

# 1 CORPORATE OVERVIEW

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Chunghwa Telecom (TAIEX:2412, NYSE: CHT) is the largest integrated telecom carrier, with more than 691 locations in 22 counties and cities in Taiwan. Our major business includes domestic fixed network (local network, long haul Internet, broadband access), international fixed network (international network), mobile communication (mobile network), and data communication (HiNet broadband 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.

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.



Main businesses of branch offices and reinvestment companies: Please refer to p.111-113 in the 2022 Annual Report.

The SDGs CHT contributes to in this chapter:



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: **creation of social inclusion, digital inclusion, green ICT products & services, green brand management, and energy-saving & carbon reduction.**



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



Operational strategy "**Sustainability+5G+Transformation**": Core Business Maintenance, Driving Emerging Businesses, Customer Orientation, Forming Alliances, Group Cooperation.



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

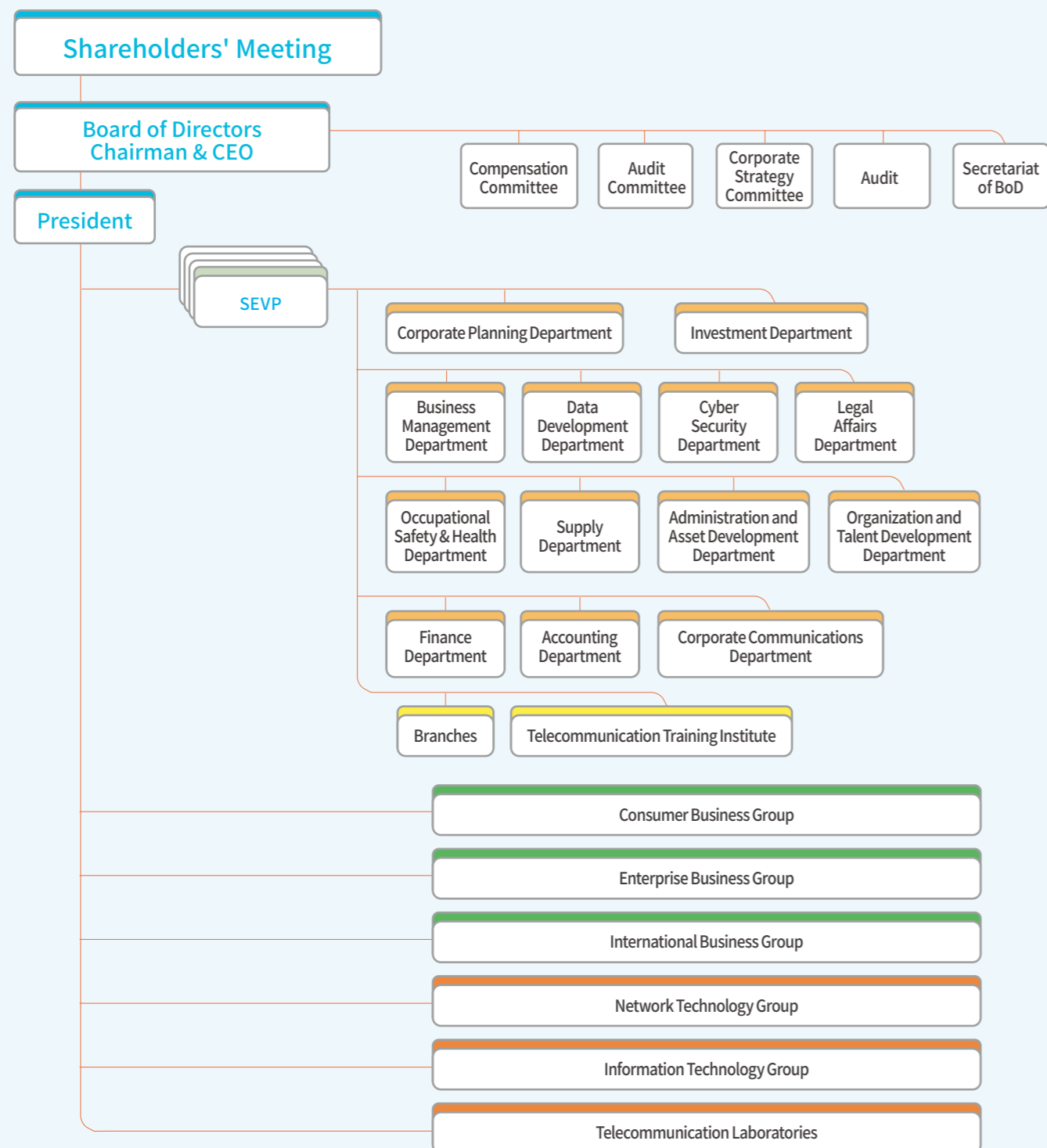


Consolidated net income: NT\$ **216,700,000,000**; Earnings per share: NT\$ **4.70**.



Chunghwa Telecom established a **Sustainable Development Committee** for stipulation of various sustainability policies through its ESG groups.

