



Responsible Governance

102-18



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. To date, there are 3 women and 10 men. Director's period of office is three years (June 24, 2016~June 23, 2019). All of the independent directors are included in the Auditing Committee to ensure the independence of governance and the perspectives of the stakeholders.

Chunghwa Telecom's independent directors and outside directors provide expertise based on their respective areas 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.

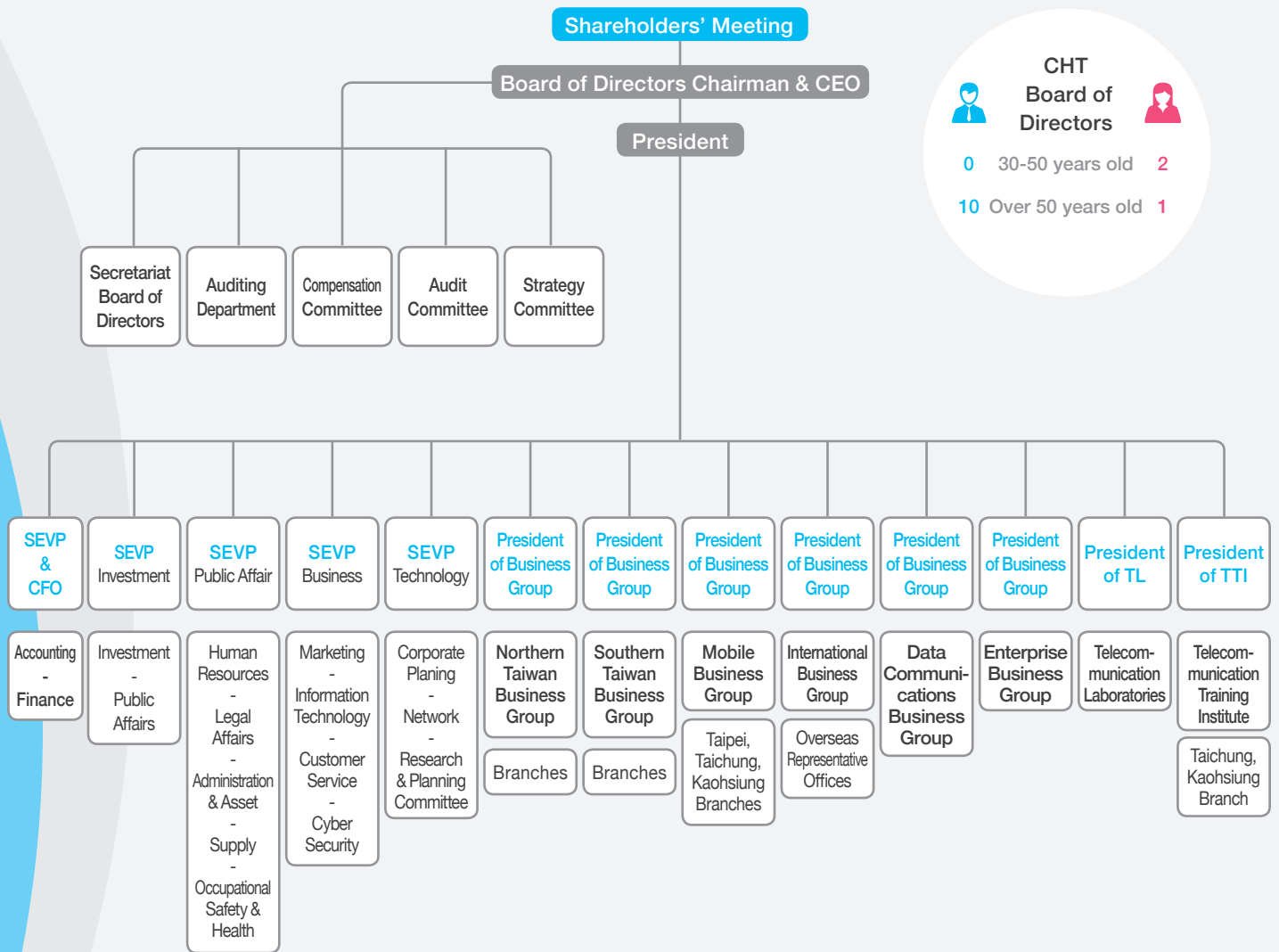


Board Diversity

Chunghwa Telecom values diversity in Board of Directors and recruits talents primarily based on skill sets. Selection of directors is not limited to any particular gender, nationality or ethnicity. Directors are expected to offer industry experience and expert knowledge to complement the board.

