



# Editorial Policy

Welcome to the Chunghwa Telecom sixth Corporate Social Responsibility Report. This report is published in both Chinese and English on a dedicated CSR website. We hope to integrate the advantages of both paper-based and internet-based reports to let those who care about us gain a better understanding of our CSR-related efforts and performances in 2012.

<http://www.cht.com.tw/csr/download.html>

## Reporting Period

This report discloses the company's CSR management policies, key issues, countermeasures, initiatives and results between January 1 and December 31, 2012. However, to ensure complete coverage, parts of the Report include descriptions of initiatives and results outside the stated period.

## Scope and Coverage

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

## References

This Report is compiled following the G3.1 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 certification purposes. This Report is certified to be in compliance with the GRI A+ Application Level and AA1000 AS 2008.

## Feedback

If you have any feedback to share regarding the "Chunghwa Telecom CSR Report 2012," please do not hesitate to contact us through:

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2008



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2010



Chunghwa Telecom  
CSR Report 2010  
Published in February,  
2012



Chunghwa Telecom  
CSR Report 2011  
Published in August,  
2012



Chunghwa Telecom  
CSR Report 2012  
Published in August,  
2013



Carrying the environment on our shoulders

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

## A message from the Chairman

A new generation of active communication and cloud computing has already started to have a profound impact on the lifestyle. Chunghwa Telecom believes that our core technology and industrial skills lie in the areas of digital confluence and cloud integration. Assisting in industrial growth and adapting to problems such as climate change, food security, health and disease, and public education will be important challenges for the future.

In 2012 Chunghwa Telecom received international recognition, chosen for the Dow Jones Sustainability Index (DJSI), emerging market index, for the first time. Furthermore, we have been honored with the SAM Silver Award along with BT, Vodafone, and other international telecom companies. This proves that environmental sustainability through public participation is a key part of the Chunghwa Telecom corporate governance strategy. We will uphold our forward looking and innovative concepts, to achieve the goal of becoming “the most valuable and trustworthy telecom company.”

For the development of cloud computing, we have developed unique and innovative services by providing the ‘individual cloud’, ‘storage cloud’, ‘enterprise cloud’, ‘tourism cloud’, ‘transportation cloud’, and ‘health cloud’ solutions. We have developed the Virtuoso cloud system software for enterprises to create a complete plan for integrated cloud services. With an eye on the international market, we have also taken concrete action to spur the growth of the cloud computing industry in our country.

With a surge in creativity and with close alliances and partnerships, we have become a distinct and active enterprise that cooperates closely with society. By sharing value and using the “collaborative cooperation” theory, our country’s industrial development can be upgraded. Apart from combined domestic enterprises to form the “Taiwan Cloud Computing Industrial Society” to spur innovative ways of thinking and developing energy saving know-how for the future, Chunghwa Telecom’s innovations are very competitive – in the fields of sightseeing, cloud computing, MOD, Hami, and six other development platforms, we cooperate with every leading firm in Taiwan. Entrepreneurship creates new value, and is the key to the competitive strength of Taiwan’s cloud computing application industry.

We will continue to work towards combining both sustainability and growth, as well as our ultimate goal of being a company that combines telecommunications, information, value-adding, digital confluence, and cloud integration services in one coherent body. We will strive to create a “digital rainforest” and let the excellent Chunghwa network platform become a tool for industrial growth. We want to construct a forward looking, sustainable, win-win industrial ecological system that will spur and upgrade our country’s industry and add value for our stakeholders. We humbly ask that people from all walks of life help guide us and provide suggestions for this path.

**Yen-Sung Lee**

Chairman and Chief Executive Officer



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# Action

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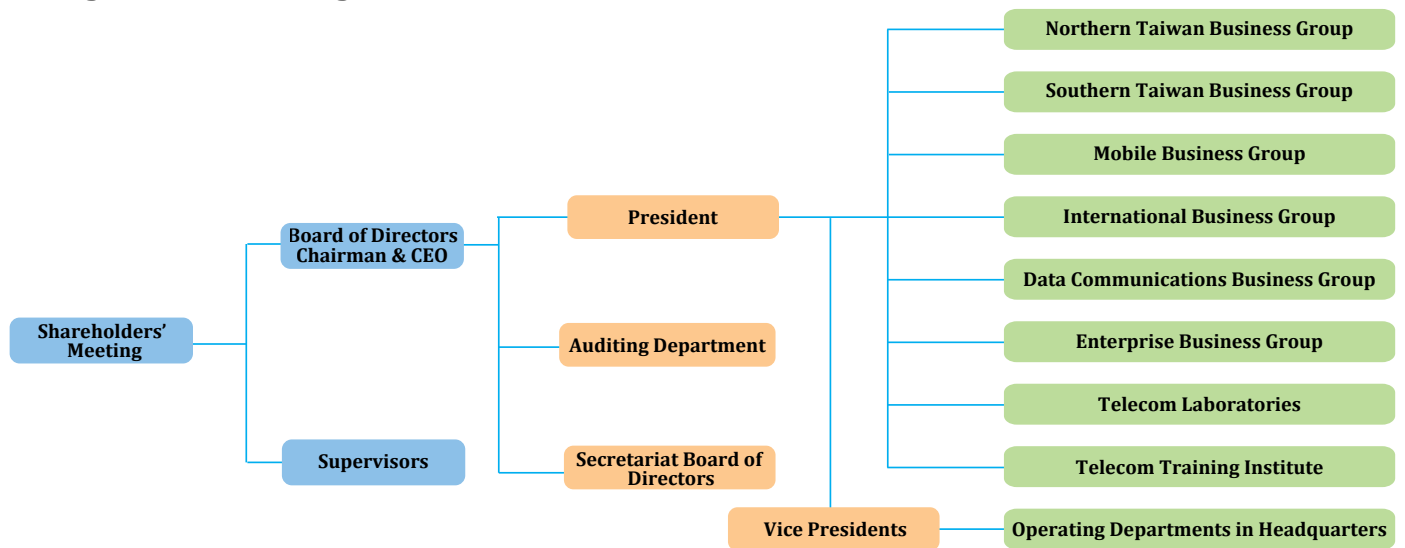
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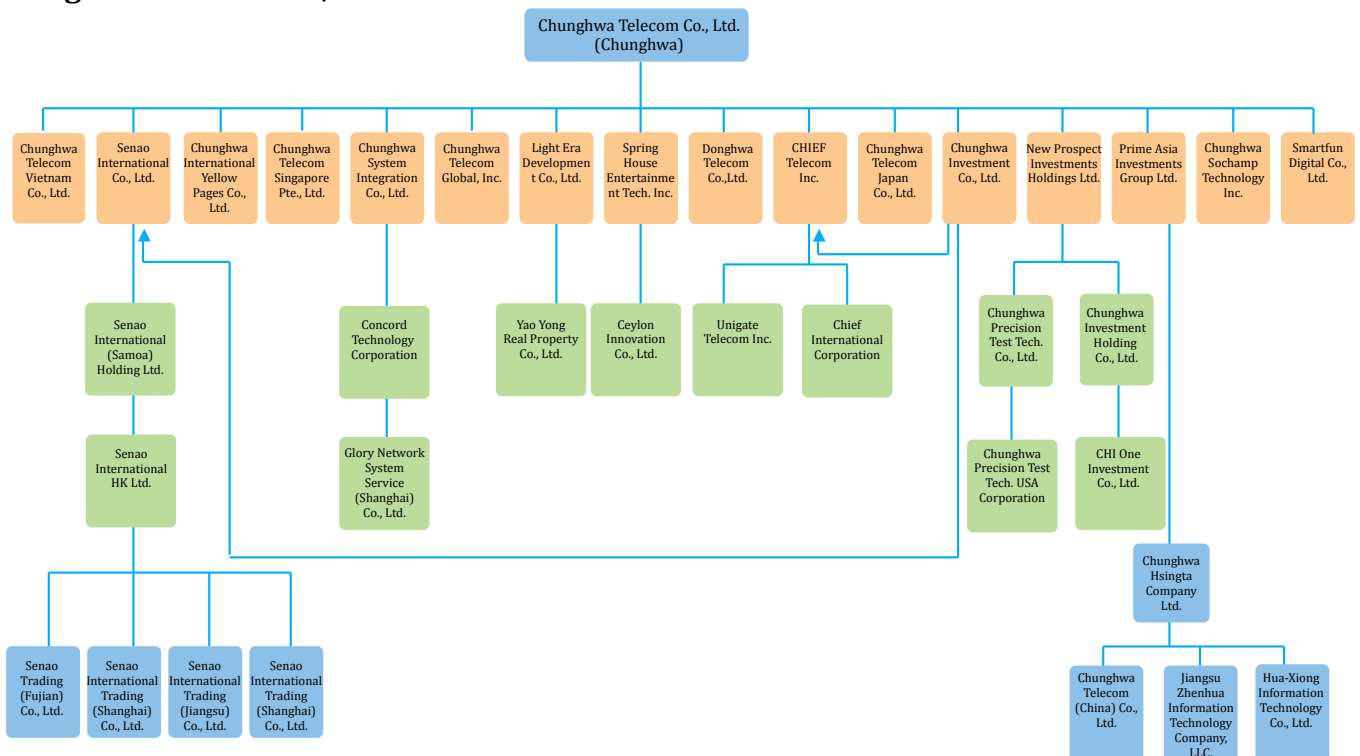
# Profile of Chunghwa Telecom

Chunghwa Telecom is committed innovative technologies and providing compassionate service to lead Taiwanese industries into a new era of development. We intend to turn our managerial direction towards promoting economic development and service, fitting our ideology: "Strengthening Taiwan, Connecting with China, and Global Deployment."

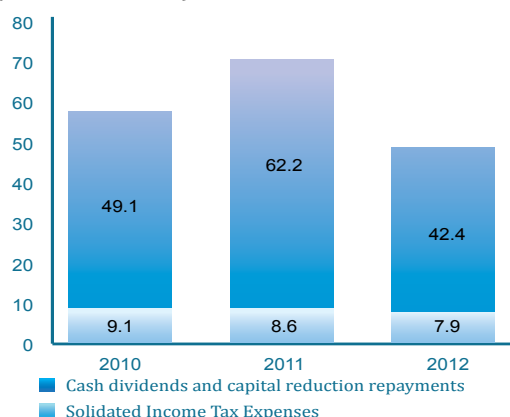
## Chunghwa Telecom Organizational Chart



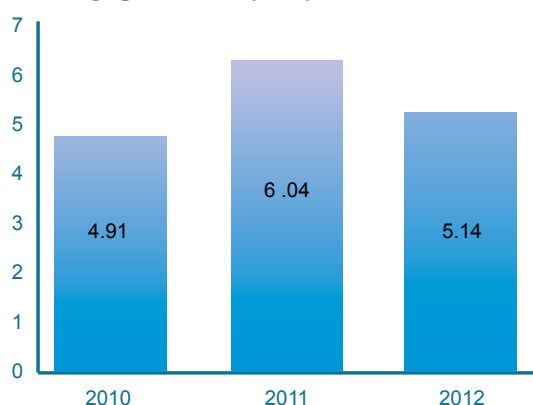
## Chunghwa Telecom Co., Ltd and Subsidiaries 2.3



### Chunghwa Telecom Economic Contribution (Billions of NT\$)



### Earnings per Share (NT\$)



## Stable Performance

In 2012, an increase in the number of smart phones and the economic recovery reinvigorated communications, increased volume, and spurred the potential for growth in the telecommunications industry.

Through the diligence of all our colleagues, growth continued in mobile added value, cell phone sales, and internet operations. Consolidated revenues reached NT\$ 220.131 billion, while consolidated net income attributable to shareholders of the parent company was NT\$ 39.904 billion, and earnings after tax were NT\$ 5.14 per share. Consolidated income tax expenses totaled NT\$ 7.858 billion and we continue to compensate our investors. In 2012, a total of NT\$ 42.362 billion was issued as cash dividends and capital reduction repayments.

In addition to traditional telecommunications services, we have successfully introduced many information, communications, and digital convergence services, providing clients with cloud computation and customized comprehensive solutions, continuing our corporate transformation into an information service provider.

## Effective Management of Capital Expenditure

Combined capital expenditure for 2012 totaled NT\$ 33.28 billion, of which NT\$ 19.55 billion was spent on fixed domestic communications (including dial-up and broadband networks), NT\$ 7.23 billion on mobile communications, NT\$ 3.44 billion on the Internet, NT\$ 2.38 on fixed international communications and 0.68 billion on others.

Broadband operations consisted primarily of installing fiber optic networks to encourage ADSL clients to upgrade and 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. In the next two to three years, there will be capital expenditures related to cloud operations.

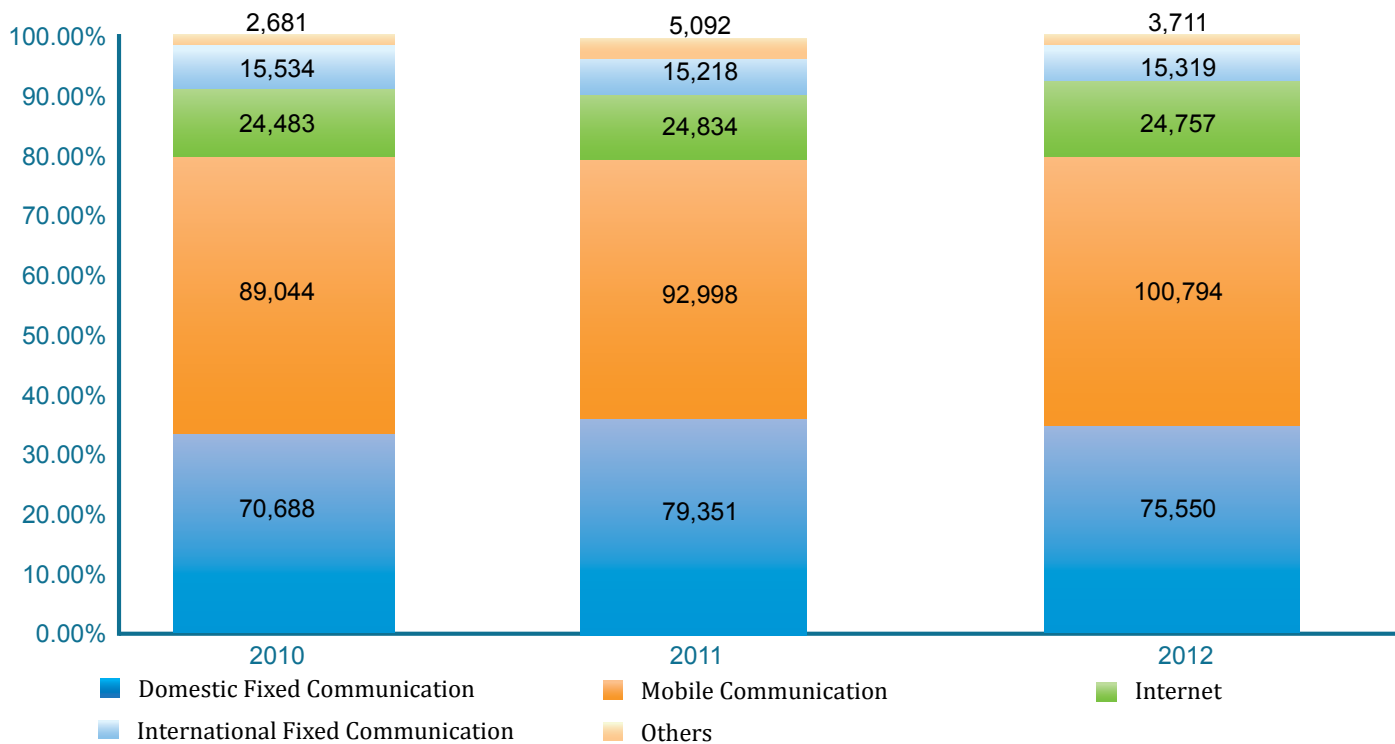
Our equipment purchasing and R & D expenses enjoy investment tax credits and incentives. Please find the disclosure in our financial report in 2012.

## Management of Subsidiaries

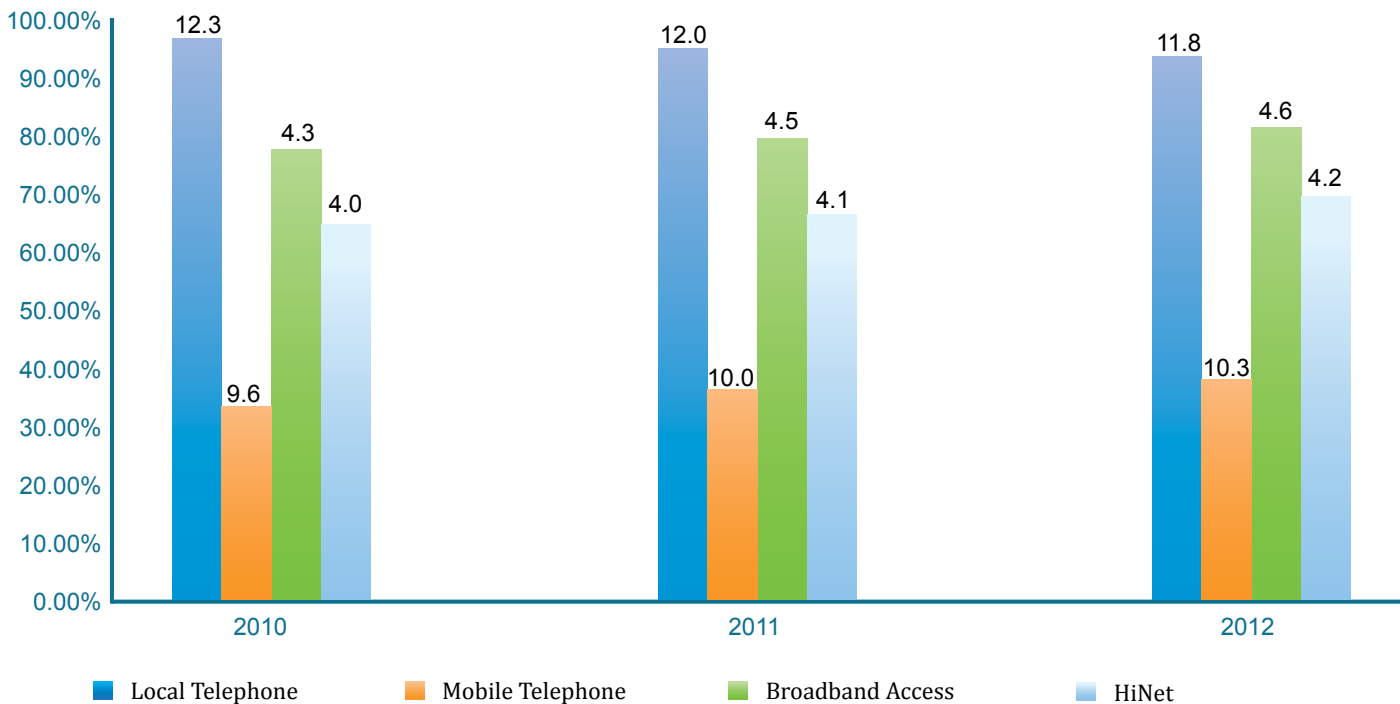
We are proceeding cautiously with strategic planning, assessment, evaluation, post investment management, performance assessment, withdrawal mechanisms, discipline, etc. with respect to transfer investments. Not only do we regularly analyze business conditions and the performance of the transfer investment industries, but we also assist our subsidiaries in the formulation and promotion of performance management systems.

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

**Consolidated Financial Performance of Chunghwa Telecom and Subsidiaries (Millions of NT\$)**

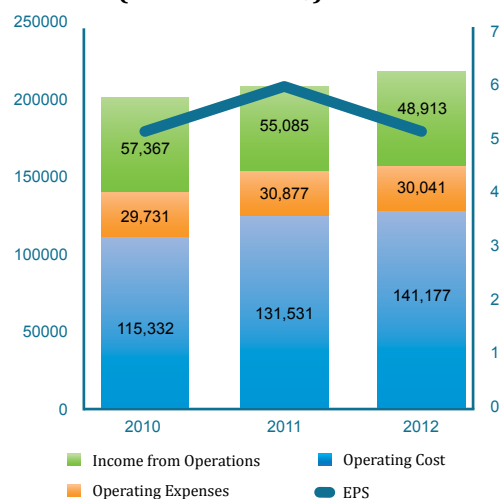


**Market Position of Chunghwa Telecom (User Number in Millions and Market Share)**





### Consolidated Revenue of Chunghwa Telecom (Millions of NT\$)



## Expanding Overseas Operations 2.5

Chunghwa Telecom and its affiliated companies focus primarily on the telecommunication services industry. We ensure continuing provision of the best professional service for our clients, and also our leadership position in the market through effects of mutual support between technology, production, sales, and service.

