strictly follow the code of conduct and moral guidelines and may not compromise for any reason. This will ensure that all tasks carried out comply with regulations and moral standards that prevents any illegal action.

Abiding by the Code of Conduct

The “Chunghwa Telecom Code of Conduct” is the basic guideline that governs the execution of daily tasks by our employees. The “Chunghwa Telecom Code of Conduct Violation Case Acceptance Points,” “Chunghwa Telecom Implementation Guidelines for Protecting Trade Secrets,” “Chunghwa Telecom Human Resources Employee Complaints Hotline,” and a strict reporting mechanism allow employees to conduct commercial activities worldwide with the highest ethical standards. This code of conduct was set up especially to establish ethics criteria that should be adhered to and maintained. These standards include personal and group responsibility, and responsibility to the company, public, and other stakeholders that apply to board members, supervisors, managers, and employees with the goal of preventing misconduct.

Ethical Evaluation of Employee Behavior

The Chunghwa Telecom Code of Business Conduct and Code of Conduct are both published on our external and internal websites and all our employees are required to take the “Chunghwa Telecom Code of Business Conduct and Code of Conduct Test” each year. By doing so to maintain their professionalism and integrity, which optimize corporate governance and risk control, which establish honestly principled corporate culture. Additionally, the Chunghwa Telecom Employee Review Guidelines and Chunghwa Telecom Reward and Discipline Standard are published to evaluate employees, who are also confirmed to thoroughly understand and followed. Employees are rewarded or disciplined if their behavior is judged as to encourage or violate of the Guidelines.

In 2011, 17 cases involved 22 employees were reported as violating to the Chunghwa Telecom Code of Business Conduct and Code of Conduct. No employee dismissed or litigation due to bribery or discipline punishment. Among above 22 employees, 11 employees (9 cases) were in violation of confidentiality regulations, one was involved in a murder case, one in embezzlement, and the remaining 9 employees (6 cases) were verified as engaging in improper behavior or speech. In addition to issuing disciplinary ordinances, we also continue to promote related regulations and emphasize them by education.



Online Code of Conduct Test held annually to deepen integrity management.

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 the CHUNGHWA TELECOM Co Ltd” to be the policy followed by all of Chunghwa.

Public Private Partnership

Corporate integrity management is an priority issue that everyone concerned currently. First, the United Nations proposed a Global Compact in 1999 to make anti-corruption one of the major subjects of CSR, by doing so to advocate corporate responsibility and create integrity and fairness business environment. APEC also has categorized “enhancing CSR” and “combating corruption” as two critical global issues. They encourages cooperation between public and private sectors to improve governance and combat corruption.

Hence, the board approved 23 articles in the “Chunghwa Telecom Code of Business Integrity” in December 2010, which clearly specifies the regulations. Board members, supervisors, managers, employees, and also investment companies are ask to comply with. These standards form is our group-wide policy, which has specific targets that are disclosed to the public on the company’s external website.

Applied Across the entire Group

Goals of establishing these standards are to unify the internal consensus. Specific regulations clearly ensure to ban dishonest behavior, and implement integrity management with good corporate risk management mechanisms, which to help to create a sustainable operating environment. Key points implements are as follows:

1. In order to strengthen determination and commitment to integrity management by the company, specific company regulations and external documents are clearly announce for integrity management policy and its implement.
2. In order to conduct commercial activities under fairness and transparency, clearly specify to avoid transactions with those who have dishonesty records.

3. Clearly specify to prohibit bribery, accept of bribes, provide illegal political contributions, improper charitable donations, sponsor unreasonable gifts and hospitality, or other improper benefits.
4. The board of directors should urge the company to prevent dishonest action and ensure to implement policy through by the dedicated department.
5. To implement integrity management, the board members, supervisors, managers, and employees should conduct business by regulations so as to prevent dishonesty.
6. Clearly specify a conflict of interest avoidance policy for board members, supervisors, and managers.
7. To ensure the implementation of integrity management, the company should establish an effective accounting system and internal control system. Internal auditor should regularly confirm compliance status.
8. Related operating and behavior guidelines should be establish to implement integrity management from board members, supervisors, managers and employees.
9. To implement the promotion of integrity management, clearly specify that the company should regularly hold education and training, and establish an expedient rewards and disciplinary system.
10. Clearly specify that the company should strengthen the fulfillment of integrity management information disclosure.

