

# Chapter 1

## Corporate Overview

Chunghwa Telecom (TAIEX:2412, NYSE: CHT) is the largest integrated telecom carrier in Taiwan. The head office is located at 21-3, Section 1, Hsinyi Road, Taipei with more than 714 locations in 22 counties and cities in Taiwan. Our major business areas include 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](#)

The main business of the branches and re-investments:  
Please refer to page 17,109-111 in the 2019 Annual Report.

The SDGs contributes to in this chapter: 8, 12





For 2019, Chunghwa Telecom's consolidated net income was NT\$ 207,520,061 thousand and its annual earnings per share was NT\$ 4.23.



Chunghwa Telecom is the only telecom company to have established a labor director.



To link sustainability performance with compensation, Chunghwa Telecom implemented a soft incorporation of sustainable development strategies and targets into its review of director compensation.



Chunghwa Telecom established a CSR committee and six task forces responsible for the setting of sustainability policies.



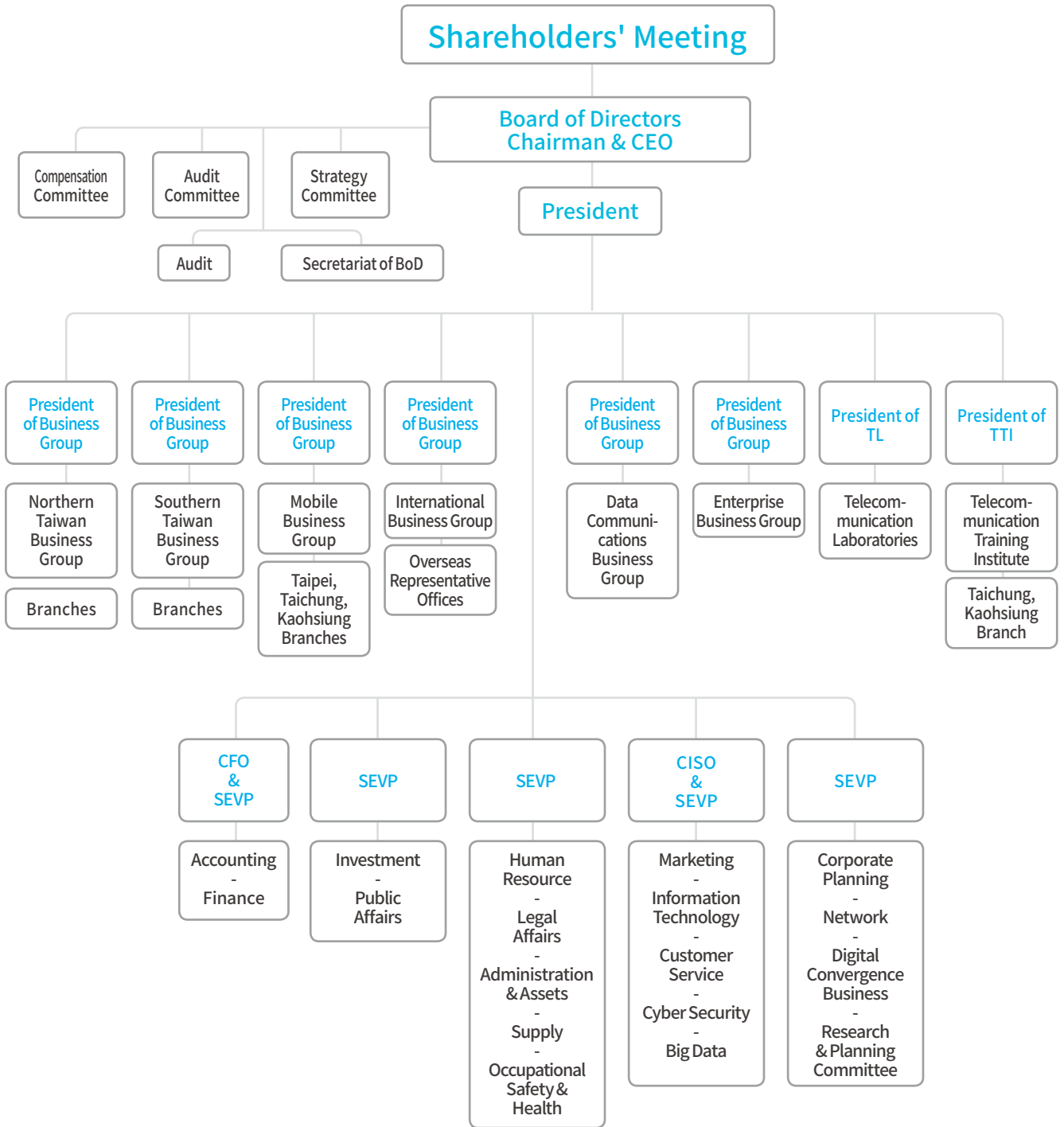
Annual review of the Company's budget planning for carbon management strategies; execution of action plans; setting performance targets.



