

# SUSTAINABLE INNOVATION *with* ATTENTIVE LISTENING

2011 Corporate Social Responsibility Report



中華電信  
Chungwa Telecom

# Editorial Policy

Welcome to the Chunghwa Telecom fifth Corporate Social Responsibility Report. This report is published in both Chinese and English on a dedicated CSR website. We hope to integrate the advantages of both paper-based and internet-based reports to let those who care about us gain a better understanding of our CSR-related efforts and performances in 2011.



<http://www.cht.com.tw/CSR/>

## Reporting Period

This report discloses the company's CSR management policies, key issues, countermeasures, initiatives and results between January 1 and December 31, 2011. However, to ensure complete coverage, parts of the Report include descriptions of initiatives and results outside the stated period.

## Scope and Coverage

The report covers Chunghwa Telecom, and the Chunghwa Telecom Foundation. Combined, they are referred to as "Chunghwa Telecom." Data covered by the Report includes financial (Chunghwa Telecom and its subsidiaries), environmental, and social performances.

## References

This Report is compiled following the G3.1 Guidelines and the Telecommunications Sector Supplement of the Global Reporting Initiative (GRI).

## Assurance

This Report has been sent to SGS Taiwan Ltd, Taipei Branch, for data confirmation and certification purposes. This Report is certified to be in compliance with the GRI A+ Application Level and AA1000 AS 2008.

## Feedback

If you have any feedback to share regarding the "Chunghwa Telecom CSR Report 2011," please do not hesitate to contact us through:

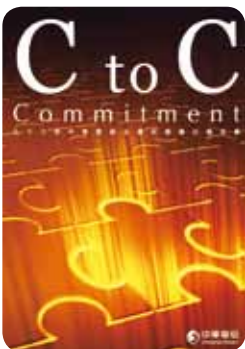
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Chunghwa Telecom CSR Report 2007  
Published in May, 2008



Chunghwa Telecom CSR Report 2008  
Published in September, 2009



Chunghwa Telecom CSR Report 2009  
Published in August, 2010



Chunghwa Telecom CSR Report 2010  
Published in February, 2012



Chunghwa Telecom CSR Report 2011  
Published in August, 2012



Carrying the environment on our shoulders

The Chunghwa Telecom CSR Report is printed using environmental-friendly soy ink.

# Message from the CEO

2011 was a fruitful year for the operational development of Chunghwa Telecom. Our mobile phone subscriber base exceeded 10 million and MOD service clientele also passed the hurdle of a million users. In response to the challenge of digital exchange, we provide the “multi-monitor, one cloud” cross platform service that additionally integrates fixed and mobile broadband services. The enormous power of the Internet can be reached using a smart phone, a tablet PC, a computer or a TV and we believe that the easier it is to access and use this information, the more likely it is to promote healthy lifestyle changes. We are committed to sustainable innovation, and the “iEN Smart Energy Conservation Service” and “EYE Social Innovation Call Center” are concrete demonstrations of our use of core ICT capability to solve environmental and social problems.

In 2011, our performance in the area of corporate social responsibility enjoyed much recognition, as it always does. For six consecutive years we have been honored by the Securities and Futures Institute and selected as one of the 10 A+ level listed companies in the area of information disclosure. IR Global Ranking presented us with the Outstanding Financial Information Disclosure Award for the Asia-Pacific and Greater China regions and we received the Best Corporate Governance and Best Corporate Social Responsibility Award from Finance Asia magazine for the Taiwan region. In addition, we have received the Reader’s Digest Platinum Award for Brand Credibility in the Telecommunications Industry for eight consecutive years, as well as the “2011 Common Wealth Corporate Citizen Award.”

With the expansion of the business group, we have standardized the operations management systems of our subsidiaries, strengthened collaboration and enhanced synergy within the business group itself. In addition, our business partnerships have increased to more than 7000 companies with an annual procurement value exceeding 50 billion NT. This means that we have even greater influence for the implementation of corporate social responsibility. In 2011, we released the “Code of Corporate Social Responsibility for Suppliers” and “Guidelines for Facilitating Suppliers in Fulfillment of Social Responsibility.” These were the first of their kind dealing with supplier management in the Taiwan service sector. We will continue to encourage and assist suppliers in achieving the appropriate corporate social responsibility standards and hope they can apply them to supplier management in general.

2011 was also the first five year milestone in our promotion of corporate social responsibility. We have disclosed primary CSR direction and cases in this report and Chunghwa Telecom use the characteristics of the ICT industry to extend the power of corporate social responsibility. Using resources in the most effective place is the concrete expression of “CHT + CSR = Care + Creativity.”

Starting in 2012, we will provide even more open communication channels and listen carefully to the sounds of the outside world as a reference for our actions. All our hard work points towards one goal which is our vision: “Become the most valuable and trusted ICT Company” and look forward to all sectors offering their comments and advice.



Chairman  
Shyue-Ching Lu

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# Profile of Chunghwa Telecom

*Chunghwa Telecom is committed to using innovative technologies and compassionate service to lead Taiwan's industries into a new era of development. We intend to transform our managerial role to one of the promotion of economic development and service, in accordance with the directions of "Strengthening Taiwan, Connecting the Taiwan Strait, and Global Deployment."*

## Stable Performance

In 2011, an increase in the number of smart phones and the economic recovery re-energized communications, increased volume, and spurred the growth potential of the entire telecommunications industry.

Through the diligence of all our colleagues, growth continued in mobile added value, cell phone sales, and internet operations. Consolidated revenues reached NT\$ 217.493 billion, while consolidated net income attributable to shareholders of the parent company was NT\$ 47.068 billion, and earnings after tax were NT\$ 6.04 per share. Consolidated income tax expenses totaled NT\$ 8.603 billion and we continue to compensate our investors. In 2011, a total of NT\$ 62.248 billion was issued as cash dividends and capital reduction repayments.

In addition to traditional telecommunications services, we have successfully introduced many information, communications, and digital convergence services, providing clients with cloud computation and customized comprehensive solutions, continuing our corporate transformation into an information service provider.

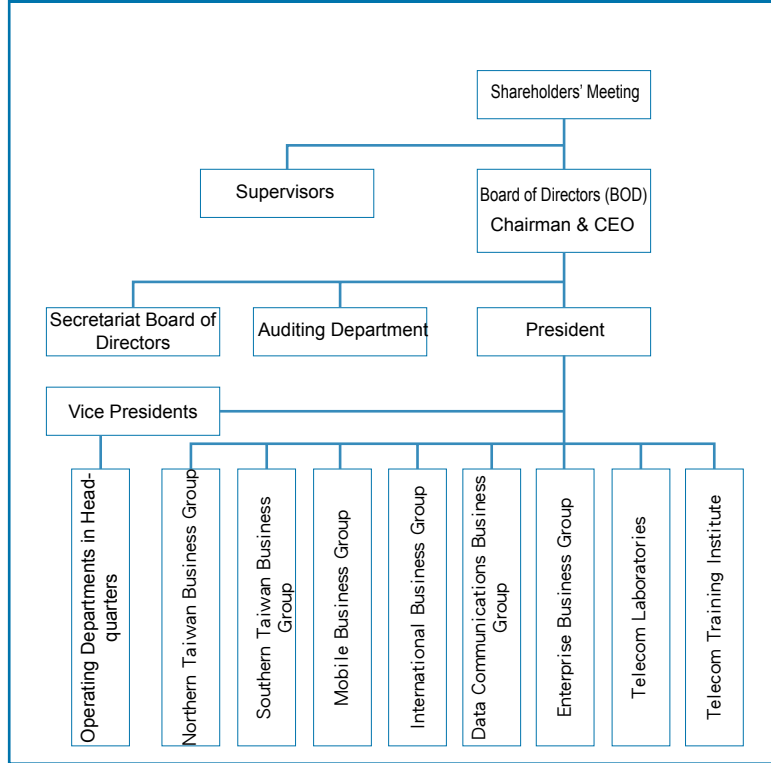
## Expanding Overseas Operations

Chunghwa Telecom and its affiliated companies primarily cover the telecommunication services industry. Generally, the greatest combined effects are generated through mutual support between technology, production, sales, and service. This ensures continuing provision of the best professional service for our clients, and also our leadership position in the market.

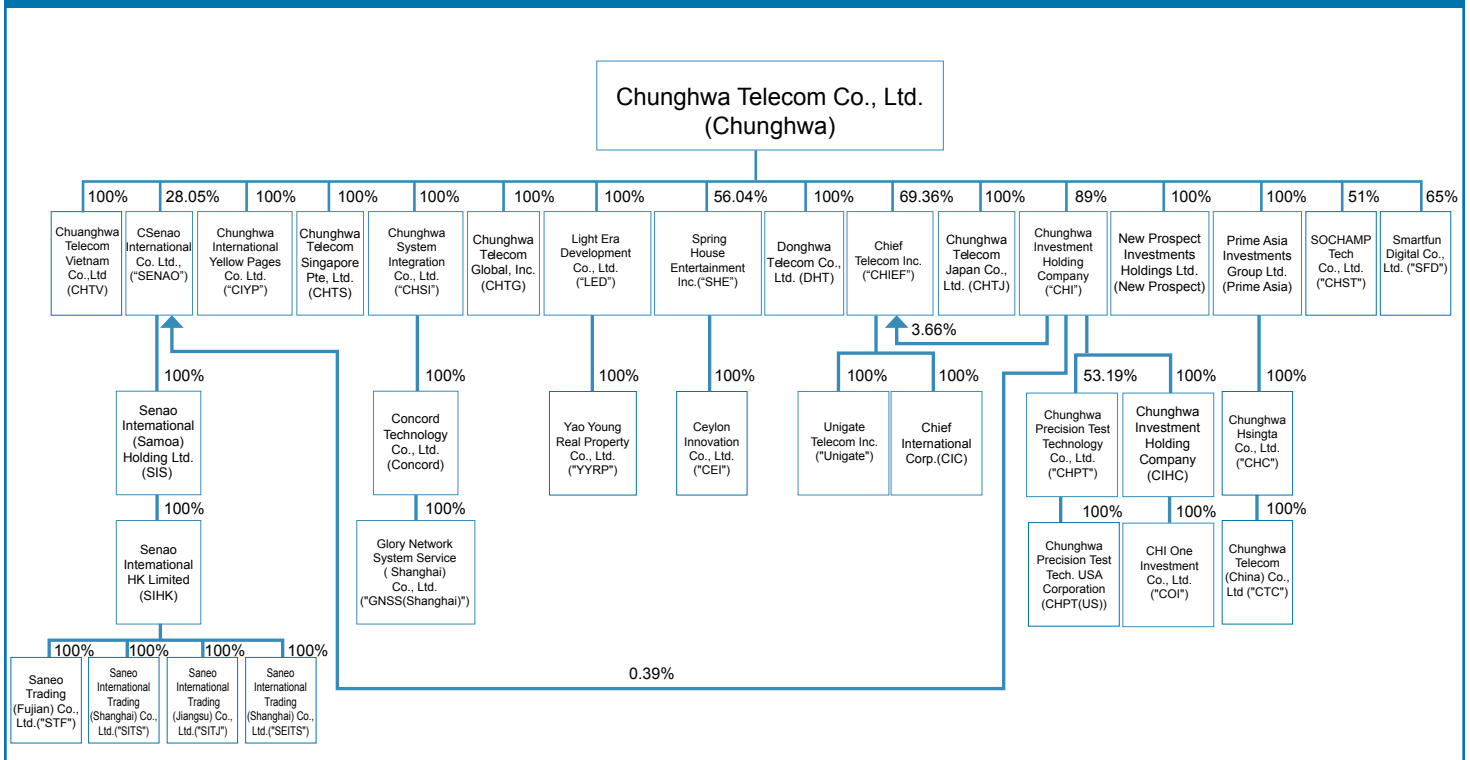
In order to broaden overseas markets and develop new room for growth, we have actively integrated the ecological power of the cloud and smart networking industry and coordinated with subsidiaries to make the full manufacturing output of ICT integration services a priority with China and Southeast Asia as preeminent development zones. In China, we have invested in Chunghwa Telecom (China) and partnered with China Telecom on the mainland to establish a smart city and cloud network center. In Southeast Asia, we have established a wholly-owned subsidiary, and simultaneously signed cooperation agreements with the big three telecom operators in Vietnam, we have also built more service equipment facilities.

Through our subsidiaries in the US, Hong Kong, Singapore, and Japan, we export international fixed network business to overseas markets to enhance operational competitiveness, maintain high quality service standards, and provide international corporate clients with international communications routing rental, IPVPN, IP transit, voice and data sales, and other services.

## Chunghwa Telecom Organizational Chart



## Chunghwa Telecom Co., Ltd and Subsidiaries



Consolidated Financial Performance of Chunghwa Telecom and Subsidiaries (in Millions of NT\$)			
	2009	2010	2011
Net Revenues	198,361	202,430	217,493
Operating Costs	112,736	115,332	131,531
Operating Expenses	29,231	29,731	30,877
Income from Operations	56,394	57,367	55,085
Earnings per Share (NT\$)	4.51	4.91	6.04

Market Position of Chunghwa Telecom (User Number in Millions and Market Share)						
	2009		2010		2011	
	Number of Users	Market Share	Number of Users	Market Share	Number of Users	Market Share
Local Telephone	1,244.8	97.09%	1,230.7	96.94%	1,208.1	95.29%
Mobile Telephone	926.9	34.38%	967.9	34.77%	1,007.2	34.90%
Broadband Access	430.4	83.01%	437.4	80.50%	449.8	79.21%
HiNet	406.7	71.76%	409.6	69.56%	418.2	68.65%

Consolidated Revenue of Chunghwa Telecom (in Millions of NT\$)						
Department	2009		2010		2011	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Domestic Fixed Communication	71,467	36.03%	70,688	34.92%	79,351	36.48%
Mobile Communication	86,524	43.62%	89,044	43.99%	92,998	42.76%
Internet	23,653	11.92%	24,483	12.10%	24,834	11.42%
International Fixed Communication	15,244	7.69%	15,534	7.67%	15,218	7.00%
Others	1,473	0.74%	2,681	1.32%	5,092	2.34%
Total	198,361	100.00%	202,430	100.00%	217,493	100.00%

Consolidated Personnel Expenses of Chunghwa Telecom (in Millions of NT\$)			
	2009	2010	2011
Personnel Expenses	41,708	44,075	44,849



## Effective Management of Capital Expenditure

Combined capital expenditure for 2011 totaled NT\$ 26.876 billion, of which NT\$ 16.569 billion was spent on fixed domestic communications (including dial-up and broadband networks), NT\$ 4.334 billion on mobile communications, NT\$ 3.746 billion on the Internet, and NT\$ 2.227 on fixed international communications.

Broadband operations consisted primarily of installing fiber optic networks to encourage ADSL clients to upgrade and catalyze user base growth and increase network efficiency. Mobile operations consisted primarily of upgrading coverage rates of 3G/HSPA/HSPA+ and other high speed networks while maintaining network communication quality. Also, in the next two to three years, there will be capital expenditures related to cloud operations. Our equipment purchasing and R & D expenses enjoy investment tax credits and incentives. Investment tax credits in 2011 totaled NT\$ 642 million.

## Management of Subsidiaries

We are proceeding cautiously with strategic planning, assessment, evaluation, post investment management, performance assessment, withdrawal mechanisms, and discipline, etc. with respect to transfer investments. Not only do we regularly analyze business conditions and the performance of the transfer investment industries, but we also assist our subsidiaries in the formulation and promotion of performance management systems.

Our internal control covers group level risk management and administrative level business activities, to enforce risk control mechanisms for subsidiaries. At the same time we have formulated a management mechanism to manage the appointments of the CEO, President, and shareholder representatives of transfer investment businesses, in order to facilitate examination and managerial duties.

# Corporate Social Responsibility Management



<b>S</b>	<b>Strategy</b>	Core Capabilities – Higher Benchmarks
<b>M</b>	<b>Management</b>	The Establishment of CSR Management System
<b>A</b>	<b>Address</b>	Engagement with Stakeholders
<b>R</b>	<b>Response</b>	Deepen Supplier Partnerships/Expand Supplier Management
<b>T</b>	<b>Target</b>	Key Performance Indicators of Corporate Social Responsibility



- During the Finance Asia 2011 nominations for most outstanding Asian corporations, Chungghwa was honored with recognition as the “Best Managed Company,” and for having the “Best Corporate Governance,” “Best Corporate Social Responsibility,” and “Best Commitment to Strong Dividends.”



# From Listening to Action

Chunghwa was the first domestic telecom to assemble a CSR committee. Since promoting the work of CSR, we have developed strategies, management and action plans, as well as observing responses and setting goals according to the SMART model.

In order for our business to better meet the expectations of stakeholders, starting in 2011, we have held regular stakeholder communication meetings to feed valuable opinions back to operating units to turn the meetings of Chunghwa Telecom and CSR into a careful listening and sustainability innovation cycle.

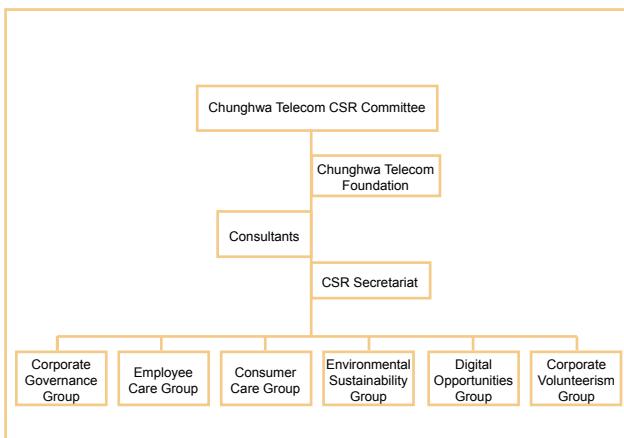
# Core Capabilities – Higher Benchmarks

*In addition to emphasizing our professional capacity as a valuable enterprise, finding ways to take more responsible action to account for all stakeholders affected by our core business fields is an issue we have never ignored. We believe that using unique corporate resources and specialization to focus on related public issues and improve the competitive environment can be of benefit to society as well as the corporations. At the same time, maturation of corporate social responsibility needs to be infused into the core activities of a corporation so that it becomes a cultural foundation to empower integrity and inspire innovation.*

## The Taiwan CSR Benchmarks

The driving force behind Chunghwa Telecom corporate social responsibility comes from the demands placed on corporations in this globalized age: these include global corporate deployment, the risks and opportunities for corporate image and reputation, the requirement of disclosure of non-financial performance information, competition for competent personnel, etc. Since starting the corporate social responsibility initiative in 2007, our planned objectives are to use extralegal voluntary actions to fulfill sustainable development and infuse corporate social responsibility into core business processes. Over the years, Chunghwa Telecom has become a CSR benchmark for the Taiwan telecommunications industry, and we will gradually develop corporate social responsibility from corporate strategy to competition strategy, and further into organizational operation strategy.

### CSR Committee Organizational Chart



## Reflection and Restart

Chunghwa Telecom led the domestic industry in promoting CSR and has received the recognition of related domestic and international awards over the years. After the competent authorities promulgated “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies,” we began formulating our own “CSR policy” and sought Board approval and support in response to the provisions in articles 5-7.

In accordance with the plan, the Board will be responsible for: CSR policy, governance, the management system; proposing the CSR mission (or vision, value); formulating the CSR policy statement; reviewing the efficacy of implementation at any time and continuous improvement. The existing CSR committee is responsible for the strategy of various tasks. The six work teams are responsible for proposing action programs and annual plans and implementing performance evaluations and review.

The core values of Chunghwa Telecom are “honest management, professionalism, and executive power.” Based on this, our CSR can be expressed in the following schematic diagram.

### Scope of Chunghwa Tel CSecomR

Honest Management	Sustainable Operation	Inclusive Business
<ul style="list-style-type: none"> <li>• Legal Compliance</li> <li>• Compliance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”</li> </ul>	<ul style="list-style-type: none"> <li>• International Conventions</li> <li>• Environmental Protection Trends</li> <li>• Enrich the World</li> <li>• Listen to Voices</li> <li>• Raise Quality</li> <li>• Universal Design</li> <li>• Social Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Citizen</li> <li>• Charity Activities</li> <li>• Digital Inclusion</li> </ul>

The essential core of our CSR is “Sustainable Operation.” We hold ourselves to an even higher corporate ethics and moral standard in order to attain and keep social and government recognition. We expect all our colleagues to acquire proper CSR concepts and implement CSR when carrying out routine business.

# The Establishment of a CSR Management System

*Chunghwa Telecom has become a CSR benchmark in the Taiwan telecommunications industry. We will continue to develop corporate social responsibility from corporate strategy to competition strategy, and further on to organizational operation strategies in investment, production, management, and other stages, to infuse management visions for corporate social responsibility and environmental sustainability and to enforce these accordingly.*

## The SMART Management System

We have continued to discuss and deepen our commitments to corporate social responsibility since its introduction in 2007. The “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” that was passed by the Taiwan Stock Exchange in 2010 is now fully integrated into our business processes.

