



The SDGs CHT contributions to in this section

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Corporate Overview



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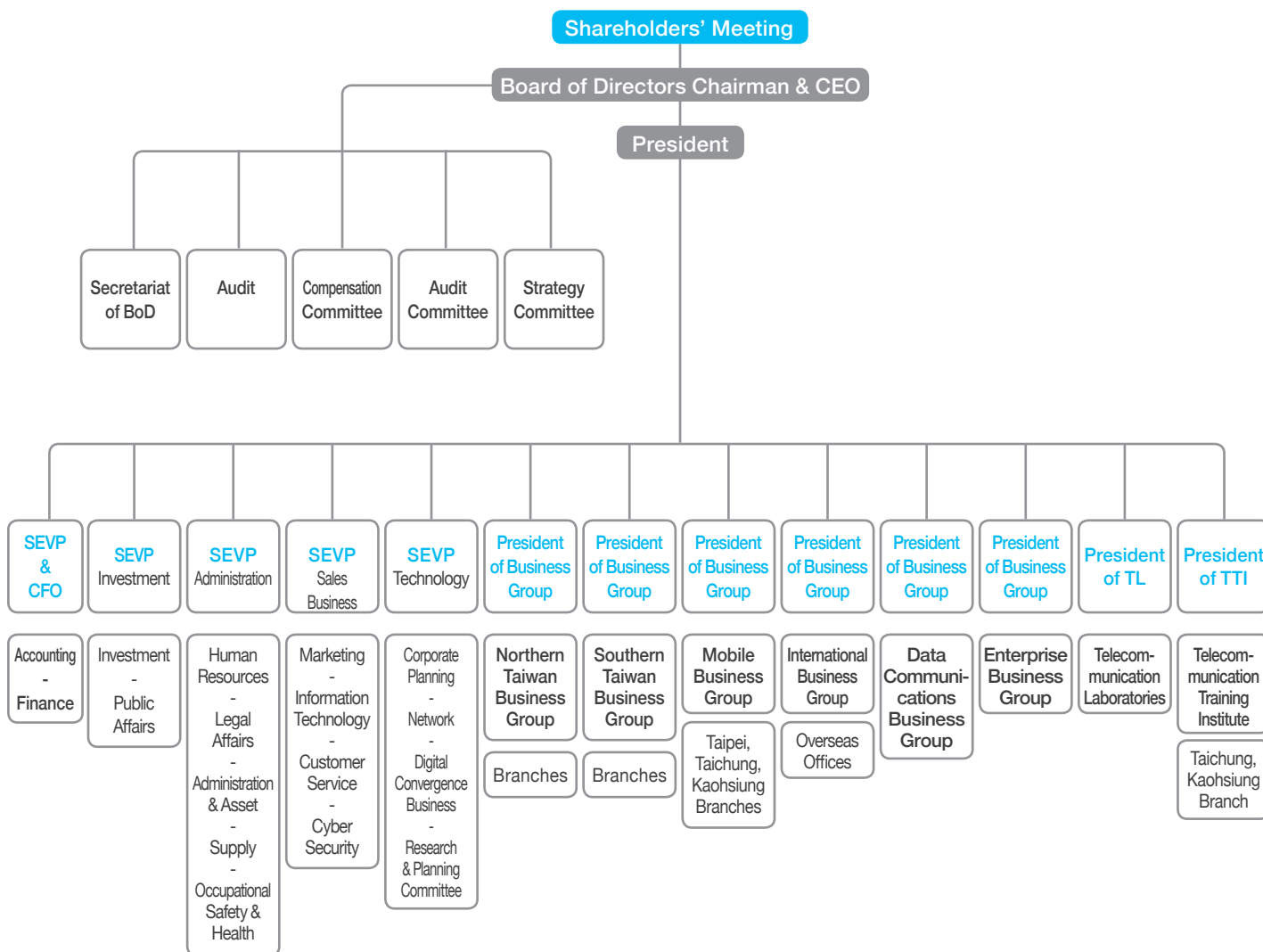


Chunghwa Telecom (TAIEX:2412, NYSE:CHT) is the largest integrated telecom carrier in Taiwan, with more than 750 service locations. Our business has three major areas: fixed and mobile communications, broadband access and the Internet. We also provide corporate customers with information and communication services, including big data, information security, and cloud and Internet information centers. We also offer innovative technology services, such as the IoT (Internet of Things) and AI (artificial intelligence), to create an outstanding communication environment and extraordinarily convenient digital life. We also have important business partnerships with other international telecom carriers.

Chunghwa Telecom has been actively involved in “corporate social responsibility” since 2006, and has won praise from many domestic and international professional organizations. The establishment of the “Corporate Social Responsibility Best Practice Principles” and legalization of the governance structure has prompted us to a stringent and ambitious practice of CSR.

Three Telecom Laws: <http://goo.gl/678ya>

The main business of the branches and re-investments: Please refer to page 127 to 141 in the 2017 Annual Report.



We Strive to

Enhance the operational efficiency of corporations.

Create a gateway to an enjoyable digital life for people.

Facilitate industry scale to expand in a good way with our contribution.

Allow investors to enjoy the business profit from a satisfied customer base.