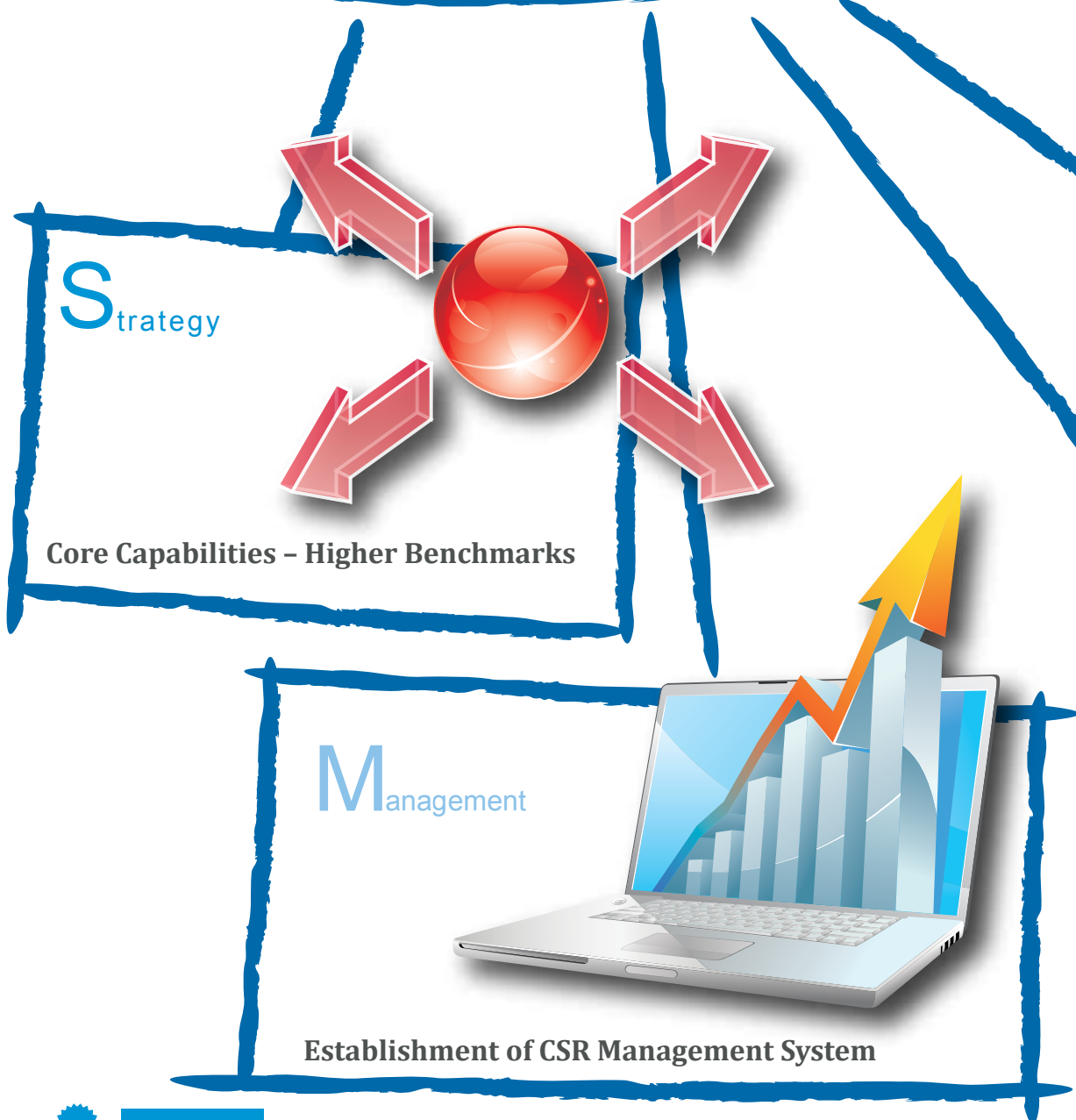
Through our subsidiaries in the U.S., Hong Kong, Singapore and Japan, we export international fixed network business to overseas markets to enhance operational competitiveness, maintain high quality service standards and provide international corporate clients with international communications routing rental, IPVPN, IP transit, voice and data sales and other services.

In order to broaden overseas markets and develop new room for growth, we have actively integrated the ecological power of the cloud and smart networking industry and coordinated with subsidiaries to make the full manufacturing output of ICT integration services, China and Southeast Asia are the preeminent development zones. In China, we have invested in Chunghwa Telecom (China) and partnered with China Telecom on the mainland to establish a smart city and cloud network center.

In Southeast Asia, we have established a wholly owned subsidiary, and simultaneously signed cooperation agreements with three telecom operators in Vietnam; we have also built more service equipment facilities.



# Corporate Social Responsibility Management



## AWARDS

- Named to DJSI Emerging Markets Index as well as RobecoSAM Silver Class.
- 2nd Place in Asian Sustainability Rating
- Received the Excellence in CSR from CommonWealth for six consecutive years
- Received Gold Award for the 2012 Taiwan CSR Awards from the Taiwan Institute for Sustainable Energy
- Received Reader's Digest Trusted Brand's Double Platinum Award
- 1st Place for Telecommunication Services in 30 Magazine's 30 Young Century Brand Survey

**A**ction



Communication with Stakeholders

**R**esponse



Engagement with Stakeholders  
Expansion of Supplier Management

**T**arget



Key Performance Indicators



## Core Capabilities – Higher Benchmarks

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 CSR comes from 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 the creation of corporate social responsibility initiative in 2007, our objectives are to use 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 CSR from corporate strategy to competition strategy, and further into organizational operation strategy.



### Global Recognition

Chunghwa Telecom has replied the Dow Jones Sustainability Index (DJSI) questionnaire since 2008, and by continuing learning and improving that we was named to DJSI emerging market index in 2012. At the same time, we are the only telecommunication service company in Taiwan that received silver class rating by RobecoSAM. Besides, we also received second place in Asian Sustainability Rating (ASR) in 2012, which is the best grade among Taiwan companies.

These honors represent international organization’s recognition of Chunghwa Telecom’s CSR performance, and we will keep working hard to push the sustainability development in company and the society.

### Scope of Chunghwa Telecom CSR

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

### Reflect and Restart

Chunghwa Telecom has led CSR development domestically among similar industries and has been recognized with related 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”.

In accordance with the plan, the board will be responsible for: CSR policy, the management system, CSR mission, reviewing the efficacy of implementation and continuous improvement. The existing CSR committee is responsible for the strategy of various tasks. There are six teams responsible for proposing action programs and annual plans and implementing performance evaluations and review.

Our core values are “honest management, professionalism, and executive power.” Based on this, our CSR can be expressed in the following schematic diagram. The essential core of our CSR is “Sustainable Operation.” We hold ourselves to high corporate ethics and moral standards in order to attain and maintain social and government recognition.



# The Establishment of CSR Management System

Chunghwa Telecom is a CSR benchmark in the Taiwanese telecommunications industry. We will keep developing CSR from corporate strategy, competition strategy, and further on to organizational operation strategies in investment, production, and management. We will also infuse management visions for CSR and environmental sustainability and follow them accordingly.



## The SMART Management System

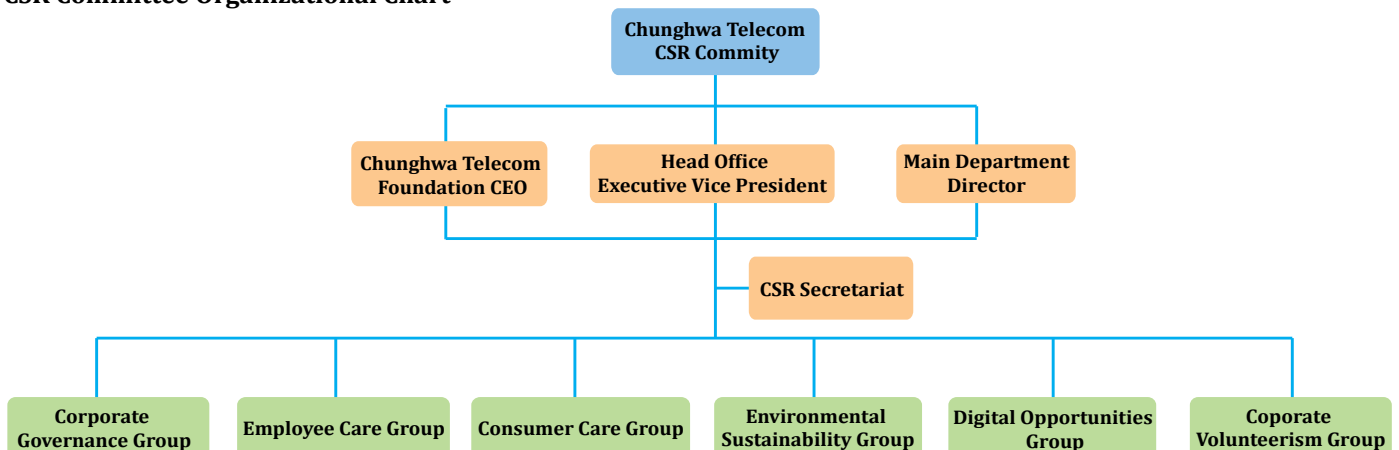
We have deepened our commitments to CSR since its introduction in 2007. The “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” is now fully integrated into our business processes.

The SMART CSR management system has unique strategies, management, actions, responses, and target stages to account for the six aspects of CSR: corporate governance, employee care, consumer care, environmental sustainability, digital opportunities, and corporate volunteering. External 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 themselves to decide whether they might require additional reinforcement.

## Raising Corporate Value

We believe that the strategic planning and management of CSR will effectively control risks, lower costs, increase brand values, and create new growth opportunities. In the future, we will continue to apply our core capabilities as we enforce ethical business practices to create corporate social responsibility benchmarks; enter the cloud age, create responsible brands, address climate change, concentrate on digital opportunities, and face the challenges of the new era. The core of all strategies points to the same objective, our vision to “become the most valuable and reliable information and telecommunications company.”

CSR Committee Organizational Chart





# Communication with Stakeholders

Chunghwa Telecom combines CSR with our daily business management because we believe it prepares us for future challenges and creates more value for company 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.

Category	Forms of Communication	Level of Influence
Employee (Current Employee and Employee's Family)	E-mail, Hotlines, Web 2.0 Interactive Platform, labor-employer meeting	5
Client (Regular Customer, Corporate Client)	Service hotline, Customer Service center	5
Supervision Organization (NCC, National Transportation Committee)	Official document, Meeting, e-mail, Telephone calls, Visit	5
Investors (Shareholder, Institutional Investor)	Stockholder hotline, IR Website, Results call, Roadshow	3
Corporate Partners (Suppliers, Contractor)	e-mail, Hotline, Supply chain conference	2
Media	e-mail, Hotline, Meeting, Press release	5
Community/NGOs/NPOs	e-mail, Hotline, Stakeholder conference	4
Similar Business	Official document, Meeting	2

## Multilayered Channels

The core of CSR is engagement with stakeholders and the identification of key issues. Since the first CSR report in 2007, Chunghwa Telecom had been enhancing interaction by inviting stakeholders to meetings with relevant departmental managers. There are third parties that review our CSR reports to ensure their reliability and accuracy.

## Key Issues Analysis 3.5

Different stakeholders have concerns for different issues. Therefore, we have an assessment team across all departments to identify the level of concern and influence on each issue. The following top 10 key issues were generated into a Key Issue Matrix:

1. Customer Relationship Management: Customer Satisfaction, Problem-solving procedure, Service Quality Management.
2. High Quality Signal: Provide clear, reliable service of voice and data telecommunication service.
3. Firm Management: formation and operation of the board of directors, Audit, Remuneration of directors, supervisors and senior manager.
4. Financial performance: Raise turnover, lower cost, and pursue impressive income.
5. Attracting and Keeping Talented Employees: Employee performance appraisal, Remuneration and reward system.
6. Rates: Provide fair rates and explanation of charge for rates.
7. Information security: Establish policy for customer privacy protection and management.
8. Abide by regulation: Abide by associated regulation, avoid illegality and punishment, and keep communicating with supervisory organizations.
9. Investor Relationship: Keeping Financial reports transparent, Continue returning reward to investors.
10. Sustainability and innovation: Keep innovating in product or service, including ESG elements.

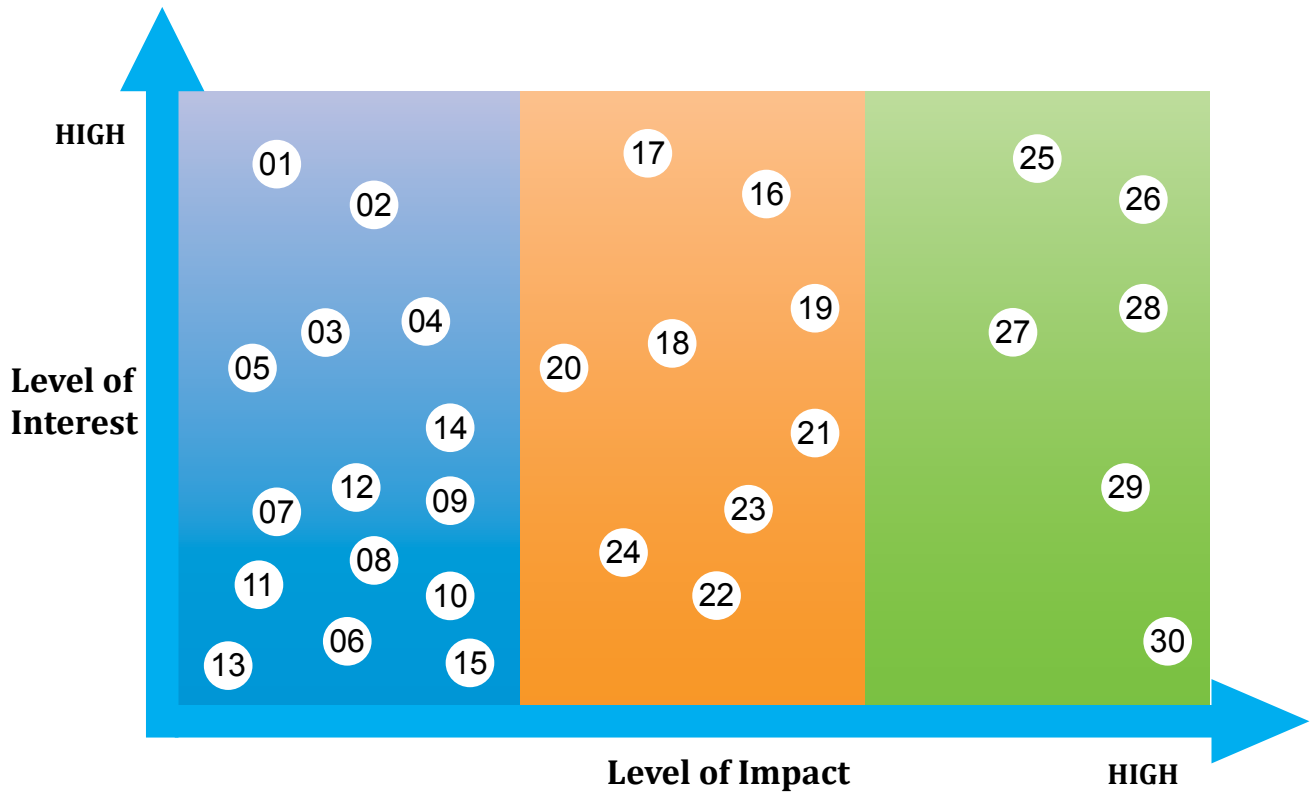
As the market is becoming more saturated and competitive, companies are actively trying to attract more customers; therefore, more than half of the issues above are customer-related. Because we are usually one of the best targets to invest, there are also three issues related to finance: corporate governance, financial performance, and investor relationship.

To maintain the market share and get more supports from customers in the future, we need to provide more incentives to attract talents, speed up the innovation and sustainability plan, develop product and service that are closer to the demand from customers.





### Key Issue Matrix



- 01 Corporate Citizen and Philanthropy
- 02 Electromagnetic Wave Issue
- 03 Internet Safety for Children
- 04 The Same Trade Relations
- 05 Win-Win Cooperative Relationships
- 06 Anti-Corruption
- 07 Digital Inclusion
- 08 Supply Chain Standards
- 09 Waste Recycling
- 10 Carbon Emission Management

- 11 Environmental Policy and Management System
- 12 Human Right Protection
- 13 Green Product and Service
- 14 Emergency and Disaster Assistance
- 15 Energy Efficiency and New Energy
- 16 Talent Attraction and Retention
- 17 Rate
- 18 Privacy Protection and Information Security
- 19 Abide by Law
- 20 Investor Relations

- 21 Risk Management
- 22 Occupational Health and Safety
- 23 Harmonious Labor-Employer Relations.
- 24 Employee Training and Advance Learning
- 25 Customer Relations Management
- 26 High Quality Communication
- 27 Corporate Management
- 28 Financial Performance
- 29 Sustainable Innovation
- 30 Brand Management



## Engagement with Stakeholders

Working and growing together with suppliers is fulfilling our responsibility to telecommunications industry. “Chunghwa Telecom Code of Conduct” clearly specifies: We must treat our suppliers fairly and will not obtain unfair profit; suppliers are also strictly prohibited from obtaining improper profits; and we will not join with competitors to boycott or refuse to deal with suppliers.

### Creating Win-Win Cooperative Relationships

We provide incentives for them to work on research for development and the 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 to assist suppliers.

1. Digital Cloud Rainforest: By our comprehensive cloud service creation environment we encourage software developers to participate 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 20 companies had been recommended, and the project was instrumental in obtaining NT\$ 278 million.

Percentage of Procurement from Local Supplier

2010	2011	2012
66.0%	77.7%	64.7%

*\* including material, labor and engineering.*

### Building Ability 4.12

We share resources with suppliers to enhance their R & D capabilities. In order to master future technologies, we are also committed to a friendly environment.

1. Develop intelligent tourism and travel services, and realize the digital rainforest collaborative network: The HiNet Travel Cloud platform provides a full-range of integrated travel services. The multilingual version will include convenient services such as restaurant reservations, trip planning, accommodation bookings, travel coupons and information, souvenirs, social sharing and etc. to provide quality services through complete service interface and upgrade Taiwan’s industry overall.
2. Provide independent verification and validation (IV&V) of products and services to ensure the security and performance of the IT system and services: Chunghwa Telecom Laboratories centralizes and builds testing manpower, platform and equipment, and establishes objective third-party and IV&V procedures. The center also conducts tests on products from cloud partners, including the TDP (Cloud Modular Green Energy Data Center Development Project) and ACP Cloud Appliance in collaboration with Inventec, Wcloud of Wiwynn, and the Cloud OS (RC5 and SP2) of the Industrial Technology Research Institute.







### Building Ability

3. Develop 4G wireless communication standards for LTE technology: We will continue to develop LTE technology and standards, analyze system performance through the experimental network, and complete the associated researches and tests to capture the functions and performance supported by the equipment of partners. These can help the domestic industry and academic/research units to run the interlinking test to promote development, business interlinking, and technical exchange.
4. Assist TTIA with completing industry standards and demonstration plans for intelligent buses: We joined the TTIA Intelligent Bus Computing Systems (IBCS) Task Force, formed by domestic upstream, midstream, and downstream vehicular equipment manufacturers, large passenger bus operators, and peripheral application contractors who were invited by the Ministry of Economic Affairs. 8 corporations worked together to formulate a complete standard regulation for industry products related to vehicular platform-related products. (TTIA, or Taiwan Telematics Industry Association's URL: <http://www.ttia-tw.org/en/>)
5. Driving green energy industries with iEN services: Responding to Chunghwa Telecom's pledge to create digital rainforests, iEN is diligently utilizing the influence of industry supply chains and committed to green procurements, research cooperation, and technological promotion with equipment suppliers, integration contractors, and service contractors. Currently, we have established positive interaction with 83 cooperative contractors. We hope to create overall industry capabilities and advantageous brands through mutual resource augmentation and joint development of internationally competitive products.

