

Stakeholder Feedback

Chunghwa Telecom’s vision for “Stakeholder Feedback” is “Caring and Sharing”. For our employees, we hope to achieve “mutual trust, responsible, growing and sharing”; and for our customers, we hope to “show care any where at any time”; and for our chain of suppliers, we hope to gradually establish an experience sharing platform for CSR management.

Management Approach

- CSR Organization
- Stakeholder Involvement
- CSR Management

Key Issues

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|--------------------|----------------|---------------------|
| Employee Assurance | Consumer Trust | Supplier Management |
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Major Responses

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|------------------------------|--------------------------------------|---------------------------------------|
| Employee Diversity | Improvement of Service Quality | Environmental Principles |
| Harmonious Labor Relations | Service Satisfaction Survey | Principles of Human Rights and Ethics |
| Employee Rights | Consumer Privacy Protection | |
| Health and Safety | Opinion Feedbacks | |
| Training and Development | Reduction of Adverse Service Impacts | |
| Promote Career Opportunities | | |

Key Action Items

- | | |
|------------------------------|----------------------------|
| Promote Career Opportunities | Electromagnetic Wave Issue |
|------------------------------|----------------------------|



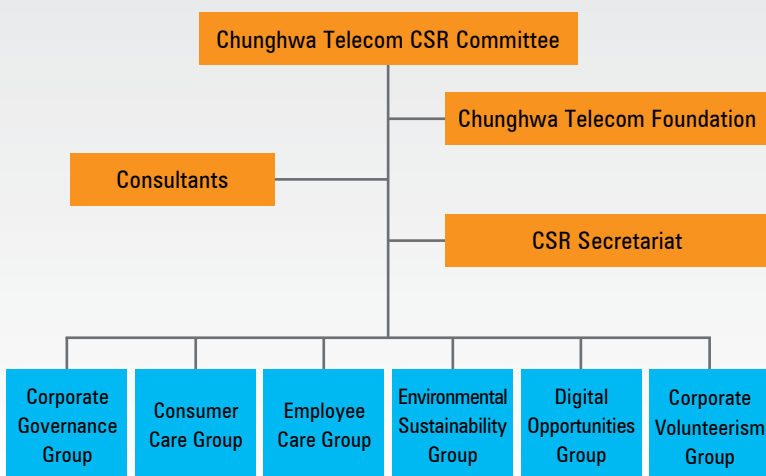
CSR Organization

Identification of stakeholders and their participation in corporate management are fundamental to an entity's CSR. The promise and support of senior management is moreover a vital source of strength to promote an entity's CSR initiatives.

In June 2006, our "CSR Committee" was formed comprising of senior executives from the various departments, to engage in the planning of the CSR strategic map and the relevant activities. The purpose of the Committee was to create a new corporate culture by making our dialogue with stakeholders become a normal part of our business. We adopt a management ideal of "collaboration" to jointly formulate valuable and meaningful goals for sustainable development, which will be pursued by 6 working groups. We learn about and listen to the needs of our stakeholders to obtain the required information and achieve the desired results.



Chungghwa Telecom CSR Committee Organizational Chart





Ching-Hu Tsai
Senior Managing Director
Public Affairs Department

We consider that CSR activities are not only the simple feedback for some specific issues. The Corporation shall give an overall thought on the impacts of corporate activities on a longer-term and overall dimension. Our approach is to establish a formal CSR organizational framework closely tied to our day-to-day business operations. The 6 CSR working groups are assigned their own responsible departments. The CSR Secretariat acts as the platform for interactive communication. Internally, the Secretariat is the coordinator between the working groups and departments; and externally, it is a channel of communication between stakeholders and the corporation. Meanwhile, we stay close to any latest global trends to ensure that our developments are in conformity to the global standards.

Our CSR activities began from involvement in community charitable events and to gradually expand to promote the universality of telecommunication services and create digital opportunities. We are now in full action for our CSR pursuit and our team of dedicated staff is striving to creating a rich, colorful, and sustainable society.

Introduction on the Chunghwa Telecom CSR Working Group

Working Group	Mission and Function	Department in Charge
CSR Secretariat	<ul style="list-style-type: none"> Establish a mechanism for interactions and communication with stakeholders. Coordinate and communicate the operations of the CSR working groups. In conformity to global standards. 	Public Affairs Department
Corporate Governance Group	<ul style="list-style-type: none"> Establish high-standard corporate governance practices. Establish a mechanism for interactions and communication with stakeholders. Protect shareholders' benefits. 	Finance Department
Employee Care Group	<ul style="list-style-type: none"> Constantly promote employee's rights. Open communication and consultation avenues offer a healthy and safe workplace environment. Offer disadvantaged groups employment opportunities. 	Human Resource Department
Consumer Care Group	<ul style="list-style-type: none"> Treat long-term customer care and information transparency as our corporate mission. Establish a sound channel of communication with consumers and consumer welfare associations. 	Marketing Department
Environmental Sustainability Group	<ul style="list-style-type: none"> Constantly promote environmental conservation, energy conservation, carbon reduction and resources recycling, to name just a few. Strengthen cooperation with suppliers or the relevant R&D organizations to develop more environmentally sustainable/low-carbon solutions. 	Administration and Assets Management Department
Digital Opportunities Group	<ul style="list-style-type: none"> Create an environment and opportunities for fair application of ICT. Assist disadvantaged groups to gain access to information services and create digital opportunities. Expand diverse digital opportunities on the dimensions of employment, culture and industry. Bridge the digital gap. Offer assistance to local cultural industries. Cultivate community living. 	Operations and Planning Department Chunghwa Telecom Foundation
Corporate Volunteerism Group	<ul style="list-style-type: none"> Unite local employees and their core competency to promote the various volunteer services. Summon retired employees to participate in volunteer services. 	Public Affairs Department



Stakeholder Involvement

We initiate communication with stakeholders and participate in several different organizations. We expect to work side by side with these key partners to enhance our capabilities through experience sharing and further exert our industrial influence.