Transparent Disclosure and Management

We are committed to the direction and goal of CSR information disclosure and have received recognition from stakeholders in all segments of society. In the future, we will continue to lead the competent authorities, disclose various information according to international standards, and strengthen communication with stakeholders to gradually become the industry standard for disclosure in Taiwan.

Ensuring GRI Frameworks as Principle

After the introduction of the “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies,” The Taiwan Stock Exchange further refined its developmental direction in terms of enhancing corporate social responsibility information disclosure for publicly listed companies. The Taiwan Stock Exchange proposed the third generation guidelines of Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines (also referred to as GRI G3.1 Guidelines) as the most important reference and framework of information disclosure. We will continue to emphasize CSR issues and report publication.

Inviting Stakeholders to Read Reports

In order to comply with article 8 of the “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies,” this company began identifying stakeholders and found that the most important stakeholders are clients, employees, shareholders, suppliers, the community, and non-profit organizations. We began holding stakeholder conferences in 2011 which were divided into specific and general conferences. Stakeholders were invited to offer opinions on that year’s CSR report.



Awarded A++ Level of the “Ninth TWSE / GTSM Listed Companies Information Disclosure Assessment”

Greenhouse Gas Emissions and Reduction Disclosure

The Taiwan Stock Exchange also encourages the trend 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 that report certification shall be based on its production process, such as confirming the identities of stakeholders, communication with stakeholders, and confirming mutual issues with stakeholders. The inclusiveness, completeness, and comparability of reports is also emphasized. We have adopted training classes and other methods to enhance recognition for AA1000 within subordinate groups of the CSR committee.

Sharing Value through the Cloud Platform

Our goal is to become the “most valuable and most trustworthy telecommunications company.” In addition to balancing customers, shareholders, and employees, we are committed to creating overall social value. We are also committed to becoming the leader in domestic cloud computing and driving the shared value of the domestic industry.

Lead Cloud Computation

In recent years, cloud computing has become an important trend in the development of the telecommunications industry. Chunghwa Telecom is also actively preparing development. Simply put, cloud computation consists of cloud servers, terminals, networks, and services. Cloud “networks” and “services” are part of Chunghwa Telecom’s industry and two of its advantages which connect the “cloud” to the “terminals” and provide people and businesses with convenient cloud computation services.

In 2011, cloud services emerged from infrastructure construction in the concept stage, into the year of cloud services. Currently, in addition to providing customers with services such as relationship management services, computing cloud, cloud anti-virus and anti-hacking, cloud storage, etc., we are also promoting the six primary services of the personal, storage, business, travel, circulation and health clouds with partners from different industries. At the same time, we are actively strengthening cloud infrastructure through cooperation with strategic cloud partners such as Microsoft, Intel, Fujitsu, Trend Micro, Quanta, Show Chwan, etc. to drive the development of the cloud computing industry in Taiwan.

Cloud Computation Association in Taiwan

In 2011, we established the “Cloud Computation Association in Taiwan.” This association has become a catalyst for increasing the value of the cloud computing industry chain in Taiwan and allows the industrial, academic, and research sectors to have matching platforms for development, integration, verification, and commerce. In 2011 the Cloud Computation Association in Taiwan planned and birthed the “Taiwan Cloud Valley” in hopes of establishing industry clusters, providing incubation, creating a cloud platform, and other centers for cross nodal operation to become Taiwan’s first cloud computing demonstration industrial park, to further become the hub of Asian cloud services, and drive the cloud industry in Taiwan towards the next milestone.

Four Centers, One Platform, One Marketplace

Chunghwa Telecom’s cloud computing layout follows the strategic framework of “four centers, one platform, one marketplace” to gradually move forward. Four centers refers to an R&D center, test center, operations center, and experience center.

In addition, Chunghwa Telecom has built a large capacity “cloud service creation platform” focusing on cloud software developers to build a “Chunghwa Cloud Marketplace’ and provide business customers with one-stop shopping, buy to rent, on-demand, safe, and stable cloud application services. From this we hope to expand cloud application use and build the largest cloud settlement in Taiwan.