### CHT Trial Operation Plan for NFC

In October of 2012, we introduced "Near Field Communication (NFC)" with four main services: Identity and access tokens (Card emulation), Contactless Transmission (Reader/writer mode), NFC Business Card Exchange (P2P mode) and TSM Secure Transaction Platform.

The combination of smartphones and Hami Intelligent wallet provide users with credit card, debit card, EasyCard, and membership cards services. Users can connect the different cards and services in the SIM card through the cellphone's NFC TSM safe transaction platform. Through Over-the-Air Technology, users can download cards in their cellphone, make a NFC payment, NFC e-Tag sensor execution, and transfer files. This is the first Telecom Company to have the NFC TSM platform in Taiwan.

So far the trial plan is only available for the designated trial users. After this stage of the NFC trial plan is complete, we will work on partnership with SEEDNet to promote business plans by area.





## Expansion of Supplier Management EC6

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. The “Chunghwa Telecom Supplier CSR Guidelines” and “Operating Guidelines for Promoting Supplier Implementation of CSR,” were released in 2011 and 2012.



### International Management Standards

The “Chunghwa Telecom Supplier CSR Guidelines” specifies what we expect from our suppliers with respect to CSR standards. We hope to express our commitment and responsibility to suppliers through these guidelines and show respect for worker’s rights and a sustainable environment. Contents of the “guidelines” include five aspects: Corporate Standards, Ethical Standards, Labor Standards, Environmental Standards, Health and Safety Standards, which apply to all suppliers providing products or services to the Chunghwa Telecom Group, subsidiaries and joint venture companies and companies in the supply chain.

According to the “Operating Guidelines for Promoting Supplier Implementation of CSR,” we will strive to understand supplier CSR implementation status through the provision of training, surveys, onsite visits, or third party verification. These measures for facilitating supplier implementation of CSR will be planned and executed by the secretary of the CSR committee.

### Definition of high sustainability risk

Economic	Occurrence of business ethics violations due to supplier’s lack of 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.

### Supplier CSR Status Survey and Audit

According to our preliminary supplier sustainability assessment plan, suppliers in the equipment and labor category will be gradually included in the scope of audits to integrate ESG factors (environment, social, governance) and supplier selection criteria. We began preparing a supplier sustainability assessment plan that is expected to be implemented from 2013.

### Hosting Supplier Social Events

On December 27, 2012, Chunghwa Telecom held the 2nd CSR Supplier Social Event. 60 firms were invited, 41 firms attended with a total of 64 representatives. The executive deputy general manager Shi hosted the event, with other departments’ representatives. We invited Mr. Huang of BCSD to give a speech of “Sustainable management and development in Supply Chain”, and then we reported the result of 2012 questionnaires. By two-way communication, we hope to let suppliers learn more about our thinking and doing in CSR.



## Key Performance Indicators

	Indicator	2010	2011	2012
<b>Operation</b>	Consolidated Revenue (million NT\$)	202,430	217,493	220,131
<b>Customer</b>	Customer Service Satisfaction (decimal method) *	3.81	6.86	7.19
	Customer Service Hotlines Satisfaction (quinquepartite method)	4.59	4.57	4.58
<b>Employee</b>	Number of Employees	24,474	24,664	24,351
	Female Management percentage of Overall Workforce	23.04	23.71	24.35
	Number of Employee with Disabilities	721	757	758
	Staff Turnover rate (%)	2.31	1.49	2.78
	Disabling injury frequency rate (%)	0.83	0.92	0.53
	Disabling injury severity rate (%)	514	148	17
	Per capital training hours (hour)	81	65	76
	Total training hours (hour)	1,979,407	1,613,248	1,855,255
	Total training hours (thousand NT\$)	728,578	733,221	752,157
<b>Environment</b>	Electricity Consumption (k-MWh)	1,371	1,369	1,337
	GHG Emissions (10,000 ton)	90.51	91.09	80.89
	Water Consumption (1,000 ton)	2,275	2,237	2,515
	Waste Production (ton)	5,369	5,033	5,018
	Number of phones collected	39,807	2,585	8,707
<b>Social Contribution</b>	Social Investment (thousand NT\$)	1,875,187	1,604,862	1,492,910
	Corporate Volunteer Programs (hour)	147,083	28,360	89,460

Note: Customer Satisfaction index change different count in 2011.

# Corporate Governance

**S**trategy



**Enforcement of Ethical Business Practices**

**M**anagement



**Risk and Crisis Management**

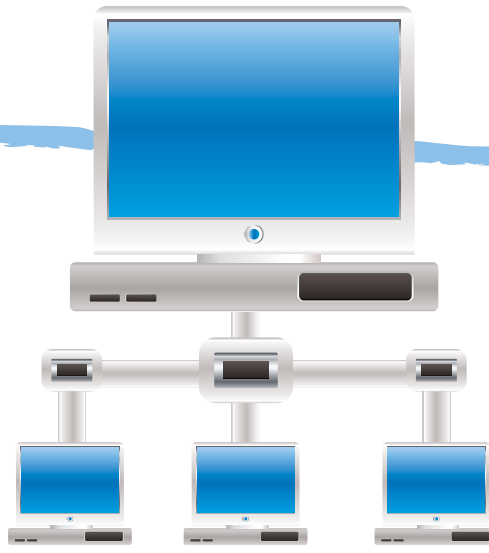


## AWARDS

- Received top 100 for 2012 Taiwan Technology from Business Next Magazine
- Received A++ for 9th Listed Companies Information Disclosure Assessment
- Received The 14th Technology Management Award
- Chunghwa Telecom Laboratories won 3 Gold, 3 Silver and 2 Bronze Medal for invention contest at the 2012 Taipei International Invention Show & Technomart

**A**ction

**Transparent Disclosure  
and Management**



**R**esponse

**Enhance Code of Conduct**



**T**arget

**Sharing Value through  
the Cloud Platform**

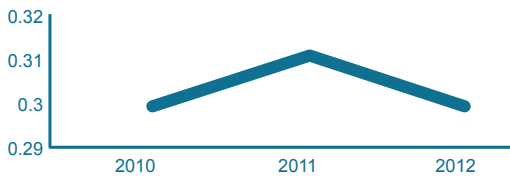




# Enforcement of Ethical Business Practices

We intend to shape “Chunghwa Telecom” into the most valuable and reliable ICT company. Aside from 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.

## Compensation of High Level Managers (%)



\*Including Board of Directors, Supervisors, President, Executive vice presidents, general manager of branch companies, deans.

## Enforce Board of Directors 4.1

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 12 directors that include 3 independent directors, and 3 supervisors. To date, 3 female directors (1 independent) amongst 12 directors, and 2 of the supervisors are female. At the same time, a labor directorship has been specifically provided to ensure diversity of the Board. In 2012, the Board convened a total of 8 meeting and the average rate of board attendance exceeded 80%.

To avoid conflict of interest from highest manager:

1. Directors and supervisors all signed Consent to Act as Director/ Supervisor; announced that they follow the section 23 of Company Art.
2. All directors signed Statement to show that they clearly knew the content of Section 206 of Company Art.
3. Section 17 of Rules of procedure of board of director clearly defines the things that directors should recuse himself with.

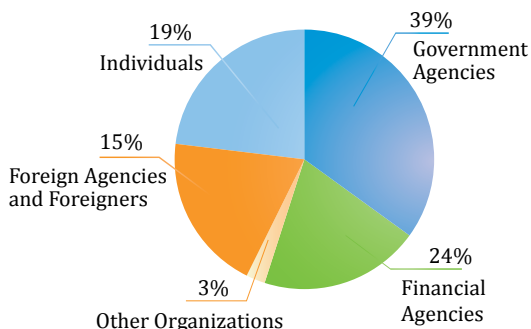
To prevent financial losses from third party litigation for directors and supervisors, we have purchased indemnity insurance for Directors and Supervisors.

## Board Committees





**Shareholder Structure** 2.6



Note: This information is accurate as of July 19, 2012, the standardized date of capital reduction and stock transfer for Chunghwa Telecom.

**Using Electronic Voting** 4.4

We have voted case by case since 2011, and disclosed the result on our website. In 2012, first time that we used electronic voting in regular meeting of shareholders, there are 1,053 shareholders represented of 15% shares involved. By doing so, we protect shareholders' right and encourage them to actively assist company governance.

**Disciplinary cases**

Type	Number of Case	Fine (NT\$)
Establish base station without approval.	15	750
Broadcast program without license.	1	10,000
Expend fixed network equipment without approval.	1	90,000
Carry out mobile phone rate package without applying for future reference.	1	30,000
Change system switching equipment without approval by NCC.	1	30,000
Activate mobile phone service without verifying user's identity.	1	30,000
Violate Section 21 of Corporate Exchange Art, advertisement that misleads consumers.	1	500,000
<b>Total</b>	<b>21</b>	<b>1,440,000</b>

**Business Principles**

To establish decent corporate culture and enhance corporate governance, we issued Chunghwa Telecom Code of Conduct in 2011, which clearly defines that our directors, supervisors, managers and employees should follow regulations and laws, and prevent dishonest behavior when doing business.

Here we disclose the disciplinary cases by government due to our business mistakes. We will bear in mind, raise rectification, and avoid violating the rules again.

**Information Disclosure**

As a publicly traded company in Taiwan and New York Stock Exchange, all of investors' concerns are simultaneously disclosed domestically and abroad in Chinese and English, providing instant financial and business information. For seven consecutive years from 2006 to 2012, we have been awarded the honor of A++ from assessments of information disclosure for publicly traded companies.

We always uphold a honest, responsible trustworthy spirit to manage business, in the past few years that we have recognized by many awards, and we believe that this spirit will lead us to a better future.



# Risk and Crisis Management

Identifying and controlling risk incidents are corporations' responsibility. 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 Management Strategy

Organization	Authorities and Responsibilities
Board of Directors	<ol style="list-style-type: none"> <li>1. Establish risk management policies, frameworks, and culture.</li> <li>2. Ensure the effectiveness of risk management mechanisms and facilitate resource allocation.</li> </ol>
High level management	<ol style="list-style-type: none"> <li>1. Execution of risk management decisions rendered by the Board of Directors.</li> <li>2. Coordinate interdepartmental risk management interactions and communications.</li> </ol>
Headquarters	<ol style="list-style-type: none"> <li>1. Compile the execution results of risk management actions.</li> <li>2. Assist and supervise risk management activities in subordinate branches.</li> <li>3. Determine risk classification and recommend mitigation methods based on environmental changes.</li> <li>4. Conduct performance evaluation and coordination after risk adjustments.</li> </ol>
Subordinate branches	<ol style="list-style-type: none"> <li>1. Execute daily risk management activities.</li> <li>2. Conduct self assessments for risk control activities.</li> </ol>

## Risk Analysis and Response 4.11

Chunghwa Telecom has high-level meetings for important strategy planning or impact caused by environmental change. We formulated the “Chunghwa Telecom Risk Management Regulations” to act as reference for our employees. The President is the person with the highest level of responsibility for risk and crisis management who reports to the Board of Directors.

We have risk maps for risk assessment tools, 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 1.2

The most serious climate change in Taiwan is short-time heavy rain. In the long term, it causes rise in temperature and sea level, which can affect the telecom facilities' operating system. Therefore we have list the climate change risks into management assessment, taking the risks into consideration in the annual operating plan, and set goal management and achievement.

Due to climate changes, we use ICT's new technology and products to reduce the impact it has on the social environment, raise resource usage efficiency, develop energy conservation and carbon emission reduction technology, develop environment protection information system and hope to create new business opportunities and environment sustainability.

## Climate Change Risk and Chance EC2

Risk driver	Description	Potential financial burden, risk and opportunity
Cap and trade schemes	Taiwanese government plan to set up a carbon-trading platform once the Greenhouse Gas Reduction Act is effective. CHT already established an Environmental Sustainability Group prepared for related issue.	We will be able to trade and benefit from its carbon quota saved and increase revenue.
Extreme Precipitation	The weather patterns in Taiwan have become extremely stormy with high precipitation. The flood damages equipment, which disrupts and creates abnormality in the services.	It will take USD 10 million to reinforce the telecommunication control room from flooding damage.
Sea level rise	Taiwan is an island. The rise of sea level means damaged telecommunication equipments. Inevitably, more cost has to be spent on relocating control rooms and repairing equipments.	
Change in mean temperature	Rise in temperature can lead to a large increase in energy consumption by business equipments and home appliances. Which means the demand of green products and services will also increase.	We estimate the potential profit is up to USD 100 million in Taiwan from our Intelligent Energy Network service.
Reputation risk	Products and services offered by the telecom company are expected to meet the target of energy conservation and carbon reduction. If we do not meet those standards, our reputation might be at risk.	Each year, CHT invested USD 300,000 on Carbon management action plan and communication.





## Transparent Disclosure and Management

We are committed the goal 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 terms for corporate social responsibility information disclosure for publicly listed companies. The Taiwan Stock Exchange proposed the Global Reporting Initiative’s Sustainability Reporting Guidelines 3.1 version ( GRI 3.1 ) as the most important reference and framework of information disclosure. We will continue to emphasize CSR issues and report publication.

### AA 1000 as Reporting Certification Standard

We adopted 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. We have adopted training classes and other methods to enhance recognition for AA1000 within subordinate groups of the CSR committee.



### Greenhouse Gas Emissions and Reduction Disclosure

The Taiwan Stock Exchange encourages publicly listed companies disclosing greenhouse gas emissions and reduction information in their annual reports and public documents. We follow orders from regulatory agencies and voluntarily disclose relevant information to enhance corporate governance and fulfill corporate social responsibilities.

Chunghwa Telecom is 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.

### 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,” we 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.

## Enhance Code of Conduct 4.8

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. 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” to be the policy followed by all of Chunghwa.



### Abiding by the Code of Conduct

To establish a highest standard that applies to board members, supervisors, managers, and employees, we formulated the “Chunghwa Telecom Code of Conduct” as the basic guideline that governs the execution of daily tasks by our employees. The conduct includes personal and group responsibility, and responsibility to the company, public, and other stakeholders with the goal of preventing misconduct.

Besides, 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.

### Public Private Partnership SO3

Corporate integrity management is a priority issue that everyone concerned currently. 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.

Hence, the board approved 23 articles in the “Chunghwa Telecom Code of Business Integrity” in December 2010, which clearly specifies the regulation. Board members, supervisors, managers, employees, and also investment companies are ask to comply with.

### Obey International Telecommunication Laws and Human Rights Duties

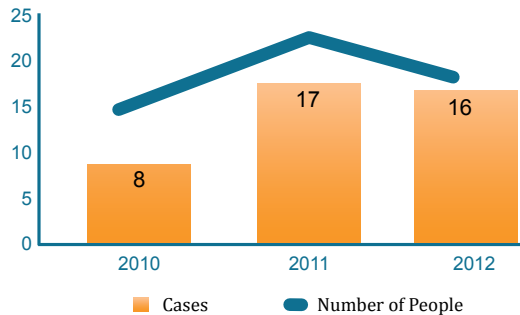
The International Telecommunication Union held the World Congress on Information Technology (WCIT) in Dubai near the end of 2012. The conference set an International Telecommunication Regulations to ensure there is a general rule for free circulation of global information, and add new contents, such as “transparency of competing and fees for mobile roaming”, “Provide convenient access to telecommunication service for the disadvantaged”, “Protection for the freedom of speech”. As our membership, we commit to follow the regulation and put into practice to spread it.



Reference: The International Telecommunication Union



### Violation of Chunghwa Telecom Code of Business Conduct and Code of Conduct



### Ethical Evaluation of Employee Behavior

All our employees are required to take the “Chunghwa Telecom Code of Business Conduct and Code of Conduct Test” each year to maintain their professionalism and integrity, which optimize corporate governance and risk control, and establish honestly principled corporate culture. Nearly 99.95% staffs passed the test in 2012. Additionally, the Chunghwa Telecom “Employee Review Guidelines” and “Reward and Discipline Standard” are published to evaluate employees, who are also confirmed to thoroughly understand and followed.

### Internal Consensus

Goals of establishing company standards are to unify the internal consensus, 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 implements are as follows:



1. To strengthen determination and commitment, specific company regulations and external documents are clearly announced for integrity management policy and its implement.
2. Avoid transactions with those who have dishonesty records in order to conduct commercial activities under fairness and transparency.
3. 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 dishonesty and ensure to implement policy through dedicated department.
5. To implement integrity management, all Chunghwa people 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. 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.
9. Clearly specify that the company should strengthen the fulfillment of integrity management information disclosure.

Besides, we especially set up a team and a report channel to execute the anti-fraud plan, in order to protect company confidentiality and prevent illegitimacy.

## Sharing Value through the Cloud Platform

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. The cloud service became widely applied to commercial use since 2012.

### 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.



### Found Cloud for Animation and Visual Effects Center



In 2011, Chunghwa Telecom and Hollywood special effects company Rhythm & Hues Studios (R&H) created the Cloud for Animation and Visual Effects (CAVE). It uses Chunghwa Telecom’s control room, Internet Communication and Virtuoso and R&H’s techniques and experiences at Hollywood. With cloud computing to target the need of special effects in movie, it has already used in the movies “Life of Pi” and “Snow White and the Huntsman”

Furthermore, both parties have signed the memorandum of understanding in 2012 and have plans to establish a company that merges the quality from both parties to bring in Hollywood’s special effects technique and experience and raise domestic digital material production. Chunghwa Telecom’s Chairman said that to CAVE will be divided into 3 stages for future promotion, and we hope to create a complete platform to let movie artists efficiently use resources while producing a movie in the future.



### 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 refer 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.



### Cloud Computing Association in Taiwan 4.13

In 2010, we helped to establish the “Cloud Computing Association in Taiwan”, and there are already 110 members in the end of 2012. 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 Association 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.

Taiwan Cloud Valley divided into three phases: the first phase is to provide virtual demo room for over 30 cloud products, which was already launched in March, 2012. The second and third stage are planned to launch in 2013 and 2014. We hope to lead Taiwan into a cloud service pivot in Asia and play an important role worldwide.



# Customer Service

**S**trategy



**Improve Service Development**

**M**anagement



**Innovation Brand Management  
Customer Relations Management**



## AWARDS

- Received 1st in Forefront Service Quality Survey from Global Views Monthly Magazine for three consecutive years
- First place at Next Magazine's 9th Best Service Awards
- Received the Best Customer Loyalty Award at the 11th CRE Awards
- Received First place for ICT group and Second place for Year Award at the 2nd Digital Service Benchmark from Business Next Magazine
- Received 1st in both platform and application group of 2012 Cloud Innovation Award

# A

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**Customer Satisfaction Survey**

**Actively Explain Product Features**

**Privacy Protection and Information Security**



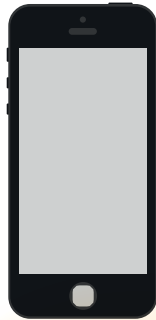
# R

esponse

**Ensuring Communications Quality**

**Building a Broadband Network**

**Mastering Policy and Regulation**



# T

arget



**Create an Open Creative Platform**



## Improve Service Development TA2

Combining the cloud and devices brings inexhaustible innovation and forward development. We utilize our ICT (information and communications technology) specialty to provide a comprehensive cloud service platform and high standard information security mechanisms to accelerate the ubiquity of cloud use.



### Intelligent Medical Cloud

To assist corporations in creating a healthy workplace and raise the health of the general public, Chunghwa Telecom Laboratories has developed the Medical Cloud that provides health examination's result and analysis, health recommendation and etc. Chunghwa Telecom and Show Chwan Health Care System collaborated in 2012 to incorporate cloud technology with medical services. With the cloud system, hospitals are able to create electronic medical case study and information system. This is the first medically used cloud system in the country.

In August of 2012, Chunghwa Telecom helped the fire department of New Taipei City installed portable emergency rooms on 23 ambulances. With this system, images of the injured can be uploaded to the fire department's emergency first aid platform instantly for healthcare professionals not at the site. This has raised the emergency and first aid survival rate.



### Living Parent-Child Cloud

To uphold the spirit for cloud platform, "innovation value and moved services." We applied these cross-platforms into PCs, smartphones, tablet PCs, MOD digital set top boxes, etc. We customize and diversify rich digital learning links for parent-child product services that creates a convenient digital lifestyle.

We partnered with the United Daily News Group to fulfill various household needs and provide preschool education cloud services to parent and child. In the future, we will move towards diversification, implementation for parent-child cloud services (family/education and community/personalized entertainments); ultimately focusing on the Chinese markets and push towards the goal of the most influential Chinese parent-child brand.