Stakeholder Engagement Mechanism

Stakeholder	Parties	CSR Affairs	Communication Channel
Government	NCC, The Legislative Yuan, to name just a few	Fair Competition, Communication Management	Responsible Departments/ Single Window for Communication
Investor	Shareholder	Financial & Business Status	Chunghwa Telecom Official Website
	Investor		Annual Report, Periodic or Special Reports
Employee	Current Employee	Corporate Policy, Welfare/Compensation, Performance Management System, Personnel Development Affairs, Educational Training	Intranet: The Chunghwa Telecom Web 2.0 Interactive Platform
Consumer	Consumer	Quality of Service	Customer Service Hotline
	Corporate Customer	Quality of Service, Fee Charges	Project Manager assigned to provide 24-Hour Service
Supplier	Supplier	Communication of CSR Policies	Periodic or Special Information, Investigation Supplier, Supplier Conference
Society Public	General Public	Brand Image	Community Communication
NPOs / NGOs	Consumers' Foundation, Environmental Conservation Group, Other	Disadvantaged Group Care, Fee Charges, Electromagnetic waves	Designated Departments
Industry Peer	Other Telecommunication Service Providers	Industrial Development	Taiwan Telecommunication Industry Development Association (TTIDA)

World Business Council for Sustainable Development (WBCSD)

We joined the WBCSD in 2006, which is by far the most influential corporate alliance in the world and their experience in corporate sustainable development and corporate social responsibility is valuable for most companies. In addition to participating in member meeting and other relevant meetings, we have also published reports on CSR strategies and the sustainability, which is our solid response to objects of the organization.

<http://www.wbcds.org/>

Taiwan Business Council for Sustainable Development (BCSD-Taiwan)

BCSD-Taiwan is a non-profit organization formed by large-scale industrial corporate in Taiwan in May 1997. BCSD-Taiwan assists the members in building a more advanced environment management tool and the best practical measures to respond early to international trends. Participation in sustainability issues to reinforce our issue management and information transparency is our solid response to objects of the organization.

<http://www.bcsd.org.tw/>

Taiwan Telecommunication Industry Development Association (TTIDA)

TTIDA was founded in 2004. We were one of the founding members. Currently our Chairman is the president of the Association and furthermore we occupy three member seats and two supervisor seats. We will continue to combine industrial, academic and government resources via TTIDA, and provide professional suggestions for the newly regulated environment.

<http://www.ttida.org.tw/>



CSR Management

2007 Chunghwa Telecom CSR Report Outlook for 2008:

The directions of our future endeavors to improve our CSR performance are as follows:

- Enhance the CSR Organization System: institute the Public Affairs Department to be the designated unit responsible for coordinating CSR affairs. Assign Class 1 and Class 2 organizations to promote CSR initiatives and set up the designated contacts for the respective working groups.
- Establish a forum of communication and dialogue with stakeholders and enhance dialogue with investors, institutional shareholders, the supply chain, cooperative partners for charitable events, community residents and other stakeholders.

We operate in a highly competitive and fast changing industrial environment. The trends such as increasing demand for mobile services and convergence of media telecommunications and network services and climate change are important issues we need to attend to in our future business development. We believe that it is vital for an entity to be equipped with the capabilities to keep on top of the latest development trends to be adaptable to rapid developments in the regional markets.

We refer to the EU definition of CSR, "a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis" and integrate CSR in our business operations. We trust that sound CSR management is critical to realizing our visions and in the long term, will enable us to face any potential problems or challenges with a more responsible attitude to maximize the value for the Corporation's business development, consumer and stakeholders.

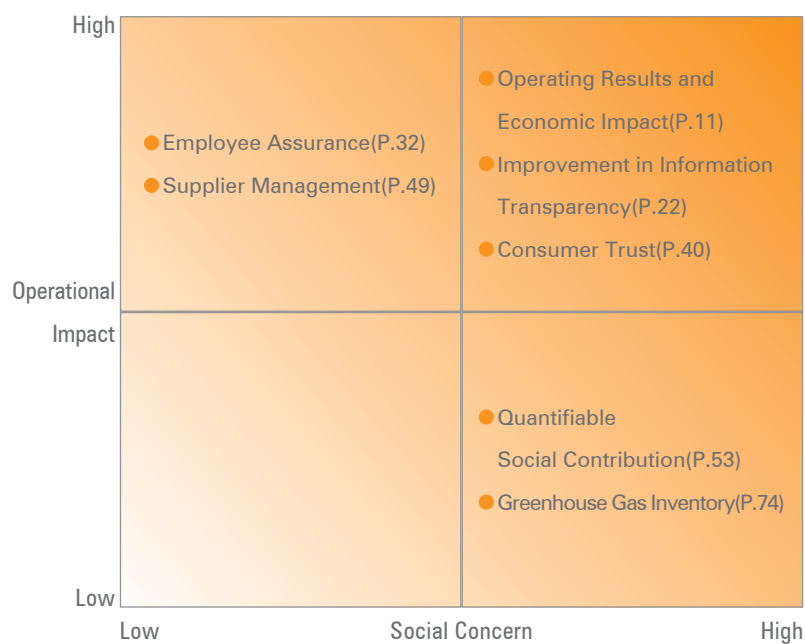
Our considerations for CSR are total, systemized and policy-based. We include CSR into our day-to-day operation to ensure that the various CSR issues may be effectively discussed, planned and controlled. Besides instituting the CSR Committee to be the supreme command, we have also established six working groups to deal with specific and important CSR affairs including the promotion and execution of the relevant projects, controls of effects and information feedback.

Upon establishment of a CSR organization, we are faced with the issue of establishing the various management systems and policies. Upon review of our 2-year experience in organizational operation, we have put in place a key CSR issues assessment system as our first step to propel CSR management. The goals are to ensure smoother functioning of the six working groups and familiarity with the linkage between the respective issues to facilitate segregation of duties.

Assessment of Key CSR Issues

For the 2008 assessment of key CSR issues, we adopted the Materiality Assessment Process. We took the levels of “social concern” and “operational impact” as our two major tools to assess and select the respective CSR issues. The CSR Secretariat invited the six working groups to convene the materiality assessment meeting and assess the CSR issues and contents by completing forms and compiling the results. The major task is to clarify the priority of key CSR issues.

To increase the objectivity of our assessment, we conducted analysis on media reports, international standards, and global telecommunication industry benchmarks as well as sought the advice of external and academic experts. We then assessed the impact of these issues on our financials, risk management and corporate goodwill to derive the final results for disclosure in the CSR annual report.



We undertook the materiality assessment process and identified our priority CSR issues for 2008 as follows: operating performance and economic impacts, improvement in information transparency, employee assurance, consumer trust, supply chain management, development of social accounting policies and greenhouse gas inventory.

In light of the increase in the number of CSR issues and the amount of event information, besides taking into account the continuation of information disclosure, our future reporting focus will be placed on disclosing information related to key, high-priority CSR issues. We will separately disclose regular event information on the Corporation’s official website to improve the readability of the report.



