

# 3 | Material Topics And Impacts



Assessing the impact of material ESG issues is a crucial step to ensure Chunghwa Telecom's robust progress on the path to sustainability. This process not only aids in identifying and addressing potential risks but also uncovers opportunities for promoting long-term development across economic, social, and environmental dimensions.

Process for Determining Material Topics ..... p.28  
 2023 Material Topics ..... p.30

The SDGs CHT contributes to in this chapter



# Process for Determining Material Topics

## Steps for Determining Material ESG Topics



STEP 1

### Ongoing Collection / Identification of Sustainability Topics

Information on international trends in sustainability/ ESG topics, disclosure frameworks/standards (e.g., GRI Standards, TCFD, and SASB), sustainability ratings (e.g. DJSI and MSCI), international benchmarks, and the relevant ESG news concerning Chunghwa Telecom in 2023 are collected in an ongoing manner. In line with the Company's short-, medium-, and long-term ESG goals, topics under different aspects are identified, and relevant information is collected.



STEP 2

### Materiality Evaluation

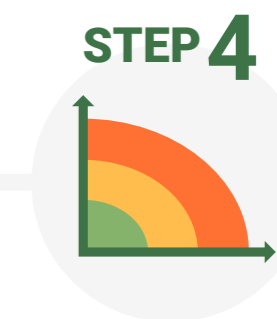
Feedback from external stakeholder assessments is integrated. The actual and potential impacts of topics under the various ESG aspects are determined by different ESG groups via questionnaires and interviews according to the double materiality principle, followed by an assessment of the materiality of each topic.



STEP 3

### Prioritizing

After the materiality assessment, the ESG groups conduct the final analysis and discussion of the topics on the basis of internal considerations, practices in the industry, and benchmarks, along with the opinions of external stakeholders. A "significance threshold" is set for prioritization of the topics based on actual and potential impacts, after which the annual ESG Materiality Matrix is mapped out.



STEP 4

### Result Confirmation / Materiality Matrix

After the ESG groups agree on the ESG Materiality Matrix for the year, it is submitted to the Sustainable Development and Strategy Committee (composed of the top ESG supervisors and a representative of the Board of Directors) for review and sign-off to verify the results of the material ESG topic identification for the year, which serves as a crucial reference for the disclosures in the annual ESG Report/action plan.

## Materiality Assessment – External Stakeholder Engagement Process

A variety of communication and engagement interfaces are in place at Chunghwa Telecom. Different types of external stakeholders, such as competent government authorities, academia, non-profit organizations, consumers, and suppliers are invited to jointly identify and assess ESG topics and offer their valuable opinions to further broaden the field of view for ESG topic determination. The engagement channels include:

1



#### Material topic survey on the corporate website:

The "Material Topic" page was set up in the ESG section of the corporate website to invite external stakeholders to participate in the identification and assessment of ESG topics and provide their views and recommendations.

2



#### Stakeholder forums:

In-depth discussion and understanding of ESG topics are facilitated through the organization of and participation in ESG-themed forums/seminars.

3



#### Interviews and questionnaires:

The opinions and recommendations of external stakeholders are collected via interviews and questionnaires at various activities/conferences to help us form a better understanding of how certain ESG topics may impact our operations.

4



#### Community engagement:

To increase the scope and depth of discussion, we invite external stakeholders via social media to put forward their opinions and recommendations on ESG topics.

5



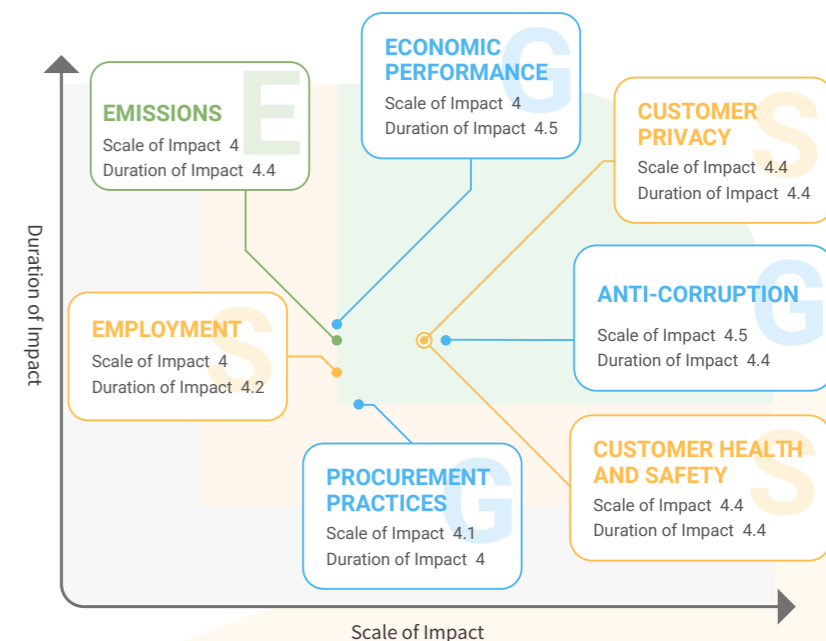
#### Communication and Grievance Channels:

