

Determining Materials^{102-40,102-42,102-46} and Stakeholders

We intend to provide all stakeholders concerned with the future of the telecommunication industry and Chunghwa Telecom with a more comprehensive understanding of how Chunghwa Telecom has exerted its industry influence on CSR issues. This purpose has improved the quality of our actions and disclosures.

Process for Determining Materials Issues

	Step.1	CSR Secretariat is responsible for collecting the materials including international guidelines, sustainability rating survey, international benchmark (ex. GRI 3.1 Telecommunications Sector Supplement), etc. to support the meeting of sustainability report.	
-	Step.2	Through opinions, feedback and external questionnaires, we re-assess short/medium/long-term CSR goals and accomplishments, then review our strategies, management practices, measures, responses, and possible adjustments and improvements of our goals.	
	Step.3	Based on internal consideration, industry status, industry chain practice, and the recommendation of stakeholders, we asked CSR Group members to confirm the potential impact of the material issues within and outside the organization, in other words, the positive, negative, or potential impact on the economy, environment, and society, and later invite key parties within and outside the organization to conduct discussion and disclose the impact.	
	Step.4	We assemble an assessment team consisting of members from related departments to identify the materiality matrix on the ground of internal and external information.	

Boundaries of Material Issues

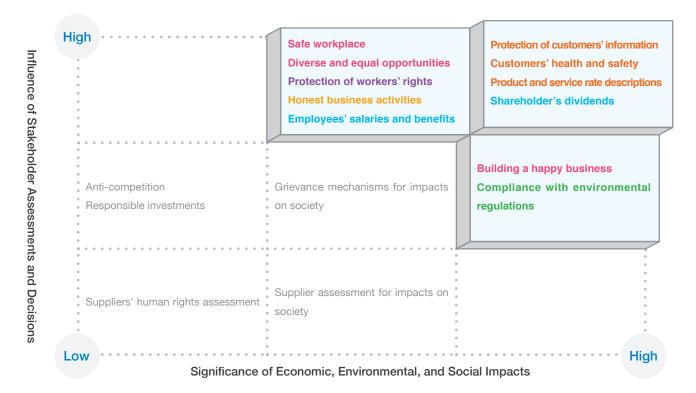


Outside the Organization

Sustainability Aspect	Material Issues	СНТ	Honghwa (Subsidiary)	Customers	Suppliers	Competitors	Communities	Shareholders /Investors
Economic	Shareholder's dividends	v						v
(EC)	Employees' salaries and benefits	v	v					
Labor	Safe workplace	v	v					
Practices and Decent Work	Diverse and equal opportunities	v	v					
(LA)	Building a happy business	v	v					
	Customers' health and safety	v		v				
Product Responsibility	Product and service rate descriptions	v	v	v		v	v	
(PR)	Protection of customers' information	v	v	v				
Human Rights (HR)	Protection of workers' rights	v	v					
Social (SO)	Honest business activities	v	v		v		v	
Environmental (EN)	Compliance with environmental regulations	v			v		v	

Within the Organization





Note: The materiality threshold has been set at 2.6 and above for both the X-axis and the Y-axis (maximum: 3) Chunghwa Telecom is also willing to disclose issues that are not identified as material issues in 2016, please refer to p.118 and take note of the themes with the asterisk (*).

Integration with Stakeholders

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 related 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 essential 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, important relevant mechanisms including

- CSR report "consultation meeting with external professionals."
- Invite external professionals to "CSR Conference" and host relevant forums on an irregular basis.
- Host the "Supplier CSR Interchange Meeting" on the annual basis.
- The first to create "CSR videos" to record the implementation of CSR actions on a regular basis, and collect internal and external feedback for further improvement, http://www.cht.com.tw/portal/csr
- Specialists designated for CSR and the CHT Foundation.



