

# 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

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**Ensuring Communications Quality**

**Building a Broadband Network**

**Mastering Policy and Regulation**



# T

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**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.



## Living Parent-Child Cloud

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## Police Cloud

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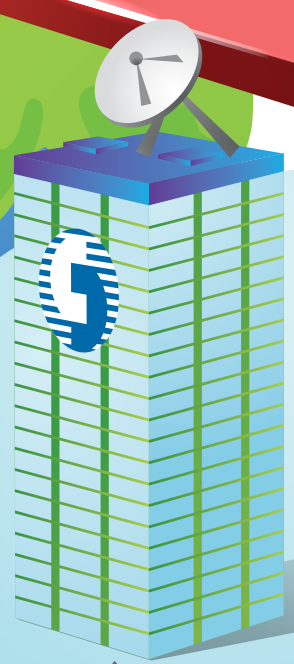
## HamiSafe Security Emblem

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

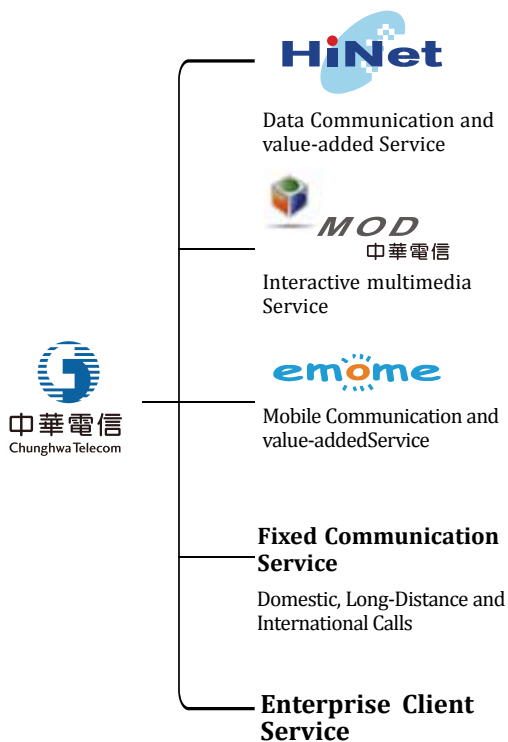
1. Virtual Private Cloud—provide a efficiency set up and flexible expand service for cloud computing, storage, backup and etc.
2. Boxe—provide an internal data sharing and storage service with safe and stable performance.
3. Virtuoso—used in establishment for different cloud applications and customized 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

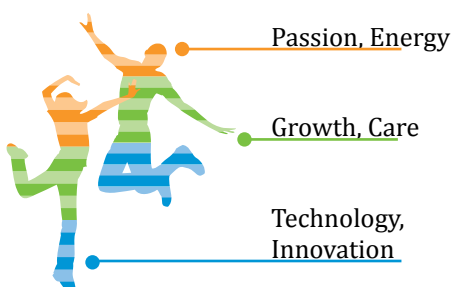
Starting from July 2010, approximately 300 business locations in Taiwan will gradually undergo store logo replacement. We hope to present a new sensation to the public with innovative corporate images that combine inspiring services. From 2011, many flagship stores will be established that will include 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.



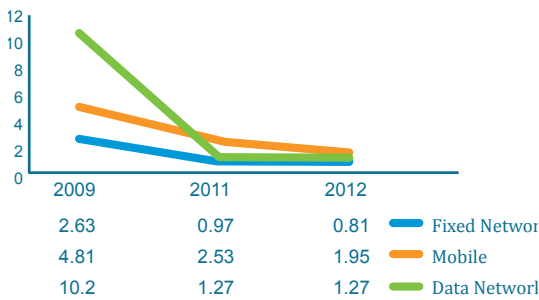




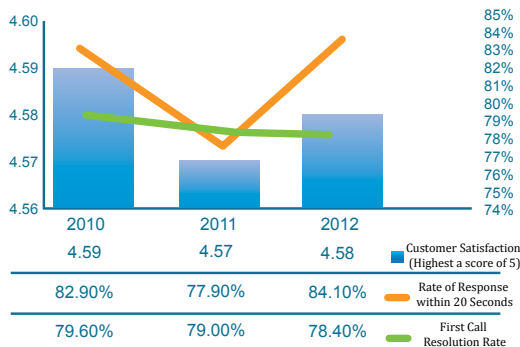
# Customer Satisfaction Survey

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.

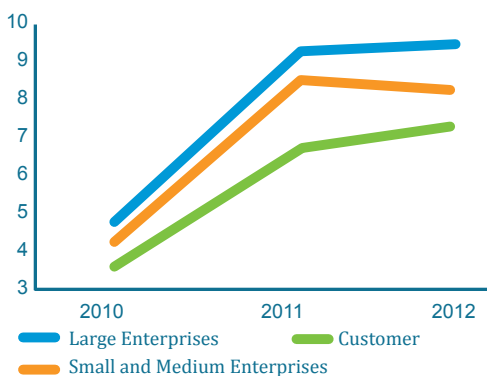
## Complaints per 10,000 customers (Number of cases)



## 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.

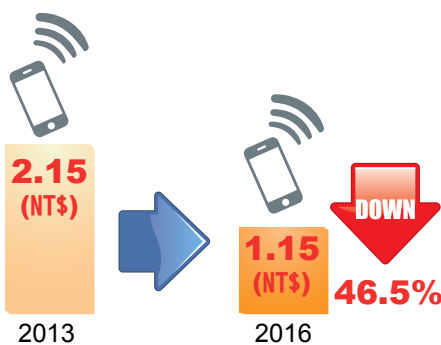
## 4G Licensing

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

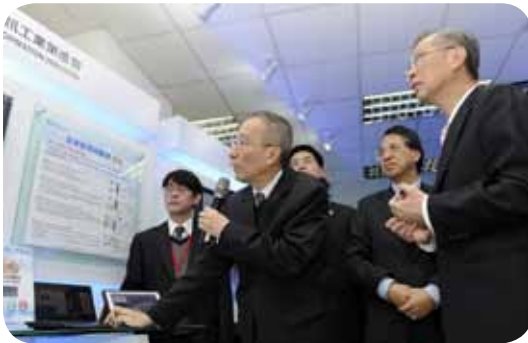
To gradually establish a quality promotion team, quality assurance center, and engineering process team at the Telecommunications Research Institute, we have used the international standards and organizational audit systems such as the ISO R&D quality system's capability maturity model integration (CMMI), 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.

