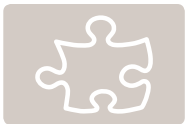




# CSR Management



**SMART  
CSR**  
system



DJSI 2013/2014  
**World  
Index  
Member**



**1<sup>st</sup>**  
execute supply chain  
management



Local  
procurement  
**71.1%**



## S Corporate Sustainability Development Strategy

Chunghwa Telecom’s vision is becoming “The Most Valuable and Reliable Information and Communication Provider”. On top of continuous innovation in the telecom industry, Chunghwa Telecom stresses hard on the long term impact of sustainable development issues on corporate management. The key to our promotion of corporate social responsibility is to create a CSR mindset to integrate into corporate culture; that way, employees will think CSR, discuss CSR, and implement CSR.



We launched the implementation of sustainability/corporate social responsibility management mechanism in a systematic and organizational manner in 2006, including establishing the CSR committee with members from the board of directors and stipulated sustainable policies; instead of sticking ourselves into only making plans and slogans, we implement sustainable actions from six aspects using top-down approach to achieve the concept of “Living Water Fertile Ground, Sustainable Green Energy, Prosperous Innovation, Multiplex Coexistence and share Mutual Benefits with all.”

Chunghwa understands that the key to position itself as a sustainable corporation is to know and observe society and market trends, using core business competence to affect all related stakeholders and adopt more responsible and innovative actions. In this regard, Chunghwa Telecom’s sustainable development strategy is utilizing corporation’s unique resources and competence to implement sustainable issues such as “Create society coexistence, Digital inclusion, Green ICT product and service, Green brand management and Energy conservation and carbon reduction”.

Despite integration with the international sustainability standards, we also maintain a high level and ethical standard; we equip our employees with the correct corporate social responsibility concept through a comprehensive mechanism, while infusing corporate social responsibility into daily operations and penetrating into corporate culture to create sustainable values for all stakeholders.



### World's Leading Sustainable Telecom Carrier

In 2013, Chunghwa Telecom became the only telecom carrier in the three geographical locations of greater China selected as a component stock of the telecom industry by the Dow Jones Sustainability Index (DJSI), DJSI-World, and DJSI-Emerging Markets.

In 2013, seven Taiwanese corporations were elected by DJSI-World Index (including Chunghwa Telecom, TSMC, UMC, AUO, Delta, Lite on and China Steel), but Chunghwa Telecom was the only and the first from the service industry in Taiwan selected by DJSI-World, it demonstrates by integrating its contribution in sustainability into the operation of environment and society and reflected on the operational result, Chunghwa Telecom's effort has been recognized by the world's investors.

10 telecom carriers were selected by DJSI-World this year, Chunghwa telecom, with a total score of 86, has beat other competitors (industry average is 59) and was named one if the top 10 sustainable telecom carriers in the world along with BT (UK), Telefonica (Spain), SK Telecom (South Korea)...etc.

In this competition, Chunghwa Telecom received a full score (100) for "Risk and Crisis Management", "Environmental Strategy/Management System" and "Human Resource Development"; on top of it, for "Digital Inclusion" and "Corporate Citizenship and Philanthropy" that relate closely to telecom carriers, Chunghwa Telecom received 89 and 90 and largely exceeded the industry average of 50 and 54, which demonstrates Chunghwa Telecom's performance in terms of the aspect of economic, environment and society has achieve the highest standard in international telecom carrier.

#### Dow Jones Sustainability Index

The Dow Jones Sustainability Indexes (DJSI) launched in 1999, are a family of indexes evaluating the sustainability performance. The DJSI is based on an analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices. To be incorporated in the DJSI, companies are assessed and selected based on their long-term economic, social and environmental asset management plans.



