

Supply Chain Management

Strategy

Exert influence to promote suppliers to support Chunghwa Telecom's corporate social responsibilities

Management

- Instituted "Code of Corporate Social Responsibility for Suppliers of Chunghwa Telecom Co., Ltd."
- Instituted "Chunghwa Telecom Co., Ltd. Procurement Grievance Procedures"

Action

- Organize "Supplier CSR Interchange Meeting" annually
- Conduct "Supplier CSR Survey"
- Random on-site audits and inspections
- The Company engages 3rd-party institutions to audit 10 major suppliers annually

Response

2015 Chunghwa Telecom Supplier CSR Interchange Meeting

Target

Engage supply chain partners in actions that promote a sustainable business environment.

Indicator

- CHT Audited **10** major suppliers
- CHT Performed **218** audits on **77** civil engineering/cable contractors

年CSR供應商夥伴交流會



We value our relationship with suppliers for offering quality products and services to consumers. Chunghwa Telecom's suppliers can be divided into three categories: property, labour and engineering. We make enormous purchases from an extensive number of suppliers, from networking equipment, data equipment, cables, marketing design, to waste disposal services.

This means that we possess great influence to convince suppliers into supporting our social responsibilities. Chunghwa Telecom utilizes four approaches, namely: contractual terms, questionnaire surveys, Supplier CSR Interchange Meeting, and on-site audits, to raise suppliers' awareness and understanding towards CSR, as well as the commitments we have made in supply chain management. For suppliers that have just begun to familiarize with the CSR concept, we choose to encourage their participation while at the same time provide them with the proper education and assistance; over time, we hope to engage all suppliers in a win-win relationship.

"Code of Corporate Social Responsibility for Suppliers of Chunghwa Telecom Co., Ltd." clearly outlines the Company's expectations in terms of "business, ethics, labor, environment, safety and health." The guidelines apply to all suppliers that provide products or services to Chunghwa Telecom or its subsidiaries or joint ventures, and extends to other participants of the supply chain that the supplier is directly or indirectly related to. We hope that suppliers may commit to our values and take more proactive steps toward maintaining a sustainable business relationship.

*Online supplier management platform: <https://scm.cht.com.tw/outboard/>

Overview of Supplier CSR Management in 2015

Supplier CSR investigation

- 98% of suppliers have not been fined or given administrative penalties due to violation
- 37% of suppliers have adopted green procurement practices
- 14% of suppliers publicly disclosed CSR information
- 8% of suppliers meet with employees' representative at least once a year
- 7% of suppliers have executed greenhouse gas survey

CSR audit

10 major suppliers were chosen to undergo "CSR audits." These audits were carried out in the form of "background analysis" and "on-site inspection" to ensure the most comprehensive supply chain management.

Auditing of civil engineering/cable contractors

218 audits were conducted on 77 contractors. At the end of 2015, 52 suppliers were found to have committed violations and had a total of 92 violation points on record. They were fined for a sum of NT\$1,470,000.

Safety and health on-site inspections

Northern Taiwan Business Group, Southern Taiwan Business Group and Mobile Business Group all have health and safety officers assigned to inspect suppliers on-site at least 3 times a week. A total of 6,937 inspections were conducted on 683 suppliers in 2015. Any defects discovered were notified to the relevant departments and followed up for improvements.

2015 Chunghwa Telecom Supplier CSR Interchange Meeting

Chunghwa Telecom continued to organize "Supplier CSR interchange Meeting" in 2015, during which President Mu-Piao Shih played host to 79 representatives from 48 suppliers.

For this year's conference, the Company invited Production Equipment Procurement Division Director Handy Ko from TSMC (another Taiwanese company selected for DJSI - World) and Director of Sustainable Department Stephen Pao from "SGS-Taiwan" to share their experience and practices in supply chain management.

During the conference, the Company openly commended 5 "Suppliers with Best CSR Performance" in an attempt to inspire good CSR conduct that would contribute to the sustainability of the entire supply chain.