* Members of the Board of Directors: <https://goo.gl/v2iGs6> (p.85-86)

* Advanced studies of the Board of Directors: <https://goo.gl/xAfPO3> (p.67-68)



CHT Board of Directors

0 30-50 years old 2

10 Over 50 years old 1

Audit Committee

Consisting of the independent directors, who's main duties are to select or dismiss CPA, determine CPA's compensation, review and discuss quarterly/semi-yearly/annual financial report, review internal control system and revise/examine the appropriateness of the internal control statement.

Strategy Committee

Consisting of 8 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 plans and other important issues. A review meeting is convened and the resolutions are submitted to the Board of Directors for final approval.

Compensation Committee

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



Avoidance of Conflict of Interest ¹⁰²⁻⁵

Chunghwa Telecom's director is responsible for the election of Chief Executive Officer and Directors in which a nomination system is adopted based on relevant provisions and articles of Securities & Exchange Act, which directors and shareholders nominate candidates with qualified shareholdings, 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 have to sign the Statement to show that they clearly knew the content of Section 206 of Company Act.
- The section 17 of Rules of Procedure of Board of Director defines the things that directors should recuse themselves with.

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

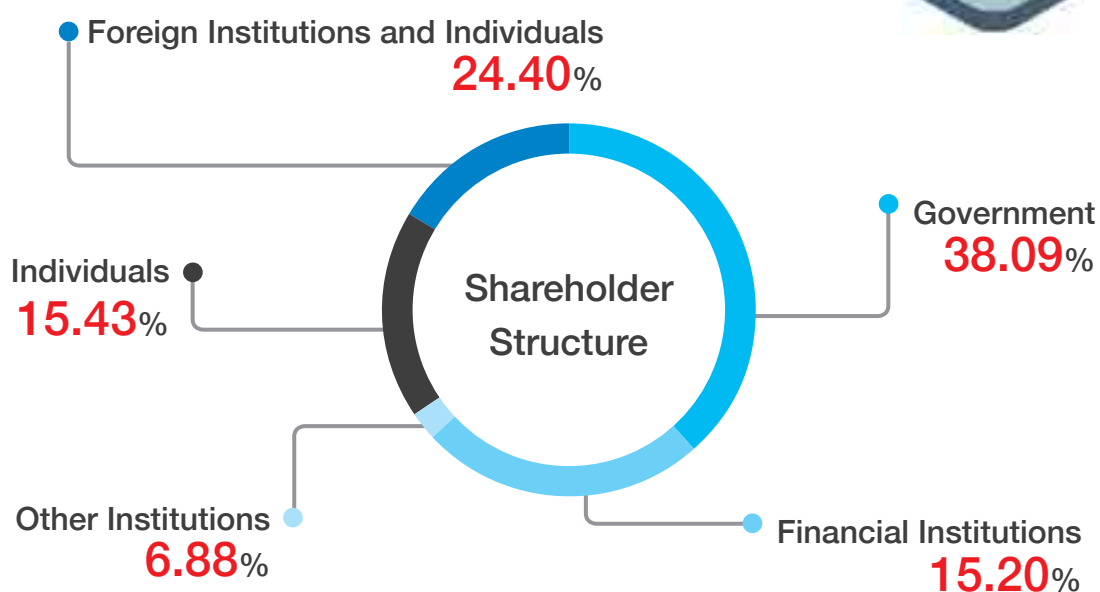
* Code of Corporate Governance: <http://www.cht.com.tw/en/aboutus/meetcog.html>

Encourage Shareholders to Participate in Corporate Governance

Chunghwa Telecom has conducted changes and revisions on some 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 can exercise their rights effectively, and the corporate governance effectiveness is then enhanced.