## M CSR Management

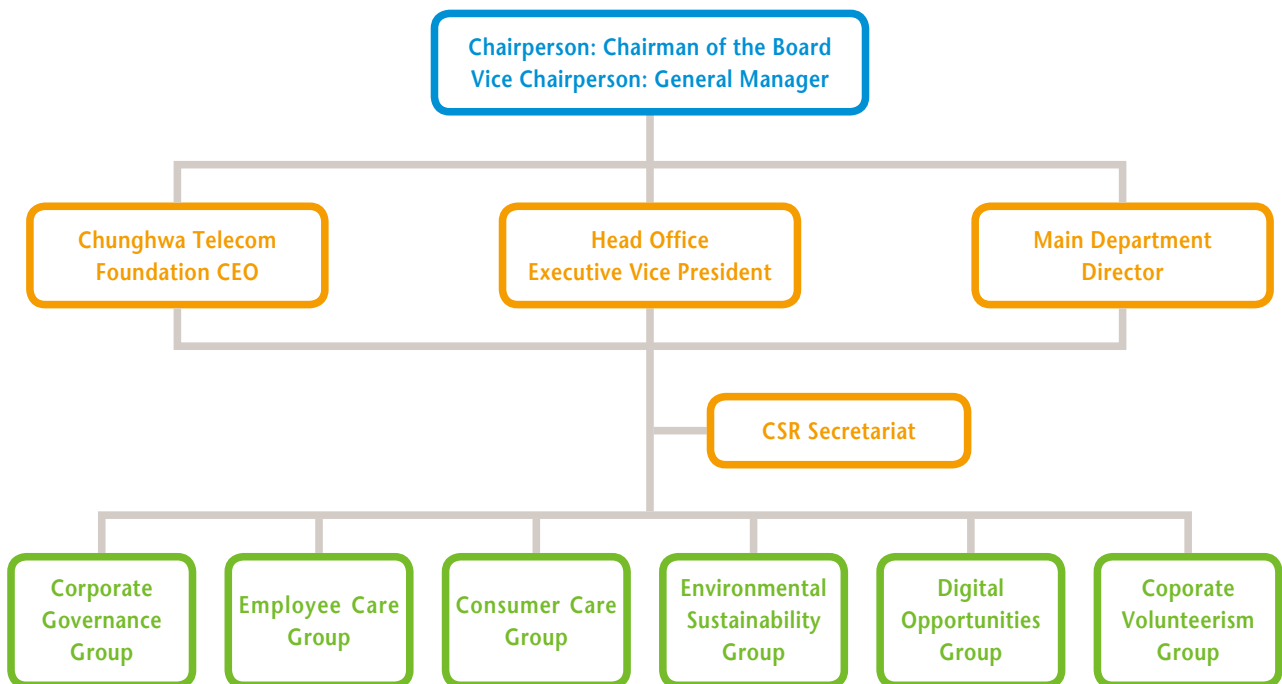
We established “CSR Committee” in 2007 in hopes to promote corporate social responsibility and environmental sustainability development systematically in a keen and forward looking perspective. As a corporate citizen, we seek to achieve eco-efficiency, provide more environmental friendly and efficient telecom services to the consumers, in the high hope that our contribution will facilitate the development of environmental sustainability in Taiwan.

### CSR Committee Management Mechanism

Chunghwa Telecom’s CSR Policy is approved by the Board of Directors and passed over to be coordinated and monitored by the CSR Committee, which in turn, reports to the Board on a regular basis regarding key CSR issues and communications with stakeholders. The Board is responsible for the yearly evaluation of CSR.

Management Representative	General Manager
Policy	CSR policies and strategies is approved by the Board of Directors
Meeting Frequency	Quarterly
Execution	CSR Secretariat (Vice Presidents) is responsible for planning of policies and actions; Public Affairs is responsible for planning of execution and budgeting, and educational training, demonstration of results, management of following up and awards measures; Branches and affiliates are responsible for promotion and implementation of the related projects.
CSR Approval	Submit to president for final approval after reviewed by the managements (Vice Presidents).

