

# 2019 Chunghwa Telecom CEO and Senior Manager Compensation Report

## I. Performance evaluation and compensation mechanism for the CEO and Senior managers of Chunghwa Telecom

The compensations for the CEO and Senior Manager of Chunghwa Telecom are subject to the regular evaluation and stipulation by the Compensation Committee, followed by submission to the Board, which shall come into force upon the approval by the Board.

### (1) CEO's Compensation Indicators

The compensation for the CEO and Senior Manager is in positive correlation with the corporate performances, which is divided into the fixed compensation and variable compensation. The compensation indicators include financial and comprehensive management indicators listed in the following table:

Financial indicators	The turnover, ROE, EPS, ROA as well as the total assets of the corporation and owners' equity
Comprehensive management indicators	The indicators pertaining to the mid-/long-term management policies and CSR of CHT: (1) risk management; (2) code of ethical conduct; (3) information/cyber security; (4) climate change; (5) inventory and engagement of stakeholders; and (6) social participation

To incentivize the long-term performances of senior managers and outstanding key professionals, Chunghwa Telecom took reference from the international trend in corporate governance and offers long-term rewards. Both the performance period and deferred period are one year, so that the compensations of managers are in high correlation with the management performances.

### Clawback Mechanism

The bonuses and compensation for senior managers of Chunghwa Telecom are disbursed in cash. To ensure the sustainability and ethical operation of the enterprise, in the event of a major risk incident that brings impact to the corporate goodwill or major failure in internal control, Article 12 of the Standards Governing the Administrative Rewards and Discipline of Chunghwa Telecom Personnel stipulates that in the event of any malpractice carried out by any employee, CEO included, the reward(s) approved for such employee is to be revoked upon disciplinary actions as the collected prize amount shall be clawed back in accordance with pertaining regulations.

### (2) Shareholding by the CEO and Senior Managers

Considering the international trend in corporate governance, Chunghwa Telecom encourages the management team and employees to hold shares of the enterprise. Apart from sharing of the management outcomes, it also benefits the sustainable development of the enterprise. The biggest shareholder of CHT is the Ministry of Transportation and Communications (MOTC), R.O.C. Of all the

Directors of Chunghwa Telecom, except for the Independent Directors, the rest are legal representatives of MOTC. The minimum shareholding requirement is 35.29%. The shareholding is comparable to the ratio of the annual compensation.

<b>Position</b>	<b>Multiple of base salary</b>
CEO	72,424
Executive Committee Members	144,378

### **(3) Considerations for the Performance and Compensation of Senior Managers**

The performance evaluation of senior managers of Chunghwa Telecom is linked with “corporate performance”, “departmental performance”, and “individual performance of manager” in accordance with “Directions Governing Performances of Senior Managers of Chunghwa Telecom”. Also, the sustainability indicators hooked with the variable compensation include (1) risk management; (2) code of ethical conduct; (3) information/cyber security; (4) climate change; (5) inventory and engagement of stakeholders; and (6) social participation. In addition, other exceptional contribution or major negative incidents are taken into consideration for the performance evaluation and compensation disbursement as well.