Products and Services

Mobile Phone



Customer Amount **10.452** million
Annual Growth **-3.1%**

Mobile Internet



Customer Amount **8.31** million
Annual Growth **+11.4%**

100 Mbps



Customer Amount **1.282** million
Annual Growth **+9.5%**

4G



Customer Amount **7.987** million
Annual Growth **+19.0%**

FTTx



Customer Amount **3.552** million
79.5% of the broadband customers

HiNet



Customer Amount **3.733** million
No. 1 Market share



Household Market

- Domestic fixed network service
- Domestic leased line service
- Internet and value-added service
- MOD (IPTV) service
- International fixed network service



Personal Market

- Mobile communication service
- Wi-Fi service
- International fixed network service



Corporate Market

- Integrated service
- Data security service
- Mobile service
- Data service
- International service
- Diversified integrated payment service



Domestic Fixed Network 31.3 %

	Customer Amount	Market Share
Local Network	10.687 million	93.3%
Long-distance Network	2,382 million minutes (traffic volume)	82.7%
Broadband Subscriber	4.467 million	72.5%
MOD	1.602 million	23.5%

Others 1.9 %

International Fixed Network 6.0 %

Communication Amount	Market Share
854 million minutes	62.5%

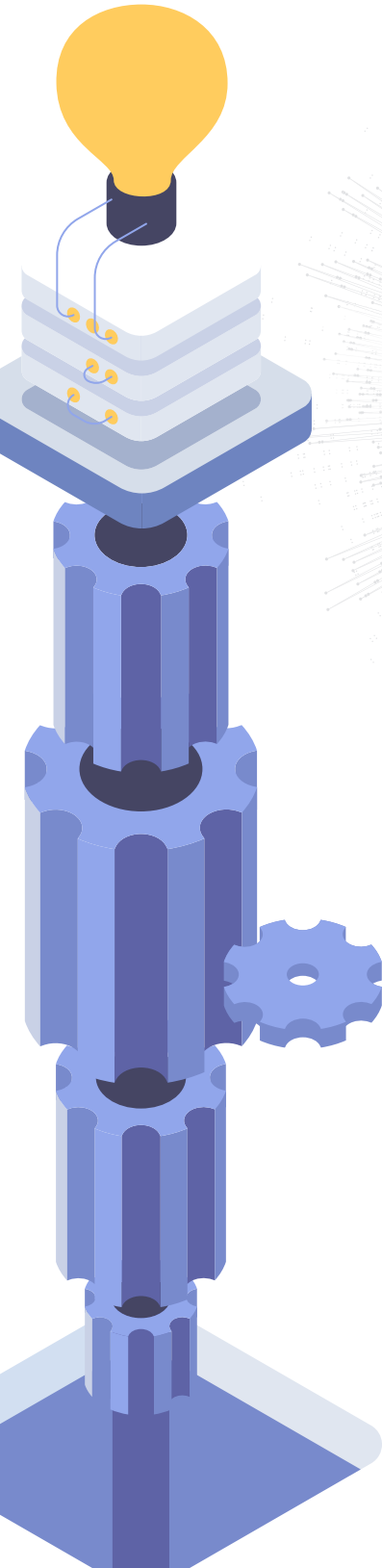
The Major Product

Internet 12.7 %

Customer Amount	Market Share
4.134 million households	67.6%

Mobile Communication 48.1 %

Customer Amount	Market Share
10.452 million	36.5%



2017 CSR Milestones



March

- Won the Finance Asia “2017 Best Company in Asia”-“Best Corporate Governance” first place prize in the telecom industry
- First telecom company in Taiwan acquiring the “Cisco Golden Certificate”

May

- Won the Exemplar Award in Global Views Monthly’s 13th “CSR Annual Grand Survey–Service Industry Division”
- Received the nomination of the “Asia Communication Award”-“Annual Best CEO Award” and “Smart City Award”
- Awarded Top 5% of the Corporate Governance Evaluation from the Taiwan Stock Exchange Corporation

July

- The Banqiao Cloud Data Center won the “2017 the 2nd Extraordinarily Smart Green Building Contest”-Platinum Award of the “Extraordinarily Smart Green System Product” & Silver Award of the “Extraordinarily Smart Green Building Design”
- Won the “Joint Supply Contract” of the cloud service for three consecutive years
- Won the ISLA Award for four consecutive years

April

- Won first place in telecom brand and third place in original brand in the “100 Influential Taiwanese Brands”
- Won the Platinum Awards of Reputation Brand in “Telecom Service” and “4G Internet Service” from Reader’s Digest
- Won the first place in the telecom industry of the “Golden Service Industry Survey” from the Commonwealth Magazine consecutively

August

- Ranked top ten among the Commonwealth Magazine’s “Excellence in Corporate Social Responsibility” for 11 consecutive years





September

- Selected for FTSE4Good “Emerging Index”
- Selected for Dow Jones Sustainability Index for the 6th time
- Member of **Dow Jones Sustainability Indices** In Collaboration with RobecoSAM
- The “Chunghwa Telecom 2016 CSR Report” received the assurance from the SGS in accordance with the “Global Reporting Initiative Standards”



November

- Awarded by British Standards Institution (BSI) for the “Payment Safety Contribution Award”
- Won the Platinum Award for five consecutive years in The Asset Corporate Award
- Awarded in the “2017 Asia Pacific Network Security Summit” for information security service “Pornography Goalkeeper”
- Received six Taiwan Corporate Sustainability Awards, including the 10 Sustainability Model Award of the Telecom Industry, the Golden Award of the Information and Communication Industry Top 50, and the Society Communion, Transparency and Honesty, Supply Chain Management and the Innovative Growth Awards
- Won the first place of the Global Views’ Five-Star Service Award of the telecom industry division



