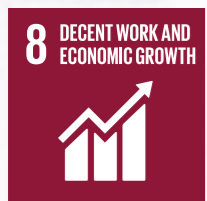


# 01

# Corporate Overview

The SDGs CHT contributes to in this chapter



Corporate Governance  
CSR Management

18

26

For 2020, Chunghwa Telecom's consolidated net income was NT\$ **207,600,000** thousand and its annual earnings per share was NT\$ **4.31**.

The **only** telecom operator to have a **labor director** elected.

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



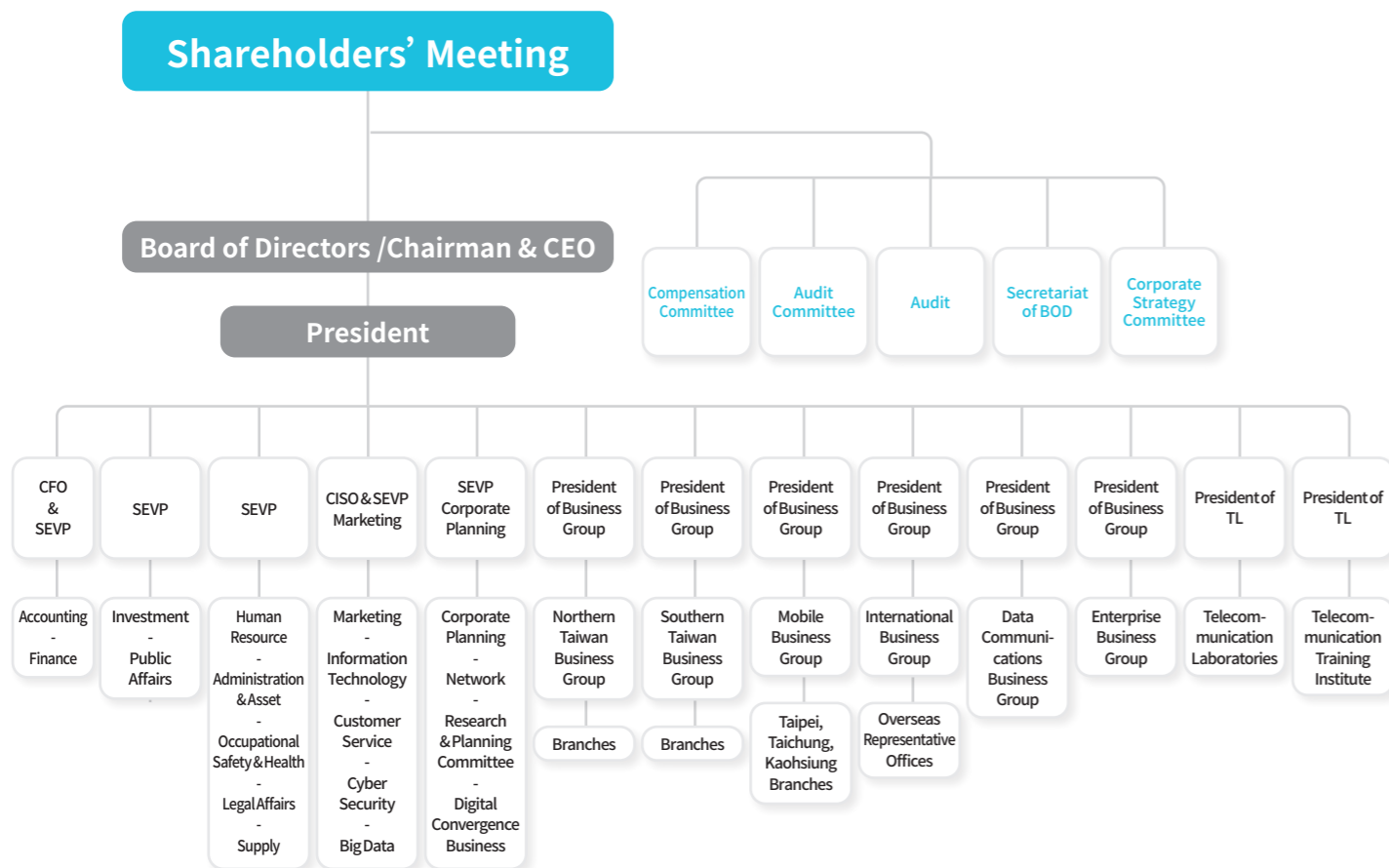
Chunghwa Telecom (TAIEX:2412, NYSE: CHT) is the largest integrated telecom carrier in Taiwan. The head office is located at 21-3, Section 1, Xinyi Road, Taipei with more than 455 locations in 22 counties and cities in Taiwan. Our major business include fixed and mobile communications, broadband access and the Internet. We also provide corporate customers with information and communication services, including big data, information security, cloud and Internet Data Center. 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.

