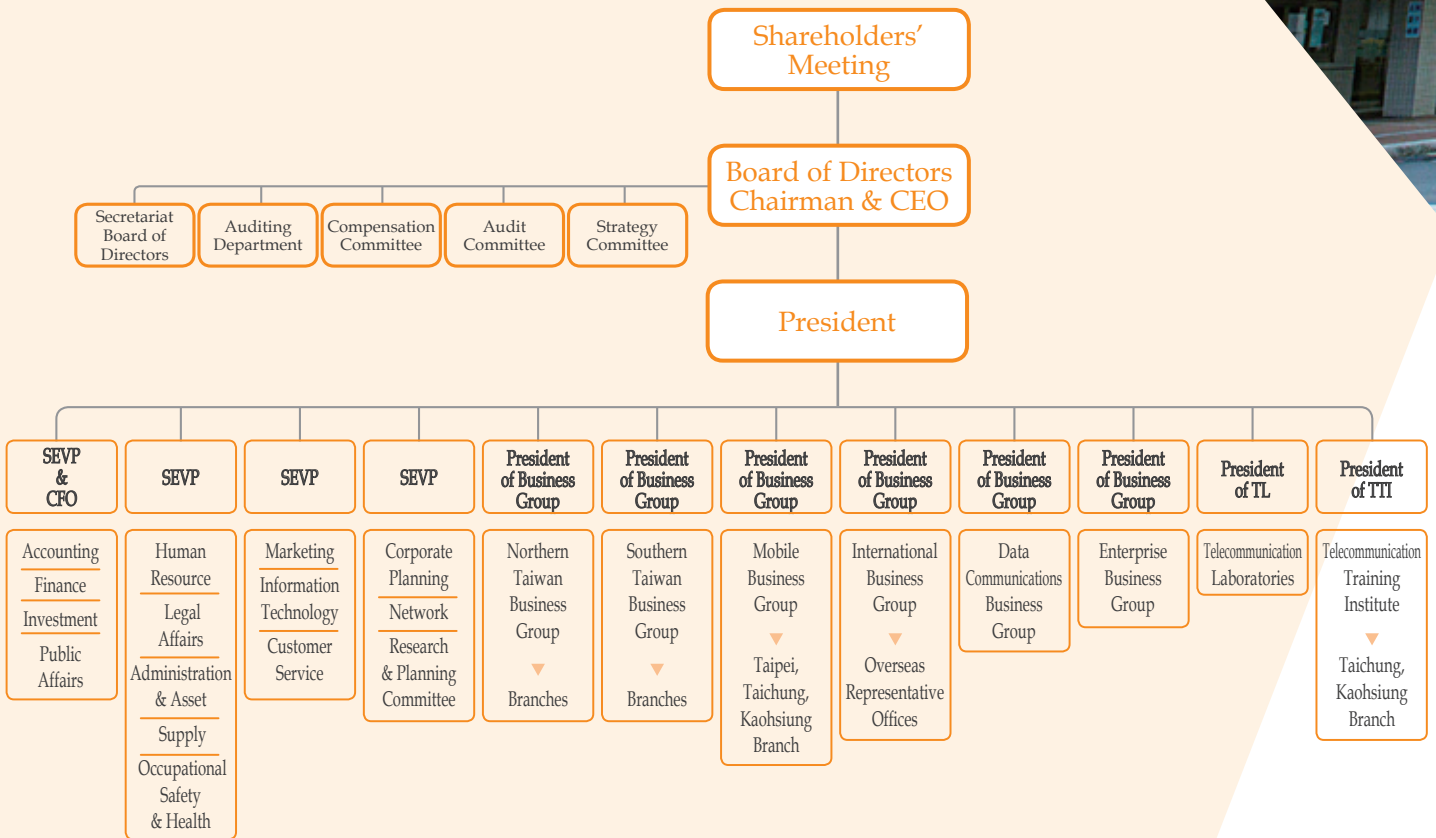




G4-9

Responsible Governance





Members of the Board of Directors: <http://goo.gl/Vl3NS1> (p.16-19) 

Education of the Board of Directors: <http://goo.gl/Vl3NS1> (p.65-66) 

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 in making 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.