October

- Won the “World Branding Awards” for three consecutive years
- Received the “2017 Exercise Enterprise Certification”
- Won the “2017 CSEA Extraordinary Customer Service Award” - “Best Customer Experience Management Corporation” and “Best Service Innovative Team”



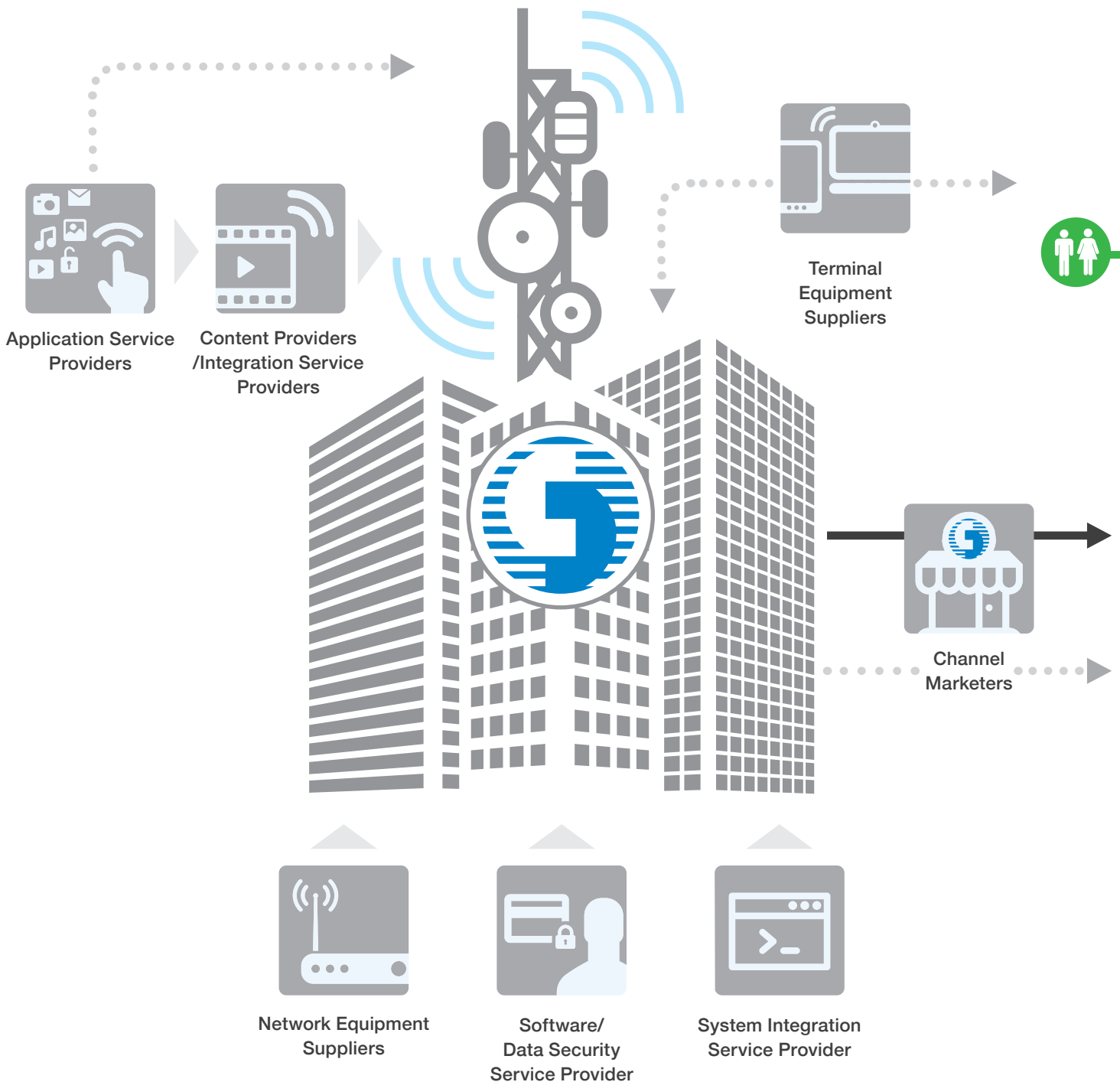
December

- Won the “Best Brand Award” from Business Today
- Awarded “Special Prize” and “First Prize” of “Buying Power- Social Innovative Product and Service Procurement Awarding System” from the Ministry of Economic Affairs