Since 2006, Chunghwa Telecom upholds the service philosophy of “bridge the digital divide, implement environmental sustainability, and care for the disadvantaged”. Hence, the core technologies, resources, competencies, and features of the Company have been leveraged to implement the brand spirit of “Always Ahead” on the three fronts of Environmental, Social, and Governance. We demonstrate our determination in sustainable operation with our actions to fulfill our corporate social responsibility on all fronts. In recent years, our active efforts in ESG were constantly recognized by professional institutes at home and abroad.

[Three Telecom Laws](#)

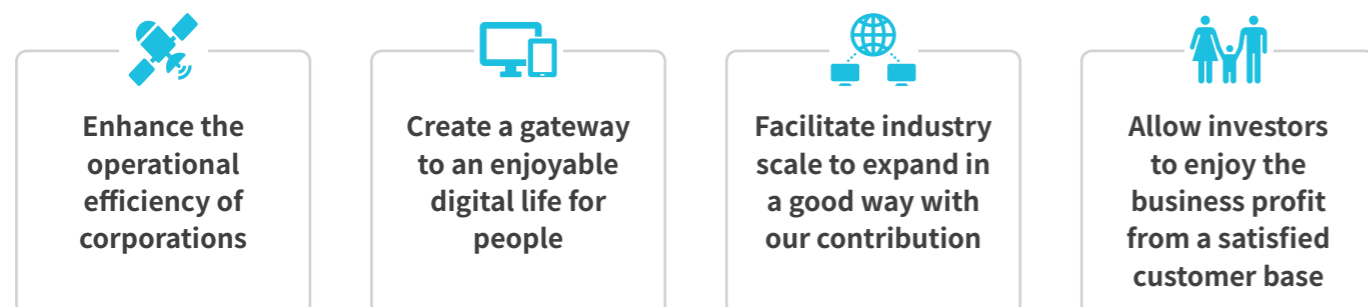
Main businesses of branch offices and reinvestment companies: Please refer to P.15, 71 in the 2020 Annual Report.

## Chunghwa Telecom Organization Chart

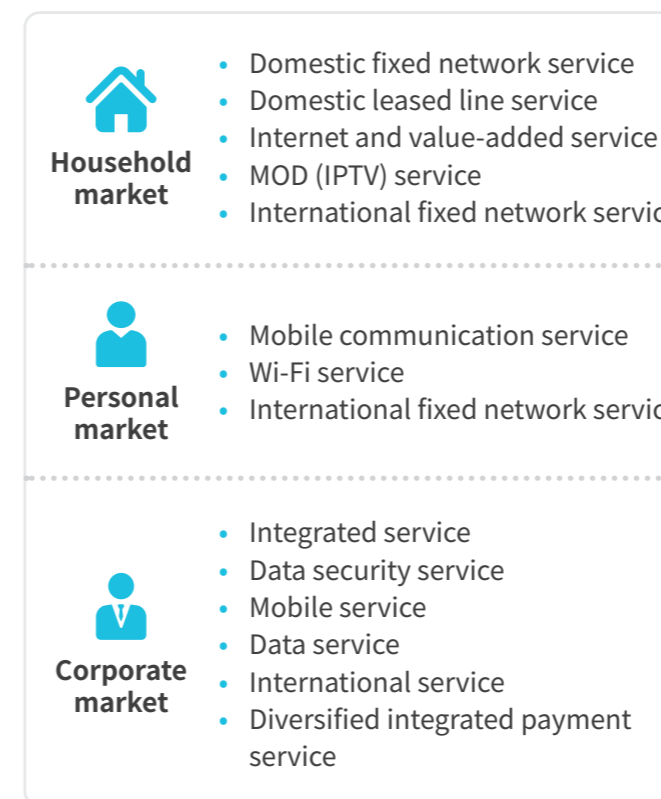


We expect to start the organizational restructuring of our Enterprise Business in July 2021 and complete the customer-centric organizational structure in January 2022, strengthen the strategic functions of our headquarters, and restructure our eight business groups into three business groups and three technology groups.

