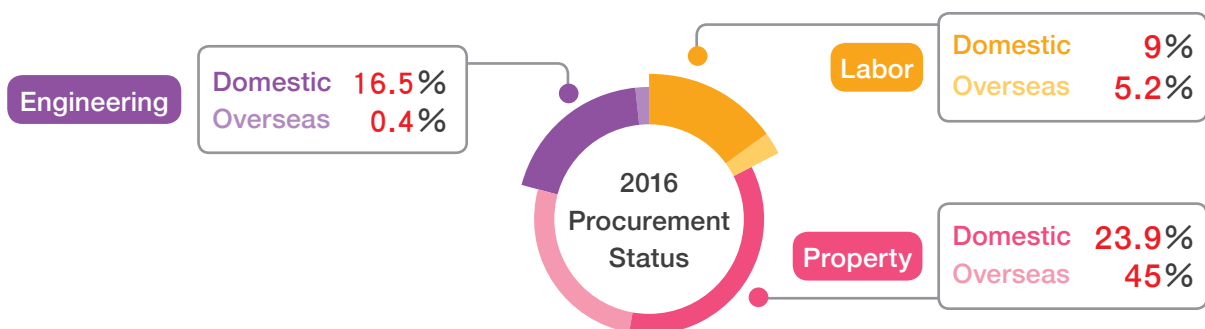


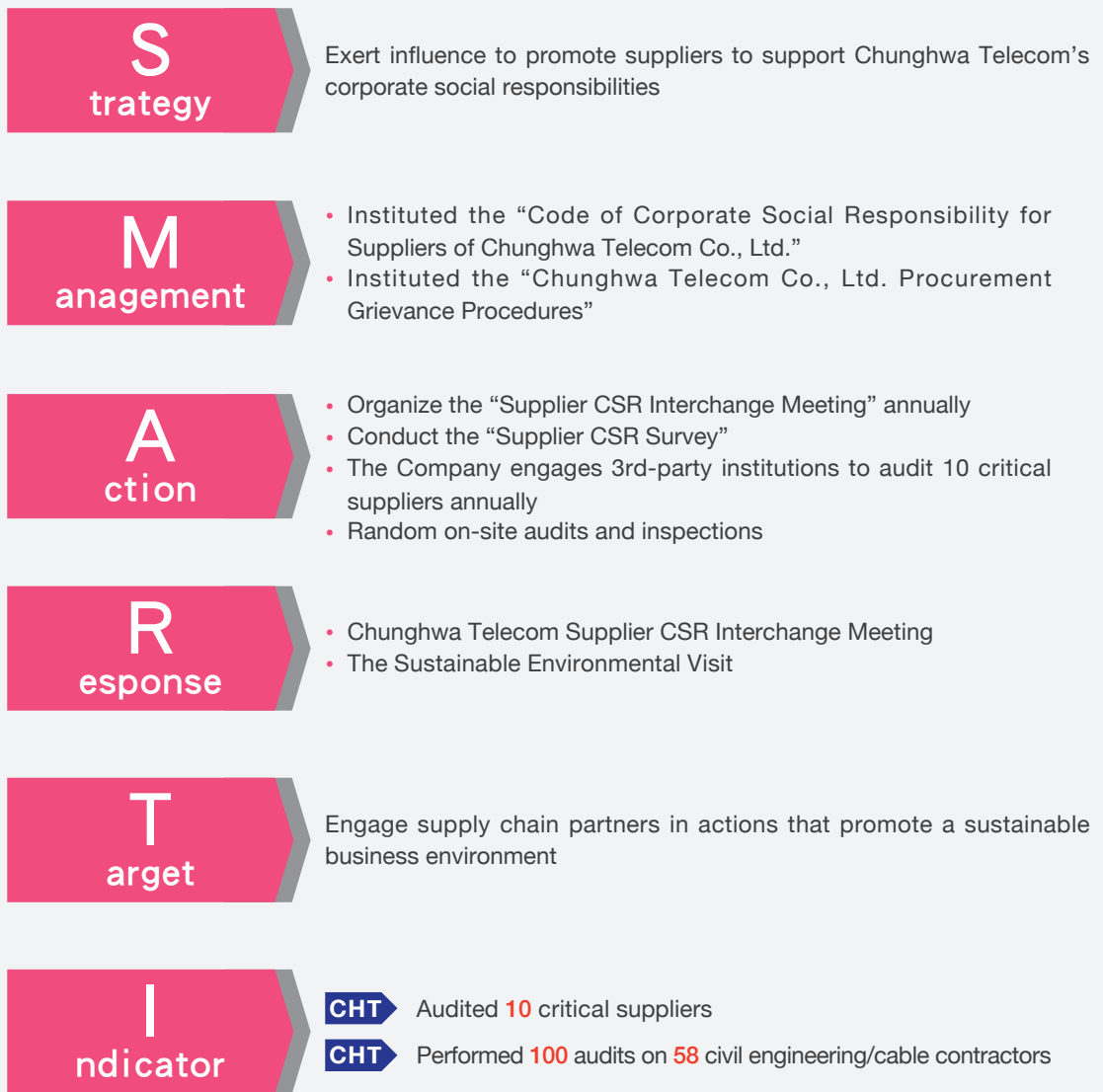
Supply Chain Management



Chunghwa Telecom's suppliers can be divided into 3 categories: property, labor and engineering. We make enormous purchases from an extensive number of suppliers, from networking equipment, data equipment, cables, marketing design, to waste disposal services.



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



Our enormous purchase volume entitles us to profound influences over our suppliers. Chunghwa Telecom utilizes four approaches, namely: contractual terms, questionnaire surveys, Supplier CSR Conferences and on-site audits, to raise suppliers' awareness and understanding towards CSR, which enables