Audit Committee

Consisting of 5 independent directors, their main duty is the selection or dismissal of CPA, determine CPA's compensation, review and discuss quarterly/ semiyearly/ annual financial report, review internal control system and revise as well as review the appropriateness of internal control statement.

Compensation Committee

Consisting of 3 independent directors, responsible for evaluation of performance of directors and managers, and determine the appropriate wage compensation policies, systems, standards and structures.

Strategy Committee

Consisting of 5-7 board members, who are responsible for budgeting, increase/decrease of capital, increase/decrease of reinvestment and withdrawal of investment, acquire or surrender licenses, restructuring, mid-long term development plan and other important issues. A review meeting is convened and submits resolution to the Board of Directors for final approval.

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.

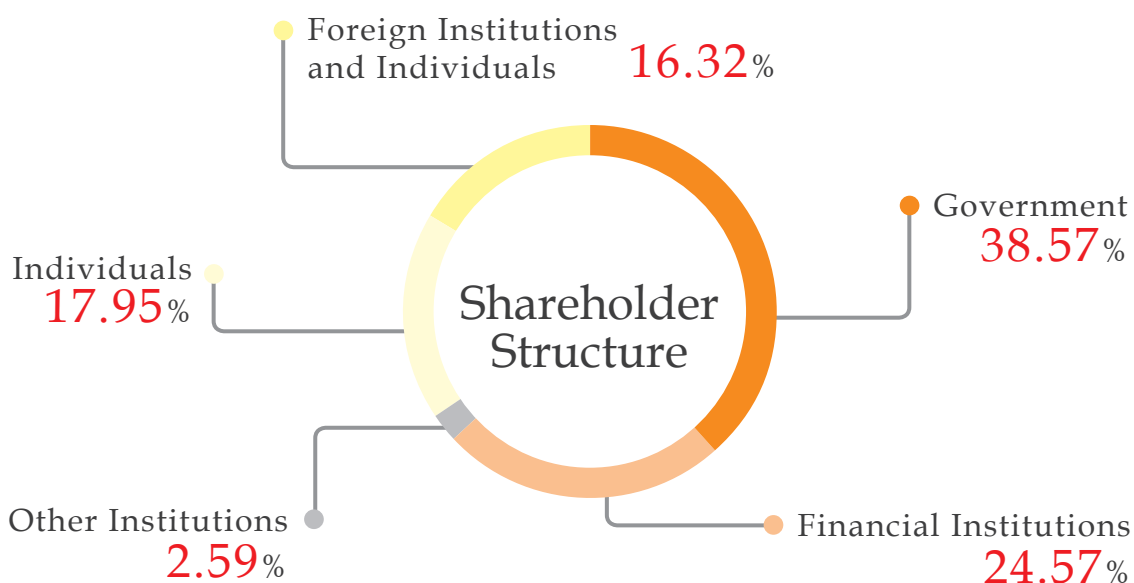
Code of Corporate Governance: <http://www.cht.com.tw/aboutus/cog.html> 

Encourage Shareholders to Participate in Corporate Governance

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.



Shareholder Structure of Chunghwa Telecom



Date of data: July 19, 2015 (the most recent book closure date)



Support to Global CSR Initiatives and Guidelines ^{G4-15}

We willingly comply with principles of The UN Global Compact in terms of human rights, we respect and uphold all basic rights recognized in the world, and refrain from any disregard or neglect of such rights. In terms of employment practices, we protect workers' freedom of association, while recognize and support their rights to negotiate with the employer. We are dedicated to eliminating all forms of illegal labor and discrimination.