## Chunghwa Telecom Organization Chart



Chunghwa Telecom implemented the "customer-centric" organizational transformation. On January 1, 2022, the Consumer Business Group was established as one of the three major customer-centric business groups together with the Enterprise Business Group and the International Business Group. Meanwhile, the Network Technology Group was established to integrate mobile network and fixed line businesses. Also, the Data Communication Business Group was renamed as the Information Technology Group on April 30, 2022. Together with the Telecommunication Laboratories, the three technical groups are formed to support the business promotion of three business groups. Hence, we may secure the greatest advantage through the organizational resource integration and overall business synergy to elevate the corporate competitiveness for the prospect of yet another brilliant business performance.

## We Strive to

Create a gateway to an enjoyable digital life for people

Enhance the operational efficiency of corporations

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

## Product and Services

**Mobile phone** Customer amount **12.621 million**  
Annual growth **+5.9 %**

Customer amount **3.75 million**  
Broadband customers **85.5 %**

**300 Mbps** Customer amount **969 thousand**  
Annual growth **+51.9 %**

Customer amount **3.664 million**  
Market share **No.1**

## Share of Revenue by Product

### Mobile communication

Customer amount	Market share
12.621 million households	36.6%

### International fixed network

Communication amount	Market share
100.9 million minutes	44.4%

### Internet

Customer amount	Market share
3.664 million households	
	55.9%

### Domestic fixed network

	Customer amount/ Communication amount	Market share
Local network	9.399 million households	91.4%
Long haul Internet	1,356 million minutes	81.9%
Broadband access	4.386 million households	59.4%
MOD	2.05 million households	30.6%

**Industry Value Chain and Critical Sustainability Performance**

The value chain of the telecom industry is an interdependent and interlocking ecosystem. Construction of infrastructure offers a quality fundamental security; communication services provide basic communication functions; and value-added services supply more diverse and innovative application services. The above-mentioned upstream and downstream elements jointly constitute the value chain of the telecom industry. The wave of digital convergence 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.

The main business activity of Chunghwa Telecom is to provide general information and communication services. Hence, the ICT equipment procurement makes the majority of its procurement. The procurement in 2022 could fall into categories of property (50%), construction (16%), services (13%), projects and tenders (14%), and repair (2%). The number of Tier-1 Suppliers were 1,915, and the contract amount of the suppliers exceeded NT\$70 billion. 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.





# 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 the overall sustainable development strategies and ESG information reporting of the Company. In addition to the overall competencies and industrial experiences for the Board of Directors, the board members also have the abilities for the development of business diversification. To live up to the spirit of board diversity and gender equality, the target of female directors accounting for more than 30% of the Board of Directors by 2025 has been set. 13 directors were elected for the 10th Board of Directors in 2022 (10 male directors and 3 female directors), including 5 independent directors (4 male independent directors and 1 female independent directors). Directors' tenure is three years. Having been serving at Chunghwa Telecom for more than 20 years, Mr. Shui-Yi Kuo, Chairman & CEO of Chunghwa Telecom, has well-rounded experiences in the telecommunications industry. He actively promotes various businesses, implements strategic transformation plans, lays the foundation for the sustainable development of the Company to create values for shareholders, employees, and investors. In addition, external directors (including independent directors) can offer objective, professional opinions based on their diverse professionalism and fields of expertise, helping the Board of Directors make decisions that are most beneficial to the Company and the shareholders.

All independent directors are included in the Audit Committee to ensure the independence of governance and the perspectives of the stakeholders. To ensure an effective operation of sustainable management and achieve the company's vision and short, medium, and long-term strategic objectives effectively, we included ESG Sustainable Development in the Directions Governing Performances of Senior Managers of Chunghwa Telecom, integrated in the key performance indicators for the corporate performance, departmental performance, and individual performance.

**CHT Board of Directors**

30-50 Years Old (person)	1	0
Above 51 Years Old (person)	9	3

Chunghwa Telecom received a letter from the major shareholder, Ministry of Transportation and Communications (MOTC) on May 2, 2023, which notified the discharge of Mr. Chi-Mau Sheih from the position of the representative of corporate director, rendering a total of 12 directors on the board before another director assigned by the MOTC. Please refer to Appendix 2: GRI 2-9 Governance Structure and Composition of this Report for more details.

The nomination and selection of the directors of Chunghwa Telecom is conducted pursuant to the relevant laws and regulations as well as the Articles of Incorporation of Chunghwa Telecom Co., Ltd. With a candidate nomination system in force, the candidates are nominated by the Board of Directors and the shareholders that meet the statutory shareholding ratio requirements. The director nomination announcement and nomination thereof are conducted in accordance with legal procedures. The qualification and selection of independent directors are conducted in compliance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and in line with Article 24 of Chunghwa Telecom Co., Ltd. Code of Corporate Governance.

- \* Directors Election Regulations of Chunghwa Telecom Co., Ltd [🔗](#)
- \* Code of Corporate Governance for Chunghwa Telecom Co., Ltd [🔗](#)

Continuing Education of the Board of Directors: Please refer to p.87-90 of the Company's 2022 Annual Report.