Sustainability issues addressed by Chunghwa Telecom: social integration, digital inclusion, green ICT products & services, green brand management, and energy-saving & carbon reduction.

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## 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.

## Business Model



### 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

## Products and Services



### Mobile phone

Customer amount **10.649 million**  
Annual growth **+0.5 %**



### 100 Mbps

Customer amount **1.582 million**  
Annual growth **+11.3 %**



Customer amount **3.619 million**  
Broadband customers **82.2 %**



Customer amount **3.624 million**  
Market share **No.1**

## Share of Revenue by Product

### Mobile communication

**46 %**

Customer amount 10.649 million  
Market share 36.5%

### Domestic fixed network

**31.7 %**

	Customer amount / Communication amount	Market share
Local network	10.163 million households	92.5%
Long haul Internet	1,804.8 million minutes	82%
Broadband access	4.405 million households	68%
MOD	2.082 million households	29.5%

### Internet

**14.5 %**

Customer amount 4 million households  
Market share 64.4%

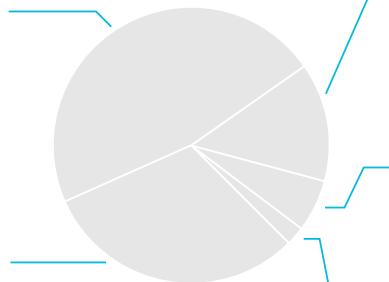
### International fixed network

**5.5 %**

Communication amount 485 million minutes  
Market share 69.6%

### Others

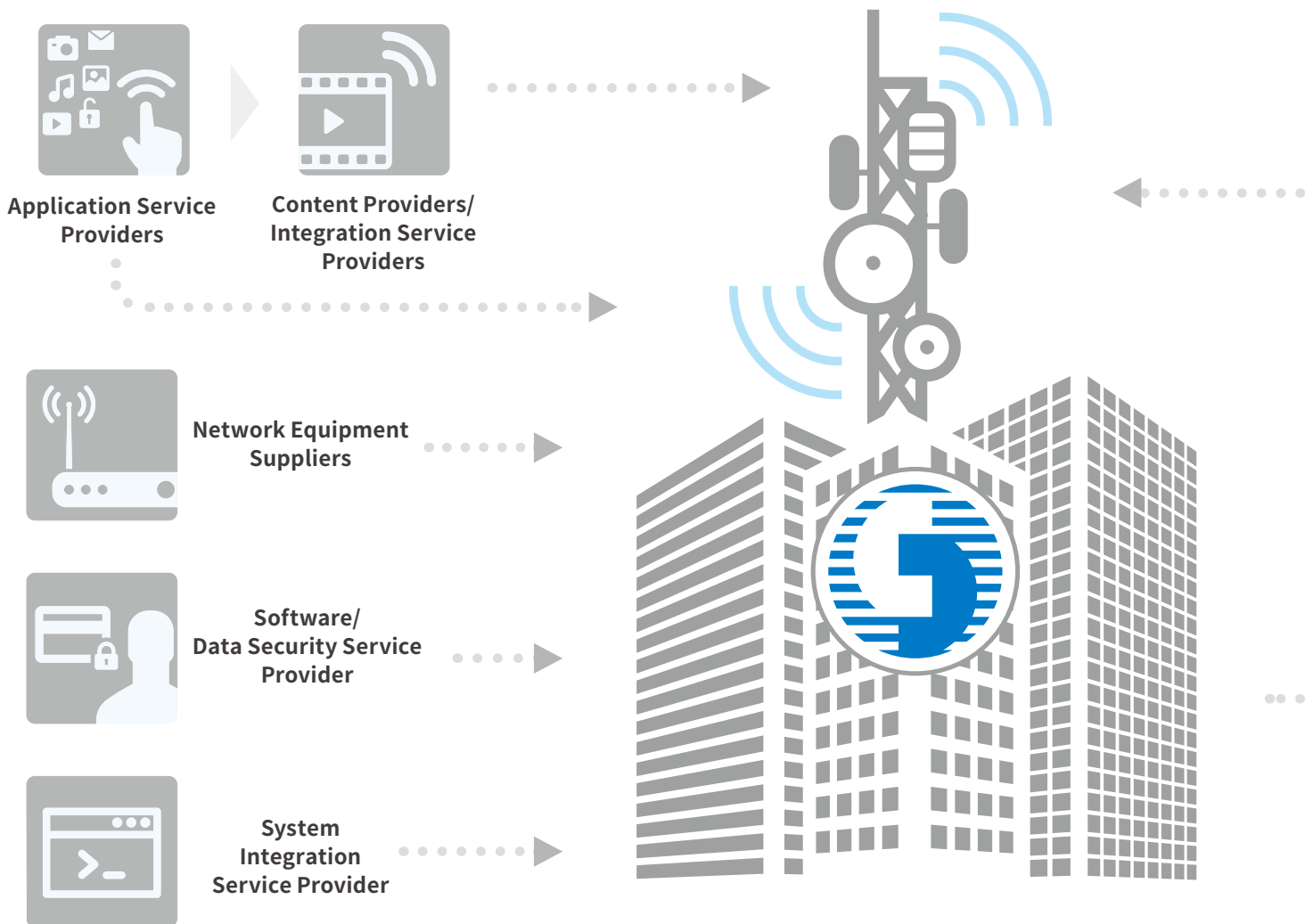
**2.3 %**



## Industry Value Chain and Critical Sustainability Performance

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. International Data Corporation 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.