Mr. Chang Tsung Yen, a CSR Committee member and Vice President of the company led six CSR working groups to exchange opinions on the relevant issues.



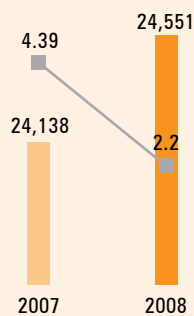
Key Issues

2007 Chunghwa Telecom CSR Report Our Commitment to Employees:

The most vital spirit of CSR is to emphasize stakeholder participation and dialogue between stakeholders and the company. Employees are our most important stakeholders and our best partners in promoting the various CSR issues. As such, we are serious in promising to show higher respect for labor negotiation and enhance communication and dialogue with the labor union.

Total Number of Employees and Turnover Rate for 2008

- Total Number of Employees (person)
- Employee Turnover Rate (%)



Total Number of Employees at the beginning of 2007 was 25,864. Total Number of Employees at the beginning of 2008 was 24,138.

Employee

Employee Assurance

We consider our employees are our most valuable asset. During the financial crisis in 2008, we have chosen to offer "Employee Assurance" as our true commitment to our employees. We value employees' rights and respect their opinions and at the same time, we continuously reinforce communication with employees to make sure they can work assured in the aftermath of the financial crisis. We have taken this action to fulfill our CSR, which also demonstrates our emphasis for our employees. We believe that we may only maintain our usual level of competitiveness and accomplish our goal of sustainable management with the dedication and assistance of outstanding employees.

As at December 31, 2008, the Corporation employed a total of 24,551 employees. During the year, 335 employees resigned from employment while 728 were newly recruited. The staff turnover rate was 2.2% for 2008. Once hired, employees who do the same job are offered the same basic salary, regardless of gender.

Turnover Rate by Category

By Gender	Male	Female	
	2.1%	2.4%	
By Region	Northern Area		Southern Area
	3.0%		1.1%
By Age Group	Below 40	41~60	Above 60
	7.9%	0.6%	9.4%



We take "Employee Assurance" as our promise and our employees take dedicated services as their own responsibilities. Yu Zhong Yang, a senior employee from the Kaohsiung Service Center was the 3rd place in the Best Service Employees Category of the "5th Best Service Award". On the other hand, the Corporation was again named the Best Service Corporation in mobile telephone and fixed line services.

Major
Responses

Employee Diversity

All of our employees must first take the tests applicable to the job they apply for. These tests are open to the general public and all jobs at Chunghwa Telecom are open to members of either sex. In the spirit of providing job opportunities for disadvantaged groups, we also allow disabled or aboriginal applicants to pass the tests with lower scores.

Employment of Women

As at the end of 2008, the Corporation employed a total of 6,918 female employees, making up 28.18% of our workforce. The proportion of female managers has risen slightly from 21.51% in 2007 to 22.11% in 2008.

We have established sexual harassment prevention measures and complaints handling criteria. Dedicated lines, a fax number, an e-mail address and a compliant investigation and assessment committee were set up for handling reported sexual harassment incidences. However, no incidence was reported in 2008.

Maternity and Child-Care Leave Subsidy

We introduced the maternity leave policy from July 2006 in consideration of the welfare of our female employees. During maternity leave, the policy offers all female employees with a subsidy that is equivalent to 50% of their monthly Insurance salaries of Labor Insurance up to 2 years. During 2008, 125 female employees applied for maternity leave. There were 52 people on leave without pay, among which 49 people applied for the subsidy.

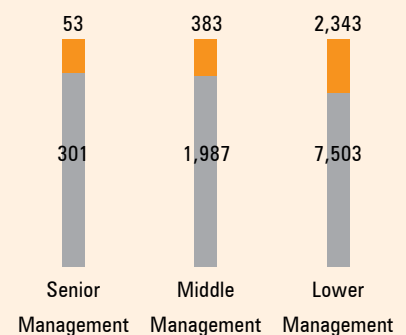
Employment of the Physically and Mentally Disabled

Paragraph 2, Article 38 of the "People with Disabilities Rights Protection Act" stipulates that "The number of disabled people capable of performing job duties employed by any given private organization/ institution shall be no less than 1% of the corporation's total workforce." As of December 31, 2008, we employed a total of 695 disabled employees, which was 3.06 times of the regulatory requirement.

Gender Ratio

Unit: person

Female
Male



Employee Diversity

	2007	2008
Female Employees (%)	28.06	28.18
Female Managers (%)	21.51	22.11
Employees with Disabilities (person)	656	695

The total number of disabled employees that the Corporation is required to recruit for 2008 according to regulatory requirements was 227 people.



Our Fengshan Office donated the reward payment of \$459,360 received from the Kaohsiung County Government to the special fund for employment of people with disabilities. Wu Ming-De (2nd from the left), Manager of the Chunghwa Telecom Fengshan Office represented the company to accept the presentation by Mr. Yang Chiu-Hsing (2nd from the Right), Governor of Kaohsiung County.



Harmonious Labor Relations

Our employees have recourse to a system of claims and appeals and the right to become a union member. The collective agreement stipulates that labor representatives from the Head Office and the corporation's branches and offices convene at least one labor relations meeting once every 3 months or special meetings when required. Union representatives may also be invited to participate in hiring committees, examining committees and monthly business meetings. One of the directors on the board was also put forward by the union to participate in board affairs in accordance with the resolutions adopted by the Legislative Yuan on June 6, 2003.

In January 23, 2009, the Chunghwa Telecom Workers' Union made a public announcement of the list of the 5th term of executive members, supervisors, representatives and staff. Upon re-election, the union was able to fully communicate employees' comments with the corporation, help to promote harmonious labor relations and the corporation's business developments.

In an effort to improve our manpower structure to cut down personnel costs and look after employees' career planning, in November 2008, we made a special retirement/resignation offer. A total of 160 employees applied. This offer was made on an entirely voluntary basis to demonstrate our concerns for our employees.

 Chunghwa Telecom Workers' Union
<http://www.ctwu.org.tw>



Chang Shiou Tong, President of Chunghwa Telecom attended the 1st meeting of the 5th council meeting, giving a speech on the corporation's ideals and approaches. The communication with union members was smooth.

Employee Rights

We held information sessions in two stages to ensure that employees understand the amendments to the Labor Insurance Act (adopted in the Legislative Yuan on July 17, 2008) and their own rights. Stage I information sessions were conducted by experts from the Labor Insurance Bureau to give a full report to all departments of the Headquarter, district HR managers and members of the Taiwan Confederation of Trade Unions. Stage II information sessions were conducted by the respective district branches and offices and the operation centers, which shall be completed prior to September 20, 2008. A total of 77 information sessions were held with a total of 6,827 attendees.

