

Chunghwa Telecom Co., Ltd.

Board Performance Evaluation Report for 2019

1. Basis: The Company's regulations governing the performance evaluation of the board of directors
2. Evaluation cycle and period
 - (1). Internal evaluation: The board performance self-evaluation scope covers the board as a whole, individual directors and functional committees, and shall be conducted by the end of each year.
 - (2). External evaluation: The board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years.
3. Evaluation indexes
 - (1). In 2019, the Company conducted board performance self-evaluation of individual directors which includes the following six aspects: Alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
 - (2). Performance self-evaluation by functional committees includes the following five aspects: Participation in the operation of the Company, awareness of the duties of the functional committee, improvement of quality of the decision made by the functional committee, the makeup of the functional committee and the election of its members, and internal control.
4. Evaluation procedure
 - (1). For internal board performance evaluation, the administrative unit shall collect information about the activities of individual directors and functional committees before December 31st, every year and distribute questionnaires to directors to fill in.
 - (2). The administrative unit shall collect all the questionnaires completed, give scores, record the evaluation results in a report, and submit the report to the board before the end of March of the following year as a reference for discussion and improvement.
5. Evaluation results
 - (1). Internal evaluation: Individual directors and functional committees are all well-functioning and are in compliance with the requirements of corporate governance. Each committee has performed its duties and effectively enhance the powers of the board of directors.
 - i. Questionnaire of self-evaluation of the performance of individual directors: with totaling

25 indexes included in six aspects, the average score in each aspect is between 4.4~5 points out of 5 points.

| Aspects of Evaluation | Average score |
|---|---------------|
| | The year 2018 |
| Alignment of the goals and missions of the Company | 5 |
| Awareness of the duties of a director | 5 |
| Participation in the operation of the Company | 4.4 |
| Management of internal relationship and communication | 5 |
| The director's professionalism and continuing education | 4.9 |
| Internal control | 5 |

- ii. Questionnaire of self-evaluation of the performance of the functional committees: Five aspects of totaling 15, 17, 21 indexes were evaluated separately in three different functional committees. Other than the aspect of "Participation in the operation of the Company" evaluated in the Strategy Committee scored by 3 points and another aspect "Awareness of the duties of the functional committee" evaluated in the Compensation Committee scored by 4.7 points, all the other aspects scored 5 points.

| Functional Committee | Audit Committee | Compensation Committee | Strategy Committee |
|--|-----------------|------------------------|--------------------|
| Aspects of Evaluation | | | |
| Participation in the operation of the Company | 5 | 5 | 3 |
| Improvement of quality of decisions made by the functional committee | 5 | 5 | 5 |
| Awareness of the duties of the functional committee | 5 | 4.7 | 5 |
| The makeup of the functional committee and the election of its members | 5 | 5 | 5 |
| Internal control | 5 | | |

- iii. The above results of the performance evaluation, indexes to be improved and

improvement suggestions have been reported at the 6th meeting of the 9th term board of directors.

(2). External evaluation:

i. Board performance evaluation by an external professional independent institution

The Company commissioned the Taiwan Corporate Governance Association to conduct board performance evaluation, which included 38 indexes in 8 aspects: the composition of board directors, guidance, delegation, supervision, communication, internal control and risk management, self-discipline of the board and other supporting system of the board. The evaluation was executed by on-line survey and on-site visit.

The Taiwan Corporate Governance Association appointed three independent commissioners and two specialists to form an evaluation panel to review the operations of the board and its functional committees. With the guidance from the evaluation panel and exchanges in between, came out with an objective analysis report, which could be used as a reference to enhance the Company's board functions.

ii. Comments by the external professional independent institution

➤ Overall comments

A. The Company consists of 13 board members, in addition to the telecommunications, directors' expertise covers business, legal, finance, administration, and ICT, etc. To respond to the transformation strategy, the selection of independent directors is to acquire domestic leaders in the areas of artificial intelligence, mergers and acquisitions, the Internet and the protection of personal information at this stage. Overall, the composition of the board of directors is diverse and in line with the Company's strategic needs.

B. In addition to regular meetings, the Company takes advantage of its internal activities such as the farewell and welcome dinners for former and new directors, year-end parties, foresight workshop, and strategic consensus camp, to strengthen the interaction between directors and the management teams. The Company also prepares office for directors and thus forming a good culture of board meetings.

C. In response to changes in the external environment, the Strategy Committee has revised its organizational regulations, increased the number of board members assigned to the Strategy Committee, included external directors, and emphasized on the discussions of the special projects. The Compensation Committee is concerned about the need to modify and compare peer standards to the Company's remuneration structure with the appointment of external experts. The Audit Committee cares about the operational risks, attaches importance to professional audit, and investigates the increase in the risk of special tenders, thus significantly reducing the risk of bad debts in projects. To sum up, the functional

committees are functioning well and keep pace with the times, fully strengthening the operational effectiveness of the board of directors.

- D. To strengthen the quality and efficiency of decision-making, the Company has set up the Strategy Committee to handle important issues related to the Company's development, such as mid to long-term development plans, major investments, mergers and acquisitions, and significant organizational adjustments. The Strategy Committee meets at least once a quarter, and the conclusions of the meeting shall be reported to the board if necessary. Recently, external directors have been introduced and focused on issues such as strategic transformation and new venture mergers and acquisitions, which have been extremely helpful in the formation of the Company's mid and long-term development strategy.
 - E. The Company has begun promoting a senior executive development plan since 2016, checking the number of its senior managers who will retire over the next five years and initiated succession plans at an early stage. In August 2018, through the performance management regulations apply to senior managers, the chairman and president's interview mechanism with senior managers, the establishment of senior managers mentor mechanisms, as well as the Human Resource Department to draw up a senior manager training plan, and the chairman convenes midterm and year-end development review meeting. The thinking and mechanism in nurturing senior managers are extremely complete.
- Recommendations:
- A. The Company's orientation symposium provided to the new directors based on their individual needs should be set up by an appropriate written system to assist directors in their rapid understanding of the Company's business and the operating models of the board to perform their director's supervisory functions.
 - B. The Company's management team shall report relevant information of stakeholders to the board, so that the board of directors can fully grasp the dynamics of the stakeholders as a reference to the board's decision-making.
 - C. The Company's Risk Management Committee should review the implementation of various risk management operations of the Company and report regularly to the board, so that members of the board can be informed of the Company's risk management dynamics and respond accordingly in a timely manner.
- Approaches for improvement
- A. In the future, if the board is re-elected, the Company will organize an "orientation business symposium", invites the Company's business groups and important departments to report to the director so that the directors can quickly grasp the Company's business, key issues and understand the operation model of the board

of the Company. If the major shareholder re-appoints its legal representative, the Company will also provide materials of the orientation business symposium for the reference of new directors.

- B. The Company has begun to incorporate the results of stakeholders' engagement into the board meeting agenda items since the 3rd meeting of the 9th term board of directors. Going forward, the said results will be surveyed every quarter and included in the meeting materials.
- C. The Risk Management Committee of the Company will regularly review and inform all the operational risks and discuss their countermeasure, then report to the board when necessary.