Chunghwa Telecom's Telecommunication Training Institute organizes human rights-related courses on a yearly basis and whenever there is a change in labor regulations and policies. Four courses totaling 18 hours were organized in 2015; 129 employees had participated in these courses.

*Chunghwa Telecom Human Rights Policy: <http://goo.gl/ynRkOm>

Chunghwa Telecom supports the following international human rights conventions:

- UN Declaration of Human Rights, ILO Convention on the elimination of all forms of discrimination and prohibition against forced labor and child labor
- UN International Covenant on Civil and Political Rights and International Covenant on Economic, Social, and Cultural Rights; we are dedicated to promoting human rights awareness and assuring respect and fair treatment to all stakeholders.
- UN Guiding Principles on Business and Human Rights, for which a human rights due diligence investigation is being conducted accordingly.

Compliance with International Telecommunication Rules and Human Rights Obligations

Chunghwa Telecom is a participant of World Conference on International Telecommunications, a panel that outlines the "International Radio Regulation" and lays down the common principles for the freedom of communication. The conference has been introducing new rules such as: transparency of global roaming charges and competition, support of telecommunication in developing nations, telecommunication services for persons with disabilities, and people's freedom of speech over telecommunication network.

We have made our commitment to comply with the above rules and will enforce the advocated principles through real action.

Tax Policy: http://www.cht.com.tw/en/csr/upload/content/Tax_Policy.pdf

CSR Management

We launched the implementation of sustainability management mechanism since 2006, and established “CSR Committee” to stipulate sustainable policies, using top-down approach to achieve our sustainable actions.

Chunghwa Telecom’s sustainable development strategy is utilizing corporation’s unique resources and competence to implement sustainable actions from six groups, focus on such as “Create society coexistence, Digital inclusion, Green ICT product and service, Green brand management and Energy conservation and carbon reduction.”



Chunghwa Telecom’s CSR Vision

Corporate Mission

Innovation
Excellence
Gratefulness
Reliability

Social Contribution

Shorten digital difference
Implement environmental protection
Caring for the vulnerable

Team Culture

Trust
Responsibility
Share
Growth

Customer Relations

Care initiative
Penetration

Sustainable Operation Target

1. Facilitate Positive Business Evolution through Action, Broadband, Value-added and ICT Integration Service
2. Develop Emerging Service Opportunity Such as Cloud and IoT (Internet of Things), Work with Partners to Generate Best Strategies
3. Continue to Strengthen the Application of Internet Facility and Information Technology to Support Business Transformation and Growth
4. Strengthen Resource Utilization and Management Mechanism to Improve the Efficiency of Resources
5. Develop Overseas ICT Market to Explore New Opportunities
6. Sharpen the Unique Advantage of the Subsidiaries to Enhance the Company’s Competitiveness
7. Infuse Telecom Expertise Into Corporate Social Responsibility Issues to Implement the Commitment of Corporate Citizenship



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.

World's Top 9 and Taiwan's Only Carrier to be Selected for Two DJSI Indices

In 2015, Chunghwa Telecom once again became the only Taiwanese telecommunication carrier to be select as a composition of both DJSI (Dow Jones Sustainability Index) - World and DJSI - Emerging Markets. It ranks among BT (UK), PT (Portugal), and SK (South Korea) as world's 9 most sustainable carriers.

A total of 12 Taiwanese companies were selected for DJSI-Emerging Markets and 8 were selected for DJSI-World in 2015. Chunghwa Telecom's attention to economic, environmental and social aspects and its ability to deliver business performance have won investors' recognition from all over the world.