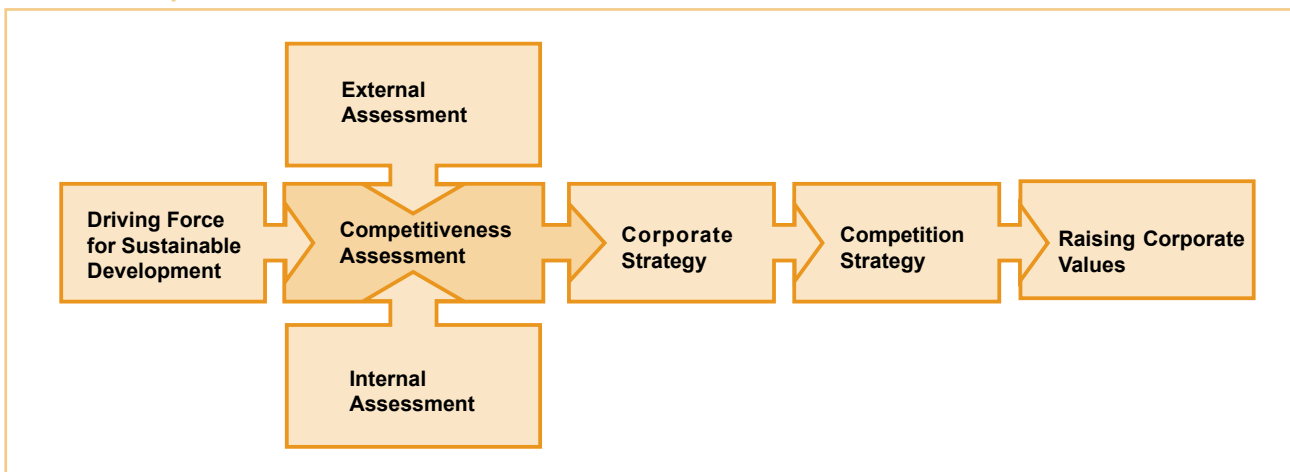
We have developed SMART corporate social responsibility management systems with unique strategies, management, actions, responses, and target stages to account for the six aspects of corporate social responsibility, including corporate governance, employee care, consumer care, environmental sustainability, digital opportunities, and corporate volunteering, and have fully incorporated them into our business plans. External questionnaires and internal assessment procedures are used at the end of each year and task groups formulate new targets for the following year. They also assess their own strategies, management, actions, and responses to decide whether they might require additional reinforcement.

## Raising Corporate Value

We believe that the strategic planning and management of corporate social responsibility will effectively control risks, lower costs, increase brand values, and create new growth opportunities, to incorporate more value for stakeholders and shareholders.

In the future, we will continue to apply our core capabilities as we enforce ethical business practices to create corporate social responsibility benchmarks; attend to employee demands to enter the cloud age, create responsible brands; address climate change to concentrate on digital opportunities, and face the challenges of the new era. The core of all strategies points to the same objective, which is our vision to “Become the most valuable and reliable information and telecommunications company.”

## CSR and Corporate Values



# Engagement with Stakeholders

We combine corporate social responsibility with daily corporate business management because we believe that an appropriate management of corporate social responsibility issues is a critical factor for achieving our mission. It enables us to face possible future problems and challenges more responsibly, to create more value for company business development, clients, and the vast stakeholder base. We focus on listening to the voices of all our stakeholders, and have adopted a proactive communications approach to promptly and reasonably respond to external demand.

## Multilayered Channels

Engagement with stakeholders and the identification of key issues is the core of CSR. Since the first CSR report was published in 2007, Chunghwa Telecom had been enhancing interaction by inviting different stakeholders to meetings with relevant departmental managers from time to time. Our CSR reports are also verified by third parties to ensure their reliability and accuracy.



Listening to Stakeholder Voices and Timely Responses by Department Managers.

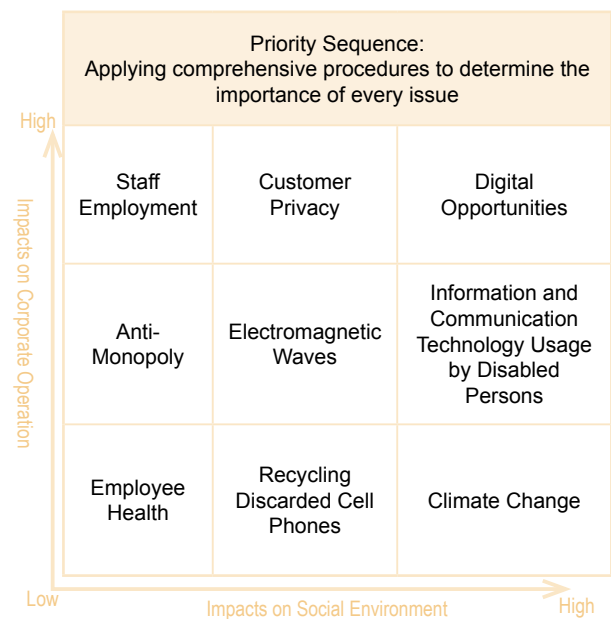
## Key Issues Matrix

Identification: Issues from many Stakeholders and Sources	
<b>Primary Source:</b> <ul style="list-style-type: none"> <li>Customer Feedback</li> <li>Email</li> <li>Stakeholder's Meeting</li> <li>Investor Questionnaire</li> <li>Employee Questionnaire</li> <li>Supplier Questionnaire</li> <li>Consumer Survey</li> <li>Community</li> <li>Investment Assessment</li> <li>External Verification</li> </ul>	<b>Primary Issues:</b> <ul style="list-style-type: none"> <li>Climate Change</li> <li>Digital Opportunities</li> <li>Information and Communication Technology: Usage by Disabled Persons</li> <li>Staff Employment</li> <li>Anti-Monopoly</li> <li>Electromagnetic Waves</li> <li>Energy Usage</li> <li>Employee Health</li> <li>Customer Privacy</li> <li>Recycling Discarded Cell Phones</li> </ul>



## Analysis of Key Issues

We determined the priority sequence of different issues of concern to stakeholders through the aspects of "impact on corporate operation" and "impact on social environment." As before, creating digital opportunities is the most important task that our CSR operations should focus on, in addition, "customer privacy protection" and "information and communication technology usage for disabled persons" are also closely related to our core operations. In response to rapid technological development, we need to ensure that user rights are not violated. In addition, the creation of specifically requested products for different clientele groups is an expectation of society and also includes possible future business opportunities.



# Deepen Supplier Partnerships

*Working and growing together with suppliers is fulfilling our responsibility to the telecommunications industry. Article 8 of the “Chunghwa Telecom Code of Conduct” clearly specifies: We must treat our suppliers fairly and will not obtain unfair profit through obfuscation, the abuse of advantages, or other material misrepresentations. Suppliers are also strictly prohibited from obtaining improper profits. In addition, article 10 also declares that we will not join with competitors to boycott or refuse to deal with suppliers.*

## Creating Win-Win Cooperative Relationships

Over the years, we have continued to jointly grow with our suppliers. We provide incentives for them to work in research and development. Rights to our patented technologies are transferred fairly. In terms of hardware and software, we continue to support telecommunications facilities and testing environments. We provide expansion and open cooperative platforms to achieve profit sharing.

## Incentive Measures

We provide financing through an open platform and assist suppliers to develop.

1. Digital Cloud Rainforest: By our comprehensive cloud service creation environment, a high-capacity cloud platform, we encourage software developers to participate with incentives to establish their results in the applications market. Hence, software developers can focus on the research and development of innovative services and enter market quickly.
2. The Firefly Project: Partnered with the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to establish the “Chunghwa Telecom Firefly (counter guarantee) Project Credit Guarantee.” All first-rate corporations recommended by us can apply for credit guarantee. So far, a total of 19 companies had been recommended, and the project was instrumental in obtaining NT\$ 240 million.

## Building Ability

We share resources with suppliers to enhance their R & D capabilities. To mastering future technologies, We also committed to the advance of a friendly environment.

1. iEN service drives green industry: Our Intelligent

Energy Network (iEN) focuses on providing solution to the following discipline: electricity, illumination, air conditioning, heat pumps and boilers, environmental monitoring, solar photovoltaic applications, drainage, water conservation, smart buildings, and equipment room energy conservation, etc. We devoted into green procurement, R & D partnerships, and technological promotion with equipment manufacturers, integrators, and service providers. To date, we have established positive interactions with 65 corporate partners to develop competitive products.

2. Assist the Taiwan Telematics Industry Association (TTIA) complete the intelligent bus industry standard and project demonstration: The formulation of onboard device standards is key to sustain operation of the onboard device and telematics industries. Invited by the Ministry of Economic Affairs, Chunghwa Telecom participates in the “Smart Bus Working Group of the TTIA” with all aspects of the onboard device companies. We have been working on the establishment of a comprehensive industry standard.
3. Development on 4G LTE/LTE-A wireless communications technology standard: We collaborated with HTC and the Industrial Technology Research Institute to hold the first 3GPP standards meeting in Taiwan. More than 900 LTE/4G experts from around the world attended, which enhance our reputation and technology leadership.
4. Convene international symposiums and forums: such as; The Joint Conference of R.O.C.-USA Business Councils (Cloud Computing Group), the 3rd Taiwan-Japan IT Business Dialogue Conference, and the 29th Sino-Japanese Modern Engineering and Technology Symposium (Telecommunications Group).

# Expand Supplier Management

*We were the first Taiwanese telecommunications company to formulate supplier management policies. In 2009, we completed the “Basic Status Survey on Corporate Social Responsibility for Suppliers” questionnaire. In 2010 we held supplier conferences and sent questionnaires out by mail. In 2011, the “Code of Corporate Social Responsibility for Suppliers” and “Guidelines of Facilitating Suppliers to Fulfill Social Responsibility,” were released and we began preparing a supplier sustainability assessment plan that is expected to be implemented from 2012.*

## International Standards

All Chunghwa Telecom operation sites support and encourage a high standard of CSR implementation. The purpose of the “Code of Corporate Social Responsibility for Suppliers” is to specify what we expect from our suppliers with respect to CSR standards concerned with ethics, labor, environment, health, and safety. We hope to express our commitment and responsibility to suppliers through these guidelines, achieve good moral standards together, and show respect for worker’s rights and a sustainable environment. The “guidelines” apply to all suppliers providing products or services to the Chunghwa Telecom Group, subsidiaries and joint venture companies and companies in the supply chain. Contents of the “guidelines” include five aspects:

- Corporate Standards
- Ethical Standards
- Labor Standards
- Environmental Standards
- Health and Safety Standards

According to the “Guidelines of Facilitating Suppliers to Fulfill Social Responsibility,” we will strive to understand supplier CSR implementation status through the provision of training, surveys, onsite visits, or third party verification. We will encourage suppliers who have not conformed to the guidelines, and advise them in the establishment of a suitable improvement plan. These measures for facilitating supplier implementation of CSR will be planned and executed by the secretary of the CSR committee with assistance of CRS members assigned by the related business units.

## Supplier CSR Status Survey and Audit

In the past, our audits were limited to engineering suppliers. In 2011 audits were conducted on 87 companies (approximately 1.2% of all suppliers). Management and employees were interviewed to monitor production quality through onsite audits (announced and unannounced). From 2012, suppliers with procurement of NT\$ 5 million or more must agree to abide by the e “Code of Corporate Social Responsibility for Suppliers” and “Guidelines of Facilitating Suppliers to Fulfill Social Responsibility,” and implement supplier CSR surveys to facilitate our supervision of the sustainability risks of suppliers. Our definition of high sustainability risk is as follows:

- Economic: Occurrence of business ethics violations due to supplier not having formulated a code of conduct
- Environmental: Supplier has yet to formulate a written environmental policy and has not formally requested that suppliers comply with environmental regulations.
- Social: Company has yet to formulate a written labor policy or health safety policy.

According to our preliminary supplier sustainability assessment plan, suppliers in the equipment and labor category will also be gradually included in the scope of audits to further integrate ESG (environment, social, governance) factors and supplier selection criteria.



# Key Performance Indicators of Corporate Social Responsibility

Since the introduction and promotion of corporate social responsibility in 2006, we have gradually accumulated a range of performance indicators, represented by different symbols in this report. Legal indicators (📄) represent the relevant legislation that we observe in our corporate social responsibility duties; benchmark indicators (🏆) represent the benchmark performance yielded by our corporate social responsibility duties; management indicators (🔍) represent tasks that are under continuous performance management; and represents the awards we have won in the related fields.

Legal Indicators	Benchmark Indicators
<p>Relevant regulations from code of conduct P.20</p> <p>Formulation of ethical business practice regulations P.21</p> <p>NCC universal service policy P.33</p> <p>People with Disabilities Rights Protection Act P.38</p> <p>Labor Union Act P.39</p> <p>Risks and opportunities from addressing climate change P.48</p>	<p>First telecommunications company to formulate CSR policies for suppliers P.14</p> <p>The only unionized telecommunications company that has signed collective agreements with employees P.39</p> <p>The first telecommunications company to achieve carbon reduction targets P.52</p>

Management Indicators	2009	2010	2011	Explanation	Page No.
Customer Satisfaction: consumer customers	3.73	3.81	9.45 <sup>Note</sup>	↑	P. 29
Percentage of female managers(%)	22.48	23.04	23.71	↑	P. 38
Number of disabled persons employed	709	721	757	↑	P. 38
Number of maternity leave applications	55	54	171	↑	P. 42
Service providers with the highest amount of green purchases (in millions of NT\$)	2.06	4.1	8	↑	P. 58
Total hours of corporate volunteer services	41,979	147,083	19,452	↓	P. 63
Monetary amounts of social contribution (in thousands of NT\$)	1,556,467	1,875,187	1,604,862	↓	P. 63
Operation of computer- related classes for remote areas (hours)	1,023	1,240	934	↓	P. 64

Note: Customer Satisfaction index change different count in 2011.

# Corporate Governance



<b>S Strategy</b>	Enforcement of Ethical Business Practices
<b>M Management</b>	Risk and Crisis Management
<b>A Address</b>	Enhance Code of Conduct
<b>R Response</b>	Ethical Corporate Culture/ Transparent Disclosure and Management
<b>T Target</b>	Sharing Value through the Cloud Platform



- Chunghwa Telecom was rated A+, the highest honor, and listed amongst the top 10 A+ public companies in the Public Companies Information Disclosure Ranking, hosted six years in a row, by the Securities & Futures Institute.
- Chunghwa Telecom was selected by IR Global Rankings to receive the Best Financial Disclosing Company in the Asia Pacific Region Award, the Best Financial Disclosing Company in the Great China Area and Bronze medal, Best Investor Relations Website in Taiwan.
- Chunghwa Telecom was selected by TM Forum Management World to receive a 2011 Business Innovation Excellence Award.
- Chunghwa Telecom's sustainability performance was ranked second in Asia and first in Taiwan.
- Chunghwa Telecom received the 2nd Ten Outstanding Project Managers Award.
- Exhibited in the "TWSE Listed Companies Expo'11" and was awarded the CG6006 advanced corporate governance assessment certificate and CSR award for excellence.
- Awarded the "2011 Common Wealth Corporate Citizenship Award" - promoted to most futuristic new value Telecom enterprise in Taiwan.



# From Green Industry to **Digital Rainforest**

Ever since Chunghwa Telecom, previously under the Ministry of Transportation and Communications' Directorate General of Telecommunications, became a corporation and was listed in Taiwan and New York, we have been committed to the improvement of corporate governance and regard ourselves as a green business that can integrate the sustainability issue into daily operations.

Since promoting the work of CSR, we have been actively cooperating with business partners to drive positive social development. In the future, we will commit to the promotion of the digital rainforest concepts of "Living Water Fertile Ground, Sustainable Green Energy, Prosperous Innovation, and a Multiplex Coexistence."

# Enforcement of Ethical Business Practices

*We intend to shape “Chunghwa Telecom” into the most valuable and most reliable ICT company. On top of expanding our operations, we further emphasize reliable values and ethical operation. The “Code of Corporate Governance for Chunghwa Telecom Co Ltd” is our official corporate governance policy which covers: the establishment of effective corporate governance frameworks, the protection of shareholder’s rights, the enhancement of the functions of the Board of Directors, the utilization of Supervisor functions, respect for stakeholder rights, and increasing information transparency.*

## Enforce Board of Directors

The Chunghwa Telecom Board of Directors is the highest governance body, with the Chairman also acting as the Chief Executive Officer. The Board of Directors is responsible for appointing and nominating high level managers, as well as formulating company corporate social responsibility, corporate citizenship, and sustainable development strategies. The Board has 13 directors which includes 3 independent directors and 3 supervisors. To date, 3 female directors (1 independent) amongst 12 directors, and all the supervisors are female. At the same time, a labor directorship has been specifically provided to ensure diversity of the Board. In 2011, the Board convened a total of 8 meetings and the average rate of Board attendance exceeded 90%.

To consolidate supervisory functions and management effectiveness, the Board of Directors established “Strategy,” “Audit,” and “Compensation” committees. To prevent financial losses from third party litigation for directors and supervisors, we have purchased indemnity insurance for Directors and Supervisors.

The Ministry of Transportation and Communications (MOTC) is the largest shareholder of Chunghwa Telecom. Our Chairman and President act as their shareholder representatives. They are committed to executing policies and fulfilling social responsibilities, and are examined by MOTC yearly. Compensation for the Chunghwa Directors, Supervisors, President, and Vice Presidents accounted for 0.31% of net profits in 2011, 0.33% in 2009, and 0.30% in 2010.

## Shareholder Structure

Government agencies	Financial agencies	Other organizations	Foreign agencies and foreigners	Individuals
36.84%	21.58%	2.50%	24.59%	14.49%

Note: this information is accurate as on July 27, 2011, the standardized date of dividend and capital gain distributions for Chunghwa Telecom.

## Information Disclosure

As a publicly traded company in Taiwan, we also issue American investment certificates that are publicly traded on the New York Stock Exchange. All issues of concern to investors are simultaneously disclosed domestically and abroad in Chinese and English, providing instant financial and business information. For six consecutive years from 2006 to 2011, we have been awarded the honor of A+ from assessments of information disclosure for publicly traded companies.

We have also formulated the “Administrative Regulations on Management and Control of Prevention against Insider Trading in Chunghwa Telecom,” to prevent inappropriate information disclosure, and ensure the timeliness and accuracy of information disclosed to the public.

## Supplier Management Standards

The “Chunghwa Telecom Code of Conduct” clearly specifies: We must treat our suppliers fairly and will not obtain unfair profit from them. For many years we have provided software assistance to create a win-win relationship with suppliers. In 2011, we lead the industry in formulating the “Chunghwa Telecom Supplier CSR Guidelines” and strive for sustainable development with all our business partners.

## Business Principles

To improve the quality of business sales and earn consumer trust, we have formulated “Business Principles” to ensure compliance with legislative requirements from regulatory agencies that are also incorporated into annual valuation criteria for high level managers. Our reputation and corporate image is maintained by the joint diligence of all our colleagues.

# Risk and Crisis Management

*Identifying and controlling risk incidents are responsible actions of corporations to enhance operations. Our framework contains comprehensive risk management policies and systems, augmented by complete information systems for recording and tracking, effectively utilizing risk control performance and reducing risk and danger in managerial aspects.*

## Risk Analysis and Response

We have always been committed to risk management policies that: “1. Actively establish risk management awareness among colleagues; 2. Discover potential risks and make dynamic responsive adjustments to account for environmental changes; 3. Utilize opportunities within risks in a firm and proactive fashion to reasonably ensure achievement of company targets and create maximized shareholder value.”

We have always formulated the “Chunghwa Telecom Risk Management Regulations” to act as references for all employees in the execution of their work. The President is designated as the person with the highest level of responsibility for risk and crisis management who reports to the Board of Directors.

Currently, we have adopted risk maps to act as risk assessment tools, and their parameters include: legal risks, network maintenance risks, market competition risks, and financial operation risks. At the same time, we conduct sensitivity analyses and stress tests for the company’s major business operations to minimize possible losses through risk absorption, risk transfer, risk reduction, and risk avoidance.

## Climate Change Risks

In order to prevent service interruptions, personnel, and financial losses caused by floods and mudslides, we are actively completing data center flood prevention and repair operations, holding disaster prevention and emergency response drills and mitigating the operational risks from climate change to ensure clear communications and the overall safety of the communications network.

After the flood disaster of August 8, we officially incorporated factors from “climate change issues” into the “performance and risk management” assessment system. Significant risks are listed in the group’s annual business plan, which will undergo target management and performance evaluation to facilitate continuous confirmation and feedback. In November 2010, we completed the “Response for Climate Change – Chunghwa Telecom’s Strategic Actions for Environmental Protection, Energy Conservation, and Carbon Reduction.” Execution priorities or improvement plans were formulated towards the overall project, current execution status, short term and long term action plans, etc, to enhance disaster resistance capabilities and enforce responsible communication.

