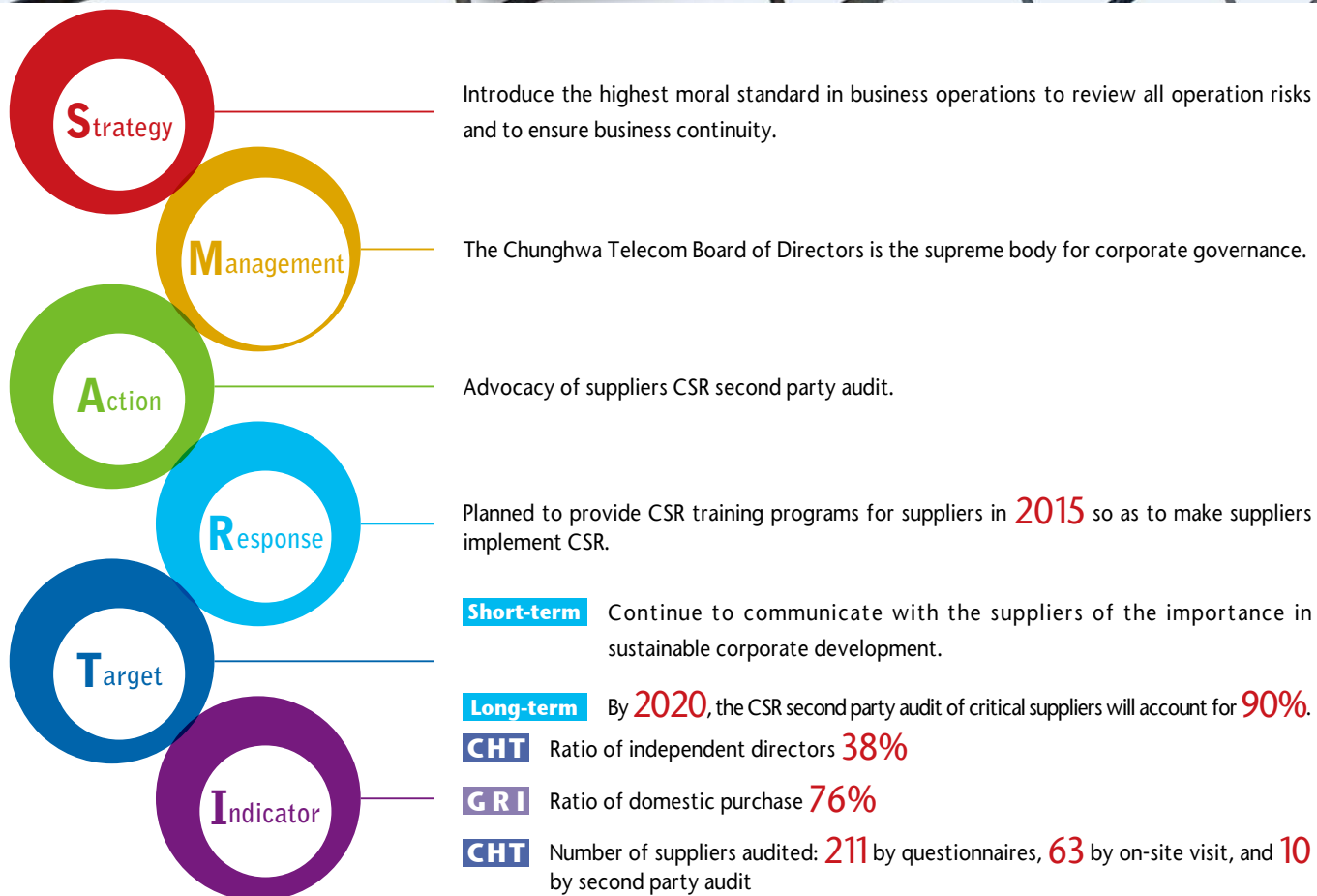


Corporate Governance





Members of the Board of Directors: <http://goo.gl/1qBlh7> (p14-17)
Education of the Board of Directors: <http://goo.gl/1qBlh7> (p63-64)