The starting salaries of our newly hired employees are higher than the statutory minimum monthly pay (NT\$17,280). In order to attract outstanding talents and boost staff morale, we have established the "Employee Performance Review Guidelines" serving as the basis for employee promotion, salary increment (decrement), staff disciplinary actions and rewards, training, adjustment to job responsibilities, and allocation of bonuses. Based on the results of the year-end performance review, the maximum salary increment is 5%.

Besides, employees receiving outstanding performance reviews are entitled to as high as 4 times of the average bonus in accordance with the "Corporate Bonus Distribution Process." We also distribute performance bonuses based on the Corporation's profitability and financial condition. For outstanding customer service or line maintenance contractors, we have a policy of recruiting them as permanent employees to show our care for them.

Other measures guaranteeing employee rights are: meetings with the labor union and meetings for negotiation of adjustments to the criteria governing employee bonus and performance review. Provisions regarding the shortest notification period and required preliminary work for the negotiation meetings are stipulated in the relevant regulations. We approve and notify the relevant employees of any departmental restructure or transfer prior to the actual date of change in order to delegate the relevant job responsibilities.



We have high regards for employees' welfare. We regularly invite experts to give speeches and the Q & A sessions allow our employees to fully understand the impact of amendments to the Labor Insurance Act.



The Chunghwa Telecom Web 2.0 Interactive Platform gives employees the opportunity to openly express themselves.



Major Responses

Health and Safety

A safe and healthy workplace environment is a fundamental CSR requirement. We offer our employees free annual health checkup, organize a number of health seminars and constantly promote the Employee Assistance Program (EAP). We demonstrate our concerns for employees' health and safety through policy setting and resource dedication. In 2008, the occurrence of occupational accidents was 0.106%, representing a decrease of 0.027% than in 2007.

Occupational Safety and Health Management System

To offer employees a safe and healthy workplace, we were the first in the industry to introduce an "Occupational Safety and Health Management System". We involve our employees and their representatives in the planning, construction, execution, review, assessment, and improvement of the system. Their involvements help us to carry out employee safety and health management under a "policy-based" and "systematic" mechanism. The optimal goal is to improve the quality of operations and the standards of workplace safety.

Certification of the Occupational Safety and Health Management System

It is a global trend to obtain OHSAS 18001 certification of the Occupational Safety and Health Management System. There are 44 relevant (equivalent) safety and health management system standards developed under OHSAS 18001. To ensure applicability of the standards in Taiwan, in 2007, the Council of Labor Affairs of Executive Yuan promulgated the TOSHMS (Taiwan Occupational Safety and Health Management System) to match the dual demand of business enterprises of "obtaining international certification" and "in compliance with local regulatory requirements".

Mental and Physical Health of Employees

In light of the fact that employees' health is of vital importance to us, we offer our employees more favorable care comparing to regulatory requirements. Each of our employee is entitled to a free health checkup each year. In 2008, we held 219 seminars on specific health care topics. Besides, we hosted 29 fitness contests and 124 inspiring tours to enhance employees' fitness while caring for communities. We also continue to carry out our Employee Assistance Program (EAP), offering employees one-to-one professional consultation services, which include assisting employees to solve mental, legal, financial management, medical consultation, job and living problems.



Gradually, all our operation offices will be certified to the OHSAS18001/TOSHMS standards to protect employee safety and improve the quality of our operations.



Every operation office has a Fitness Center and arranges several fitness training programs to improve employees' physical health.

Just before the labor day in May 2008, we completed the renovation of the employee cafeteria located at the corporate headquarter. The newly renovated cafeteria offers a refreshing and bright dining environment, which we think help revive employees' spirit while working. A fitness center is instituted at each operations office, providing simple fitness training equipments for use by employees.

We also encourage our employees to go outdoor, experience nature and make full use of our "Chunghwa Telecom Hostel ("CHT Hostel" henceforth). The CHT hostels were remodeled from idle staff dormitories, and currently offer semi self-serviced facilities managed by our employees. We have enhanced environmental friendly and energy efficient measures by centralizing procurement of supplies for the hostels, installing solar-energy heating systems on site, offering bicycle rental services and promoting environmental conservation concepts while traveling. As at the end of 2008, there were 28 CHT hostels (and a total of 366 rooms) open for us by employees. Employees are only required to make an online reservation 30 days in advance to use the service.

Employee Health Checkup and Safety Statistics

	2007	2008
No. of Employees Receiving Health Checks	23,378	24,018
% of Workforce Receiving Health Checks	97.08	98.09
Cost of Health Checks	38,734,376	39,851,601
Occupational Accident Occurrence Rate (‰)	1.33	1.06

Note: Occupational Accident Occurrence Rate = Number of Accidents for the whole year / No. of Employees = 26/24,551 = 1.06 ‰

Employees Training

	2007	2008
Total Training Expense (\$)	616,673,532	659,309,528
Average Training Expense Per Head (\$)	25,549	26,855
Total Training Hours (Hour)	2,023,112	2,190,419
Average Training Hours Per Head (Hour)	84	89



The Chunghwa Telecom Hostels are good, budget accommodation choices for employees and their families when traveling and a reflection of our effort in environmental conservation. Pictured above is the "Song Yuan Hostel" in Hualien.



We place high emphasis on continual employee training and education. We have training centers in Panciao, Taichung and Kaohsiung, allowing employees to receive training within the proximity of their home and workplace. Pictured above is the Panciao training center.



Major Responses



Diverse professional vocational and management training programs to satisfy employees' needs in obtaining new knowledge and advancing their skills.



Chairman of Chunghwa Telecom (4th from the left) and Ming-Je Tang, Deputy Principal of the National Taiwan University (6th from the left) participated in the orientation ceremony for the "Advanced Course in Telecommunications and Network Technology".

Training and Development

Employees are important assets for corporate development. Our investment in employee training includes general vocational training, elite training programs and subsidies granted to employees to promote further education. The results of these programs show an improvement in employees' willingness to receive further training and hence the average level of their vocational competency and qualification.

General Vocational Training

In terms of general vocational training, the three telecommunication training centers in Northern, Central and Southern Taiwan hosted annual training courses covering 8 major vocational competency and operational management topic areas. The classes are taught either in the classroom or in long-distance mode through video conferencing facilities. In 2008, a total of 2.19 million hours of training were received by employees, representing a total investment in excess of NT\$ 659.3 million.