We provide a variety of platforms and channels, such as online forms, mailboxes, and telephone hotlines, for external stakeholders who wish to raise concerns, offer suggestions, or file complaints about our ESG efforts. To ensure that stakeholders' voices are heard, we carefully review and respond to every comment and strive to respond to each one promptly.

# 2023 Material Topics

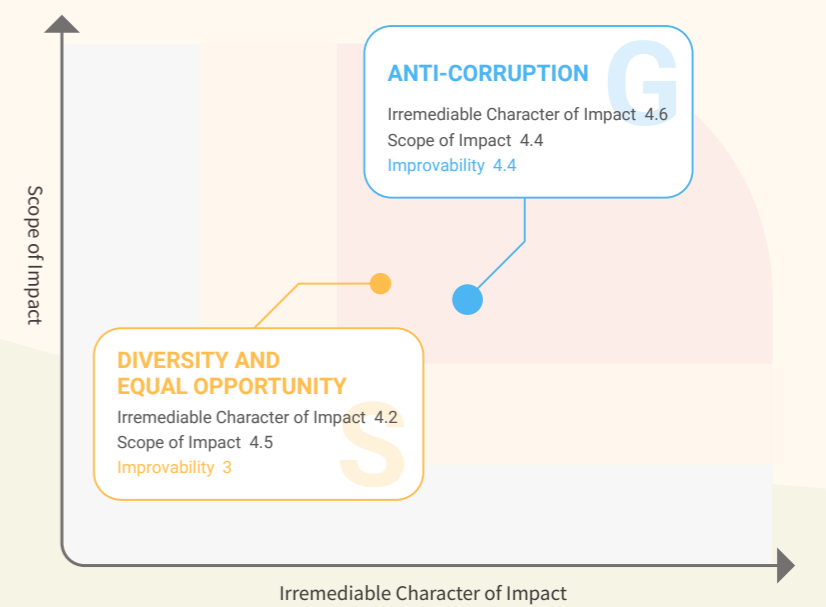
## Actual Positive

ESG Aspect	Material Topics	Double Materiality		Cause of the Impact	Target of the Impact	Corresponding GRI Topics
		Impact on the Operations and Businesses	Impact on the Environment, Society, and People			
E	Carbon Emission Reduction and Climate Adaptation	High carbon fees (taxes) are levied due to ineffective carbon emission reductions, increasing direct/indirect operating costs and potentially reducing climate resilience and adaptive capacity.	Failure to effectively promote climate transition actions and reduce carbon emissions hinders achieving net-zero emissions, impacts low-carbon development in the ICT industry, diminishes competitiveness, and negatively affects climate change.	Business Activities Products and Services Business Relationships	CHT, All Suppliers	Emissions
	Building a Happy Workplace	A welcoming, positive workplace encourages employees to be more creative and proactive, which leads to increased work efficiency and talent retention for greater long-term corporate growth.	A positive brand image can improve community relations and is conducive to the stability and development of society.	Business Activities Products and Services	Employees	Employment
S	Customer Trust	To ensure regulatory compliance and protect our brand image, we are actively developing sustainable low-carbon products and services, and we regularly review health and safety regulations and organize corresponding internal training.	To safeguard the rights and interests of consumers, we formulated a comprehensive product health and safety evaluation system (which includes electromagnetic compatibility tests) to ensure that all products are properly labeled.	Business Activities	Customers	Customer Health and Safety
	Cybersecurity and Privacy Protection	Establish well-rounded cybersecurity management systems and mechanisms, and conduct regular audits and exercises, to ensure that customer privacy is secure and free from violation, elevating the corporate reputation.	Provide high-quality cybersecurity services and technical support, effectively expand and communicate correct cybersecurity concepts and technical services and assist industries and the general populace to effectively manage and control cybersecurity risks.	Business Activities Products and Services Business Relationships	Customers	Customer Privacy
G	Value of Innovation in Corporate Operations	Innovation in operations leads to the development of exciting new products and services, which in turn helps us achieve economy of scale, improve profitability, and expand our market share.	Innovation can diversify our product and service lineup, creating more jobs and spurring local economic growth. Innovative technologies and solutions can also reduce energy intensity and carbon emissions.	Business Activities Products and Services Business Relationships	Shareholders, Employees	Economic Performance
	5G Application and Industry Ecosystem	A significant portion of procurement is local, fostering strong community relations, ensuring supply integrity, and enhancing financial and economic stability, which benefits the industrial ecosystem.	This approach indirectly promotes regional economic development through supply chain activities, attracting investments and increasing job opportunities.	Business Activities Products and Services Business Relationships	All Suppliers	Procurement Practices
	Integrity in Corporate Governance	Consider anti-corruption risk as an overall risk of the Company for an effective assessment and management to minimize possible litigation and operational risks arising from corruption.	Establish complete anti-corruption policies and procedures to effectively manage corruption risks in the supply chain, reduce unethical business conduct in the industry, and elevate good social ethos.	Business Activities Business Relationships	Employees, All Suppliers	Anti-corruption