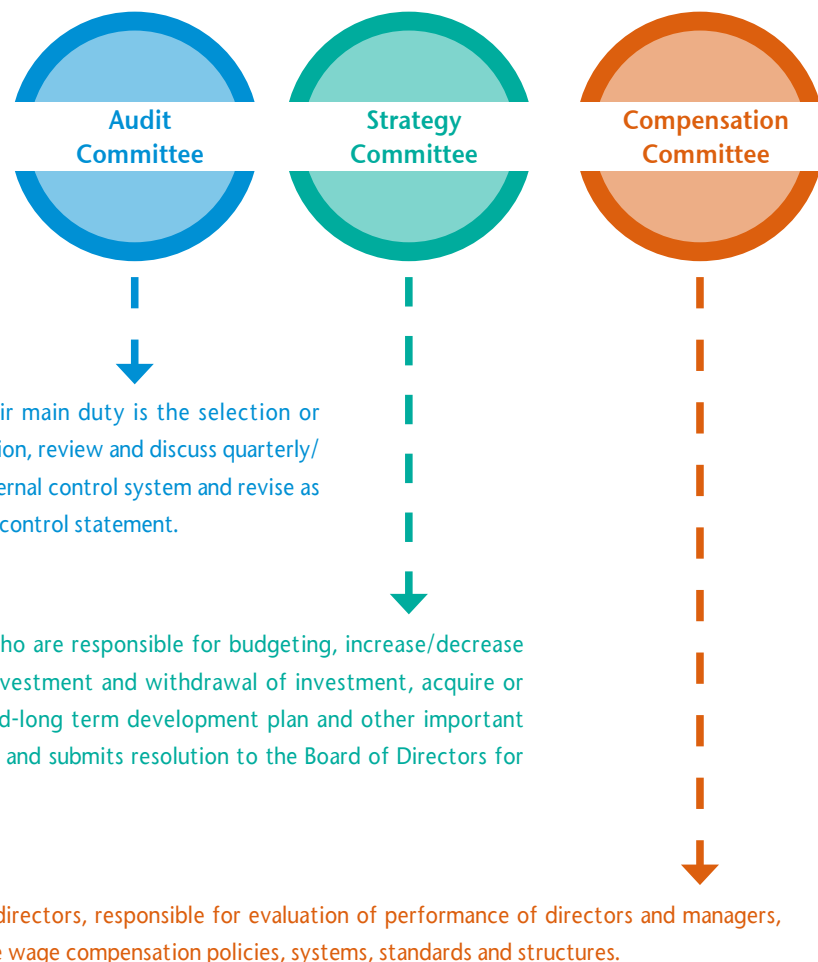
G4-34,G4-38-G4-40,G4-51

Ethical Business Practices

The Chunghwa Telecom Board of Directors is the highest governance body, with the Chairman also acting as the Chief Executive Officer. The Board of Directors is responsible for appointing and nominating high level managers, as well as formulating company corporate social responsibility, corporate citizenship, and sustainable development strategies. The Board has 13 directors that include 5 independent directors. To date, there are 4 female directors amongst 13 directors. Director's period of office is three years (June 25, 2013-June 24, 2016), to ensure the governance's independence and stakeholders' perspectives, 5 independent directors are included while an Auditing Committee is designated to replace the supervisor.

Chunghwa Telecom's independent director and external director provide expertise based on their respective area of practice and professionalism, to assist the Board of Directors to make decisions as to benefit the company and the shareholders. To prevent financial losses from third party litigation for directors and supervisors, we have purchased indemnity insurance for Directors and Supervisors.

To improve monitor functions and strengthen the management functions, three functional committees are established under the supervision of the Board:





G4-40,G4-41

Avoidance of the Conflict of Interest

Chunghwa Telecom's director is responsible for the election of Chief Executive Officer and Directors, in that, a nomination system is adopted based on relevant provisions and articles of Securities & Exchange Act, which candidates are nominated by directors and shareholders with qualified shareholding, and director's nomination and review is conducted accordingly. We have adopted the following control measures to prevent conflict of interests.

- Directors and all signed Consent to Act as Director, announced that they follow the section 23 of Company Act.
- All directors signed Statement to show that they clearly knew the content of Section 206 of Company Act.
- Section 17 of Rules of procedure of board of director clearly defines the things that directors should recuse himself with.

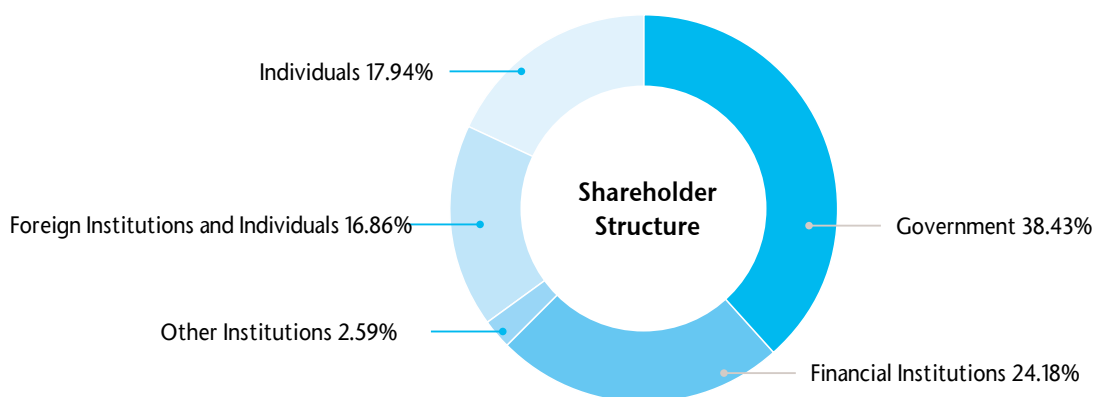
Thanks to the directors' high ethical standards and self-discipline, in the operation of comprehensive mechanism, no conflict of interest has occurred since the Board of Directors is established. The Board has resolved to approve total of 50 articles of "Code of Corporate Governance for Chunghwa Telecom", while all departments are required to implement the Code of Conduct, the secretariat also evaluates on a regular basis.