### Guard for Mobile Device Application

Our cloud service can customize for enterprises, help them to manage and strengthen information security. There are two products mainly for enterprises, first one is "Virtuoso", which can be used in establishment for different cloud applications and customized to integrate solutions. The other one is "Retail Cloud", which can integrate all the ICT information and services needed for Distribution Industry, help them to get better management between virtual and physical channels. Both products received "2012 Cloud Innovation Award".





### Enterprise Cloud

Our Enterprise Cloud Service (VPC/Boxe) provides dynamic expansion and flexible computing resource, which is able to efficiently build an exclusive cloud data center for companies. And the cloud data center can offer a complete solution includes resource management, storage, network and information security services, with high speed, flexible, safety and inexpensive cost, which can keep company competitive.

In 2012, we worked with Trend Micro Technology to develop Mobile Device Application Reputation Services, the first auto safety authentication services published by ICT operators. With cloud technology, it can automatically identify malware and test utilization problem, includes both security and eco-friendly idea.

### What is Virtuoso



Virtuoso is a new generation of virtualization platform management system developed by Chunghwa Telecom, based on open source. Virtuoso includes 7 features: diversified user interface, reliable cluster management, complete virtual machine management, reliable save and backup system, delicate internet management, automatic source optimization, energy management.

Virtuoso not only provides general enterprises a virtualization service for private cloud, but also can provide internet companies or operators a virtualization service for public cloud.

### Police Cloud

Chunghwa Telecom has assisted the police force in using technology to fight against crime for a long time. We have launched the biggest police cloud in Taiwan with the New Taipei City Police Department, "Technology defending city-Ucam monitor project." There were 12,150 cases solved in 2012 with the monitor system.

By using the ministry of economic affair's "Green cloud data center developing project," we are going to combine cloud technology with Taoyuan county police bureau's experience from Ucam Monitor Project to create Yunlong project-record system for intelligent traffic trajectory analysis. This is the first tire mark analysis system in the country; not only is the Chunghwa telecom's smart license and car color identification technology applied in the system, it uses cloud technology to instantly track cars, and search for history record of driving trajectory on electric map.





## Intelligent Medical Cloud

1. Health Care Service--provide health examination's result and analysis, health recommendation and etc.
2. Medical Private Cloud—cooperate with Show Chwan Health Care System to incorporate cloud technology with medical services, create electronic medical case study and information system.
3. Portable Emergency Rooms—set a system on ambulances, images of the injured can be uploaded to the fire department's emergency first aid platform instantly for healthcare professionals not at the site.



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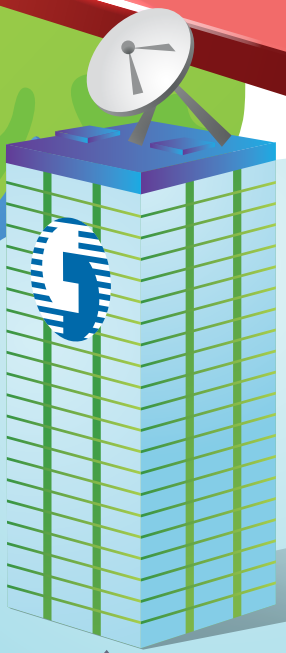
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## HamiSafe Security Emblem

1. Provide automatic app examination, diagnosis energy consumption, data stealing, and etc. Help personal or company app developer to launch app on Hami store by specific analysis from global big data.
2. Security Emblem—cooperate with Trend Micro Technology, the mobile app reputation service can automatically identify malware and test utilization problem for consumers.



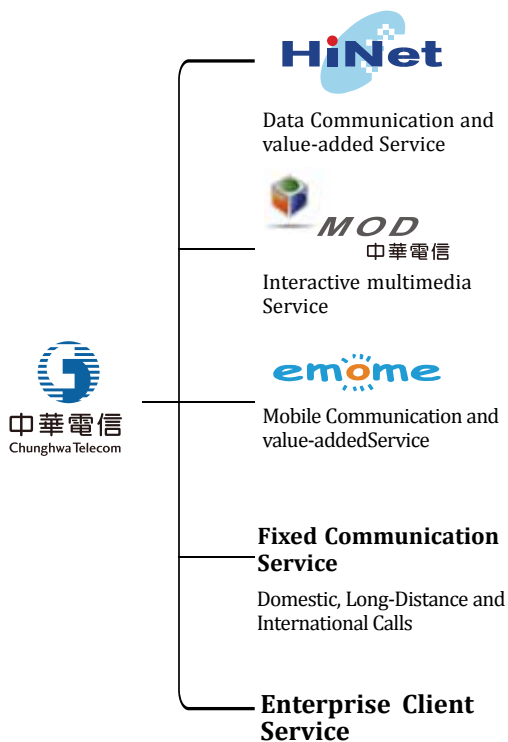
## Enterprise Cloud

1. Virtual Private Cloud—provide a efficiency set up and flexible expand service for cloud computing, storage, backup and etc.
2. Boxe—provide an internal data sharing and storage service with safe and stable performance.
3. Virtuoso—used in establishment for different cloud applications and customized to integrate solutions.
4. Retail Cloud--integrate all the ICT information and services needed for Distribution Industry.



# Brand Management

Chunghwa Telecom possesses unique brand assets in Taiwanese society, which we continue to build on through brand management and added value. In 2012, 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 ninth consecutive year. We are the only Taiwanese telecommunications company to have received this honor.



## Brand Frameworks 2.2

Chunghwa Telecom adopts concentrated brand frameworks that account for individualistic brand presentation. Brand Manager (President) is in place to undertake the supervision of all brand management, as well as communicating with the Deputy Brand Manager within each business group during CSR meetings. The Deputy Brand Managers (i.e. vice presidents of subsidiaries) follow the company’s overall brand strategies as they undertake implementation responsibilities, as well as flexibly and independently operating their own designated brands under authorized parameters.

## Brand Strategies

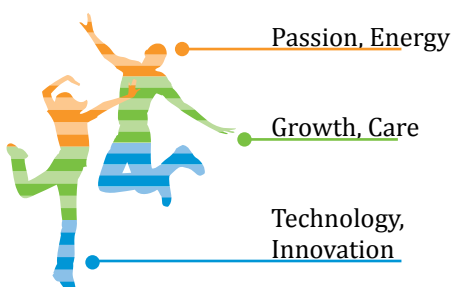
Starting from July 2010, approximately 300 business locations in Taiwan will gradually undergo store logo replacement. We hope to present a new sensation to the public with innovative corporate images that combine inspiring services. From 2011, many flagship stores will be established that will include neoadjuvant CI images and colors. From these flagship store displays, consumer recognition and impressions of these neoadjuvant CI images will be enhanced while simultaneously creating a new brand image. By the end of 2012, we have set up 80 new service center (including flagship stores).

## New Appreciation from New Colors

We have always led the development of Taiwan’s telecom industry through solid experience and professionalism, and we have continuously transformed ourselves and decided to promote a comprehensive and integral renovation on top of our original Corporate Identity. We used bright orange, green, and blue ribbons to endow Chunghwa Telecom with a new spirit and a new corporate image. Not only was the external image reshaped and standardized, the identity and practice of overall internal concepts were even more highly emphasized. Every employee in the company is a brand operator.

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### Chunghwa Telecom’s new CI images, colors, and symbolic significance





## Customer Relations Management

For better service integrity, we are enhancing both the coordination between our business counters and call centers and our internet customer services. We received the honors of "Best Customer Loyalty Plan" from the Asia Pacific Customer Service Consortium in Hong Kong. We will continue enhancing internal operating procedures, optimizing customer relationships, and more actively learn from international customer service operations management and benchmark business models.

### Multi-Channel Services

We are comprehensively improving customer service quality for every service channel, while enhancing coordination between business counters and call centers to provide integral services. We have further enhanced internet customer services as follows.

- 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, all Chunghwa's operations (mobile/ fixed-line/broadband) are now covered at the end of 2012.
- Internet communities: To serve the ever-growing Internet community populations, we created a Facebook fan page "Chunghwa Telecom Dr. Q" to answer questions, proactively publish information, and to gather suggestions.
- Enhancing the web call center: To save our customers the trouble of calling and visiting counters, we are increasing the scope of self- help services provided through the web call center.
- Mobile customer service: For the increasing number of smart phone users, a web call center and APPs for smart phone have been planned to provide friendly access in Q2, 2013.

### Exquisite Services

Our service center, customer hotline and install and repair service will take customer satisfaction survey into consideration and adjust their services immediately. In stores, not only do we apply our SGS Qualicert international service qualification but we also seek Consultancy Company's advice and move towards exquisite services, have mystery customer to identify any weakness in our customer services. In 2012, we have continually received the 1st position in "Service Quality Survey-Telecom Industry" held by Global Views Monthly magazine, and 8 times of 1st position in "Top Service Award" held by Next Magazine.

- Emphasis on new technology equipment to generate new demand from customers. We established a professional technical service team to provide instantaneous, customized, and competent service.
- We proactively inform customers of useful information, listen to their needs, then to devise the most suitable solutions for them.
- Commissioned a consultancy to handle ad hoc counseling in the aspiring service element, define service standards, and to instruct staff in contact with customers, and refine services.
- In order to motivate our agents to provide sincere and inspiring services that are beyond customers' expectations, a dedicated internal aspiring service web site was set up to share aspiring service cases.

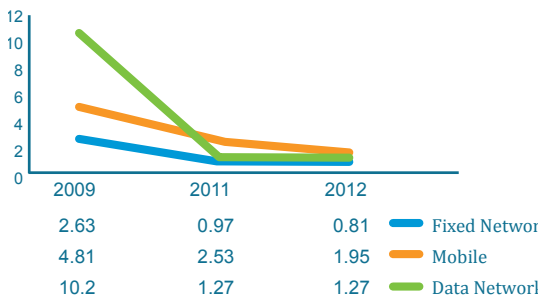




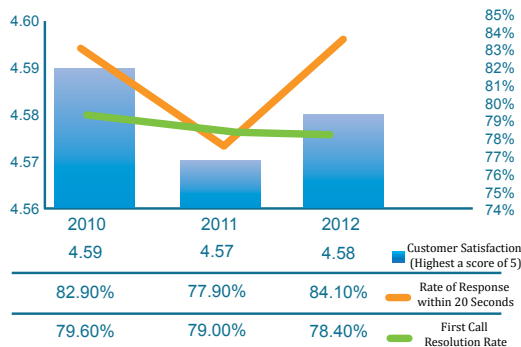
# Customer Satisfaction Survey

Chunghwa Telecom aims to aspire to the expectations of our customers. We value customer satisfaction as part of our service indicators, and their recognition of our brand. Therefore, we regularly commission third parties to conduct customer service satisfaction surveys. We regularly accept the NCC's telecommunications industry service quality surveys, and our evaluation scores in all criteria significantly exceed NCC's specified standard scores.

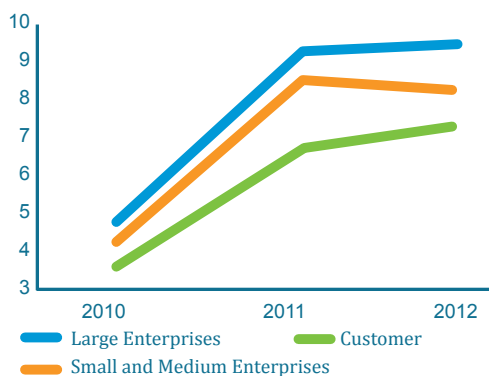
## Complaints per 10,000 customers (Number of cases)



## KPI for Customer Service Hotlines



## Customer Satisfaction Survey



Note: In 2011, the service satisfaction indicator was converted from a 5 point scale to a 10 point scale.

## Customer Complaint Handling SOP

To ensure an open, result-driven complaint resolution process for customers, our service hotline processes passed ISO10002:2004 (Guidelines for Handling Customer Complaints), and we are the first and only domestic operator in the industry to pass such an international standard certification. Our target is to complete customer complaints within three business days.

Besides customer service hotlines, customers can file their complaints through our website ([www.cht.com.tw](http://www.cht.com.tw)) or PR hotline (02-2344-6789) authorized by our chairman. After cases are opened, they are passed to the customer complaints handling task force to be processed as urgent cases. Customers can enquire into case pdates at any time via telephone and our customer complaints handling task force will inform customers of the latest updates on their cases.

## Customer Service Satisfaction

There are three sources from which we survey customer satisfaction for service hotlines: 1) manual out dialing from our call centers; 2) automated surveys by the CTI system; 3) entrust Chunghwa University to mail out questionnaires once a year.

The first and second methods are integrated as one KPI requirements with satisfaction calculated on a 5 point scale, result of 4.578 in 2012. The third method has individual KPI requirement calculated on a 10 point scale, result for 2012 was 7.60.

## Customer Satisfaction Survey

To understand customer satisfaction levels for all aspects of service and recognition of our corporate image, brand values, and service quality, we contract external market research firms annually to conduct customer satisfaction surveys for consumer, and types of enterprises. Questions and expectations that they are highly concern are explored in all aspects of our business.

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



## Actively Explain Product Features

We are committed to providing a beautiful digital lifestyle. In order to allow customers to use our services without worries, in addition to proactively explaining product features and pricing when selling products, we also actively manage adult content to protect minors and perform actions such as abiding by electromagnetic radiation specifications, etc., to exclude potential negative effects.

### Ensuring Transparency in Fees and Rates

Due to the issues of billing errors or costs derived from obstacles, we uphold the principle of cost transparency. In addition to actively notifying affected customers, we also release the reasons and methods for each event by customer service hotline through the company's internal message notification platform. We place great respect to customer complaints with regard to billing problems, suspend the execution of payment and service suspensions before responsible parties are identified, we have also established a special call center provide customers inquire to increase customer satisfaction.

### Proactive Product Information

In order to unify information sources, and to correctly communicate the over 3,500 items of related product information annually, an internal website is established to be the information storage area, hence to undertakes the pre and after-sales service of the products. Trained personnel are also alerted to audit information content, timeliness, and upload data to customer service center. Hence to provide service personnel references for inquiry and product features (ex: related discount events) and strengthen customers service.

### Electromagnetic Radiation Standards IO4~8

CHT still strictly follows the standard made by government. We not only refine our base station, but also provide an exclusive complaint channel, if any of the public concern about electromagnetic radiation, each can apply for a free professional measurement.

We sponsored "Simulate Radiation Coverage Analysis of Low-frequency Wireless Broadcast System" research, to examine the electromagnetic radiation impact, and the result showed that with ICNIRP standard, it will not cause an excess of electromagnetic radiation to human.

In order to reduce total base stations and visual impacts to the public, we constructed cooperative stations with industry partners and the percentages of them also conform to the standard requirements from the authorities.

In 2012, we and other trades entrust telecommunication association to set up a fan page on Facebook, we also host online events to propagandize the right notion of electromagnetic radiation from base station. Together with the National Communications Commission, we hosted, a mobile communications electromagnetic wave carnival, in July of 2012 at Yingge Museum.



Reference:NCC



## Privacy Protection and Information Security

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.”



### Customer Privacy Service and Measures PR8

In response to the implementation of the “Personal Data Protection Act” in October, 2012, we established “Personal Data Protection Team” under the “IT Strategy Committee”. We set up personal data safety training and awareness plan, personal data process analysis and inventory plan, risk assessment plan, which are all categorized as our KPI indicator.

To strengthen customer data protection, Chunghwa Telecom has categorized basic customer information as “top secret” documents and stored in locked counter. Employees are asked to sign the “Trade Secret Protection Contract” and their supervisors are jointly liable. Any outsourcing company is involved in trade secrets, must also sign related confidentiality agreements. Subsidiaries report protection status annually; headquarters perform random audits at customer service centers to enforce the implementation.

We treat the rights and interests of our customers as priority; we follow strictly to the Personal Information Protection Act and had never got beyond any range. We only collect data for legitimate and legal reasons. We have added “Collection Inform of Customer’s Personal Information Clause,” “Customer’s Personal Information Application and Disposition Form” and similar document. We also provide protection services to customer, such as search and review their personal information, cease marketing usage, delete their information, etc.

For the customer service line built for rapidly solve complaints in privacy and confidentiality, we established ISO9001 Suspected Leakage Handling Procedures to report and handle all privacy complaints, hence to protect personal information and raise company appearance and service quality. In 2012, 69 suspected complaints of information leakage were reported, a 38% decrease compared to the 2011 statistics and make up 0.0015% of the total complaints.

### Information Safety Management Certification

CHT seriously respects internet privacy, therefore, we received ISO 27001 certification in 2007, and then we are approved by BSI for “ISO 27001 International Information Security Management System” and “NCC ISO 27001 Telecommunication Addition Item Audit.” CHT is the first telecom company that achieved NCC standard.

And we held 37 educational courses with 2,249 people attended in 2012, to promote the information security, and received “ISO 27001:2005 Information Security Management System Authentication” from BSI.







### Fraud Prevention

We created the 165 reporting line in November 2007 to assist the government. As of 2012, it is operated by 14 customer service personnel on monthly basis to assist police bureaus in undertaking priority cases during peak hours. The FDOS, operated by 3 customer service personnel, was also created to provide suspicious fraud-like phone calls information to the police, which is to assist police units with the instant termination of fraudulent calls.



### Internet Safety for Children

To provide children a safe internet environment, we issue a management system and HiNet Porn Watchdog for parents to control time and filter improper website.

To protect students on the internet, HiNet Porn Watchdog launched a student promotion plan. For any family that has students in junior college, high school or younger, the plan is NTD 50 per month for the first year or prepaid NTD 500 per year. Furthermore, for the underprivileged minority and low-income family, we offer a plan that is free of charge for the first year. Children are protected from pornography, violence, suicide, weapons, gambling, drugs and etc on the internet and ensures that they grow up in a healthy and safe environment. In 2012, we have participated in New Taipei City's Children Safety Experiences, to promote internet safety for children and using interactions such as survey and games to let adults and children understand the importance of safety on the internet.

### Reduce Negative Impacts

Customers can use our services without worries only by eliminating the potential negative impact of telecommunications services. We also provide the following services:

- Junk Mail: By using a HiNet mailbox, customers can enjoy free webmail service. Through a simple setup, users can decide whether questionable e-mail will be automatically deleted in the future.
- Adult Content: Provides K12 mailbox forced isolation, HiNet Adult content gatekeeper, and mobile internet adult content security guard keep children and teenager far away from harmful websites.
- Usage Time Control: "HiNet Online Time Management Service" and mobile phone "3G Talk without Worry" programs, give parents effective control on mobile phone and online status.



## Building a Broadband Network

Going online anytime anywhere has become a necessity and trend for modern people, therefore, we are expanding both submarine cable capacity and participation in the construction of new submarine cable systems. We are also actively provisioning fiber optics, and the construction volume of fiber optic network access equipment surpassed ADSL in 2012. In addition, we continue to construct wireless internet hotspot infrastructure to create even more wireless internet hotspots, relieve mobile data traffic, and increase service quality.



### Non Isolated Islands in Communication PA1

In order to prevent occurrence and spread of disasters, from past experience we enhanced measures such as the construction of remote area transmission routing, wireless backup routing, upgrade backup power capacity, international submarine cable supporting system, etc. Drills for Network repair and equipment schedule are held yearly to enhance disaster prevention and relief skills and reduce disaster losses.

Mobile phone communications are a necessity for most people, we introduce a proper backup plan: base stations arrangement in dispersed configuration, so if any base station break down or equipment malfunction, the other base stations in the system can maintain operation. When communications are interrupted by a natural disaster, small microwave, satellite (transported by helicopter, small capacity), or portable base stations (vehicle transported, large capacity) maintain communications to the disaster area.

### Fiber Optic Network Construction IO1 / PA4

At the end of 2012, the coverage of our 100Mbps broadband was 73.6%. We achieved the 70.0% goal set by the government in 2012; we estimated the coverage will increase to 85.0% in 2013.

By 2015, government plans to achieve 80% household coverage of 100Mbps broadband, 7.2 million fiber optic users, and 11 million mobile broadband users. Therefore, we plan to invest 100 billion to build broadband network, create digital convergence and develop more innovative services.

At the end of 2012, we have approximately 2.45 million customers using the Hinet FTTx Network Service and the number of customers is expected to reach 3.22 million in 2013. The number of customers use 50Mbps or above is 1.51 million, 100 Mbps is 0.3 million; and number of customers use mobile network, we estimate that it will be 348 million in 2013.