Elites Incubation and Training

In response to sustainable corporate development and the need for bridging the gap between different telecommunication generations, we have reached an agreement with the National Taiwan University in 2008, marking the beginning of a joint cooperation arrangement between the university and the Corporation in wireless communications, broadband communications, multimedia DSP and information security. The College of Electrical Engineering and Computer Science, being the primary organizer, works with the Graduate Institutes of Management, Law and Social Science, to build a multi-dimensional platform covering telecommunication operation, policies and regulations, and social services. In September 2008, the special "Advanced Telecommunication Network Technology Program" was officially offered for the first time. We expect that cross-sector exchanges and industrial and academic cooperation will be extremely beneficial for our middle and senior management to develop more in-depth operational management theories and practical skills.

Employee Further Education Subsidy

The "Chunghwa Telecom Manager Training Criteria" established in 2007 provides that we nominate employees with potential for further development each year and send them to pursue further studies at local tertiary institutions. We also encourage all employees to pursue lifetime learning. Any employee in satisfaction of the requirements stipulated in the "Criteria Governing Tertiary (Incl. Postgraduate) Education for Chunghwa Telecom Employees" is eligible to apply for a further education subsidy. The maximum subsidy grant is NT\$ 20,000 per semester. In 2008, a total of 1,219 employees were granted the subsidy, representing a total cost of NT\$ 12.68 million.

Internal Business Incubation

Besides educational training, we also encourage employees to start up businesses within the organization. The "Chunghwa Group Purchase Team" is the first official business incubation group set up under our approval. We use the power of group orders to create more benefits for our employees. From October 24, 2007, the Team began cooperation with the employee welfare committee. As at the end of 2008, the online order transaction amount was in excess of NT\$ 0.2 billion. We expect that all employees will become members by the end of May 2009. The experience shows that we have raised the management of employee welfare to a new level and our success stories can also be considered for adoption by other enterprises.

"Chunghwa Leading Photonics Tech (CLPT)" is the second eligible group to establish under the business incubation scheme. The group takes the advantages of the equipment and technology of our telecommunication laboratories to design and produce 3 types of infrared light detection and array image models for application in industrial testing, image surveillance at nights, agriculture and military fields. Both local and overseas orders have been received for the product. The Team has successfully marketed the product to Europe including Germany and Belgium.



Key Action
Items

Promote Career Opportunities

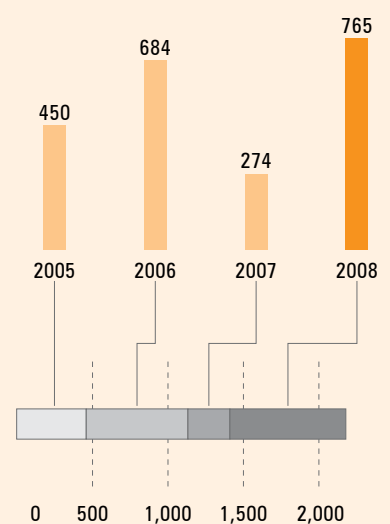
Since our privatization in 2005, we adopted a multifaceted recruitment program. Employment opportunities were made through branches and offices and up to the end of 2008, a total of 2,173 employees (including 138 outstanding contractors appointed as permanent employees) were recruited by the corporation.

In spite of the impact delivered by the financial crisis, we maintain our existing management ideal of CSR fulfillment. Not only have we retained all our employees on board during this period of economic downturn, we have also offered additional employment opportunities to help ease the hiking unemployment rate. Although the outlook for 2009 remains passive, we have set aside a quota for 382 new employees to promote employment, which we consider is a part of our social responsibilities.



Group orders create more benefits for employees. The increasing popularity in e-Shopping will benefit the promotion of our Internet business.

The Number of New Recruits for the Past Years



Accumulated Number



Consumers

Consumer Trust

In the increasingly competitive telecommunication services industry, in addition to the competition of product prices and functions, we believe that we can only win customers' ultimate trust in the following ways: maintain sound customer service attitudes, offer timely response to customer demands and complaints and make customers feel that we are genuinely interested in resolving social issues with our influences besides working hard on improving our profitability. The above actions constitute the true meaning of our CSR initiatives.

Establishment of the Customer Service Department allows us to integrate existing customer service resources to respond to and match customers' various demands in a timely and precise manner and improve customer satisfaction through assurance of service quality. We have implemented an overall reinforcement of measures to protect consumer confidentiality and respond to customers' requests (including improvement in Internet speed, decrease of telecommunication service fees and filtering of junk e-mail messages and porn spam) with a responsible attitude.

We make profits from providing services, and with consumers' support and trust, we have accumulated stronger power to influence our suppliers. In relation to supplier management, we drew up the principles of human rights and ethics and environmental guidelines governing our suppliers primarily based on the local labor and environmental conservation regulations.

This was our first step to engage in two core issues of the global CSR initiatives– the ethical supply chain and green supply chain. In relation to ethical supply chain management, we will bridge with the world step by step, by referring to the standards of labor conditions and human rights, safety and hygiene, environmental protection, management system requirements and code of corporate conduct stipulated in the Electronic Industry Code of Conduct (EICC) to launch our ethical supply chain management policies.

In terms of green supply chain, we will consider to adopt standards of the "European Union including the Waste Electrical and Electronic Equipment" (WEEE), the "Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS)" and the "Eco-Design Requirements for Energy Using Products (EuP)". Suppliers will be required to provide easily recyclable, low-pollution and environmental friendly products.

Global Business Dialogue on e-commerce (GBDe)

The GBDe has been playing an influential role in international e-commerce policies and was dedicated to promote comprehensive information social policies since it was founded in 1999.

Upon joining the GBDe in 2004, we took up the role as a key member of the Business Steering Committee, responsible for promoting and working on important committee affairs. We led the project for establishment of the "international small payment working group" in 2005 and subsequently the "digital family working group" in 2007. We hosted the "Summit of Global Business Dialogue on e-commerce" in Taipei in November 2006 which was beneficial for our business development as well as escalating Taiwan's international visibility.



<http://www.gbd-e.org/index.html>

Secure Online Shopping Association (SOSA)

We were one of the founding members of the Secure Online Shopping Association (SOSA) since it was established in March 1999. We have been an enthusiastic participant in the various committee affairs and offering the committee both manpower support and material resources. We are in the hope of creating a "mutual trust & win-win" business environment for consumers and participating merchants.