Encourage Shareholders to Participate in Corporate Governance

G4-7

For the past two years, Chunghwa Telecom has conducted changes and revisions on a number of systems and measures based on a corporate governance mindset, including e-voting, voting by poll and disclosing the meeting resolutions on the Company's website; with diversified voting channels, shareholders are able to exercise their rights in an efficient manner and corporate governance effectiveness is then enhanced.

As of April 27, 2015



G4-15

Comply with Global Compact

We are voluntary aligned with the UN Global Compact. 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.

G4-2,G4-14

Proper Control of Operation Risk

To ensure the sound operation of the company and not be affected by the external environment and internal operation, Chunghwa Telecom stresses on the management of operational risk, and has formulated the “Chunghwa Telecom Risk Management Regulations” as the guidance for all employees. The authority responsible for risk and crisis management is the President, who reports to the Board on the regular basis, to ensure all operational risks are identified and managed so as to protect the rights and interests of all stakeholders.

The Board of Chunghwa Telecom approved in 2006 the “Chunghwa Telecom Risk Management Regulations” clearly defines risk management strategy and framework, management procedure and departmental responsibilities, besides conducting risk management accordingly, risk management platform, systematic recording and follow up management is utilized to manage mid-long development plan, annual operating plan, significant event, additional projects and business execution report, to make certain that all possible risks are under control.

The Scope of Chunghwa Telecom Risk Management Regulations



We have “Risk Maps” for risk assessment tools to evaluate regulatory risks, internet maintenance risk, market competition risk and financial operation risk; at the same time, we conduct sensitivity analyses and stress tests for the company’s major business operations to minimize possible losses through risk absorption, risk transfer, risk reduction and risk avoidance.

Risk Management Expense

Unit: Million NTD

2012	3,206
2013	3,384
2014	3,441

Risk Management for Climate Change

Global climate is the significant challenge confronted by human race in this century. For the people in Taiwan, the most serious challenge of climate change is short-time heavy rainfall, and the rise of temperature and sea level, in the long run, may affect the operation of telecom facilities and manpower scheduling. The manpower and materials used to repair the damages, backup power increased for power failure and compensation to consumers may largely increase our operating cost. Not to mention if any infectious diseases caused by climate change, Chunghwa Telecom's daily operation and services will be drastically impacted with over 20,000 employees across Taiwan.

In consideration of the climate change risk, Chunghwa Telecom has officially included "Climate Change Issue" factors into the evaluation system of "Performance and Risk Management", adding significant risk into the Group's annual business planning and schedule disaster budgeting, while conducting objective management and performance evaluation to monitor its effectiveness.

For the business model of the ICT industry, we introduced risk adaption strategy to respond to climate change, enhanced carbon management measures, developed energy conservation and carbon emission reduction as well as environmental protection measures to reduce greenhouse gas emission and risk for ICT industry; and in hope, with our effort, to expand our influence over the society overall on a positive manner.

Action Program in Response to Climate Change

In order to manage risks caused by climate change, we completed the "Chunghwa Telecom Environmental Protection Energy Conservation & Carbon Reduction Strategic Action," and formulated priorities, improvement of disaster resilience, ensure clear communications, and the safety of overall communications network.

Reinforcement of flood resistance plan at the data center:

- Installation of water gate and flood prevention devices.
- Introduction of underwater pumps in basement levels for rapid displacement of water trapped in the basement.
- The ventilation opening of underground oil tank moved further up above ground level and introduction of valve to the inlet of oil refuel to prevent flooding of the underground oil tank.
- Establish relevant prevention measures in vent line, entry of underground tunnel, entry of high tension cable, lanes, etc.

Improvement plans for telecom equipment:

- Move basement equipment: Move diesel generators and AC distribution equipment to the 1st floor and install DC equipment to above 2nd floor.
- Prepare mobile generators and pumps.
- Enhance generator configurations in remote equipment room and increase oil storage tank capacity.
- Amplify batter capacity: When natural disaster struck and caused power outage, backup battery can be maintained up to 72 hours (3 hours in normal facility) to support the remote areas, when necessary, SMR capacity can be enlarged.



G4-56

Highest Moral Standard

We have established the “Chunghwa Telecom Code of Conduct” is formulated as the basic guideline for employees’ ethical standard while engaging commercial activities so as to have all employees perform business activities at the highest moral standard. To create a healthy working environment, we have a reporting hotline to encourage employees to voice their opinions in a safe and confidential manner.

This Code of Conduct is included in the training program of new employees, not only it is re-examined annually, it is used to evaluate employees performance, to ensure that all employees understand and will be put into practice.