* Chunghwa Telecom Stakeholder Engagement Guidelines: https://goo.gl/zYhhM8

Notes to Material Issues in 2016^{102-43,102-44,102-47}

	Shareholders/ Investors	Employee	95	Custom	hers		Suppliers			
Meaning to Chunghwa Telecom	Meaning toinvestors are the holderst o t h eChunghwaof Chunghwa Telecom,developTelecomwe must be accountableare the develop			the sustainable prefer the products and an velopment and they services of Chunghwa Ch the driving force for Telecom could we have on				e large product d service chain of inghwa Telecom relies the stable support of suppliers.		
Communicatio Channel	Stockholder hotline n website, Results o Roadshow		Labor-	ice hotline ice center			Hotline, CSR social event			
Communicatio Frequency	n Immediately, Quarterl	y Immediately	Imme	ediately		4 to 5 tin	5 times per month			
Material Issue	e 01	02 03 04 0	5 09	06 07	08	10 11				
Sustainability Aspect	Econor	Labor Practices and Decent Work (LA)								
	01	02	03		04		05			
Material	Shareholder dividends	Employees' salaries and benefits	Safe workpl	lace	Diverse and opportunit		Building a happy business			
Issues		1 N 🕂 🖬		ů.				7		
to CHT	maintaining shareholders	a comprehensive welfare system that helps employees	with regulations,	we have d upational an safety pr em to aid	ifferent religiou nd social backgro	s, ethnic ounds and	We implement welfare systems that are superior than what the laws require. Through real actions, we hope to give employees the comfort to work and share fruitful results with us.			
GRI Material Topics	Economic Performance	Market Presence	Occupation He and Safety		Diversity and Opportuni		Employment			
MA	p.20	p.72	p.78		p.74		p.81			
UN SDGs*	8 ECCI MARIA AN COMPARISANT	12 Research Approximation Appr			3 good statin And Millitagine 	ETH WORK AND MORE COUNTH				

Note: "UN SDGs" are the Sustainable Goals of United Nations, more introductions please refer to p.10-13.

	munities NPOs	Media/Rating Agencies	Supervision Organizations	Competite	ors
to socie profession telecomm	ty with our with al standing in ager unication and ment	e learned and grown the media and rating ncies through their orship in sustainable lopment.	Our products, servi and related market behaviors are subjec audits by the compe- authority.	ing fair competitic t to industry for a	on in the healthy
		ail, Hotline, Press se, Press conference	E-mail, Official docum Meeting, Telephone of Visit		ument,
Immediate	ly Imme	ediately	Immediately	1 to 2 times per	year
07	10 11	09 10	10 11	07	
Pro	oduct Responsibility (F	PR)	Human Rights (HR)	Social (SO)	Environment (EN)
06 Customers' health and safety	07 Product and service rate descriptions	08 Protection of customers' information	09 Protection of workers' rights	10 Honest business activities	Compliance with environmental regulations
1200			at 🚺		129.
assures consumers' health and safety by complying with regulations. It offers multitude of Internet security solutions to mitigate	We provide our customers with the most accurate product and service information to obtain the solutions they need quickly. This good service also helps the Company maintain our professional image.	processes and systems to enhance the protection of consumers' data to eliminate leakage and unauthorized access to information systems and	only telecommunications carrier in Taiwan to have established and signed a collective bargaining agreement with a union. This initiative not only complies with local laws	conducts business operations to the highest ethical standard. In addition to complying with regulations, the Company requires all its employees to adhere to a higher moral standard in their business	Company as becoming a green and sustainable business. We strive not only to comply with environmental regulations,
Customers' Health and Safety	Marketing and Labeling	Customers' Privacy	Forced or Compulsory Labor	Anti-corruption Marketing and Labeling	Compliance with Environmental Regulations
p.68	p.59	p.61	p.74	p.43, 59	p.84
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United Nations Sustainable Development Goals

As one of Taiwan's largest communities and the leader of its industry, Chunghwa Telecom has chosen to respond to the 2030 Sustainable Development Goals (SDGs) of the United Nations since 2015. Through actions, we have demonstrated to stakeholders the level of commitment Chunghwa Telecom has for CSR, as well as actual contributions and determination towards global sustainability goals.