## Board Diversity Policy

Chunghwa Telecom implements diversity on 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. In order to link the performance of directors with the company's sustainability vision and short-, medium- and long-term strategic goals, to evaluate their core competencies and strengthen their responsibilities, to link performance and remuneration, and to retain and attract key talents to join the board of directors, the Compensation Committee has planned to include the ESG sustainable management strategic goals as an indicator of directors' remuneration in accordance with the company's articles of incorporation and other relevant regulations. 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.36-38 of the Company's 2022 Annual Report.



## Governance Procedures of the Board of Directors for the ESG Topics in 2022

- 1 A total of 9 meetings of the Board of Directors were convened, with Material ESG topics presented in 4 of these meetings
- 2 Material ESG topics presented on the board meetings:
  - The issuance of Sustainability Bond of NT\$3.5 billion worth, which is the first sustainability bond issued by a domestic telecom operator and the largest sustainability bond issued by a domestic non-manufacturing company, aiming to support investments in environmental protection and social development
  - Strategies in response to Taiwan's Pathway to Net-Zero Emissions in 2050 and report on the compliance with the GHG inventory disclosures required by the regulatory agencies at home and abroad
  - Report on the plan for the GHG inventory and verification schedule of the parent company with the execution progress tracked quarterly in accordance with the Sustainable Development Roadmap for TWSE- and TPEX-Listed Companies, Financial Supervisory Commission (FSC)
  - Declaration of the Company's Participation in the RE100 Initiative, Commitment to Electrify Official Vehicles for Engineering Purposes, and Increase Use of Renewable Energy in IDCs
  - Setting of carbon reduction targets and proposal of key ESG topics and the coping strategies thereof
  - Adjustment to the definition of female manager into "director level and above"
  - The linking of the variable compensation and accountability of senior managers with key ESG issues
  - Scale-up promotion of flexible working hours for the Company and its business groups



## Corporate Strategy Committee

The Board of Directors consists of seven directors (including four independent directors), who are responsible for important operational issues, such as medium- and long-term development goals and strategies, major investments and mergers and acquisitions, significant organizational adjustments, acquisition or return of operating licenses, preparation or revision of annual operating plans and budgets, capital increases or decreases, and other important strategic issues (including ESG energy conservation, carbon reduction and environmental sustainability), etc. The review conclusions of the meetings shall be submitted to the Board of Directors for resolution as necessary.

## Audit Committee

Consists of all independent directors, who are responsible for the supervision of the fair presentation of the financial statements of the Company, the selection (discharge), independence, and performance of certified public accountants, the effective enforcement of the internal control of the Company, the corporate risk management mechanism, and the compliance with relevant laws, regulations, and standards.



## 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.

1. The committees above are all accountable for the decision-making/supervision of "impacts on the economy, environment, and people" of CHT.
2. For the content reported pursuant to GRI 2-9 Governance structure and composition, please refer to p.160-161, Appendix.



### Avoidance of Conflict of Interest

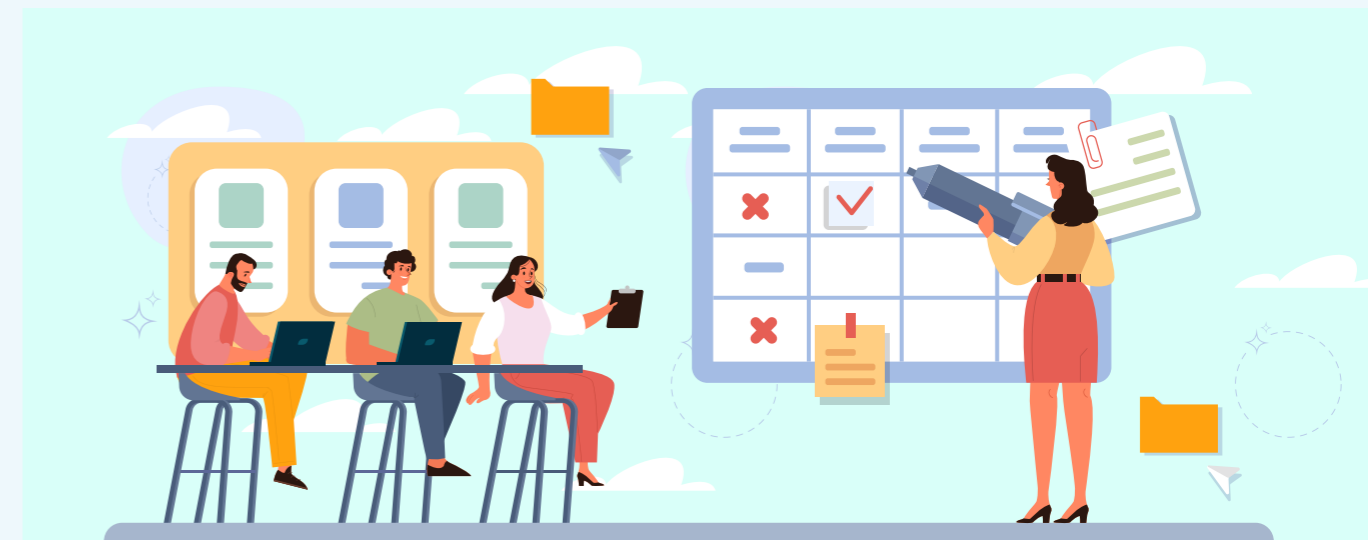
To avoid conflict of interest at the highest governance body, our Organization and Talent Development Department is responsible for assisting the Board of Directors and the management in the stipulation, supervision, and execution of the ethical management policies and guidelines for conduct, which is to report to the Board of Directors regularly (at least once a year) to assist the Board of Directors and the management to check and assess whether the preventive measures established with the implementation of ethical management operate effectively. With the high moral standards for self-discipline of the directors and the operation of a comprehensive mechanism, there has not been any conflict of interest occurred to the Board of Directors of Chunghwa Telecom since its establishment.