## We Strive to



## Business Model



## Product and Services

Customer amount	Product/Service	Annual growth
11.298 million	Mobile phone	Annual growth 6.1%
1.756 million	100 Mbps	Annual growth 11%
3.621 million	光世代 (Broadband)	Broadband Customers 83.3%
3.584 million	HiNet	Market share NO.1

## Mobile communication

Customer amount	Market share
11.298 million households	36%

## Domestic fixed network

	Customer amount/ Communication amount	Market share
Local network	9.897 million households	92.1%
Long haul Internet	1,640.7 million minutes	81.6%
Broadband access	4.348 million households	65.6%
MOD	2.069 million households	29.8%

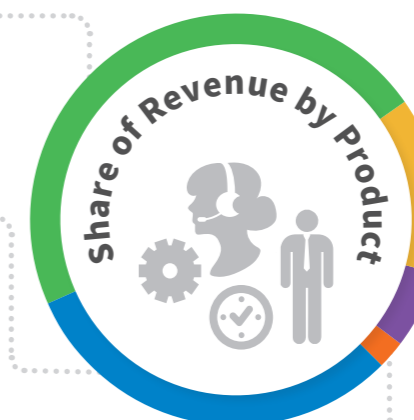
## Internet 15.5%

Customer amount	Market share
3.95 million households	62.5%

## International fixed network 4.2%

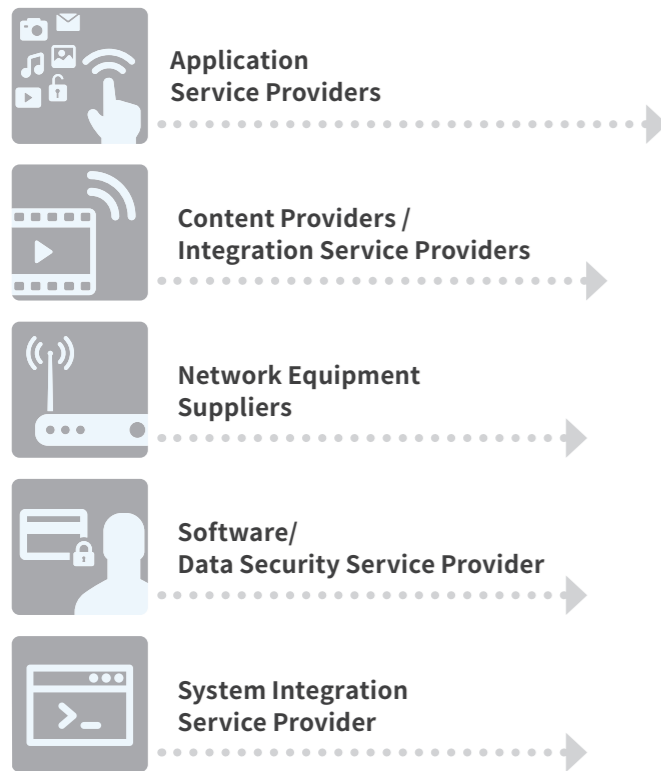
Communication amount	Market share
222.3 million minutes	50.9%