### Broadband Network Performance

Chunghwa Telecom	Result of 2012	Target of 2013
100Mbps Broadband Coverage	73.6%	85.0%
FTTx Mobile Network Users	2.45 million	3.48 million
FTTx Network Service Users	2.72 million	3.22 million

*\*Broadband Coverage: Percentage of area covered by fiber or wireless within a radius of 400 meters that can be used in a month after consumer applied among total consumers in Taiwan.*



**Ensures the safety of Highway users**

In 2012, Directorate General of Highways used the text message warning of Chunghwa Telecom’s Emergency Message Notification System for Disasters 161 times, around 700 thousand texts. Suao-Hualien Highway had 21 road blockages due to landslides from typhoons or heavy rain. The warning system has been used 37 times around the area and over 20,000 text messages were send, about 30% of all text message warning.

We have installed more telecommunication line at Suao-Hualien Highway and have regular drills to prepare for disasters. Presently all cellphone signals there are kept at 3 bars or more. In all the emergency cases over the past few years, mobile communication network were stable and operating normally.

**Expand Wireless Hotspots**

Going online anytime anywhere has become a necessity and trend for modern people. Especially with the rapid growth of smart phone and tablet PC users, mobile broadband traffic has grown exponentially in the last couple of years. Between 2011and 2012, we invested over 10 billion to expand mobile broadband network infrastructure, and procured over 2,000 units of 3.5G base stations to upgrade the capacity, transmission speed and coverage of mobile broadband network.

At the end of 2012, we have built 35,000 wireless internet hotspots and 100 wireless internet hot zones. Besides, we have over 6.39 million 3G users to relieve mobile Internet demand.

In order to provide our 6.39 million 3G users with easily accessible 3G and Wi-Fi, we provided the automatic authentication function(EAP-SIM), starting in Jan. 15, 2013, for iPhones with contract. Meanwhile, our Android system device users can download our free “CHT Wi-Fi” App, with a one time account and password they can have easy access to CHT Wi-Fi.



**Ubiquitous Telecommunications Service IO2**

To safeguard the basic communications rights of citizens and to allow all citizens to enjoy ubiquitous telecommunications service fairly is a policy goal that the government is promoting for the long term.

We have disregarded cost to provide more than 21 households in 81 remote villages and underdeveloped areas nationally with telephone service and over 80,000 households with data communications services, over 81,000 public telephones in 25 counties and cities, and data communication access services to 3,700 elementary schools and libraries.

The total net cost of Chunghwa Telecom ubiquitous service construction in 2012 amounted to 850 million NT\$. Regarding broadband network infrastructure, we expect to complete 12Mbps broadband service at 75% coverage for 716 remote villages nationally by 2013, 85% coverage by 2014, and 95% coverage by 2015.

**Cost of Ubiquitous Telecom Service**

	2010	2011	2012
Amount (NT\$ Million)	882	854	850

## Ensuring Communications Quality

Due to unfavorable weather conditions affecting telecommunications equipment rooms and their operation, customer disaster reporting can be cut off and disaster relief severely affected. In order to solve operational issues in operating locations adapting to climate change, we make complete disaster prevention preparations every day and can quickly form an emergency response team to conduct disaster relief and ensure smooth communications with the affected area.



### Action Program in Response to Climate Change

In November 2010, we completed the “Response to Climate Change – Chunghwa Telecom Environmental Protection Energy Conservation Carbon Reduction Strategic Action.” The current implementation status, includes either short or long term plans, are the formulation of priorities, improvement of disaster resilience, ensure clear communications, and the safety of overall communications network.

- Plans for flood-prone equipment rooms reform:
  - Install sealed water resistant panels
  - Install water resistant sluice gates for equipment
  - Seal up or raise up basement vents, doors, and windows

Improvement plans for telecom equipment:

- Move diesel generators and AC distribution equipment to the 1st floor and install DC equipment to above 2nd floor.
- Prepare and stock generators and pumps.
- Enhance generator configurations in remote equipment room and increase oil storage tank capacity



### Reporting System Innovation PA6

Our “Emergency Message Notification System for Disasters” has sent out over 730 thousand warning texts in 2012 in cooperation with Directorate General of Highways. Furthermore, we helped local governments send out around 1,020 thousand warning texts in 2012, and mapped out hundreds of potential danger zones in order to immediately warn the publics. In addition, the newly created “Low-frequency Wireless Broadcast System” is fast, inexpensive, non power dependent, which is especially suited for disaster emergency announcements such as weather and landslide warnings, etc.



# Mastering Policy and Regulation SO5

Any changes in policy or regulation may affect our operating results. In addition to maintaining good lines of communication with government and the competent authority, National Communications Commission (NCC), we also actively master related legislative dynamics in the Legislative Yuan. This includes the “Digital Convergence Development Project” developed with the ICT industry that concerns enhancing national competitive strength, an item to which we are paying close attention.

Digital Convergence Development Plan	
2013	100Mbps broadband network connected to all families.
2014	Digitalization of cable television
	Digital convergence act framework passed by the legislative council in June.
2015	User of fiber-optic communication reaches 7.2 million households
	Account of wireless broadband reaches 11 million households
	Penetration of emerging video services user reaches 50%.
	Newly produced television programs reach 35,372 hours, HD programs reach 5,383 hours.
	Every terrestrial television company should at least have one channel to broadcast HD program.
	Total television channels that can access HD reach 74 units.

## Digital Convergence Development Project

The Executive Yuan approved the “Digital Convergence Development Project” on December 9, 2010. The digital convergence development project will increase national competitive strength and effectively accelerate digital convergence services and ICT industry development. We are happy to see its success and in addition to continuing to observe amendment status and direction and communicating our suggestions to the competent authorities at the right time to maximize benefits, we will actively construct a fiber optic network simultaneously, enhance the competitive strength of fiber optic broadband, separately commit to expanding innovative value added service operations, and create business opportunities in the ICT industry to maintain our leading position in the high speed broadband market.

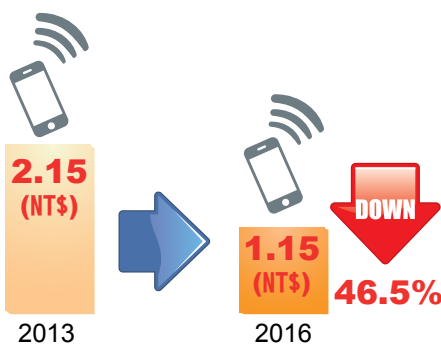
## 4G Licensing

The National Communications Commission (NCC) announced the draft of mobile broadband business licensing on November 26, 2012. NCC plan to license 4G mobile broadband network services, and release 270MHz bandwidth in 2013. We will pay close attention to competent authority’s policy and movement, and participate in the 4G licensing auction to ensure that the mobile telecommunication the company has right now can last. We will also be introducing more mobile broadband network services to increase our revenue.

## Influence of Policy and Legislation

In order to catch up to the European and American’s liberalized telecommunication market, the national communications commissions decided to adjust the current telecom charge policy. Beginning of 2013 there will be controlling over medial price among industry. The National Communications Commissions also decided to reduce the mobile termination rates next year to promote constructive competition. The mobile termination rates refer to when a customer makes a call to someone who is not a customer of the same company, both companies must calculate the share cost according to the speaking time. Starting in 2013, the mobile termination rates will decline gradually in four year, from NT\$ 2.15 to 1.15 in 2016. And the monthly fee of fixed line will follow the X value to continually decline in four year.

We will continue to communicate with the competent authorities and hope the industry and government can cooperate to establish a healthy environment that is advantageous to mobile broadband development.



*\*Note: X value (%) is the price adjustment limited coefficient defined by NCC  
 Price limited index of (N+1)Year = Price limited index of N Year \* (1+CPI variation rate - X value)*

## Create an Open Creative Platform

We influence the government to promote digital content industry policy and actively integrate the content, platform, and terminal equipment to merge cultural creativity and technology. We will also comprehensively develop an operating mechanism and industrial structure that supports creativity to allow Taiwan to become the hub for digital content design, production, and distribution in the Asia-Pacific Region and enhance the competitive strength of the digital content industry and the nation.

### Open Innovation

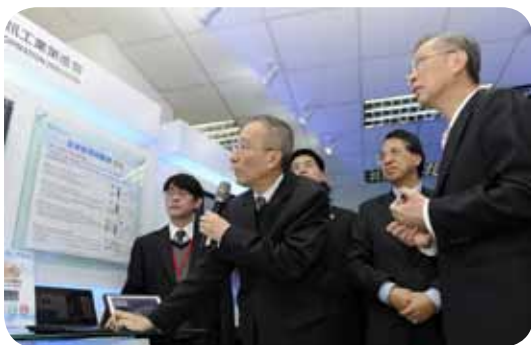
To gradually establish a quality promotion team, quality assurance center, and engineering process team at the Telecommunications Research Institute, we have used the international standards and organizational audit systems such as the ISO R&D quality system's capability maturity model integration (CMMI), and system R&D workflow to establish an organizational standardization system, which coordinates with upper managers in review activities, product quality, R&D quality, and employee quality awareness.

### Innovative Mechanism and Results

To cultivate innovative corporate culture, we created internal innovation website and held innovation group contest. Through it we can promote employees to draft resolutions. So far there has been 5 resolutions that has been approved and is currently in the advertising stage now: "NFC iphone case", "Dr. Speed" for testing internet speed, "Be on the Lookout System" for helping search for missing child, "HiNet Traveling Cloud" for tourist and "Geographic Information System" for installing and operating optical fiber network.

Our company also encourages employees to participate in external contest, for example: "The Harbor ezPass System" won the 2012 Industrial Innovation Achievement Award; "Virtuoso" won the 2012 Cloud Innovation Award; Chunghwa App for Win 8 won the 3rd place of New App award by Microsoft, etc.





### Digital Rain Forests

We are committed to provide open platform and environment to allow Taiwan's soft power to flourish. Currently we have developed an open digital platform that provides service interfaces such as publishing, transaction, account management, copyright management, etc. By doing so to facilitate the publishing and sale of these creativities, which assist the digital and cultural creative industries.

With respect to frequent cross-strait exchange: We look forward to a win-win situation in Taiwanese industry advantage of infrastructure, innovative R&D, technical readiness, and training ability to complete overall economic stability and market scale of mainland China. Hence, we continue to deepen the combination of cultural creativity, energy conservation and carbon reduction, medical, training, and tourism industries to derive more impressive services.

### Telecommunications Innovation Application Contest

We continue host "Telecommunications Innovation Application Contest" annually, try to help and encourage publics to create innovation and even create a business by our sound digital platform and abundant resources. In 2012, there were over 22,000 cases applied and nearly 180,000 persons joined the internet arena, and across 96% of universities and colleges.



# Employee Care

**S**trategy



**Protection of Employee Rights**

**M**anagement



**Human Resources Management**



## AWARDS

- We received the Certificate of Top Ten Stocks of Taiwan Employment Creation 99 Index from Taiwan Stock Exchange
- First for Telecommunication at The Best Brand Award for the 5th year in a row at Business Today Magazine
- Honored with Outstanding Labor Safety and Health College from Taipei Government



**A**ction

**Talent Attraction and Retention**



**R**esponse

**Occupational Health and Safety**



**T**arget

**Joy at Work,  
Happiness at Home**

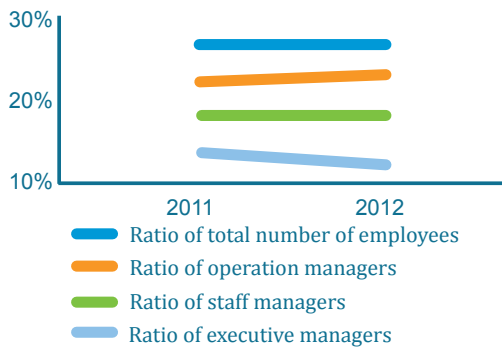




## Protection of Employee Rights

We believe that employees are the company's most important assets and cooperative partners. Therefore, we respect every employee, with no differentiation with respect to gender, age, or race. Wages are also paid on the principle of commensurate wages for commensurate work. And Chunghwa Telecom is the only operator in Taiwan that has established a Union and signed a collective bargaining agreement with employees. In 2012, the ratio of employees in the union is 99.87%. LA4

Ratio of Total Number of Female Employees to the Number of Female Managers



### Protection of Human Rights LA1

Our business spread throughout the country and the standard starting salary is higher than the required local wage. In 2012, Chunghwa Telecom employed a total of 24,351 personnel, with 17,407 male and 6,944 female employees with making up 28.52% total, and the percentage of female employees in managerial positions is on the rise and was 24.35% in 2012. To accommodate the needs for customer services and sales, we have contracted 3,837 positions.

To abide by the constitution, protect human rights, and uphold the spirit of the Act for Gender Equality accounted for more than half the entire body. In 2012, no discriminatory incidents were reported. According to Article 38 of the People with Disabilities Rights Protection Act, Chunghwa Telecom should employ 228 persons with disabilities. In fact 753 such employees were actually hired, 3.32 times higher than the legal requirement. In 2012, we employed 49 aboriginals, and properly respect their unique cultural traditions.

### Channel for Complaint

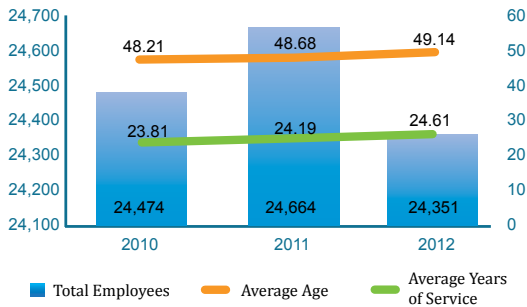
If an employee should observe conduct in their unit that is in breach of regulations or against the law, they may file a complaint or report it via the hotline, fax or email. The reported case will be investigated in accordance with corporate regulations and procedures. If such case is found to be true, the appropriate punishment will be imposed for the sake of the employees' code of conduct, corporate discipline, company image, and stakeholder rights. However, no such human rights case was filed in 2012.

Ratio of Total Number of Employees to the Number of Managers

Gender	2012				Total
	Female		Male		
Total numbers of employees	6,944	28.52%	17,407	71.48%	24,351
Number of operation managers	2,878	26.50%	7,983	73.50%	10,861
Number of staff managers	420	15.96%	2,211	84.04%	2,631
Number of executive managers	7	8.75%	73	91.25%	80
Number of directors	3,305	24.35%	10,267	75.65%	13,572



**Average Age and Years of Service of Employees**



**The Protection of Employee Rights** LA5

In line with our early retirement buyout, and employee career planning, retirement is pending for 676 employees at this time, 513 male and 163 female. The turnover rate is 2.78%. To ensure continuity and to pass on our expertise, we have recruited 395 new employees, 297 male and 98 female.

For the protection of employee rights, all company employees enter into a formal labor contract with the company. For those who have served for more than three months, but less than one year; more than one year, but less than three years; and more than three years, a ten, twenty, or thirty-day notice period is respectively in force.

We will start early to communicate the implementation schedule to the relevant units and personnel, and hold communication seminars with the corresponding union officials and personnel to ensure smooth organizational adjustment. This allow job transition and continuation base on mutual agreement, to realize a more refined integration service and a company image of harmonious operation.

**Smooth Communication Channels**

Employees not only enjoy the right to appeal, complain, and to Union membership, but the collective agreement also stipulates that labor-employer representatives from headquarters and all branches and subsidiaries shall hold at least one labor-employer meeting every 3 months, to coordinate labor-employer relationship.

There is also a Labor-Management Meeting once every 2 months to cope with regular issue, with provisional meetings to be held if necessary. There should be 9 representatives from both sides during each meeting and both sides take turn presiding over the meeting. There is a total of 6 Labor-Management Meeting and 1 provisional meeting held in 2012. Furthermore, there were 2 labor related consultative conference held, both labor and employer have sufficient voice at the meetings to express their concerns and interact positively to avoid conflict and realize harmonious labor- employer relations.

The Chunghwa Telecom Chairman and President hold regular meetings and telephone conversations with the Union to maintain proper labor-employer communication channels.

**Employee Turnover rate** LA2

Gender Age	Total Employee		New Employment		Total Turnover		Turnover of New Employment	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 30	791	571	189	73	16	9	3	1
30~50	5,610	3,486	108	25	36	26	2	0
Above 50	11,006	2,887	0	0	461	128	0	0
Subtotal	17,407	6,944	297	98	513	163	5	1
Total	24,351 (A)		395 (B)		676 (C)		6 (D)	
Remark	-		-		Total turnover=(C)/(A) = 2.78%		Turnover of New Employment =(D)/(B) = 1.52%	



# Human Resources Management LA12

A number of training systems have been established to assist employees with the development of their professional skills. Our internal training classes are very diverse, providing the higher learning required for employees at different levels and fields of work. All the agencies have personnel training teams to assist in the career planning and development of their colleagues.

## Profession Oriented Training System

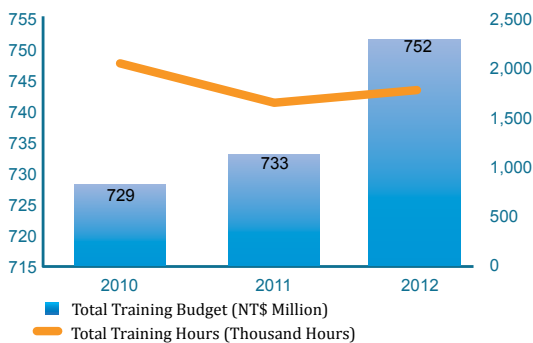
To strengthen company's competitiveness, we continue to establish a competence oriented employee training system that includes 19 information categories with approximately 870 sub- functional projects. We have built a Training Information System (TIS) in 2012 for our employees and training sessions plan to start in 2013.

## Employee Training and Advance Learning LA12

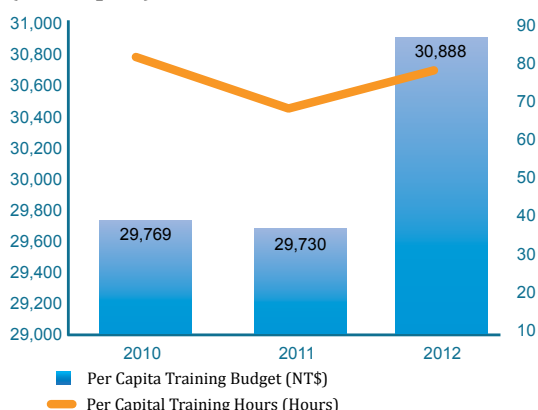
We have established different talent cultivation groups in all departments to design, implement and develop programs at dedicated training institutions in a systematic, layered, and well planned way. In 2012, the Telecom Training Institute offered courses including core network, connection network, access network, and mobile communication technologies, value-added services, information technology, business management, operational management, and human resources management. In 2012, there were a total of 1.85 million hours of training and NTD\$ 752.15 million had been invested for the endeavor.

To develop high level managerial talent for the future, we hold "high level management preparation workshops". Employees are educated through planning, execution, and evaluation mechanisms, to increase the professional aptitude and improve service attitude and overall work performance.

**Employee Education and Training (Total)**



**Employee Education and Training (Per Capita) LA10**



## Fair Assessment System

Each department set a cultivate group to organize and implement the training, career planning and development, and assessment for employees. All employees are divided into grass-roots, junior manager, middle manager, and senior manager. In the beginning of every year, employees will have an interview with their managers, and set assessment plan for specific period to review performance and contribution.



## Talent Attraction and Retention

We focus heavily on competent personnel. To assist them with balancing career development and family life, we took the initiative and implemented unpaid childcare leave systems. We also provide health and preventative care that exceeds legislative requirements. In 2012, the employee health care expenditure accounted for 0.044% of annual revenues.

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### Industry-Academic Cooperation LA11

An “International Corporate Staff Training Plan” and “Chunghwa Telecom Southeast Asia Scholarship” have been formulated with a focus on expanding our overseas markets. Scholarships to the National Chiao Tung University are awarded annually to competent Southeast Asian and foreign students.

To raise our employees’ understanding of the new trend of communication, we initiated the “Advanced Telecommunications Network Technologies” program with the National Taiwan University, and fifty of our colleagues have trained over four terms in each class. We have further expanded our employee training to include Network planning, IOT and Cloud computing and application in 2012. We also encourage employees to engage in lifelong learning, in 2012, a total of 1,028 employees applied for learning bursaries and NT\$ 16.13 million were invested.