The directors, managers, and employees are obliged to act in the best interests of Chunghwa Telecom to avoid any conflict of interest. In the event of the objectivity of an individual comes into question due to the interests of the individual, or the spouse, children, or relative within the second-degree kinship thereof, he or she is to report such to the direct supervisor thereof or the Organization and Talent Development unit of the Company. Where an individual realizes that certain important transactions or relations may lead to personal conflict of interest, he or she is to immediately discuss such with the direct supervisor thereof or the Organization and Talent Development unit of the Company.

### 1. Prevention and Mitigation Process

The policy to prevent conflict of interest has been stipulated at Chunghwa Telecom, along with appropriate channels available for directors, managers, and other stakeholders to proactively account for whether they have potential conflict of interest with the Company. If any individual or a legal entity represented thereby is an interested party with respect to any agenda item of a board meeting, he or she shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, he or she may not participate in discussion or voting on such agenda item and shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. In the case of lifting the non-competition restriction against a director, in addition to submission of the matter to the Board of Directors for discussion, he or she is required to account for the important aspects of such act to the shareholders' meeting and obtain the permission therefrom.

The Operations of the Board of Directors: please refer to p.46-48 of the Company's Annual Report.



### 2. Disclosure on conflicts of interest

#### Cross-board memberships

- Lifting of the Non-competition Restrictions on the Candidates for the 10th Board of Directors of the Company, Session 18, 9th Board of Directors.
- Lifting of the Non-competition Restrictions on the representative of juridical person directors, Session 2, 10th Board of Directors.

#### Cross-shareholding with suppliers and other stakeholders

The "Procedures for Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd." has been stipulated in line with the government regulations. The related parties are identified in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the list of such is disclosed online.

Pursuant to the procedures, the Company may not enter into a transaction contract or make a payment until materials pertaining to a transaction of an amount of NT\$300 million or more with related party are submitted and approved by the Audit Committee and afterward by the Board of Directors. In addition, the relevant information should be announced on the website designated by the Financial Supervisory Commission.

#### Existence of controlling shareholders

The controlling shareholder of Chunghwa Telecom is the Ministry of Transportation and Communications, with whom there is no conflict of interest that leads to damage to investors' rights.

#### Related parties, their relationships, transactions, and outstanding balances

The disclosure requirement is met by the notes on the related parties in the financial statements in the Annual Report for the Shareholders' Meeting.

Relevant information on other conflicts of interest:

1. Code of Corporate Governance for Chunghwa Telecom Co., Ltd. [\[Link\]](#)
2. Please refer to p.58, 91 of the Company's 2022 Annual Report.



### 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. CHT sets the Regulations Governing the Performance Evaluation of the Board of Directors of Chunghwa Telecom Co., Ltd. that details rigidly of the performance evaluation of the Board of Directors. The self-evaluation for the Directors on the Board 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. In 2022, the self-assessment of the performance of directors, the self-assessment of the performance of the Board of Directors, and the self-assessment of the performance of functional committees were completed, with the external assessment carried out by Taiwan Institute of Ethical Business. The results of the independent external assessment include:

1. Professional functions and decision-making efficiency of the Board of Directors: There are 5 seats of independent directors, with relevant backgrounds in legal, communications, artificial intelligence, finance, and accounting, who are capable of providing diversified opinions from different perspectives. All the members on the Board of Directors indicated that there were opportunities for thorough discussions in meetings.
2. Oversight for the internal control of the Company by the Board of Directors: The Audit Committee and the Corporate Strategy Committee are instituted to discuss important issues such as development strategies, operating status, and major transactions on a regular basis. In addition, the Risk Management Committee is in place at the management level to monitor the overall risk exposure of the Company under assessment. The establishment of these committees enables the members on the Board of Directors to more effectively capture the potential risks faced by the Company under assessment as a whole, so as to strengthen risk management and oversight.
3. Attitude towards sustainable management: The Sustainable Development Committee is instituted. The Chairman and managers jointly promote the implementation of sustainable development-related action plans and report to the Board of Directors on the implementation of the sustainable strategies, which helps the Board of Directors understand the sustainability strategy implementation as well as the ongoing promotion and oversight. In addition, ESG-related indicators are also incorporated as the performance appraisal indicators of managers to strengthen the implementation of ESG programs.