### Economy



Consolidated revenue  
NT\$ 207.5 billion



Sole company  
in the industry to establish  
a labor director

### Environment



Local procurement  
percentage 95 %



Contract capacity of  
photovoltaic  
system 600.745 kWp

### Society



Telecom subsidy for the  
underprivileged  
NT\$ 172,682 thousand



Social investment  
NT\$ 761 million

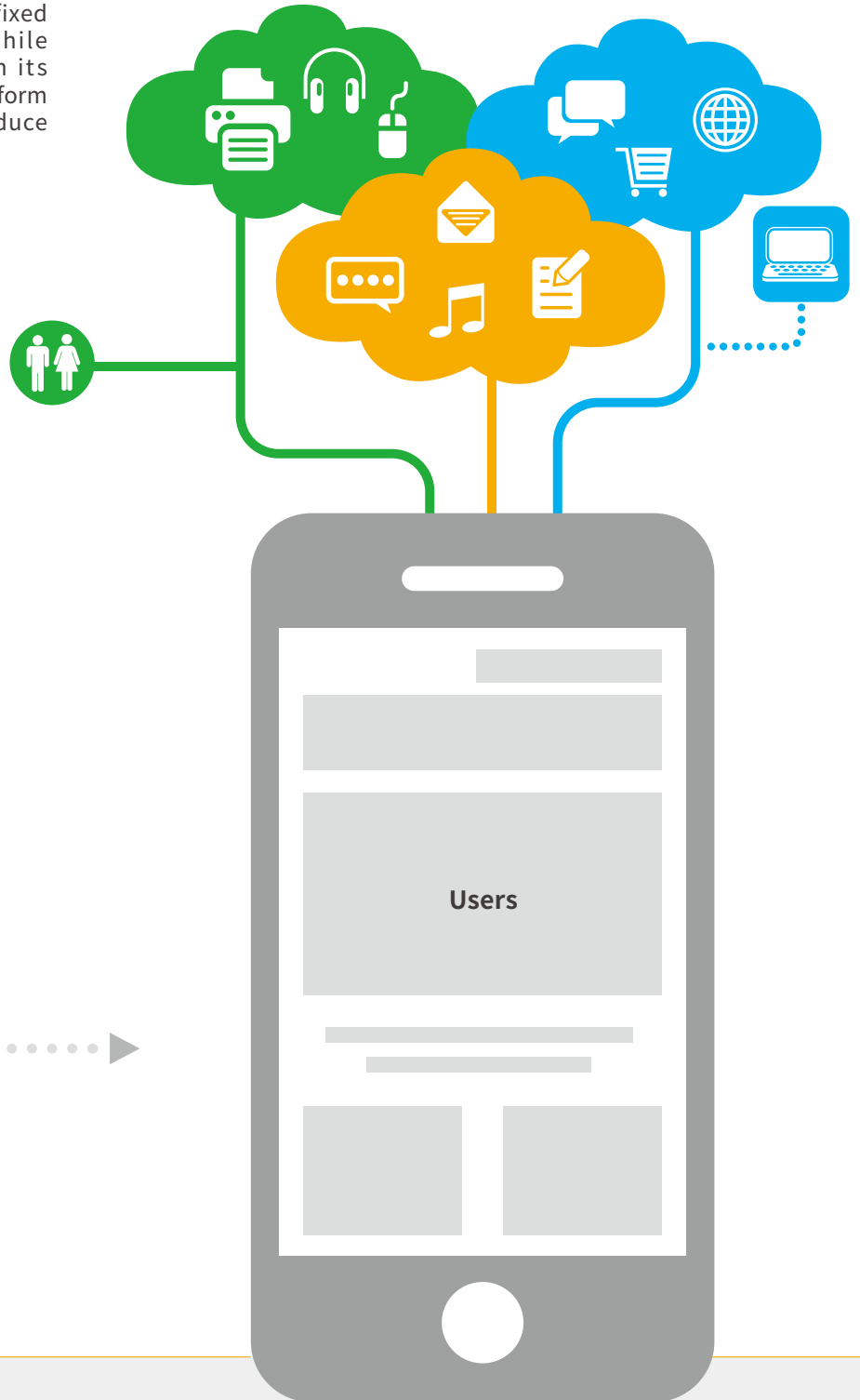
Moving forward, Chunghwa Telecom shall continue to better itself in services of fixed network, mobile, data, and eICT while strengthening the partnership with its suppliers throughout the supply chain to form a closer industrial ecosphere to introduce more quality services.



Terminal Equipment Suppliers



Channel Marketers



Independent director percentage **38.5%**



**First telecom carrier that has been certified with environmental standards** "ISO 14046 Water footprint and ISO 14067 Carbon footprint"



**Sole company in the industry to have signed TCFD initiative**



Collective Agreement coverage **99%**



**"51 SDGs", first initiative connecting to the UN SDGs and DIGI+ in Taiwan**



## 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 9th Board has 13 directors. To date, there are 1 female and 12 male directors, including 5 independent directors. Directors' tenure is three years (June 21, 2019 to June 20, 2022). All of the independent directors are included in the Audit Committee to ensure the independence of governance and the perspectives of the stakeholders.

To meet the needs of Chunghwa Telecom's business development, the Board of Directors of Chunghwa Telecom shall comprise experts and scholars in the industries as well as in the fields of finance and accounting, management, etc.; the members on the Board of Directors shall include one or more talent in the fields of innovation capacity, business experience, legal expertise, and ICT, respectively. In addition, gender equality in the composition of the Board of Directors is highlighted. A goal of 20% female seats on the Board of Directors in 5 years has been stipulated.

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.

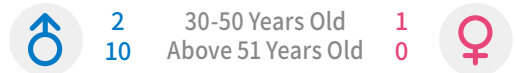
To ensure an effective operation of sustainable management, apart from the key performance indicators listed for the Company, departments, and individuals, we also incorporate items pertaining to the CSR development trends, including innovative development, risk management, code of conducts, information/cybersecurity, climate change, stakeholder engagement/inventory, and social participation, in "Directions Governing Performances of Senior Managers of Chunghwa Telecom".