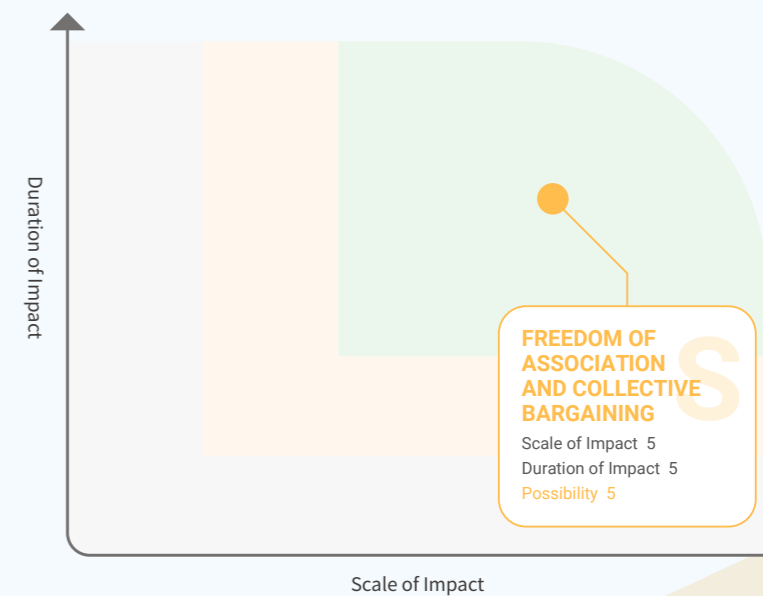
## Actual Negative

ESG Aspect	Material Topics	Double Materiality		Cause of the Impact	Target of the Impact	Corresponding GRI Topics
		Impact on the Operations and Businesses	Impact on the Environment, Society, and People			
S	Diverse and Inclusive Workplace	The rising average age of the organization and excessive homogeneity, failure to incorporate representatives of diverse groups, and inability to think outside the box hinder innovation and development, which impede the development of emerging industries and services.	The lack of diversified employment mechanism renders inability to provide ample job opportunities for diverse talents, obstacles for young talents to enter the job market, and impacts on the innovation, creativity, and entrepreneurship in the ICT industry, affecting the overall economic development of the industry.	Business Activities Products and Services Business Relationships	Employees	Diversity and Equal Opportunity
G	Integrity in Corporate Governance	Corruption and bribery can result in lower efficiency, unfair business practices, and regulatory fines, which can negatively impact share prices and investor confidence.	Corruption and bribery jeopardize the trust that the general public places in the Company, raise doubts over business integrity and resource allocation, and negatively impact economic development.	Business Activities Business Relationships	Employees, All Suppliers	Anti-corruption