In 2008, we served as the president of the SOSA. At the same time, we were elected the Chairperson of the SOSA by the Asia-Pacific-Trustmark Alliance (ATA) to lead the Taiwanese Familiarization Tour Group to take a field survey of e-commerce business opportunities in Vietnam. In October the same year, we hosted the ATA 2008 Meeting and eASIA Forum in Taipei.



<http://www.sosa.org.tw>

Major
Responses

Improvement of Service Quality

- Overall improvement in the leadership and management skills of customer service managers, who were encouraged to obtain the internationally recognized AQF (Australia Qualification Framework) Certification.
- Organized the professional training sessions, "Customer Contact Communication Skills and Development Abilities" aiming at improving customer service managers' abilities in quality supervision and performance management.
- The "Professional Qualification Training for Leading Customer Service Consultants" programs were offered in two stages; a total of 80 employees became qualified lecturers.
- We conducted the "Customer Service Practical Skills (mobile and digital) Program" for professional certification several times to encourage multi-skill and inter-disciplinary career development of customer service staff. A total of 82 people obtained certification.

Integration of Outsourced Services to Reduce Contractor Turnover Rate

We have put in place the standards and an assessment mechanism governing our outsourced operations, stipulating a reasonable fixed pricing policy and restricted tender invitations. We have consolidated all our external customer service tender invitations from the 35 cases down to 10. The contractor turnover rate was reduced from 3.34% to 0.78%.

Certification of Service Quality

- All branches and offices had been actively practicing the Service Level Agreement (SLA) and Operation Level Agreement (OLA), and holding regular review meetings to improve the quality of customer services to come up with the countermeasures for major customer complaints.
- All of our customer service hotlines (a total of 15 customer service centers) supporting the various business categories were certified to the SGS Group's quality standards in December 2008. We received the ISO 9001: 2000 certificate for proof of compliance with the SGS quality standards.
- Standardization of our teller-service operational procedures was achieved through obtaining the SGS Qualicert service certification. The service quality certification in all geographic areas was completed in 2008. From 2009, we introduced the quality review process applying to all departments and branches to ensure high standards of service.
- The overall improvement of service: service level, directory service call transfer rate, and customer satisfaction have all improved. First Call Resolution (FCR), first introduced as a KPI in 2008, reached 96.70% far surpassing our expected goal (76.50%).



We recruit professional lecturers to conduct training on customer service skills in order to improve the overall service quality and offer Inspiring Services to our customers.

Customer Service KPI

	2007	2008
Customer Satisfaction	4.41	4.71
Rate of Response Within 20 Seconds	79.1%	87.1%
First Call Resolution	-	96.7%
Directory Service Rate	15.41%	23.29%

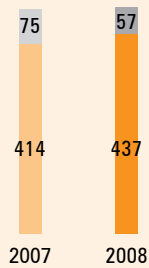


Major Responses

Survey on the Quality of Fixed Telecommunication Service

Unit: No. of cases

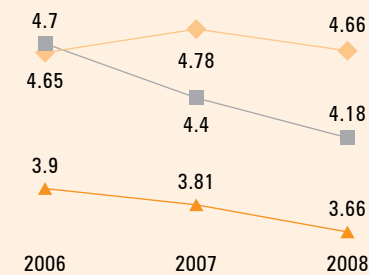
■ Other
■ Chunghwa Telecom



Note: annual survey period is from October of previous year to September.

Comparison of Customer Satisfaction By Group

◆ LE
■ SME
▲ Consumers



Note: Customer satisfaction is rated on a scale of 5 for each group of customers: Very satisfied, Satisfied, Neither Satisfied Nor Dissatisfied, Dissatisfied and Very Dissatisfied as shown by a rating score of 5, 4, 3, 2 and 1.

Service Satisfaction Survey

Survey of Fixed Telecommunication Service Quality

For achieving NCC's requirement to protect consumer's interests and keep fair competition in the market, we drew up the Fixed Telecommunication Service Quality Assessment. The assessment targets are following subjects: the installation course, service failure frequency per year, service recovery time, billing accuracy, completion rate of network connection, 104 directory service test, customer satisfaction and consumer dispute statistics.

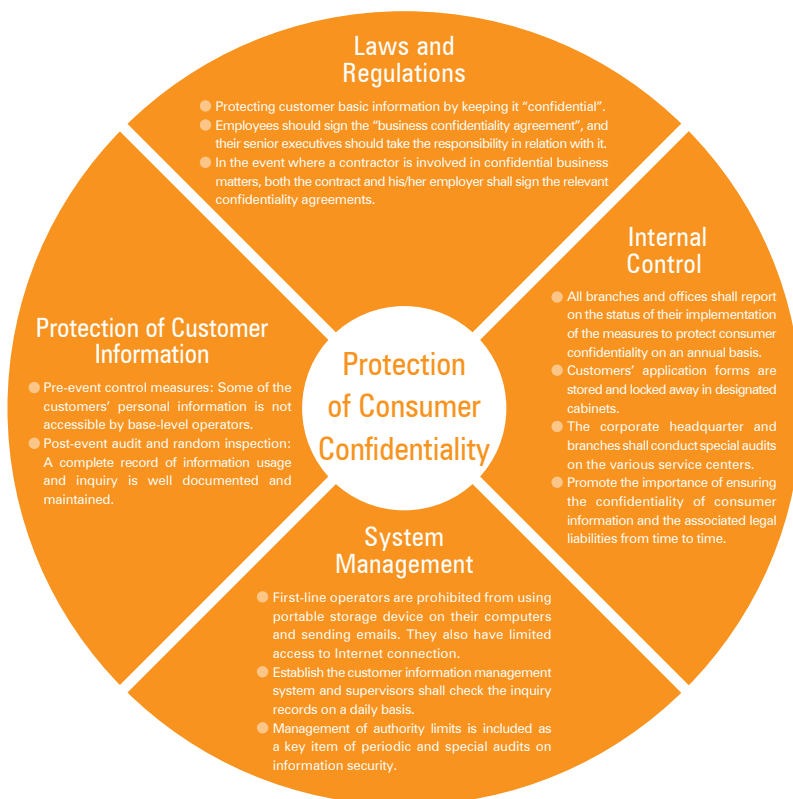
Our market share is over 97% in fixed telecommunication network service; therefore, our complaint cases are relatively more than other service provider's. According to the 2008 NCC survey, 88% consumer disputes were from our customers in 494 cases. For better consumer interests and right protection, we will continue to communicate with our customers and improve our services.