Matarial Issue	SDGs
Material ISSue	
Shareholder dividends Honest business activities Diverse and equal opportunities	 Goal 8 Achieve higher levels of productivity through diversity, technological upgrade and innovation. Achieve equal pay for equal work and productive employment across the entire population, including young adults and disabled persons, by 2030. Goal 11 Enhance inclusiveness, tolerance and sustainability by 2030, and achieve nationwide participation in urban planning and management in a way that is both participatory and inclusive. Reduce the level of average adverse environmental impact per person in urban areas by 2030. Facilitate positive linkage between urban, suburban and rural areas in social, economic and environmental aspects. Goal 12 Encourage business to adopt sustainable strategies and include sustainability actions and information into the reporting cycle. Promote sustainable public procurements in accordance with national policies and priorities. Develop and utilize tools to measure how job creation, local cultural development and sustainable tourism contribute to sustainability.
Notes to product and service rate descriptions Protection of customer's information Customer health and safety	 Goal 9 Establish economic, social and environmental connections between remote areas and the outside world. Upgrade infrastructure, improve resource efficiency, and adopt more environmental protection technologies and processes by 2030. Launch fully affordable and available Internet services in least developed countries by 2020. Goal 17 Enhance global sustainability partnership; gather and share knowledge, specialties, technologies and financial resources to support developing nations in reaching their sustainable goals. Apply experience, resources and strategies to encourage and facilitate effective cooperation between state, private sector, citizens and the society.
Building a happy business Safe workplace	 Goal 3 Promote physical and mental health through prevention and treatment measures by 2030. Ensure availability of health services, including information and education about child birth by 2030. Achieve nationwide health protection, including access to insurance coverage, quality and affordable drugs and vaccine. Escalate early alerts and enhance management capability for national and global health risks. Goal 8 Eliminate forced labor, child labor and any form of illegal employment by 2025.
Protection of workers' rights Diverse and equal opportunities	 Goal 5 Elimination of discrimination against women. Assure women's right to political, economic, and public decisions of all levels, and provide them with equal opportunity to all levels of leadership. Enhance women's abilities through ICT applications. Promote gender equality and raise women's power through state policies and laws. Goal 10 Achieve social, economic and political inclusion by 2030, regardless of participants' age, gender, disability, race, ethnicity, nationality, religion, economic or other status. Progressively maintain and increase income of the bottom 40% population, while ensuring that the rate of increase is above national average before 2030. Assure equal opportunities and reduce inequalities through proper laws, policies and actions.
Compliance with environmental regulations	 Goal 7 Collaborate with global institutions on the acquisition of clean energy sources and related technologies before 2030, including infrastructure investments relating to renewable energy. Goal 12 Achieve sustainable management and use of natural resources by 2030. Develop chemical and waste management practices in accordance with international rules by 2020, while significantly reduce chances of emission and negative impacts. Reduce the volume of waste produced by 2030 through means such as prevention, reduction, recycling and reuse. Goal 13 Enhance a nation's ability to recover from and adapt to natural disasters and climate risks. Raise awareness and tighten control over climate risks; enhance early alert measures and improve responsiveness on an individual and organizational level.
	Honest business activities Diverse and equal opportunities Notes to product and service rate descriptions Protection of customer's information Customer health and safety Building a happy business Safe workplace Protection of workers' rights Diverse and equal opportunities

Note: As far as Chunghwa Telecom is concerned, the terms "state," "nation" and "country "mentioned in UN SDGs refer only to Taiwan; as for the term "population," the focus is primarily on our permanent employees.

* Sustainable Development Goals: https://sustainabledevelopment.un.org/sdgs

We support the government's "DIGI+" initiative, which includes the following strategies: DIGI+Infrastructure - creation of an environment that enables digital innovation; DIGI+Talent - development of digital/creativity talents; DIGI+Industry - supporting industry transformation through digital creativity; DIGI+Right - building an advanced nation of digital rights and open online community; DIGI+Cities - creating smart cities through collaborative efforts of the central government, local governments, industries and academe and DIGI+Globalization - raising Taiwan's significance in the global digital service economy.