Advanced studies of the Board of Directors: Please refer to the 2019 Annual Report on page p.74-76

Experiences of the Directors: Please refer to the 2019 Annual Report on page p.20-22

### CHT Board of Directors

Unit: person



#### Corporate Strategy Committee

Consists of 8 board members, who are responsible for mid and long-term development plans and other critical issues, as well as major investment and mergers and acquisitions, major reorganization of the Company, applications for or returns of business licenses, annual operating plans and budget compilations and revisions, capital increases or decreases, and other strategic decisions. The resolutions are submitted to the BoD for final approval.



#### Audit Committee

Consists of all the independent directors, whose main duties are to select or dismiss the CPA, determine the CPA compensation, review and discuss quarterly, semiannual, and annual financial reports, the adoption of or amendments to the internal control system and the assessment of the effectiveness of the internal control system.



#### Compensation Committee

Consists of three independent directors, who are responsible for the evaluation of the performance of directors and managers, and for determination of appropriate compensation policies, system standards and structures. Also, the compensations of directors and managers are evaluated and stipulated on a regular basis.

### Linking Director Compensation to Sustainability Performance

All Chunghwa Telecom directors are nominated by the Board of Directors and shareholders holding the legally required percentage of shares, they are then subsequently appointed by the Board of Directors. The Compensation Committee has implemented a soft incorporation of sustainable development strategies and targets into its review of director compensation in accordance with the Company's Articles of Incorporation so as to achieve the following: (1) evaluation of required core competencies in order to facilitate the connection between director performance and the Company's sustainability outlook and short, medium, and long-term strategies and targets, (2) strengthening accountability and linking performance with compensation, recruitment and retention to attract key talent on the Board of Directors. The implementation of this measure coupled with the substantial effect of the variable compensation plan is a win-win for the Company and its directors.

Director compensation: Please refer to page 34-37 of the Company's 2019 Annual Report.

## 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, age, nationality, culture or ethnicity. Directors are expected to have outstanding quality, industry experience and expertise to complement the Board.



## 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 body, 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 Article 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 Article 206 of the Company Act, which is about the content of avoidance of voting rights and the legal effect of violations.

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 the Secretariat of the BoD also evaluates on a regular basis.

## Performance Evaluation for the Board of Directors

To implement corporate governance and elevate the functions of the Board of Directors, performance targets are established to enhance the operation of the Board of Directors. In 2019, at the 2nd meeting of the 9th Board of Directors approved and enacted the Regulations Governing the Performance Evaluation of the Board of Directors of Chunghwa Telecom Co., Ltd. that details rigidly the cycle and scope for the performance evaluation of the Board of Directors as well as the execution procedures, evaluation indexes, and standards for reference.

The self-evaluation for the Directors on the Board as well as the self-evaluation on the performance of functional committees is conducted on an annual basis, while the performance evaluation by external, independent, professional institutions or external teams of experts and scholars is liable to be carried out once every 3 years. In 2019, we commissioned Taiwan Corporate Governance Association to conduct an external evaluation. Kindly refer to the following link for details of the execution.

[Regulations Governing the Performance Evaluation of the Board of Directors of Chunghwa Telecom](#)

[Results of the 2019 Performance Evaluation](#)