## Others 3.4%

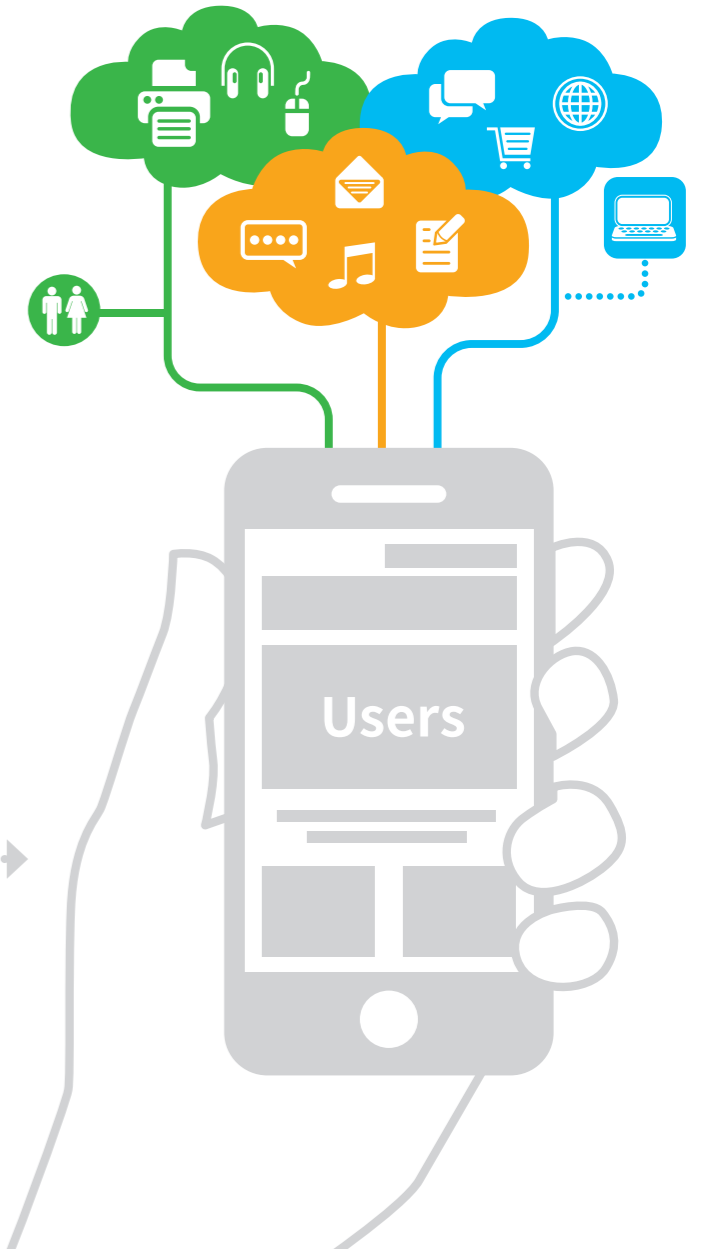


### Industry Value Chain and Critical Sustainability Performance

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. 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 ecosystem to introduce more quality services.



## Environment

Contract capacity of photovoltaic system **2,783.665** kWp

The **first** telecom operator in the world to pass "**TCFD Conformity Check**"

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

## Society

Collective Agreement coverage **99.26%**

"5I SDGs" **first** initiative connecting 5I to the UN SDGs and DIGI+ in Taiwan

Obtained SGS **Certificate** of Conformity for **Code of Conduct (CoC)**

## Governance

Consolidated revenue NT\$ **207.6** billion

The only telecom operator to have a **labor director** elected

Independent director percentage **38.5%**

# 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 outside directors (including independent 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.

CHT Board of Directors		
Unit: person		
2	30-50 Years Old	1
10	Above 51 Years Old	0

[Chunghwa Telecom 2020 Annual Report](#)

- Experiences of the Directors: Please refer to the 2020 Annual Report on P.18-19
- Continuing Education of the Board of Directors: Please refer to the 2020 Annual Report on P.72-74



**Audit Committee**

Consists of all the independent directors, whose main duties are to hire 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.

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**Corporate Strategy Committee**

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

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**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.

## Board Diversity Policy

Chunghwa Telecom implements diversity in the 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.