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

\* Results of the 2022 Board Performance Evaluation [↗](#)

### 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.

### Shareholder Structure of Chunghwa Telecom

Unit: Shareholding ratio

Government	Financial Institutions	Other Legal Entities	Individual	Foreign Institutions and Individuals
40.86%	15.80%	8.60%	17.24%	17.50%

Data date July 3, 2022



## Creating Value for Shareholders

Chunghwa Telecom generated consolidated revenues totaling NT\$216.7 billion in 2022. We are committed to our core business and active innovation, making substantial and significant contributions to the industry and the country, and creating maximum value for shareholders. Revenue from mobile services increased thanks to customers upgrading to 5G services and the increase in the number of mobile customers. ICT projects were completed as scheduled in line with the quality requirement, which benefited the revenues from tender projects. The overall revenue in 2022 has grown compared to that of 2021. Net income attributable to the parent company amounted to NT\$36.5 billion while EPS reached NT\$4.70 in 2022.

Chunghwa Telecom business operations have been stable for years, and we pay our taxes honestly following the law. In 2022, Chunghwa Telecom income tax was the equivalent of an effective tax rate of 19.54%. 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



Total number of employees in the Company including subsidiaries  
**32,123 persons**

Unit: NT\$ million dollars

Paid-up capital	77,574
Revenues	216,739
Operating costs	136,717
Operating expenses	33,290
Employee salaries and benefits	45,672
Dividends paid to shareholders	35,746
Income tax paid	8,397
Expenses of social investment	840

**Retained economic value 2,589**

#### Notes:

1. Certain payments to the government, such as government fines, are included in the operating costs and expenses.
2. Employee salaries and benefits: operating costs and expenses included.
3. Expenses of social investment: costs and expenses not for profit, nor for sales or marketing in nature, are included.
4. Retained economic value = revenues – operating costs - operating expenses – income tax paid

## Highest Moral Standard

To strengthen ethical operation management, we have set up the "Ethical Corporate Management Best Practice Principle", and "Code of Ethics of Chunghwa Telecom Co., Ltd.", and has deepened the publicity and education of employees and external stakeholders (supply chain partners). We also obtained Certificate of Conformity for Code of Conduct (CoC) from SGS-Taiwan for four years in a row.

In 2022, the promotion and test of regulations in the Ethical Corporate Management Best Practice Principles were implemented from September 12 to October 7. At the same time, the education courses on "Code of Conduct" and "Ethical Corporate Management Best Practice Principles" were administered to all employees via e-learning. As for reasons otherwise, except Maternity Leave, Occupational Sickness Leave, and Long-term Sick Leave, 19,596 employees have 100% completed the test. A specific management mechanism is in place to ensure that all employees are engaged in operational activities with the highest ethical standards. Under the control of a good mechanism, there were no major violations of regulations in 2022.

In terms of system, the ethical corporate management policy is integrated with the performance appraisal of employees and human resource policy. A specific, effective reward and penalty system has been established. "Guidelines for Personnel Evaluation" and "Standards Governing the Administrative Rewards and Discipline of Chunghwa Telecom Personnel" have been stipulated as the reference in employee performance appraisal. In the event of matters worthy of reward or actions to be disciplined, the rewards or disciplinary actions will be issued promptly in line with the regulations.

Beginning in 2022, new fixed term contract employees were required to undergo the education courses on "Code of Conduct" and "Ethical Corporate Management Best Practice Principles".

Item	Content
Policy commitment of "responsible business conduct"	<ul style="list-style-type: none"> <li>Ethical Corporate Management Best Practice Principles for Chunghwa Telecom Co., Ltd., Code of Ethics of Chunghwa Telecom Co., Ltd. and Procedures for Ethical Management and Guidelines for Conduct for Chunghwa Telecom Co., Ltd. regulates all employees engaged in all activities with the highest standard.</li> <li>Chunghwa Telecom Anti-Corruption and Anti-Money Laundering Policy establishes clear anti-corruption and anti-bribery guidelines to govern all business interactions based on the principle of zero tolerance.</li> <li>Chunghwa Telecom Human Right Policy, which emphasizes and implements the protection of human rights issues.</li> </ul>
Referenced Government Documents	Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies, etc.
Whether due diligence was conducted	We perform due diligence in accordance with relevant policies, such as the "Chunghwa Telecom Human Right Policy", which provides for regular internal due diligence such as human rights assessments to enhance the human rights awareness of employees and stakeholders.
Whether precautionary principle was applied	"Risk Management Policy" and "Directions Governing the Risk Management Operation of Chunghwa Telecom Co., Ltd" were established. Using risk matrix to identify and analyze relevant opportunities and risk events for effective risk control.
Whether the norm respects Human Right	Relevant policies explicitly declare a commitment to respecting the human rights of the stakeholders they encompass. For example, the implementation of the Human Right Policy ensures the protection of human rights issues for employees, suppliers, and other stakeholders.

