

1 Corporate Overview

The SDGs CHT contributes to in this chapter



Corporate Governance

14

CSR Management

20



For 2018, Chunghwa Telecom's consolidated net income was NT\$ 215,500,000 and its annual earnings per share was NT\$ 4.58.



Chunghwa Telecom is the only telecom company to have established a labor director.



To link sustainability performance with compensation, Chunghwa Telecom implemented a soft incorporation of sustainable development strategies and targets into its review of director compensation.



Chunghwa Telecom established a CSR committee and six task forces responsible for the setting of sustainability policies.



Annual review of the Company's budget planning for carbon management strategies; execution of action plans; setting performance targets.



Sustainability issues addressed by Chunghwa Telecom: **social integration, digital inclusion, green ICT products & services, green brand management, and energy-saving & carbon reduction.**

Chunghwa Telecom (TAIEX:2412, NYSE:CHT) is the largest integrated telecom carrier in Taiwan, The head office is located at 21-3, Section 1, Hsinyi Road, Taipei. With more than **737** locations in 22 counties and cities in Taiwan. Our business has three major areas: fixed and mobile communications, broadband access and the Internet. We also provide corporate customers with information and communication services, including big data, information security, and cloud and Internet information centers. We also offer innovative technology services, such as the IoT (Internet of Things) and AI (Artificial Intelligence), to create an outstanding communication environment and extraordinarily convenient digital life. We also have important business partnerships with other international telecom carriers.

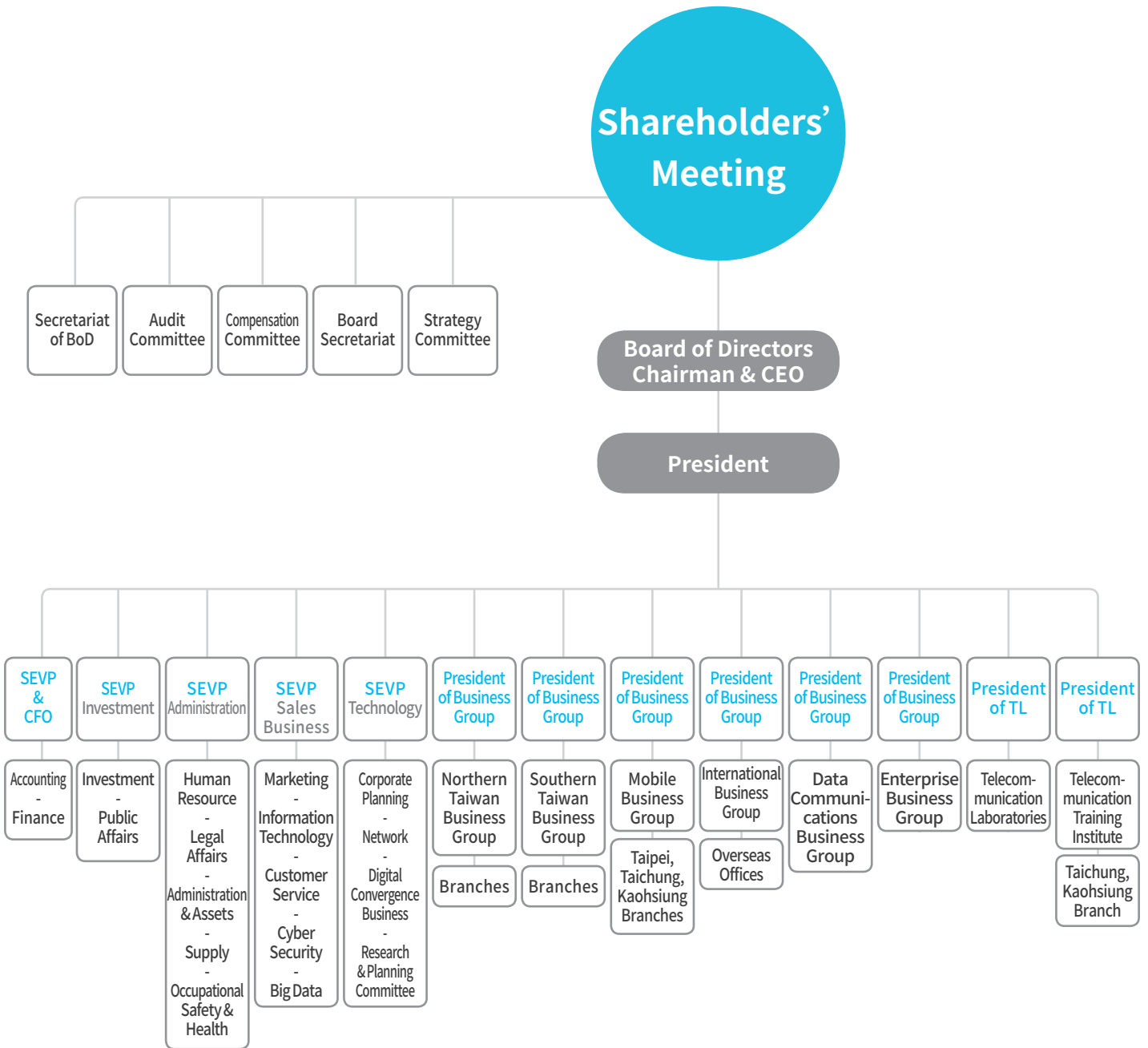
Chunghwa Telecom has been actively involved in "Corporate Social Responsibility" since 2006, and has won praise from many domestic and international professional organizations. The establishment of the "Corporate Social Responsibility Best Practice Principles" and legalization of the governance structure has prompted us to a stringent and ambitious practice of CSR.