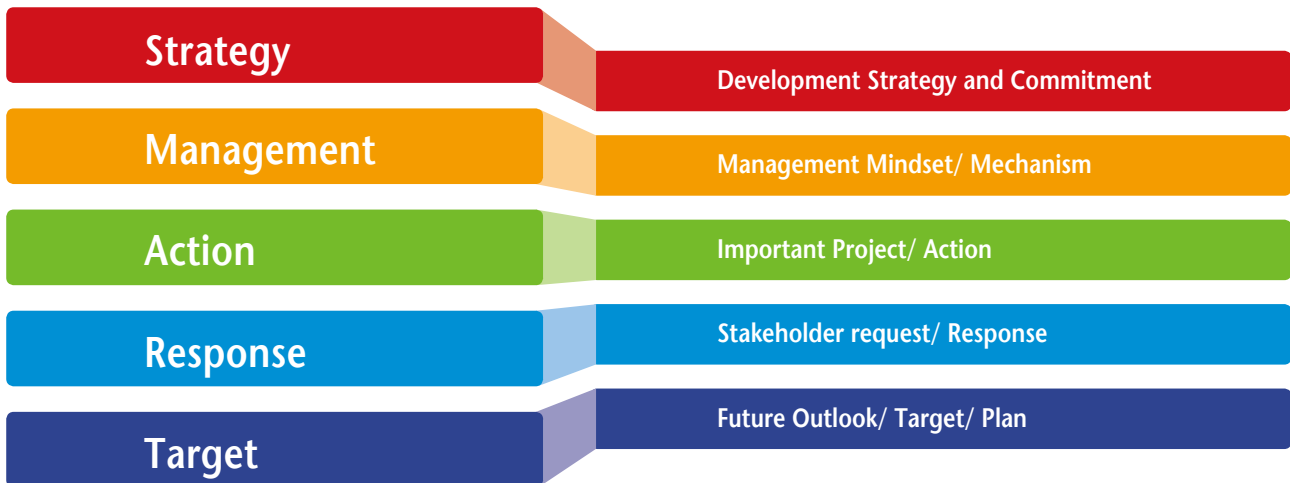
### CSR Committee Organizational Chart



The unique Strategy-Management-Action-Response-Target (SMART) corporate social responsibility management system of Chunghwa Telecom systematically manages and summarizes social responsibility actions; to respond to the launch of G4 and the world’s demand for CSR implementation, we have incorporated the updated reporting guideline in 2013 and aim harder on the communication and disclosure of the material aspects and issues impacting Chunghwa Telecom.

## SMART CSR

Chungwa Telecom has followed Environmental, Social, and Corporate Governance (ESG) guideline to categorize corporate social responsibility into 3 parts, and we developed unique 5 stages SMART corporate social responsibility management system and incorporated into business plan and stipulated organizational structure of corporate social responsibility.



At the end of every year, we activate a review mechanism through feedback, external surveys, and internal evaluations, and re-evaluate short, mid, and long term targets while determining the improvement and supplement of relevant strategies, managements, measures, responses, and target; in addition, we also incorporate the recommendations and responses of the external stakeholders. We believe, the strategic management of corporate social responsibility will facilitate the sustainable operation of promoting corporate social responsibility.

## Create Sustainable 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 telecommunication company.”

## Comply with Global Compact

We are aligned with the UN Global Compact on a voluntary basis. In the perspective of human rights principles, we respect and maintain international recognized human rights principles and refrain from participating with any actions to disregard and violate human rights. In the perspective of labour principle, we support freedom of association, recognize labours’ rights to collective negotiation, eliminate all forms of compulsory labour and child abuse, while restricting any hiring discrimination.

We support international recognized human rights conventions, such as the core value of Universal Declaration of Human Rights and International Labour Organization adopted by the United Nations, prohibit any form of discrimination and compulsory labour and child labour. To respond to the domestic legalization of International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights adopted by the United Nations, we reinforce the raising of human rights awareness to allow stakeholders to be respected and treated fairly. Furthermore, we also support “Protect, Respect and Remedy: A Framework for Human Rights” and its Guiding Principles. Our due diligence on the evaluation of human rights will be conducted in accordance with the above two documents.