In terms of in-depth exercise of the policies for integrity and ethics, the internal and external methods are adopted in parallel to ensure the implementation of "responsible business conduct" in the industrial value chain. Relevant measures include:

### Internal (Employees)

- The Organization and Talent Development department is the responsible unit for ethical management, responsible for systems formulation, control and supervision, and reporting on board meetings.
- Through the internal control and audit system, the compliance and implementation of the measures related to the ethical management of various units are reviewed on a regular basis.
- The corporate ethical management regulations are promoted, and relevant tests are conducted on a yearly basis. All employees are required to sign the statement of ethical business and Code of Conduct and take relevant training courses.
- Education and promotion: A series of training courses are designed to cover relevant contents including Code of Conduct and Ethical Corporate Management Best Practice Principles, along with promotion to employees via the e-learning platform and with relevant cases.
- All institutions have the personnel from the Organization and Talent Development department stationed to respond to inquiries from employees concerning the policies or practices of business ethics.

### External (Business Partners)

- Business partners are required to agree to abide by Chunghwa Telecom Supplier Sustainability/ ESG Guidelines and Code of Conduct.
- The execution of anti-corruption and policies of business ethics are assessed through the ESG Status Self-Assessment Form.
- SGS-Taiwan is commissioned to conduct the second-party audit on the compliance with relevant laws, regulations, and standards by contractors and suppliers on a regular basis to probe into the level of implementation.



### Companies Invested

- Due diligence is carried out, covering topics like human rights, anti-corruption, code of conduct, etc., and corrective measures are explained on a yearly basis.
- Policies in relation to the Code of Conduct and the Ethical Corporate Management Best Practice Principles of Chunghwa Telecom are promoted to subsidiaries and companies invested for a collective practice of the concepts.

Multiple communication channels, along with a specific whistleblower system, are in place for possible negative impacts (including business ethics) at Chunghwa Telecom. Pursuant to the relevant internal regulations, items as follows are faithfully executed:



Set up and announce the internal and external independent whistleblowing mailboxes and hotlines, keep the identity of and the content reported by whistleblower confidential, and allow anonymous whistleblowing.

- Internal:** The employee grievance hotline made available in the Employee Section on the EIP
- External:** Reporting channels disclosed on corporate websites. [🔗](#)



Appeal Review Committee has been established to handle appeals concerning discrimination and other inappropriate conducts. There are 5 members on the committee, including 3 female members, accounting for over a half of the seats.



**Negative Impact Remediation Procedures**

We have multiple communication channels in place to ensure that all stakeholders can express their opinions as well as file complaints and reports through various channels. All negative impacts are properly responded, handled, and remedied. Also, the mechanisms for communication, coordination, and response are strengthened on the basis of the feedbacks from stakeholders to ensure a better alignment with the needs of stakeholders.

- Operational issues: In response to major public opinions or events of material information, the information is promptly presented to the Headquarters for analysis upon reception thereof, which is forwarded to units pertaining to the events to perform fact check and provide materials. After a resolution adopted by the management, the decision to issue a press release, call a press conferences, release material information, or respond to the media is made in line with the actual needs to disclose information to the public.
- Consumer disputes: Consumer disputes may be submitted to the Telecommunications Consumer Mediation Center (<https://web.tcmc.tw/>) or referred to the window of telecom operators, so as to properly assist in the mediation of consumer disputes in a convenient and non-litigation manner.
- Labor-management relations: The chairman of the workers' union, for example, may attend the business report meeting, and senior managers are invited to participate in major labor-management consultation meetings to ensure a full communication between labor and management.

**Prevention of Corruption**

Chunghwa Telecom stand by the principle of zero tolerance for corruption. The Chunghwa Telecom Anti-Corruption and Anti-Money Laundering Policy has been stipulated to regulate all operations and business interactions. The subjects covered in the policy include board directors, employees, suppliers, etc. The Chief Administrative Officer, CAO serves as the person in charge, responsible for supervising and guiding on issues related to business ethics and corruption as well as regularly reporting the results of supervision to the Board of Directors. We track the progresses of and conduct risk assessments on the implementation of the Ethical Corporate Management Best Practice Principles and Anti-corruption policies on a regular basis, covering 100% of all our 28 institutions and operating sites. Also, no major corruption risks are identified based on the risk assessment.

We also demand stakeholders conducting business with Chunghwa Telecom, such as suppliers and contractors, to abide by ethical standards equivalent to that of the CHT employees. Besides, through the internal audit mechanism and the secure, rigorous, and confidential employee whistleblowing mechanism, we vigorously examine any possible illegal act of internal and external stakeholders. In 2022, a total of 74 complaints and reports were received, all of which were handled and closed in accordance with pertaining regulations.

There was no violation of corruption, bribery, discrimination, harassment, customer privacy or personal data, conflict of interest, money laundering, and insider trading specified in the Code of Conduct in 2022. A total of 6 other disciplinary cases were investigated and dealt with in accordance with operational regulations and handling principles, in order to guide the employees to act in accordance with the rules and regulations and to protect the discipline of the Company and shareholders' rights.

