

CSR Management

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



Sustainable Development Strategy – Create Sustainable Value

We launched the implementation of sustainability 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. We implement sustainable actions from six groups 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 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”.

Because of this, Chunghwa Telecom has mapped out and implemented the strategy and management for the realization of corporate social responsibility. This will help to control risk, reduce cost, increase brand value more effectively and bring about new opportunity for growth, and will create better value for all stakeholders.

Chunghwa Telecom will continue to align with the international standards of sustainability and adopt a much higher standard for its code of conduct for voluntary control in business integrity. We equip our employees with the correct CSR concept through a comprehensive mechanism, while infusing CSR into daily operations and penetrating into corporate culture to create sustainable values for all stakeholders.

The Top 8 World Sustainable Telecommunication Service Providers

In 2014, Chunghwa Telecom was included in the Dow Jones Sustainability Index (DJSI), "DJSI-World Index" and "DJSI-Emerging Markets Index", ranked among BT (UK), PT (Portugal), SK Telecom (South Korea) etc., as one of the Top 8 Sustainable Telecommunication Service Providers of the World.

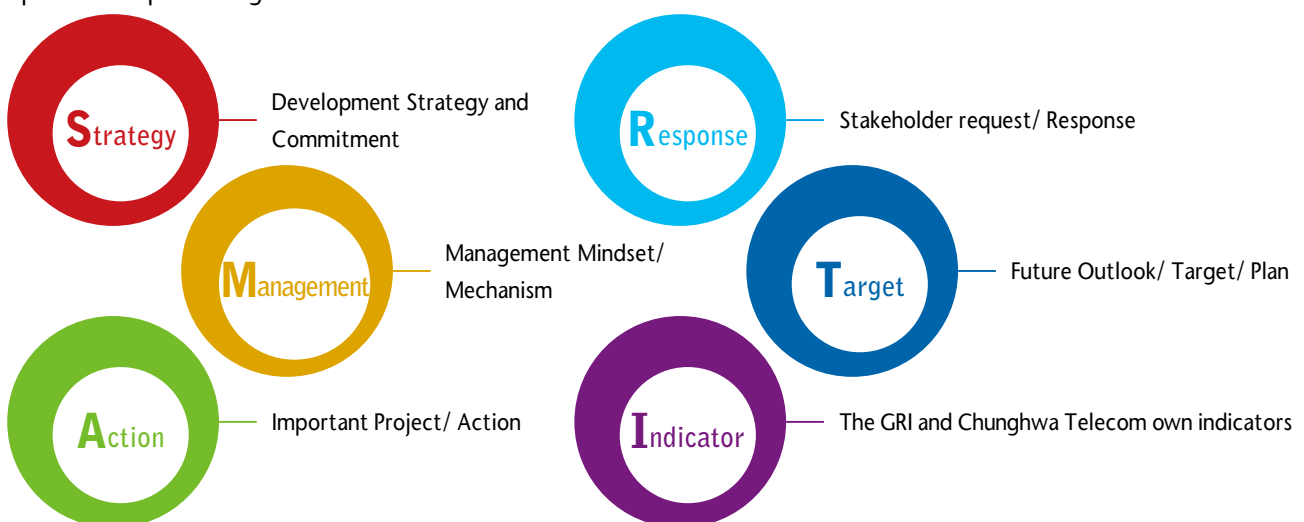
Also, Chunghwa Telecom is the only telecommunication service provider of Taiwan included in both categories of DJSI. This demonstrated the effort of Chunghwa Telecom in the making CSR part of its corporate culture, and its industrious performance of CSR in corporate governance, environmental protection and the society, which manifested in its operation performance. It earned the recognition of international investors.

Furthermore, we gained full scores in "protection of privacy" and "environmental strategy and management system", and scored high mark in "corporate citizen and charity" and "attracting and keeping good people". All these are the performance of Chunghwa Telecom in economic, environmental and social aspects are at the top of international telecommunication industry.

SMART – I Management Mechanism

The distinctive Strategy-Management-Action-Response-Target (SMART) CSR management mechanism of Chunghwa Telecom shows its response to GRI G4 version in the systematization in management and the compilation and disclosure of facts in corporate social responsibility. New indicators were introduced to the 2014 version, which substantively presented in the chapters and sections corresponding to relevant GRI index. This is our commitment to international standards.

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 CSR will facilitate the sustainable operation of promoting CSR.