The principle of Chunghwa Telecom Code of Conduct includes:

- To strengthen determination and commitment, specific company regulations and external documents are clearly announced for integrity management policy and its implement.
- To ensure the implementation of integrity management, the company should establish an effective accounting system and internal control system. Internal auditor should regularly confirm compliance status.
- Avoid transactions with those who have dishonesty records in order to conduct commercial activities under fairness and transparency.
- Prohibit bribery, accept of bribes, provide illegal political contributions, improper charitable donations, sponsor unreasonable gifts and hospitality, or other improper benefits.
- The board of directors should urge the company to prevent dishonesty and ensure to implement policy through dedicated department.
- To implement integrity management, all Chunghwa people should conduct business by regulations so as to prevent dishonesty.
- Clearly specify a conflict of interest avoidance policy for board members, supervisors, and managers.
- To ensure the implementation of integrity management, the company should establish an effective accounting system and internal control system. Internal auditor should regularly confirm compliance status.
- To implement the promotion of integrity management, clearly specify that the company should regularly hold education and training, and establish an expedient rewards and disciplinary system.
- Clearly specify that the company should strengthen the fulfillment of integrity management information disclosure.



Corruption Prevention

To establish a corporate culture of ethical management, we have formulated “Ethical Corporate Management Best Practice Principle” and “Procedures for Ethical Management and Guidelines for Conduct” to a sound operation. In addition to the internet and intranet, all employees are required to login to the web to review the “Procedures for Ethical Management and Guidelines for Conduct” and take the test every year. This will help ensure ethical code and the culture of business integrity are extensively advocated and rooted. Other than those who were not available during the testing period, all other employees have participated in the test.

Additionally, the “Chunghwa Telecom Employee Review Guidelines” and “Chunghwa Telecom Reward and Discipline Standard” are published to evaluate all employees, who are also confirmed to thoroughly understand and followed. We have received 85 cases of complaints in 2014 and all have been settled. Of all these cases, 47 were leaking of customer information and 38 were related to discipline. The result of investigations led to the conclusion that there was 1 violation against confidentiality regulations, and 8 misconducts or violations against company regulations, total number were 15 persons.

If the findings validated the accusation, appropriate action is taken depending on the severity, including verbal warning, reprimand, demerit point, and minor demerit point and transfer from the original job position, major demerit point, degradation and disciplinary action at level I. The cases will be taken as case studies for training to correct possible misconduct of the employees to comply with applicable rules and regulations, maintaining company discipline, and improvement of corporate image, and protection of the rights and privileges of the shareholders.

Obey International Telecommunication Laws and Human Rights Duties G4-15

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

Tax Policy

Chunghwa Telecom is committed to be an honest taxpayer with high quality compliance in taxation as a core value:

- Comply with the tax code currently in force for accurate calculation and payment of applicable taxes.
- Quick evaluation on the effect and response to the change in relevant tax laws.
- Disclose of taxation information in the annual reports in favor of stakeholders for transparency of information.
- Maintain sincere communication with taxation authorities with an open mind.



Transparent Information Disclosure



Top 10 of Information Disclosure Ranking of Taiwan Company for 9 consecutive years

With integrity, responsibility, and a trustworthy spirit, Chunghwa Telecom is committed to reduce the information asymmetry between business management and external stakeholders and establish diversified information transparency, enhance the communication with the stakeholders, and improve the efficiency, quality, balance and credibility of information disclosure.

To facilitate stakeholders' understanding of the company's latest information, we disclose information through corporate website, Market Observation Post System, annual report, CSR report, press conference and investor conference.

Chunghwa Telecom's contribution and effort has been honored by receiving top 10 awards in the "Information Disclosure Ranking of Taiwan Company". This is the 9th consecutive year that Chunghwa Telecom receives this honor since Securities and Futures Institute promulgated this rating. In the future, we will continue to follow the highest standard of ethical best practice and win the trust and support of the investors and shareholders.

Pay Attention to Digital Convergence Development

Since any changes in policy or regulation might affect the operation and development of Chunghwa Telecom, we therefore stay communication with the government and competent authority; meanwhile, pay close attention to the trend of any related regulations. Among the regulations, we have been monitoring closely on the development of "Digital Convergence Development Plan", as it is crucial to national competitiveness and the development of ICT industry development.

The Executive Yuan approved the "Digital Convergence Development Plan" in 2010. The Digital Convergence Development Plan 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, we will actively construct our fiber optic network simultaneously, enhance the competitive strength of fiber optic broadband, separately commit to expanding innovative value-added telecommunications and information services, and create business opportunities in the ICT industry to maintain our leading position.

Telecom Charge Policy Adjustment

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.

NCC started to cut down the connection fee for mobile phones from 2013 for 4 consecutive years, including the 2G, 3G, and communication system users, from NT\$ 2.15 to 1.15 in 2016, which is equivalent to 46.5% price reduction.