Shareholder Structure of Chunghwa Telecom



Date of data: 2016.07.23 (The most recent book closure date)

Supporting Global CSR Initiatives and Guidelines ¹⁰²⁻¹²

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. Regarding 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 has publicly disclosed its human rights policy and emphasized the importance of human rights issues. It has a system in place to address violations and will continue to adopt human rights protection as part of its corporate policy and openly state its respect towards human rights. The Company reviews human rights issues on a yearly basis, and keeps detailed records of internal findings concerning the human rights policy, including: child labor, rights of indigenous people, and supplier human rights assessment. Current practices are audited regularly with findings suggested for review and correction by relevant departments.

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. 10 courses totaling 43 hours were held in 2016; 362 employees had participated in these courses.

* Chunghwa Telecom Human Rights Policy: <https://goo.gl/GAJ9oX>

Support of International Conventions and Fulfillment of Human Rights Obligations

- Chunghwa Telecom is a participant of World Conference on International Telecommunications, and is bound to comply with "International Radio Regulations." The regulation lays down rules concerning: freedom of communications, 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 networks.
- 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.





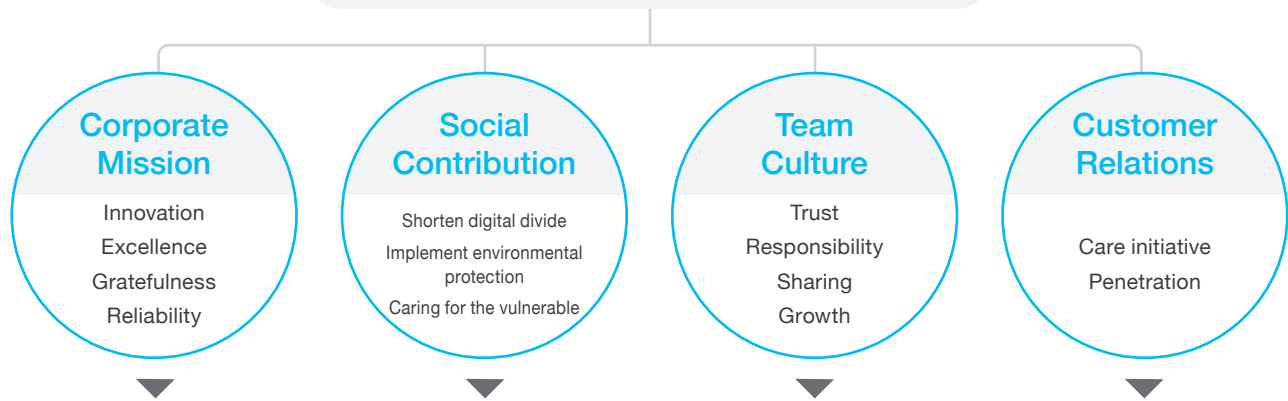
CSR Management

We launched the implementation of sustainability management mechanism since 2006, and established “CSR Committee” to stipulate sustainable policies, using a 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 social harmony, Digital inclusion, Green ICT product and service, Green brand management and Energy conservation and carbon reduction.”



Chunghwa Telecom’s CSR Vision



1. Facilitate positive business evolution through action, broadband, value-adding and ICT integration service.
2. Develop emerging service opportunities such as Cloud and IoT (Internet of things), work with partners to generate best strategies.
3. Continue to strengthen the applications 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. It shows our commitment to international standards.

	Strategy	Development Strategy and Commitment
	Management	Management Mindset/Mechanism
	Action	Important Project/Action
	Response	Stakeholder Request/Response
	Target	Future Outlook/Target/Plan
	Indicator	The GRI and Chunghwa Telecom's own Indicators

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

In 2016, Chunghwa Telecom once again became the only Taiwanese telecommunication carrier to be selected as a composition of both DJSI (Dow Jones Sustainability Index) - World and DJSI - Emerging Markets. It ranked among Telecom Italia and SK (South Korea) as world's 9 most sustainable carriers.