Industry Value Chain

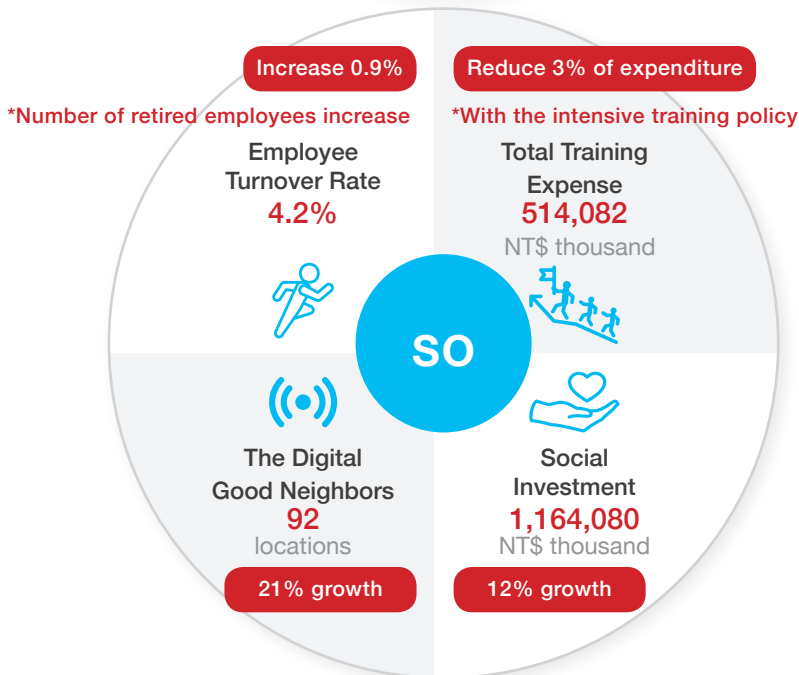
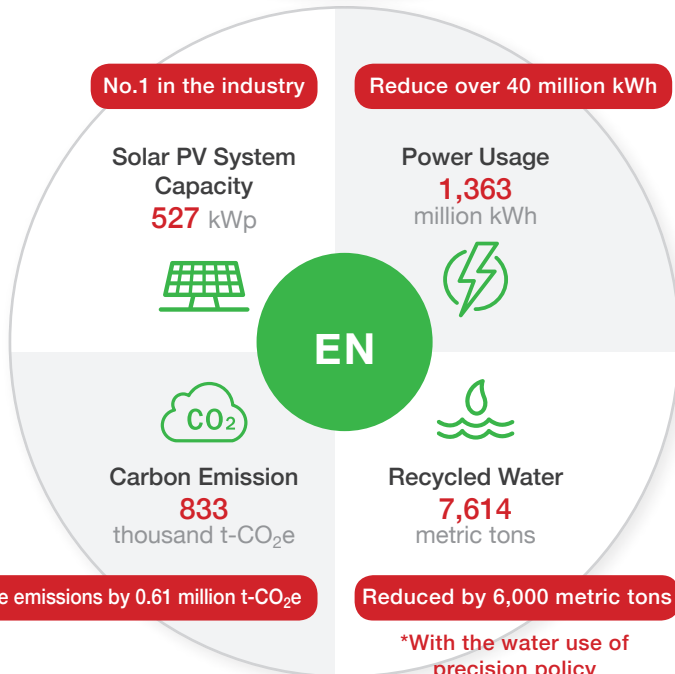
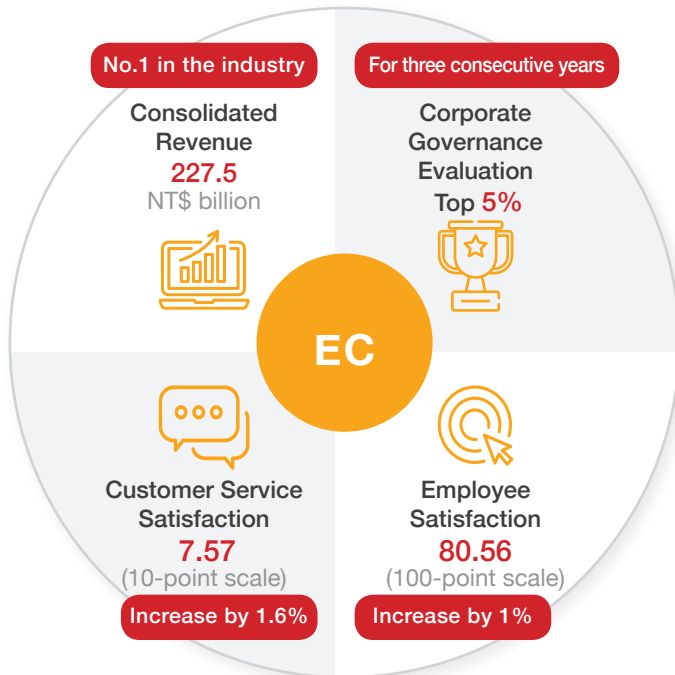
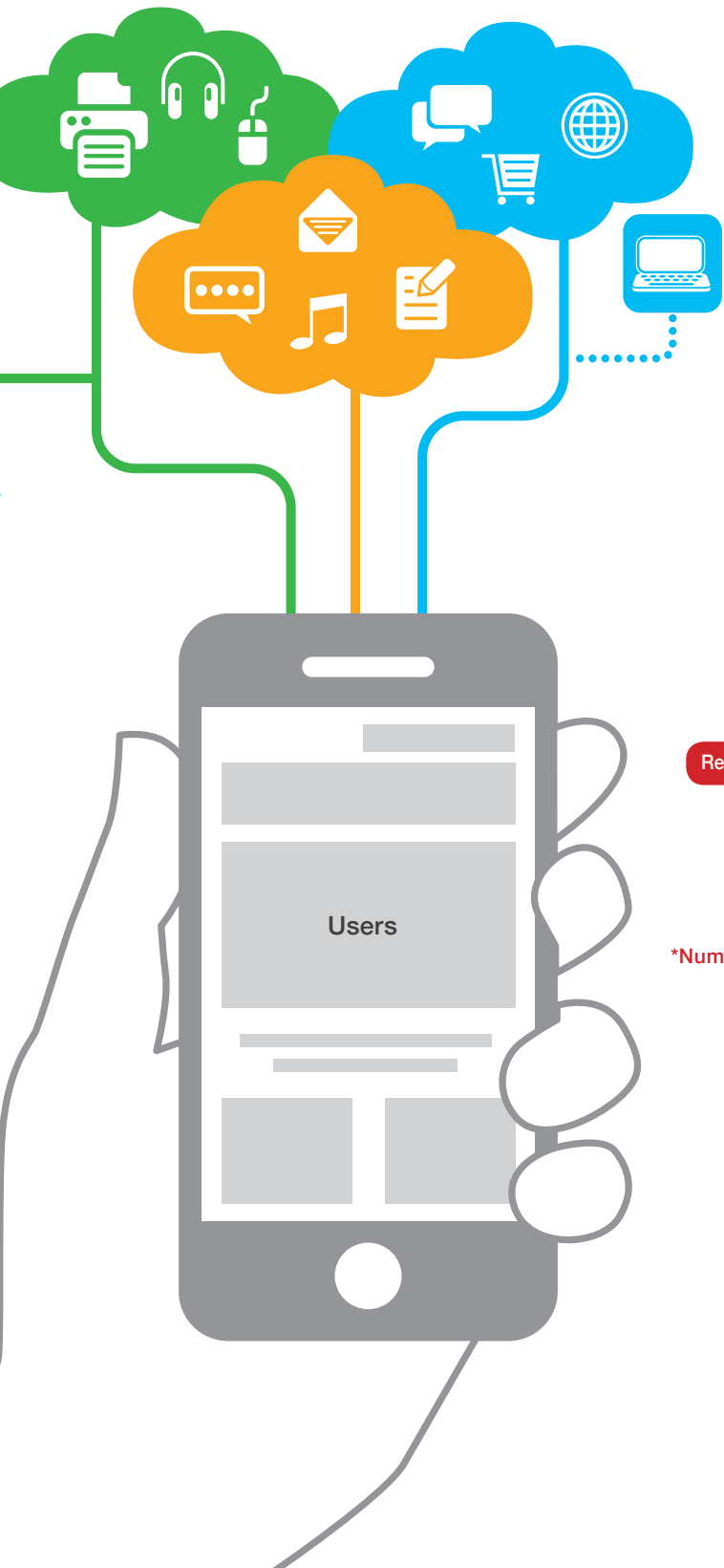
Due to technological advancements, boundaries of specialized markets that we used to know of are starting to shift, thus allowing industry participants to compete outside of their dominant markets. IDC has even combined ICT, e-Commerce, Electronics and Entertainment into a new segment called eICT to recognize the increasingly common cross-industry collaboration.