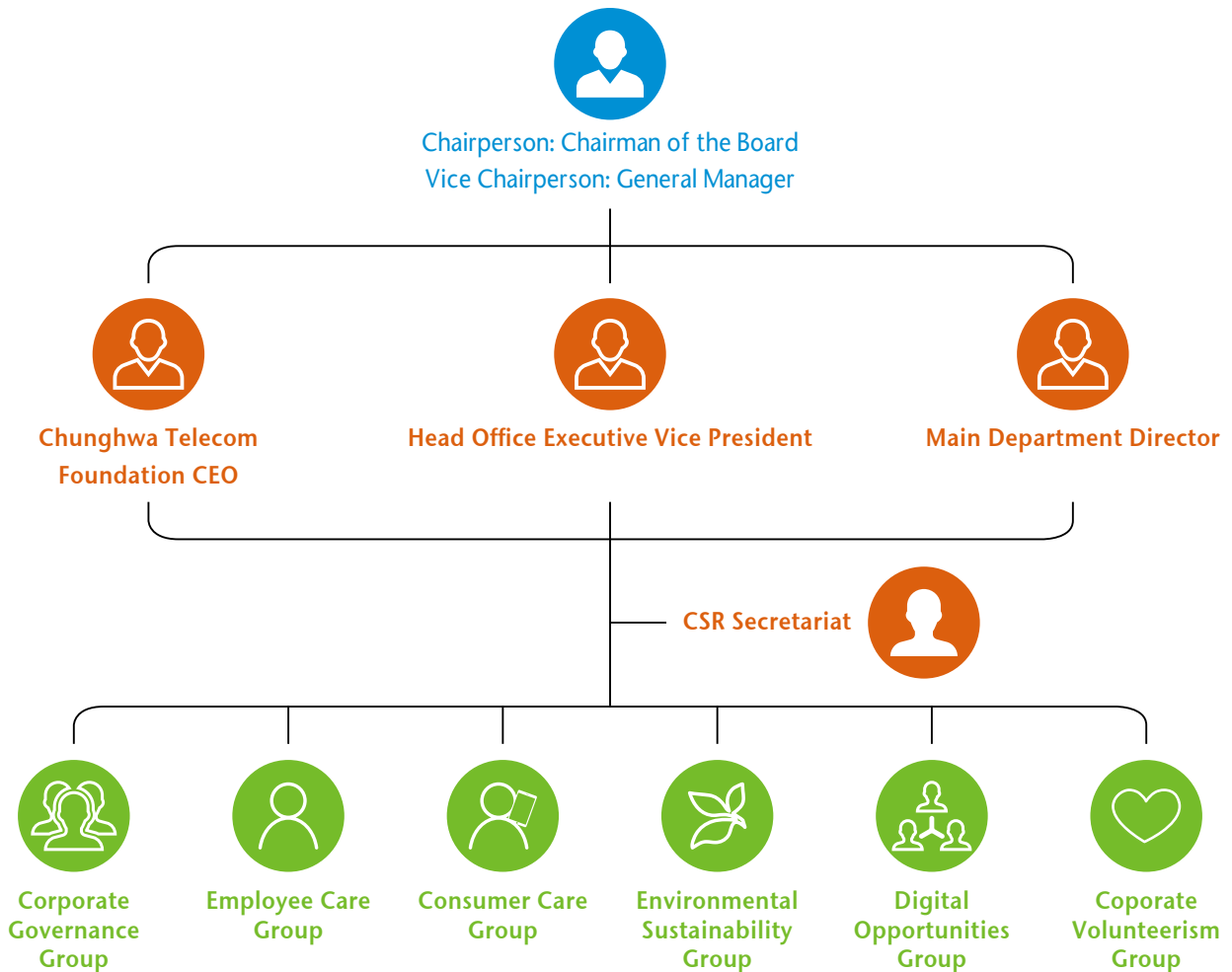
CSR Committee

We established “CSR Committee” in 2007 in hopes to promote CSR 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.

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.

Representative	Lih-Shyng Tsai Chairman of the Board of Directors
CSR Policy	Approved by the Board of Directors
Execution	CSR Secretariat is responsible for planning of policies and actions; Public Affairs is responsible for budgeting, educational training, and management of following up and awards measures; Branches and affiliates are responsible for promotion and implementation of the related projects
Meeting Frequency	Quarterly
Report Approval	Submit to president for final approval after reviewed by the managements (Vice Presidents)

CSR Committee Organizational Chart



Internalization of Corporate Social Responsibility

To ensure that all employees understand the spirit of CSR, we have established a diversity of channels for communications and education of related topics. This is integrated with a performance evaluation that helps to translate the concept of CSR into action and is practiced in routine operation.