MEMBER OF
**Dow Jones
 Sustainability Indices**
 In Collaboration with RobecoSAM 

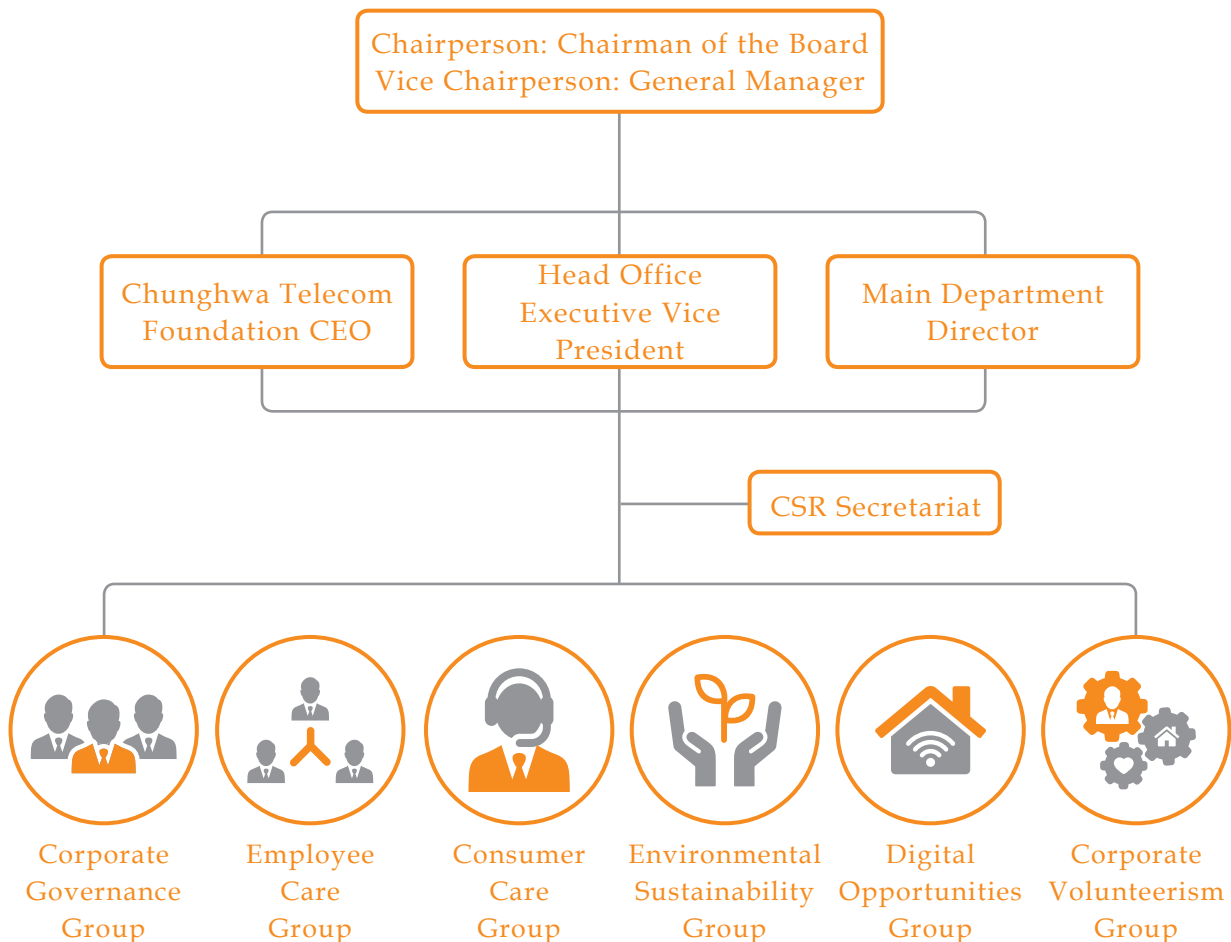
About Dow Jones Sustainability Index: <http://www.sustainability-indices.com/>

CSR Committee Management Mechanism

We established “CSR Committee” in 2007, for expanding our core functions of sustainable benefits, implementing CSR vision as a stating, and devoting to the industry and society for the sustainable development.

