Corporate Social Responsibility Management

Strategy
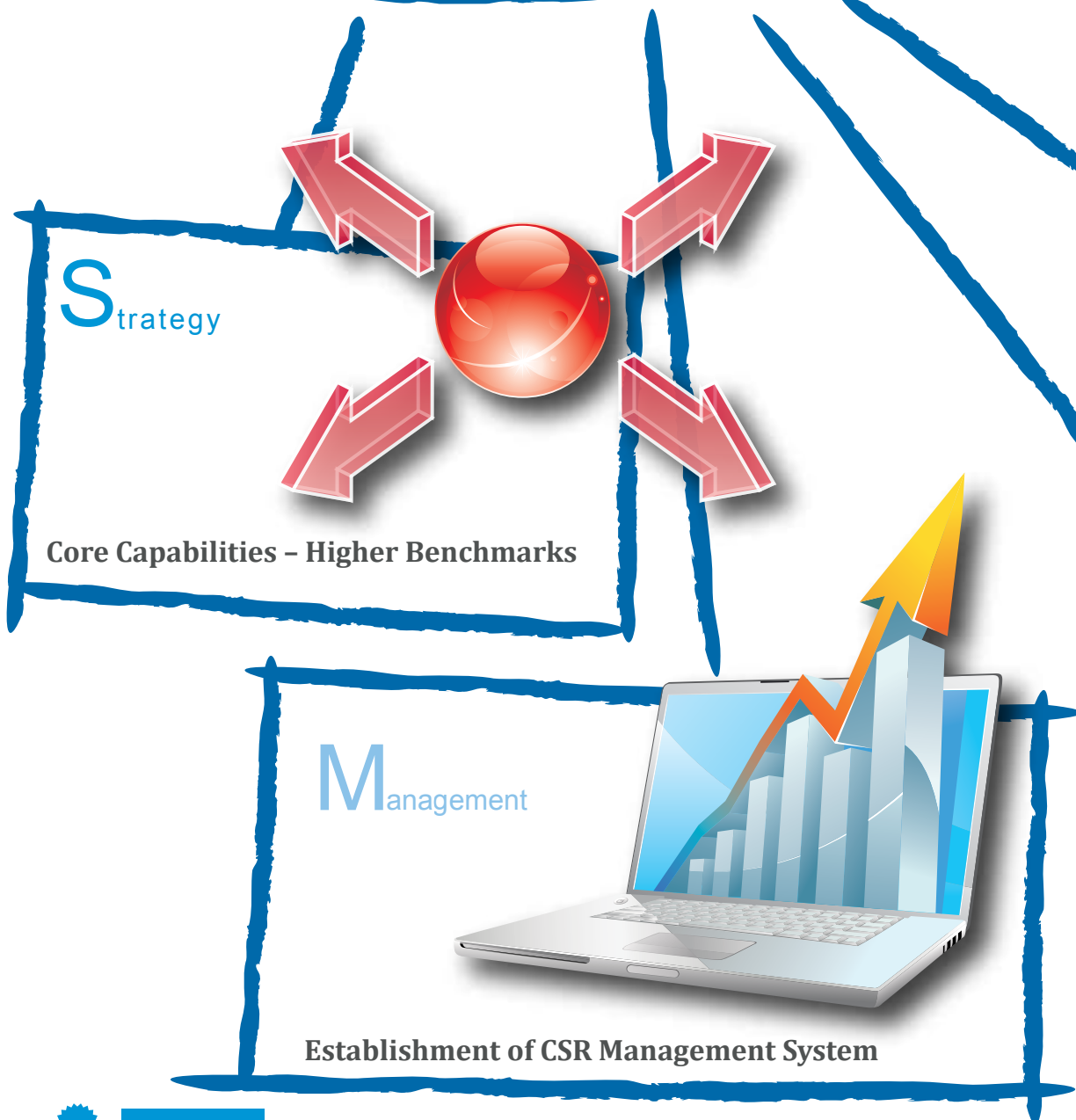
Core Capabilities – Higher Benchmarks

Management

Establishment of CSR Management System

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

Action

Communication with Stakeholders

Response

Engagement with Stakeholders
Expansion of Supplier Management

Target

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.