The wave of digital convergence brings new values to the telecom industry and opportunities to meet users' needs by offering innovative eICT services, which makes content providers and integrators, application service providers, network equipment suppliers and terminal equipment suppliers the important value partners to a telecom carrier in the development of digital convergence services.





In the future, Chunghwa Telecom will continue to dedicate to the fixed network, mobile, data and eICT framework and strengthen collaborations with suppliers to offer the best services to our customers. By tightening coordination among the upstream, midstream and downstream, we shall be able to provide users with best quality service.



Corporate Governance

Chunghwa Telecom Board of Directors is the highest governing body. The Board of Directors is responsible for appointing and nominating high-level managers, as well as formulating and reviewing corporate social responsibility, and sustainable development strategies.

The 8th Board has 13 directors. To date, there are 2 women and 11 men (including 4 independent male directors and 1 female independent director, and one of the male independent directors resigned on August 5, 2017, therefore there are only 12 directors now). Directors' tenure is three years (June 24, 2016 to June 23, 2019). All of the independent directors are included in the Audit Committee to ensure the independence of governance and the perspectives of the stakeholders.

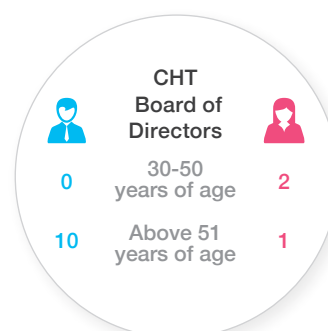
Chunghwa Telecom's independent directors and outside directors provide expertise based on their respective areas of practice and professionalism, to assist the Board of Directors in making decisions as to benefit the company and the shareholders. To prevent personal liability and financial losses due to third-party litigation, we have purchased indemnity insurance for Directors.

Experiences of the Directors: Please refer to the 2017 Annual Report on page 18 to 21.

* Continuing Education for Directors: Please refer to the 2017 Annual Report on page 80 to 81.

Board Diversity Policy

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 have outstanding quality, industry experience and expertise to complement the board.



Audit Committee

Consists of the independent directors, whose main duties are to select or dismiss the CPA, determine the CPA compensation, review and discuss quarterly, semi-annual, and annual financial reports, review the internal control system and examine and revise the content and appropriateness of the internal control statement.



Strategy Committee

Consists of seven board members, who are responsible for mid- and long-term development plans and other important issues, as well as major investment and mergers and acquisitions, major changes in organization and structure, the acquisition or surrender licenses, formulating and or modifying the annual operational plan and budget, increases or decreases in capital, and other important strategic issues. The resolutions are submitted to the full Board of Directors for final approval.



Compensation Committee

Consisting of three independent directors, responsible for the evaluation of the performance of directors and managers, and for determination of appropriate compensation policies, wages, institutions, standards and structures.



» Avoidance of Conflict of Interest

Chunghwa Telecom's Chairman is concurrently the CEO. The elections of directors comply with relevant laws and regulations, which suggest the Board and shareholders with qualified shareholding ratio nominate the candidates, and director's nomination and review are conducted accordingly.