## Linking 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 P.30-33 of the Company's 2020 annual report.



## Avoidance of Conflict of Interest

Chunghwa Telecom’s Chairman is concurrently the CEO. The election of directors comply with relevant laws and regulations, which suggests the directors are nominated by the Board and shareholders who meet the statutory shareholding requirements, and the announcement of director nomination and nomination process are conducted in accordance with the statutory procedures. 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 act as a director, and to comply with Article 23 of the Company Act, to exercise the due care of a good administrator in conducting the business operation of the Company.
- All directors have to sign the Declaration stating that they are aware of the recusal of the exercise of voting rights under Article 206 of the Company Act and the legal effect of any violation.

Due to the directors’ high ethical standards and self-discipline, and under the operation of the mechanism, no conflict of interest has occurred since the Board of Directors was established. Moreover, the Board has adopted 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 of the BoD also evaluates on a regular basis.

## Protection of Shareholders’ Interests

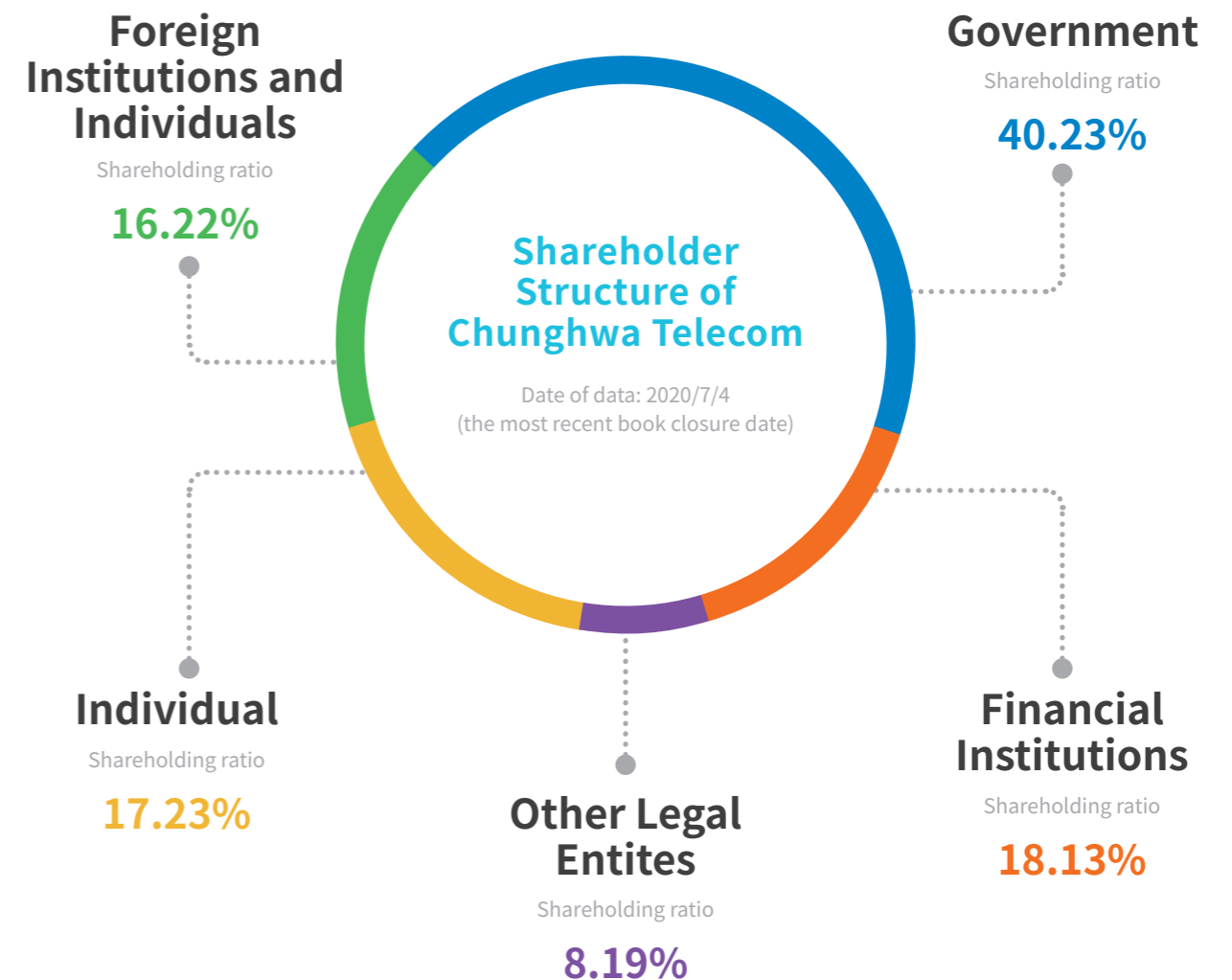
Chunghwa Telecom has made changes and revisions to several systems and measures based on a corporate governance mindset. These include e-voting, voting by poll and the disclosure of meeting resolutions made on the Company official website. These diverse voting channels allow shareholders to exercise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