Out of the 22 measurement criteria, Chunghwa Telecom achieved PR value above 90 in 7 measures including: "Customer Relationship Management," "Innovation Management," "Environmental Reporting," and "Digital Inclusion;" it had even scored PR value of 100 for "Innovation Management" and "Environmental Reporting." Being chosen as the composition of DJSI for the fourth time shows that Chunghwa Telecom has been recognized by international investors for its long-time persistence in sustainability and social responsibility, to the extent that makes it a model corporate entity.



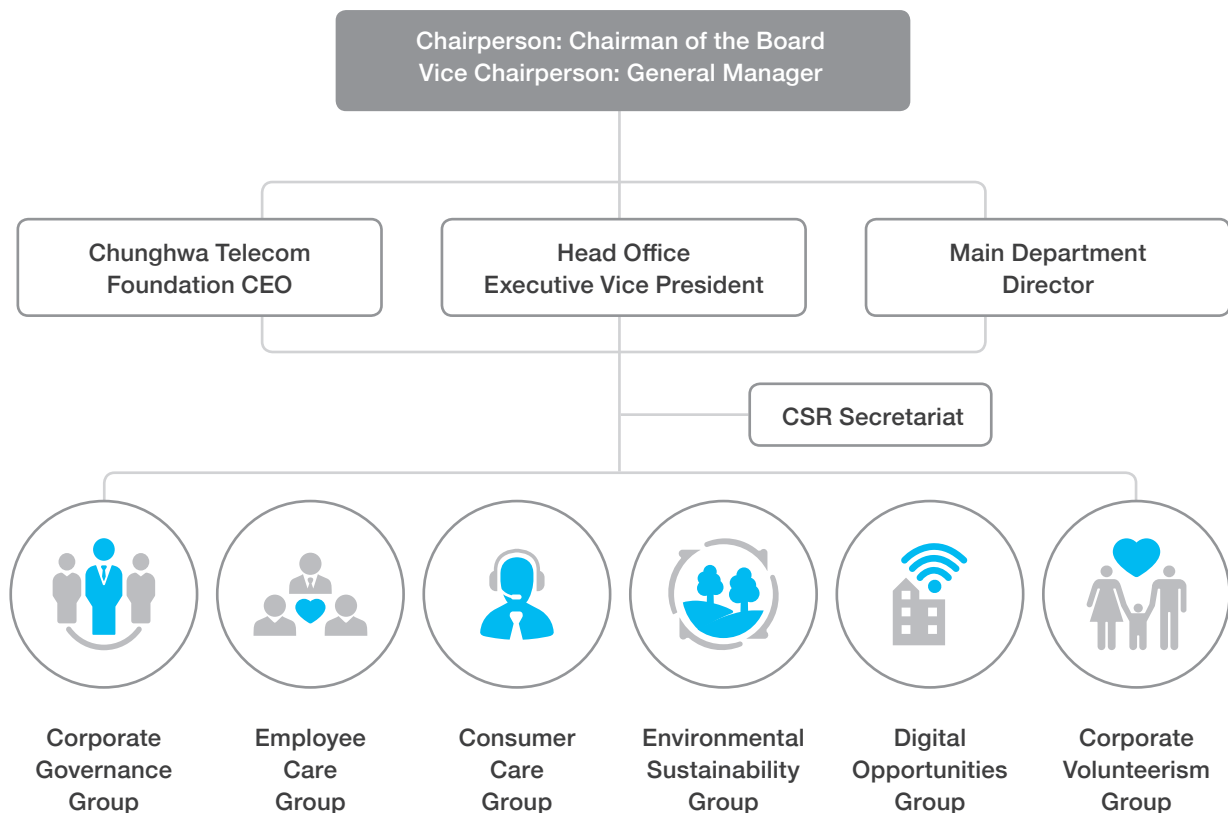


CSR Committee Management Mechanism

The “Chunghwa Telecom CSR Committee” was established for expanding our core functions of sustainable benefits and implementing CSR vision as a starting point to promote the sustainable development of the industry and society.