We strive to bridge the digital gap, however, in Taiwan there's no clear policy for radio frequency, people have concern about base station and part of people use most broadband resources, it's hard for us to well distribute internet resources and infrastructure among people and regions. 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.

* 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.

Strengthen Business Management

To improve the quality of business marketing and consumers' trust, we have formulated the "Business Marketing Standards" to ensure the execution of business in line with the requirement of competent authority, while including compliance status into the evaluation of higher management's performance.

Though Chunghwa Telecom has not been penalized by taxation and improper actions, however, 85 incidents in the total of NT\$ 33.39 million were fined in 2014. Based on the fined items, the main reasons and subsequent improvement is described below:

Installation of Base Station

Chunghwa Telecom has long been complained about its "poor signal" and "base station might endanger health", in quite a number of times, it was also penalized or received administrative sanctions due to base station issues. In consideration of consumers' communication interests and difficulty in placing base stations, we will continue to adopt the following measures:

- Communication with the public in an aggressive and positive manner concerning the setup of base station and adjustment issues.
- Continue to communicate with the competent authority to relax the restriction of setting up base stations.
- Work on regulations for administration of base station for a more definite and convenient measures.
- Strengthen public awareness on the issues of electromagnetic waves and provide free testing services.

Responses to Entrance Code Failure at the Data Center Happened in December 2014

We failed to enforce the entrance code at the data center last year, and were punished by the NCC. We learned from this lesson and took corrective action to avoid the recurrence of the same mistake:

Intensification of Entrance Code and Function

We have amended related regulations governing the entrance code for bolstering security management and as reinforcement to employees of the importance of security of the data center. We also instituted the "Communication Data Center Security Management Guideline":

- An access control system has been introduced at the entrance of the communication data center with a list of personnel for passage clearance.
- Appoint designated persons as the security manager of the data center who shall administer the enforcement of entrance code and the card reader for entrance clearance.
- The data center security manager shall review the list of persons permitting to the data center and those visiting the data center at least once monthly, and forward the review result to the competent authority of Chunghwa Telecom for review.

Punishment

- Those who have significant or special contribution to the protection of facilities and security control of the data center will be rewarded. Those who violated the rules will be punished depending on the severity of offense.
- Completion of the teaching materials on "Entrance Code Management Regulation" for online education and promotion.

Brand Management

With diversified marketing creativity and channels, Chunghwa Telecom delivers expertise, convenience and a brand image meets consumers' expectation. Long-term accumulation of the brand asset of "For you, Always ahead" as its core value and spare no effort to provide consumers with the best digital life.

Chunghwa Telecom adopts concentrated brand frameworks that account for individualistic brand presentation. President supervises all brand creation, design, management, and adjustments in the company. The Deputy Brand Managers for business groups 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 Policy: concentrated strategies that account for the development needs of individual fields.
- Brand Management: Headquarter is designated to handle the formulation, control, and adjustment of all brand strategies, while subsidiaries are responsible for implementation.
- Brand Structure: concentrated brand structures that account for individualistic brand presentation.

2014 Brand Recognition

- The leader in mobile communication and data network service in the "Preferred Brands" survey by "Management Magazine".
- Received Reader's Digest Trusted Brand's Platinum Award -Telecommunication Service for 10 consecutive years.
- Received 1st place in "Best Brand Award" - telecommunication sector from Business Today for the 7th consecutive year.
- The leader in telecommunication service in the "Five-Star Service Award" of "Global View Magazine".
- Received "Golden Service Awards" from Commonwealth Magazine as the leader in telecommunication service for 2 consecutive years.
- The leader in telecommunication service in the "Most Preferred Benchmark Enterprise" by Commonwealth Magazine.
- Selected by Young Generation Brand Survey in 30 Monthly as a favorite brand for 5 consecutive years.
- Overall championship as "Digital Service Benchmark Corporation" and number one in "Data Channels and Communication Industry" for 3 consecutive years.

Brand Management Process and Evaluation Mechanism

- (1) The headquarters unified the establishment and announcement of the Corporate Identification System Regulation, thereby the related functional units and branches shall comply with this regulation for the accumulation and promotion of corporate image. We organized the CIS promotion and training program in 2014 so as to make all employees know and understand the CIS regulation and the proper use of the regulation.
- (2) For integration and synergy, we established the "Chunghwa Telecom Affiliates Branding and Advertising Management Guideline" thereby group companies may properly use the CIS to show the continuation of the group enterprises and upgrade the overall image on condition that such CIS does not defy the purpose of the establishment of the enterprise.
- (3) We instituted the "Chunghwa Telecom Product Naming Principles" for the effective use of marketing resources, focus of branding, upgrade operation efficiency, and promoting products by brand for reinforcing the effect of communication with customers. The scope covers "Corporate Brand, Business Brand, and Product Brand". For branding of service, it must be congruent with the subsidiary brands or under the concept of grouping so that the names of the brands are highly associated with the service.