	Chunghwa Telecom's Contribution to SDGs	Chapter Page
8 ECCUMPTION CONTROL OF CONTROL O	 Goal 8 The creation of Chunghwa Telecom Laboratories to encourage innovation and business ventures and make the industry more diverse. Being the only telecommunication company in Taiwan to join NGMN, Chunghwa Telecom constantly strives to gain control over the next generation communication technology. The implementation of robust compensation, welfare and union systems to ensure equality between men and women. Goal 11 The development of smart city solutions to enhance analysis and the management of economic, environmental, and social information within city. Assurance of 4G service in every corner. Goal 12 Regular publication of CSR report and innovative communication channels. Full-scale green procurement and goals. The construction of Chunghwa Telecom resorts throughout the country to encourage experience of local culture and natural environment. 	Responsible Governance p.30 Employee Care p.70
9 RECOMMENDATION REPRESENTATION (1) 17 PARTICIPATION FOR IN GAUSS	 Goal 9 Chunghwa Telecom is the most active local carrier making services available and affordable to the public. The Company has invested the largest amount of resources to date. More than NT\$ 400 million were spent in 2016 to make services accessible to the public. The Company offers discounts to the socially disadvantaged and disaster-influenced victims. More than NT\$ 30 million of discount was offered in 2016. Goal 17 The Company has implemented communication and collaborative channels that are transparent and consistent with stakeholders' needs; it is actively involved in industry associations and new development projects. The Company is the first telecommunications carrier to begin "supplier CSR management" and regular meetings are held for this purpose and sustainability training. Chunghwa Telecom plans to introduce its proprietary green label in 2017, and encourage all its suppliers to apply for the green label as part of the green procurement system. 	Marketing Services p.58
3 SOOD IF AT THE AND WITH A ST	 Goal 3 The first telecommunication company in Taiwan to adopt OHSAS 18001 - Occupational Health and Safety Management System. The Company has a specialized occupational safety and health department in place. The Company has robust and comprehensive systems in place to check and manage employees' health. Goal 8 The Company has a robust human resource policy and an international management system in place to prevent all forms of forced labor. 	Employee Care p.70
5 contr 10 Records 10 Controls	 Goal 5, Goal 10 Chunghwa Telecom is the only telecommunication carrier in Taiwan that has a "labor union" to look after employees' interests. The Company values and enforces gender equality laws; it protects and promotes women's right to fair employment and promotion. The Company enforces gender equality by implementing sexual harassment prevention rules, handling policies and by establishing a "Complaint Investigation Committee." The Company offers parental leave and extended unpaid leave benefits that exceed regulatory requirements as a means of promoting work-life balance. We have a robust compensation and welfare scheme in place to keep employees' salaries above local regulatory requirements. 	Employee Care p.70
7 ACCONTRACTOR ACCONTACTOR ACCONTRACTOR A	 Goal 7, 12, 13 The Company has launched a 5-year sustainability program along with many environmental actions to fulfill its goal as a green enterprise. 5G (Green) strategy: Green Operations, Green Energy, Green Stores, Green Procurement and Green Supply Chain. Chunghwa Telecom has been active in the reduction and reuse of energy and resources; new infrastructures are being constructed to broaden the use of renewable energy and reduce greenhouse gas emission. We are constantly introducing new solutions to mitigate disasters and minimize climate risks to its data centers. The Company targets the low-carbon industry by actively investing in solar power and renewable energy applications. Its proprietary solar power facilities are expected to reach a capacity of 500kWp in 2017. 	Green Enterprise p.84

Contribution of ICT Industry to SDGs

Work & Business

2

Infrastructure

& Environment

Mobility

Chunghwa Telecom has been exploring ways for the ICT industry to contribute to SDGs based on the System Transformation Report published by GeSI in 2016 and SMARTer 2030. These efforts have led to the identification of existing commercialized products and services through which Chunghwa Telecom may contribute to SDGs.

#1 Business Case

E-banking

Hami Wallet :

The App incorporates several mobile payment and card features and has accumulated nearly 10,000 downloads to date. The App has approximately 40% active customers and aims to accumulate one million users by 2017.

Smart manufacturing

Chunghwa Telecom Cloud ERP :

Via comprehensive module, the enterprise economizes the time and cost of developing MIS human capital, servers, computer facilities and software. In this regard, the manufacturing process is precisely controlled and thus enhances capacity and quality of production.

#2 Business Case

Connectivity

- Use of ICT technology to create an intelligent network, and use of cloud computing to realize Internet of things (IoT) and to provide highly effective energy management and analysis.
- Smart micro-grid: Integrated control and monitoring over the generation and distribution of renewable energy (such as wind power, solar power, etc.), thereby enabling optimum energy distribution and management.

Smart energy

Building Automation: Use of cloud system to manage and analyze building energy consumption for more efficient management of energy load and more efficient use of energy.

Smart water management

Intelligent energy service (iEN): Provides water monitoring, measurement and management services that helped Tainan City Government resolve water leakage and successfully reduced water consumption by 70%.

#3 Business Case

Traffic control & optimization

- Smart traffic management: Use of "cloud system" to gather traffic data, footage and monitor events in real time, while at the same time improve the energy efficiency of the metropolitan transportation system.
- Provides taxi fleets with real-time positioning and monitoring by incorporating LBS (location-based service), digital map service, 3G/4G mobile network and cloud service.



According to the research by "Global e-Sustainability Initiative" (GeSI), digital solutions are critical to realizing the 17 sustainability development goals (SDGs) and the 169 secondary goals of the United Nations.