them to appreciate our commitments and efforts regarding our supply chain management. We promote corporate social responsibilities on two levels: 1. For suppliers that just started to learn about corporate social responsibilities, we encourage, educate and support them in developing the proper awareness; 2. For suppliers that have already developed full knowledge of CSR, we conduct third-party audits, online CSR questionnaires, conferences, and sustainability campaigns as the means to engage them in a win-win relationship.

2016 Critical Suppliers

Category	Type	Number of Suppliers
Labor	Tier1	8
	Non-tier1	0
Property	Tier1	28
	Non-tier1	0
Engineering	Tier1	1
	Non-tier1	0

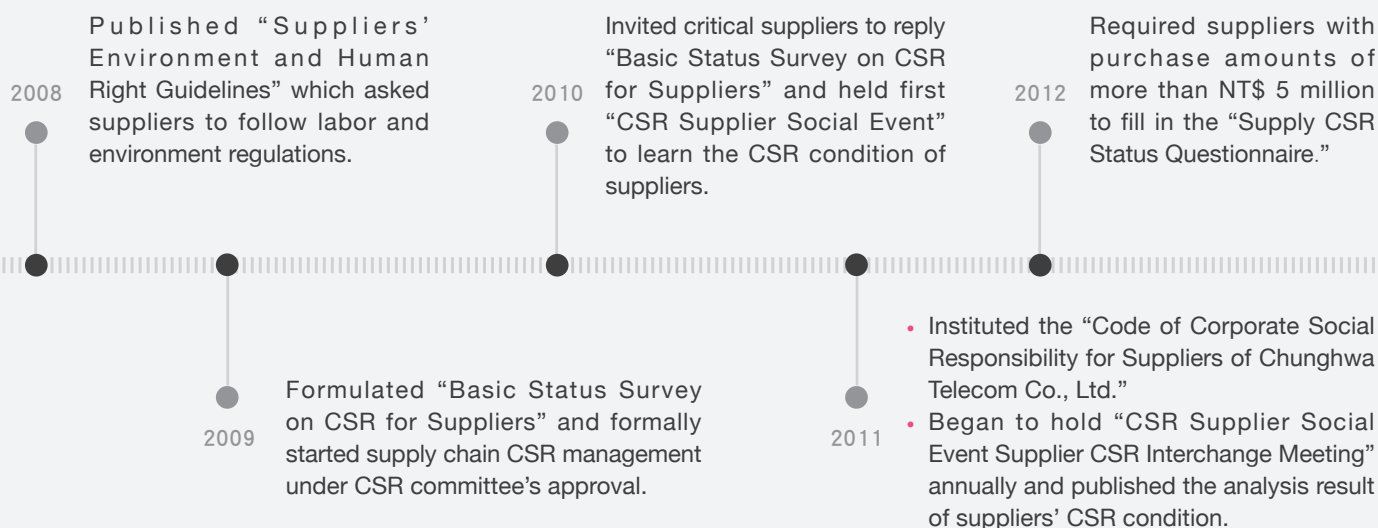
Note:

- After removing duplicate contractors, the Company has 34 critical suppliers in total.
- Definition of Tier 1 suppliers: Suppliers that provide products or services directly to Chunghwa Telecom for an amount of NT\$ 50 million or above; definition of Non-tier 1 suppliers: critical suppliers that do not meet Tier 1 conditions.

The CSR Management Overview

Item	Explanation	2016 Target	2016 Result	2017 Target
Online Supplier CSR Status Questionnaire (%)	Require suppliers with purchase amounts of more than NT\$ 5 million to fill in the "Supplier CSR Status Questionnaire," items include: • Ethics • Labor • Environment • Health & Safety	86%	87%	88%
CHT's procurement staff subjected to CSR-related trainings (%)	Actions have been taken to ensure that all procurement personnel understand and comply strictly with "Code of Corporate Social Responsibility for Suppliers of Chunghwa Telecom Co., Ltd."	100%	100%	100%
CHT suppliers bound by contracts with CSR-related terms (%)	All procurement contracts specifically require suppliers to comply with "Code of Corporate Social Responsibility for Suppliers of Chunghwa Telecom Co., Ltd."	100%	100%	100%
Suppliers without violations against environmental protection laws (%)	Learn about suppliers' environmental management practices through online questionnaires.	90%	96%	96%
Supplier CSR Audits	Since 2014, the Company has set its goals to complete 10 suppliers audits every year, and expects to complete audits for the top 100 suppliers by 2023, thereby ensuring that none of its critical suppliers are prone to environmental, forced labor or human rights risks. • The audit covers the Company's Code of Conduct • Training material and record for CoC and ESH policy • Policy to protect privacy of suppliers, customers, consumers and employees • Child labor prohibition policy • Safety officer certification • Policies, processes, and requirements of environment protection, pollution prevention/source reduction	100%	100%	100%
Audits on civil engineering/cable contractors	100 audits were conducted on 58 contractors. At the end of 2016, 38 suppliers were found to have committed violations and had a total of 1 violation point on record. They were fined for a sum of NT\$ 1,038 thousand.			
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. Any defects discovered were notified to the relevant departments and followed up for improvements. A total of 7,210 inspections were conducted on 458 suppliers in 2016.			