## A Coexistence with Stakeholders

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.

### Communications with the Stakeholders









Identification of key stakeholders and issues is the main focus of implementing CSR. By preparing the conference of CSR reports, we invite members from all departments to exchange the issues relate to current key stakeholders and their concerns, upon reaching mutual understanding, the result is incorporated into a table which in turn is regarded as the important reference for preparing the disclosure in the report.

In the process of promoting CSR activities or information disclosure, we consult the opinion and recommendation of the internal and external stakeholders, relevant important mechanism including:

- CSR report “consultation meeting with external professionals”.
- Invite external professionals to “CSR Conference” and host relevant forums on the irregular basis.
- Host “Supplier CSR Meeting” on the annual basis.
- Pioneering “CSR video”to record the implementation of CSR actions on the regular basis, and collect internal and external feedback for further improvement. CSR video: <http://www.cht.com.tw/portal/csr>.
- Designate specialist for CRS and foundation.

Other communication and feedback is as follows:

### Stakeholder Communication Channel and Frequency

Category	Forms of Communication	Communication Frequency
 <b>Employee</b> (Current Employee and Employee’s Family)	E-mail, Telephone calls, The Chunghwa Telecom Web 2.0 Interactive Platform, labor-employer meeting	Immediately
 <b>Consumer</b> (Regular Customer, Corporate Client)	Service hotline, Customer Service center	Immediately
 <b>Supervision Organization</b> (NCC, National Transportation Committee)	Official document, Meeting, e-mail, Telephone calls, Visit	4~6 times per month
 <b>Media</b>	e-mail, Hotline, Meeting, Press release	4~5 times per month
 <b>Community/ NPOs</b>	e-mail, Hotline, Stakeholder conference	3~4 times per year
 <b>Shareholder/ Investor</b>	Stockholder hotline, IR Website, Results call, Roadshow	13 meetings were convened in 2013 (including shareholder general meeting & investor conference)
 <b>Supplier/ Contractor</b>	e-mail, Hotline, Supply chain conference	Annually
 <b>Competitor</b>	Official document, Meeting	1~2 times per year

\*National Communications Commission is so called NCC.

## Internal Communication and Advocate of CSR

To ensure that all employees understand, implement, and give appropriate feedback, we have constructed multiple communication channels to advocate CSR issues in the company and incorporate performance review to transform CSR concept into actions and eventually infuse into daily operations.

Communication Channel		Content
<b>Intranet</b>	<b>Chunghwa Telecom Online Forum</b>	We have an intra-site for employees to share opinion and give suggestion to the company, and with top issue which most employees discuss, we will take it seriously and to see if it could be improved or take some actions by company.
<b>Management Level</b>	<b>Senior Management Meeting</b>	Key CSR issues will be discussed in the senior management meeting every year.
<b>Training</b>	<b>Environmental Training</b>	We provide at least 4 hours training annually and by hosting ecological tour, we combine teaching with pleasure to bring environmental education into life.
	<b>CSR Training</b>	Every year we will provide basic CSR training around departments, and invite consultant for further courses.
	<b>New Employee Training</b>	We have 3 days pre-service training, including personnel system, working guidelines, labor relation and etc. In addition, we will send employees to attend specific labor right training courses outside.
	<b>E-learning</b>	We put relevant courses and information on our E-learning system to let employees learn and download freely.
<b>Performance Assessment</b>	<b>Administration Management Assessment</b>	We set energy reduction targets and link with performance bonuses.
	<b>Online-test</b>	All our employees are required to take the “Chunghwa Telecom Code of Business Conduct and CoC Test” each year to maintain their professionalism and integrity.
	<b>Reporting Mechanism</b>	Once employee is found to violate corporate regulations, it will affect his/her performance bonuses.
<b>Others</b>	<b>CSR Report Workshop</b>	Every year we will have a CSR report workshop to study the latest issues and trends.
	<b>CSR Supplier Social Event</b>	We hold the event annually to invite our critical suppliers share their experience in CSR issues.
	<b>Dedicated CSR Multimedia Webpage</b>	To fit stakeholders’ communication habits nowadays, we set a dedicated CSR multimedia webpage to be one of our communication ways with our stakeholders.