## Performance Evaluation for the Board of Directors

To implement corporate governance and enhance the functions of the Board of Directors, performance objectives are set forth to improve the operation of the Board of Directors. In 2019, at the 2<sup>nd</sup> meeting of the 9<sup>th</sup> Board of Directors the Company adopted the Regulations Governing the Performance Evaluation of the Board of Directors of Chunghwa Telecom Co., Ltd. that details rigidly the cycle, period and scope of the performance evaluation of the Board of Directors as well as the evaluation procedures, evaluation indexes, scoring criteria, and other matters of compliance. 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 carried out once every 3 years.

[Regulations Governing the Performance Evaluation of the Board of Directors of Chunghwa Telecom](#) [Results of the 2020 Performance Evaluation](#)

## Shareholder Structure of Chunghwa Telecom





## 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\$207.6 billion in 2020.

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. The overall revenue in 2020 was flat compared to that of 2019. Net income attributable to the parent company amounted to NT\$33.4 billion while EPS reached NT\$4.31 in 2020.

In 2020, Chunghwa Telecom income tax was the equivalent of an effective tax rate of 18.97%. 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.



### Economic Performances

Paid-up capital	77,574
Revenues	207,609
Operating cost	137,029
Operating expenses	29,814
Employee salaries and benefits*	44,963
Dividends paid to shareholders	32,783
Income tax paid	7,852
Expenses of social investment/donations	1,077
Retained economic value*	131

Unit: NT\$ Million



Total number of employees in the Company including subsidiaries

**32,318** persons

1. \*Operating costs and expenses included

2. Retained economic value = revenues - operating costs - operating expenses - income tax paid

## 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:

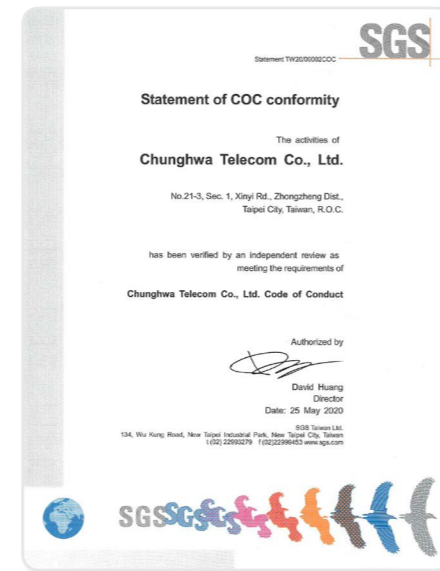
- Target Setting: Setting the targets for Chunghwa Telecom greenhouse gas management and carbon reduction.
- Strategic Planning: Planning for energy efficiency enhancement projects and product/service of carbon intensity reduction strategies and action plans.
- Solutions: Oversight and proposal of innovative solutions, including innovative ICT technologies & services and the reduction of CO<sub>2</sub> 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.



## 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 2020 except for those who were not available for a legitimate reason at the time of the test. Meanwhile, to implement “Code of Conduct” in Chunghwa Telecom, we also passed the rigorous check procedures of SGS-Taiwan and obtained Certificate of Conformity for Code of Conduct (CoC) from the external third party.



## 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 43 internal complaint cases (disciplinary and leak investigations) were accepted in 2020, 43 of which are closed and 0 of which are still under investigation; 4 were associated with violation of the code of conduct. (Relevant cases were lower by 78% compared to those in the previous year.) 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.

[Chunghwa Telecom 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 the 6th Corporate Governance Evaluation, we were recognized as the top 5% for the fifth time as well as the top 10% in “The electronics industry with a market value of 10 billion TWD or more” of the TWSE- and TPEX-listed companies in the Evaluation!