Customer Satisfaction Survey

To understand the level of customer satisfaction in relation to our various services and customers' recognition of our corporate image, brand value and quality and service, we engaged external market research agencies each year to conduct surveys on customer service satisfaction. Our target respondents include consumers, SME and LE. This survey is designed to find out issues and expectations our customers care about the most for the respective businesses to serve as our goals for future development.

Protection of Consumer Confidentiality

We carried out the relevant protective measures on the following 4 dimensions to enhance protection of consumer confidentiality and prevent customer service staff (including permanent employees and contractors) from unlawfully accessing customer information from the corporate information system:



Combat Fraud

To enhance customer care and prevent applications from being made under a false name, we send out a written confirmation to validate applications for a new home or cell phone account with our customers. This is to ensure the confidentiality of consumers' personal information and prevent any illegal act from occurring. Some digits of the telephone number displayed on an ordinary individual subscriber's phone bill are marked with asterisk. However, the full telephone number may be displayed on the bill at the request of the account subscriber.

In the event where our customers' telephones were intercepted and used illegally by someone else, we will credit the charge incurred from illegal usage upon confirmation of details relating to the case. We also create a record of the details of any reported loss of identification documents notified by our customers through any customer service center in our risk reporting system. We will enhance our background checks on any new application made at a branch located in a region different to the applicant's usual place of residence.



Opinion Feedbacks

Business growth and service improvements are driven by instantaneous consumer demands. We have been self-demanding in listening to and proactively respond to our customers. Fee reduction, the speed of ADSL services and handling of junk mails were the most attention-getting issues of our shareholders and the public in 2008. We have launched the related measures to deal with these issues.

Reduction of Telecommunication Fees

We reduced the HiNet ADSL and optical fiber Internet connection fees in November 2008 by an average of 8.8%. We negotiated with China Mobile (CMCC), the largest mobile telecommunication industry in China, about discounts on the usage of international roaming services by our customers when traveling in China. Effective from January 2009, our customers making calls from their mobiles back home from China using the CMCC network will enjoy a 34% discount on call charges, 43% discount on text messaging or a massive 67% discount on digital roaming. Our customers doing business or traveling in China are able to enjoy talking leisurely with friends and relatives back home.

ADSL Speed Problems

Technically, we are unable to guarantee the bandwidth of our different grades of ADSL services due to distance and environmental constraints. We hope to match our customer's demands by introducing new technology and reducing fees as well as providing a bandwidth testing website to ensure that all our customers are well informed of the relevant information regarding ADSL speed.



Internet Connection Speed Test

<http://www.hinet.net/support/testspeed.html>

Dealing with Junk Mail and Porn Spam

We have invested close to NT\$ 100 million on hardware and software equipment to better service our HiNet mail service subscribers through improved functions. In relation to junk mails, we have installed a filtering function on our free webmail service, which filters out junk mails. Account users are required to go through the simple setup procedures only once to determine as to whether any suspected junk mail is to be “deleted directly”.

About 90% of junk mails relate to a porn spam. We have offered the K12 mailbox to parents who are concerned about their children receiving porn emails. The functions of a K12 mail box feature the following:

- Text Filtering: blocking mail with the subject or contents containing offensive terms.
- Picture Filtering: Use 11 different types of picture reading methods to block porn spam.
- Web Feedback: The message, “this is a junk mail” is reported by Webmail to increase the accuracy of the filtering engine.
- Web Server Forced Quarantine: Unlike other service providers who store junk mails in junk mail boxes, the K12 mail box enforces a forced quarantine at server-end.



Mr. Xiang-Yi Chen, the Vice President of HiNet said: “K12 represents the “purest mail box” HiNet intends to provide for our minors from kindergarten through to year 12. We hope that our next generation is offered a healthy Internet surfing environment.”




We are not only an Internet services provider but are also serious about the possible impacts of our services. The “Internet porno gatekeeper” and “online time management” are our actions for CSR fulfillment.

 HiNet Safe Online
<http://www.hicare.hinet.tw>



The small and portable one-time password device requires no computer connection or installation of any software. The two-way authentication mechanism effectively prevents account theft scams, enabling the user to freely use Internet services.

 HiNet one-time password
<http://otp.hinet.net/>

Reduction of Adverse Service Impacts

We have long been striving to provide our customers services free of needless concerns. We will continue to develop new services and reduce possible negative impact caused by our products or services. Key points of our endeavors are summarized as follows.

Filtering of Improper Content

To create an Internet environment suitable for children while at the same time offering assurance to parents, we introduced the hiCare (Internet Porno Gatekeeper) Service. This service does not require the user to download or install any software. Our customers can stay away from websites containing materials relating to pornography, violence, suicide, drug abuse, weapons and gambling that are harmful to children and teenagers. We have a complete multi-language coverage in the blacklist database. Update the database once every two hours to secure the interception rate to almost 100%. We plan to provide this service free of charge to the Department of Social Welfare of the Taipei Municipal Government and other charitable organizations, representing a total donation of NT\$ 3.62 million.

Time Control

The “HiNet online time management” and “3G easy talk” services are provided to elementary school students and junior high school students who are learning to acquire time management ability. Parents can set online time periods and call limit using these services. Our unique advanced management functions allow parents to control children’s use of mobile phones and Internet, and make specific bill settings. These services enable parents to train up their children to adopt a good habit of using telecommunication services.

Protection of Telecommunication Security

We introduced the “HiNet One Time Password” device and “caller blacklist” to protect the interests and rights of our customers. The “HiNet One Time Password” device randomly generates a set of one time password every 60 seconds, which may only be used once. This device helps prevent theft of account numbers or illegal access to personal information by fraud gangs through a fraudulent website. The device is currently used by the Chunghwa Telecom members and in authentication of HiNet small-sum payment, Yahoo! Kimo account lock and HiNet auction.

The “caller blacklist” allows our customers to add the phone number of any unwanted caller to the blacklist. The system will then filter unwanted calls by rejecting to make a connection. Any private-number call or call with an unknown number will be automatically diverted to voicemail. This service effectively blocks disturbing calls from fraud gangs to ensure the security of customers’ phone service.

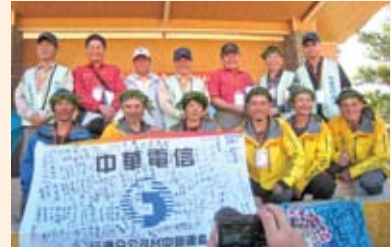
Electromagnetic Wave Issue

Being the largest mobile telecommunication service provider in Taiwan, we established a wide and complete electromagnetic signal network, providing omnipresent telecommunication services. Integration of the third-generation broadband mobile telecommunication and Internet provides not only voices but more applications and services including mobile multi-media, mobile video, mobile Internet and e-commerce etc. Users can keep in contact with other people at anywhere such as in underground rapid trains, mountains or even other countries. For any emergency circumstances, users can seek helps by dialing a special number. Our employees will keep our telecommunication network fluent for a whole day to improve people's living convenience.