In order to avoid conflicts of interest in the highest governance bodies, we conduct strict controls in accordance with the following procedures, including:

- All the new directors shall sign the Consent to Appointment to announce that they will follow Section 23 of the Company Act, conduct faithful business and perform the duty of care as a bona fide manager.
- All directors have to sign the Statement to show that they clearly knew the content of Section 206 of the Company Act.
- The section 17 of Rules of Procedure of Board of Director defines the things that directors should recuse themselves with.

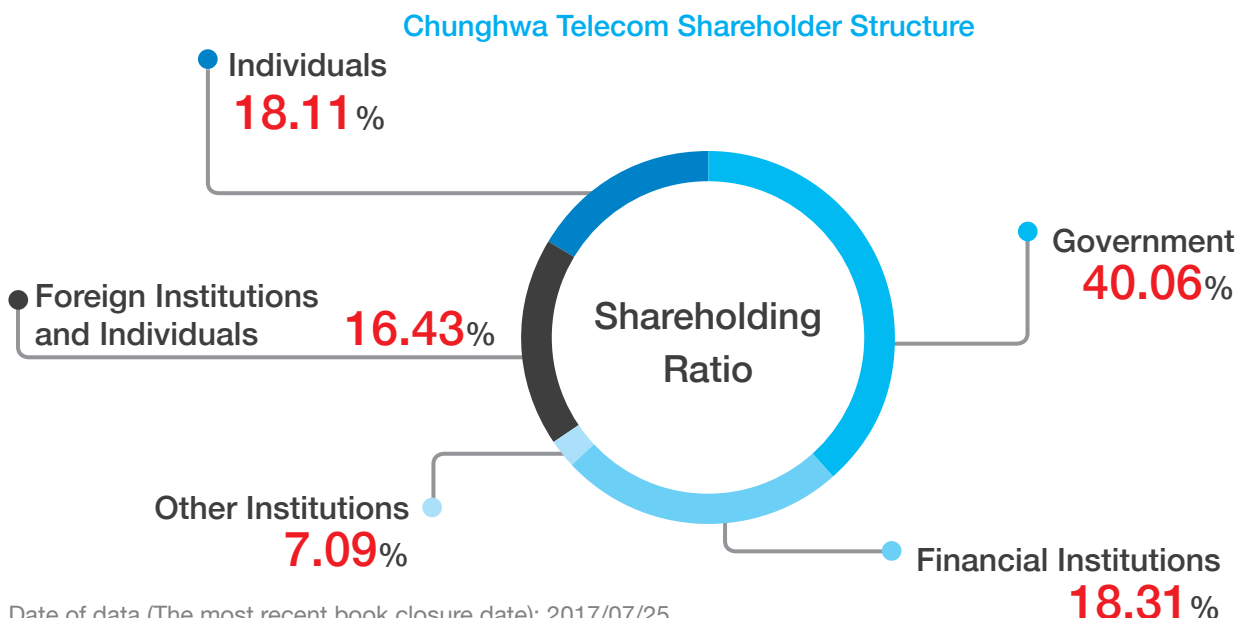
Due to the directors' high ethical standards and self-discipline, in the operation of the mechanism, no conflict of interest has occurred since the Board of Directors was established. Moreover, the Board has resolved to approve a total of 50 articles of "Code of Corporate Governance for Chunghwa Telecom,"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

Code of Corporate Governance: <https://goo.gl/2Fm443>



» Encouragement of Shareholders to Participate in Corporate Governance

Chunghwa Telecom has made changes and revisions to several systems and measures based on a corporate governance mindset. These include e-voting, voting by poll and the disclosure of meeting resolutions made on the Company official website. These diverse voting channels allow shareholders to exercise their rights easily and this has made corporate governance more effective.



Date of data (The most recent book closure date): 2017/07/25

» Creating Value for Shareholders

Chunghwa Telecom business operations have been stable for years. Profitability and financial completeness have been uninterrupted. We pay our taxes honestly, following the law, and make a solid contribution to the country. Despite the existence of many challenges in the telecom operation environment, we maintain complete focus on our field and create value for the shareholders. Chunghwa Telecom generated consolidated revenues totaling NT\$ 227.5 billion in 2017, a decrease of 1.1% from 2016 and this represented a 98.4% accomplishment rate given the financial forecast for the current year.

The increasing popularity of smart mobile devices, information security, and the IoT technology, has resulted in a growth in revenue from value-added services, sales, and data subscriptions that covered the decline in voice services. Net income attributable to the parent company amounted to NT\$ 38.9 billion while EPS reached NT\$ 5.01 with a full-year accomplishment rate of 105.5%.

In 2017, Chunghwa Telecom income tax was the equivalent of an effective tax rate of 16.57%. The deviation from statutory 17% tax rate was mainly attributed to the provisions of Article 4 of Income Tax Act, in that net dividends or net earnings recognized from local invested businesses are exempt from income tax. The application can be made for tax preference pursuant to Article 10 of the Statute for Industrial Innovation.

Tax policy of Chunghwa Telecom: http://www.cht.com.tw/csr/upload/files/Tax_Policy.pdf

Paid-up capital	77,574	 <p>Total number of employees in the company including subsidiaries 33,311 people</p>	Employee salaries and benefits	47,407
Revenues	227,514		Dividends paid to shareholders	38,337
Operating cost	146,837		Income tax paid	5,790
Operating expenses	33,869		Expenses of social investment /donations*	1,164
Retained economic value	2,681			

Unit: NT\$ million

* Operating costs and expenses included





» The Highest Moral Standard

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 a basic ethical guideline to ensure that all employees engage in all activities with the highest standard. In addition to these codes being included in the training program for new hires, all employees are required to log into the web, review the material and take a test annually. A hotline was set to encourage employees to voice opinions safely and confidentially. All employees participated in the test in 2017 except for those who were not available for a legitimate reason at the time of the test.