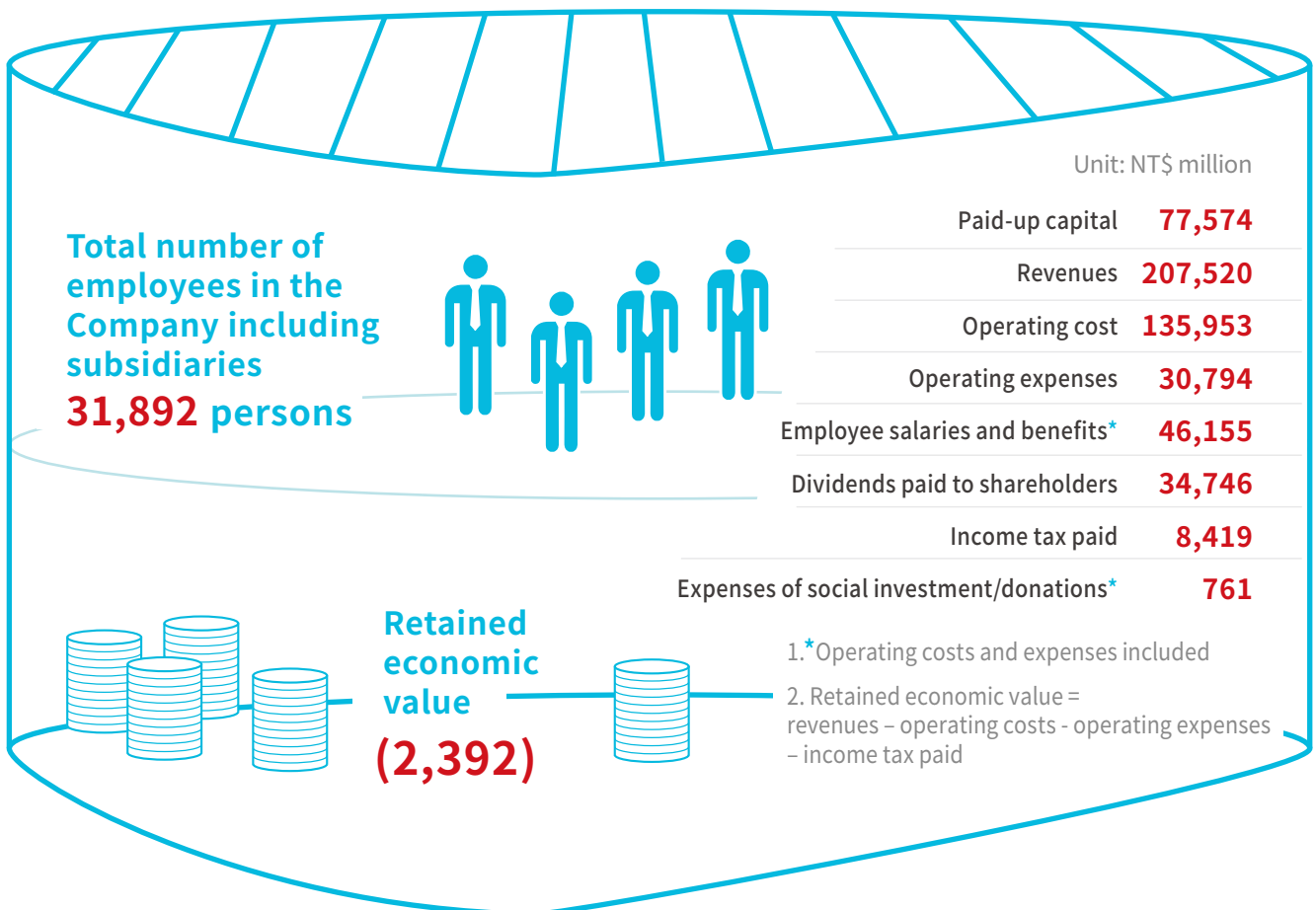


## Creating Value for Shareholders

Chunghwa Telecom business operations have been stable for years. Profitability and financial completeness have been uninterrupted. We pay our taxes honestly year after year, following the law, and make solid contributions 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\$ 207.5 billion in 2019.

Owing to the impact by replacement and competition from free messaging apps and VoIP technology, the revenue from voice service tumbled; ICT projects were completed as scheduled in line with the quality requirement, which benefited the revenues from tender projects. Net income attributable to the parent company amounted to NT\$ 32.8 billion while EPS reached NT\$ 4.23 in 2019.

In 2019, Chunghwa Telecom income tax was the equivalent of an effective tax rate of 19.13%. The deviation from statutory 20% tax rate was mainly attributed to the provisions of Article 42 of Income Tax Act, in that net dividends or net earnings recognized from local invested businesses are exempt from income tax. In addition, the application can also be made for tax preference pursuant to Article 10 of the Statute for Industrial Innovation as well.