Representative	Chairman of the Board of Directors Tsai Lih-Shyng General Manager Shih Mu-Piao
Mechanism	Policy approved by the Board of Directors; CSR Committee is responsible for coordinating and supervising the progress, and periodic reports of the important issues and the results of communicating to stakeholders to the Board; the Board is responsible for the annual final performance assessment .
Execution	<ul style="list-style-type: none"> • CSR Secretariat is responsible for planning and actions. • Public Affair is responsible for budgeting, educational training, and management of follow-ups 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 President).

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.

Channel	Item	Content
 Communication within Senior Management	Senior Management Meeting	Key CSR issues will be discussed in the senior management meeting every year.
	 Employee Forum	Chunghwa Telecom Online Forum
 Training	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.
 Performance Assessment	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.
 Others	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.

Proper Control of Operation Risk G4-2,G4-14

Chunghwa Telecom places great emphasis on business risk management as a means of ensuring stability against impacts from the external environment and internal operations. It has “Risk Management Policy” in place to guide employees’ actions. The board of directors outlines the Company’s risk management policies, framework and culture. Secretariat assists the board in the implementation of risk management practices throughout the Company.

The Audit Division audits risk practices and reports findings back to the board. On February 1, 2016, the Company established its Risk Management Committee consisting of the President as the convener and senior managers as members of the committee. The committee supervises risk management throughout the organization, and is responsible for prioritizing the identified risks, formulating response strategies to key risk issues, and reporting to the board of directors at times deemed necessary.

Chunghwa Telecom’s risk management practices involve ongoing analysis of operational goals, accuracy of financial reports, and impacts of high-risk events. These findings are constantly reviewed to ensure that all business risks can be identified and controlled, and thereby maintain business operations while protecting stakeholders’ interests. We also have an enterprise risk management (ERM) system in place to control risks associated with our businesses. Risk managers have been assigned in all departments to monitor risk targets and risk events, and report findings on a monthly basis. Risk managers are also involved in the review and adjustment of risk measures, assessment of risk impacts, and execution of systematic records, management, and follow-up tracking.

We use a “risk map” for assessing regulatory risks, network maintenance risks, market competition risks, and financial risks. For every major concern identified in our operations, we conduct intensive sensitivity analysis and stress-testing to decide whether we should take steps to accept, transfer, mitigate or avoid the associated risks, thereby minimize our possible losses. Risk management expenditure comprises of three main categories: insurance premium, risk control costs, and risk administration expenses; details of which are expected to be disclosed in 2017.

The Scope of Chunghwa Telecom Risk Management Regulations



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.



Go All Out: Emergency Repair after Typhoon Soudelor

On August 8, 2015, Typhoon Soudelor brought heavy rain and wind to Taiwan, causing massive disaster especially in remote, mountainous locations such as Wulai, Sanxia, and Yilan. Wulai, in particular, suffered a total power failure and severance of 2 fiber cables owned by Chunghwa Telecom. This damage disabled all communication and isolated Wulai from the outside world.

Chunghwa Telecom mobilized 4,752 employees into an emergency repair that took place day and night at the risk of land slide. Their efforts were motivated by one simple purpose: to restore communication as soon as possible so that residents can begin rebuilding their homes.

The Wulai Repair Record

August 8	August 9	August 10
<p>Our efforts</p> <p>Route#1: By car and on foot, the rescuers carried communication equipment into Wulai and supported communication of rescue command centers along the way.</p> <p>Route#2: Rescuers were transported using helicopters to high mountain grounds, where satellite base stations were established to provide communication for more densely populated areas.</p>	<ul style="list-style-type: none"> • Communication equipment, power generators and fuel were carried on foot into Zhongzhi Village, Wulai, to establish the first means of communication. • Rode helicopters to high grounds in Wulai Restored communication on Xiluo side for densely populated areas such as Wulai old town. 	<ul style="list-style-type: none"> • Rode helicopters to restore communication at even more remote locations in Wulai. Rescuers were equipped with emergency equipment to maintain communication between the location of disaster and the rescue command center. • Rescuers and residents were given mobile phones to assure communication and to aid in their reconstruction efforts.