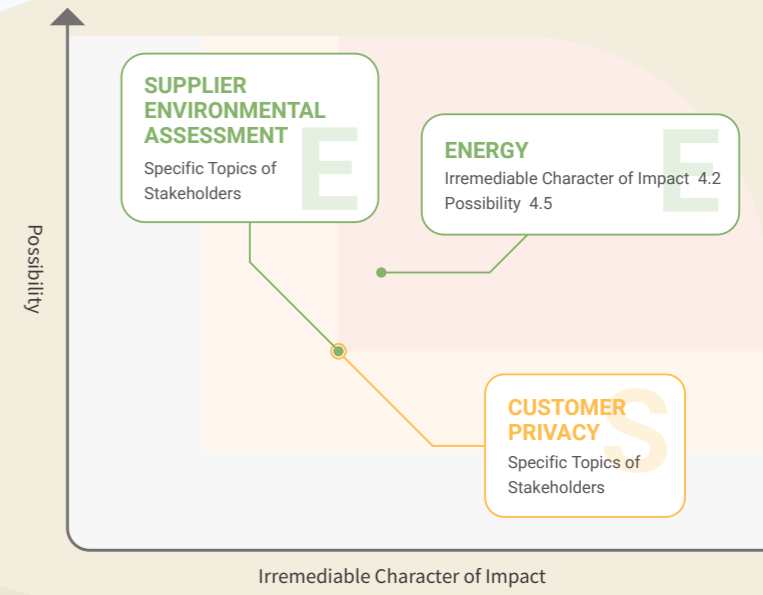
Potential Positive

ESG Aspect	Material Topics	Double Materiality		Cause of the Impact	Target of the Impact	Corresponding GRI Topics
		Impact on the Operations and Businesses	Impact on the Environment, Society, and People			
S	Safeguarding Human Rights	Human rights protection measures can enhance employee trust and loyalty as well as the Company's reputation and image among external stakeholders, allowing it to attract outstanding talent.	An active stance on labor rights can improve labor relations, prevent losses in productivity attributed to labor strikes and demonstrations, and in turn, maintain stability in society.	Business Activities Products and Services	Employees	Freedom of Association and Collective Bargaining





Potential Negative

ESG Aspect	Material Topics	Double Materiality		Cause of the Impact	Target of the Impact	Corresponding GRI Topics
		Impact on the Operations and Businesses	Impact on the Environment, Society, and People			
E	Net Zero Transformation and Green Energy	Net zero transformation and green energy both require considerable capital investment and are highly contingent on changing market needs and regulatory requirements. Costs associated with such initiatives could threaten the Company's profitability.	Individuals whose income depends upon traditional forms of energy may be impacted financially. The installation of renewable energy facilities may come at the cost of valuable farmland, impacting the livelihoods of local farmers.	Business Activities	CHT, All Suppliers	Energy
	Sustainable Supply Chain Management	Plan and institute the complete supplier sustainability management plan to assess and identify the environmental and sustainability risks of suppliers on a regular basis, improve their competencies, and reduce the risk of violation of the laws by the Company via a well-rounded ESG assessment and audit mechanism.	A complete sustainable supply chain management plan to regularly assess the ESG risks of suppliers and work with suppliers with excellent ESG performance to effectively reduce the environmental impacts from suppliers' operations and drive the improvement of ESG competencies in the industry.	Stakeholder Designated Topics	Significant Suppliers	Supplier Environmental Assessment
S	Cybersecurity and Privacy Protection	Leaks or improper use of personal data may lead to regulatory fines, damage to the brand image, and loss of customer trust. In addition, compliance with personal data protection regulations requires considerable time and resources.	Leaks or improper use of personal data threatens the trust that the general public places in the Company threatens people's privacy, and can lead to identity theft and fraud.	Stakeholder Designated Topics	Customers	Customer Privacy



Note: Material topics additions and revisions for 2023: 3 new topics "Economic Performance, Energy, and Employment", and 1 topic "Market Presence" was deleted.