## Risk Management Responsibilities

Organization Name	Authorities and Responsibilities
Board of Directors (including Audit and Strategy Committees)	<ol style="list-style-type: none"> <li>1. Establish Risk Management Policies, Frameworks, and Culture</li> <li>2. Ensure the Effectiveness of Risk Management Mechanisms and Proceed with Resource Allocation</li> </ol>
High Level Management (Chief Executive Office, President, Vice President)	<ol style="list-style-type: none"> <li>1. Execute Board of Directors Risk Management Decision-Making</li> <li>2. Coordinate with Inter-Departmental Risk Management Interaction and Communication</li> </ol>
Headquarters (The Corporate Planning Department takes on the duties of Executive Secretary )	<ol style="list-style-type: none"> <li>1. Compile Implemented Results of Risk Management Activities</li> <li>2. Assist and Supervise Risk Management Activities in Subordinate Branches</li> <li>3. Decide Risk Types based on Environmental Changes and Establish Risk Undertaking</li> <li>4. Proceed with Efficiency Assessment and Coordination after Risk Adjustments</li> </ol>
Subordinate Branches	<ol style="list-style-type: none"> <li>1. Execute Risk Management Activities</li> <li>2. Execute Self-Evaluation of Risk Management and Control Activities</li> </ol>

# Enhance Code of Conduct

We insist all our employees to comply with ethical standards. This means that during the process of operations and task performance, our employees must strictly follow the code of conduct and moral guidelines and may not compromise for any reason. This will ensure that all tasks carried out comply with regulations and moral standards that prevents any illegal action.

## Abiding by the Code of Conduct

The “Chunghwa Telecom Code of Conduct” is the basic guideline that governs the execution of daily tasks by our employees. The “Chunghwa Telecom Code of Conduct Violation Case Acceptance Points,” “Chunghwa Telecom Implementation Guidelines for Protecting Trade Secrets,” “Chunghwa Telecom Human Resources Employee Complaints Hotline,” and a strict reporting mechanism allow employees to conduct commercial activities worldwide with the highest ethical standards. This code of conduct was set up especially to establish ethics criteria that should be adhered to and maintained. These standards include personal and group responsibility, and responsibility to the company, public, and other stakeholders that apply to board members, supervisors, managers, and employees with the goal of preventing misconduct.

## Ethical Evaluation of Employee Behavior

The Chunghwa Telecom Code of Business Conduct and Code of Conduct are both published on our external and internal websites and all our employees are required to take the “Chunghwa Telecom Code of Business Conduct and Code of Conduct Test” each year. By doing so to maintain their professionalism and integrity, which optimize corporate governance and risk control, which establish honestly principled corporate culture. Additionally, the Chunghwa Telecom Employee Review Guidelines and Chunghwa Telecom Reward and Discipline Standard are published to evaluate employees, who are also confirmed to thoroughly understand and followed. Employees are rewarded or disciplined if their behavior is judged as to encourage or violate of the Guidelines.

In 2011, 17 cases involved 22 employees were reported as violating to the Chunghwa Telecom Code of Business Conduct and Code of Conduct. No employee dismissed or litigation due to bribery or discipline punishment. Among above 22 employees, 11 employees (9 cases) were in violation of confidentiality regulations, one was involved in a murder case, one in embezzlement, and the remaining 9 employees (6 cases) were verified as engaging in improper behavior or speech. In addition to issuing disciplinary ordinances, we also continue to promote related regulations and emphasize them by education.



Online Code of Conduct Test held annually to deepen integrity management.

# Ethical Corporate Culture

*Ethical business practices not only enhance investor confidence in the company and increase corporate values, they can further reduce fundraising costs and achieve win-win objectives for enterprises and investors. Therefore, we have formulated the “Ethical Corporate Management Best Practice Principles for the CHUNGHWA TELECOM Co Ltd” to be the policy followed by all of Chunghwa.*

## Public Private Partnership

Corporate integrity management is an priority issue that everyone concerned currently. First, the United Nations proposed a Global Compact in 1999 to make anti-corruption one of the major subjects of CSR, by doing so to advocate corporate responsibility and create integrity and fairness business environment. APEC also has categorized “enhancing CSR” and “combating corruption” as two critical global issues. They encourages cooperation between public and private sectors to improve governance and combat corruption.

Hence, the board approved 23 articles in the “Chunghwa Telecom Code of Business Integrity” in December 2010, which clearly specifies the regulations. Board members, supervisors, managers, employees, and also investment companies are ask to comply with. These standards form is our group-wide policy, which has specific targets that are disclosed to the public on the company’s external website.

## Applied Across the entire Group

Goals of establishing these standards are to unify the internal consensus. Specific regulations clearly ensure to ban dishonest behavior, and implement integrity management with good corporate risk management mechanisms, which to help to create a sustainable operating environment. Key points implements are as follows:

1. In order to strengthen determination and commitment to integrity management by the company, specific company regulations and external documents are clearly announce for integrity management policy and its implement.
2. In order to conduct commercial activities under fairness and transparency, clearly specify to avoid transactions with those who have dishonesty records.

3. Clearly specify to prohibit bribery, accept of bribes, provide illegal political contributions, improper charitable donations, sponsor unreasonable gifts and hospitality, or other improper benefits.
4. The board of directors should urge the company to prevent dishonest action and ensure to implement policy through by the dedicated department.
5. To implement integrity management, the board members, supervisors, managers, and employees should conduct business by regulations so as to prevent dishonesty.
6. Clearly specify a conflict of interest avoidance policy for board members, supervisors, and managers.
7. To ensure the implementation of integrity management, the company should establish an effective accounting system and internal control system. Internal auditor should regularly confirm compliance status.
8. Related operating and behavior guidelines should be establish to implement integrity management from board members, supervisors, managers and employees.
9. To implement the promotion of integrity management, clearly specify that the company should regularly hold education and training, and establish an expedient rewards and disciplinary system.
10. Clearly specify that the company should strengthen the fulfillment of integrity management information disclosure.

# Transparent Disclosure and Management

*We are committed to the direction and goal of CSR information disclosure and have received recognition from stakeholders in all segments of society. In the future, we will continue to lead the competent authorities, disclose various information according to international standards, and strengthen communication with stakeholders to gradually become the industry standard for disclosure in Taiwan.*

## Ensuring GRI Frameworks as Principle

After the introduction of the “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies,” The Taiwan Stock Exchange further refined its developmental direction in terms of enhancing corporate social responsibility information disclosure for publicly listed companies. The Taiwan Stock Exchange proposed the third generation guidelines of Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines (also referred to as GRI G3.1 Guidelines) as the most important reference and framework of information disclosure. We will continue to emphasize CSR issues and report publication.

## Inviting Stakeholders to Read Reports

In order to comply with article 8 of the “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies,” this company began identifying stakeholders and found that the most important stakeholders are clients, employees, shareholders, suppliers, the community, and non-profit organizations. We began holding stakeholder conferences in 2011 which were divided into specific and general conferences. Stakeholders were invited to offer opinions on that year’s CSR report.



Awarded A++ Level of the “Ninth TWSE / GTSM Listed Companies Information Disclosure Assessment”

## Greenhouse Gas Emissions and Reduction Disclosure

The Taiwan Stock Exchange also encourages the trend of publicly listed companies disclosing greenhouse gas emissions and reduction information in their annual reports and public documents. In the future, we will follow orders from regulatory agencies and voluntarily disclose relevant information in annual reports and public documents, to enhance corporate governance and fulfill corporate social responsibilities.

Chunghwa Telecom is committed to energy conservation, carbon reduction, and sustainable environmental development, and is also the first Taiwanese telecommunications company to pass greenhouse gas examinations and certifications. In the future, we will also gradually disclose relevant information and continue to act as the benchmark of Taiwan’s domestic service industries.

## AA 1000 as Reporting Certification Standard

To improve the quality of our reports, we began adopting AA 1000 as our reporting certification standard in 2009. AA 1000 is the certification standard devised by the Institute of Social and Ethical Accountability, which emphasizes that report certification shall be based on its production process, such as confirming the identities of stakeholders, communication with stakeholders, and confirming mutual issues with stakeholders. The inclusiveness, completeness, and comparability of reports is also emphasized. We have adopted training classes and other methods to enhance recognition for AA1000 within subordinate groups of the CSR committee.



# Sharing Value through the Cloud Platform

*Our goal is to become the “most valuable and most trustworthy telecommunications company.” In addition to balancing customers, shareholders, and employees, we are committed to creating overall social value. We are also committed to becoming the leader in domestic cloud computing and driving the shared value of the domestic industry.*

## Lead Cloud Computation

In recent years, cloud computing has become an important trend in the development of the telecommunications industry. Chunghwa Telecom is also actively preparing development. Simply put, cloud computation consists of cloud servers, terminals, networks, and services. Cloud “networks” and “services” are part of Chunghwa Telecom’s industry and two of its advantages which connect the “cloud” to the “terminals” and provide people and businesses with convenient cloud computation services.

In 2011, cloud services emerged from infrastructure construction in the concept stage, into the year of cloud services. Currently, in addition to providing customers with services such as relationship management services, computing cloud, cloud anti-virus and anti-hacking, cloud storage, etc., we are also promoting the six primary services of the personal, storage, business, travel, circulation and health clouds with partners from different industries. At the same time, we are actively strengthening cloud infrastructure through cooperation with strategic cloud partners such as Microsoft, Intel, Fujitsu, Trend Micro, Quanta, Show Chwan, etc. to drive the development of the cloud computing industry in Taiwan.

## Cloud Computation Association in Taiwan

In 2011, we established the “Cloud Computation Association in Taiwan.” This association has become a catalyst for increasing the value of the cloud computing industry chain in Taiwan and allows the industrial, academic, and research sectors to have matching platforms for development, integration, verification, and commerce. In 2011 the Cloud Computation Association in Taiwan planned and birthed the “Taiwan Cloud Valley” in hopes of establishing industry clusters, providing incubation, creating a cloud platform, and other centers for cross nodal operation to become Taiwan’s first cloud computing demonstration industrial park, to further become the hub of Asian cloud services, and drive the cloud industry in Taiwan towards the next milestone.

## Four Centers, One Platform, One Marketplace

Chunghwa Telecom’s cloud computing layout follows the strategic framework of “four centers, one platform, one marketplace” to gradually move forward. Four centers refers to an R&D center, test center, operations center, and experience center.

In addition, Chunghwa Telecom has built a large capacity “cloud service creation platform” focusing on cloud software developers to build a “Chunghwa Cloud Marketplace’ and provide business customers with one-stop shopping, buy to rent, on-demand, safe, and stable cloud application services. From this we hope to expand cloud application use and build the largest cloud settlement in Taiwan.

# Customer Service



<b>S Strategy</b>	Improve Service Development
<b>M Management</b>	Brand Management/ Customer Relations Management
<b>A Address</b>	Customer Satisfaction Survey/ Privacy Protection and Information Security/ Actively Explain Product Features
<b>R Response</b>	Ensuring Communications Quality/ Building a Broadband Network/ Mastering Policy and Regulation
<b>T Target</b>	Create an Open Creative Platform



- Received first prize in the telecommunications industry of the “Centennial Service Industry Quality Gold Award”.
- Received two major awards from the Asia Pacific Customer Service Consortium (APCSC) including “Customer Satisfaction Quality System of the Year” and “Best Use of Knowledge Management of the Year”.
- “Cultivating Taiwan Broadband Construction” received international recognition by being awarded “Best Asian Brand” and “Best Asian Employer”.
- Received the Taiwan top 100 brands communications and media service award from the Ministry of Economic Affairs.
- Received first place in Common Wealth Magazine’s “Gold Medal Service Award” in the telecommunications category and the only telecom selected into the top 10 cross industry ranking.
- 2011 Ninth “Global View Magazine’s” distinguished service award in the telecommunications category.
- Received the “Next Service Grand Prize” in the mobile fixed network category held by Next Media and first place in the “Eighth Annual Best Service Business”.
- The “Disaster Emergency Response System” received the Taiwan Geographical Information Society’s “Seventh Golden Map Award Best Application System Award”.
- Received first place in the Cloud Computing Association in Taiwan’s “Centennial Cloud Innovative Application Award of Excellence”
- Fourth consecutive first place in Business Today’s “Businessman’s Ideal Brand’s” telecommunications category.
- The only company in the telecommunications industry to receive “Taiwan’ 20 Top Innovative Industries in 2011” from the Ministry of Economic Affairs”.
- The only telecommunications brand to receive “Excellent Business Services Brand” from the Department of Commerce of the Ministry of Economic Affairs.
- Received the telecommunications service category award of Common Wealth’s “Taiwan’s Most Admired Company” for six consecutive years.
- Received ITS Taiwan’s “ITS Application Award” and “ITS Paper Award”.
- Achievements in the national technology program of network communications evaluated as an excellent plan.
- Technology Award in ITS Taiwan/Telematics “Splendid 100 Selection Event”.
- Participated in the “2011 Taipei International Invention Show and Technomart,” received 3 gold medals, 1 silver medal, and 2 bronze medals.



## From Plains to Mountains

Whether on the plains or a mountain, the familiar Chunghwa Telecom logo is always easily seen; in faraway places, the Chunghwa Telecom logo further represents the communications channel between the people and the outside world.

Since promoting the work of corporate social responsibility, we have emphasized the importance of our commitment to customers. In order to establish a far-reaching communications range and good communications quality, in 2011 we invested several billion NTD on remote highways and mountainous regions to construct the most efficient telecommunications and communications infrastructure for Taiwan.

# Improve Service Development

*Combining the cloud and devices brings inexhaustible innovation and forward development. We utilize our ICT (information and communications technology) specialty to provide a comprehensive cloud service platform and high standard information security mechanisms to accelerate the ubiquity of cloud use.*

## Bringing Cloud to Homes – iHome Smart Phone

We have introduced the new home service “iHome Smart Phone” to address the modern “smart family’s” need for MICE (Monitor, Information, Communication, Entertainment). By combining NGN networks with cloud services and interconnected networks, the generic home phone can provide services of home monitoring and integration of online lifestyle information.

The “iHome Smart Phone” is of the same size as a home phone, combined with a 7-inch touch screen monitor to provide customers with home security, information services, communications services, and multimedia services, which can achieve many functions, including GPS, instantaneous road conditions, weather, and health services. A “user-friendly” spirit allows people of any age to easily use this device.



A household telephone becomes a web life data kiosk to instantly send images to far-away relatives.

## Smart Medication

We partnered with the Show Chwan Health Care System to introduce all their medical facilities cloud into medical application services, which includes cloud electronic medical records, cloud nursing information system, Hence to create the nation’s first private medical cloud and open a new era of medical computing.

Furthermore, we partnered with Taidoc Technology to promote the “blood sugar & pressure management” cloud service system in 2011. Diabetic and high blood pressure patients can use the “Taidoc Cloud Service Gateway” at drug stores to log instrument measurement to the database. Patients can easily obtain personal blood status reports any time to enhance self-management and reduce extra medical usage. Meanwhile, reports can also be used for medical inquiry, which lead a big step forwards for a healthy society.

## Living Parent-Child Cloud

To uphold the spirit for cloud platform, “innovation value and moved services”, we combine more monitors into a single structure. Hence we applied this cross-platforms into PCs, smart phones, tablet PCs, MOD digital set top boxes, etc., we customize and diversify rich digital learning links for parent-child product services that creates a convenient digital lifestyle.

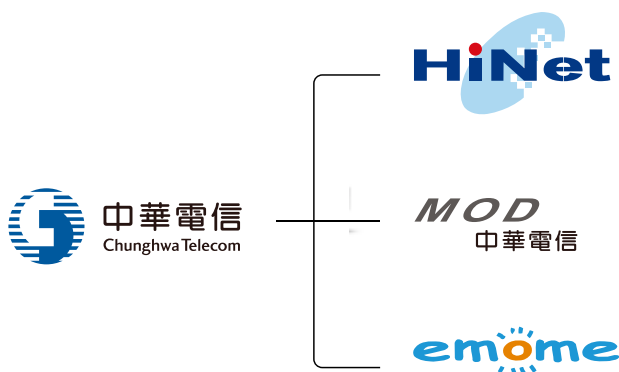
We partnered with the United Daily News Group to fulfill various household needs and provide preschool education cloud services to parent-child. In the future, we will move towards diversification, implementation for parent-child cloud services (family/education and community/personalized entertainments), and focus on the cross-straits and world Chinese markets to be the goal of the most influential Chinese parent-child brand.

# Brand Management

*Chunghwa Telecom possesses unique brand assets in Taiwanese society, which we continue to build on through brand management and added value. In 2011, Chunghwa Telecom won the platinum award of the telecommunications services section of the “Trusted Brand” award held by Reader’s Digest for the Asia Pacific region for the eighth consecutive year. We are the only Taiwanese telecommunications company to have won this honor.*

## Brand Frameworks

Chunghwa Telecom adopts concentrated brand frameworks that account for individualistic brand presentation. We have a Brand Manager (President) in place to undertake the supervision of all brand creation, design, management, and adjustments in the company, as well as communicating with the Deputy Brand Manager within each business group during CSR meetings. The Deputy Brand Managers for business groups (i.e. vice presidents of subsidiaries) follow the company’s overall brand strategies as they undertake implementation responsibilities, as well as flexibly and independently operating their own designated brands under authorized parameters.



### Brand Strategies




- Brand Policy: concentrated strategies that account for the development needs of individual fields.
- Brand Management: the company’s Brand Manager is designated to handle the formulation, control, and adjustment of all brand strategies for the company, while subsidiaries are responsible for implementation.
- Brand Structure: concentrated brand structures that account for individualistic brand presentation.

## New Appreciation from New Colors

We have always led the development of Taiwan’s telecommunications industry through solid experience and professionalism. In order to respond to the challenges of a new era, we have continuously transformed and enhanced ourselves and decided to promote a comprehensive and integral renovation on top of the foundation of our original CI (Corporate Identity System). We used bright orange, green, and blue ribbons to endow Chunghwa Telecom with a new spirit of technology, innovation, caring, growth, enthusiasm, and vitality, and a new corporate image. Not only was the external image reshaped and standardized, the identity and practice of overall internal concepts were even more highly emphasized. Every employee in the company is a brand operator. Every customer they face and every operational detail accumulates brand value and contributes to Chunghwa Telecom.

Starting from July 2010, approximately 300 business locations in Taiwan will gradually undergo store logo replacement. We hope to present a new sensation to the public with innovative corporate images that combine inspiring services. From 2011, many flagship stores will be established that will include neoadjuvant CI images and colors. From these flagship store displays, consumer recognition and impressions of these neoadjuvant CI images will be enhanced while simultaneously creating a new brand image.

Chunghwa Telecom’s new CI images, colors, and symbolic significance

-  • Orange: Passion, Energy
-  • Green: Growth, Care
-  • Blue: Technology, Innovation

# Customer Relations Management

*For better service integrity, we are enhancing not only the coordination between our business counters and call centers, but also our internet customer services. We received the honors of “Best Customer Satisfaction Quality Control System” and “Best Knowledge Management” from the “Customer Relationship Excellence Awards 2011” held by the Asia Pacific Customer Service Consortium in Hong Kong. In the future, we will continue participating in international customer relationship related award competitions, continuously enhance internal operating procedures, optimize customer relationships, and more actively learn from international customer service operations management and benchmark business models.*

## Multi-Channel Services

We are comprehensively improving customer service quality for every service channel, while enhancing coordination between business counters and call centers to provide integral services. In 2011, we are further enhancing internet customer services.

- Live web chat service:

For Instant Message (IM) users and for persons with hearing impairments, we have introduced text-based live web chat customer services. With continuous service expansion, all Chunghwa's operations (mobile/fixed-line/broadband) are now covered.

- Internet communities:

To serve the ever-growing Internet community populations, in January 2010, we created a Facebook fan page “Chunghwa Telecom Dr. Q” to answer questions, proactively publish information such as FAQs and discount offers, and to gather customer suggestions for internal reference.

- Enhancing the web call center:

To save our customers the trouble of calling and visiting counters, we are increasing the scope of self-help services provided through the web call center.

- Plan for mobile customer service:

For the increasing number of smart phone users, a mobile version of the web call center and APPs for the iOS and Android platform have been planned to provide friendly access to our services anywhere.

## Exquisite Services

For constant service quality improvement, customer satisfaction for our business counters, call centers, and equipment maintenance service centers are constantly measured by the in-house survey team. Consulting firms were also introduced to assist counters with service refinement and the service quality assurance mechanism through the evaluation of secret shoppers, so that any defects in customer service will be promptly detected and corrected. We were honored with the “First Line Service Quality Survey 2011 – 1st Place in the Telecommunications Industry” from Global Views.

Measures continually implemented in 2011 were:

- Emphasis on new technology equipment to generate new demand from customers. We established a professional technical service team, including online specialist instructors for smart phones to provide instantaneous, customized, and competent service.

- Proactive care: We proactively call customers to inform them of useful information, to care and listen to their needs, then to devise the most suitable solutions for them.

- Commissioned a consultancy to handle ad hoc counseling in the aspiring service element, define business counter service standards, and to instruct customer service staff in mastering the critical moment of contact with customers, and refine services.

- A dedicated internal aspiring service web site: In order to motivate our agents to provide sincere and inspiring services that are beyond customers' expectations, a dedicated internal aspiring service web site was set up to share aspiring service cases. Award ceremonies are also held to recognize the best aspiring service cases.