Dow Jones Sustainability Indexes
Member 2012/13

ROBECOSAM
Sustainability Award
Silver Class 2013

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.

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.

Scope of Chunghwa Telecom CSR

Honest Management	• Legal Compliance • Compliance with "Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies"
Sustainable Operation	• International Conventions • Environmental Protection Trends • Enrich the World • Listen to Voices • Raise Quality • Universal Design • Social Ethics
Inclusive Business	• Corporate Citizen • Charity Activities • Digital Inclusion

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.

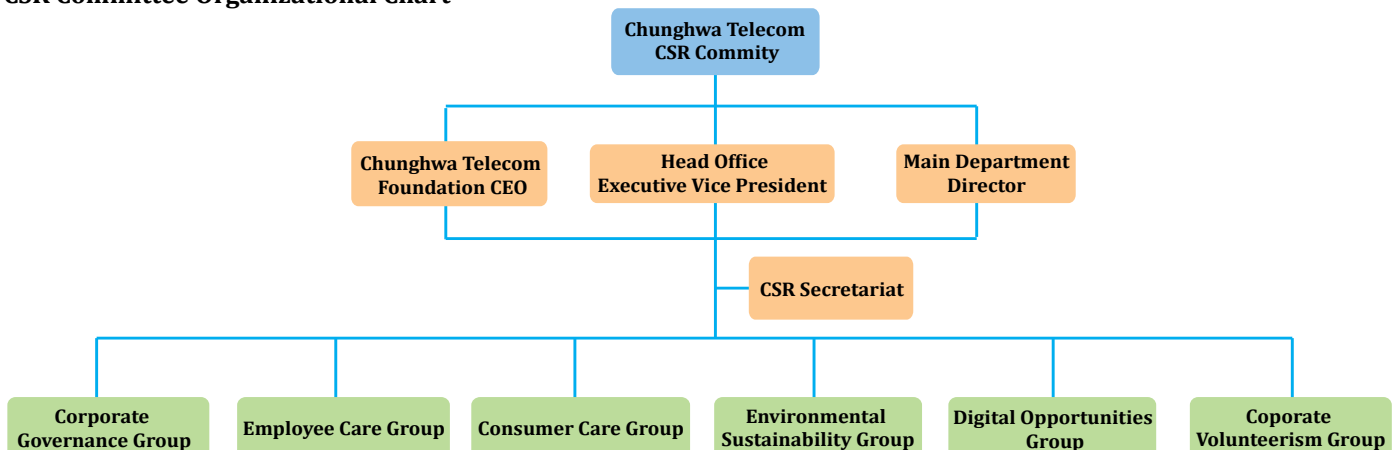### The SMART Management System

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

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                          Chunghwa Telecom
                          CSR Commity
                                |
        ┌───────────────────────┼───────────────────────┐
   Chunghwa Telecom        Head Office            Main Department
   Foundation CEO      Executive Vice President      Director
        └───────────────────────┼───────────────────────┘
                                |
                          CSR Secretariat
                                |
  ┌─────────┬─────────┬─────────┼─────────┬─────────┬─────────┐
 Corporate  Employee  Consumer  Environmental  Digital    Coporate
