

Chunghwa Telecom Co., Ltd. Risk Management Regulations

Approved at the 16th meeting of the 4th Board of Directors on October 31, 2006

Amended at the 17th meeting of the 6th Board of Directors on August 29, 2012

Amended at the 7th extraordinary meeting of the 9th Board of Directors on December 23, 2021

Amended at the 7th meeting of the 10th Board of Directors on August 9, 2023

Article I <Policy and Objectives>

The company's risk management policy integrates with the company's overall strategy, proactively identifies risks, implements risk management, links key performance indicators, continuously monitors and improves actions, towards sustainable development.

To strengthen corporate governance and implement the Company's risk management policy in a manner that reasonably ensures the achievement of corporate objectives, these guidelines have been established with reference to the "Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies" and the "COSO Enterprise Risk Management — Integrating with Strategy and Performance (2017 Edition)".

Article II <Scope>

These guidelines apply to the risk management activities of all departments and functions within the Company. The scope encompasses various risks that may affect the achievement of the Company's objectives across four major dimensions: strategy, operations, reporting, and compliance.

Article III <Definition of Terms>

- Event: An occurrence that may affect the achievement of the Company's objectives.
- Opportunity: A favorable event that may positively influence the achievement of the Company's objectives.
- Risk: An unfavorable event that may negatively impact the achievement of the Company's objectives.
- Risk Appetite: The level and type of risk the Company is willing to accept in pursuit of its objectives.
- Risk Management: The process of formulating strategies, identifying and managing risk events to ensure they remain within controllable levels and do not exceed the Company's risk appetite, thereby reasonably ensuring the achievement of corporate objectives.
- Event Identification: The process of analyzing the Company's operating environment to determine what events might occur, why they might occur, and how they might occur.
- Risk Assessment: The process of evaluating the likelihood and potential impact of risk events using available information to determine the level of risk. Based on the assessed risk level and with reference to the established risk appetite or acceptable risk thresholds, risk prioritization is established.
- Risk Response: The evaluation, planning, and execution of response strategies to address identified risks.

Article IV <Risk Management Organizational Structure and Responsibilities>

The Board of Directors serves as the highest governing body for risk management within the Company. A Risk Management Committee, reporting directly to the Board, is established to supervise the operation of relevant risk management mechanisms.

Additionally, a Risk Management Steering Committee is formed to facilitate cross-departmental communication and coordination, ensuring the effective implementation of risk management policies, addressing key risk issues, and overseeing risk management operations. Regular reports are submitted to both the Board of Directors and the Risk Management Committee.

The Company's risk management authorities and responsibilities are illustrated in the attached diagram. The responsibilities of each relevant entity are as follows:

- I. Board of Directors:
 1. Approve the Company's risk management policies, procedures, and organizational framework.
 2. Ensure alignment between the Company's business strategy and risk management policy.
 3. Ensure the establishment of an appropriate risk management mechanism and culture.
 4. Supervise and ensure the effective operation of the overall risk management system.
- II. Risk Management Committee:
 1. Review the risk management policies, procedures, and framework, and periodically assess their applicability and effectiveness.
 2. Approve the Company's risk appetite (tolerance level) and guide resource allocation accordingly.
 3. Ensure that the risk management mechanism adequately addresses the risks faced by the Company and is integrated into daily business operations.
 4. Approve the prioritization and classification of risk controls based on risk levels.
 5. Review the implementation status of risk management activities, provide recommendations for necessary improvements, and report to the Board of Directors on a regular basis (at least once per year).
 6. Execute risk management decisions made by the Board of Directors
- III. Secretariat of the Risk Management Committee:
 1. Provide regular risk management reports to the Risk Management Committee.
 2. Organize and coordinate committee meetings.
 3. Prepare meeting minutes and follow up on resolution implementation.
- IV. Risk Management Steering Committee:
 1. Formulate risk management policies, procedures, and organizational framework.
 2. Formulate the Company's risk appetite (tolerance level) and establish qualitative and quantitative measurement standards.
 3. Analyze and identify sources and categories of corporate risk, and periodically review their relevance.
 4. Compile and submit reports on the Company's risk management implementation at regular intervals (at least once per year).
 5. Assist and supervise the execution of risk management activities by various departments.
 6. Coordinate cross-departmental interaction and communication related to risk management operations.