## Coexistence with Stakeholders

Whereas our relationship with the suppliers is inextricable, to provide better services to consumers, Chunghwa Telecom insists on the concept of mutual benefit and sharing. 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.

By sharing all resources with the suppliers to enhance their research and development capabilities, we are able to keep abreast of future technology and commit to the innovation of a friendly environment. We have introduced variable mechanisms, such as joint R&D with the suppliers and provide incentives; equitable transfer of the acquired patents; for hardware, we continue to support the development of telecom facilities and testing environment; for software, we reach mutual benefits with the suppliers through expanding and open cooperation platform.



- In Cooperation with Cathay United Bank, Taishin International Bank, E.Sun Bank and Chinatrust Commercial Bank to launch NFC payments to enable the issuing of credit cards over the air to mobile phones, and creating a new milestone by integrating credit card consumption and mobile payment. In addition, we also cooperate with Kaohsiung RTC to streamline card issuing system of iPASS and CHT TSM system, launching the first NFC payments to enable transportation card issued over the air to mobile phones.
- We have implemented five Content Delivery Network (CDN) in 2013, including site acceleration, downloading large file, multi-screen service live, multi-screen service VoD and video services acceleration, currently, seven service providers including gaming, video, manufacturing and newspapering industries have started to try out the services, it is expected to improve the service quality of domestic content service provider.
- The rapid growth of internet usage caused the possible exhaustion of IPv4, to prevent the cost rise and the danger of inability to use services by some users, the internet industry will need to start using IPv6 addresses. In view of this, Chunghwa Telecom continues to carry out the preparation for the commercial operation of IPv4/IPv6, while enhancing the readiness and deployment of IPv6 of public Wi-Fi, mobile network, CHTNet, cloud, IDC and major outward service network.
- Currently, the number of ISP and ICP enable IPv6 service is 42 for HiNet, including service providers from Japan, the US, and Hong Kong and content providers including Google, YAHOO, Facebook and Microsoft. The domestic interconnection operator for HiNet is 14, among which, 5 operators have implemented IPv6 interoperability (TANET, TWAREN, Sinica, TWGATE, and Verizon Taiwan). The interconnection operator for TWIX is 21, and 9 operators (HiNet, NAP, CHIEF, DYXnet, PACNET, CHT International, SYMPHOX, TFN and APOL) have implemented IPv6 interoperability in 2013.
- Apart from standardization of cloud operation system and cloud application services, Chunghwa Telecom strives to provide comprehensive cloud testing services. In addition to achieving 17 verification testing for the self-developed Cloud Boss and Virtuoso to ensure its product quality, Chunghwa Telecom also provides third-party testing services to contribute to the upgrading of domestic cloud operator, such as ITRI Cloud OS has its operating system tested at Chunghwa Telecom.