 Governance Care Group Care Group Sustainability Opportunities Volunteerism
 Group                          Group        Group        Group
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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
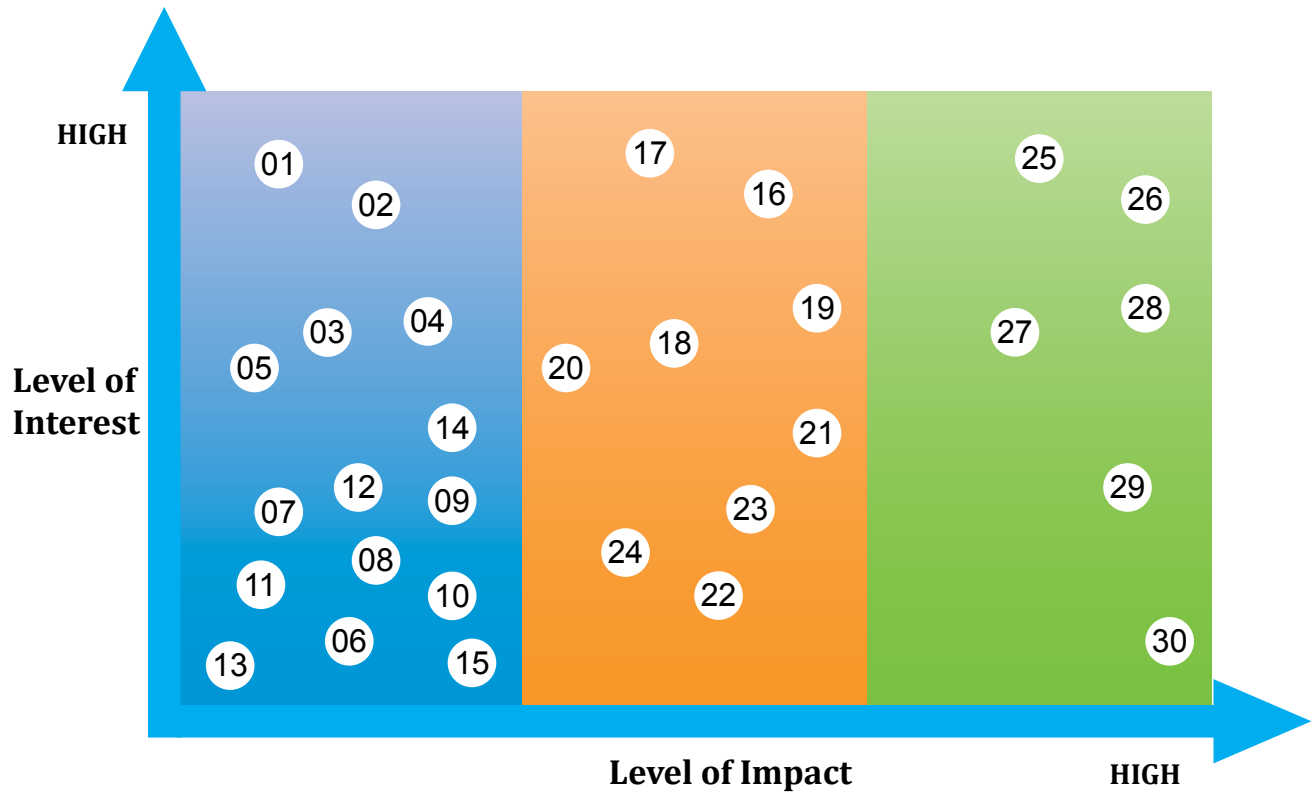
01 **Corporate Citizen and Philanthropy**

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.

Percentage of Procurement from Local Supplier

2010	2011	2012
66.0%	77.7%	64.7%

* including material, labor and engineering.

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.

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
Operation	Consolidated Revenue (million NT$)	202,430	217,493	220,131
Customer	Customer Service Satisfaction (decimal method) *	3.81	6.86	7.19
	Customer Service Hotlines Satisfaction (quinquepartite method)	4.59	4.57	4.58
Employee	Number of Employees	24,474	24,664	24,351
	Female Management percentage of Overall Workforce	23.04	23.71	24.35
	Number of Employee with Disabilities	721	757	758
	Staff Turnover rate (%)	2.31	1.49	2.78
	Disabling injury frequency rate (%)	0.83	0.92	0.53
	Disabling injury severity rate (%)	514	148	17
	Per capital training hours (hour)	81	65	76
	Total training hours (hour)	1,979,407	1,613,248	1,855,255
	Total training hours (thousand NT$)	728,578	733,221	752,157
Environment	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
Social Contribution	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.