## Management Procedure

ESG Aspect	Material Topics	Policy/Commitment	Verification and Tracking Mechanisms	ESG Goal	Progress in 2023
 <p>E</p>	Energy		<ul style="list-style-type: none"> <li>Responsible/grievance unit: Environmental Division under the Sustainable Development and Strategy Committee</li> <li>Renewable energy risk included in the scope of the Risk Management Committee's monthly reviews and annual Board reports</li> <li>Carbon Disclosure Project (CDP) and climate change surveys</li> </ul>	100% use of renewable energy by 2040	<b>73,575</b> MWh of renewable energy used ( <b>5.16%</b> of all energy used)
	Emissions	Establish a systematic and organized corporate governance structure through the Sustainable Development Committee and the Risk Management Committee combined with the existing internal control and risk management mechanism, with reporting to the Board of Directors quarterly to ensure that the Board of Directors is kept updated on climate change topics.	<ul style="list-style-type: none"> <li>Responsible/Grievance Unit: Environmental Group under the Sustainable Development Committee</li> <li>Internal carbon pricing system</li> <li>TCFD Conformity Checks</li> <li>Public commitments by major suppliers to CHT's net-zero goal</li> <li>ISO 14064-1 Greenhouse Gas Verification</li> <li>CDP questionnaire</li> <li>Science-based Targets Initiative</li> </ul>	<ul style="list-style-type: none"> <li>2030: 50% carbon reduction over base year of 2020</li> <li>2050: Net Zero Emissions</li> </ul>	Carbon emissions reduced by <b>0.1259</b> million tons ( <b>15.94%</b> ) over the base year of 2020
	Supplier Environmental Assessment	All bidders are required to fill in the "Supplier ESG Status Self-Assessment Form," which covers corporate ethics, labor rights, environmental management, and occupational health and safety; suppliers are specifically required to abide by the Chunghwa Telecom Company, Ltd. Supplier Code of Conduct in the procurement contract.	<ul style="list-style-type: none"> <li>Responsible/Grievance Unit: Supply Department</li> <li>CDP Supply Chain Program</li> <li>Second-party audits</li> <li>Sustainability Partner Rating System</li> </ul>	<ul style="list-style-type: none"> <li>100% completion of tier-1 suppliers' ESG compliance reviews</li> <li>100% completion of significant tier-1 suppliers' ESG compliance reviews and on-site inspections by 2025.</li> </ul>	<ul style="list-style-type: none"> <li><b>100%</b> completion rate of the supplier ESG survey</li> <li><b>90%</b> completion rate of supplier ESG reviews and on-site inspections</li> </ul>
 <p>S</p>	Employment	Employees are the most crucial asset of a company. To foster better labor relations and improve employee welfare, we sign an official labor contract with every employee we hire. Furthermore, we are committed to creating a safe and healthy workplace that offers a wide range of employee benefits.	<ul style="list-style-type: none"> <li>Responsible/Grievance Unit: Organization and Talent Development Department</li> <li>Labor contracts with new hires</li> <li>Streamlined grievance channels and speedy handling of employee complaints</li> </ul>	<ul style="list-style-type: none"> <li>100% labor contract coverage rate among new hires</li> <li>Complaints processed in accordance with regulations</li> </ul>	<ul style="list-style-type: none"> <li><b>100%</b> labor contract coverage rate among new hires</li> <li><b>70</b> complaints received and handled in a timely manner</li> </ul>
	Diversity and Equal Opportunity	Chunghwa Telecom is committed to gender equality and diversity and attaches great importance to fair pay and promotion opportunities, ensuring that employees are not subject to discrimination, harassment, or unfair treatment due to ethnicity, gender, religion, age, political leanings, or any other attribute protected by applicable laws and regulations.	<ul style="list-style-type: none"> <li>Responsible/Grievance Unit: Organization and Talent Development Department</li> <li>Labor-management conference</li> <li>Appeals Review Committee to handle matters of discrimination, harassment, or unfair treatment</li> <li>A labor union representative holds a seat as a labor director on the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of Women Balance Power Program</li> <li>More than 50% of members on the Appeals Review Committee are women</li> </ul>	<ul style="list-style-type: none"> <li>More than <b>30%</b> employees receiving transfer training are women</li> <li>Employees with disabilities: <b>3.19</b> times higher than the statutory standard</li> </ul>
	Freedom of Association and Collective Bargaining	We sign collective agreements with the Chunghwa Telecom Workers' Union to safeguard labor rights. A labor representative also serves on the Board to ensure that employees' voices are heard.	<ul style="list-style-type: none"> <li>Responsible/Grievance Unit: Organization and Talent Development Department</li> <li>Periodic employer-employee meetings and negotiations</li> <li>Encouraging employees to join the union</li> </ul>	Bimonthly employer-employee meetings	<ul style="list-style-type: none"> <li><b>7</b> nation-wide employer-employee meetings and <b>10</b> informal meetings</li> <li><b>99%</b> of employees covered by collective agreements</li> </ul>