#### 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.

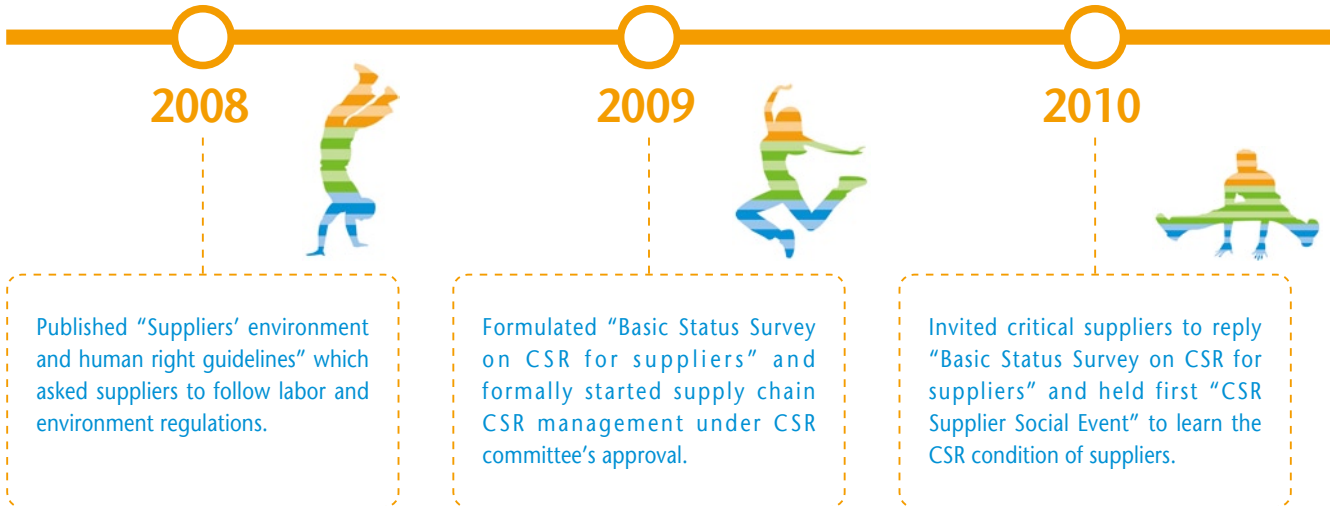
#### Professional Training to Suppliers

As we are committed to share mutual benefit with our suppliers, the Telecommunication Training Institute of Chunghwa Telecom provides, based on business needs, professional and certification training to suppliers, including skill testing for cable contractors, certification for quality controllers of telecom construction engineering, or cable connection contractor training...etc. In 2013, we delivered 67 courses, 61 suppliers with a total of 2,528 persons have participated in the courses, and 1,245 persons have received relevant certification.



## R Supply Chain Management

### Leading Supply Chain CSR Management



Every year, Chunghwa Telecom purchases vast amounts of financial, labour and engineering services, including networking devices, IT devices, cables, marketing design, and waste disposal services from a large number of domestic and foreign suppliers. This indicates that we will be able to act as an inducer to invite suppliers to fulfill social responsibilities. We believe that:

- As a company with excellent CSR reputation, we have the responsibility to lead and guide our suppliers to implement CSR best practices through experience sharing and cooperation.
- CSR supply chain is the issue most concerning foreign investors and stakeholders, but experience told us that the key is not management issues, instead, communication and cooperation with suppliers, and together establish a fundamental capability to move toward sustainable operation and infuse positive momentum to the society and environment overall is what really matters.