■ Prevention of Corruption

Chunghwa Telecom has prepared the “Employee Appraisal Guidelines” and “Employee Reward/ Disciplinary Standards” for the evaluation of performance. Rewards and sanctions are applied according to these rules whenever employees exhibit conduct deserving of them. Information such as a grievance hotline has been made available on the Chunghwa Telecom intranet/employee portal. A total of 47 internal complaint cases (disciplinary and leak investigations) were accepted and closed in 2017. Six were associated with violation of the code of conduct (there were no corruption events). All complaints were investigated and handled according to company internal policies and principles, and taught as case studies to strengthen employee esteem for the rules, discipline, corporate image, and shareholders’ interests.

■ The Internal Audit System

Effectiveness of the internal control systems and operating efficiency. The internal audit unit answers to the Board and it conducts business audits in accordance with the regulations and policies. The annual audit plan is formulated based on the results of the risk assessment made at the end of every year. After the presentation and the approval of the Board, the plan is sent to the competent authorities via the Internet information system for their reference.

Organization and functioning of Chunghwa Telecom’s internal audit unit:

<https://www.cht.com.tw/en/home/cht/about-cht/corporate-governance/internal-audit-function>

■ Transparent Information Disclosure

The corporate governance of Chunghwa Telecom places great emphasis 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, a 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 the information disclosed.

Since the Securities and Futures Institute issued the Information Disclosure and Transparency Ranking in 2004, Chunghwa Telecom has been rated A++ every year. In 2017, the Company was ranked among the top 5% in the Corporate Governance Evaluation by the TWSE. These two achievements are a testament to the efforts we have devoted to 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 2017.

■ Supporting Global CSR Initiatives and Guidelines

We willingly comply with the principles of The UN Global Compact and respect and uphold all basic human rights recognized in the world. We refrain from any disregard or neglect of such rights. In terms of employment practice, we protect the right of workers to freedom of association, while recognizing and supporting their rights to also 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 emphasizes the importance of such issues. It has a system in place to address violations and will continue with human rights protection as part of corporate policy. The Company openly states a respect for human rights and reviews human rights issues on a yearly basis. The company keeps detailed records of internal findings concerning human rights policy, including child labor, the rights of indigenous peoples, and supplier human rights assessment. Current practices are audited regularly and the findings are used for review and correction by relevant departments.

The Chunghwa Telecom Telecommunications Training Institute organizes human rights related courses on a yearly basis or when there is a change in labor regulations and policies. Three courses totaling 18 hours were held in 2017 and were attended by 240 employees.

More information regarding protecting human rights refer to page 68 to 71 of this report.

Chunghwa Telecom Human Rights Policy: <https://goo.gl/7BHsx2>

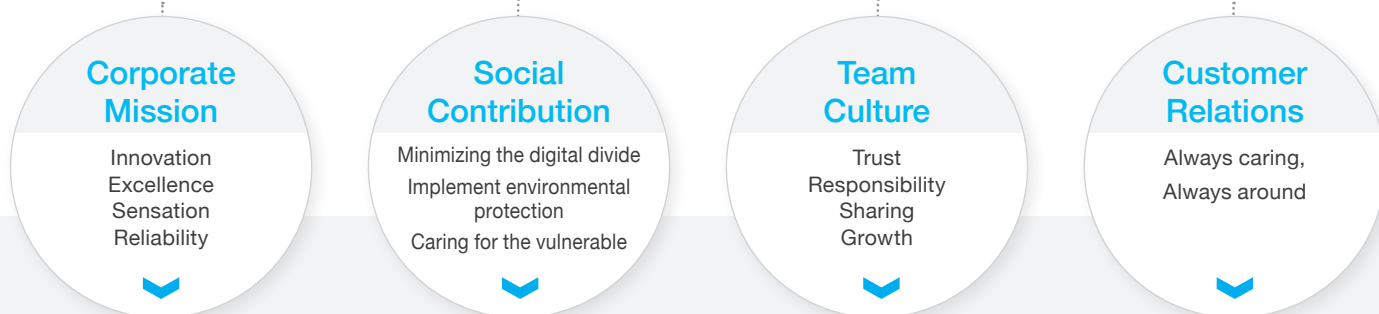
CSR Management

We launched a CSR management system in 2006, and established the “CSR Committee” to stipulate sustainable policies. We also established six CSR groups, using a top-down approach to achieve sustainable action. The Chunghwa Telecom sustainable development strategy utilizes the competence and unique resources of the company to implement sustainable action from the six groups with the focus on such matters as “Create social harmony, Digital inclusion, Green ICT products and services, Green brand management and Energy conservation and carbon reduction.”

Chunghwa Telecom Corporate Social Responsibility Best Practice Principles:

https://www.cht.com.tw/home/cht/-/media/Web/PDF/About-CHT/Corporate-Governance/Other-Bylaws-EN/CSR_Best_Practice_Principles_for_CHT.pdf

Chunghwa Telecom's CSR Vision



- Facilitate positive business evolution through mobile, broadband, value-added and ICT integration services.
- Develop emerging service opportunities such as Cloud and IoT (Internet of things); work with partners to generate best strategies.
- Continue to strengthen the applications of Internet facilities and information technologies to support business transformation and growth.
- Strengthen resource utilization and management mechanism to improve the efficiency of resources.
- Develop overseas ICT market to explore new opportunities.
- Sharpen the unique advantage of the subsidiaries to enhance the Company's competitiveness.
- Infuse telecom expertise into corporate social responsibility issues to implement the Company's commitment to corporate citizenship.