At the end of the conference, Vice President Ming-Kang Cheng of Chunghwa Telecom's Supply Division engaged guests in talks of the Company's supplier CSR practices, which inspired new ideas and knowledge about CSR practices in other industries.

Industry-leading Supply Chain CSR Management

2008

Published "Suppliers' environment and human right guidelines" which asked suppliers to follow labor and environment regulations.

2010

Invited critical suppliers to reply "Basic Status Survey on CSR for suppliers" and held first "CSR Supplier Social Event" to learn the CSR condition of suppliers.

2009

Formulated "Basic Status Survey on CSR for suppliers" and formally started supply chain CSR management under CSR committee's approval.

2011

- Instituted the "Code of Corporate Social Responsibility for Suppliers of Chunghwa Telecom Co., Ltd."
- Began to regular hold "CSR Supplier Social Event Supplier CSR Interchange Meeting" annually and publish the analysis result of suppliers' CSR condition.



Mutual Benefit with Business Partners

Chunghwa Telecom share our own resources with suppliers to help them develop R&D capabilities and future technologies. We also devote ourselves in the creation of a friendly, innovative environment.

We engage suppliers in R&D projects and reward their contributions, and make arrangements to transfer acquired technology licenses in a fair manner. In terms of hardware, we continue to support development of telecom facilities and testing environment; in terms of software, we utilize open platforms to share our benefits with suppliers.

Rewarding top-performing suppliers

To reward top-performing suppliers, Chunghwa Telecom conducted a trial in southern Taiwan, offering qualified suppliers the privilege of “tender bond waiver when submitting tenders, and reduction of performance bond to 5% the value of contract won.” This was one of the Company’s attempts to exert our influence as an industry leader and bring more attention to corporate social responsibilities.

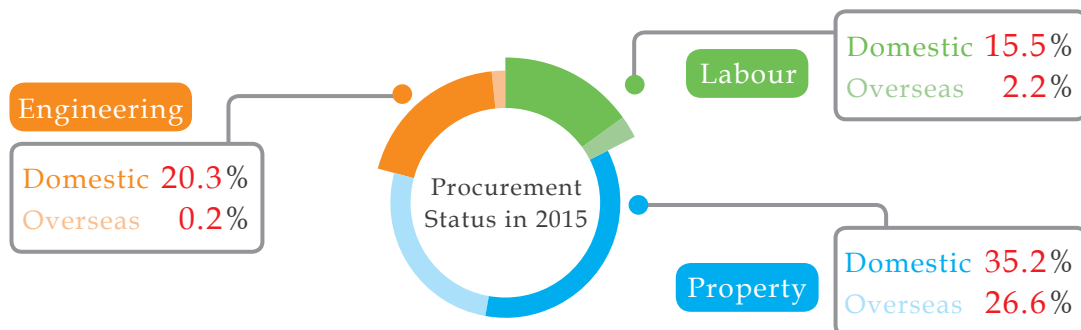
Training of professional skills

As we hope to maintain a mutually beneficial relationship with supply chain partners, our Telecommunication Training Institute has been providing suppliers with relevant training and certification courses to satisfy their requirements. Some of the popular courses include: cabling contractor certification, telecom line construction quality assurance certification, and fiber optic contractor training. In 2015, the institute organized 49 classes and trained 1,151 workers; 616 of whom had obtained certification.

The Firefly Program

In an attempt to support the government’s industrial development policies, Chunghwa Telecom has partnered with SME Credit Guarantee Fund for the launch of “Firefly Credit Guarantee Program.” Any top-performing suppliers recommended by Chunghwa Telecom are eligible to apply for credit guarantee under this program. Our involvement has assisted small and medium sized suppliers to obtain the funding they need, and encouraged them to devote efforts into innovation and R&D that would further enhance their competitiveness.

By the end of 2015, the Company had recommended 20 suppliers for the program, of which 17 were able to obtain funding totaling NT\$278 million.



Note: Overseas suppliers include foreign corporations, branch offices in Taiwan and agents.