	Communication Channel	Content
Communication within Senior Management	Senior Management Meeting	Key CSR issues will be discussed in the senior management meeting every year.
	Chunghwa Telecom Online Forum	We have an intra-site for employees to share opinion and give suggestion to the company.
Employee Forum	Environmental Training	We provide at least 4 hours training annually and by hosting ecological tour.
	CSR Training	Every year we will provide basic CSR training around departments, and invite consultant for further courses.
	New Employee Training	<ul style="list-style-type: none"> ● We have 3 days pre-service training, including personnel system, working guidelines, labor relation and etc. ● We will send employees to attend specific labor right training courses outside.
	e-Learning	We put relevant courses and information on our e-Learning system to let employees learn and download freely.
Training	Administration Management Assessment	We set energy reduction targets and link with performance bonuses.
	Online Test on CoC	All our employees are required to take the “Chunghwa Telecom Code of Business Conduct and CoC Test” each year
	Reporting Mechanism	Once employee is found to violate corporate regulations, it will affect his/her performance bonuses.
Performance Assessment	CSR Report Workshop	Internal training on the new trend of preparing reports at any time.
	Dedicated CSR Multimedia Webpage	To fit stakeholders’ communication habits nowadays, we set a dedicated CSR multimedia webpage to be one of our communication ways with our stakeholders.
Others		

Determining Material Issues and Stakeholders

In order to facilitate Chunghwa Telecom to strengthen the deepening of mobile content and improve the quality of disclosure, we are hoping to bring all stakeholders who pay close attention to the telecom sector and the sustainable development of Chunghwa Telecom to focus on the issues Chunghwa Telecom is interested in, actively involved in, and influential in the industry.

To identify, first of all, we have used the issues and principles recommended by various international sustainability standards and guidelines (Global Compact, GRI G4, and ISO 26000) and the surveys (such as Dow Jones Sustainability Indices and Carbon Disclosure Project) of the major international sustainability rating agencies as the foundation to identify issues, after that, core business operation of Chunghwa Telecom and recommendation by external stakeholders are taken into consideration and discussed in the sustainability reporting meeting.