7. Execute the risk management decisions made by the Risk Management Committee.
 8. Plan risk management-related training programs to enhance overall risk awareness and foster a risk-conscious corporate culture.
- V. Executive Secretariat of the Risk Management Steering Committee:
1. Assist the Risk Management Steering Committee in advancing the risk management mechanism and enhancing operational practices.
 2. Consolidate and report the overall results of risk management implementation to the Risk Management Steering Committee.
- VI. Risk Management Control Unit:
1. Consolidate the results of risk management activities conducted by subordinate units.
 2. Assist and supervise subordinate units in carrying out risk management activities.
 3. Determine risk categories in response to environmental changes and propose appropriate countermeasures.
 4. Conduct performance evaluation and coordination based on risk-adjusted metrics.
- VII. Risk Management Implementation Unit:
1. Carry out daily risk management activities.
 2. Conduct self-assessments of risk control activities.

Article V <Elements of the Risk Management Policy>

In the course of business operations, the Company's risk management policy shall incorporate risk management procedures. These procedures shall be developed in accordance with the five core components of the "COSO Enterprise Risk Management – Integrating with Strategy and Performance (2017 Edition)" to establish a risk management culture and capabilities, and to ensure effective implementation:

- I. Governance and Culture.
- II. Strategy and Objective-Setting.
- III. Implementation.
- IV. Review and Revision.
- V. Information, Communication, and Reporting.

Article VI <Governance and Culture>

All units within the Company shall actively cultivate risk awareness and foster a culture that values risk management. In response to environmental changes, dynamic adjustments shall be made to continuously strengthen corporate governance, thereby ensuring the achievement of strategic and operational objectives.

Article VII <Strategy and Objective-Setting>

When conducting strategic planning activities and setting objectives, managerial departments shall verify whether the objectives support the fulfillment of the Company's mission and vision. Additionally, they shall assess and ensure that the risks to be undertaken to achieve these objectives fall within the acceptable range of the Company's risk appetite.

Article VIII <Implementation>

The execution of risk management involves risk event identification, risk assessment, and risk response. Response strategies may include risk avoidance, reduction of likelihood, mitigation of impact, risk transfer, and acceptance of residual risk. During the implementation process, environmental changes shall be continuously monitored, and response plans adjusted accordingly, with risk management actions directly aligned with key performance indicators.

To implement the Company's risk management policy, relevant operational guidelines shall be submitted by the Executive Secretariat for approval by the Chief Executive Officer (CEO) before implementation.

Article IX <Review and Revision>

To ensure effective risk response, ongoing evaluation of material changes shall be conducted, along with continuous assessment of both risk and performance. This supports the continuous improvement of the Company's enterprise risk management.

Article X <Information, Communication, and Reporting>

The Company must comply with corporate governance regulations by publicly disclosing risk-related information and promptly communicating risk events and corresponding response plans to both internal and external stakeholders.

The processes and results of the Company's risk management implementation shall be systematically documented, reviewed, and reported through appropriate mechanisms, and securely archived for audit and reference purposes. These records shall include details of event identification, risk analysis, risk evaluation, response measures, sources of relevant information, and risk assessment results.

The Company shall disclose the following risk management-related information on its official website or through the Market Observation Post System (MOPS) for reference by external stakeholders, and shall keep the information regularly updated:

- I. Risk management policies and procedures.
- II. Risk governance and management organizational structure.
- III. Risk management operations and implementation status (including the frequency and dates of reports submitted to the Board of Directors and committees).

The risk owners must proactively and promptly report significant risk events, associated response plans, and action strategies to the Risk Management Steering Committee. Regular reports shall also be submitted to the Risk Management Committee, and, in accordance with the committee's resolutions, further reported to the Board of Directors.

Article XI <Review and Revision>

These Guidelines shall be implemented upon approval by the Board of Directors. Any amendments or abolishment shall follow the same procedure.

Attachment: Risk Management Roles and Responsibilities