# Customer Satisfaction Survey

Chunghwa Telecom aims to aspire to the expectations of our customers. Our goal is to handle customer complaints within 3 days. We value customer satisfaction as part of our service indicators, and their recognition of our enterprise image, brand value, and quality of service. Therefore, we regularly commission third parties to conduct customer service satisfaction surveys. We regularly accept the NCC's telecommunications industry service quality surveys, and our evaluation scores in all criteria significantly exceed NCC's specified standard scores.

## Customer Complaint Handling SOP

To ensure an open, result-driven complaint resolution process for customers, our service hotline processes passed ISO10002:2004 (Guidelines for Handling Customer Complaints), and we are the first and only domestic operator in the industry to pass such an international standard certification. Our target is to complete customer complaints within three business days.

Besides customer service hotlines, customers can file their complaints through our website (www.cht.com.tw) or PR hotline (02-2344-3691) authorized by our chairman. After cases are opened, they are passed to the customer complaints handling task force to be processed as urgent cases. Customers can enquire into case updates at any time via telephone and our customer complaints handling task force will inform customers of the latest updates on their cases. From August 2009 to the end of 2011, the numbers of our customer complaints have clearly fallen.

### Complaints per 10,000 customers

	Fixed Network	Mobile	Data Network
August, 2009	2.63	4.81	10.2
December, 2011	0.97	2.53	1.27

### Key Performance Indicators for Customer Service Hotlines

	2009	2010	2011	
	Actual Value	Actual Value	Target Value	Actual Value
Rate of Response within 20 Seconds	82.61%	82.9%	81.5%	77.9%
Customer Satisfactio	4.74	4.59	4.37	4.57
First Call Resolution Rate	86.17%	79.6%	74.45%	79%

## Customer Service Satisfaction

There are three sources from which we survey customer satisfaction for service hotlines:

- 1) questionnaires mailed out once a year by our Marketing Department;
- 2) manual out dialing from our call centers;
- 3) automated surveys by the CTI system

The first method has individual KPI requirements with satisfaction calculated on a 10 point scale, result for 7.53 in 2011. The second and third methods are integrated as one KPI requirement calculated on a 5 point scale, result for 2011 was 4.57.

## Customer Satisfaction Survey

To understand customer satisfaction levels for all aspects of service and recognition of our corporate image, brand values, and service quality, we contract external market research firms annually to conduct customer satisfaction surveys for consumer, and types of enterprises. Questions and expectations that they are highly concern are explored in all aspects of our business.

Through the Customer Opinion Process System (CPS), we can convey customer feedback opinions instantly to product administration, and operational units, risk management, and public relations department for further handling. Furthermore, product subsidiaries will assist by holding monthly review meetings with customer service units.

### Customer Satisfaction Survey

	2009	2010	2011
Large Enterprises	4.67	4.77	9.45
Small and Medium Enterprises	4.34	4.36	8.68
Customer	3.73	3.81	7.17

Note: In 2011, the service satisfaction indicator was converted from a 5 point scale to a 10 point scale.

# Privacy Protection and Information Security

*We have established the “Fraud Disruption Operation System” (FDOS), which works with police units to prevent fraud. Also, we continue to monitor formulation of regulatory obligations of Internet Service Providers (ISP) in the drafting process of the “Regulatory Regulations on Commercial Spam Electronic Mail.”*

## Customer Privacy Service and Measures

In response to the upcoming implementation of the “Personal Data Protection Act,” an additional “Personal Data Protection Team” will be established under the “IT Strategy Committee”. We set up personal data safety training and awareness plan, personal data process analysis and inventory plan, risk assessment plan, which are all categorized as our KPI indicator.

In order to strengthen customer data protection, Chunghwa Telecom has categorized basic customer information as “top secret” documents and stored in locked counter. Employees are asked to sign the “Trade Secret Protection Contract” and their supervisors are jointly liable. Any outsourcing company involved in trade secrets, must also sign related confidentiality agreements. Subsidiaries report protection status annually, headquarters perform random audits at customer service centers to enforce the implementation.

We treat the rights and interests of our customers as priority; we follow strictly to the Personal Information Protection Act and had never got beyond any range. We only collect data for legitimate and legal reasons. To work within the Act, we have taken the necessary safety and protection measures for all our information systems. At the network counter, for instance, the name of our customers will only be displayed as Mr. ○ or Ms. ○, the last four digits of the equipment SN number will be masked, and only 6 Chinese characters in the address will be displayed (ex. Yonghe District, New Taipei City), etc.

For the customer service line built for rapidly solve complaints in privacy and confidentiality, we established ISO9001 Suspected Leakage Handling Procedures to report and handle all privacy complaints, hence to protect personal information. In 2011, 112 suspected complaints of information leakage were reported, make up 0.00014% of the total complaints.

## Fraud Prevention

We created the 165 reporting line in November 2007 to assist the government. As of 2011, it is operated by 11 customer service personnel on monthly basis to assist police bureaus in undertaking priority cases during peak hours. The FDOS, operated by 3 customer service personnel, was also created to provide suspicious fraud-like phone calls information to the police, which is to assist police units with the instant termination of fraudulent calls.

## Internet Safety for Children

In order to allow children who are frequently online, we have introduced a time management and website for gate-keeping mechanism. This helps parents manage their children’s usage on information technology. This shows our concern not only on adult users, but also children and teenagers. Because we know the use of internet to access information matters for their maturity. Our operational expansion based on a mission of creating a safe and healthy society that allows the next generation to face less online harm.



Promoting healthy Internet use for children which were highly acclaimed.



# Actively Explain Product Features

*We are committed to providing a beautiful digital lifestyle. In order to allow customers to use our services without worries, in addition to proactively explaining product features and pricing when selling products, we also actively manage adult content to protect minors and perform actions such as abiding by electromagnetic radiation specifications, etc., to exclude potential negative effects.*

## Ensuring Transparency in Fees and Rates

Due to the issues of billing errors or costs derived from obstacles, we uphold the principle of cost transparency. In addition to actively notifying affected customers, we also release the reasons and methods for each event by customer service hotline through the company's internal message notification platform. This ensures correct responses when customers consult the hotline and reduce complaints.

We place great respect to customer complaints with regard to billing problems. We suspend the execution of payment reminders and service suspensions before responsible parties are identified, we have also established a special call center provide customers inquire to increase customer satisfaction.

## Reduce Negative Impacts

Customers can use our services without worries only by eliminating the potential negative impact of telecommunications services. We also provide the following services:

- **Junk Mail:** By using a HiNet mailbox, customers can enjoy free webmail service. Through a simple setup, users can decide whether questionable e-mail will be automatically deleted in the future.
- **Adult Content:** Provides K12 mailbox forced isolation, HiNet Adult content gatekeeper, and mobile internet adult content security guard keep children and teenager far away from harmful websites.
- **Usage Time Control:** "HiNet Online Time Management Service" and mobile phone "3G Talk without Worry" programs, give parents effective control on mobile phone and online status.

## Proactive Product Information

In order to unify information sources, and to correctly communicate the over 3,500 items of related product information annually, an internal website is established to be the information storage area, hence to undertakes the pre and after-sales service of the products. This is a joint channel for all related subsidiary departments to provide product information. Trained personnel are also alerted to audit information content, timeliness, and upload data to customer service center. Hence to provide service personnel references for inquiry and product features (ex: related discount events) and strengthen customers service.

## Electromagnetic Radiation Standards

Governmental authorities have referenced the International Commission on Non-Ionizing Radiation Protection (ICNIRP) controls for base station electromagnetic radiation power density and mobile phone SAR value to formulate control standards. We request our base stations and mobile phones supplies to pass certification for this standard. We also provide an exclusive complaint channel, if any of the public concern about electromagnetic radiation, each can apply for a free professional measurement.

Our antenna construction and safe distance from the public and buildings standards, uniformly conform to the legal requirements of the competent authorities. In order to reduce total base stations and visual impacts to the public, we constructed cooperative stations with industry partners and the percentage of them also conform to the standard requirements from the authorities.

In 2011, we coordinated with the NCC to hold a "Consumer Protection Awareness Carnival", and invited academics to hold two forums and produce a number of electromagnetic radiation awareness products.

# Ensuring Communications Quality

*Due to unfavorable weather conditions caused by climate change such as typhoons, monsoons, etc. affecting telecommunications equipment rooms and their operation, customer disaster reporting can be cut off and disaster relief severely affected. In order to solve operational issues in operating locations adapting to climate change, we make complete disaster prevention preparations every day and can quickly form an emergency response team to conduct disaster relief and ensure smooth communications with the affected area.*

## Action Program in Response to Climate Change

In November 2010, we completed the “Response to Climate Change – Chunghwa Telecom Environmental Protection Energy Conservation Carbon Reduction Strategic Action.” The current implementation status, includes either short or long term plans, are the formulation of priorities, improvement of disaster resilience, ensure clear communications, and the safety of overall communications network.

Plans for flood-prone equipment rooms reform:

- Install sealed water resistant panels
- Install water resistant sluice gates for equipment
- Seal up or raise up basement vents, doors, and windows

Improvement plans for telecom equipment:

- Move basement equipment: Move diesel generators and AC distribution equipments to the first floor, and install DC equipment to above second floor.
- Prepare and stock generators and pumps.
- Enhance generator configurations in remote equipment room and increase oil storage tank capacity



Water resistant panels installed in lowlying area equipment rooms to ensure communications during rainstorms.

## Reporting System Innovation

The pioneered “mass response” system has widely adopted by firefighting agencies. We further integrate with a geographic system as an e-phonebook system. Hence to create an “Emergency Message Notification System for Disasters”, which sends voice or text messages to pre-designated lines and mobile phones and can quickly find telephone numbers in designated areas for the purpose of broadcast messaging. In addition, the newly created “Low-frequency Wireless Broadcast System” is fast, inexpensive, non power dependent, which features a potential scope to cover nationwide. This system is especially suited for disaster emergency announcements such as weather and landslide warnings, etc.

## Non Isolated Islands in Communication

In order to prevent occurrence and spread of disasters, from past experience we enhanced measures such as the construction of remote area transmission routing, wireless backup routing, upgrade backup power capacity, international submarine cable supporting system, etc. Drills for Network repair and equipment schedule are held yearly to enhance disaster prevention and relief skills and reduce disaster losses.

Mobile phone communications are necessity for most people, we introduce a proper backup plan: base stations arrangement in dispersed configuration, so if any base station broke down or equipment malfunction, the other base stations in the system can maintain operation. When communications are interrupted by a natural disaster, small microwave, satellite (transported by helicopter, small capacity), or portable base stations (vehicle transported, large capacity) maintain communications to the disaster area.

# Building a Broadband Network

*Going online anytime anywhere has become a necessity and trend for modern people. In order to satisfy the continually rising broadband needs of internet and business customers, we have continued to expand both submarine cable capacity and participation in the construction of new submarine cable systems. We are also actively provisioning fiber optics and in the 3rd quarter of 2012, it is expected that the construction volume of fiber optic network access equipment will surpass ADSL. In addition we continue to construct wireless internet hotspot infrastructure to create even more wireless internet hotspots, relieve mobile data traffic, and increase service quality.*

## Fiber Optic Network Construction

Broadband networks are the foundation of digital convergence. Thus, we are actively provisioning fiber optics and it is expected that the construction volume of fiber optic network access equipment will surpass ADSL in the 3rd quarter of 2012. This responded to government plans to achieve 80% household coverage at 100Mbps by 2015 and the goal of 21 million mobile broadband users. In addition to striving to achieve interim government targets, we hope to effect close to a 100% household coverage by 2020 and achieve the goals of connecting customers to higher speed fiber optic networks and mobile broadband to provide all people with more ubiquitous, high speed, and convenient full range digital broadband infrastructure.

We are committed to investing 20 billion NTD annually in the future for a total investment of over 200 billion over 10 years to quickly raise the rate of broadband internet access and spur transfer speed in Taiwan to 50Mbps, 100Mbps, onto 1 Gbps for a ten-fold growth. The coverage of our 30Mbps broadband in 2011 ranged from 82.5% to 91.98% and we achieved more than the government's goal.

Coordinating with the government's digital convergence development program, we will invest 200 billion NT\$ in the next 10 years to construct our broadband network (including fixed-line and mobile networks) and invest 100 billion to construct a broadband fiber optic network which will serve to consolidate our competitive fiber optic advantages, create digital convergence.

Starting in 2012, we will provide two-way symmetric 100Mbps broadband service and begin 1Gbps testing sites in Taipei City, New Taipei City, Taichung City, Tainan City, Kaohsiung City, and Taoyuan County to provide user of high speed broadband service above 200Mbps.

## Expand Wireless Hotspots

Going online anytime anywhere has become a necessity and trend for modern people. Especially with the rapid growth of smart phone and tablet PC users, mobile broadband traffic has grown exponentially in the last couple of years. In 2010, we procured over 1,100 units of 3.5G base stations with top speeds of 42Mbps to effectively expand mobile broadband network capacity, transmission speed and coverage.

Our 3G users have exceeded 5.26 million and wireless hotspots will be our future development strategy. Between 2010 and 2012, we plan to invest 3 billion NT\$ to construct an underlying wireless internet hotspot network and create 30,000 wireless internet hotspots to relieve mobile Internet demand.

## Ubiquitous Telecommunications Service

To safeguard the basic communications rights of citizens and to allow all citizens to enjoy ubiquitous telecommunications service fairly is a policy goal that the government is promoting for the long term. We have disregarded cost to provide more than 21 households in 81 remote villages and underdeveloped areas nationally with telephone service and over 80,000 households with data communications services, over 81,000 public telephones in 25 counties and cities, and data communication access services to 3,700 elementary schools and libraries. The total net cost of Chunghwa Telecom ubiquitous service construction in 2011 amounted to 825 million NT\$. Regarding broadband network infrastructure, we expect to complete 12Mbps broadband service at 50% coverage for 716 remote villages nationally by 2013, 75% coverage by 2014, and 95% coverage by 2015.

# Mastering Policy and Regulation

*Any changes in policy or regulation may affect our operating results. In addition to maintaining good lines of communication with government and the competent authority, National Communications Commission (NCC), we also actively master related legislative dynamics in the Legislative Yuan. This includes the “Digital Convergence Development Project” developed with the ICT industry that concerns enhancing national competitive strength, an item to which we are paying close attention.*

## Digital Convergence Development Project

The Executive Yuan approved the “Digital Convergence Development Project” on December 9, 2010. According to this project, two stages of amendment and legislation will be promoted. The first stage allows the radio/TV and telecommunications industries to amend laws in a hierarchical regulatory framework to conduct legal adjustment in response to practical needs. The Third Radio/TV Act was expected to be completed in June 2012 and the telecommunications bill required amendments to surmount urgent obstacles. After reporting to the Executive Yuan for approval they were sent to the Legislative Yuan for deliberation. In the second stage, the Third Radio/TV Act and telecommunications bill (or specific convergence architecture) move towards horizontal structure legal amendment work and passed Legislative Yuan deliberations to achieve digital convergence development goals such as fiber optic user totals, wireless broadband user totals, digital cable ubiquity, etc.

The digital convergence development project will increase national competitive strength and effectively accelerate digital convergence services and ICT industry development. We are happy to see its success and in addition to continuing to observe amendment status and direction and communicating our suggestions to the competent authorities at the right time to maximize benefits, we will actively construct a fiber optic network simultaneously, enhance the competitive strength of fiber optic broadband, separately commit to expanding innovative value added service operations, and create business opportunities in the ICT industry to maintain our leading position in the high speed broadband market.

## Influence of Policy and Legislation

From 2007, the NCC has reduced the X value for 3 consecutive years with mobile phone fee reductions accumulating to over 14% and broadband fee reductions accumulating to over 19%. We are happy to see the rise of national broadband ubiquity and the narrowing of the digital divide and are committed to satisfying customers’ high speed broadband needs but we feel that related fee rates should respect the market mechanism.

Mobile broadband has become a world trend but currently Taiwan’s wireless spectrum planning is still unclear. The public’s misgivings about base stations and 3G Flat Rates have resulted in a minority of high volume users using most of the bandwidth resources. Thus telecoms face difficulties in base station establishment and ineffective allocation of resources which negatively impact the development of the mobile broadband industry. We continue to communicate with the competent authorities and hope the industry and government can cooperate to establish a healthy environment that is advantageous to mobile broadband development.

## 4G Spectrum Development Status

Regarding the developmental status of 4G licenses in our country, the Ministry of Transportation and Communications is currently conducting spectrum planning and the NCC is proceeding to develop draft rules for 4G licensing. Related government preparedness work is still proceeding. We will continue to observe the government’s licensing planning and policy development, actively conduct 4G technology R&D, and gather information on market development trends. Based on the future licensing plans and timetable of the competent authorities, we will actively seek licensing and construct a 4G network to provide services.

# Create an Open Creative Platform

*We influence the government to promote digital content industry policy and actively integrate the three resources of content, platform, and terminal equipment to merge cultural creativity and technology. Reading will no longer be limited by time or location and Taiwan's cultural creative industry will be brought to another peak. We will also comprehensively develop an operating mechanism and industrial structure that supports creativity to allow Taiwan to become the hub for digital content design, production, and distribution in the Asia-Pacific Region and enhance the competitive strength of the digital content industry and the nation.*

## Open Innovation

To gradually establish a quality promotion team, quality assurance center, and engineering process team at the Telecommunications Research Institute, we have used the international standards and organizational audit systems such as the ISO R&D quality system's capability maturity model integration (CMMI), and system R&D workflow to establish an organizational standardization system, which coordinates with upper managers in review activities, product quality, R&D quality, and employee quality awareness.

In addition to internal innovation, we view external partnerships equally to inspire industrial development. Primary achievements in 2011 include:

1. iEN service driven green energy industry and assisted suppliers to enhance techniques.
2. Assisted the Taiwan Telematics Industry Association to complete smart bus industry standards.
3. LED green illumination technology developed: Use technology transfer outsourced production to develop more multipurpose products.
4. Cultivated LTE/LTE-A technologies to master 4G development.
5. Deepened IPv6 technology: Provide Constructed compliance testing and interoperability testing platforms to companies, and completed large-scale IPv6 testing with global ICP and ISP companies.



National Champion of Deguang Catholic High School's English Vocabulary Marathon for 2 consecutive years.

## Digital Amazon

We are committed to provide open platform and environment to allow Taiwan's soft power to flourish. Currently we have developed an open digital platform that provides service interfaces such as publishing, transaction, account management, copyright management, etc. By doing so to facilitate the publishing and sale of these creativity, which assist the digital and cultural creative industries.

With respect to frequent cross-strait exchange: We look forward to a win-win situation in Taiwanese industry advantage of infrastructure, innovative R&D, technical readiness, and training ability to complete overall economic stability and market scale of mainland China. Hence, we continue to deepen the combination of cultural creativity, energy conservation and carbon reduction, medical, training, and tourism industries to derive more impressive services.

Through annual "Telecommunications Innovation Application Contest," we promoted the trend of telecommunications innovation service, universities software potentials, and the ongoing flourished digital industry. We hope to attract much more innovations to enlarge contest scale, and spread across the strait to inspire innovation. These application contest has become the cultural creative and digital "Telecommunication Oscars" award ceremony, which allowed Taiwan to become a global innovation center.



Chunghua Telecom President, Shiao-Tung Chang enthusiastically participates in Internet Arena Finals Awards Ceremony.

# Employee Care



<b>S Strategy</b>	Caring for Employee Needs/ The Promotion of Harmonious Labor Relations
<b>M Management</b>	Human Resources Management
<b>A Address</b>	Talent Attraction and Retention/ Joy at Work, Happiness at Home
<b>R Response</b>	Occupational Health and Safety/ Safety and Health Management and System Certification
<b>T Target</b>	Fulfillment of Environmental Education



- Chunghwa Telecom was awarded a Gold Medal and the 1st National TrainQuali Prize, NTQP (NTQP) and TTQS.
- The Taipei Telecom Operation Department, the Mobile Business Group, the Hsinchu Telecom Operation Department, and the Northern Taiwan Business Group received Certificates of Appreciation for their efforts in the peach promotion campaign.
- In 2010 Chunghwa Telecom received an Excellence Award for Transportation Mobilization Preparation Operation Evaluation from the Ministry of Transportation and Communications.



# From Employee Care to Corporate Excellence

Chunghwa Telecom is dedicated to employee care and provides employees with good benefits and we are also improving our manpower development policies on a long term basis. Ever since we started our corporate social responsibility efforts, we have been expanding our care for the families of employees and the whole of society. We are making the idea of “Joy at Work, Happiness at Home” a reality.

During the major “One Bike One” event in celebration of the 100th anniversary of ROC’s foundation, CEO Shyue-Ching Lu invited 7,000 employees and their families to join in this event from all around Taiwan and the outlying islands. With mobile uploading and location technology, “One Bike One” became a milestone in the history of our corporate excellence.