Representative	Yu Cheng, Chairman of the Board of Directors Chi-Mau Sheih, General Manager
Mechanism	Policies are approved by the Board of Directors; CSR Committee is responsible for coordinating and supervising the progress, and periodic reports of the relevant issues and the results of communicating to stakeholders to the Board; the Board is in charge of the annual final performance assessment.
Execution	<ul style="list-style-type: none"> • CSR Secretariat is responsible for planning and actions. • Public Affair is in charge of 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	Reports are submitted to the president for final approval after the managements’ (Vice Presidents) review.

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. The initiative integrated with a performance evaluation that helps to translate the concept of CSR into actions 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 annually.
Employee Forum	Chunghwa Telecom Online Forum	We have an intra-site for employees to share opinions and give suggestions to the company.
Training	Environmental Training	We provide at least 4 hours training annually and ecological tours with the educational knowledge to pass on the spirit of environmental sustainability.
	CSR Training	Every year we will provide basic CSR training around departments, and invite consultants 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, etc. We send out employees to attend specific training courses regarding labor rights.
	e-Learning	We upload 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 the result with employees' 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 an 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 from time to time.
	Dedicated CSR Multimedia Webpage	To coordinate with modern stakeholders' communication pattern, we set a dedicated CSR multimedia web page to be one of our communication ways with our stakeholders.



Proper Control of Operational Risks 102-11,102-15

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 the “Risk Management Policy” in place to guide employees’ actions. The board of directors outlines the Company’s risk management policies, framework, and culture. The 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. In 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, the 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 to 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 trackings.

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 expenditures are expected to be disclosed in 2017.

* More Operation Risk information: <https://goo.gl/v2iGs6> (p.5-17)

The Scope of Chunghwa Telecom Risk Management Regulations



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. In turn, it gave rise to broader applications and presented both risks and opportunities to Chunghwa Telecom. In 2016, Chunghwa Telecom opened up the 2600MHz band ahead of its peers, and dominated the industry with a maximum bandwidth of 130MHz. By utilizing “tri-band carrier aggregation” technology, the Company managed to increase 4G speed beyond 300Mbps and once again led Taiwan’s mobile communication industry into a new era of high-speed 4G service.

Chunghwa Telecom had accumulated 6.71 million 4G customers by the end of 2016. In an attempt to keep up with the rapidly changing and increasingly competitive environment, the Company has committed significant resources to innovative research and development (totaling NT\$ 3.8 billion in 2016; representing 1.6% of overall revenues) to improve customers’ mobile broadband experience and digital lifestyle and continuously exploit bandwidths of the 4G technology.

Risks

Five carriers offer 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 4G/Wi-Fi service to Taoyuan Metro and Taiwan High Speed Rail, increasing customer base to 8.71 million; explore innovative and value-adding applications to enhance mobile Internet usage.

Involvement in Next-generation Telecom Technology

In attempting to gain an early insight into next-generation telecommunication technologies, Chunghwa Telecom has not only committed significant resources to 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 world.

In 2016:

- February - Chunghwa Telecom participated in the Mobile World Congress (MWC) organized by NGMN in Spain to discuss work plans and short-term goals of NGMN. This involvement raises the influence and visibility of Taiwan's telecommunication carriers globally.
- March - Chunghwa Telecom hosted NGMN's first member conference in Taiwan to help connect Taiwan's telecommunication industry with the world.
- October - Joined TAICS and MediaTek in hosting a 5G Technology Workshop that helped Taiwanese industries connect with the rest of the world and made early investments to 5G technology.

In early 2017, Chunghwa Telecom led industry participants and equipment suppliers to completing a Pre-5G NB-IoT test in collaboration with Nokia. By expanding the mobile network to connect all things in life, the Company helped create a broader diversity of applications and services. Chunghwa Telecom signed a Memorandum of Understanding for collaboration on SDN/NFV With NTT Japan and the headquarters of ITOCHU. All parties will be collectively engaged in the development of the common specifications for the next-generation network.

Note: 1. The International Telecommunication Union (ITU) named the next-generation mobile communication (5G) standards as IMT-2020 in 2015, and has envisioned its potential to realize Internet of Things.