Internal Employee Brand Study Project

We have launched the “Chunghwa Telecom and Branches Brand Position and Communication Use” study in 2014 in an attempt to clarify the positioning of key businesses. Through market survey by interviews, we understand consumers in their awareness of the brand of Chunghwa Telecom.

Through the building up of consensus, we bolster efficiency and quality of decision-making and can further convey the ideal images of the enterprise business clearly. In practice, we have mapped out the principles of product naming and the revision of CIS as the prerogatives. In the future, we will review the products and their life cycle regularly to respond to the needs of development and make appropriate and timely adjustment.

For You, Always Ahead

For years, Chunghwa Telecom has uphold the brand spirit of “For you, always Ahead”. While improving innovative soft power in digital convergence, the Company continues to provide consumers with better and more convenient ICT life. As a pioneering company, Chunghwa Telecom vows continuous forward-looking and innovation for you, always ahead, as promised.

Under the leadership of the brand spirit of the parent firm, other brands of the subsidiaries were properly developed, including the mobile communication brand, “emome”, the long-term developed “Keep in touch”, and the recent 4G LTE “The world gets faster with our peaceful heart”. The data communication arm, HiNet makes ceaseless efforts to upgrade the bandwidth and speed of its fiber optics, and promotes its “HiNet is speed”, the highly applauded “Every word is deep in heart” in international telecommunications, and “MOD is the foremost choice for digital TV”.

With the offering of optimal solutions for enterprises, Chunghwa Telecom works hand-in-hand with customers while rendering service. The brands are widely accepted by customers and allowed the company to receive many awards. Chunghwa Telecom is oriented toward the vision of being “the most valuable and reliable data communication company”.



Responsible Supply Chain Management

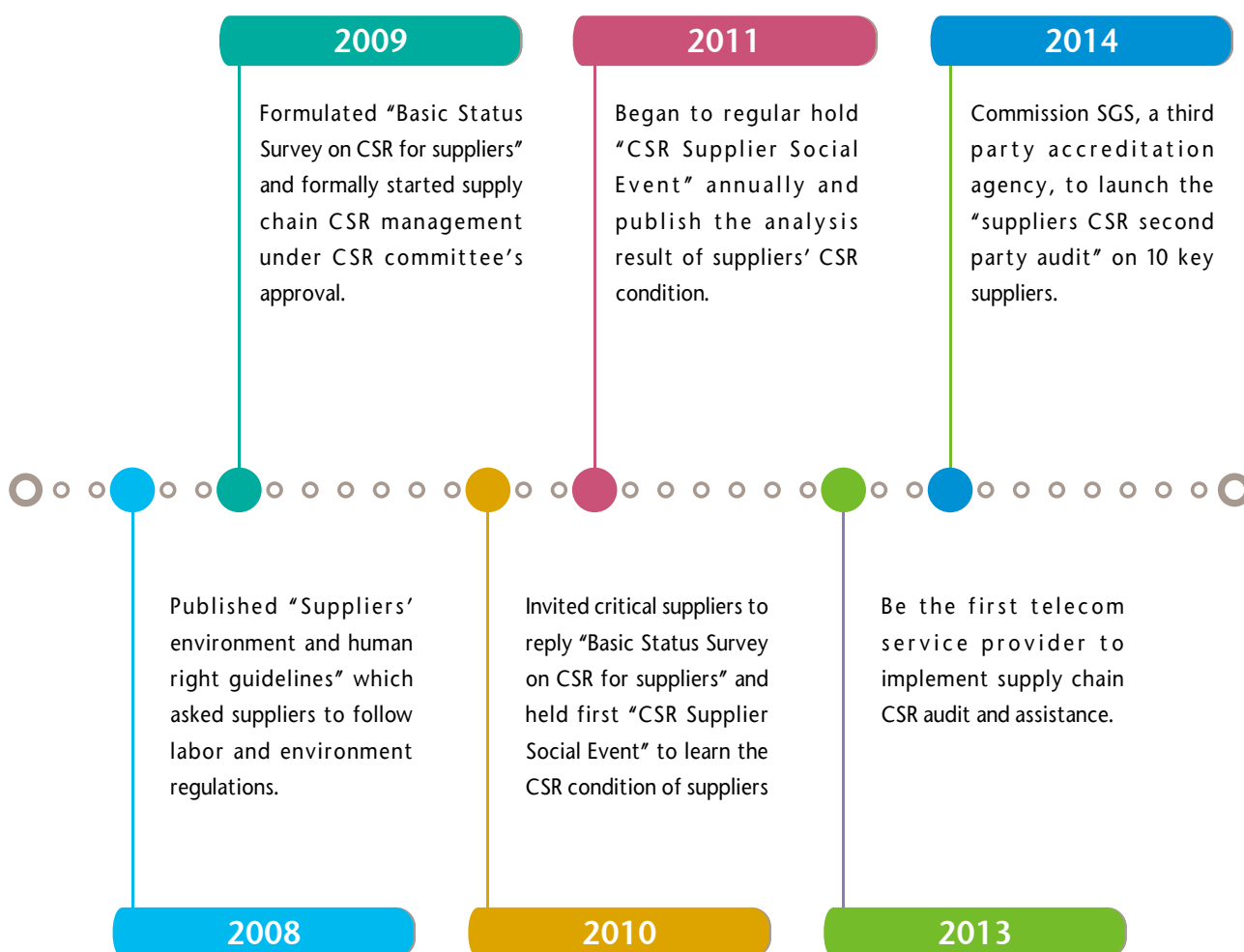
Whereas our relationship with the suppliers is inextricable, to provide better services to consumers, Chunghwa Telecom insists on the concept of mutual benefit and sharing. Chunghwa Telecom Code of Conduct clearly specifies: We must treat our suppliers fairly and will not obtain unfair profit; suppliers are also strictly prohibited from obtaining improper profits; and we will not join with competitors to boycott or refuse to deal with suppliers.