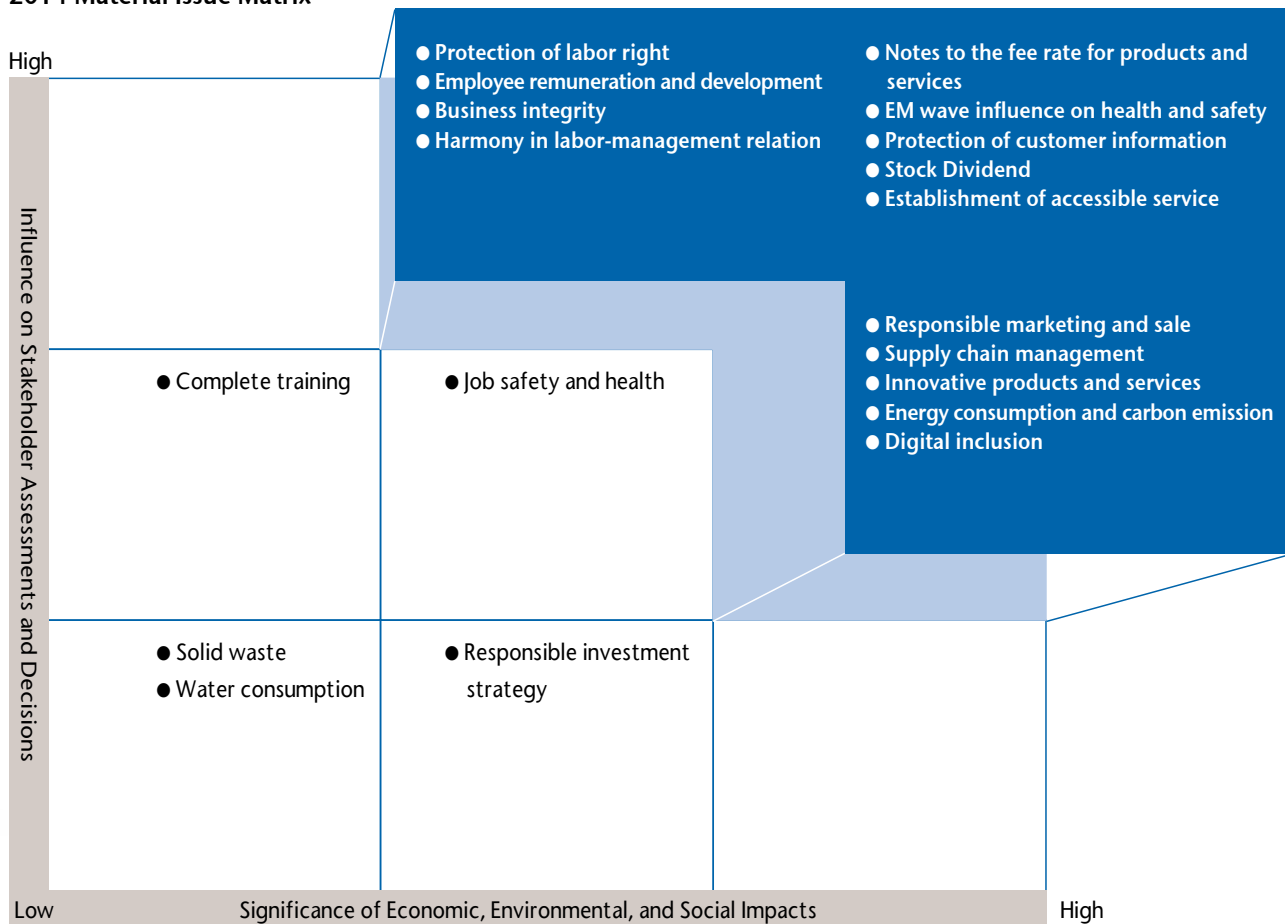
Process for Determining Material Issues



Boundaries of Material Issues

Material Issues	Within the Organization			Outside the Organization			
	CHT	Honghwa (Subsidiary)	Consumer	Supplier	Competitor	Community	Shareholder/Investor
Notes to The FeeRate for Products and Services	✓		✓				
EM wave Influence on Health and Safety	✓		✓				
Protection of Customer Information	✓		✓				
Stock Dividend	✓						✓
Establishment of Accessible Service	✓					✓	
Protection of Labor Right	✓	✓					
Employee Remuneration and Development	✓	✓					
Business integrity	✓						
Harmony in Labor-management Relation	✓	✓					✓
Responsible Marketing and Sale	✓		✓		✓		
Supply Chain Management	✓			✓			
Innovative Products and Services	✓		✓		✓		
Energy Consumption and Carbon Emission	✓					✓	
Digital Inclusion	✓		✓			✓	

2014 Material Issue Matrix



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.

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:

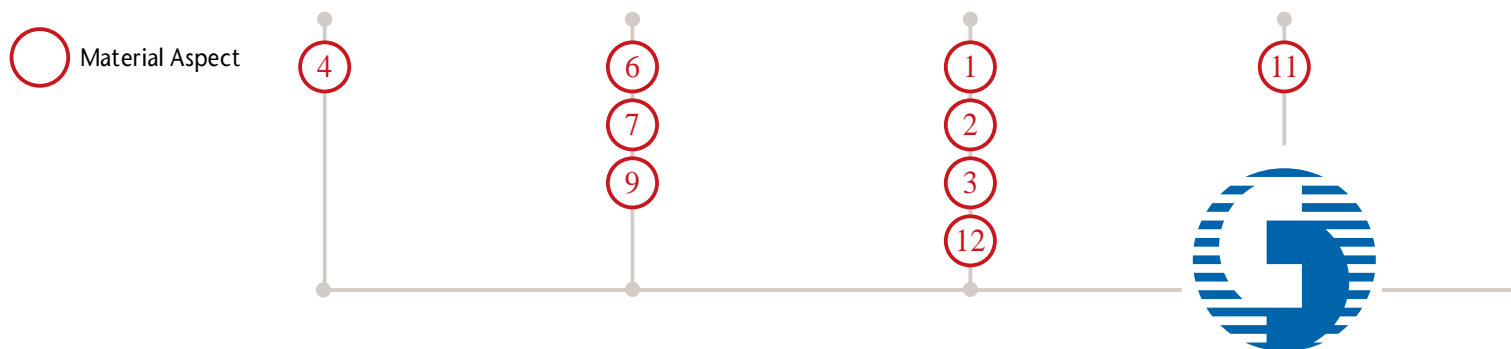
- CSR report “consultation meeting with external professionals”.
- Invite external professionals to “CSR Conference” and host relevant forums on the irregular basis.
- Host “Supplier CSR Meeting” on the annual basis.
- Pioneering “CSR video “to record the implementation of CSR actions on the regular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