Pay Attention to Digital Convergence Development

Chunghwa Telecom’s business operations are closely connected to changes in government policies and regulations. In this respect, we maintain constant communication with government agencies and authorities to keep ourselves informed of the direction of the latest policies and regulations. Amongst all upcoming changes, the one that concerns the competitiveness of the ICT industry the most would be the “Digital Convergence Plan.”

The “Digital Convergence Plan” was first approved by the Executive Yuan in 2010, and was scheduled to undergo a two-stage legislative process. National Communication Commission (NCC) passed its a “comprehensive draft legislative framework on converging digital telecommunication transmissions” on October 14, 2015 that propose five pieces of legislation - the Telecommunication Business Act, Regulations Governing the Service of Cable Multi-Channel Platform, the Radio and Television Enterprises and Channel Enterprises Administration Act, Regulations Governing Telecommunication Infrastructures and Resources, and the Electronic Telecommunication Act - to constitute a legal framework for converging digital telecommunication transmissions. Such proposal had already passed Executive Yuan’s review in May 2016, and were submitted for ratification at the Legislative Yuan.

However, since the new administration was inaugurated, these draft regulations were withdrawn by the Executive Yuan along with other proposals that had yet to progress into Legislative Yuan’s review process. We will continue paying attention to new changes in regulation, and contribute its opinions where appropriate.



Operational
Risk

Involvement in Next-generation Telecom Technology

“As the leader of mobile communication service in Taiwan, Chunghwa Telecom has been active in the development of 5G technology and is currently a member of NGMN. Our status as an NGMN member provides us with knowledge to the development of 5G standards around the world, which we hope to make use of in order to introduce more advanced mobile communication services to local consumers. It is also our intention to engage the local telecommunication industry with the rest of the world in the early stages of 5G technology, so that we may play a vital part in the upcoming future.”

— — Lih-Shyng Tsai, Chairman of Chunghwa Telecom

In an attempt to gain an early insight into next-generation telecommunication technologies, Chunghwa Telecom has not only committed significant resources into R&D and actively involved itself in setting the new standards (under 3GPP), but also explored means to strengthen connections with local and foreign industry participants. In 2015, Chunghwa Telecom joined Taiwan Association of Information and Communication Standards (TAICS) and Next Generation Mobile Networks Alliance (NGMN) ; both of which are significant to the development of 5G technology.

Chunghwa Telecom is the only Taiwanese carrier to join NGMN, which now has 28 members from around the world. Chunghwa Telecom has one representative on the NGMN board to bridge Taiwan’s 5G development with the rest of the world.

In December 2015, Chunghwa Telecom joined the Ministry of Economic Affairs (MOEA) to host a NGMN Conference for the very first time in Taiwan, during which participants were gathered to discuss and explore 5G requirements. Later in February 2016, Chunghwa Telecom participated in NGMN’s 2016 Mobile World Congress held in Spain to discuss work plan and short-term goals. This level of engagement has helped raised influence and visibility of Taiwan’s telecommunication industry in the world.

*NGMN: <https://www.ngmn.org/>

*TAICS: <http://www.taics.org.tw/>



Operational
Risk

Intensive Competition of the 4G Market

The introduction of 4G technology has enabled carriers to exceed existing bandwidth and speed limitations and deliver faster Internet services. This, in turn, gave rise to broader applications and presented both risks and opportunities to Chunghwa Telecom.

Chunghwa Telecom had accumulated 4.43 million 4G customers by the end of 2015. In an attempt to keep up with the rapidly changing and increasingly competitive environment, the Company has committed significant resources into innovative research and development (totaling NT\$3.6 billion in 2015; representing 1.6% of overall revenues) to improve customers’ mobile broadband experience and digital lifestyle by continually exploiting bandwidths of the 4G technology.