	Customer Health and Safety	Regarding potential impacts on human health and safety from our services, we strictly adhere to the electromagnetic wave safety standards required by the National Communications Commission (NCC) when installing mobile communication systems and undertaking electromagnetic radiation testing in compliance with relevant laws and regulations to resolve doubts over possible impacts.	<ul style="list-style-type: none"> <li>Electromagnetic radiation testing service: +886 800 580 010</li> <li>Regulations for Administration of Base Stations of Mobile Communications Network Businesses</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with the recommended non-ionizing radiation exposure limits for the general public in non-occupational environments</li> <li>Specific absorption rate (SAR) in line with NCC standards</li> </ul>	No noncompliance reported
	Customer Privacy	Our Privacy Policy that applies to all Business Groups, operating sites, subsidiaries, and suppliers has been stipulated. We have established the "Cybersecurity and Privacy Protection Steering Committee". A SEVP is appointed by the Chairman as CISO to exercise security management and protection measures for personal data and privacy. We ensure that we are meeting our commitment to our zero-tolerance goal via regular meetings and third-party verification.	<ul style="list-style-type: none"> <li>Responsible/Grievance unit: Chief Information Security Officer (CISO)</li> <li>Information security and personal data risks included in the scope of the Risk Management Committee's monthly reviews and annual Board reports</li> <li>Annual third-party conformity verification for Privacy Policy</li> <li>International management system certification and audits</li> <li>Performance reviews and rewards/penalties: Cybersecurity and privacy protection included as part of the performance review for all employees</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining 0 incidents involving major cybersecurity or personal data breaches</li> <li>Maintaining validity of certificates</li> </ul>	No incident of personal data breaches
 <p>G</p>	Economic Performance	We provide competitive compensation and benefits exceeding industry standards. Leveraging our ICT expertise, we aim to reduce the digital divide, create digital opportunities, and promote universal service infrastructure through social initiatives. We also publish annual TCFD reports, conduct third-party audits, and disclose climate-related risks and opportunities to stakeholders.	<ul style="list-style-type: none"> <li>Annual universal service performance review</li> <li>TCFD Conformity Check</li> <li>Donations to the Chunghwa Telecom Foundation</li> <li>Human Capital ROI</li> </ul>	<ul style="list-style-type: none"> <li>100% policy compliance</li> <li>Annual TCFD reports</li> <li>100% investment in maintenance and operation of Digital Good Neighbors program</li> <li>ROI &gt; 2</li> </ul>	<ul style="list-style-type: none"> <li>Universal service: NT\$<b>595,968</b> thousand</li> <li>Certification to the highest grade of TCFD Conformity Check for <b>4</b> consecutive years</li> <li>The Digital Good Neighbors were located in <b>89</b> places</li> <li>ROI reaches <b>2.02</b></li> </ul>
	Procurement Practices	Exercise green procurement. Green products with green labels (low in pollution, recyclable, resource efficient, or green building materials), self-declared, or with lower environmental impacts throughout their lifecycles (from resource procurement to disposal) are prioritized for procurement, along with active participation in green procurement initiatives and campaigns. We commit to a "local procurement" strategy, sourcing professional network equipment internationally only when necessary, and actively promoting local procurement to boost Taiwan's economic development.	<ul style="list-style-type: none"> <li>Responsible / Grievance Unit: Supply Department</li> <li>ISO 20400 Sustainable Procurement - Guidance as the reference</li> </ul>	<ul style="list-style-type: none"> <li>2035: The green procurement amount accounting for over 50% of total procurement</li> <li>Annually, local procurement exceeds 90%.</li> </ul>	<ul style="list-style-type: none"> <li>Green procurement amount in the total procurement: <b>29.39%</b></li> <li>Local procurement accounts for <b>96%</b> of the total procurement value.</li> </ul>
	Anti-corruption	To strengthen ethical management, the Ethical Corporate Management Best Practice Principles and Code of Conduct have been established to require the highest business ethical standards; the anti-corruption, anti-bribery and anti-money Laundering policy upholds the principle of zero tolerance of corrupt activities and specifies clear guidelines to combat corruption and anti-bribery, to regulate all business interactions.	<ul style="list-style-type: none"> <li>Responsible/Grievance Unit: Organization and Talent Development Department</li> <li>Reward/Penalty system: ethical management policy integrated into employee performance appraisals and human resources policy</li> <li>"Code of Conduct" undergoes annual third-party conformity verification</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining zero corruption</li> <li>Obtaining Certificate of Conformity (ongoing) with independent verification by SGS-Taiwan for Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>Zero incidents of involving corruption</li> <li>Statement of CoC Conformity for "Code of Conduct" from SGS-Taiwan for <b>5</b> consecutive years</li> </ul>