Note to Important Topics in 2014

G4-24-G4-27



Meaning to Chungghwa Telecom	As shareholders/investors are the holders of Chungghwa Telecom, we must be accountable to them.	Employees are critical in sustainable development and they are the driving force for sustained growth.	Only when customers prefer the products and services of Chungghwa Telecom could we have value for existence.	The huge product and service chain of Chungghwa Telecom relies on the stable support of the suppliers.
Communication Channel	Stockholder hotline, IR Website, Results call, Roadshow	e-mail, Telephone calls, Online forum, Labor-employer meeting	Service hotline, Customer Service center	e-mail, Hotline, CSR Supplier Social Event
Communication Frequency	Immediately	Immediately	Immediately	4-5 times per month



Material Issues	Meaning to Chungghwa Telecom	GRI Aspect	DMA
① Notes to the Fee Rate for Products and Services	Provide an accurate information on products and services is the way to allow the customers to correctly and quickly search their solutions will be critical for maintaining a professional corporate image in good standing and also service quality.	<ul style="list-style-type: none"> Product and Service Labeling Marketing Communication 	p.53
② EM Wave Influence on Health and Safety	We strictly complies with the safety standard set forth by the competent authority by using equipment conforming to safety requirements for the installation of related telecommunication system in consideration of the anxiety of the public.	<ul style="list-style-type: none"> Customer Health and Safety Product and Service Labeling 	p.67
③ Protection of Customer Information	We seek to reinforce the protection of consumer information through various processes and system design so as to prevent the disclosure of customer information or the undue viewing of the information system for consumer data by customer service personnel.	<ul style="list-style-type: none"> Customer Privacy Marketing Communications 	p.54
④ Stock Dividend	We take the distribution of dividends to shareholders as the most direct and pragmatic means for conveying the message to stakeholders on its operation performance of the year.	<ul style="list-style-type: none"> Economic Performance 	p.10
⑤ Establishment of Accessible Service	We believe all people are entitled the right to a fundamental means of communications. For this reason, we entered the rural areas to provide data communication service regardless of the cost.	<ul style="list-style-type: none"> Local Communities 	p.108
⑥ Protection of Labor Right	We are committed to the "the peace of mind of employees" and thereby respects every employee. We are also the only telecommunication service provider in Taiwan that has established a labor union and entered into agreement with the labor union.	<ul style="list-style-type: none"> Non-discrimination Training and Education Freedom of Association and Collective Bargaining Market Presence 	p.70
⑦ Employee Remuneration and Development	Chungghwa Telecom takes its employees as a vital asset and partners for cooperation. We also spare no effort in setting up a viable system so that employees can showcase their strengths.	<ul style="list-style-type: none"> Market Presence Employment 	p.67



We wish to feed back to society with its professional standing in telecommunication and create a better future.

They are good friends and teachers for us in sustainable development.

Our products and services and related marketing behaviors are subject to audits by the competent authority.

We wish to engage in fair competition in the industry for a healthy development of the industry.