#4 Business Case

Smart agriculture

- Intelligent energy service (iEN): Provides an optimum growth environment for crops and fish farms, improving both product quality and quantity.
- "Agricultural cloud" Provides consultation service to farmers, thereby enabling precise management of crop growth for higher production capacity and better resistance against risks.

Smart building

- "Chunghwa Telecom Smart Building" automation system Named "Top 7 Intelligent Communities" by the "Intelligent Community Forum" (ICF).
- "Chunghwa Telecom eHOME" A solution that incorporates ICT applications and cloud technologies to accomplish smart building, energy conservation and sustainability. More than 7,000 households currently adopt the solution.

#5 Business Case

E-government

The Company assists the government in creating an information security defense system and is the only information security supplier to be rated "Excellent" by the National Information and Communication Security Taskforce, Executive Yuan, in the SOC monitoring and penetration categories.

Smart security

The Company assisted the government in the creation of the "165 Anti-scam Hotline. "The Company assisted the Criminal Investigation Bureau, National Policy Agency, in disconnecting 1,713 phone numbers and successfully stopped 1,396 scams in 2016. Real-time disaster warnings

The Company's proprietary "Disaster Emergency Response and Reporting System" sent more than 320,000 disaster alerts via SMS in 2016. We also helped develop a Public Warning System (PWS) that was activated 4,367 times for landslides, earthquakes and roadblocks in 2016.

#6 Business Case

E-health

The Company's proprietary Internet of Things (IoT) platform is vertically integrated with the healthcare industry chain to solve problems such as isolated health records and difficulties involving cross-regional services and payments.

E-learning

Digital Community: A total of 76 Digital Communities were deployed throughout the nation and at remote islands to provide community computer classrooms in areas where people lack the resources but have the willingness to learn.

Read with You: An online teaching solution where university students are assigned to provide one-to-one remote education for students living in remote areas, and thereby improve learning outcomes and promote equal opportunities. As of today, the program has matched 1,851 junior companions and 2,931 senior companions to complete 64,245 teaching hours.

Contributions to SDGs

Food & Housing

in 2016

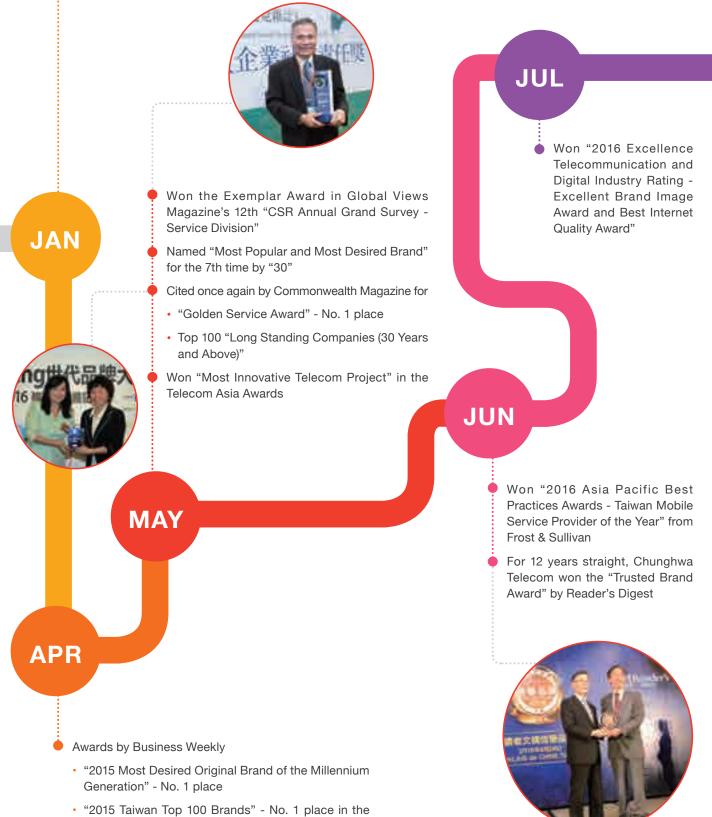


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CSR Milestones in 2016

RobecoSAM Sustainability Yearbook - Bronze Class



telecommunications category

The Data Communications Business Group won the title of "Senior Information Security Professionals" for the third consecutive year in "Asia-Pacific Information Security Leadership Achievements" (ISLA) Award

Ranked among the top 10 "Excellence in Corporate Social Responsibility" for 10 consecutive years