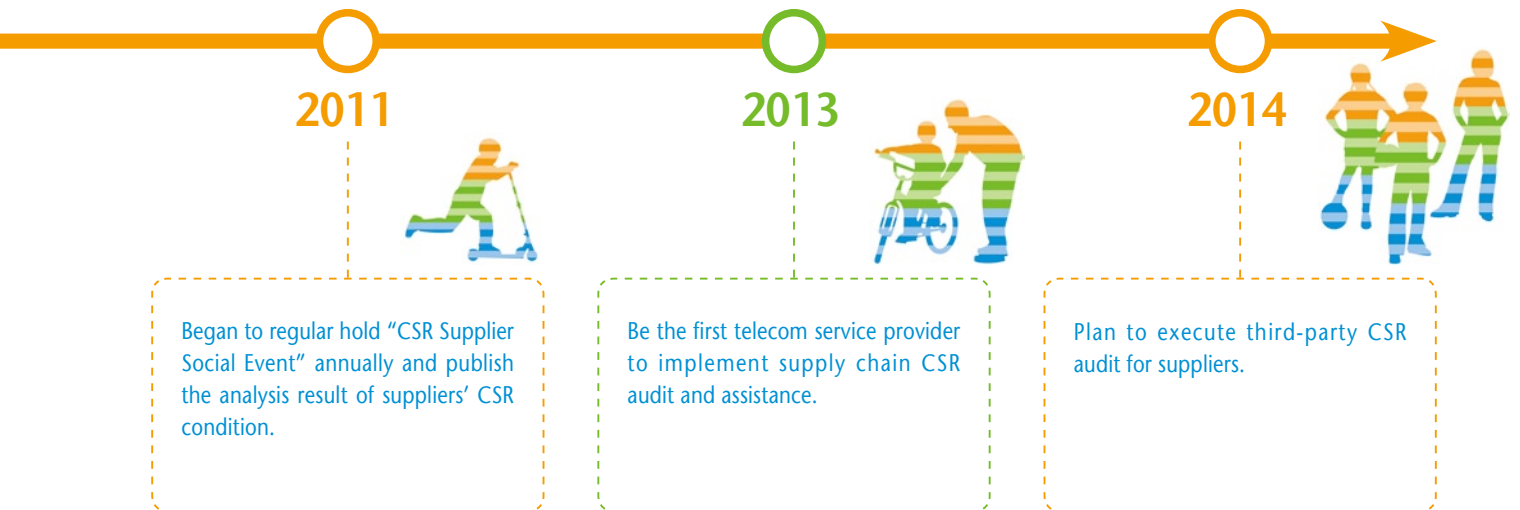
In this regard, Chunghwa Telecom holds "CSR Supplier Social Event" every year to discuss and share CSR practices with our partners, and work together to facilitate the sustainable development of the social and industrial development in Taiwan.

To understand the CSR implementation of our business partners, we are prepared to officially launch supplier third-party audit on ESG (Environmental, Social & Governance) factors in 2014, in hope to contribute our effort to deepen the implementation of CSR in telecom industry in Taiwan.

### Procurement Analysis

Region of Supplier	2011	2012	2013
Domestic	77.0%	74.8%	71.1%
Overseas	23.0%	25.2%	28.9%

\* Overseas suppliers include "foreign companies, foreign company's branch in Taiwan or Agent.



## The First Telecom Carrier in Taiwan to Formulate "Supplier CSR Guidelines"

With supplier CSR management launched since 2009, Chunghwa Telecom is the first telecom carrier in Taiwan to formulate a CSR management policy. In addition to continuous comprehensive stipulations, in 2014, we will become the first service provider to promote supplier corporate social responsibility management in Taiwan, in hopes to provide more and better products and services to stakeholders through mutual benefit and shared growth with our suppliers.

In "Chunghwa Telecom Supplier CSR Guidelines" that we formulated for our suppliers, we put down our expectation in terms of "corporate ethical standard, labour, environment, safety and health" with an expectation that, through sustainable actions, together with our partners to move forward to a more sustainable business environment. In addition, we stipulated "Chunghwa Telecom's Operating Guidelines for Qualifying Material Suppliers." in 2013, to manage the implementation of suppliers' ethical business practice.

### Chunghwa Telecom's Operating Guidelines for Qualifying Material Suppliers

Tenderer qualification standard is as follows:

- Qualification documents for tenderers is as follows (omitted)
- If the tenderer is suspended due to Article 15 of the general articles, or Article 103 of Government Procurement Act (omitted)
- The tenderer shall record all acts of good faith.
- The tenderer prevents the use of conflict minerals from Democratic Republic of the Congo or in adjoining countries, when necessary, is willing to provide proof of origin for minerals or third party certification that no conflict mineral is used or accept inspection.
- If the tenderer requires to use its employee's certificate to participate in a tender, confirmation executed by the relevant parties is required (omitted)

Contents of the “guidelines” apply to all suppliers providing products or services to the Chunghwa Telecom Group, subsidiaries and joint venture companies and companies in the supply chain, including five aspects:



Besides, through “survey”, we understand the condition and risk of suppliers’ implementation of CSR, and are used for future reference of training, supplier selection or on-site inspection. In the period of 2009 to 2013, we have helped the suppliers to understand and respond to Chunghwa Telecom’s commitment to CSR; we have evaluated CSR risks, but we did not use it as supplier selection, therefore, no supplier rating is conducted based on CSR terms or any contract is terminated due to CSR.