# Caring for Employee Needs

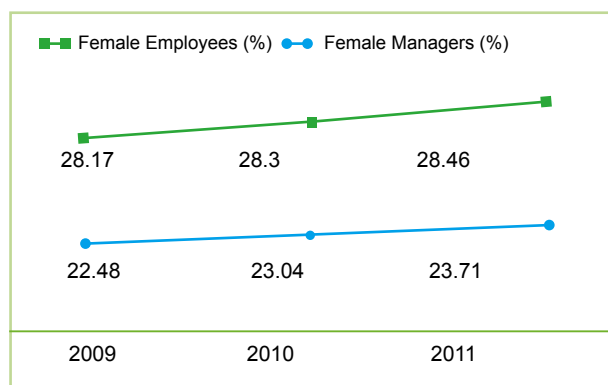
We believe that employees are the company's most important assets and cooperative partners. Therefore, we respect every employee, with no differentiation with respect to gender, age, or race. Wages are also paid on the principle of commensurate wages for commensurate work. We are committed to improving the work environment, focusing on employee rights, respecting employee opinions, attending to employee needs, and continuing enhancements over communication channels and dialogue with employees.

## Protection of Human Rights

Our business spread throughout the country and the standard starting salary is higher than the required local wage. In 2011, Chunghwa Telecom employed a total of 24,664 personnel, with 17,644 male and 7,020 female employees. To accommodate the needs for customer services and sales, we have contracted 3,612 positions. To take advantage of the early retirement package introduced in early 2011, 367 employees chose to either leave their positions or retire. At the same year, we recruited 1053 elite new graduates. The employee attrition rate is 1.49%, with female employees making up 28.46% total. There were 93 more female employees than in the previous year and the percentage of female employees in managerial positions is on the rise and was 23.71% in 2011.

To abide by the constitution, protect human rights, and uphold the spirit of the Act for Gender Equality accounted for more than half the entire body. In 2011, no discriminatory incidents were reported. According to Article 38 of the People with Disabilities Rights Protection Act, Chunghwa Telecom should employ 233 persons with disabilities. In fact 757 such employees were actually hired, 3.25 times higher than the legal requirement. In 2010, we employed 51 aboriginals, and properly respect their unique cultural traditions.

### Percentage of Female Employees and Female Managers



## Channel for Complaint

If an employee should observe conduct in their unit that is in breach of regulations or against the law, they may file a complaint or report it via the hotline, fax or email. The reported case will be investigated in accordance with corporate regulations and procedures. If such case is found to be true, the appropriate punishment will be imposed for the sake of the employees' code of conduct, corporate discipline, company image, and stakeholder rights. However, no such human rights case was filed in 2011.

### Ratio of total number of employees to the number of managers

Year	2011		
	Female	Male	Total
Total number of employees	7,020	17,644	24,664
Ratio of total number of employees	28.46%	71.54%	100.00%
Number of operation managers	2,724	7,882	10,606
Ratio of operation managers	25.68%	74.32%	100.00%
Number of staff managers	432	2,225	2,657
Ratio of staff managers	16.26%	83.74%	100.00%
Number of executive managers	8	72	80
Ratio of executive managers	10.00%	90.00%	100.00%
Number of directors	3,164	10,179	13,343
Ratio of directors	23.71%	76.29%	100.00%



# The Promotion of Harmonious Labor Relations

*Chunghwa Telecom is the only operator in Taiwan that has established a Union and signed a collective bargaining agreement with employees. This not only conforms to domestic regulations and the requirements of international human rights instruments, but also shows our determination to preserve employee rights. One seat in our board of directors has been reserved for a labor director, allowing the voice of the employees to be heard.*

## The Protection of Employee Rights

In line with our early retirement buyout, and employee career planning, retirement is pending for 367 employees at this time, 276 male and 91 female. To ensure continuity and to pass on our expertise, we have recruited 1,053 new employees, 703 male and 350 female, represents a turnover rate of 1.49%.

For the protection of employee rights, all company employees enter into a formal labor contract with the company. For those who have served for more than three months, but less than one year; more than one year, but less than three years; and more than three years, a ten, twenty, or thirty-day notice period is respectively in force. The company labor-management committee has also started to build a harmonious community relationship using a consultation and cooperation mechanism to ensure operational efficiency. We will start early to communicate the implementation schedule to the relevant units and personnel, and hold communication seminars with the corresponding union officials and personnel to ensure smooth organizational adjustment. This allow job transition and continuation base on mutual agreement, to realize a more refined integration service and a company image of harmonious operation.

## Average Age and Years of Service of Employees

Year	2009	2010	2011
Total Employees	24,668	24,474	24,664
Average Age	47.66	48.21	48.68
Average Years of Service	23.31	23.81	24.19

## Smooth Communication Channels

We respect the rights of our employees and their interests and believe in effective communication. Employees not only enjoy the right to appeal, complain, and to Union membership, but the collective agreement also stipulates that labor-employer representatives from headquarters and all branches and subsidiaries shall hold at least one labor-employer meeting every 3 months, with provisional meetings to be held if necessary. Labor representatives may be invited to staff appraisal meetings and attend evaluation meetings, business reports, etc. Also, the Board of Directors includes one seat for a Labor Director. In 2011, employee union membership reached 99.54%.

The Chunghwa Telecom Chairman and President hold regular meetings and telephone conversations with the Union Secretary General, Supervisor, and other Union representatives to maintain proper labor-employer communication channels. The labor-employer meetings are attended by 18 representatives (9 labors and 9 employers) and the chair is held by each side in turn. Six national labor-employer meetings and one provisional meeting were held in 2011, reaching consensus on many relevant issues.

Both labor and employer have sufficient voice at the meetings to express their concerns and interact positively to avoid conflict and realize harmonious labor-employer relations.

# Human Resources Management

*A number of training systems have been established to assist employees with the development of their professional skills. This not only enhances work efficiency and human resource application but advances the careers of the employees. Our internal training classes are very diverse, providing the higher learning required for employees at different levels and fields of work. All the agencies have personnel training teams as well to facilitate the planning and execution of personnel training and assist in the career planning and development of their colleagues.*

## Profession Oriented Training System

We have specific professional skill training systems for the different technical and commercial professions. The training is oriented towards particular professional capabilities needed for work in many different areas. This develops job aptitude within short periods of time, increases work efficiency, and also provides replacement manpower where needed. In addition, to develop managerial capability for all levels, we are currently planning educational classes to develop management talent. After these plans are completed, professional skill-oriented training development will become more consolidated.

We will establish a competence oriented employee training and development system that includes 16 information categories with approximately 700 sub-functional projects. This system is being implemented gradually and we expect that employees will be able to integrate the competence and capacity developed from the program to reinforce their skills on the job.

## Employee Training and Advance Learning

We emphasize career development for our employees. We have established different talent cultivation groups in all departments to design implement and develop programs at dedicated training institutions (the Telecom Training Institute and their Taichung and Kaohsiung campuses) in a systematic, layered, and well planned way. The Telecom Training Institute will offer competence related training courses each year. In 2011, the courses offered included core network, connection network, access network, and mobile communication technologies; value-added services, information technology, business management, operational management, and human resources management. In 2011, a total of 1.61 million hours of employee training was given and NTD\$ 733.22 million had been invested for the endeavor.

To develop high level managerial talent for the future, we hold “high level management preparation workshops”. All agencies have personnel training teams to undertake the career planning and training development of their colleagues. This fulfills the needed education and training through planning, execution, and evaluation mechanisms, to increase the professional aptitude of our colleagues and improve service attitude and overall work performance.

## Employee Education and Training

Year	2009	2010	2011
Total Training Budget (NT\$)	661,362,885	728,577,757	733,221,300
Per Capita Training Budget (NT\$)	26,819	29,769	29,730
Total Training Hours (Hours)	1,927,751	1,979,407	1,613,248
Per Capital Training Hours (Hours)	78	81	65

# Talent Attraction and Retention

*We focus heavily on competent personnel. To assist them with balancing career development and family life, we took the initiative and implemented unpaid childcare leave systems. We also provide health and preventative care that exceeds legislative requirements. In 2011, the employee health care expenditure accounted for 0.14% of annual revenues.*

## Industry-Academic Cooperation

An “International Corporate Staff Training Plan” has been formulated with a focus on expanding our overseas markets. We have also established the “Chunghwa Telecom Southeast Asia Scholarship” for the development of competent overseas telecommunications personnel. Scholarships to the National Chiao Tung University are awarded annually to competent Southeast Asian and foreign students.

The Telecom Training Institute initiated the “Advanced Telecommunications Network Technologies” program with the National Taiwan University. Fifty of our colleagues are trained over four terms in each class. Distinguished results are obtained which set a foundation for telecommunications network theory.

We also encourage employees to engage in lifelong learning, providing a maximum of NT\$ 30,000 in learning bursaries for each term. In 2011, a total of 1,081 employees applied for learning bursaries and NT\$ 16.95 million were invested.

## Employee Satisfaction Survey

To be proud of being employees of Chunghwa Telecom, to determine the degree of employment satisfaction at Chunghwa Telecom, we have conducted employee satisfaction surveys since 2010. The surveys focus on measuring employees’ satisfaction with their workplace, benefits, and income, to achieve a composite understanding of employee satisfaction, impressions, and expectations in their different professional positions. According to the survey of 2011, 66% of employees are satisfied to work for Chunghwa Telecom, compared to 67% in the previous year.

## Health Promotion and Management

Employees’ health is a company’s wealth. It is our priority to provide a safe and healthy working environment. In 2011, our commitment included:

1. Health examinations for employees and families: Instead of prevention, we provide medical care over legislative standard, provide free health inspection every year, and such benefit also extended to employee families at a lower health examination cost.
2. Sustain Employee Assistance Program(EAP): Through the EAP, employees are offered one-on-one counseling services, which covers assistance for employees in resolving psychological, legal, and medical inquiries. In 2010, a total of 320 persons received the services.
3. Continued to promote employee health: In 2010, we held a total of 192 health seminars, 22 sport competitions, 73 field trips and 18 sessions of health screenings; with total 31,173 participants. We also offered recreational facilities in a variety of sport item and other leisure clubs to encourage leisure activities.
4. Balanced career life: Twenty-eight telecommunications clubs were established in 2011 to encourage employee vacations and provides leisure and accommodation services. Each employee receives NT\$ 8,000 for subsidies.



The Chunghwa Telecom Women's Basketball Team is our Goodwill Ambassador for promoting sports culture.

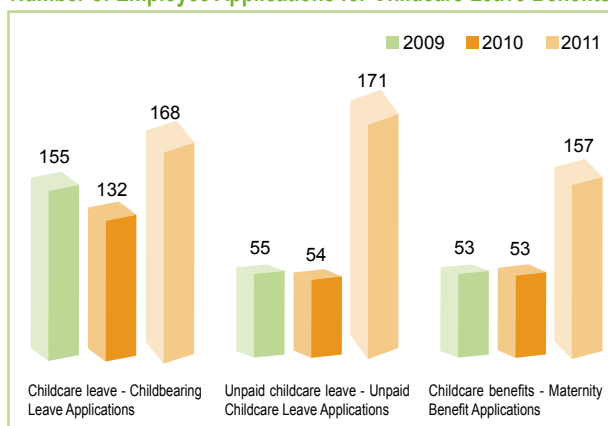
# Joy at Work, Happiness at Home

Only happy employees can provide a sincere and honest service to customers. We encourage employees to start families and initiate a new phase in their lives. Furthermore, our comprehensive retirement benefits are the greatest foundation and support for the families of our employees. To provide employees with more benefits, and to share business revenue, we have set up an employee stock ownership trust plan.

## Balancing Work and Family

In July 2006, to assist employees with balancing their careers and families, we took the lead in implementing unpaid childcare leave. Female employees are paid childcare leave benefits equal to half their insured salaries during the leave period which may be for up to 2 years. After employees have received the maximum number of monthly employment insurance payments from the government, female employees can then begin receiving maternity leave benefits equal to half their insured salaries. Family leave, paternity leave, menstrual leave, nursing rooms, etc, are also provided. In 2011, a total of 168 persons applied for childcare leave, while 171 persons applied for unpaid childcare leave, and 157 persons applied for childcare benefits. This brought a combined retention rate of 83.4% of male and female employees accounting for 4.2% and 79.2% separately.

Number of Employee Applications for Childcare Leave Benefits



Note: because both men and women are qualified to apply for unpaid childcare leave, and only women are qualified to apply for maternity benefits, the former category has more applications.

## Retirement Benefits

To enhance employee welfare and employee loyalty to the company, we enable corporate profit sharing by establishing employee mutual funds to ensure stability of employee lifestyle after retirement or resignation. Retirement is processed according to the Employee Retirement Pension and Separation Guidelines, the Labor Standards Act and the Labor Pension Act. For former employees who retired before privatization, their monthly pension payments are paid by the supervisory department from central government. For those who are entitled to pension payments as specified in the Labor Standards Act, a maximum pension contribution (15%) is paid to their pension funds each month and this process is supervised by the Labor Pension Fund Supervisory Committee at Chunghwa Telecom. For those employees who are in the Retirement Pension System under the Labor Pension Act, more than 6% of their salary (based on Monthly Contribution Wages Classification of Labor Pension approved by the Executive Yuan) is withheld for contribution to their individual labor pension account.

In 2011, Chunghwa Telecom donated \$4.5 Million to the CHT Retirement Association to improve the care of retired employees. A dedicated website (<http://www.chtr.org.tw/>) has also been established to promote healthcare and lifelong learning among retirees.



The company has given their blessings to the newly wedded couples at group weddings which have been held for two consecutive years.

# Occupational Health and Safety

The provision of a healthy and safe work environment is a non-negotiable obligation to our employees. We not only continue to improve various occupational health and safety management systems and maintain certification for them, but we have also completed the identification and assessment of different hazards and risks in the telecommunications industry. This has been done especially for work-related high risk operations. We employ control measures such as the use of work permits, to enhance risk control for high risk work and effectively prevent the incidence of occupational injuries.

## Safety and Health Commitment

We promise to offer appropriate resources based on organizational risk. Our company continue to improve our safety and health facilities. In this way we prevent injuries and unhealthy practices in accordance with relevant law and regulations. We provide health and safety to employees, also for subcontractors and third parties. To persist the enforcement, we:

1. Follow the Safety and Health Regulations and Enforce Self-Management. Internalize daily operations as a part of company culture. We further need to benchmark under relevant international standards to realize safe and healthy.
2. Implement Hazard Identification and Enforce Risk Control. Identify and evaluate all unsafe and unhealthy practices to enforce control high-risk operations effectively.
3. Strengthen both mental and physical health services. Increase the quality of health inspections; host promotion events to improve health care and willingness for employees.
4. Encourage participation through open communications and available consultation; adopt ICT technologies to upgrade performance.
5. Create quality work places, continue on equipment improvement, strengthen safe and healthy practices, hence to ensure a safe, healthy, comfortable and friendly work place for employees.
6. Host labor safety training programs to raise safety awareness. Host on the job labor safety and health training programs, in accordance with the Labor Safety and Health Act.

## Occupational Hazard Statistics (for enterprise under the Labor Safety and Health Act)

		CHT	Countrywide
Number of disabilities		45	11,492
Frequency of Disabling Injuries		0.92	1.83
Severity of Disabling Injuries		148	143
Number of deaths		1	80
Occupational Hazard Rate per 1,000 Workers	Male	1.76	--
	Female	1.99	--
	Total	1.82	3.79

Note:

1. Frequency of Disability = Times of disability x 10<sup>6</sup>/Total person-work hours. Severity of Disability = Total workday lost x 10<sup>6</sup>/Total person-work hours.

Occupational Injuries Rate per 1,000 Workers = ratio of the annual average number of occupational injuries per 1,000 workers.

2. Source: Yearbook of Labor Statistics 2011, Council of Labor Affairs Website.

# Safety and Health Management and System Certification

*We have introduced an occupational safety and health management system and the system is being certified by external agencies. The management of employee safety and health is implemented with both a “standardized” and “systemized” approach to improve our operational quality and safety level.*

## OHSAS18001 Certification

To ensure labor safety and health, we have established two labor safety and health organizations: 1) The Occupational Safety and Health Committee, responsible for reviewing, coordinating and recommending related labor safety and health initiatives; and 2) Management Units for Labor Safety and Health, responsible for planning and processing and labor safety and health related services.

Each member at the Occupational Safety and Health Committee serves a two year term and employers or their deputies are appointed as committee chairman to supervise affairs. At least one meeting is held every three months, with one additional provisional labor-employer meeting if necessary. A total of four meetings were held in 2011. The committee has 27 members and in addition to the representatives of the business entities, the committee also has labor representatives, labor safety and health managers, labor safety and health related engineers, and healthcare professionals. Nine of the members are labor representatives, accounting for a third of the total. In 2011, the Occupational Safety and Health Committee discussed 20 labor healths and safety related issues in the meetings and all were solved satisfactorily.

We proactively provide workplace related health and safety facilities and programs to establish safe, clean and comfortable work environments. Regular inspections are made to ensure the effectiveness of such management. We have established a health and safety management system based on the PLAN-DO-CHECK-ACT framework. By the end of 2011, 27 of 28 branches had received certification under the Occupational Health and Safety Assessment Series 18001. This means that despite an increase of operations across all our services, safety and health in the company is still notable. In 2011, the occupational injuries rate per thousand people was far lower than the industry average.

## Operational Safety Management

We have completed the identification and assessment of the different hazards and risks associated with the telecommunications industry, and have adopted control measures such as the use of work permits for high risk situations such as working at heights, in confined spaces, manhole and tunnel excavations, hot work, live power lines, cranes and lifts, etc, to lower the risks from such work. The “Safety Enforcement Regulations for On-Site Operational Personnel” was drafted in 2010 and implemented in March 2011. The focus is on high risk work as mentioned above. In addition to enhancing onsite monitoring and management, we also supplement our information and telecommunications professionalism by including the recording of 3G cell phone images of on-site safety facilities and personal protective equipment before work is started. The pictures are sent to designated systems for real-time monitoring, so that we can observe risk control at high risk work sites and effectively use this as a means to prevent accidents.



OHSAS18001 Certification to upgrade labor safety and health.

# Fulfillment of Environmental Education

*The Environmental Education Act as passed by the Legislative Yuan in May 2010 includes 26 articles aimed at imparting public education processes that improve the public's knowledge, capability, attitude, and value system with respect to protection of the environment, and encourage people to focus on the environment and take action to achieve sustainable development.*

## Education and Business Activities

Article 19 of the "Environmental Education Act" : "Government agencies, state-run enterprises and institutions... all employees... shall participate in more than four hours of environmental education," which appropriately echoes Article 15 of "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies": "Listed Companies should establish a dedicated unit or assign dedicated personnel to environmental management to maintain the system and should hold environment education courses for their managerial officers and other employees on a regular basis." To comply with these obligations in the future, we will begin implementing the following:

1. Four hour environmental classes for all employees every year.
2. Fusion between environmental education classes and major corporate activities.

Nine environmental education courses were held in 2011 and 8,915 persons enrolled.

## Corporate Volunteer Exchange

Our "CSR Committee" includes an "Environmental Sustainability Group" and "Corporate Volunteerism Group," enabling our colleagues from business locations across Taiwan to engage in environmental education and considerable experience has already been accumulated.

The Chunghwa Telecom corporate volunteers also participated in the Taiwan Energy Conservation Patrol initiated by Epson Technology and other corporations. This focuses on increasing energy efficiency within corporate operations and production processes to achieve the objectives of carbon reduction and to mitigate global warming. It is hoped that on-site inspections and the provision of energy conservation advice, given to the units inspected, will help us achieve maximum benefit for both environmental protection and corporate profit.

## Environmental Volunteers in "One Bike One"

Our employees responded actively to the "One Bike One" event held to celebrate the 100th anniversary of the foundation of the Republic of China. The event attracted 110,000 bikers who simultaneously hit the road all over Taiwan. By reducing energy wastage by substituting body heat they fulfilled the ideal of "Energy Conservation & Carbon Reduction" by simply working out. The vigorous promotion of our CSR Committee resulted in a turnout of 7,428 Chunghwa employees and their families. In addition another 79 employees volunteered to help with other tasks at the event.

Chunghwa Telecom also demonstrated innovative ICT technology in "One Bike One" by utilizing cutting-edge cloud servers and databases to instantly locate the track and position of any biker with GPS-enabled mobile devices. Since our move into cloud service, we have been committed to combining innovative technology and heartwarming service to create new industrial value that incorporates sightseeing and ICT, and in turn allowed the Guinness record breaking moment (72,919 people rode at one time) to be shared using Internet technology, to show the world the Taiwan miracle of the cloud era.



Environmental education and low carbon living biker workshops held in conjunction with "One Bike One."