\* Chunghwa Telecom Anti-Corruption and Anti-Money Laundering Policy [↗](#)

**Transparent Information Disclosure**

The corporate governance of Chunghwa Telecom places great emphasis on integrity, accountability, and trustworthiness. We utilize a variety of means such as the corporate website, a Market Observation Post System, Annual Reports, ESG 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. As of the ninth Corporate Governance Evaluation in 2022, we were recognized as the top 5% for the eighth 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. In addition, The MSCI ESG rating was upgraded to AA in May 2023!

With regard to legal compliance disclosure, Chunghwa Telecom abides by the regulations in the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities." Any penalty by the competent authority or any other administrative action, or significant impact to finance or business, is deemed as a material incident (penalties and administrative actions included), which shall be disclosed on the "Market Observation Post System." In 2022, there was no material information concerning Chunghwa Telecom subject to penalties of competent authority or any other administrative action.

**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 [↗](#)

**Strengthen Business Management**

In order to enhance the quality of our business marketing, build consumer trust in the CHT's brand, and maintain a good reputation and corporate image, we have formulated the "Business Marketing Standards" to ensure that our business marketing is conducted in accordance with the regulations and requirements of the law and the competent authorities. As a result of our efforts to comply with these regulations, we have not been penalized by the Fair Trade Commission in 2022.

**Supporting Global ESG Initiatives and Guidelines**

We voluntarily follow the principles and norms of the United Nations Global Compact. In terms of human right, we respect and uphold all internationally recognized human rights and do not engage in any disregard or abuse of human rights; in terms of labor standards, we uphold the freedom of association of our employees, recognize and uphold the right to collective bargaining between employers and employees, strive to eliminate any form of labor misconduct, and eliminate discrimination in employment.

Chunghwa Telecom publicly discloses its human right policy and establishes a complaint and handling mechanism to continuously incorporate human right issues into the company's policies and management practices. Telecommunication Training Institute, Chunghwa Telecom offer special classes every year to provide lectures on human rights issues, and plans additional courses and training when labor-related laws and regulations are revised or policy issues are adjusted. 6 courses were held in 2022. The course hours were 16 in total with 276 person-times joined. The human rights introduction chapter will be included in the Next Generation Growth Camp. Additionally, in 2023, human rights-related issues will be incorporated as one of the topics in the ESG Sustainable Learning Map.

\* Chunghwa Telecom Human Right Policy [↗](#)





# ESG Management

Chunghwa Telecom introduced the CSR management mechanisms and established the "CSR Committee" in 2006. In 2021, the "CSR Committee" was restructured as the "Sustainable Development Committee" as the response to the trend of sustainable development. The CHT Chairman and the President serve as the Chairperson and Vice Chairperson of the Sustainable Development Committee, representing the Board of Directors in formulating and reviewing sustainable development strategies, policies, and goals. They also oversee the annual ESG performance and regularly report to the Board of Directors. Based on the guidance provided by the Board, appropriate actions, including ESG organizational adjustments, are taken.

Our vision for sustainable development is "Greening & Decarbonization, Digital & Empowerment, Integrity & Transparency." By integrating unique corporate resources and leveraging core competencies, Chunghwa Telecom plans and implements a comprehensive ESG action plan through four subcommittees under the ESG committee. With the spirit of "Always Ahead," we aim to stay at the forefront by developing and executing ESG initiatives in various aspects.

\* Sustainable Development Best-Practice Principles of Chunghwa Telecom Co., Ltd. [↗](#)

## ESG Target by 2030

### Environment



#### Targets and Strategies by 2030

**Strategy:** raising the efficiency of energy and developing renewable energy

**Target:**

1. 50% cut of carbon emissions compared to that of 2020
2. 100% renewable energy used in IDCs

#### Progress in 2022

**Target:**

1. 76,000 metric tons (9.6%) cut of carbon emissions compared to that of 2020
2. 18.84 million kWh (9.2%) renewable energy used in IDCs

### Society



#### Targets and Strategies by 2030

**Strategy:** Enhancement of gender equality consciousness, increase the proportion of female executives, establishment of education support ecosystem, creation of product marketing teams in the rural areas

**Target:**

1. Ratio of female managers (Section Chief or above) raised to 30%
2. Cumulative 22,000 individuals from the disadvantaged groups in the rural areas benefited from the digital empowerment
3. Cumulative 19,800 SMEs with digital environments or new business models established

#### Progress in 2022

**Target:**

1. Ratio of female managers raised to 21.5%
2. Cumulative 8,800 individuals from the disadvantaged groups in the rural areas benefited from the digital empowerment
3. Cumulative 29,000 SMEs with digital environments or new business models established

### Governance



#### Targets and Strategies by 2030

**Strategy:** Improvement of ESG rating level and linking ESG indicators to executive compensation

**Target:**

1. "AA" of MSCI ESG Ratings attained by 2025 ; "AAA" of MSCI ESG Ratings attained by 2030
2. 30% of the variable compensation

#### Progress in 2022

**Target:**

1. "A" of MSCI ESG Ratings attained
2. 10% of the variable executive compensation links ESG indicators

## Sustainable Development Committee

The "Chunghwa Telecom Sustainable Development Committee" was established for expanding sustainable benefits of our core competence and implementing ESG vision as a starting point to promote the sustainable development of the industry and society. The Committee convenes every half a year. Under the CHT Sustainable Development Committee, "Environmental Group", "Social Group 1", "Social Group 2", and "Governance Group", which are supervised by four SEVPs of the Headquarters. The President calls an inter-group meeting quarterly to regularly review ESG strategies and action plans, and to confirm the achievement of ESG goals and targets.