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### Employee Satisfaction Survey

To determine the degree of employment satisfaction at Chunghwa Telecom, we conduct employee satisfaction surveys focus on measuring employees’ satisfaction with their workplace, benefits, and income, to achieve a composite understanding of employee satisfaction, impressions, and expectations in their different professional positions. According to the survey of 2012, 67% of employees are satisfied to work for Chunghwa Telecom, a little higher than 66% of previous year.




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### Health Promotion and Management LA3

Employees’ health is a company’s wealth. It is our priority to provide a safe and healthy working environment, our commitment includes:

1. We provide medical care over legislative standard: free health inspection every year, and such benefit also extended to employee families at a lower health examination cost.
2. Employee Assistance Program (EAP): Employees are offered one-on-one counseling services in resolving psychological, legal, and medical inquiries. In 2012, a total of 357 persons received the services.
3. In 2012, we held a total of 220 health seminars (16,316 people attended), 25 sport competitions (2,171 people), 119 field trips (17,822 people), 14 sessions of health screenings (2,591 people), and 160 other large association events (14,894 people).
4. Balanced career life: Established 29 telecommunications clubs in 2012 to encourage employee vacations and provides leisure and accommodation services. Each employee receives NT\$ 8,000 for subsidies.



## Occupational Health and Safety

Chunghwa Telecom has completed the identification and assessment of different hazards and risks in the telecommunications industry. We also have introduced an occupational safety and health management system and the system is being certified by external agencies. The management of employee safety and health is implemented with both a “standardized” and “systemized” approach to improve our operational quality and safety level.



### Safety and Health Commitment

We promise to offer appropriate resources based on organizational risk. We continue to improve our safety and health facilities. In this way we prevent injuries and unhealthy practices in accordance with relevant law and regulations. To persist the enforcement, we:

1. Follow the Safety and Health Regulations and Enforce Self-Management. Internalize daily operations as a part of company culture. We further need to benchmark under relevant international standards to realize safe and healthy.
2. Implement Hazard Identification and Enforce Risk Control. Identify and evaluate all unsafe and unhealthy practices to enforce control high-risk operations effectively.
3. Strengthen both mental and physical health services. Increase the quality of health inspections; host promotion events to improve health care and willingness for employees.
4. Encourage participation through open communications and available consultation; adopt ICT technologies to upgrade performance.
5. Create quality work places, continue on equipment improvement, strengthen safe and healthy practices, hence to ensure a safe, healthy, comfortable and friendly work place for employees.
6. Host labor safety training programs to raise safety awareness. Host on the job labor safety and health training programs, in accordance with the Labor Safety and Health Act.

### 2012 Occupational Hazard Statistics (for enterprise under the Labor Safety and Health Act)

	Numbers of disabilities	Frequency of disabling	Severity of disabling injuries	Number of deaths	Occupational Injuries Rate per 1,000 workers		
					Male	Female	Total
<b>CHT</b>	26	0.53%	17%	0	1.03%	1.15%	1.06%
<b>Country-wide</b>	11,413	1.72%	119%	70	--	--	3.59%

Note: 1. 2012 The number of qualified for UPL for Raising Children: Between 2010~2012, the total number of employees who took UPL  
 2. The number of person actual applied UPL: Employee who is still in UPL in 2012.  
 3. The number of reinstatement-to-be in 2012: The number of person actual applied UPL between 2010 to 2012 – The number of employee applied of reinstatement between 2010 and 2011



### OHSAS18001 Certification LA6

To ensure labor safety and health, we have established two labor safety and health organizations: The Occupational Safety and Health Committee, responsible for reviewing, coordinating and recommending related labor safety and health initiatives; Management Units for Labor Safety and Health, responsible for planning and processing and labor safety and health related services.

At least one meeting is trimestral held by the committee, with one additional provisional labor- employer meeting if necessary. In 2012, the committee has 26 members and nine of the members are labor representatives; and In 2012, the Occupational Safety and Health Committee discussed 19 labor healths and safety related issues in the meetings and all were solved satisfactorily.

We proactively provide workplace related health and safety facilities and programs to establish safe, clean and comfortable work environments. Regular inspections are made 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 2012, 27 of 28 branches had received certification under the Occupational Health and Safety Assessment Series 18001. This means that despite the increase in operations across all our services, safety and health in the company is still notable. In 2012, the occupational injuries rate per thousand people was far lower than the industry average.



### Operational Safety Management IO3

We have completed the identification and assessment of the different hazards and risks associated with the telecommunications industry, and have adopted control measures such as the use of work permits for high risk situations such as working at heights, in confined spaces, manhole and tunnel excavations, hot work, live power lines, cranes and lifts, etc, to lower the risks from such work.

The “Safety Enforcement Regulations for On-Site Operational Personnel” was drafted in 2010 and implemented in March 2011. The focus is on high risk work as mentioned above. In addition to enhancing onsite monitoring and management, we also supplement our information and telecommunications professionalism by including the recording of 3G cell phone images of on-site safety facilities and personal protective equipment before work is started. The pictures are sent to designated systems for real-time monitoring, so that we can observe risk control at high risk work sites and effectively use this as a means to prevent accidents.

## Joy at Work, Happiness at Home

Only happy employees can provide a sincere and honest service to customers. We encourage employees to start families and initiate a new phase in their lives. Furthermore, our comprehensive retirement benefits are the greatest foundation and support for the families of our employees. To provide employees with more benefits, and to share business revenue, we have set up an employee stock ownership trust plan.



### Balancing Work and Family

In July 2006, to assist employees with balancing their careers and families, we took the lead in implementing unpaid childcare leave. Female employees are paid childcare leave benefits equal to half their insured salaries during the leave period which may be for up to 2 years. After employees have received the maximum number of monthly employment insurance payments from the government, female employees can then begin receiving maternity leave benefits equal to half their insured salaries. Family leave, paternity leave, menstrual leave, nursing rooms, etc, are also provided. In 2012, a total of 179 persons applied for childcare leave, while 75 persons applied for unpaid childcare leave, and 65 persons applied for childcare benefits.



### Retirement Benefits

To enhance employee welfare and employee loyalty to the company, we enable corporate profit sharing by establishing employee mutual funds to ensure stability of employee lifestyle after retirement or resignation. Retirement is processed according to the Employee Retirement Pension and Separation Guidelines, the Labor Standards Act and the Labor Pension Act. For former employees who retired before privatization, their monthly pension payments are paid by the supervisory department from central government.

For those who are entitled to pension payments as specified in the Labor Standards Act, a maximum pension contribution 15% is paid to their pension funds each month and this process is supervised by the Labor Pension Fund Supervisory Committee at Chunghwa Telecom. For those employees who are in the Retirement Pension System under the Labor Pension Act, more than 6% of their salary (based on Monthly Contribution Wages Classification of Labor Pension approved by the Executive Yuan) is withheld for contribution to their individual labor pension account.

In 2012, Chunghwa Telecom donated NT\$4.5 Million to the CHT Retirement Association and an additional NT\$1.5 Million for travel events to improve the care of retired employees. A dedicated website (<http://www.chtr.org.tw/>) has also been established to promote healthcare and lifelong learning among retirees.





**Unpaid Parental Leave (UPL) for Raising Children** LA15

Year	Male	Female	Total
2012 The number of qualified for UPL for Raising Children (A)*	973	479	1452
The number of person actual applied UPL (B) *	10	65	75
Application rate for UPL (B / A)	1.0%	13.6%	
The number of reinstatement-to-be in 2012 (C) *	11	64	75
The number of application for reinstatement in 2012 (D)	5	30	35
Reinstatement rate in 2012 (D / C)	45.6%	46.9%	
The number of reinstatement in 2011 (E)	1	20	21
The number of retention over 1 year after reinstatement in 2011 (F)	1	20	21
The retention rate in 2011 (F / E)	100.0%	100.0%	

Note: 1. 2012 The number of qualified for UPL for Raising Children: Between 2010~2012, the total number of employees who took UPL  
 2. The number of person actual applied UPL: Employee who is still in UPL in 2012.  
 3. The number of reinstatement-to-be in 2012: The number of person actual applied UPL between 2010 to 2012 - The number of employee applied of reinstatement between 2010 and 2011



# Green Enterprise

**S**trategy



**Positive Action in Response to Change**

**M**anagement



**Environmental Sustainability Management**



## AWARDS

- Received Excellent Environmental Education Award in private enterprise group from Taipei Government
- Received first place again at information communications for Healthy Brand from Common Health Magazine
- The iEN received quality assurance from the Ministry of Economic Affairs
- Received Excellent Green Procurement and Excellent Green Store Award from Taipei Government

# A ction

**Implementation of  
Power Management  
Carbon Management  
Objective  
Water Resource  
Efficiency Management**



# R esponse

**Impressive Energy  
Conservation Carbon  
Reduction Results**



# T arget

**Creating a Green  
Enterprise  
Safeguard Our  
Beautiful Homeland**





## Positive Action in Response to Change

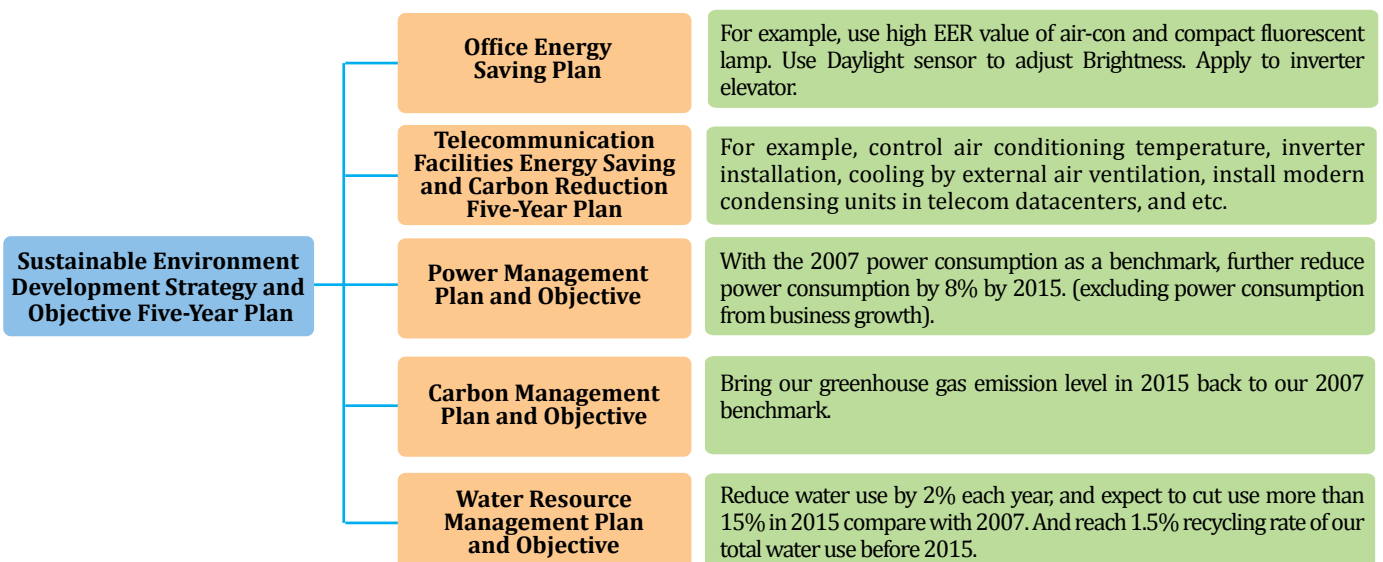
In response to the risk of climate change, we have formulated “Sustainable Environment Development Strategy and Objective”, a five-year plan (2011 - 2015) as prime directive of the development of environmental protection strategy, energy conservation, and carbon reduction. In conjunction with the vigorous implementation of “office and datacenter energy conservation measures,” we have compiled and analyzed all data related to energy usage and paved the way for scientific management.

### The establishment of Environmental and Energy Conservation Policies

Chunghwa Telecom is the most experienced and the largest of the integrated telecommunication operators in Taiwan. Our business covers three major types of communications: fixed networks, mobile, and data networks. As a leader in the Taiwanese market, we pursue growth and sustainable development while offering a more environmentally friendly and energy efficient telecommunications service. To sustainable development issues, we have incorporated environmental protection, energy conservation and carbon reduction, environmental stewardship, and green intelligent building, and formulated specific environmental and energy conservation management plans to improve environmental performance, and to define our direction towards sustainability.

We commit ourselves to the following environmental and energy conservation policies to fulfill these commitments:

- Follow environmental regulations and promote self-regulated environmentalism
- Improve energy efficiency to implement energy conservation and carbon reduction
- Use green energy and employ green purchase
- Develop green product and promote green economy
- Enhance ecological environment and green buildings
- Apply recycle and waste reduction to build a sustainable environment





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### Annually Report to Carbon Disclosure Plan 4.12

Carbon Disclosure Plan (CDP) was raised by international corporation investors, and they started to invite companies to reply CDP questionnaire since 2003, in order to understand how enterprises face and deal with carbon issue.

In response to international investors' concern, that we began to reply CDP questionnaire since 2010 through world café style that held trans-department meeting for discussion. By reporting to the CDP questionnaire that we not only can review our defects but also can set concrete target of carbon deduction, which is the most important function for us.

Reference for Chunghwa Telecom world café: <http://www.youtube.com/watch?v=oFrmtxGqIEg>



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### Participation in GreenTouch 4.13

The GreenTouch Consortium, formed in January 2010, an organization devoted to the development of an energy conservation technology network at all levels, aim at boosting network energy efficiency by 1000 times. They focus on increasing energy efficiency of ICT equipment, platforms, and networks.



We had attended the autumn general conference, GreenTouch 2010, held in the Netherlands by invitation, and joined a formal membership in January 2011.



In 2012, we continued supporting technology document formulation and case study; besides, to contribute toward ICT field, we continued sharing our energy saving findings in GreenTouch conference, IEEE ICC12 conference, APC 2012 conference, etc.







# Environmental Sustainability Management



We review and amend our different energy conservation programs every year and implement them under a budget ceiling. In addition, we combine energy conservation performance into the “Administrative Performance Assessment” and “Performance Evaluation on Power and Air Conditioning Equipment Maintenance” and include them in regular audits. We applied for two international standard certifications to provide a necessary internal procedural framework and establish guidelines and processes for the compliance of organizations and businesses.

- 


Saved **NT\$8.85 million** electric overcharges
- 


Saved **NT\$520 thousand** water overcharges
- 


Planted **66,468** entries of tree
- 


Recycled over **5 million** tons of water
- 


Covered **22** categories recycling

## The EARTH Management System

Our major environmental protection projects in the environmental sustainability system (EARTH) include power and water management, greenhouse gas emission, resource recycling, and tree planting. This shows our emphasis on energy conservation, carbon reduction, and environmental protection. Establishment of the EARTH system began in January 2008, R&D resources were vigorously place to extend the EARTH system, which includes the following functions and effects:

1. Energy conservation innovation: Creative ideas from all units upload results to the EARTH system to share with others, so as to learn together achieve environment protection.
2. Performance evaluation: Performance is evaluated in a systematic and quantified way to encourage all units to maximize contribution.
3. Power management: The system control over 49,273 electricity registrations and 1.36 million entries of electricity charges. Replaced paper bills with electronic files, this not only facilitate process, but also reduced company resource requirements and provided analysis function that shows power usage trends, power factor statistics, and breach of over power usage. With the help of the exception notification function, we saved NT\$8.85million in overcharges by the end of 2012.
4. Water management: By applying electronic billing and collective payment from the water company and collating water usage statistics, our system has controlled over 1,161 water registration numbers and 50,348 entries of water charges. This reduces administrative operation and provides analysis function. With the help of the exception notification function, we saved NT\$520,000 in overcharges by the end of 2012.
5. Carbon inventory: EARTH provides carbon verification forms to help carbon inventory, promote carbon reduction measures, reduce operational risks, and enhance the corporate benchmark. We have saved approximately 300 man-days, amount of traveling expenses, and carbon emissions from travel in all regions.
6. Afforestation: Provided to archive the information about types of trees. Archived logs cover 247 types of trees in the Chunghwa Telecom parks, including 66,468 entries of tree information.
7. Water recycling management: Provided to archive the information about the type, approach, responsible unit, and location of water recycling. Over 5,337,776 tons of wastewater was recycled.
8. Recycling management: Provided to archive the type, amount, and unit for recycling. Logs cover 22 categories and 1,458,024 entries of recycling.



**ISO14001 Certification Sequence for Chunghwa Telecom 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	International Business Group
2013	Telecom Laboratories

**ISO15001 Certification Sequence for Chunghwa Telecom Units**

Year	Execution Unit
2011	Data Communications Business Group
2012	Telecom Laboratories
2013	International Business Group, Mobile Business Group
2014	Northern Taiwan Business Group, Southern Taiwan Business Group
2015	Telecom Training Institute, Enterprise Business Group

**Organization of Sustainable Environment Management**

To execute the promise of environmental protection, we set a sustainable development group under CSR committee, to be responsible for putting environmental protection, Energy Conservation and Carbon Reduction into operating plan, and decide yearly objectives.

Otherwise, we also enhance communication between internal employees, upstream and downstream companies, work together to implement related measures to create a low carbon network.

**ISO14001 Environmental Management Certification**

Certification under the ISO14001 environmental management system clearly demonstrates our commitment to environmental sustainability. It also offers many benefits, such as proof of environmental performance, more management confidence, reduced environmental management risk, better market competitiveness, regulatory and other compliance, continual improvement, and lower costs.

**ISO50001 Energy Management Certification**

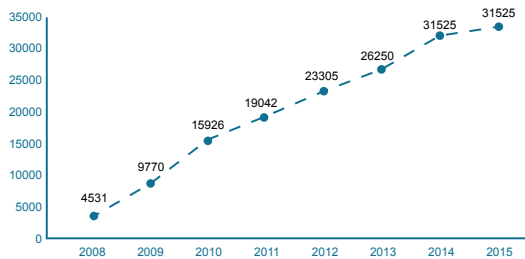
The ISO50001 energy system management standard primarily aims at providing a necessary procedural framework for organizations and businesses by establishing certain guidelines and processes for compliance. This should allow them to maximize energy efficiency in a way that leaves their existing operation unaffected and closely aligned with their business operation strategy and objectives. When supplemented by the PDCA (Plan-Do-Check-Action) mechanism, not only can energy use in an organization be continuously improved, but the objectives of sustainability and environmental friendliness can be met by reducing energy cost and greenhouse gas emission. Our Laboratories acquired ISO50001 energy system management certification in 2012 and we plan to get certification of the International Business Group and Data Communication Business Group for 2013.



## Implementation of Power Management

As a large enterprise, we use a lot power therefore we encourage energy conservation. We have taken an inside-out approach, starting with the energy conservation monitoring network in the largest building in Taiwan, and then gradually improving the energy management and efficiency of the others. We hope that by the end of 2015 we can save 297 million kWh of energy, which accounts for 22% of all conserved electricity.

**Cumulative Power Consumption Target**  
(Unit: kWh)



Note: Years 2013~2015 show target values.

### Power Management Plan and Objective

Our power management objective is to “implement energy conservation and carbon reduction plans to reduce power use in telecommunication datacenters and office buildings by 12% in 2012 as compared to that of 2007.” With proper control, this objective had already been met in 2011, when our corporate power consumption had decreased by 220 kWh.

During 2012, we have worked with Intel to develop Green Cloud Data Center to use Virtuoso and Intel’s Node Manager and Data Center Manager. In accordance with server’s power consumption and management measurement, we can decrease the cloud server power consumption by 5-15%, and prolong operating time by 25% when there is black out. While energy is being conserved the center rack’s density is also increasing.

We will continue to follow the government energy conservation and carbon reduction policies. With the 2007 power consumption as a benchmark, we plan to further reduce our total power consumption by 8% by 2015. It is estimated that our power consumption will decrease 29,750 kWh by 2015 (excluding power consumption from business growth) in contrast to that of 2007, accounting for 22% of total conserved electricity.