## 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. Committed to compliance with relevant regulations, there was zero case fined by the Fair Trade Commission in 2020.

## 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. 3 courses were held in 2020. The course hours were 63,609 in total with 21,203 person-times enrolled.

[Chunghwa Telecom Human Rights Policy](#)





# CSR Management

We launched a CSR management system in 2006, and established the CSR Committee to stipulate sustainable policies. We also established six CSR working groups, using a top-down approach to achieve sustainable action in environment, society and governance respectively, to implement “Always Ahead” brand inspirit. The Chunghwa Telecom sustainable development strategy utilizes the competence and unique resources of the Company to implement sustainable action 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.”

## ChunghwaTelecom’s CSR Vision



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

## Internalization and Communication of CSR

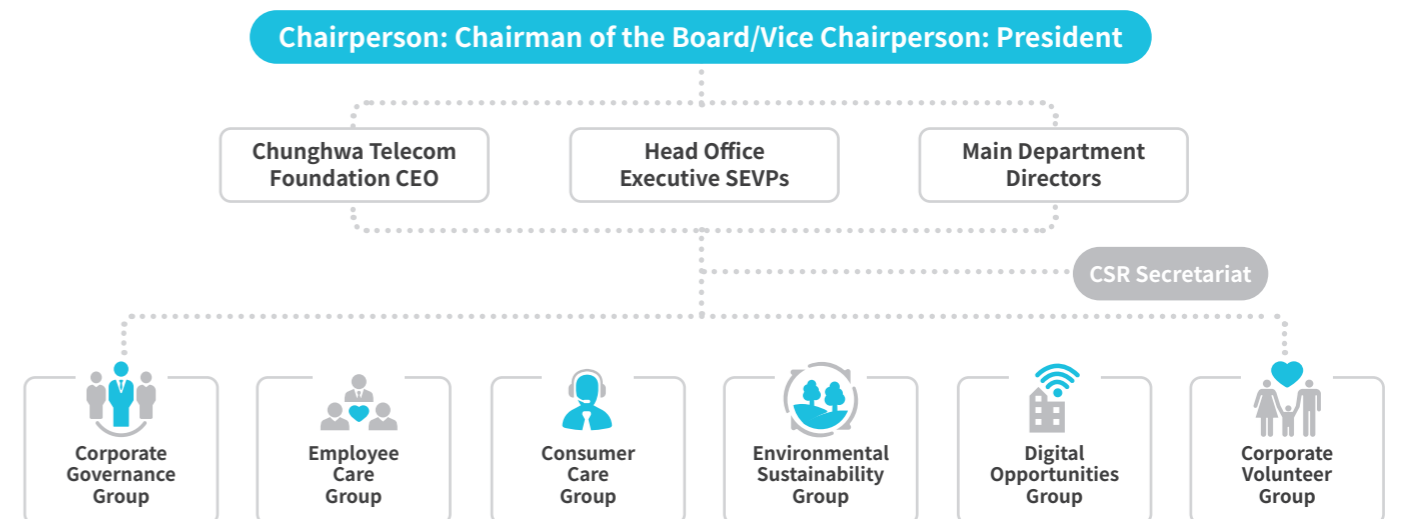
To ensure that all employees understand the spirit of CSR, we have established diverse channels for communications and education of related topics.

Channel	Item	Item
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.

## 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 with 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> <li>The results of the quarterly stakeholder engagement are incorporated into the materials for the Board.</li> </ul>
Meeting Frequency	Every Half Year
Report Approval	Reports are submitted to the Chairman for final approval after the managements’ (SEVP) review.
Execution Results in 2020	Policy, Organizational Structure and Management Guidelines Governing the Corporate Social Responsibility of Chunghwa Telecom was approved and submitted for adoption in the resolution of the 8 <sup>th</sup> session of the 9 <sup>th</sup> Board of Directors to implement its CSR practices.



The initiative integrated with a performance evaluation that helps to translate the concept of sustainability into actions and is practiced in routine operations.

Channel	Item	Item
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.