<b>Representative</b>	<b>Shui-Yi Kuo, Chairman</b>
<b>Mechanism</b>	Sustainable Development Committee is responsible for coordinating each plan and supervising the progress of the policies, systems and related management guidelines approved by the Board of Directors. It also quarterly reports the relevant issues, the results of communicating with stakeholders, results of sustainable development progress, and achievements of goals to the Board.
<b>Execution</b>	<ul style="list-style-type: none"> <li>• The Corporate Communications Department and Corporate Planning Department are designated as Secretariat. Externally, the Secretariat is responsible for the ESG Report and information disclosure, various ratings and awards, exhibition participation and media communication; internally, it coordinates inter-group cooperation, target management/review and tracking, and performance evaluation design.</li> <li>• ESG groups set the annual targets and Objective Key Results (OKRs) and promote and implement various sustainable development works together with business groups and the respective institutions.</li> <li>• The committee and interim ESG achievements are reported to the Board of Directors on a quarterly basis. The guidance and opinions provided by the directors on various issues are tracked by the Secretariat of BoD through meeting discussions, and the relevant departments are requested to report on the progress of implementation.</li> </ul>
<b>Meeting Frequency</b>	Once every half a year for Committee meeting; quarterly for the inter-group meeting; monthly for the group meeting
<b>Report Approval</b>	Reports are submitted to Chairman for review pursuant to the official document submission procedure and approval upon review by the SEVPs at the Headquarters.
<b>Execution Results in 2022</b>	<ol style="list-style-type: none"> <li>1. The GHG inventory across the entire value chain (Scope 1-3) in 2022 completed</li> <li>2. The internal carbon pricing system established</li> <li>3. The Science-based Targets (SBTs) submitted for review and the application to join RE100 filed</li> <li>4. Preferential childcare policies: ① childcare allowance for employee with child aged 6 or younger ② 1 work hour reduced per day for employee with child aged 3 or younger ③ early childhood education center at workplace</li> <li>5. The flexible working hour extended from 1 hour to 2 hours</li> <li>6. "Digital Empowerment Incubation Program" hand in hand with World Vision Taiwan and Microsoft Taiwan to plan for the children of disadvantaged families in Lanyu</li> <li>7. Linking ESG with 10% of the variable compensation of senior managers</li> <li>8. Issuance of sustainability bond worth NT\$3.5 billion</li> <li>9. "Senior Management ESG knowledge Courses" organized to deliver ESG education and training courses to senior managers</li> <li>10. A total of 46 employees enrolled in the "Corporate Sustainability Manager Certification Training Program" and certified</li> </ol>

Chairman Shui-Yi Kuo assumed office on May 5, 2023.



## Internalization and Communication of ESG

Chungghwa Telecom has employees all over in Taiwan. In order to ensure that all employees understand the spirit of corporate sustainability, implement it and provide timely feedback, we have established multiple communication channels within the Company to promote relevant issues, and combined with the performance evaluation mechanism. We have translated the concept of sustainability into action and implemented it in our daily operations.



Channel	Item	Content
Communication within Senior Management	Senior management meeting	Material ESG issues are discussed in the senior management meeting annually, and the resolution indicates our improvement and direction.
Communication with Employees	EIP Portal	An internal website/system is provided for employees to submit suggestions, innovative ideas, and other feedback to encourage employee participation. An employee platform is also established, which includes an open channel for complaints and whistleblowing, as well as communication channels for exchanging messages and information.

Channel	Item	Content
Employee Training	Environmental training	In 2022, 5G Plastic Free environmental education volunteer training was conducted in Taichung and Kaohsiung, aiming to promote the concept of environmental sustainability.
	ESG training	Every year, we implement education programs related to corporate sustainability, and follow international trends by hiring external consultants to teach courses and exchange thoughts.
	New employee training	New employees undergo digital pre-service training and the Growth Camp that include corporate values, personnel systems, work rules, and labor-management relationships.
	e-Learning	We post relevant training courses and information on the e-Learning system that can be downloaded and studied freely by the employees.
Annual Evaluation	Administrative sustainability performance	Including various sustainable development goals in the annual performance evaluation serves as the basis for assessing the effectiveness of unit-level promotion.
	Online quiz of ethics regulations	We conduct annual training and testing on the Code of Conduct, Ethical Corporate Management Best Practice Principles and the Prevention of Insider Trading.
	Report and appeal	Employees violate the Code of Conduct and Ethical Corporate Management Best Practice Principles will be dealt with in accordance with the Company's regulations.
Others	ESG Report workshop	Internal training on new ways of preparing reports is held from time to time to enhance employees' awareness of ESG trends.
	Official website and social media	Set up "Sustainability/ESG" section on the official website and Chungghwa Telecom's YouTube channel and set up a FB fanpage.