## Encourage 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.

### Shareholder Structure of Chunghwa Telecom

Government	Financial Institutions	Other Legal Entities	Individual	Foreign Institutions and Individuals
40.32%	17.18%	8.03%	17.9%	16.48%

Date of data: 2020/3/31 (the most recent book closure date)

## 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 basic ethical guidelines 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. All employees participated in the test in 2019 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 25 internal complaint cases (disciplinary and leak investigations) were accepted in 2019, 23 of which are closed and 2 of which are still under investigation; 18 were associated with violation of the code of conduct. 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.

[CHT's Anti-corruption Policy](#)

### The Internal Audit System

The internal audit helps the Board and managers to check the effectiveness of the internal control systems and operations. It is located under the Board and 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 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](#)

### 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. In 2019, the Company was ranked among the top 6-20% in the 5<sup>th</sup> Corporate Governance Evaluation by the TWSE. Thanks to the joint efforts by all personnel, we achieved the best performance as one of the top 5% in the 6<sup>th</sup> Corporate Governance Evaluation, which is the fifth time we are recognized with such honor.

### 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. We were fined NT\$2 million by the National Communications Commission (NCC) due to the 499 cases in 2018. Upon appeal to administrative litigation, the High Administrative Court ruled a reduction of the fine to NT\$1.2 million. Chunghwa Telecom received no penalty from the competent authority in 2019.

### 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. Chunghwa Telecom Training Institute organizes human rights-related courses on a yearly basis and whenever there is a change in labor regulations and policies. 11 courses totaling 31 hours were held in 2019; 1,681 employees had participated in these courses.

[Chunghwa Telecom Human Rights Policy](#)

## Climate Risk Management

Chunghwa Telecom builds a systematic and organized corporate governance structure to ensure that climate change-related challenges are incorporated into the Company's annual strategy in real time and that relevant projects are implemented.

### The Supervisory Responsibility of the Board of Directors

The chairperson and vice-chairperson of the CSR Committee are the Company's Chairman and President respectively, who both are also members of the Board of Directors of CHT. As the chairperson for Chunghwa Telecom's Risk Management Committee, the President can further manage the risks and opportunities related to climate change thanks to the overlapped responsibilities and familiarity thereof, so as to ensure that climate change-related issues are discussed and reviewed at the annual CSR Committee, while supervise and manage the routine operation via the existing internal control and risk management process and report to the Board of Directors.

Recognizing the importance of climate change issues, CHT started to promote the "Directions Governing the Performance of Senior Managers" in 2018, incorporating "Corporate Social Responsibility" and "Climate Change" flexibly in the indicators for performance evaluation of the Directors and senior managers that are hooked with the compensations respectively.

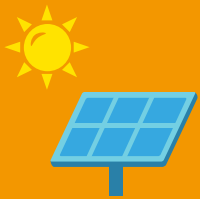
### The Role of Management

The CSR committee conducts annual review of the Company's carbon management strategies, and appropriate budget implementation action plans, and sets related performance targets to ensure the incorporation of climate-related strategies in departments' annual business operations. The related management mechanisms include:

#### Target Setting



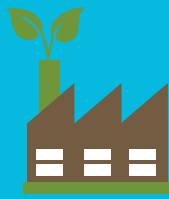
Setting the targets for Chunghwa Telecom greenhouse gas management and carbon reduction.



#### Strategic Planning



Planning for energy efficiency enhancement projects and product/service of carbon intensity reduction strategies and action plans.



#### Solutions



Oversight and proposal of innovative solutions, including innovative ICT technologies & services and the reduction of CO2 emissions within the Company and the industry.



The Environmental Sustainability Task Force is established under the Chunghwa Telecom CSR Committee to evaluate climate-related risks and opportunities via the Company's risk management procedures, which is carried out in accordance with the long-term strategies set by the Board of Directors, the needs of international investors, rating agencies, and stakeholders, and to faithfully implement various solutions.