With 311 survey received in 2013, we conducted an evaluation on the status of CSR and classified them accordingly. For suppliers at the elementary stage, we introduce CSR by promoting and providing training programs to walk them through necessary principle of CSR while also constructing an interface for them to advance further. At the same time, on CSR Supplier Social Event that we held annually, experts were invited to share with us regarding CSR’s latest development, issues and trends, so as to enhance suppliers’ awareness and understanding of CSR and demonstrate Chunghwa Telecom’s commitment and effort toward supplier management, while establishing mutual benefit with the suppliers.

#### Supplier Management

Chunghwa Telecom manages suppliers in accordance with “General terms of tender instruction “ and “Tender qualification check list”, any violation or inappropriate behaviors will be suspended, terminated, or terminate contracts accordingly.

In 2013, our customer services were outsourced to external operators, the dismiss of inappropriate outsource personnel by the supplier has resulted in labour dispute concerning severance pay, the supplier has, after communication and negotiation, agreed to bear responsibility to protect ethical business practice and fulfill social responsibility of both parties. A total of 12 suppliers violations were discovered in 2013 and fined NT\$ 1,072,000.

#### Supplier CSR Survey and Audit

Starting from 2012, we began to demand the suppliers with procurement of NT\$ 5 million dollars or more to agree to abide by the “Chunghwa Telecom Supplier CSR Guidelines” and “Operating Guidelines for Promoting Supplier Implementation of CSR”, and request tenderers to complete “Basic Status Survey on Corporate Social Responsibility for suppliers” questionnaire, so as to evaluate and manage CSR and the status of sustainable system.

In 2013 audits were conducted on 93 suppliers (paper audit on 30 companies and on-site audit on 63 companies); in addition, we have conducted 427 audits on route engineering suppliers through on-site inspection, interview with management and employees to manage construction quality.

Starting from 2014, we will formally request all suppliers with procurement of NT\$ 5 million or more to complete “Basic Status Survey on CSR for suppliers”, in addition, we will engage external validation services to conduct “third-party audit for suppliers” to establish comprehensive supplier management mechanism through “comprehensive analysis” and “on-site inspection”. In the future, we will provide necessary training and guidance to the suppliers with low penetration of CSR to enhance their awareness and actions toward CSR.

### CSR Supplier Social Event

In 2013 Chunghwa Telecom held the 3<sup>rd</sup> CSR Supplier Social Event. With President Shih Mu-piao hosted the event, 43 companies attended with a total of 67 representatives participated.

The social event provided an interface to create bilateral exchange opportunity between Chunghwa Telecom and the suppliers, and to facilitate suppliers' understanding of Chunghwa Telecom's expectation and plan on social responsibility. Furthermore, we also awarded 7 excellent CSR suppliers; by doing so, we hope to encourage suppliers' contribution in CSR and create a good role model for other suppliers, while together with our partners to establish a good sustainable development environment.

### Charity Event

Chunghwa Telecom devotes much attention to the communication and interaction with the suppliers, in addition to the annual CSR Supplier Social Event, we invite suppliers and partners to promote and participate in social events. In 2013, we, together with HTC, Resource Center for Blind and Visually Impaired Students at Tamkang University, China Trust Commercial Bank, Cathay United Bank and a few other banks have participated in 3 events to raise funds for stray animals, visually impaired and charitable events, in hope to arouse the attention of the general public to social issues through corporations' influence and consumers' behavior.





## T Key Performance Indicators of Corporate Social Responsibility