Internalization and Communication of CSR

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 operations.

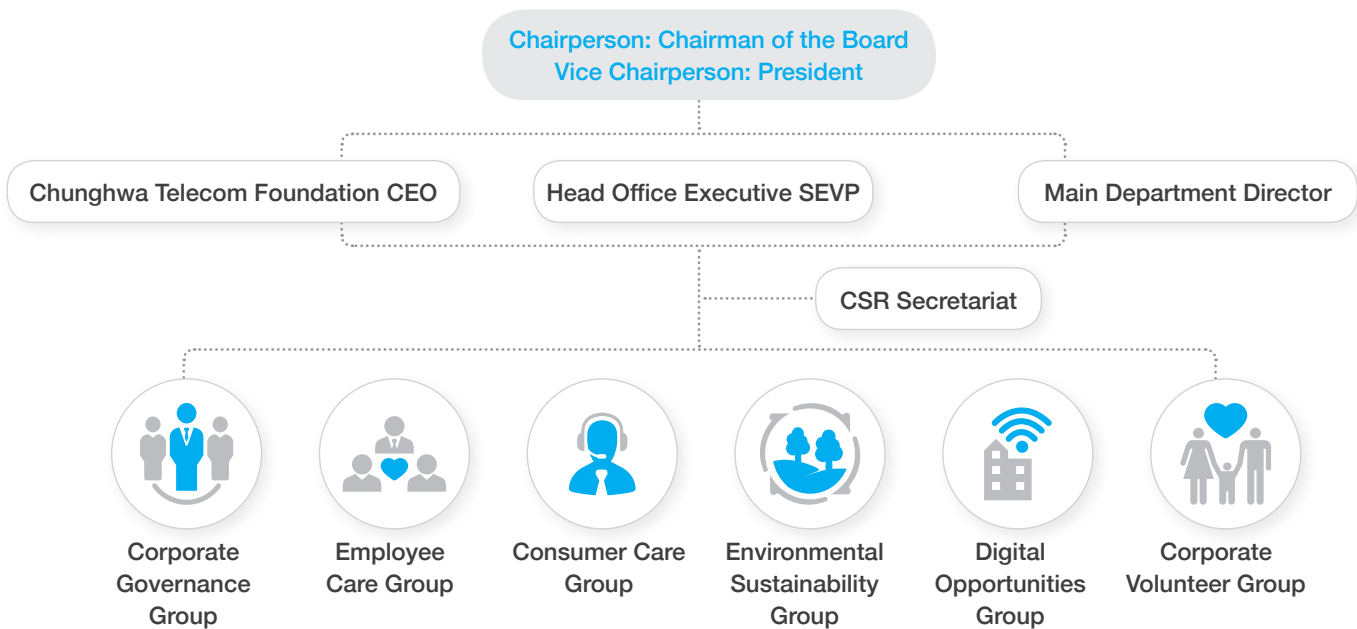
Channel	Item	Content
Communication Within Senior Management	Senior Management Meeting	Material CSR issues are discussed in the senior management meeting annually, and the resolution indicates our improvement and direction.
Employee Forum	Chunghwa Telecom Online Forum	We have an intra-site for employees to share opinions with the company and make suggestions. We will discuss the issues of concern with the employees and resolve them in a timely fashion.
Employee Training	Environmental Training	We provide at least four hours of training every year as well as educational ecological tours that instill a spirit of environmental sustainability.
	CSR Training	We provide CSR related education every year, and invite external consultants to run seminars and courses in accordance with international trends.
	New Employee Training	New employees undergo three days of pre-service training that includes the personnel system, working guidelines, and labor relations. The Labor Standards Act is explained in detail with respect to labor-management coordination and the handling of disputes.
	e-Learning	We post relevant training courses and information on the e-Learning system that can be downloaded and studied freely by the employees.



» The CSR Committee

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

Representative	Yu Cheng, Chairman Chi-Mau Sheih, President
Mechanism	CSR Committee is responsible for coordinating each plan and supervising the progress of the policies approved by the Board of Directors. It also periodically reports the relevant issues and the results of communicating to stakeholders to the Board. The Board is in charge of the final performance evaluation every year.
Execution	<ul style="list-style-type: none"> The Public Affairs Department is designated as CSR Secretariat. The CSR Secretariat is responsible for relative policies and action planning. It is also in charge of budgeting, educational training, and management of follow-ups and awards measures. The 6 groups, branches and affiliates are responsible for promotions and implementation of related projects.
Meeting Frequency	Quarterly
Report Approval	Reports are submitted to the Chairman for final approval after the managements’ (SEVP) review.



Channel	Item	Content
Annual Evaluation	Administration Management	We set energy reduction targets and link the results with employees’ performance bonuses.
	Sustainable Performance Assessment	
	Online Test on CoC	All our employees are required to take the “Chunghwa Telecom Code of Business Conduct and CoC Test” each year.
Others	Reporting Mechanism	Once an employee is found to violate corporate regulations, it will affect his/her performance bonuses.
	CSR Report Workshop	Internal training on new ways of preparing reports is held from time to time.
	Official Website, Social media	To coordinate with modern stakeholders’ communication pattern, we established dedicated CSR multimedia webpages on the official website and Youtube and a Facebook fan page as ways of communicating with our stakeholders.