Electromagnetic Waves Safety & Propaganda

For ten years since 1996, the WHO has spent US\$ 250 million on the research of international electromagnetic fields. Project participants included a number of developed countries such as the USA, UK and France as well as some prominent international organizations and research institutes such as the ITU and ICNIRP. As concluded in the No. 304 document published by the WHO in May 2006, there was no reliable scientific evidence supporting the claim that weak radio frequency signals generated by base stations and wireless networks may cause harmful impact on human health according to an extremely low level of exposure values and data collected by scientific research till this date.

In an effort to educate the general public on correct electromagnetic concepts, we co-hosted the "Understanding Electromagnetic Waves of Base Stations" seminars in different parts of Taiwan with the TTIDA. Academic speakers and experts gave a precise speech on the electromagnetic wave issue, which was supplemented by on-site measurement using precision apparatus. Journalists were able to give fair reports of the electromagnetic wave issue in a scientific and rational approach. Meanwhile, the Corporation and other telecommunication service providers also requested the TTIDA to centrally publish the various propaganda materials relating to the electromagnetic wave issue. In 2008, the TTIDA published the following propaganda materials: the "2008 Propaganda Journal", "environment-friendly bags/cups", "baseball caps", "portable storage device" and "easy tags" as well as a massive amount of posters for distribution to our branches and offices and other relevant governmental and private organizations to reinforce the results.



We sponsored the Mountain Hiking Event to find out dead spots of telecommunication services in order to provide unobstructed services. The event concluded with huge success. Three managers from our Mobile Service Group and hiking experts took a photograph together.

 WHO No. 304 Document
<http://www.who.int/mediacentre/factsheets/fs304/en/index.html>



Key Action Items

Beautify Base Stations

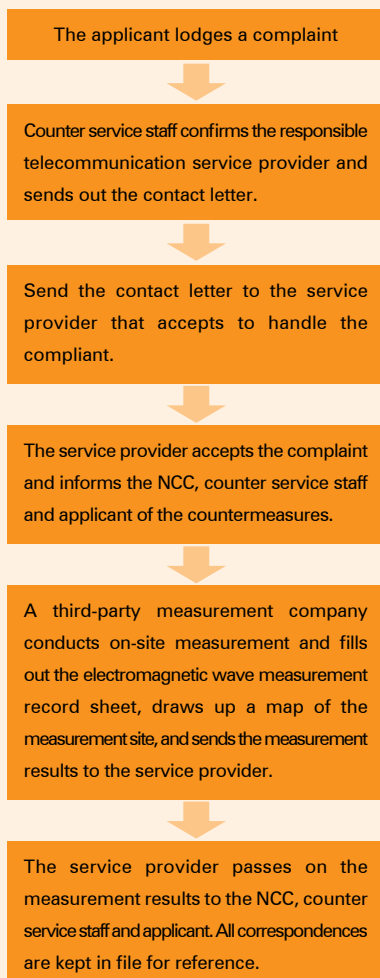
To ensure network performance and complete service coverage, providers of mobile communication services have built base stations everywhere. Construction of an excessive number of base stations is rather harmful to the existing environment and views. People have developed psychological rejection towards base stations.

To reduce the impact of base stations on existing landscape and ease people's visual impact, we have used special designs to beautify the antennas installed at our new and existing base stations. Different forms of design were used according to location and the surrounding environment. For instance, we have used color painting, garden lights, trailing plants and special patterns etc. Around 46.6% of our base stations were beautified as at the end of 2008.

Impartial Measurement Company

To clear the doubts of people living near base stations on the issue of electromagnetic waves, the Corporation and other telecommunication service providers have set up a hotline "0800-873888" for arrangement of a free electromagnetic wave measurement service. An impartial measurement company will conduct a free on-site measurement and give expert opinions. In 2008, we have accepted 168 applications.

The Process of Electromagnetic Wave Measurement Service



We have ensured sound integration of base stations essential for mobile communication services with existing landscapes to satisfy the varying needs of our stakeholders.

Major
Responses

Supplier Management

We insisted on a principle of conducting impartial and serious business cooperation with our suppliers. We adopt a verification process to ensure the quality of apparatus provided by our suppliers. We also reinforce the self-management mechanism governing suppliers to ensure the quality of our telecommunication services. The optimal goal is to fulfill our corporate social responsibilities and achieve the purpose of elimination through competition.

Based on the principles of fair and ethical trade, the Labor Standards Law and the Taiwan Environmental Law, we have drawn up the management principles governing the standards of environment and human resources required of our qualified suppliers.

Environmental Principles

We require our suppliers to comply with the relevant local regulations governing environment protection in Taiwan. In response to global warming, we urged our suppliers to cut down energy consumption and the level of impact on the environment caused by their products or services.

- The Corporation and our suppliers offer joint assurance on the fact that the processes of manufacturing, delivery of products and services and waste disposal are conducted in a responsible way to the society and environment.
- We encourage our suppliers to assume a level of environmental responsibilities higher than the statutory requirements to show their commitments towards reducing harmful impact on the environment.
- Our suppliers are required to obtain the permit for all manufacturing activities.
- We encourage our suppliers to engage in product development and innovation and come up with solutions benefiting the environment.

Principles of Human Rights and Ethics

We are in compliance with internationally accepted principles with respect to the protection of the human rights of our employees. We work with suppliers who are also in compliance with the principles. The following standards are recognized under the Labor Standard Law, which shall also be complied by our suppliers:

- Ensure the security and confidentiality of the information entrusted by the Corporation and we shall only cooperate with suppliers who value the same practice.
- Suppliers shall not offer any agreement, bribes, commissions, rebates, gifts, invitations or other unlawful benefits to our staff. The same applies to our contractors. We shall terminate or revoke the agreement if the supplier is in breach of the above.
- Suppliers shall comply with the relevant standards of the Labor Safety and Health Act while performing the contract.



The EICC covering human rights, labor safety and health, environmental protection, management system requirements and standards of corporate ethics, serves as an important guideline for development of our future supplier management policies.

 Electronic Industry Code of Conduct
<http://www.eicc.info>