# Environmental Impact



<b>S Strategy</b>	Positive Action in Response to Change
<b>M Management</b>	Environmental Sustainability Management/ ISO International Standard Certification/ Implementation of Power Management/ Carbon Management Objective/ Telecommunication Datacenter Energy Conservation/ Impressive Energy Conservation Carbon Reduction Results
<b>A Address</b>	Water Resource Efficiency Management
<b>R Response</b>	Creating a Green Business
<b>T Target</b>	Safeguard our Beautiful Homeland



- The HiNet Internet Service was the first telecom service provider in Taiwan to pass the ISO50001 Energy Management System Standard in 2011.
- The iEN Intelligent Energy Saving Network Service received the Bureau of Foreign Trade MOEA (the first Taiwan Green Classic Model Award in 2011).
- Chunghwa Telecom received the Taipei City Government Best Participation of Green Procurement Benchmark Enterprise Award in 2011.
- Chunghwa Telecom received the Best Participation of Green Procurement for Enterprise Award from the Environmental Protection Administration in 2011.
- Chunghwa Telecom received the 2011 Golden Savings Award from the Taipei City Government.
- Chunghwa Telecom received the 1st Outstanding Energy Technology Service Provider Energy Saving Award in 2011.
- Chunghwa Telecom received the Bureau of Energy, MOEA Excellence Award in 2011.
- Chunghwa Telecom received an Energy Conservation Carbon Reduction Action Mark Award from the Environmental Protection Administration in 2011.
- Chunghwa Telecom was commended by the Department of Environmental Protection, Taipei City Government as the top performing green store in 2011.
- EARTH was awarded a Gold Prize at the 2011 Taipei Int'l Invention Show and TechnoMart Contest.
- Chunghwa Telecom received the Top Performing Green Store award in the "I like Green Stores Poll" event hosted by the Department of Environmental Protection, Kaohsiung City Government 2011.





# From Autonomous Energy Conservation to **Green Opportunity**

In a time when energy conservation and carbon reduction have become business core competence, we have introduced autonomous energy conservation to our offices and put enormous effort into datacenter energy conservation. In addition to these efforts, we are also using renewable energy equipment to reduce energy consumption.

As a result of our promotion of corporate social responsibility in 2011, our energy conservation benchmark for that year dropped by 17,658 kWh compared with that of 2007, this equals a ratio of 17.42%. In addition to reducing the impact of our business operation on the natural environment, we developed iEN Intelligent Energy Saving Network Service products to conserve energy for businesses and organizations and create green opportunities.

# Positive Action in Response to Change

*In response to the risk of climate change, we have formulated a five-year plan (2011 - 2015) for the development of environmental protection strategy, energy conservation, and carbon reduction. In conjunction with the vigorous implementation of "office and datacenter energy conservation measures," we have compiled and analyzed all data related to energy usage and paved the way for scientific management.*

## The establishment of Environmental and Energy Conservation Policies

Chunghwa Telecom is the most experienced and the largest of the integrated telecommunication operators in Taiwan. Our business covers three major types of communications: fixed networks, mobile, and data networks. These provide voice, ISDN, network and broadband services; intelligent and virtual networks, e-commerce and business integration, as well as other value-added services. As a leader in the Taiwanese market, we pursue growth and sustainable development while offering a more environmentally friendly and energy efficient telecommunications service. To sustainable development issues, we have incorporated environmental protection, energy conservation and carbon reduction, environmental stewardship, and green intelligent building, and formulated specific environmental and energy conservation management plans to improve environmental performance, and to define our direction towards sustainability.

We commit ourselves to the following environmental and energy conservation policies to fulfill these commitments:

- Follow environmental regulations and promote self-regulated environmentalism
- Improve energy efficiency to implement energy conservation and carbon reduction
- Use green energy and employ green purchase
- Develop green product and promote green economy
- Enhance ecological environment and green buildings
- Apply recycle and waste reduction to build a sustainable environment

## Participation in GreenTouch

The GreenTouch Consortium, formed in January 2010, an organization devoted to the development of an energy conservation technology network at all levels, aim at boosting network energy efficiency by 1000 times. They focus on increasing energy efficiency of ICT equipment, platforms, and networks. We had attended the autumn general conference, GreenTouch 2010, held in the Netherlands by invitation, and joined a formal membership in January 2011. We have actively contributed to ICT energy conservation technology. Our contributions include the evolution of mobile network architecture and energy conservation technology in heterogeneous network architecture. We addressed the current evolution trends in commercial network architecture and introduced the vision of green telecommunications and our field of research. In addition we shared our energy consumption evaluation frame and analysis the benefits of energy conservation, which are all been well received.

## International Conferences and Actions

The 17<sup>th</sup> session of the United Nations Framework Convention on Climate Change (UNFCCC), 2011, where agreements announced had a profound influence on greenhouse gas emission reduction. Hence for our counter measure is to head to the sustainable development, which means that active evaluation and response from the government is needed. So, we propose the "Chunghwa Telecom Environmental Sustainability Strategy and Object" to link with the "Golden 10-Year" for the implementation on environmental sustainability policy.

# Environmental Sustainability Management

*We are sparing no effort in our quest for environmental sustainability, energy conservation, and carbon reduction. We review and amend our different energy conservation programs every year and implement them under a budget ceiling. In addition, we combine energy conservation performance into the “Administrative Performance Assessment” and “Performance Evaluation on Power and Air Conditioning Equipment Maintenance” and include them in regular audits.*

## The EARTH Management System

We dedicated to environmental issues, to efficiently control our corporate environmental resources, we need to develop suitable green information systems that can clearly show the earth protection issues of the CSR.

Our major environmental protection projects in the environmental sustainability system (EARTH) include power and water management, greenhouse gas emission, resource recycling, and tree planting. This shows our emphasis on energy conservation, carbon reduction, and environmental protection. Establishment of the EARTH system began in January 2008, R&D resources were vigorously place to extend the EARTH system, which includes the following functions and effects:

1. Energy conservation innovation: Creative ideas from all units upload results to the EARTH system to share with others, so as to learn together achieve environment protection.
2. Performance evaluation: Performance is evaluated in a systematic and quantified way to encourage all units to maximize contribution.
3. Power management: Applying collective power payments usage statistics, our system has control over 47,000 electricity registrations and 980,000 entries of electricity charges. Replaced paper bills with electronic files, this not only facilitate process, but also reduced company resource requirements and provided analysis function that shows power usage trends, power factor statistics, and breach of over power usage. This allows better management, which meets our policy of reducing greenhouse gas emission. With the help of the exception notification function, we saved NT\$5,470,000 in overcharges by the end of 2011.
4. Water management: By applying electronic billing and collective payment from the water company and collating water usage statistics, our system has controlled over 1,000 water registration numbers and 38,000 entries of water charges. This reduces administrative operation and provides analysis function (including usage comparison, trends and history). With the help of the exception notification function, we saved NT\$660,000 in overcharges by the end of 2011.
5. Carbon inventory: In light of risks related to carbon emission, EARTH provides carbon verification forms to help carbon inventory, promote carbon reduction measures, reduce operational risks, and enhance the corporate benchmark. We have saved approximately 300 man-days, amount of traveling expenses, and carbon emissions from travel in all regions. This has helped us obtain ISO14064-1 carbon verification certification for past four years.
6. Afforestation: An interface is provided for users to archive the information about types of trees. Archived logs cover 240 types of trees in the Chunghwa Telecom parks, including 64,000 entries of tree information in the database.
7. Water recycling management: An interface is provided for users to archive the information about the type, approach, responsible unit, and location of water recycling. Our logs show that over 14,022 metric tons of wastewater was recycled.
8. Recycling management: An interface is provided for users to archive the type, amount, and unit for recycling. Logs cover 22 categories and 9,706,844 entries of recycling.

# ISO International Standard Certification

We applied for two international standard certifications to provide a necessary internal procedural framework and establish guidelines and processes for the compliance of organizations and businesses. This should allow them to maximize their energy efficiency and fulfill the objectives of sustainability and environmental friendliness. All units will complete certification by the end of 2015.

## Environmental Management Certification

Certification under the ISO14001 environmental management system clearly demonstrates our commitment to environmental sustainability. It also offers many benefits, such as proof of environmental performance, more management confidence, reduced environmental management risk, better market competitiveness, regulatory and other compliance, continual improvement, and lower costs.

### ISO14001 Certification Sequence for Chunghwa Telecom Units

Year	Execution Unit
2008	Southern Taiwan Business Group
2009	Mobile Business Group
2010	Northern Taiwan Business Group Data Communications Business Group
2011	International Business Group Telecom Laboratories
2012	International Business Group
2013	Telecom Laboratories

## Energy Management Certification

The ISO50001 energy system management standard primarily aims at providing a necessary procedural framework for organizations and businesses by establishing certain guidelines and processes for compliance. This should allow them to maximize energy efficiency in a way that leaves their existing operation unaffected and closely aligned with their business operation strategy and objectives. When supplemented by the PDCA (Plan-Do-Check-Action) mechanism, not only can energy use in an organization be continuously improved, but the objectives of sustainability and environmental friendliness can be met by reducing energy cost and greenhouse gas emission. Our Data Communications Business Group acquired ISO50001 energy system management certification in 2011 and we plan certification of the Telecom Laboratories for 2012.

### ISO5001 Certification Sequence for Chunghwa Telecom Units

Year	Execution Unit
2011	Data Communications Business Group
2012	Telecom Training Institute
2013	Enterprise Business Group
2014	Northern Taiwan Business Group/ Southern Taiwan Business Group
2015	Telecom Training Institute/ Enterprise Business Group



Certification acquired before 2015 for Chunghwa Telecom Units.

# Implementation of Power Management

As a large enterprise, we have a high demand for power and make much effort in the promotion of energy conservation. We have taken an inside-out approach, starting with the energy conservation monitoring network in the biggest building in Taiwan, and then gradually improving the energy management and efficiency of the others. We hope that we can accumulate 297 million kWh of energy saving, that accounts for 22% of total conserved electricity, by the end of 2015.

## Power Management Plan and Objective

Our power management objective is to “implement energy conservation and carbon reduction plans to reduce power use in telecommunication datacenters and office buildings in 2012 by 12% as compared to that of 2007.” Thanks to proper control, this objective had already been met in 2011, when our corporate power consumption had decreased by 29,750 kWh in comparison to that of 2007, accounting for 22% of the total conserved electricity. From this point forward,

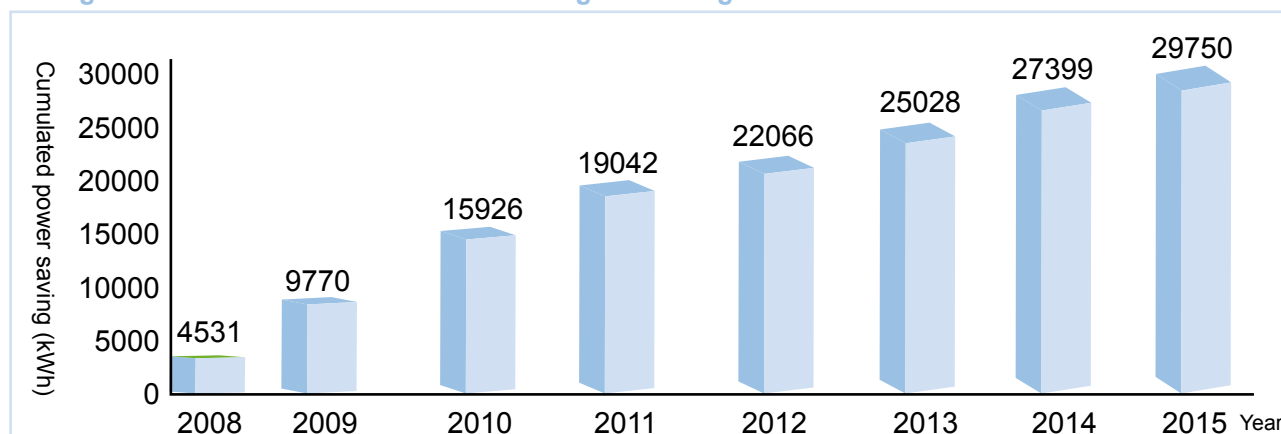
we will continue to follow the government energy conservation and carbon reduction policies. With the 2007 power consumption as a benchmark, we plan to further reduce our total power consumption by 8% by 2015. It is estimated that our power consumption will decrease 29,750 kWh by 2015 (excluding power consumption from business growth) in contrast to that of 2007, accounting for 22% of total conserved electricity.

### Chunghwa Telecom Power Management Plan

Year	Cumulated office building energy saving (kWh) (A)	Cumulated power consumption from business growth (kWh) (B)	Power consumption growth vs. 2007 (kWh) (C)	Power saving vs. previous year (kWh) (D)	Net power saving ratio (%) (E)	Cumulated power saving (kWh) (F)	Cumulated power saving ratio (%) (G)
2008	200	8530	4199	4531	3.37%	4531	3.37%
2009	1050	13167	4447	5239	3.89%	9770	7.26%
2010	1900	17832	3806	6156	4.57%	15926	11.83%
2011	2580	21435	4973	3116	2.32%	19042	14.15%
2012	3090	24902	5926	3024	2.25%	22066	16.40%
2013	3490	28200	6662	2962	2.20%	25028	18.60%
2014	3800	31103	7504	2371	1.76%	27399	20.36%
2015	4100	34000	8350	2351	1.75%	29750	22.11%

Note 1: T = Base year 2007, 134,572 kWh. E=D/T, F=A+B-C, G=F/T.  
 Note 2: Numbers for year 2012 to 2015 are target values.

### Chunghwa Telecom Cumulative Power Management Target



Note: Years 2012 to 2015 are target values.

# Carbon Management Objective

Energy conservation and carbon reduction have always been the objectives of our efforts. We hope that we may use energy more efficiently and reduce our dependence upon electricity and fossil fuel while still maintaining business growth. The goal is to reach a carbon reduction ratio of 17.04% by the end of 2015.

## Carbon Management Plan and Objective

Our carbon management objective is to “bring our greenhouse gas emission level in 2012 back to our 2007 benchmark.” As we continue to reduce power and fossil fuel consumption, we enjoy the benefit of lower cost for power and less greenhouse gas emission. Our greenhouse gas inventory for 2010 showed that our total

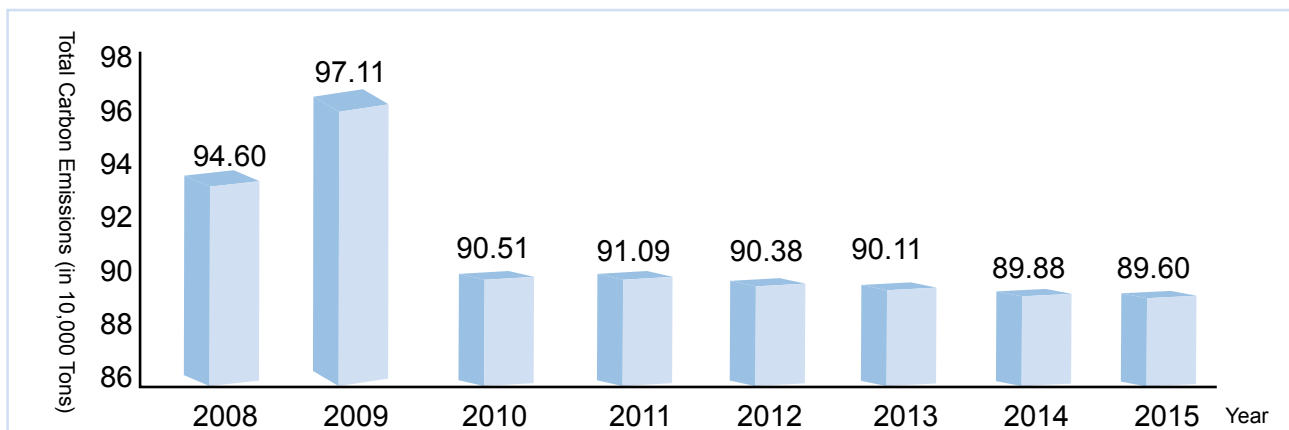
emission for the year accounted for 905,095.14t-CO<sub>2</sub>e and also showed that by using the proper control we had met our reduction objective by a significant amount. In the future, we will continue this control so that our greenhouse gas emission can remain unchanged in 2015 even as business grows.

### Chunghwa Telecom Carbon Management Plan

Year	Carbon emission from power consumption CO <sub>2</sub> (10,000 Tons)	Increased carbon emission vs. 2007 CO <sub>2</sub> (10,000 Tons)	Carbon emission from fossil fuel CO <sub>2</sub> (10,000 Tons)	Other carbon emission CO <sub>2</sub> (10,000 Tons)	Total carbon emissions CO <sub>2</sub> (10,000 Tons)	Carbon emission from business growth CO <sub>2</sub> (10,000 Tons)	Carbon saving vs. previous year CO <sub>2</sub> (10,000 Tons)	Cumulated carbon saving CO <sub>2</sub> (10,000 Tons)	Cumulated carbon saving ratio (%)
2008	85.98	2.67	1.74	4.21	94.60	5.43	2.76	2.76	2.97%
2009	88.58	2.72	1.61	4.20	97.11	8.20	2.73	5.49	5.90%
2010	82.50	2.33	1.49	4.19	90.51	10.91	3.25	8.74	9.39%
2011	81.80	3.04	1.45	4.18	91.09	13.12	1.49	10.23	11.00%
2012	81.20	3.63	1.38	4.17	90.38	15.24	1.54	11.77	12.65%
2013	80.50	4.08	1.37	4.16	90.11	17.26	1.57	13.34	14.34%
2014	79.80	4.59	1.35	4.14	89.88	19.04	1.26	14.60	15.69%
2015	79.00	5.11	1.34	4.15	89.60	20.81	1.26	15.85	17.04%

Note: Years 2012 to 2015 show target values.

### Chunghwa Telecom Carbon Management Objective (including business growth)



Note: Years 2012 to 2015 show target values.

# Telecommunication Datacenter Energy Conservation

*Chunghwa Telecom has been established for over 60 years and we have tens of thousands of telecommunications datacenters. This means that there is much room for improvement. On the one hand, we work hard to replace inefficient old equipment with energy saving units that conform to international standards, and on the other hand, we are striving to change our habits in order to achieve energy conservation and carbon reduction goals.*

## The 5-year plan for telecomm datacenters

A 5-year plan for energy saving and carbon reduction in telecomm datacenters was made in 2008 to address the impact of climate change on business operations and to take responsibility as a global citizen to reduce CO<sub>2</sub> emission. The plan is outlined below:

1. Air conditioning temperature control: Specific temperature management standards as set for individual power consumption locations: datacenters, machine repair rooms, measurement workbenches, and offices. These standards are then incorporated into the POSS system for automatic monitoring as well as review and supervision by the energy saving management team of each unit.
2. Improvement of SMR operation efficiency and reduction of energy consumption by increasing/decreasing the number of operating SMR units according to their loading status.
3. Power usage control: Save energy and cost by auto-loading, auto-unloading, and timing control equipment with POSS.
4. Air conditioning segmentation: Control the use of air conditioning by segmenting individual air conditioning space and reduce waste in empty space and space with idle equipment.
5. Inverter installation: Adjust the operation frequency and save energy by adding inverters to the CC cooling water pumps and the power sources of cooling tower fans.
6. Cooling by external air ventilation: Replace the cooling systems of equipment with operating temperatures above 40°C with external air ventilation.
7. Install modern condensing units in telecomm datacenters: Employ condensing units with a sensible heat ratio above 0.9 when installing new, or replacing old, air conditioning equipment in datacenters.
8. Change airflow volume or adjust duct configuration: Adjust flow volume or duct configuration when adding new or replacing existing telecomm equipment in datacenters by adapting to the heat source distribution.
9. Remove or power off PCBs in disabled or backup telecomm equipment: Power off switches and transmission devices in datacenters or remove the PCBs.
10. Reduce the use of premium diesel in telecomm datacenters: Adjust the diesel power generator load test frequency from 2 to 4 weeks to reduce fuel consumption, noise and air pollution.
11. Lighting management in datacenters: Revise datacenter lighting from large to small segments based on the working requirements and install LED double switches with independent controls to make turning lights off easy.
12. Energy saving at base stations: Save energy by adopting site-dependent energy saving measures including: natural turbine ventilation equipment, a ventilation fan in addition to air conditioning, and higher temperature settings.
13. PBXs replacement: Employ NGN\_CN equipment, replace existing PSTN PBX, and expand NGN GW devices and functions.
14. Integrating transmission equipment: Replace early PDH and SDH networking equipment with NG SDH networks. Reduce field operation costs and energy waste in low speed and existing transmission networking devices by adopting ROADM, OXC and NG SDH transmission networking devices.
15. Replace access network equipment: Replace existing DSLAM equipment from Lucent, Nokia, Alcatel, Samsung and ECI by adapting to FTTx buildup and customer requirements.
16. Incorporate energy saving performance in the Annual Maintenance Operation Performance Appraisal of Electric Air Conditioning Equipment.

# Impressive Energy Conservation Carbon Reduction Results

*The fulfillment of energy conservation and carbon reduction in response to global climate change is one of the priorities of current government policy. As a responsible member of the global village, government will present a succession of relevant action plans, and policy objectives will also be amended accordingly to bring them into line with international trends. Chunghwa Telecom will also amend and update our policies every year with the firm vision of sustainability through high efficiency, high value, low emission, and low consumption. We will join efforts with others to continue to promote energy conservation and carbon reduction.*

## Introducing Renewable Energy

By taking the measures described above, power consumption was reduced by 3.634 million degrees in 2011 against 2010; and 17,658 million degrees against 2007 the baseline year. Compared to 2007, power consumption in 2011 was reduced by up to 17.42% and carbon by 108,067 tons. The 5-year plan for energy saving and carbon reduction in telecomm datacenters will continue and are expect to reach the goal of a 2% power saving each year.