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 one of the issues that stakeholders concerned, and experience told us that the key is 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.

Leading Supply Chain CSR Management



The First Telecom Carrier in Taiwan to Formulate “Supplier CSR Guidelines”

With supplier CSR management launched since 2008, Chunghwa Telecom is the first telecom carrier in Taiwan to formulate a CSR management policy. In addition to continuous comprehensive stipulations, in 2014, we become the first service provider to promote supplier CSR management in Taiwan, in hopes to provide more and better products and services to stakeholders through mutual benefit and shared growth with our suppliers.

We have instituted the “Chunghwa Telecom Supplier CSR Guidelines” as the uniform standard for all suppliers to observe. The guidelines explicitly declare our expectation in the aspects of “enterprise, ethics, labor, environment, and safety and health”, and are applicable to all suppliers providing products and services to Chunghwa Telecom, its subsidiaries and joint ventures, and will extend to firms along the direct or indirect supply chain to suppliers.

Chunghwa Telecom hopes all suppliers will jointly share the commitment to an even more sustainable business ecology circle through further sustainable work. 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

- (1) If the tenderer is suspended due to Article 15 of the general articles, or Article 103 of Government Procurement Act (omitted)
- (2) The tenderer shall record all acts of good faith.
- (3) 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.
- (4) If the tenderer requires to use its employee’s certificate to participate in a tender, confirmation executed by the relevant parties is required (omitted)



Labor Safety and Health Guidelines for Contractors

For the intensification of on-site audit on safety and health for the realization of the rules and regulation of shop floor safety and health, the branches in north and south Taiwan and the business locations of HiNet have established the position of Safety and Health Officer (excluding the supervisors). They conduct on-site inspection on shop floor on safety and health at least three times a week (half day for each inspection). In 2014, they conducted 8,313 instances of inspection, and informed related units for corrective actions if shortcomings were detected.

Procurement Status

Type of Contract	Region of Supplier	2012		2013		2014	
		Counts	Proportion of purchase	Counts	Proportion of purchase	Counts	Proportion of purchase
Labour	Domestic	2,322	13.7%	2,203	13.6%	2,085	15.8%
	Overseas	0	0.0%	1	0.0%	32	0.9%
Property	Domestic	2,975	43.5%	2,859	34.1%	2,483	39.0%
	Overseas	53	25.2%	44	28.9%	57	22.5%
Engineering	Domestic	1,849	17.6%	1,755	23.4%	1,653	21.6%
	Overseas	0	0.0%	0	0.0%	4	0.1%
Total		7,199	100%	6,862	100%	6,314	100%

Pioneer in Second Party Audit on Supplier CSR

From 2012 onward, we require suppliers with purchase amounts of more than NTD 5 million to comply with the "Supplier CSR Guidelines" and the "Particulars for the Promotion of Supplier CSR" whereby suppliers shall fill in the "Supply CSR Status Questionnaire" after being awarded the contract for the assessment and management of the installation of CSR and sustainability system. In 2014, we had 211 respondents for overall CSR status installation and evaluation and rating.

We have conducted audits on 63 work wiring contractors in 2014 through on-site observation and interviews with management and employees in order to control the work quality. There were 115 audits conducted. Chunghwa Telecom has also formally commissioned external accreditation agencies for "supplier CSR second party audit" on 10 key suppliers. Through the two-prong strategy of "understanding and analysis", "on-site visit", we have built up a viable supply chain management system.

For suppliers at the elementary stage, we introduce CSR by promoting and providing training programs to walk them through necessary principle of CSR. At the same time, on annual CSR Supplier Social Event, 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.