### Chunghwa Telecom Power Management Plan

Year	Cumulated office building energy saving (kWh) (A)	Cumulated power consumption from business growth (kWh) (B)	Power consumption growth vs. 2007 (kWh) (C)	Power saving vs. previous year (kWh) (D)	Net power saving ratio (%) (E)	Cumulated power saving (kWh) (F)	Cumulated power saving ratio (%) (G)
2008	200	8530	4199	4531	3.37%	4531	3.37%
2009	1050	13167	4447	5239	3.89%	9770	7.26%
2010	1900	17832	3806	6156	4.57%	15926	11.83%
2011	2580	21435	4973	3116	2.32%	19042	14.15%
2012	2938	26070	5703	4263	3.17%	23305	17.32%
2013	3258	29553	6561	2945	2.19%	26250	19.51%
2014	3558	35477	7510	5275	3.92%	31525	23.43%
2015	3808	38209	8914	1578	1.17%	33103	24.60%

Note: 1. T=134,572 kWh (the baseline of 2007). E=D/T, F=A+B-C, G=F/T  
2. 2013~2015 show the target value.

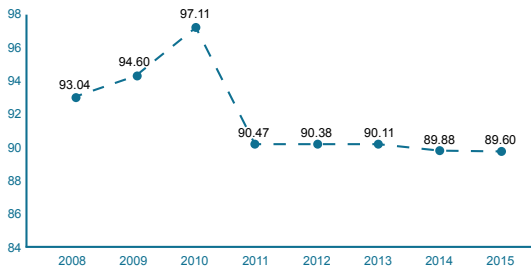




## Carbon Management Objective

Chunghwa Telecom are ahead of the industry to conduct GHG examination by SGS since 2008. By using the tool based on GHG Protocol, we compile the data and make up emission inventory for the sake of further carbon management plan.

**Total Carbon Emission (Unit: CO<sub>2</sub> 10,000 tons)**



Note: Years 2013~2015 show target values.

### Carbon Management Plan and Objective

Our carbon management objective is to “bring our greenhouse gas emission level in 2012 back to our 2007 benchmark.” Therefore, we continue reducing usage of electric power and fossil fuel, which bring us a lower operating cost and carbon emission.

Our greenhouse gas inventory for 2012 showed that our total emission for the year counted for 808,961.27 t-Co<sub>2</sub> e, and that by using the proper control we can meet our reduction objective (903,800 t-Co<sub>2</sub> e) by a significant amount.

In the future, we will maintain this control so that our greenhouse gas emission can remain unchanged in 2015 even as business grows. Meanwhile, we will take GRI 4.0 indicators as reference, gradually induce and complete the calculation of carbon emission for Scope 3.

### Chunghwa Telecom Carbon Management Plan

Unit: CO<sub>2</sub> 10,000tons

Year	Carbon emission from power consumption	Increased carbon emission vs. 2007	Carbon emission from fossil fuel	Other carbon emission	Total carbon emissions	Carbon emission from business growth	Cumulated carbon saving	Cumulated carbon saving ratio(%)
2008	85.98	2.67	1.74	4.21	94.60	5.43	2.76	2.97%
2009	88.58	2.72	1.61	4.20	97.11	8.20	5.49	5.90%
2010	82.50	2.33	1.49	4.19	90.51	10.91	8.74	9.39%
2011	81.80	3.04	1.45	4.18	91.09	13.12	10.23	11.00%
2012	81.20	3.63	1.38	4.17	90.38	15.24	11.77	12.65%
2013	80.50	4.08	1.37	4.16	90.11	17.26	13.34	14.34%
2014	79.80	4.59	1.35	4.14	89.88	19.04	14.60	15.69%
2015	79.00	5.11	1.34	4.15	89.60	20.81	15.85	17.04%

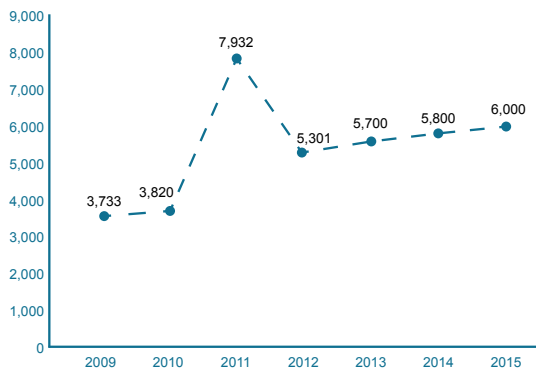
Note: Years 2013~2015 show target values.



# Water Resource Efficiency Management

Eco-efficiency has been proposed by WBCSD, and is aimed at improving effective resource utilization and lowering pollution. We have introduced energy conserving mobile products / services and programs designed to assist residential and commercial departments, for example, our water resource recycling management has been incorporated into the EARTH system since 2008.

## Chunghwa Telecom Water Resource Recycling Plan and Objective



Note: Years 2013~2015 show target values.

## Water Resource Management Plan and Objective

Our water usage primary includes facilities such as restrooms and air-conditioning. As business expands there will be less room for reduction. Therefore, we turn to rainwater and cooling water recycling as well as water resource management plans to meet the effective use of water.

## Water conservation measures

Since 2007, we have been promoting water conservation measures, such as spray taps for washbasins, restrooms with two-stage flushing devices, office boiled water supply only in office hour, minimum water usage, rainwater is recycled to water plants, repair water supply equipment immediately after damaged and reclaimed new water installations and process used water to the required standard water quality.

## Water use reduction objective

In 2012, we used 2,515,000 tons of water, the number is little higher than before, because our EARTH system includes more water use data and thus the number is more accurate. In the long run, we will continue on water reduction plans to reduce water use by 2% each year, and expect to cut use more than 15% in 2015 compare with 2007, which used 2,431,000 tons.

## Resource recycling 5-year plan

The statistics show a slight growth on recycled water from 3,733 metric tons in 2009 to 5,301 metric tons in 2012. To further enhance the effectiveness, we planned for new rainwater recycling systems to collect clean rainwater from the datacenter roof and ground. New condensed cooling water recycling systems will also be installed in the air-conditioning systems in office buildings to recycle water. We expect to reach 1.5% recycling rate of our total water use before 2015.



## Impressive Energy Conservation Carbon Reduction Results

Energy conservation and carbon reduction is one of the current government priorities. As a responsible member of the global village, government will present a succession of relevant action plans, and policy objectives will also be amended accordingly to bring them into line with international trends. We will also amend and update our policies every year with the firm vision of sustainability through high efficiency, high value, low emission, and low consumption.



### Introducing Renewable Energy

By taking the measures described above, power consumption was reduced by 6.20 million degrees in 2012 against 2011; and 25.20 million degrees against 2007 the baseline year. Compared to 2007, power consumption in 2012 was reduced by 12.6% and carbon by 3,850 tons. The 5-year plan for energy saving and carbon reduction in telecomm datacenters will continue and are expect to reach the goal of a 2% power saving each year.

To lower the impact of the business operation on the environment, a score of aircon (air conditioning) related energy saving measures have been adopted for the telecomm datacenters including inverters, high heat sensibility, and the use of supplementary cooling by external air. At the end of 2012, total installation of energy saving related capacity was: inverter modules 224 HP, aircon equipment with sensible loads 4,390 RT, high efficiency air-con equipment 1,465 sets (of capacity 2~3 kW respectively), wholly external-air based aircon equipment 708 RT and natural-air-based-and-aircon-supplemented equipment 23 sets. A total capacity of 26.6 kW wind and 154.88kWp solar power generation equipment has been installed.

### Waste disposal from the Telecomm datacenters

The scrapped lead-acid battery is a recyclable industrial waste regulated by the EPA as. To reduce pollution the recycling and disposal operations are outsourced by joint contract based public auction. The contractor must be a qualified service provider listed on the website of the Recycling Fund Management Board of the EPA to ensure legitimate management and disposal.

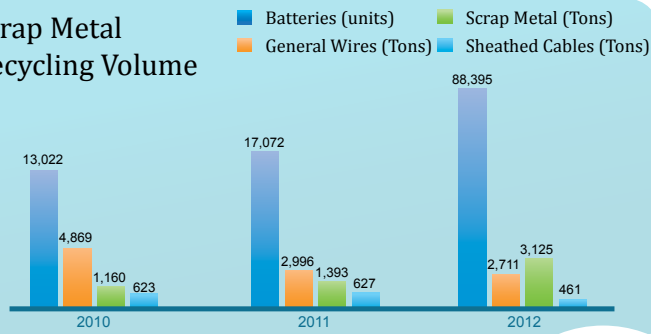
All the lead-acid batteries scrapped by each business unit are auctioned on site and proper documents for their disposal are filed for audit tracking. There were 41,718 scrapped lead-acid batteries, with a total weight of 1,976,552 kg disposed in 2012.

### Waste Recycling

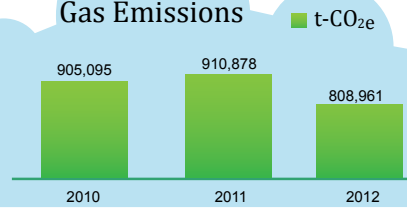
Recycling can reduce waste and raw material consumption. In 2012, the recycling amounts are as follows:

- Computers: 1,993 units
- Cell phones: 8,707 units; Communication accessories: 34,224 units.
- Batteries: 295,489 Kg
- Paper: 403,305 Kg
- Plastics: 8,453 Kg

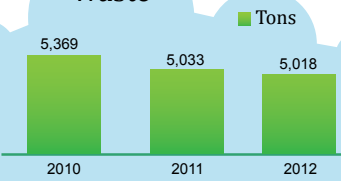
### Scrap Metal Recycling Volume



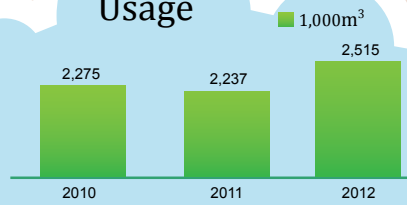
### Greenhouse Gas Emissions

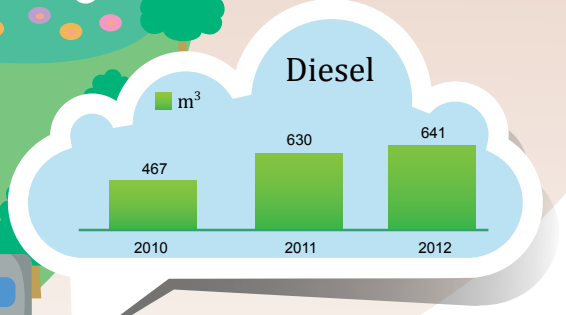
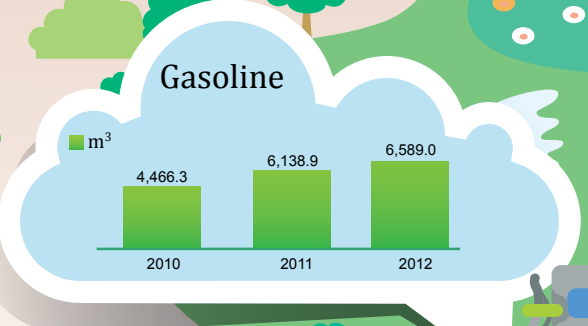
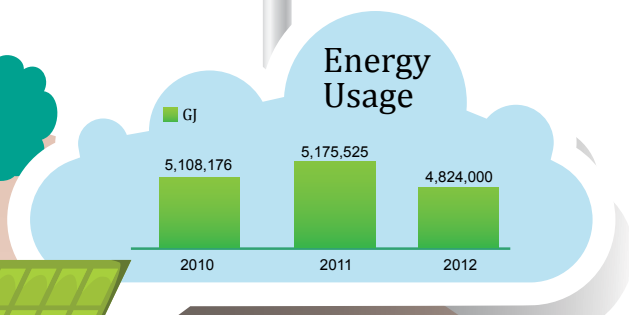
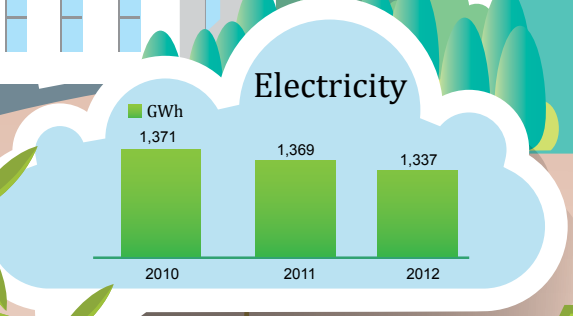
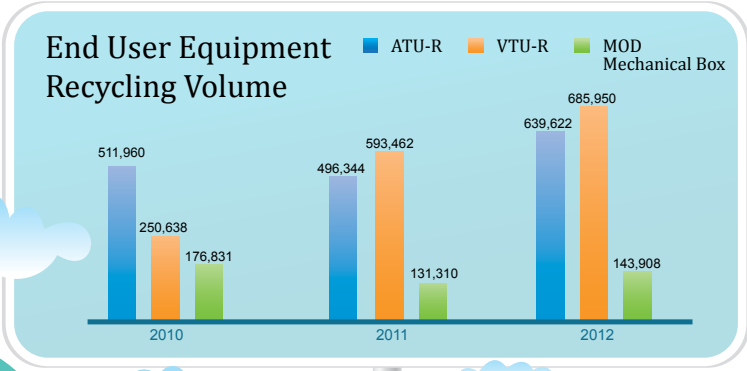


### Waste



### Water Usage



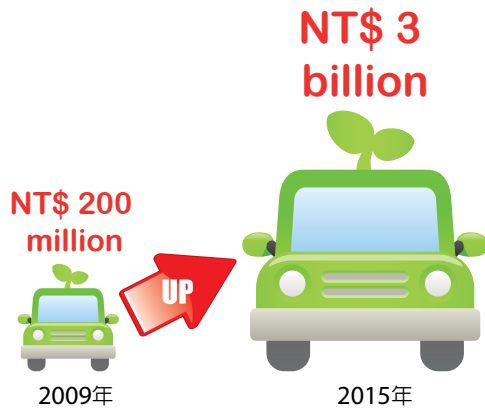




## Creating a Green Business

During our 15th anniversary publication, we announced: “To Build a Beautiful Sustainable Vision 2020,” we have set an objective for comprehensive (exclusive) green purchasing by 2015, and for active participation in international energy conservation research, as well the exploration of energy conservation and carbon reduction issues and implements corporate social responsibility.

### Green Procurement Plan



### Promote Comprehensive Green Purchasing

By 2015, we will exclusively purchase “low-pollution, recyclable, and resource-saving” green products and provide related services and activities. The definition of comprehensive or exclusive green purchasing is products that are compliant with government and other countries’ green marks and provision of self-proclaimed environmentally friendly products, services, and related activities. This includes the purchase of green products, the implementation of green purchasing by combining corporation and supply chains, the development of green products, and the provision of relevant services and activities. As we are vigorously promoting green purchasing, we have established the following annual green purchasing plans and objectives:

### The First Green Accommodation in Taiwan

We have renovated some properties into accommodations around Taiwan, as a service for publics and welfare of employees. And since 2012, in order to spread the low carbon traveling concept, we have followed the Hotel Carbon Measurement Initiative 1.0 made by World Travel & Tourism Council (WTTC) and International Tourism Partnership (ITP), to arrange a project that discloses carbon footprint of accommodations, and advocate of bringing self toiletries. We plan to launch the project “Carbon Footprint for Room” in late 2013, and hope to lower the impact of tour done by our staffs.



### A Green Building Label

A Green building is academically part of the earth sustainable development policy. The “Green Building Promotion Program” promulgated by Executive Yuan defines seven environmental assessment indexes regarding buildings, which includes greenness, water conservation, energy saving, the reduction of CO2 emission, the reduction of waste disposal, indoor environment, water resources, and improvement of sewage and garbage disposal. Therefore, with a fifty million construction budget, we will apply for environmentally-friendly and energy-saving green building labels for new buildings and datacenters. Our north branch has applied for diamond-rating green building label candidate certification.





### Education and Business Activities

Article 19 of the “Environmental Education Act” :“Government agencies, state-run enterprises and institutions... all employees... shall participate in more than 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 to environmental management to maintain the system and should hold environment education courses for their managerial officers and other employees on a regular basis.” To comply with these obligations in the future, we will begin implementing the following:

1. Four hour environmental classes for all employees every year.
2. Fusion between environmental education classes and major corporate activities. 34 environmental courses were held in 2012 and 2,736 persons enrolled.

### Corporate Volunteer Exchange

Our “CSR Committee” includes an “Environmental Sustainability Group” and “Corporate Volunteerism Group,” enabling our colleagues from business locations across Taiwan to engage in environmental education and considerable experience has already been accumulated.

The Chunghwa Telecom corporate volunteers also participated in the Taiwan Energy Conservation Patrol initiated by Epson Technology and other corporations. This focuses on increasing energy efficiency within corporate operations and production processes to achieve the objectives of carbon reduction and to mitigate global warming. It is hoped that on-site inspections and the provision of energy conservation advice, given to the units inspected, will help us achieve maximum benefit for both environmental protection and corporate profit.

### Adopt Electric Vehicle

On October of 2012, we signed a 2-year lease for 20 business use Luxgen Electric Vehicles. For every kilowatt-hour the electric vehicle can travel 6 kilometers and releases 0.536 kg of CO<sub>2</sub>e; therefore, 0.089 kg of CO<sub>2</sub>e per kilowatt-hour is released every kilometer. Compared to similar vehicles, the average gasoline use is 8 km per liter and releases 2.361 kg of CO<sub>2</sub>e per liter; therefore, 0.295 kg of CO<sub>2</sub>e per kilowatt-hour is released every kilometer.

After switching over to electric vehicles, we are saving 0.206 kg of CO<sub>2</sub>e per kilometer. Estimating that we travel 2,000 km per month, every vehicle is reducing CO<sub>2</sub>e emissions by 4,944 kg and a total of 98,880 kg less CO<sub>2</sub>e emissions for 20 vehicles.

It’s a small step but a big change to the earth if every company adopts electric vehicles. Therefore, in order to take responsibility for our earth we plan to increase the use of electric vehicles in our company



## Safeguard our Beautiful Homeland EN26

The Global climate has changed considerably in recent years. The number of storms is increasing, the power of typhoons has intensified, and even the summer temperature keeps hitting record highs. To relieve the pressure on the gradually depleted natural resources, countries all over the world are committed to energy conservation and carbon reduction activities, we need to do whatever we can to contribute to the safeguard of our beautiful homeland.

### Environmental Information Disclosure

- Implement annual greenhouse gas inventory. Obtain ISO14064 verification and certification.
- Respond to the annual Carbon Disclosure Project (CDP) questionnaire.
- Respond to environmentally related issues in the annual Dow Jones Sustainability Indexes (DJSI) and other environmental related questionnaire.
- Publish the CSR report.

### Improve Energy Use Efficiency

- Integrate datacenters: Merge and exploit datacenter space.
- Incorporate Intelligent Energy Saving System into new datacenter.
- Save cooling energy: Use high-efficient and air- conditioners, and cold/hot channel air-conditioning systems in the datacenters.
- Use green materials for newly constructed datacenters or buildings.
- Install solar water heaters in Telecommunications clubs.
- Recycling: Set up rainwater, underground, and condensed cooling water recycling systems.
- Environmentally-friendly LED bulbs: Internal office building trial plan.

### Autonomous Environmental Protection

- Green purchasing: Import green purchasing data into EPIS, also been imported for the sustainable development system.
- Replace old vehicles with environmentally friendly, electric vehicles for trial.
- Clean homes, energy saving office, health management system, car-free days, and paperless ODAS.
- Energy conservation team: Provide helps to SMB or disadvantaged.
- Industrial waste recycling: Set recycling goals.
- Environmental award summary

### Green Energy

- Photovoltaic system: 34.1kWp capacity System constructed in 2012.
- Wind power: 26.6kWp capacity built in 2012.
- Fuel cell: Pilot program with the Industrial Technology Research Institute, 15kWp capacity system built in 2012.







### Intelligent Energy Network (iEN)

iEN can integrate monitoring of power consumption for each equipment. Using cloud platform to provide customers with performance computing, operating condition and instant notification to complete predict and prevent mechanism. In addition, iEN can provide energy saving diagnoses and integrate solution by its sensors, remote controller and detailed record data.

With iEN, we saved nearly 12% of electric power consumption (168 million kWh), which equaled to NT\$ 500 million, and reduced about 110 thousand ton CO2 emission in 2012, therefore, we received the “2012 Company with Excellent Energy Technology Award” from Ministry of Economic Affairs.

We also provide iEN rental service, help company to reduce expense in energy saving, which already widely used by hospitals, schools, governments, etc., and got many awards.