- Awarded by British Standards Institution (BSI) in 2016 for
 - IT Service Management Pilot Award
 - Information Security Management Pilot Award
- Platinum Award for 4 consecutive years in The Asset Corporate Award
- Won "2016 APCCAL Awards Best Customer Experience Management in Taiwan"

Won five major awards in Taiwan Corporate Sustainability Award, namely: "Taiwan Ten Most Sustainable Company, Transparency and Integrity Award, Supply Chain Management Award, Social Inclusion Award and Taiwan Top 50 CSR Report -Information, Communication and Broadcasting Gold Award"

SEP

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Dow Jones Sustainability Indices

Selected for Dow Jones Sustainability Indices -World Index and Emerging Market Index

Claimed two major awards during the 8th "Sports Sponsorship Award"

National winner (Taiwan) of the 2016-2017 "World Branding Awards"

DEC

NOV

- Business Today's "Best Brand Award" for 9 consecutive years
- Won "Corporate Vision Award" during the Green Power Recognition event organized by the Ministry of Economic Affairs
- The MOD advertisement video won Corporate Image Award and Digital Goods Bronze Award during the "39th Times Asia-Pacific Advertising Awards"



Responses to Critical Issues in 2016

Issue #1: Concerns Toward the Emission of Electromagnetic Waves from Base Stations

Service providers are compelled to provide good quality voice transmission and fast mobile connection to the Internet. However, some citizens still have concerns about the 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 has agreed with the installation. The valid cognitions about electromagnetic wave are:

- 1. 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 organisms. As such, it will not affect the health of human beings.
- 2.The measurement of the electromagnetic wave in the environment conforms to the standard of the International Commission on Non-Ionizing Radiation Protection (ICNIRP), which must be lower than 0.45 μW/cm2 at 900MHz and must be less than 0.9μW/cm2 at 1,800MHz. Modern users typically leave cell phones on almost 24 hours a day. As long as the cell phone is on, the device will continuously emit electromagnetic waves to keep its connection with the base station; in other words, "users are exposed to more electromagnetic wave from cell phones than from base stations, by as much as one thousand times and above."

According to "Global Mobile Consumer Trends,"

the global population averages 40 cell phones uses per person, per day.

According to a report by World Health Organization (WHO), exposure to base stations and Wi-Fi signals does not affect human health; currently, there is no scientific evidence to suggest harmful effects of electromagnetic waves emitted from base station on the human body.

As described above, the electromagnetic waves generated by base stations are not as damaging as rumored. There are many professional websites, local and abroad, that support this claim. However, any resident who has concerns regarding base stations near their home can request a complimentary measurement of the strength of the nearby electro- magnetic waves by calling 0800-580-010.

* Electromagnetic wave: http://www.emfsite.org.tw/



Issue #2: Qishan Work Accident

One of Chunghwa Telecom's contractors was assigned to lay optic fiber cables in Qishan District, but due to lack of proper ventilation inside the manhole, the workers inhaled hazardous gas, causing one injury and one death. The accident was escalated through the major accident reporting system as soon as it occurred. We then coordinated fully with the Labor Inspection Division to make the necessary improvements, and supervised the contractor to compensate the victimized workers and family members.

Improvement meetings

- The Company organized a "Safety, Health, and Self-Management Seminar" in collaboration with the Labor Inspection Division.
- Representatives from cable-laying contractors were gathered to review and revise procedures for working inside limited spaces.
- The Company coordinated with relevant parties to organize a "Review Conference for Limited Space Work Activities and Major Accident Cases"; a total of 76 people participated in the conference.

Education and training

• The contractor gathered all employees for re-training, and rehearsed the proper procedures for working inside limited space and at elevated positions.

1.Definition of "confined space"

(According to article 19-1 of the Regulations Of Occupational Safety and Health Facility)

- The space that is not provided for the workers to perform regular jobs.
- Space where the accessing is restricted.
- Space where sufficient and clean air cannot be maintained by natural ventilation method.
- 2.Confined space operating hazard prevention measures
- Before starting the work, check if the worker's physical status and the air change device are presenting any abnormal signs. In the meantime, it is also required to examine the concentration of the oxygen and the harmful gas at the job site.
- The oxygen in the operating space shall be appropriately replenished, and the oxygen concentration of the operation site shall be over 18%.
- When performing the dangerous oxygen deficiency operations, it is required to assign more than one supervising person and the rescue crew to the job site.
- All workers shall receive the required safety and hygienic education and training.
- · Check and replace the operations and test equipment on a periodically.