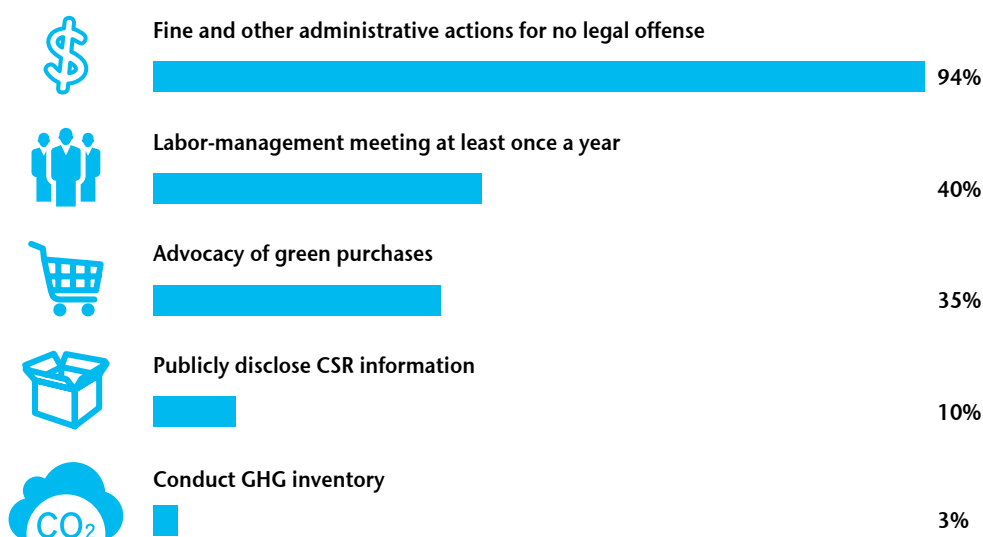
Supplier Management and Encouragement

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.

We have audited 52 suppliers in 2014 and marked down 117 points for violation of rules and regulation, and have imposed fines amounting to NT\$1,078,000. For encouraging suppliers in good standing, we offered the following preferential treatment in southern Taiwan in 2015 as a pilot project, and assessed the result and applicable regions. We hope we may exercise the influence of large enterprise to allow for proper realization of corporate social responsibility.

- No bid bond is required in the bidding.
- The performance bond is reduced to 5% of the contract sum after being awarded.
- Announcement of the 5% of assessment of the issues for evaluation. In the future, the percentage will incrementally be enhanced depending on the feasibility.

Supplier's CSR Status Disclosure



Support the Supplier in Advocacy of CSR

In 2014 Chunghwa Telecom held the 4th Supplier CSR Social Event. With President Shih Mu-piao hosted the event, 58 companies attended with a total of 70 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 5 excellent CSR suppliers, including second party audit and disclosure of suppliers in good standing. 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.

In 2014, we had the honor of inviting VP of HTC, responsible for the Power To Give Charity Project to share ideas. We hope we could share surplus resources with society and assist the international research and development through the advocacy of the CSR platform. This is also in-line with the core value of upgrading the efficiency of resources utilization with telecommunication technology.

Invitation of Suppliers to CSR Events

Global climate change has caused extreme weather and disasters. This jeopardized the lives and property of the public and also caused economic damage to industrial development.

For this reason, Chunghwa Telecom participated in the project of Water Resources Agency of the MOEA in 2014, and organized the "Flood Prevention Corporate Forum" in north, central, and south Taiwan. We also invited suppliers to share in the cause. Through the cooperation and exchange among private enterprises, academic institutions, and government, we have alerted more enterprises to commit their effort in the prevention of flood and rescue and relief in disasters, and the performance of CSR. This helps to intensify the discussion of the public on disaster prevention and fortify the capacity in responding to floods and droughts.



Mutual Benefit and Symbiotic Relation with the Business Partners

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.

- **Health management:** Engaged in a joint venture with hospitals in launching the electronic medical record for integration into a large wearable device and health management professional service. Worked in conjunction with Chang Kung Memorial Hospital and Formosa Biomedical Technology Corporation to apply the subsidy of the "Speeding Up Mobile Broadband Service and Industrial Development Program" from the government to upgrade the health industry.
- **Technology joint venture with Hami+ Book Store and Spring House Technology.** Chunghwa Telecom provided the platform while Spring House Technology consulted with the publishers on the content of the eBooks and purchase, replication of eBooks, book store portal, Reader App, customer services, and the overall operation of the book store. This will contribute to the business of the publication industry in Taiwan.
- **Entered into a new MOU with Intel in August 2014** whereby a joint venture is kicked off in IoT, cloud computing, and SDN. With the use of Intel processor, source software as the framework for POC concept validation. This is used to test the SDN service with the Intel solution as the foundation to help corporate customers reduce cost in management of their network architecture.

"Love and Health Cloud" Union for eMedicare

Chunghwa Telecom is engaged in the "Love and Health Cloud" Union with ASUS and the Show Chwan Hospital so as to integrate cloud technology and medical and healthcare and build up the health cloud living circle. In addition, Chunghwa Telecom also is sparing no effort in supporting the government in the medical and healthcare program in Palau, a country with formal diplomatic relations with Taiwan, providing related software that jointly exports the health cloud indigenously developed in Taiwan overseas.

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 2014, we delivered 58 courses, 63 suppliers with a total of 2,673 persons have participated in the courses, and 1,283 persons have received relevant certification.

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.