Supply Chain CSR Management



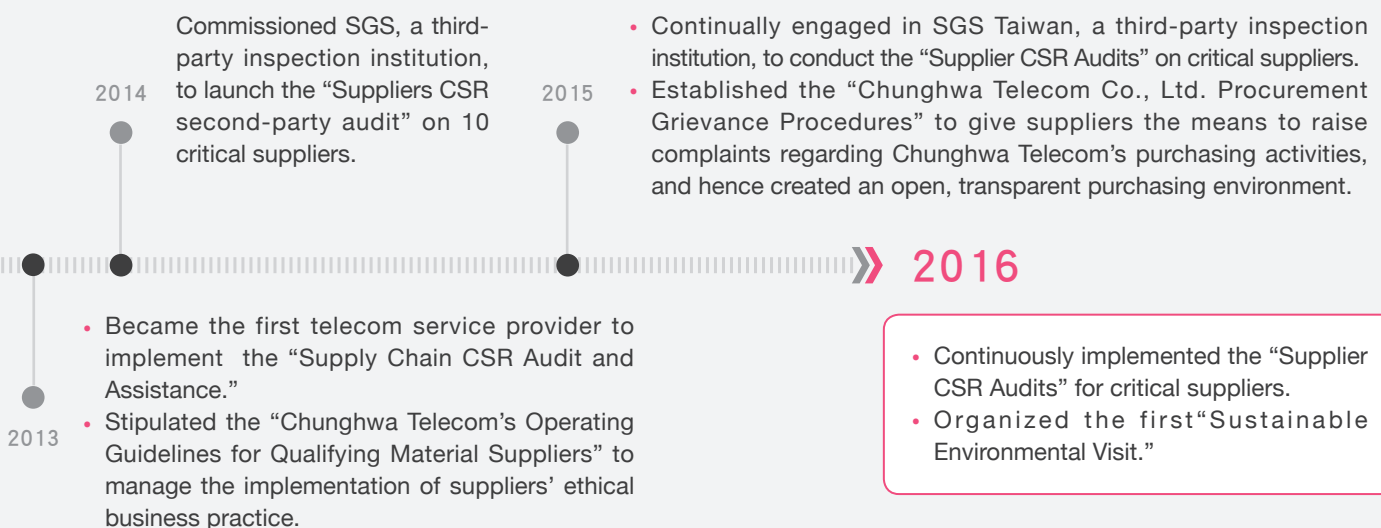
Mutual Benefits with Business Partners

We published the “Code of Corporate Social Responsibility for Suppliers of Chunghwa Telecom Co., Ltd.” in 2011, and it 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.

Chunghwa Telecom share our resources with the suppliers to help them develop R&D capabilities and future technologies. We also devote ourselves in the creation of a friendly and innovative environment. We engage suppliers in R&D projects and reward their contributions, and make arrangements to transfer acquired technology licenses fairly. Regarding hardware, we continue to support the development of telecom facilities and testing environment; in terms of software, we utilize open platforms to share our benefits with suppliers.

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

<p>Rewarding top-performing suppliers</p>	<p>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.</p>
<p>Training of professional skills</p>	<p>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 2016, the institute organized 29 classes and trained 505 workers; 294 of whom had obtained certification.</p>



2016 Chunghwa Telecom Supplier CSR Interchange Meeting

The 2016 “Chunghwa Telecom Supplier CSR Interchange Meeting” was hosted by Executive Vice President Li-Hsiu Wu, during which representatives from 3 companies were invited to share their experience, and a total of 89 corporate representatives had participated.

The conference invited Dr. Ching-Ching Liu from Sustainability Office of Acer Inc., a member of DJSI - Emerging Markets, to share with participants on Acer’s supplier management system. Six “Outstanding Suppliers of the Year” were commended during the conference. The manager Ching-Lan Li from Pacific Electric Wire and Cable Co., Ltd. and the Executive Vice President Bin Lin from Sercomm Corporation both supported the purpose of this conference and acknowledged the need for businesses to unite and act together.

Chunghwa Telecom has envisioned itself as a sustainable “Green Enterprise,” and hopes to promote sustainable business through encouragement and sharing. At the end of the conference, Vice President Ming-Fang Li explained to participants about Chunghwa Telecom’s new green label system to be introduced in the coming year. Through the implementation of environmental management, Chunghwa Telecom hope to exert real influence on green procurement, water usage, and energy efficiency and lead suppliers toward embracing a sustainable future.



Video of the event



2016 Sustainable Environmental Visit

In 2016, Chunghwa Telecom organized its first Sustainable Environmental Visit, during which a group of 49 representatives from 31 businesses were led by Vice President Ming-Fang Li of the Supply Department to a visit at Taipei Muzha Refuse Incinerator Plant. Courses were designed and arranged to raise awareness of sustainability towards the environment.

Main themes for 2016:

Experience-oriented environmental education and visit

Through an actual visit, we hoped to direct suppliers' attention to environmental issues and establish accountability from the source and among manufacturers. In doing so, we invited suppliers to realize our green product vision.

Invitation to an ecological tour

The ecological tour is a responsible way to travel. By changing people's lifestyles and travel behaviors, we aimed to reduce impacts of human activities to the environment.

Professional corporate social responsibility courses

According to suppliers' feedback, most suppliers desired a "better understanding of corporate social responsibility management system." Through courses and exchange of experiences, we engaged suppliers in a series of discussions about corporate social responsibility management and helped each other moving forward.



Video of the event