2. Next Generation Mobile Networks Alliance(NGMN): <https://www.ngmn.org/>

3. Taiwan Association of Information and Communication Standards: <http://www.taics.org.tw/>



Pay Attention to Digital Convergence Development

Chunghwa Telecom maintains constant communication with government agencies and authorities to keep informed of the possible changes in important policies and regulations. The one amongst all that concerns the competitiveness of the ICT industry the most would be the "Digital Convergence Plan."

The National Communications Commission (NCC) announced its new policy guidelines in August 2016 that includes an adjustment and re-drafting of the existing regulatory framework for digital convergence. In January 2017, the NCC announced the draft "Telecommunications Management Act" and the draft "Digital Communication Act" and solicited comments from the public. Once the administrative procedures have been completed, these two drafts will be submitted to the Executive Yuan for review and consideration. Chunghwa Telecom will keep monitoring the situation of regulatory amendments and express our opinions where appropriate.



Risks and Opportunities for Climate Change

The climate change issues and a company's long-term business positioning is closely related. To reduce climate-related cost and risk in the value chain and evaluate the result of voluntary carbon reduction measures, Chunghwa Telecom initiated "Greenhouse Gas Inventory" in 2008.

Chunghwa Telecom's initial carbon management goals were to "reduce greenhouse gas emission to 2007 levels by 2012," which had been achieved ahead of schedule in 2011 due to proper control. Assuming an annual growth of 2% for 4G and mobile communication services, the Company will inevitably be required to install additional communication equipment, which consumes more power and emits more greenhouse gases. In view of this development, we have revised and set a new greenhouse gas target in 2013, which is to:

**Benchmarking 2012 GHG emission standard,
and control the annual growth of GHG emission to no more than 2%.**

The total greenhouse gas emission is 839,172.07 t-CO₂e in 2016, including CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆. As an integrated telecom carrier, most energy source consumed by Chunghwa Telecom is electricity, which is classified as Scope 2 (purchased electricity) gas emission and accounted for 96.71% of total gas emission. Scope 1 gas emission is normally sourced from greenhouse gas emissions such as offices and accounted for 3.29% of total gas emissions.

Unit: t-CO ₂ e	2014	2015	2016
Direct GHG Emission (Scope 1)	24,036.0	26,994.3	27,345.62
Indirect GHG Emission (Scope 2)	815,138.8	807,750.98	811,826.45
Total GHG Emission (Scope 1+Scope 2)	839,174.8	834,745.37	839,172.07
Emission Intensity (t-CO ₂ e/NT\$ million)	3.7	3.6	3.7
Coverage of Revenue	100%	100%	100%

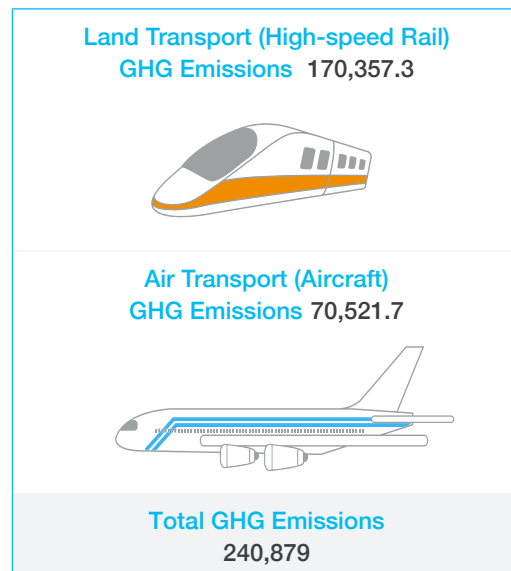
Note: GHG inventories and certification accord with ISO 14064-1 standard, and the value of Global warming potential is referred to IPCC Fourth Assessment Report (2007). All data are certified by SGS-Taiwan.



Green Transportation for Green Living

Chunghwa Telecom supports green transportation as part of green living. Given the issue's increasing popularity around the world, Chunghwa Telecom has also discussed carbon footprints associated with employees' business travels in 2013. Boundaries have been set at "Scope 3," as specified by World Business Council for Sustainable Development (WBCSD), while emission was calculated based on mileage.