To lower the impact of the business operation on the environment, a score of aircon( air conditioning) related energy saving measures have been adopted for the telecomm datacenters including energy savings by using inverters, high heat sensibility, and the use of supplementary cooling by external air. As of the end of 2011, total installation of energy saving related capacity was: inverter modules 1,837.5 HP, aircon equipment with sensible loads 6,958 RT, high efficiency air-con equipment 1,230 sets (of capacity 2~3 kW respectively), wholly external-air based aircon equipment 430 RT and natural-air-based-and-aircon-supplemented equipment 75 sets. A total capacity of 23 kW wind and 84.5kWp solar power generation equipment has been installed to use renewable energy, reduce impact on the environment, and improve our corporate image.

## Waste disposal from the Telecomm datacenters

The disposal of scrapped lead-acid batteries is regulated by the EPA as recyclable industrial waste. Disposal of hazardous substances and waste are common social liabilities of enterprises. To reduce pollution the recycling and disposal operations are outsourced by joint contract based public auction. The contractor must be a qualified service provider listed on the website of the Recycling Fund Management Board of the EPA to ensure legitimate management and disposal for the least environmental impact.

All the lead-acid batteries scrapped by each business unit are auctioned on site and proper documents for their disposal are filed for audit tracking. Delivery for recycling, removal, and disposal are all required to be entered on a lead-acid battery disposal form. There were 31,101 scrapped lead-acid batteries, with a total weight of 1,635,427 KG, disposed of in 2011. Total revenue generated by their recycling and disposal was NT\$ 40,988,066, thanks to the higher value of recycled material which benefits the corporate operations while also fulfilling social responsibility.



Apply zero-carbon renewable energy to reduce operational carbon footprint.



# Water Resource Efficiency Management

*Eco-efficiency has been proposed by WBCSD, and is aimed at improving effective resource utilization and lowering pollution. This indicator allows an understanding of the conditions of the internal environment and business performance of a corporation. In order to effectively lower the environmental impact of the telecommunications industry and increase resource utilization, we have introduced a number of energy conserving mobile products / services and programs designed to assist residential and commercial departments as well as the transportation industry in the reduction of carbon emission.*

## Water Resource Management Plan and Objective

Our water usage primary includes facilities as restrooms and air-conditioning. As expanding business so the need for manpower rises, there will be less room for reduction. Instead, we turn to rainwater and cooling water recycling to meet the effective use of water. We also promote water resource management plans by setting up conservation measures, centralized the management of water bill, and the development of specific management objectives to realize water conservation.

- I.Promote water resource conservation measures
  - 1.Spray taps for washbasins.
  - 2.Restrooms with two-stage flushing devices.
  - 3.Office boiled water supply only in office hour.
  - 4.Minimum water usage to eliminate wastage.
  - 5.Rainwater is recycled to water plants.
  - 6.immediately contact to repair crew whenever a damage to water supply equipment.
  - 7.Reclaimed new water installations and process used water to the required standard water quality, hence to reused for other than drinking or physical use.



The abandoned agricultural reservoir at the Telecom Laboratories has undergone landscaping and been transformed into an ecological lake.

### II. Water use reduction objective

- 1.Since 2007, we have been promoting water conservation measures, including programs for the use of rainwater, bathing water, and the recycling of condensed air-conditioning water. Recycled water is used for irrigation in parks, gardens and for washing sidewalks. We planned to reduce our water use by 2% each year and we had met our goal at the water saving of 8.6% level in 2011.
- 2.In the long run, we will continue on water conservation plans and expect to cut use more than 15% in 2015.

### III.Resource Recycling 5-year Plan

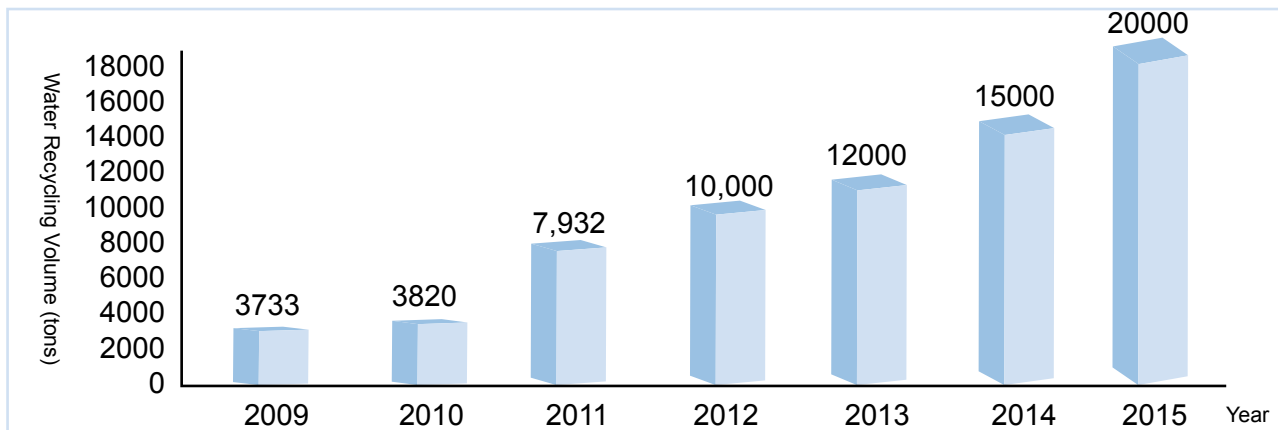
- 1.Our water resource recycling management has been incorporated into the EARTH system since 2008. The statistics show a slight growth on recycled water from 3,733 metric tons in 2008 to 7,936 metric tons in 2011. To further enhance the effectiveness, we planned a 5-year construction plan for new rainwater recycling systems to collect clean rainwater from the datacenter roof and ground. New condensed cooling water recycling systems will also be installed in the air-conditioning systems in office buildings to recycle water.
- 2.We expect to reach 1.5% recycling rate of our total water use before 2015.

### Chunghwa Telecom Water Resource Recycling Plan and Objective

Year	2009	2010	2011	2012	2013	2014	2015
Water resource recycling volume (tons)	3,733	3,820	7,932	10,000	12,000	15,000	20,000

Note: The years 2012 to 2015 show target values.

## Chunghwa Telecom Water Resource Recycling Plan



Note: The years 2012 to 2015 show target values.

## Energy Conservation Action Plan and Measures

### I. Telecommunication datacenter energy conservation plan and measures

- Air conditioning temperature control
- Adjustment of operating SMR units
- Power usage control
- Air conditioning segmentation
- Inverter installation
- Cooling by natural ventilation
- High sensible heat in telecomm datacenters
- Change air volume or adjust configuration
- Remove PCBs in disabled or backup telecoms equipment
- Avoid redundant of small power equipment (e.g. UPS, SMR)
- Reduce use of premium diesel in datacenters
- Lighting management in datacenters
- Energy saving at base stations
- Set up solar photovoltaic equipment

### II. Office energy conservation plans and measures

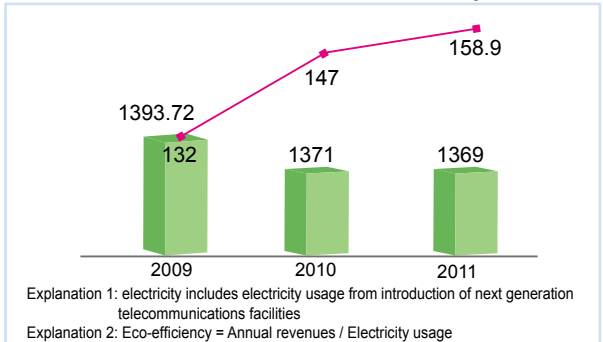
- Use high EER value equipment
- Temperature setting to 26 - 28°C. temperature Difference should be lower than 5°C.
- Use fans in air-conditioned rooms.
- Turn off water-cooling unit and switch to air supply 30 minutes before end of each day.
- Install blinds for windows to reduce solar radiation.
- Prevent cooled air from leaking out from entrances
- No central air conditioning on holidays or when a few working overtime.
- Convert water cooling and air supply system to inverter to control air volume.
- Use fluorescent lamps with electrical ballasts.
- Use power-saving light bulbs.

- Apply light-color paint to enhance light reflection.
- Optionally turn on lamp to reduce the number of light tubes when less lighting is required.
- Reminds to turn off light.
- Use daylight sensors to reduce lightning.
- Install infrared sensing lighting.
- Clean lighting devices regularly to increase efficiency.
- Replace light tubes regularly.
- Review the adequacy of environmental illumination and lighting allocation.
- Reduce available elevators when off-peak hours
- Set auto turn off elevator ventilation and lighting to after 3 minutes of standby.
- Try to walk the stairs when moving between 3 floors.
- Use inverter elevator when new or replacing elevators.
- Change elevator car cooling system to automatic temperature control.
- Use eco-friendly electronics.
- Turn off not in use electrical appliances to reduce power consumption on standby.
- Choose energy-saving office appliances.
- High voltage users to keep voltage fluctuation under 5%
- Transformers should be positioned in well-ventilated locations and use fans if necessary.
- Power factor compensators should be positioned at the low-voltage side and close to the load end.
- Review the rationality of contract capacity to seek for reduction on peak-hour regularly.
- Add power management and peak-hour control systems, and monitor on air-conditioning and lighting systems for the effective control of power consumption.

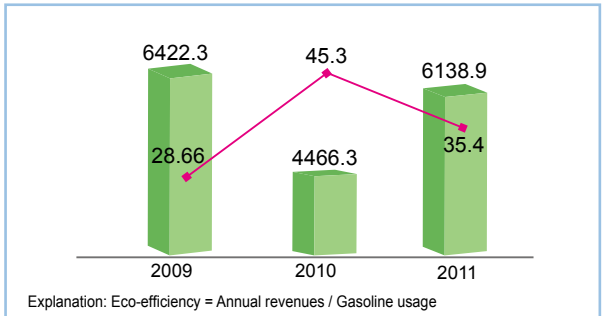
# Overview of Environmental Impacts

## Input

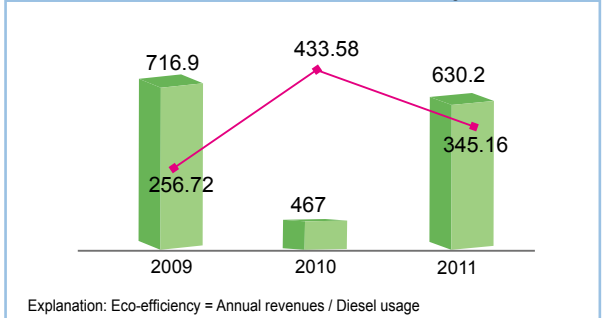
### Electricity



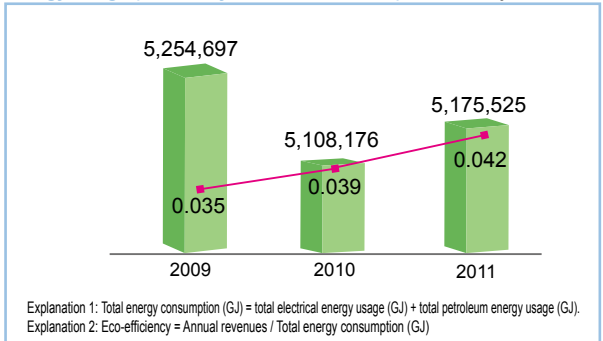
### Gasoline



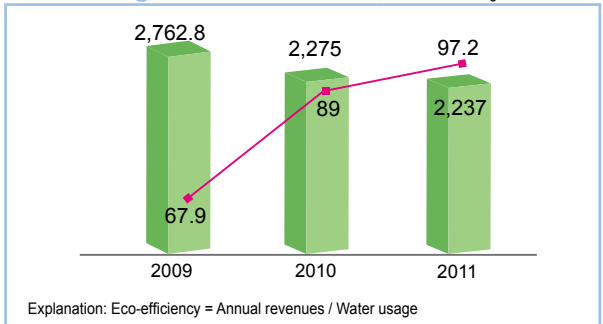
### Diesel



### Energy Usage (Electricity + Petroleum Fuels)

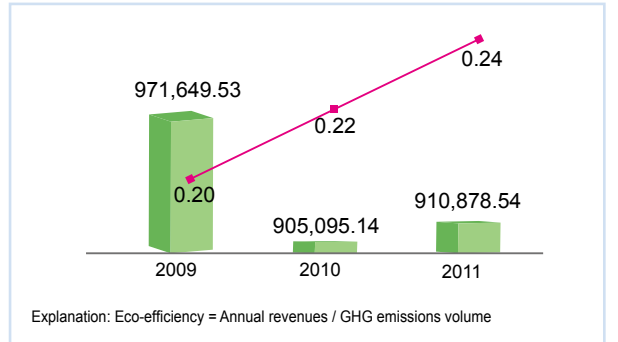


### Water Usage

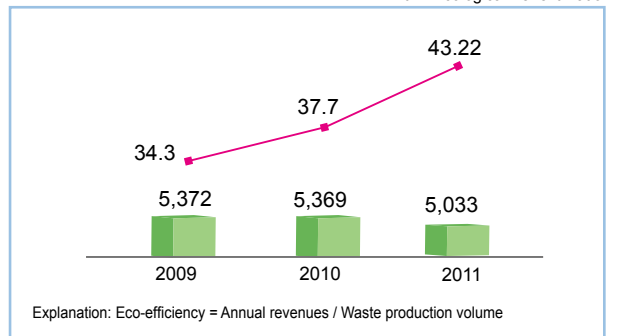


## Output

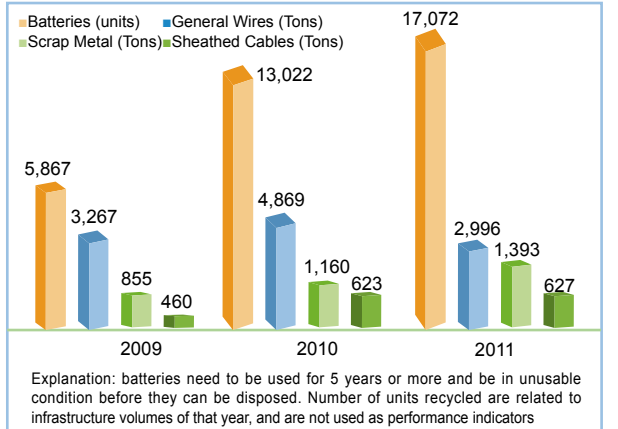
### Greenhouse Gas Emissions



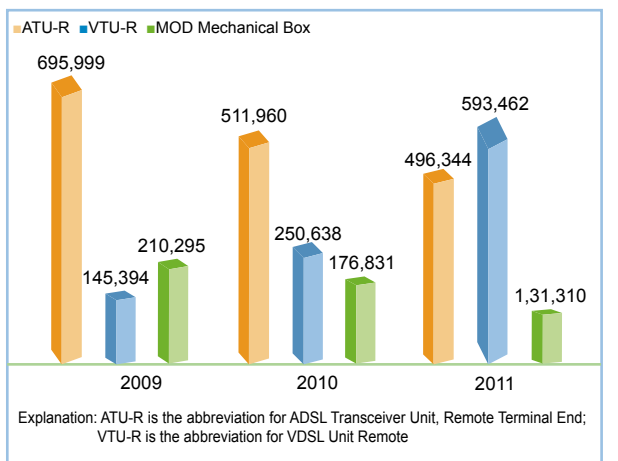
### Waste



### Scrap Metal Recycling Volume



### End User Equipment Recycling Volume



# Creating a Green Business

As was announced in our 15th anniversary publication “To Build a Beautiful Sustainable Vision 2020,” we have set an objective for comprehensive (exclusive) green purchasing by 2015, and for active participation in international energy conservation research, as well the exploration of energy conservation and carbon reduction issues and implements corporate social responsibility.

## Promote Comprehensive Green Purchasing

We have announced that we will exclusively purchase “low-pollution, recyclable, and resource-saving” green products by 2015 and provide related services and activities. Comprehensive or exclusive green purchasing is defined as being compliant with government and other countries’ green marks and provision of self-proclaimed environmentally friendly products, services, and related activities. This includes the purchase of green products, the implementation of green purchasing by combining corporation and supply chains, the development of green products, and the provision of relevant services and activities. As we are vigorously promoting green purchasing, we have established the following annual green purchasing plans and objectives:

### The Chunghwa Telecom Green Purchasing Plan

Year	2009	2010	2011	2012	2013	2014	2015
Purchase amount (in hundred millions)	2.06	4.1	8	10	12	14	16

Note: The years from 2012 to 2015 show target values.

## Green Accommodation

In order to promote green accommodation, green life, and hotelier recognition of its customer’s green actions, the Environmental Protection Administration of the Executive Yuan, ROC launched the “Join US! Let’s go green!” project that allocates part of the amenity cost from hoteliers who recognize consumer green action to support non-government, non-profit organization environmental plans, keeping green actions going on and excel. Since 2008, our telecommunications clubs started to implement environmental policy in which the use of one-time disposable toiletries is stopped, bed sheets and towels are not changed for several consecutive stays, and so on in response to environmental protection.

## A Green Building Label

A Green building is academically part of the earth sustainable development policy. The “Green Building Promotion Program” promulgated by Executive Yuan defines seven environmental assessment indexes regarding buildings, which includes greenness, water conservation, energy saving, the reduction of CO<sub>2</sub> emission, the reduction of waste disposal, indoor environment, water resources, and improvement of sewage and garbage disposal. Therefore, we announced that we will apply for environmentally-friendly and energy-saving green building labels for new buildings and datacenters with a total cost fifty million construction budget. Our north branch has applied for diamond-rating green building label candidate certification.

## Waste Recycling

Recycling can reduce waste and raw material consumption. The recyclable material in the EARTH system 2011 version usually includes glass, paper, aluminum, asphalt, steel, printers, toner cartridges, and ink cartridges.



With the rise of the cloud service, we bolster energy saving at datacenters to achieve green ICT.

# Safeguard our Beautiful Homeland

*The Global climate has changed considerably in recent years. The number of storms is increasing, the power of typhoons has intensified, and even the summer temperature keeps hitting record highs. To relieve the pressure on the gradually depleted natural resources, countries all over the world are committed to energy conservation and carbon reduction activities. Faced with deterioration of the ecological environment and an imperious energy crisis, we need to do whatever we can to contribute to the safeguard of our beautiful homeland.*

## Environmental Information Disclosure

- Implement annual greenhouse gas inventory. Obtain ISO14064 verification and certification.
- Respond to the annual Carbon Disclosure Project (CDP) questionnaire.
- Respond to environmentally related issues in the annual Dow Jones Sustainability Indexes (DJSI) questionnaire.
- Respond to the Common Wealth Magazine and Global View Magazine questionnaires.
- Publish the CSR report (environmental protection): Provide data on greenhouse gas inventory, power, water, and fuel consumption, as well as waste recyclables generation.

## Improve Energy Use Efficiency

- Integrate datacenters: Merge and exploit datacenter space.
- Add iEN to buildings: Incorporate iEN Intelligent Energy Saving System into new datacenter construction.
- Save cooling energy: Use high-efficient and air-conditioners, and cold/hot channel air-conditioning systems in the datacenters.
- Green building and accommodation: Use green materials for newly constructed datacenters or buildings.
- Solar water heaters: Install solar water heaters in Telecommunications clubs.
- Recycling: Set up rainwater, underground, and condensed cooling water recycling systems.
- Environmentally-friendly LED bulbs: Internal office building trial plan.

## Green Energy

- Photovoltaic system: 157.06kWp capacity System constructed in 2011.
- Wind power: 26.6kWp capacity built in 2011.
- Fuel cell: Pilot program with the Industrial Technology Research Institute, 15kWp capacity system built in 2011.

### Autonomous Environmental Protection

- Green purchasing: 800 million NTD green purchasing target in 2011 to import green purchasing data into EPIS, also been imported for the sustainable development system.
- Vehicle energy conservation and carbon reduction: Replace old vehicles with environmentally friendly, and use electric vehicles for trial.
- ISO14001 management system: Certifications for overseas branches and laboratories in 2011.
- Clean homes, energy saving office, health management system, car-free days, and paperless ODAS.
- Energy conservation service team: Provide to help SMB or disadvantaged.
- Industrial waste recycling: Set recycling goals.
- Environmental award summary: Annual enterprise environmental protection award, energy-saving gold award, and Ministry of Economic Affairs energy conservation award.

## Value-added Products and Services

- Electronic billing: Features environmental protection, promote with marketing section.
- iEN(Intelligent Energy Saving Network Service) and promote eight energy-saving categories.
- Mobile device recycling: Recycle bins are available at service centers in line with the promotion of waste recycling.
- Assist suppliers to apply for product eco-labels.

# Social Investment



<b>S Strategy</b>	Concentration on Digital Opportunities
<b>M Management</b>	LBG Social Contribution Assessment
<b>A Address</b>	Minimize the Digital Gap
<b>R Response</b>	Project Implementation Results
<b>T Target</b>	Digital Inclusion to Create Shared Value



- Awarded the Excellent Performance and Outstanding Contribution trophy by BCSD-Taiwan, in its 2011 ONE Campaign.
- Received the Enterprise Citizen of 2011 award of the Commonwealth Magazine again and ranked by it as one of the best future and new value telecomm carriers in Taiwan.
- Chairman Lu was honored by the President in the General Recognition Assembly for Japanese Earthquake Humanitarian Aid Activities.
- Won the Sports Supporter Gold Medal in the Sponsorship Category of the Sports Committee of the Executive Yuan.
- Attended the 2011 Listed Companies Expo and won the enterprise society responsibility excellence award, and also passed CG6006 advanced corporate governance system assessment certification.