Risks

There are five carriers offering 4G services in Taiwan, making it a highly competitive business. Competition in 4G mobile will only intensify and pose a threat to Chunghwa Telecom’s operations in the future.

Opportunities

Smart city and Internet of things (e.g. Internet of vehicles, remote education, hospital monitoring, smart home, smart energy, etc.) are two prominent trends. Combined with big data applications, they open up new products and services for Chunghwa Telecom.

Target

Introduce the 2600MHz band and increase customer base to 6.4 million. Explore innovative and value-adding applications to enhance mobile Internet usage.



Highest Moral Standard G4-56~G4-58

To establish a corporate culture of ethical management, we have established the “Code of Ethics of Chunghwa Telecom Co., Ltd.”, “Ethical Corporate Management Best Practice Principle”, and “Procedures for Ethical Management and Guidelines for Conduct”. These are 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.

In addition to adding the training program of new employee, all employees are required to login to the web to review and take the test every year, we also have a reporting hotline to encourage employees to voice their opinions in a safe and confidential manner. Other than those who were not available during the testing period, all other employees have participated in the test in 2015.

Corruption Prevention

Chunghwa Telecom has “Employee Appraisal Guidelines” and “Employee Reward/Disciplinary Standards” in place to evaluate employees’ performance. Rewards and disciplines are issued according to these rules whenever employees exhibit conducts that deserve them.

Information such as grievance hotline has been made available at Chunghwa Telecom’s intranet/employee portal. The Company accepted and closed 50 cases of complaint in 2015; 2 of which were found to have violated the confidentiality policy, while 8 were associated with violation against the code of conduct. All complaints were investigated and handled according to Chunghwa Telecom’s internal policies and principles, and taught as case studies to strengthen employees’ respect towards rules, discipline, corporate image, and shareholders’ interests.

*Chunghwa Telecom internal policy: <http://www.cht.com.tw/aboutus/companyrules.html>

Internal Audit System

We have an internal audit unit that reports directly to the board of directors. The audit unit conducts internal audits strictly in accordance with policies in the utmost objectivity. It assists the board of directors and managers by constantly reviewing the effectiveness of internal control systems and operating efficiency.

*Organization and functioning of Chunghwa Telecom’s internal audit unit: <http://goo.gl/46A4jy>

Transparent Disclosure

Chunghwa Telecom adopts a corporate governance practice that emphasizes on integrity, accountability, and trustworthiness. We are committed to reducing information asymmetry between the management and external stakeholders, and utilize a variety of means such as corporate website, Market Observation Post System, annual report, CSR report, press conference and investor seminar to facilitate transparent communication with stakeholders. Furthermore, measures have been taken to ensure the timeliness, quality, balance, and credibility of information disclosed.

Since information disclosure assessment was first launched by Securities & Futures Institute in 2004, Chunghwa Telecom has been rated A++ and ranked among the top 10 in every year. Also in 2015, the Company ranked among the top 5% in TWSE’s first corporate governance evaluation. These two achievements are a testament to the efforts we have devoted in information disclosure!

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.

Owing to the control measures in place, the Company received only one penalty totaling NT\$800,000 due to violation against the Fair Trade Act in 2015. Background and subsequent improvements relating to the violation are explained below:

1. The business division posted an advertisement featuring a “comparison of TV subscription charges using 100M+ broadband.” Content of this advertisement was reported for suspected violation against the Fair Trade Act, which the Fair Trade Commission later investigated and concluded that the advertisement did indeed misrepresent competitors’ Internet and TV services, to the extent capable of producing false impressions.
2. An order of correction was issued by the Fair Trade Commission, which Chunghwa Telecom took seriously by ceasing all exposure of the advertisement immediately, and assigning relevant units to review all advertisement contents while educate employees on the Fair Trade Act and proper business/marketing practices.