The Company's Scope 3 emission in 2016 was 240,879.02 kg-CO_{2e}. Emission from employees' business travels was calculated based on the two main forms of transportation: high-speed rail and airplane. On a long-term perspective, the Company is planning to include consumers' impacts into Scope 3 calculation so that the greenhouse gas inventory system may produce a more comprehensive picture.



Unit: kg-CO_{2e}



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 Centers

- Installation of water gate and flood prevention devices.
- Introduction of underwater pumps for rapid displacement of water trapped in the basement, and rise/shut the basement vent and doors and windows.
- Move or Increase the height of the outdoor ground equipment (radiators, air conditioning outdoor units, etc.) further up above ground level.
- Increase the height of ventilation opening of the underground oil tank and introduce the valve to the inlet of oil refuels to prevent flooding of the underground oil tank.
- Establish relevant prevention measures in vent lines, 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 above and install DC equipment to higher than 2nd floor.
- Prepare mobile generators and pumps.
- Enhance generator and battery configurations in the remote equipment room and increase oil storage tank capacity.
- Amplify batter capacity: When natural disaster struck, and caused power outages, backup battery can be maintained up to 72 hours (3 hours in regular facilities) to support the remote areas, when necessary, SMR capacity can be enlarged.



Go All Out - Typhoon Disasters

Typhoon disasters repeatedly ravaged Taiwan in 2016. Typhoon Nepartak, Meranti, and Megi were the most severe, all achieving wind force of 17 on the Beaufort scale that caused massive damage. Chunghwa Telecom's networks have been planned, designed and constructed after fully taking into account disaster prevention and backup capacity, in order to prevent disaster areas from being isolated from the outside world. Although the series of Typhoon disasters caused severe damage to base stations throughout the nation, no remote town or village was rendered completely isolated due to loss of mobile communication.

Due to previous experiences with emergency repairs during the arrival of Typhoon Soudelor in 2015, Chunghwa Telecom had put many efforts into preparation for Typhoon. By adding protections to key communication facilities, and supplying service stations in disaster-prone areas with backup power, tools, fuel, cables, and satellite phones, the Company may minimize its damage and deploy tools properly to shorten the time of repair. In addition to monitoring Typhoon news, we prioritized our technicians to service critical networks and base stations in the event of a disaster. Engineers were called to different areas to support the repair, and a total of 15,642 people were mobilized throughout the typhoon disasters to ensure restoration of basic communication within the shortest time.



Highest Moral Standard ^{102-16,102-17}

To establish a corporate culture of ethical management, we have set up 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 guidelines for employees’ ethical standard while engaging commercial activities to have all employees perform business activities at the highest moral standard.

In addition to adding the training program of new hires, all employees are required to log in to the web to review and take the test every year. We also have a reporting hotline to encourage employees to voice their opinions safely and confidentially. Other than those who were not available during the testing period, all other employees have participated in the test in 2016.



Corruption Prevention

Chunghwa Telecom has the “Employee Appraisal Guidelines” and the “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 42 cases of complaint in 2016; 7 were associated with violation of the code of conduct (no corruption events). All complaints were investigated and handled according to Chunghwa Telecom’s internal policies and principles, and taught as case studies to strengthen employees’ esteem towards rules, discipline, corporate image, and shareholders’ interests.

* Internal Policies of Chunghwa Telecom: <http://www.cht.com.tw/en/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 following policies in the utmost objectivity. It assists the board of directors and managers by regularly reviewing the effectiveness of internal control systems and operating efficiency.

* Organization and functioning of Chunghwa Telecom’s internal audit unit: <https://goo.gl/nUFF2y>

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 the corporate website, Market Observation Post System, Annual Reports, CSR Reports, press conferences and investor conferences 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 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 and 2016, the Company ranked among the top 5% in TWSE’s 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 aligns with the requirements of the competent authority, while including compliance status into the evaluation of higher management’s performance. Chunghwa Telecom received no penalty from the Fair-Trade Commission in 2016.