## 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.”

[Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd](#)

### Chunghwa Telecom's CSR Vision

#### Corporate Mission

Innovation  
Excellence  
Sensation  
Reliability



#### Social Contribution

Minimizing the digital divide  
Implement environmental protection  
Caring for the vulnerable



#### Team Culture

Trust  
Responsibility  
Sharing  
Growth



#### Customer Relations

Always caring,  
always around



1. Facilitate positive business evolution through mobile, broadband, value-added and ICT integration services.
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 facilities and information technologies 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 Company's commitment to corporate citizenship.



## Internalization and Communication of CSR

To ensure that all employees understand the spirit of CSR, we have established diverse 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.

### The CSR Committee

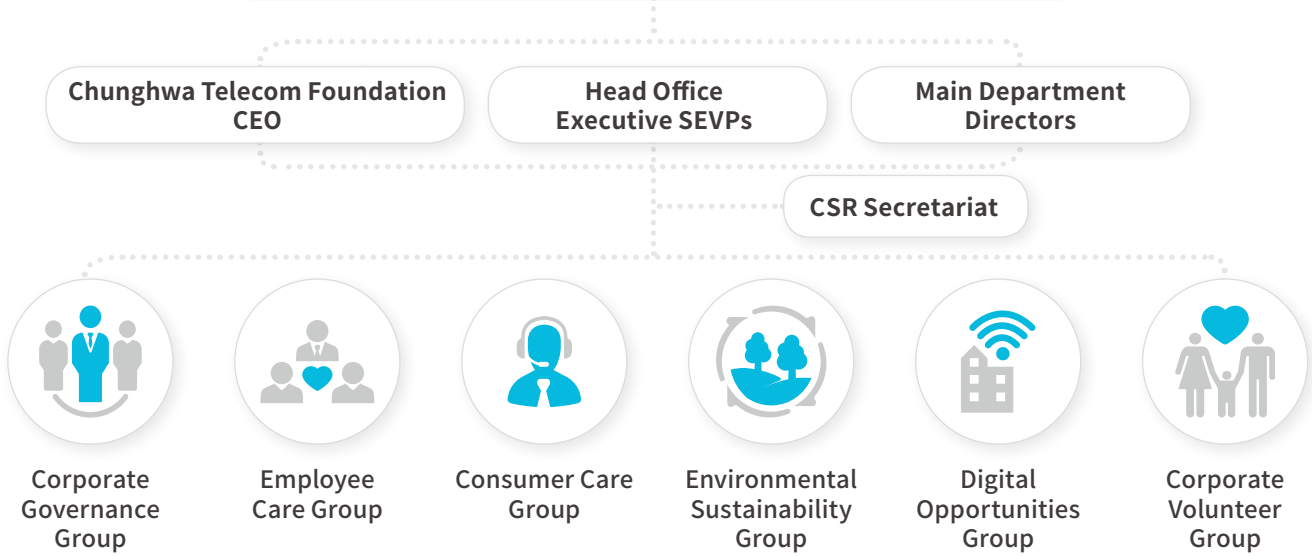
The “Chunghwa Telecom CSR Committee” was established for expanding sustainable benefits of our core competence and implementing CSR vision as a starting point to promote the sustainable development of the industry and society.

Item	Description
Representative	Chi-Mau Sheih, Chairman
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"> <li>The Public Affairs Department is designated as CSR Secretariat.</li> <li>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.</li> <li>The six groups, branches and affiliates are responsible for promotions and implementation of related projects.</li> </ul>
Meeting Frequency	Quarterly
Report Approval	Reports are submitted to the Chairman for final approval after the managements' (SEVP) review.

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 timely.
Employee Training	Environmental training	We provide at least 4 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 digital 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.



Chairperson: Chairman of the Board / Vice Chairperson: President



Channel	Item	Content
Annual Evaluation	Administrative sustainability performance	We set energy reduction targets and link the results with employees' performance bonuses.
	Online test on CoC	All our employees are required to take the "Chunghwa Telecom Code of Business Conduct 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 new ways of preparing reports is held from time to time.
	Official website and Social media	To coordinate with modern stakeholders' communication pattern, we established dedicated CSR multimedia webpages on the official website, YouTube channel and a Facebook fan page as ways of communicating with our stakeholders.