e-mail, Hotline, Stakeholder conference

E-mail, Hotline, Meeting, Press release

Official document, Meeting, e-mail, Telephone calls, Visit

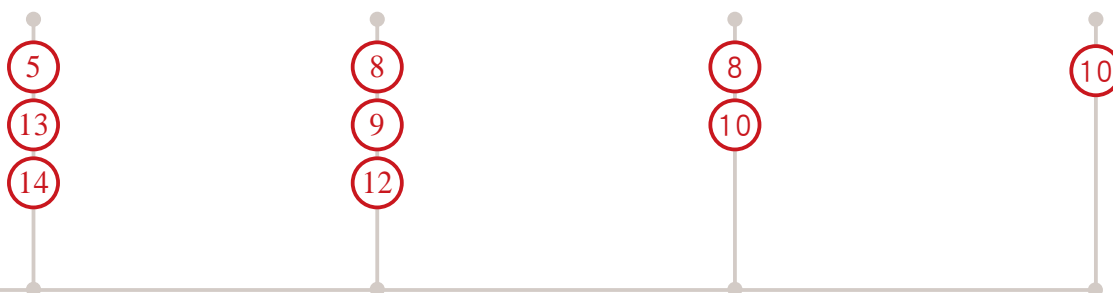
Official document, Meeting

Immediately

Immediately

Immediately

1-2 times per year



Material Issues	Meaning to Chunghwa Telecom	GRI Aspect	DMA
8 Business integrity	Chunghwa Telecom holds that honesty and integrity is the cornerstone for corporate social responsibility. In practice, Chunghwa Telecom will adopt the highest moral standard in business operation and demands all employees to duly observe the Code of Ethics and Responsibility in commercial behavior.	<ul style="list-style-type: none"> Marketing Communications Anti-competitive Behavior 	p.33
9 Harmony in Labor-management Relation	Employees are critical for sustainable corporate development. Labor-management relation in harmony constitutes a positive work environment for employees, which is beneficial for the operation and development of Chunghwa Telecom.	<ul style="list-style-type: none"> Labor/ Management Relations 	p.70
10 Responsible Marketing and Sale	For upgrading the quality of business practice and marketing, and earning the trust of the consumers with the company, Chunghwa Telecom has instituted a "Code of Conduct in Marketing" to keep marketing and sales on track and in compliance with the regulations and requirements of the competent authority.	<ul style="list-style-type: none"> Marketing Communications Anti-competitive Behavior Compliance 	p.34
11 Supply Chain Management	Chunghwa Telecom makes a sizable volume of purchases from a large number of suppliers every year. Chunghwa Telecom is influential to make these suppliers perform their corporate social responsibility as well and create greater value for society.	<ul style="list-style-type: none"> Procurement Practices 	p.38
12 Innovative Products and Services	For achieving the goal of "give the customer simplicity and leave the complication to Chunghwa Telecom", Chunghwa Telecom focuses on innovative service, fundamental core technologies, and advanced research, and makes positive effort to develop convenient and practical products and services.	<ul style="list-style-type: none"> Customer Health and Safety Products and Services 	p.47
13 Energy Consumption and Carbon Emission	Chunghwa Telecom is dedicated to sustainable development into a "green enterprise" and wishes to play an even more active role in the fields of energy and climatic change. Through the upgrade of energy efficiency and the development of environmental friendly products and services in best effort, Chunghwa Telecom starts from its core competence to guide the development of low carbon industry.	<ul style="list-style-type: none"> Energy Emissions 	p.90
14 Digital Inclusion	Chunghwa Telecom wishes to create a barrier-free environment for technology and information through communication technology so that all people are benefited from digital technology irrespective of age, social status, geographic location, and education.	<ul style="list-style-type: none"> Local Communities Products and Services 	p.103

Sustainable Development Objective

Confronted by the challenges of telecom operation and a rapidly changing market, Chunghwa Telecom aims to develop business operations based on “Innovation, Broadband, Value-added, Integration, Principle-protected, and Touching service” to improve business performance, increase sustainable values of shareholders and the Company.

We will continue to abide by the principle of corporate governance, strengthen social care and environmental protection, implement corporate social responsibility and capitalize on technology and management to improve employees’ expertise and the Company’s business performance. It is believed that these efforts will equip us with the capability to respond to the everchanging environment, and continue to create values to respond to the support of the consumers, shareholders and employees, thereby achieving sustainable operations.

Facilitate Positive Business Evolution through Action, Broadband, Value-added and ICT Integration Service

- Introduce new broadband products, expand major business of the corporate customers and increase business capacity.
- Create competitive advantage through ICT integration services.

Develop Emerging Service Opportunity Such as Cloud and IOT (Internet of Things), Work with Partners to Generate Best Strategies

- Take the initiative to integrate cloud and IOT industry to stimulate market needs.
- Develop emerging applications, cost saving and strengthen operational efficiency.

Continue to Strengthen the Application of Internet Facility and Information Technology to Support Business Transformation and Growth

- Internet upgrade and integration.
- Utilize information technology to enhance operational efficiency, support new business and intensify information security.