# From ICT Technology to Job Opportunities for Disadvantaged Groups

Job opportunities for disadvantaged groups often stem from regulations. However, they need more opportunities and positions beyond those the regulations can offer.

Since our devotion to corporate social responsibility, we have put warm creativity into our social investment by establishing Chunghwa Telecom EYE Social Innovation Call Center. With innovative technological breakthroughs, visually challenged people can skillfully use customer service information system and efficiently carry out counter service satisfaction telephone interviews. We could only offer inadequate assistance to visually challenged people in the past, but now we can give them pride and dignity at work!

# Concentration on Digital Opportunities

*In the age of technological progress, the “digital divide” has created unfair conditions in education and employment opportunities. Building on the characteristics and core professional capabilities of the telecommunications industry, our social investments are focused on “reducing the digital divide” and “creating digital opportunities.” We are also significantly devoted to introducing “corporate volunteers” to participate in localized community services and actively assist with the creation of digital opportunities in local communities.*

## Six Major Causes of the Digital Gap

The digital divide in today’s society is primarily due to the following:

- Geographical gap: a gap that results from people being in urban and remote areas.
- Economic gap: a gap that results from people having different levels of income.
- Knowledge gap: a gap that results from different levels of knowledge between different groups of people.
- Disability gap: a gap that results from the general public and disabled persons.
- Health gap: a gap that results from people of different age groups or health conditions.
- Gender gap: middle aged and senior women suffer from significant disparities when using information and communications services as a result of traditional notions of family care.

Chunghwa Telecom had proposed many solutions to address these digital gaps. In the future, we will actively engage in social innovation to address these issues.

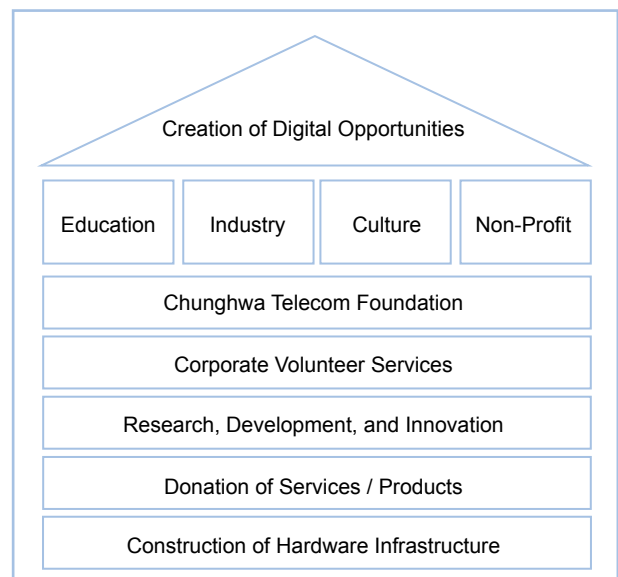
	Chunghwa Telecom Solutions
Geographical gap	Increased availability of services, etc
Economic gap	Communication incentives for low income and minority groups
Knowledge Gap	Computer classes for adults, etc
Disability gap	Customer service for visually impaired persons
Health Disparity	GPS, etc
Gender gap	Digital Good Neighbors Provide female community members with information education courses

## Five Major Aspects of Digital Opportunities

Based on the information and communications characteristics of Chunghwa Telecom, the two major missions of social investments from Chunghwa Telecom and the Chunghwa Telecom Foundation are the “reduction of digital disparity and the creation of digital opportunity”.

Chunghwa Telecom’s commitment on this issue involves diverse social investments over five aspects. “Hardware infrastructure” is the foundation for modern people’s communication. “Product or service donation” allows communication technologies to properly utilize their values. “Research, development, and innovation” focuses on assisting disabled persons with sharing convenient communication. “Corporate volunteerism” allow our employees to directly utilize their capabilities and participate in community building. Meanwhile, “Chunghwa Telecom Foundation” is the pioneer in our endeavor to create digital opportunities.

### Creation of Digital Opportunities





# LBG Social Contribution Assessment

*We have always been committed to our corporate vision of “utilizing society to care for society.” Not only are we Taiwan’s most significant composite telecommunications company with networks and services across Taiwan and its outer islands, our corporate vision further shapes our self-recognition over social contributions. Over the years, we have continued to apply our core capabilities to create concrete values for Taiwanese society and assist people to increase the quality of their lives.*

## Social Investment Statistics

Since 2008, we gradually increased our social investment amounts. In 2010, social investment increased 20% from 2009. Also, we improved our statistics measures: the new section of “management expenditures” has been added to social investment categories to allow costs transparency associated with non-profit activities. In 2011, cash donations accounted for 16.3%, product and service donations for 82.5%, management expenditures for 0.9%, and volunteer costs for 0.3%. We reduce total social contribution expense but maintain other investments is because we improved our management by cutting down manage costs and unnecessary expenditure.

### Social Investments (Unit: Thousands of NT\$)

Type of Social Investment	2009	2010	2011
Cash Donations	165,044	273,778	260,934
Product or Service Donations	1,391,422	1,470,014	1,324,955
Management Expenditures	-----	131,395	14,110
Volunteer Services Man Power Cost	-----	-----	4,863
Total	1,556,467	1,875,187	1,604,862
Percentage of Business Revenues	0.84%	1.01%	0.83%
Hours of Corporate Volunteer Services (Hours)	41,979	147,083	28,360

## Social Contribution Assessment

In 2010, we adopted the London Benchmark Group’s (LBG) model to assess the utility of social investments. This model is committed to quantifying the effects of social investments. This model had been used for over 18 years internationally, which had been widely used by 150 corporations.

According to the LBG model:

1. Form targets: community / corporation
2. Activity type (classified by motivations)
3. Investment value : total monetary value, physical objects, employee hours and planning, and management costs
4. External resource integration: community projects result from other resources
5. Community benefit: performance assessment of project results for communities
6. Commercial benefit: performance assessment of project results for commerce
7. Assessment of effects on communities / corporations

Quantify community investments can help us engaged in optimal resource allocation and avoid repetitive resource investment. Thus, financial and non-financial investment can be combined effectively, while multitudes of stakeholders can be satisfied at the same time to create more effective social contributions. The priorities of social participation for us will enhance on volume management and effective communication.

# Minimize the Digital Gap

*Chunghwa Telecom continue to assist the government with implementing increasing telecommunications availability and services. Also, we have established Chunghwa Telecom Foundation to fulfill the primary missions of reducing the digital gap, assisting local cultural industries, and participating in community life. Starting from communities, we continue to assist local cultural industries and participate in community life by combining caring companionship concepts with Chunghwa Telecom's core professionalism.*

## Digital Expression.Digital Communication

The Chunghwa Telecom Foundation (CTF) was established to improve the digital gap between urban and rural populations, social segmentation, the rich and the poor, education levels and dissemination as well as to balance the overuse of information technology for better physical and spiritual health. Based on the vision of "Leverage the computer for everyone's benefit", CTF started to help its Digital Community's members in Taiwan in digital presentation and communication with digital tools. We believe that digitalization is the communication platform and media of the new generation and the best channel for voicing to the external world. With various interactions and learning, more information application opportunities are opened when cross time and space information retrieval becomes possible.

## Telecomm Infrastructure in Remote Areas

The CTF has been undertaking the construction related to popular services by fulfilling its society responsibility, narrowing the digital gap between urban and rural communities, and promoting economic growth of remote and tribal areas:

- 1.Complete 12 tribe wideband access point construction to improve digital communication popularization services in non-economic regions in year 2100.
- 2.Working together with NCC to identify locations for 10M communication line installations in 81 remote counties' 716 villages for the implementation of wide band policy in remote areas in the future.
- 3.Assist the NCC in a speed improvement survey for the 173 DOC points provided by the Ministry of Education and 99 remote medical points provided by the Department of Health to facilitate wide band networking and medical care of citizens in remote locations.

## Continuous Feedback

Chunghwa Telecom had always played pivotal roles in the communications and networking field. However, we are not only thinking about market leadership. Of greater importance is how to give back to society and fulfill our corporate social responsibilities.

As the community itself and its requirements differ, the CTF assists local communities in building up their digital application capabilities with respect to learning and education, industrial economy, and caring for humanity. In 2011, the CTF donated 66 wide band communication lines and 70 computers, to start digital infrastructure creation, to promote and support a range of computer training programs. Further learning programs were extended, to a total of 934 hours of computer courses, based on themes of local caring and focuses of community development. The entry level courses provide trainees with systematic studies in their initial contacts with digital equipment, the daily life based document applications equipped trainees with a more efficient object processing mechanism, and the advanced computer certification courses give trainees the chance

to challenge themselves and to become recognized.



Care and service around every corner in the community, leaving smiles of the faces of the children.

## EYE Society Innovative Call Center

CTF cooperate with the ADOC 2.0 Plan on 2008 and became one of its non-governmental sponsors. We created the ICT-based Remote Working for the Visually Impaired project to realize the ADOC 2.0 vision, fulfill the enterprise's social responsibility, decrease the digital gap, and create digital jobs. Start from January 2009, various tasks includes: launch the Remote Call Center for the Visually Impaired, develop tele-market research systems and a Chinese dictation tool. Also, by integrating our ICT technologies, we enhance system with English interface to supplement foreign user, which reach the goal of assisting visually impaired workers.

CTF is good at making the most of various information and communication tools and in breaking through existing limits. In addition to penetrating domestic communities CTF is replicating its successful experience in international societies. Cooperation with the Blind Student Resource Center, TKU, a natural extension from participation in the Asia-Pacific Digital Opportunity Center ADOC2.0, and three years of R&D brought

the EYE Society Innovative Call Center into life on 2011. The EYE center is aimed at helping the visually impaired obtain work and promoting business society innovation, as well as ensuring its sustainable and independent operation to fulfill our social responsibility of assisting the visually impaired obtain employment. This ICT technology model has been replicated in Beijing, China, and in the Philippines. The constitutional interpretation made public on 2008 allowed the sighted to compete with the visually impaired in massage jobs depriving the later of a protected job type. On 2011, the Legislative Yuan passed an amendment to the Disabilities' Rights Protection Law and gave the visually impaired new protection as call center representatives.

The EYE not only secured the Chunghwa Telecom customer satisfaction tele-interview jobs but also managed to get the visually impaired services outsourcing project of the 1999 Taipei City Government. We expect that the EYE project may serve as a model for enterprises in realizing the new act, Council of Labor Affairs, local and central government agencies, legislators, disadvantaged groups, to name a few, that are interested in taking advantage of this regulation.



CEO Lu and Tamkang University Vice-President unveil the "EYE Social Innovation Call Center".

## Remote learning for Education at Zero Distance

In 2009, the CTF started working together with the Remote Tutoring Team of the Fu Jen Catholic University to create a new learning journey for school children in remote locations. In 2011, the Remote Tutoring Team conducted 1-to-1 or 1-to-2 online tutoring courses with the Good Shepherd Foundation, Banqiao, Ailiao Cram School, Pingdong, and the Fenglin Church, in Pingdong. It allowed students and teachers to communicate instantly and in a more systematic way. It also made it possible for teachers to more closely monitor the students' learning status and progress using the tutoring reply log.

Although students and tutors can only learn and communicate in separate locations, they can meet and talk in regular "Good to See Each Other" and "Summer Classroom" and "Winter Classroom" during the vacations. Well organized pre-planning and designed material gives students more learning opportunities, while most of the tutors of the program are college students who also received

valuable experience by contributing what they had learned.

In addition to the remote learning project on campus and remote communities, the CTF tried to have more people understand the essence of remote tutoring and the requirements of remote communities for education resources. In November, CTF will co-host a Meet and Share forum with the South village at Taipei Guangdian as part of the Council of Indigenous Peoples' 2011 Pure and Original Aboriginal Cultural Festival Series of Events. This forum has two agendas: the one is to share with the participants how university students and schoolchildren in remote communities met each other using digital technology, and the other is to have

more people know the meaning of remote tutoring and the needs of people on the other side of this society by sharing the core values of this program.

College students involved in this remote tutoring program come to treat school children in remote communities in exactly the same way as their own brothers and sisters after long time tutoring and learning.



Continued focus on disadvantaged children in remote areas, inspiring them to better their lives.

# Project Implementation Results

*Our vision behind initiating the “Digital Good Neighbors” project in 2006 was: allow everyone to “use computers well,” so that “computers can serve well,” and allow everyone to “use the internet well,” so that “the internet can serve well.” The final objective is that people can “use opportunities well,” and that “opportunities can serve well.” Over the last several years, Chunghwa Telecom’s employees across Taiwan continued to provide uninterrupted service assistance, and our corporate promise and commitment to creating digital opportunities have won recognition from local authorities and local residents alike.*

## Stable Growth of Digital Good Neighbors

In order to help residents in remote areas in digital disparities, Chunghwa Telecom had been running the “Digital Good Neighbor” project for years. As well as computer, network, communication equipment sponsored, and a long term partnerships with local non-profit organizations. Up to 2011, we had set a total of 63 “Digital Good Neighbors” to promote computer education (up to 934 hours of computer training courses), initiate volunteers and assist industrial development. Since Chunghwa Telecom works closely with all the establishments and implement units, those mature “Digital Good Neighbors” are capable of devise their own class contents appropriate for their communities. They also proactively discuss class content with the Chunghwa Telecom Foundation, which ensured the classes were all conducted properly and has all yielded significant result.

## Youth Volunteers in Remote Communities

The has been combining youth volunteers in community services from Chunghwa Telecomm since establishment. In recent years, students are encouraged, both in Taiwan and overseas, to engage in regional or global social services not only for their limitless creativities but also in anticipation to increase their liability and overcoming challenges through service to society. The CTF works together of local universities student clubs to host camps under the “Good Neighbor” project with activities that are suitable for school children’s and with local characteristics, or programs focusing on information education, or landscape ecology assistance, or demonstrate scientific knowledge with balloon creativity and so on. All these bring joy to school children in remote locations and enable youth volunteers to experience an different life.

## Community Industry and Cultural Heritage

Based on the concept of “Deep Community Penetration”, the CTF continues to work with individual communities to promote the cultural industries in a sustainable manner and to be a growing partner of them. The CTF manages to cater ideas by the design of suitable development project for the community that close to the industry trend.

Starting with the exhibition and sales of “enterprise gifts” in 2006, the “little mart” in 2007, the “summer culture and creative mart” in 2008, the “CHT love convey mart” in 2009, the theme campaign of “spot-reddening Taiwan” up to the establishment of “Taiwan’s hot spot” 2011, the CTF combines nine community industries and more than fifty exclusive local arts and crafts, organic product, foods and fine gifts, by introducing product features, design concepts, manufacturing processes, and backgrounds of the creators. In addition, the CTF continues to sponsor physical exhibitions of products made by individual community industries to combine with virtual exhibition platform for more exposure. By understanding and learning opportunities from community industry, we promote interactions between workers and the public, creating business opportunities for aboriginal villages, and assist the promotion and the continuous of domestic culture.

In addition, community industries also show up in all the key events of CTF in 2011. A total of NT\$ 220,000 of product sale from community industries to expose community industries’ products, assist their development, improve their visibility and popularity.

The CTF also hired local designers for the R&D packaging and products to highlight industry spirit with modern design concepts as well as injecting new creativity and features so to reach the goal of advanced industry and sustainable business.

# Digital Inclusion to Create Shared Value

*In an ICT society where information communication has become an inseparable part of people's lives, we are committed to building a trouble-free communications environment and to innovating our service thinking with information and communication technology to share value with the people. In the long term, we will establish comprehensive digital inclusion strategies and promote digital inclusion action plan performance indicators step by step.*

## Four Aspects of Digital Inclusion Strategy

In our disabled digital inclusion strategy, we leverage ICT together with discounted plans to fill the service gap for all the disabled groups. We are devoted to the development and provision of barrier free communications equipment oriented to improve their lives, education, and employment. The advancement in information and communication services also allows us to assist elderly people with chronic disease or those in need of special care. We offer disadvantage groups and low-income group cheap plans and remote assistance for the installation of communications equipment. We also provide the public a sufficient education courses as a learning channel in changing information and communications discipline. These assist people to learn how to use a wide array of smart communications devices and value-added services through mobile devices, websites, and service locations. We also hold all kinds of computer training courses in every county.

We belief that the provision of information and communications services for remote area is not subject to terrain or distance. We continue to enhance the accessibility of our mobile communications network and build dual-routes in remote areas to ensure communication. We will also strengthen mountain and outlying island communications by satellites.



The provision of diverse learning programs for everyone to be able to make use of information and communications services.

## Comprehensive Inclusion Action Plan

We define four aspect of telecom performance assessment according to different groups and priorities:

- 1.For disadvantaged groups: trouble-free communication use, life quality improvement, disadvantaged group employment, social change in the community, and enhance image.
- 2.For low-income groups: easy to use, affordable rates, life quality improvement, social change inside community, equipment utilization, revenue, and enhance image.
- 3.Public education by telecom equipment and services: course integrity, service course for attentive to customer, course utilization, revenue, social changes in community, and enhance image.
- 4.Infrastructure improvement in remote areas and outlying islands: basic communications coverage, high-speed wireless broadband coverage, guarantee of smooth communication, improvement of user life, equipment utilization, revenue, enhance image, social change in the community and community environment.



We promise to improve the telecommunications infrastructure in remote areas and outlying islands on an ongoing basis to ensure smooth communication.



# ASSURANCE STATEMENT

## **SGS TAIWAN'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE CHUNGHWA TELECOM CO.,LTD CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2011**

### **NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS Taiwan was commissioned by Chunghwa Telecom Co.,Ltd (hereinafter referred to as CHT) to conduct an independent assurance of the Corporate Social Responsibility Report of 2011. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the CHT's Corporate Social Responsibility Report of 2011 and its presentation are the responsibility of the superintendents, CSR committee and the management of CHT. SGS Taiwan has not been involved in the preparation of any of the material included in the CHT's Corporate Social Responsibility Report of 2011.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all CHT's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines and the AA1000 Assurance Standard (2008). These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured at a Type 2, High level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines(G3.1 2011).
- Evaluation against the AA1000 Stakeholder Engagement Standard (2005).

The assurance comprised a combination of pre-assurance research; interviews with relevant employees at headquarter and operational sites of CHT in Taipei, Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

### **STATEMENT OF INDEPENDENCE AND COMPETENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS Taiwan affirms our independence from CHT, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with QMS, EMS, SMS, EnMS, GPMS, SA 8000, GHG Verification Lead Auditors and experience on the SRA assurance service provisions.

## VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within CHT's Corporate Social Responsibility Report of 2011 verified is accurate, reliable and provides a fair and balanced representation of CHT sustainability activities during 01/01/2011 to 12/31/2011.

The assurance team is of the opinion that the report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. The report is the fourth to be assured by an independent assurance team and CHT has taken a bold step by offering the report to evaluation against both Global Reporting Initiative's G3.1 guidelines and the AA1000 Assurance standard. This shows a deserved confidence in their reporting process.

In our opinion, the contents of the report meet the requirements of Global Reporting Initiative G3.1 Application Level A<sup>+</sup> and AA1000 Assurance Standard (2008) type 2, high level.

### AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

#### Inclusivity

CHT has demonstrated a strong commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts underpin the organization's understanding of stakeholder concerns, and its ability to integrate them into its decision making processes. This is demonstrated by surveys and communication to its employees, consumers, investors, local communities, suppliers, media, NGOs and other stakeholders. CHT has also shown its direct engagement its stakeholders via set up meetings and had dialogue directly between the management of CHT and stakeholders and to respond questions raised by stakeholder promptly. For future reporting, CHT may consider continuing the proactively direct engagement with stakeholders.

#### Materiality

CHT has established appropriate processes for determining issues that are material to the organization implemented appropriate process for determining issues that are material to the organization. Formal review has identified and direct engagement with stakeholders and those issues that are material to each group, moreover the report has addressed theses at an appropriate level to reflect their importance and priority to the identified stakeholders. For future reporting, CHT might consider profiling the sustainability impacts and performance of organization's business in more detail.

#### Responsiveness

The report cover comprehensive response to the issue and stakeholders concerns relating to CHT's activities. Continuing direct engagement with identified stakeholder groups to be considered in future reporting.

### GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (2011) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

#### Principles, Standard Disclosures and Indicators

The report, CHT's Corporate Sustainability Report 2011, is adequately in line with the Global Reporting Initiative G3.1 application level A<sup>+</sup>. Contents of Disclosure on Management Approach may have more clearly defined policies and goals for each aspect. It is also recommended to have more disclosure on the performance of supplier chain management, sustainability strategy and material impacts.

Signed:

For and on behalf of SGS Taiwan



**AA1000**  
Licensed Assurance Provider  
000-8

Dennis Yang, Chief Operating Officer  
Taipei, Taiwan  
25 June, 2012  
[WWW.SGS.COM](http://WWW.SGS.COM)

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