### EARTH Management System

EARTH management system let company do overall resources management, save operating cost and then to raise company's goodwill, by providing complete information, analysis, and expert diagnoses:

- Power management: provide power consumption analysis, energy efficiency analysis, unusual power consumption notification, etc.
- Water management: Provide electronic billing and collective payment from the water company and collating usage statistics service, etc.
- Fuel management: Provide vehicle data management, gather fuel statistics and analysis.
- Paper management: Provide usage data comparison and analysis.
- Afforestation: Archive the information about types of trees.
- Recycling management: Archive the type, amount, and unit.
- Green Procurement: Except procurement amount, date and category, also archive procurement item with green mark, energy saving mark and water saving mark, etc.
- Carbon inventory: Provide carbon verification forms to help carbon inventory, promote carbon reduction measures, reduce operational risks, and enhance the corporate benchmark.
- Performance evaluation: Performance is evaluated in a systematic and quantified way to encourage all units to maximize contribution.



### Value-added Products and Services

- Electronic billing: Features environmental protection, promote with marketing section.
- iEN and promote eight energy-saving categories.
- Mobile device recycling: Recycle bins are available at service centers in line with the promotion of waste recycling.
- Assist suppliers to apply for product eco-labels.

# Social Investment

S  
strategy



Concentration on Digital Opportunities

M  
Management



LBG Social Contribution Assessment



## AWARDS

- Received Innovative Service Awards from the Ministry of Economic Affairs at "FBB and i-Community Awarding Ceremony"
- Received the Golden Medal of 2012 Sports Pusher Award
- Received a Certificate of Appreciation from Miaoli Government for sponsoring the 2012 International Fireworks and Art Festival

**A**ction



**Dedicate to the Society**

**R**esponse



**Project Implementation Results**

**T**arget



**Digital Inclusion to  
Create Shared Value**



# Concentration on Digital Opportunities PA2~3

The “digital divide” has 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 the digital divide” and “creating digital opportunities.” We are also significantly devoted to introducing “corporate volunteers” to participate in localized community services and actively assist with the creation of digital opportunities in local communities.

	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 Provide female community members with information education courses

## Six Major Causes of the Digital Gap

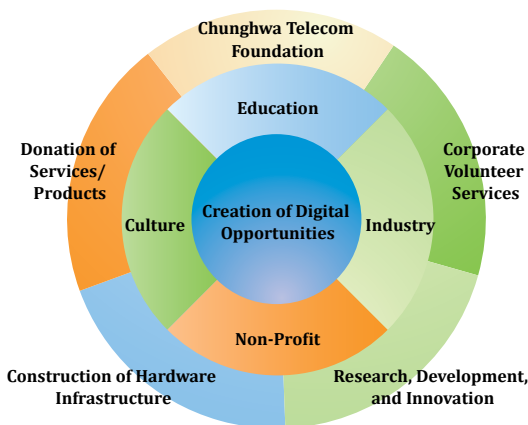
- The digital divide in today’s society is primarily due to the following:
- Geographical gap: a gap that results from people being in urban and remote areas.
  - Economic gap: a gap that results from people having different levels of income.
  - Knowledge gap: a gap that results from different levels of knowledge between different groups of people.
  - Disability gap: a gap that results from the general public and disabled persons.
  - Health gap: a gap that results from people of different age groups or health conditions.
  - Gender gap: middle aged and senior women suffer from significant disparities when using information and communications services as a result of traditional notions of family care.

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

## Five Major Aspects of Digital Opportunities

Based on the information and communications characteristics of Chunghwa Telecom, the two major missions of social investments from Chunghwa Telecom and the Chunghwa Telecom Foundation are the “reduction of digital disparity and the creation of digital opportunity”.

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.





## 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. Over the years, we have continued to apply our core capabilities to create concrete values for Taiwanese society and assist people to increase the quality of their lives.

### Social Contribution Assessment

We adopted the London Benchmark Group’s (LBG) model to assess the utility of social investments, which had been widely used by over 300 corporations. According to the LBG model:

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

Quantify community investments can help us engaged in optimal resource allocation and avoid repetitive resource investment. Thus, financial and non-financial investment can be combined effectively, while multitudes of stakeholders can be satisfied at the same time to create more effective social contributions.

### Social Investment Statistics EC8

We started to count our social investment amounts since 2008 in order to quantitative our contribution to the society. In 2012, our social investment amount is NT\$ 1,493 million, the decrease of total social contribution is because we improved our management by cutting down unnecessary expenditure, and kept all other part as the same as usual. Besides, we add “volunteer cost”

**Social Investments (Unit: Thousands of NT\$)**

Type of Social Investment	Cash Donations	Product or Service Donations	Management Expenditures	Volunteer Expenditures	Total	Percentage of Business Revenues	Hours of Corporate Volunteer Services
2010	273,778	1,470,014	131,395	-	1,875,187	1.01%	147,083
2011	260,934	1,324,955	14,110	4,863	1,604,862	0.83%	28,360
2012	231,202	1,150,656	88,687	22,365	1,492,910	0.68%	89,460



## Dedicate to the Society

To assist the government with implementing increasing telecommunications availability and services, we have also established Chunghwa Telecom Foundation to fulfill the primary missions of reducing the digital gap, assisting local cultural industries, and participating in community life.



### Well Use Computer Makes Computer a Good Thing

Chunghwa Telecom Foundation (CTF) encourages the ideologies “well used computer makes computer a good thing” and “what is taken from the society, being use on the society,” therefore we will always assist anyone who is in need of help with computers.

In 2012, we donated computer equipment to Taitung County to improve the community’s problem with lack of digital equipment. We have also donated resources to charitable organizations to help children and the elderly and decrease the digital gap.

While assisting in the improvement of hard drive equipment, we are also paying attention to the method users choose to follow by so we can promote the correct attitude to use a computer. Such as cooperating with The Public-Service Association of Taiwan Concern Society to hold internet safety education campaign, we hope to create a friendly environment for digital use.



### Click Taiwan

We arrange different types of volunteer plans for each community, in 2009, CTF held first “Click Taiwan” project, invited university students to photograph and take video for communities and contribute their own abilities to lead or attend activities in communities. From 2009 to 2012, there already were 162 students cross 23 universities joined the project, went through 47 towns and took over 1,000 minutes of video in Taiwan.

And CTF also held second “Young volunteer project” in 2012, invited young men to step into communities which are mostly with insufficient youth. Through these activities, that we hope to encourage young people to visit this beautiful island by their own feet, step by step to learn the wonderful view in Taiwan.



### Micro-Industry Lighten Economy

In 2006, CTF set up virtual and physical channels to help promote local industry, but consider the limited scale and human resource, since 2012, we have gradually turned into micro industry concept to provide solution for local communities.

“Clicktaiwan.com” was established in 2011, as a marketing platform for communities’ products. Through systematic plan and operation, we have built a complete database for local industry, and provide a chance for consumers to know the manufacturers’ background. In the same time, we also issue electric news paper to all our membership, about 30,000 members, to invite more people to support the idea of local industry.

(Clicktaiwan.com:<http://www.clicktaiwan.com.tw/taiwan/specialgifts>)

### Malaysia Digital Opportunity Center



Because our assistance to APEC member Philippines’ “Digital Opportunity Center for Visually Impaired” was very appreciated, the Malaysian APEC officer has actively asked us to assist Malaysia to establish the same center.

The center has successfully built and held an opening ceremony in Rawang City on September 11, 2012. Malaysia officers, chairman of Association of the Blind, and Taiwan vice ambassador attended the ceremony. So far 3 visually impaired people have completed the training for customer service and 1 operation staff.

### EYE Society Innovative Call Center



Cooperation with the Student Resource Center, Tamkang University, we have set up EYE Society Innovative Call Center in 2011, and there were 18 visually impaired call center agents and 2 supervisors in 2012. They are respectively responsible for Chunghwa Telecom satisfaction survey and the hotlines of 1999 Taipei City Government.

According to our satisfactory survey, visually impaired agents are qualified to Chunghwa Telecom’s standard of customer service, and they also can independently work in hotlines of 1999 without help. Therefore, Taipei City held press conference for 1999 Visually impaired call group in August, 2012.

## Project Implementation Results

Chunghwa Telecom's vision behind initiating the "Digital Good Neighbors" project in 2006 was: allow everyone to use opportunities well, and that opportunities can serve well. Over the last several years, our employees continued to provide uninterrupted service assistance, and our corporate promise and commitment to creating digital opportunities have won recognition from local authorities and local residents alike.



### Digital Good Neighbors with New Cloud Version

Through the "Digital Good Neighbors" project we have set up 63 locations and kept donating hardware and internet service to support a public study place.

According to the 2011 domestic survey of family information condition state by the Research, Development and Evaluation Commission, Executive Yuan, the domestic non-internet users are higher in females than males as well as elders than other ages. Therefore, when in efforts to reduce the digital gap, we encourage women and the elderly to attend our classes.

The Geng-Hsin Lien-Yuan Educational Foundation in Sanchong District in New Taipei City opened an internet course. After completing the course some students are able to manage a blog for their own businesses, providing product information. Similar events are happening in Linbian Township, Pingtung County, the Yongle community encouraged the elderly to form local elder photograph group where they learned how to use digital cameras. Meanwhile they also learned how to use Skype, Facebook and similar social networks. In the digital world, age, occupation, wealth is not a concern, the space is for anyone to learn and use.



### Remote Learning Shorten the Distance of Education

We have launched the Remote Learning Project in 2009 to provide students from remote districts a chance to learn. In 2012, we have built 9 locations with courses on Tuesday and Thursday evening every week. We encourage anyone in the community to attend so they are able to learn and lead the community to grow with them.

In combination with the idea of digital accompany, the Remote Learning Project is not only for education, it is also a spirit companion. We hold many activities to encourage children to explore any future possibility and they are not the only ones that benefit from this program, trade school students also had a chance to experience program and are better prepared to enter the society.





### Location of Remote Learning for Education

	Location	Number of Student
1	New Taipei Good Shepherd Foundation Cross-Cultural Marriage Center	13
2	Kaohsiung Liugui church	11
3	Kaohsiung Shanlin Township	20
4	Chiayi Fu Jen Catholic High School	16
5	Pingtung Fenglin Church	21
6	Pingtung Ailiao after-school course	5
7	Taitung Dawu junior school	18
8	Taitung Jialan community	16
9	Taitung Jinlun Hot Spring Tribe	10

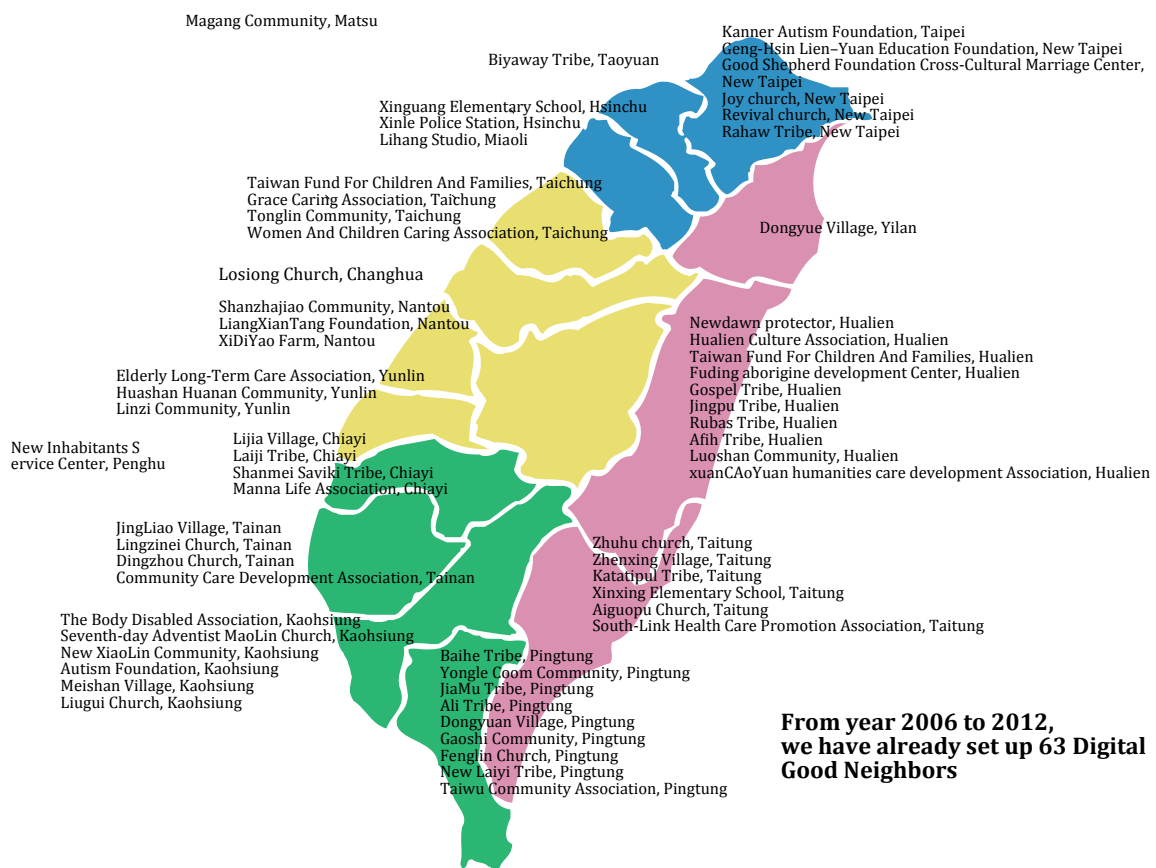
Total 130

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### Location of Digital Good Neighbors



## Digital Inclusion to Create Shared Value

In an ICT society where information communication has become an inseparable part of people's lives, we are committed to building a trouble-free communications environment and share value with the people. We will establish comprehensive digital inclusion strategies and promote digital inclusion action plan performance indicators step by step.



### Four Aspects of Digital Inclusion Strategy

In our disabled digital inclusion strategy, we leverage ICT together with discounted plans to fill the service gap for all the disabled groups. We are devoted to the development and provision of barrier free communications equipment oriented to improve their lives, education, and employment.

The advancement in information and communication services also allows us to assist elderly people with chronic disease or those in need of special care. We offer disadvantage groups and low-income group cheap plans and remote assistance for the installation of communications equipment. We also provide the public a sufficient education courses as a learning channel in changing information and communications discipline in every county.

We believe that the provision of information and communications services for remote area is not subject to terrain or distance. We continue to enhance the accessibility of our mobile communications network and build dual-routes in remote areas to ensure communication. We will also strengthen mountain and outlying island communications by satellites.



### Comprehensive Inclusion Action Plan

We define four aspect of telecom performance assessment according to different groups and priorities:

1. For disadvantaged groups: trouble-free communication use, life quality improvement, disadvantaged group employment, social change in the community, and enhance image.
2. For low-income groups: easy to use, affordable rates, life quality improvement, social change inside community, equipment utilization, revenue, and enhance image.
3. Public education by telecom equipment and services: course integrity, service course for attentive to customer, course utilization, revenue, social changes in community, and enhance image.
4. Infrastructure improvement in remote areas and outlying islands: basic communications coverage, high-speed wireless broadband coverage, guarantee of smooth communication, improvement of user life, equipment utilization, revenue, enhance image, social change in the community and community environment.



Quantitative performance of digital inclusion in 2012  PA5

Project	Content	Preferential Amount (NT\$)	Number of Benefited (Person)
For the disabled	Provide 15% discount for monthly rental of ADSL3M/384K, and 5% discount for other line rates (including FTTx service).	1,365,936	2,189
For the visually disabled	Provide subsidy of two IC phone-cards, equals to NT\$ 200 per year.	119,300	592
For the disadvantaged	Provide lower monthly rental of mobile phone services, or offer free text, call or video call for communication.	22,300,000	--





# ASSURANCE STATEMENT

## **SGS TAIWAN LTD.'S INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY ACTIVITIES IN THE CHUNG HWA TELECOM CO., LTD. CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2012**

### **NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Chunghwa Telecom Co., Ltd. (hereinafter referred to as CHT) to conduct an independent assurance of the Corporate Social Responsibility Report of 2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the CHT's Corporate Social Responsibility Report of 2012 and its presentation are the responsibility of the superintendents, CSR committee and the management of CHT. SGS has not been involved in the preparation of any of the material included in the CHT's Corporate Social Responsibility Report of 2012. 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 using our protocols for:

- evaluation of content veracity at a high level of scrutiny;
- 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(G3.1 2011) ; and
- evaluation of the report against Global Reporting Initiative Telecommunications Pilot Sector Supplement.

The assurance comprised a combination of pre-assurance research; interviews with relevant employees at headquarter and operational sites of CHT in Taipei, 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 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 2012 verified is accurate, reliable and provides a fair and balanced representation of CHT sustainability activities during 01/01/2012 to 12/31/2012.

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 fifth 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 G3.1 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 G3.1 Application Level A+ and AA1000 Assurance Standard (2008) type 2, high level.

## **AA1000 ACCOUNTABILITY PRINCIPLES 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 surveys and communication to its employees, consumers, investors, local communities, suppliers, media, NGOs and other stakeholders. CHT has also shown its direct engagement its stakeholders via set up meetings and had dialogue directly between the management of CHT and stakeholders and to respond questions rose by stakeholder promptly. For future reporting, CHT might consider continuing the proactively direct engagement with stakeholders.

### **Materiality**

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

### **Responsiveness**

The report cover comprehensive response to the issue and stakeholders concerns relating to CHT's activities. Continuing direct engagement with identified stakeholder groups to be considered in future reporting.

## **GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

### **Principles, Standard Disclosures and Indicators**

The report, CHT's Corporate Social Responsibility Report of 2012, is adequately in line with the Global Reporting Initiative G3.1 application level A+. Contents of Disclosure on Management Approach may have more clearly defined policies and goals for each aspect. It is recommended to have more disclosure on the performance of supplier chain management, sustainability strategy and material impacts. Further to that, it is also recommended the Global Reporting Initiative G4 to be considered and implemented in future reporting preparation.

**Signed:**

**For and on behalf of SGS Taiwan Ltd.**



**Dennis Yang, Chief Operating Officer  
Taipei, Taiwan  
11 July, 2013  
WWW.SGS.COM**



**AA1000**  
Licensed Assurance Provider  
000-8

# GRI G3.1 Table of Mandatory Duties

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<b>Profile</b>			
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2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Expanding Overseas Operations	7
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--	Date of most recent previous report.	2012.08	Front Cover
--	Reporting cycle.	Yearly	--
3.4	Contact point for questions regarding the report or its contents.	Editorial Policy	Front Cover
3.5	Process for defining report content.	Key Issue Matrix	12~13
3.6	Boundary of the report.	Editorial Policy	Front Cover
3.7	State any specific limitations on the scope or boundary of the report.	Editorial Policy	Front Cover
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Editorial Policy	Front Cover
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	According to each indicators	--
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	According to each indicators	--
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	No significant changes	--
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4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Operation and Performance Assessment of the Board of Directors	20
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Information Disclosure	21
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4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Operation and Performance Assessment of the Board of Directors	20
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4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Operation and Performance Assessment of the Board of Directors	20
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EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Deepen Supplier Partnerships, Expansion of Supplier Management	14~16
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EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	No Such Case	--
EN13	Habitats protected or restored.	No Such Case	--
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	No Such Case	--
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EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Carbon Management Objective	63
EN19	Emissions of ozone-depleting substances by weight.	No Such Case	--
EN20	NO, SO, and other significant air emissions by type and weight.	No Such Case	--
EN21	Total water discharge by quality and destination.	No Such Case	--
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EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	No Such Case	--
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	No Such Case	--
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EN30	Total environmental protection expenditures and investments by type.	Creating a Green Business	68

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HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	No Such Case	--
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	No Such Case	--
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HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	No Such Case in 2012	--
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IO5	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.	Actively Explain Product Features	37
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PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Privacy Protection and Information Security	38
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Business Principles	21

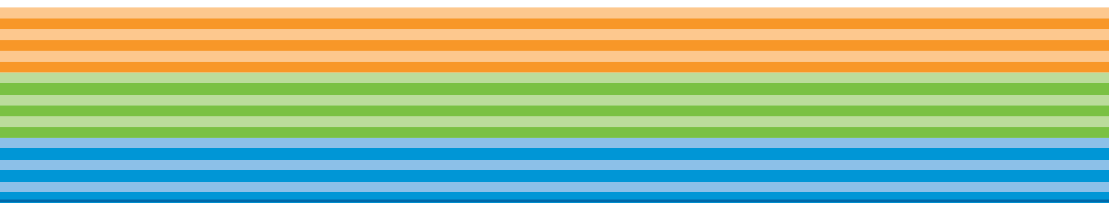
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