

## Message from the <sup>G4-1</sup> Chairman



Chunghwa Telecom's Operating results were exceptionally fruitful in 2015. Our precision construction/marketing strategies combined with the effort of all our employees had delivered record-high consolidated revenues totaling NT\$231.8 billion and an EPS of NT\$5.52 that marked the best performance in four years. By the end of 2015, Chunghwa Telecom had accumulated more than 4.4 million 4G customers and acquired license to maximum bandwidth of 2x30MHz at 2600MHz FDD, making it the first local carrier to utilize the 3CA technology (combining 900, 1800 and 2600 MHz bands) to exceed the 300Mbps bottleneck of 4G telecommunication.

Although optic fiber and 4G technologies have presented us with abundant opportunities, they are known to be associated with challenges such as increasing infrastructure and maintenance requirements, and OTT (over-the-top) applications that are threatening the Company's existing services. We have been actively exploring transformations and innovations outside of our core business, such as cloud computing, Internet of things (IoT) and data security services that would require the use of our broadband resources, R&D capacity, and big data analysis. By continually innovating and expanding across industry boundaries, we aim to sustain growth in terms of revenue, profit, and business opportunity for new services over the next 3 to 5 years.

We recognize the extent of impact our operations have on the environment and society, and how they affect us in reciprocity. To ensure sustainability, Chunghwa Telecom developed its own CSR system as early as 2006, and has been selected as a composition of DJSI - World and DJSI - Emerging Markets for three consecutive years, making it one of the world's 9 most sustainable telecommunication carriers.

Apart from actively participating in local and international sustainability assessments, we have also aligned ourselves with international trends for the disclosure of non-financial information in 2015, and adopted IIRC's Integrated Reporting Framework for the very first time during the preparation of our 9th CSR report.

In this year's report, we not only disclosed material issues but also began focusing on the values and impacts we produce over the course of business operation. By presenting a combination of financial and non-financial data, we hope to give stakeholders a better understanding of various capital committed by Chunghwa Telecom and its ability to create value through business activities.

In terms of corporate governance, Chunghwa Telecom adopts the value of "transparency, integrity and stability" as its commitment towards sustainability. For 10 straight years, we have maintained the best possible rating in TWSE / TPEX information disclosure evaluation, while our exceptional business performance has won ourselves a long-term credit rating of "AA" from S&P and a long-term/short-term credit rating of "twAAA/twA-1+" from Taiwan Ratings. For two consecutive years, we rank in the top 5% of TWSE's corporate governance evaluation. In addition to refining our services and complying with government regulations, we have escalated supplier management practices by introducing "tender bond waiver" as a means to reward top-performing suppliers in southern Taiwan. A set of "Procurement Grievance Procedures" has also been implemented to give suppliers the means to raise complaints, and thereby improve the openness and transparency of procurement practices.

With respect to environmental protection, Chunghwa Telecom has envisioned itself as a "green enterprise and pioneer in low-carbon economy," and is committed to enhancing the greenness of the society through its ICT services. Technology brings infinite possibilities, but excessive carbon emission and depletion of energy sources have also put mankind in a struggle for future survival. According to the SMARTer2030 report recently published by Global e-Sustainability Initiative (GeSI): "ICT sector's emissions footprint is expected to decrease to 1.97% of global emissions by 2030, compared to 2.3% in 2020...and has the potential to enable a 20% reduction of global CO<sub>2</sub>e emissions by 2030." Driven by our green mission, Chunghwa Telecom has made several "the first achievement in industry," including: the first carrier to be certified for GHG inventory on Scopes 1, 2 & 3, the first to sponsor construction of Youbike station, the first to

implement ISO50001, and construction of the first Rated-4 IDC in Greater China Region.

Chunghwa Telecom will continue leading the ICT industry to create green values and promote greenness in consumption, service and business activities for the sustainability of our environment.

With respect to social inclusion, Chunghwa Telecom has adopted the goal of "narrowing the digital divide and creating digital opportunities" to guide its social efforts. We are committed to eliminating the digital divide by making telecommunication services available in all corners of Taiwan including remote areas and offshore islands. As Internet access becomes widely available, knowledge and information can be exchanged at a much faster rate and hence create opportunities. In 2015, Typhoon Soudelor caused significant damages throughout the nation, including telecommunication services. In response to the disaster, we mobilized 4,752 employees and was able to restore communication at impacted locations within the shortest time possible. "Digital Community" is one of our long-running projects. It has been expanded to 76 service locations to date, providing a strong network of hardware and software resources upon which Chunghwa Telecom Foundation is able to launch a series of "Click Taiwan" campaigns that connect Chunghwa Telecom more closely with local residents.

As we progress into the era of IoT, digital convergence and smart services, Chunghwa Telecom will carry on its integrity values and aim to become "the most valuable and trustworthy telecommunication company" by relying on its professional technologies and visions. In the meantime, the Company will also respond to industry upgrades and intensified competition by incorporating its sustainable culture into three action strategies, namely: corporate governance, environmental protection, and social inclusion, and emerge as the leader of sustainability for the industry and the society!

Chairman of the Board Directors