Strengthen Resource Utilization and Management Mechanism to Improve the Efficiency of Resources

- Centralized planning, utilization and management of resources, control operation cost and expense.
- Promote the revitalization and utilization of non-operating assets to enhance asset value.

Develop Overseas ICT Market to Explore new Opportunities

- Evaluate target market’s development criteria and select suitable products for overseas promotion.
- Plan business model to facilitate market expansion.

Sharpen the Unique Advantage of the Subsidiaries to Enhance the Company’s Competitiveness

- Intensify company cooperation to enhance the advantages of company operation.
- Deepen expertise of the subsidiaries to bring out competitive advantage.

Infuse Telecom Expertise Into Corporate Social Responsibility Issues to Implement the Commitment of Corporate Citizenship

- Initiate digital rainforest project to facilitate the innovation of ICT application through business depth.
- Utilize expertise to facilitate the reduction of digital differences and environmental protection, and narrow urban-rural gap to enhance social well-being.

Responses to Critical Issues in 2014

Issue #1: The Dilemma of Coverage of the Base Stations

Service providers are compelled to provide good quality voice transmission and fast mobile connection to the Internet. However, some citizens still have concern about electromagnetic wave. As such, people tend to request for the removal of base stations already installed as “electromagnetic waves will jeopardize our health” even though the landlord have agreed with the installation.

The right cognition about electromagnetic wave should be:

- The electromagnetic wave emitted from the base station is non-ionizing radiation and the electromagnetic particle entails very low energy. It will not give out heat or cause damage to the cell molecules of organism. As such, it will not affect the health of human beings.
- The measurement of the electromagnetic wave in the environment is in conformity to the standard of the International Commission on Non-ionizing Radiation Protection (ICNIRP)⁹, which must be lower than 0.45 $\mu\text{W}/\text{cm}^2$ at 900MHz and must be lower than 0.9 $\mu\text{W}/\text{cm}^2$ at 1,800MHz.
- Due to the habit of using mobile phones, the public has been exposed to the radio frequency of the mobile phones, which is a thousand times more than the waves emitted from a base station.

If people are still nervous about the electromagnetic waves in the area nearby their homes, they may call 0800-580-010 for a free measurement service of electromagnetic wave from the base station.

Issue #2: Renewable Energy

From 2008 onward, Chunghwa Telecom has pursued its carbon reduction policy and paid close attention to the renewable energy policy of Taiwan in ceaseless effort and we hope that government can pass applicable laws so that we can take more actions.

The sustained growth of business over the last few years compelled Chunghwa Telecom to commits further efforts to control related use of energy so that greenhouse gas emissions can be contained as much as possible. For newly constructed IDC data center, Chunghwa Telecom has set the standard for electric power consumption at the data center, which targeted at PUE value of less than 1.5.

The more important thing is that Chunghwa Telecom will continue to make the best use of ICT technology to assist other enterprises and industries in energy saving and carbon reduction. For example, the “Low Carbon Management Cloud Union” used iEN intelligent energy service developed by Chunghwa Telecom in cooperation with 500 enterprises for an anticipated reduction of power consumption by 280 million KWh.

*Note: PUE value is the standard for calculating the efficiency of power consumption at the data center. Low PUE value represents a low level of power consumption for the air-conditioning of the machine room.

Issue #3: Response to the protest of dispatched personnel

Honghwa International Corp (hereinafter, “Honghwa”) is a subsidiary of Chunghwa Telecom. Honghwa is a contractor of human resources support for the CHT shop locations and customer service. It also contracts for work from other enterprises. All Honghwa employees are full-time personnel remunerated by salaries and bonuses, and the career development in Honghwa is promising.

Further to the appointment of the personnel previously dispatched as full-time employees of Honghwa, Chunghwa Telecom also wrote to relevant contractors in 2014 reiterating the contracting of work in customer service and protecting the rights and privileges of all employees for transfer of duties or rotation of job in accordance with the employment contract, Labor Standards Act, Occupational Safety and Health Act, Gender Equality in Employment Act, and other applicable legal rules.

- Honghwa is oriented towards autonomous management and promoted their own shop managers, customer network team leaders, customer modes of human resources management. Honghwa is oriented towards autonomous management and promoted their own shop managers, service supervisors from their own staff so that the employees can be nurtured in a positive environment for career development with benign competition. This helps to upgrade the overall production value.
- Honghwa has consulted with its labor union on group contracts. This will help to avoid disputes and enhance labor-management cooperation.