Three Telecom Laws: <http://goo.gl/678ya> 

The main business of the branches and re-investments:

Please refer to page 23-24, 143-146 in the 2018 Annual Report.

Organization Structure



We Strive to



Enhance the operational efficiency of corporations.



Create a gateway to an enjoyable digital life for people.



Facilitate industry scale to expand in a good way with our contribution.



Allow investors to enjoy the business profit from a satisfied customer base.

Business Model



Household market

- Domestic fixed network service
- Domestic leased line service
- Internet and value-added service
- MOD (IPTV) service
- International fixed network service



Personal market

- Mobile communication service
- Wi-Fi service
- International fixed network service



Corporate market

- Integrated service
- Data security service
- Mobile service
- Data service
- International service
- Diversified integrated payment service

Products and Services



Mobile phone

Customer amount
1,059.4 million
Annual growth **+1.4 %**



Mobile Internet

Customer amount
962.6 million
Annual growth **+15.9 %**



100Mbps

Customer amount
142.2 million
Annual growth **+10.9 %**



Customer amount
946.4 million
Annual growth **+18.5 %**



Customer amount
360.2 million
Broadband customers **80.4 %**



Customer amount
368.4 million
Market share **No. 1**

Mobile communication **46.9 %**

Customer amount	Market share
10.594 million	36.3%

Domestic fixed network **31 %**

	Customer amount/ Communication amount	Market share
Local network	10.421 million households	93.1%
Long haul internet	2.087 billion minutes	82.9%
Broadband access	4.483 million households	70.8%
MOD	2.01 million households	28.4%



Internet **13.8 %**

Customer amount	Market share
4.072 million households	66.6%

International fixed network **6.2 %**

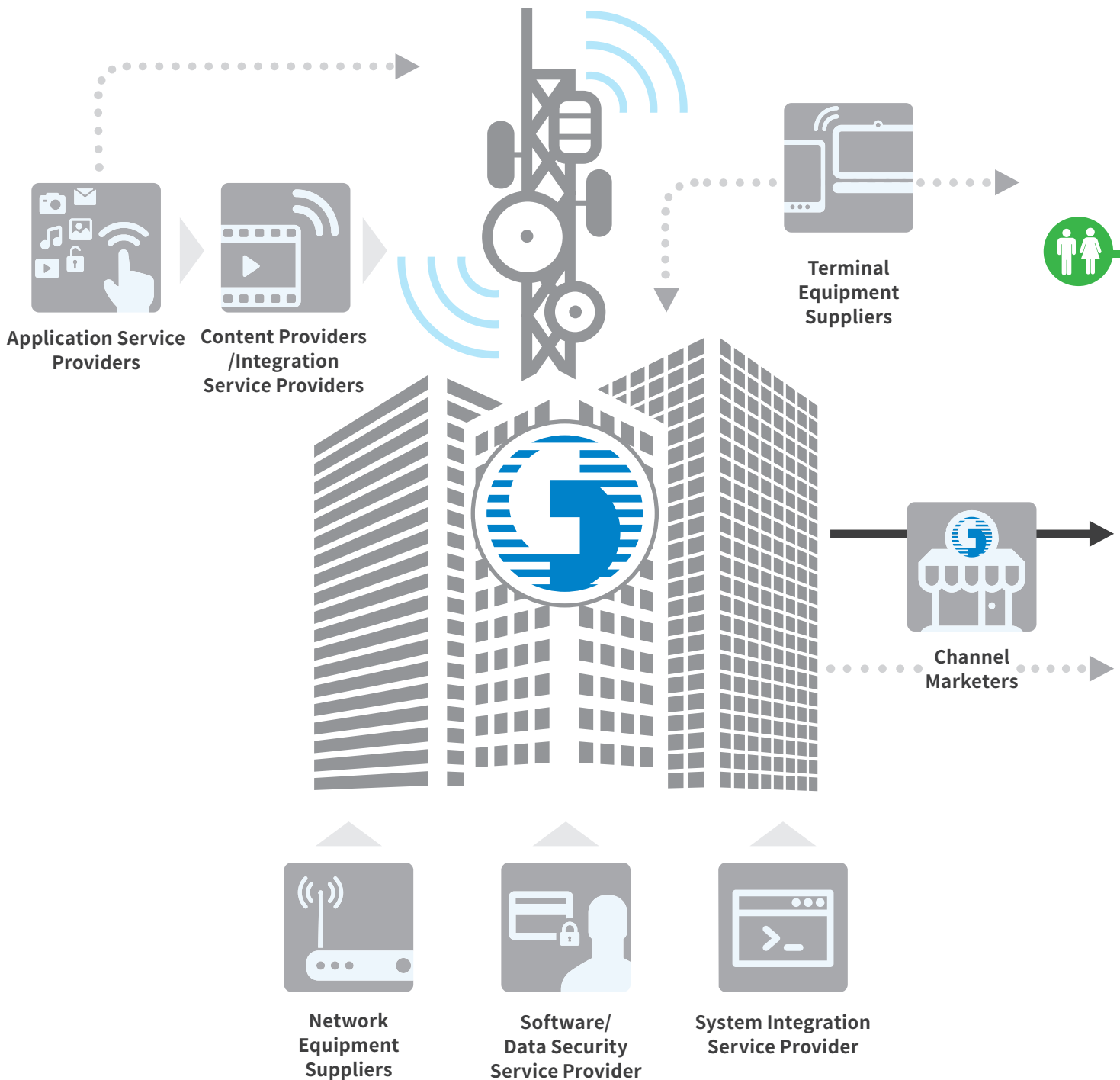
Communication amount	Market share
7.65 billion minutes	70.3%

Others **2.1 %**

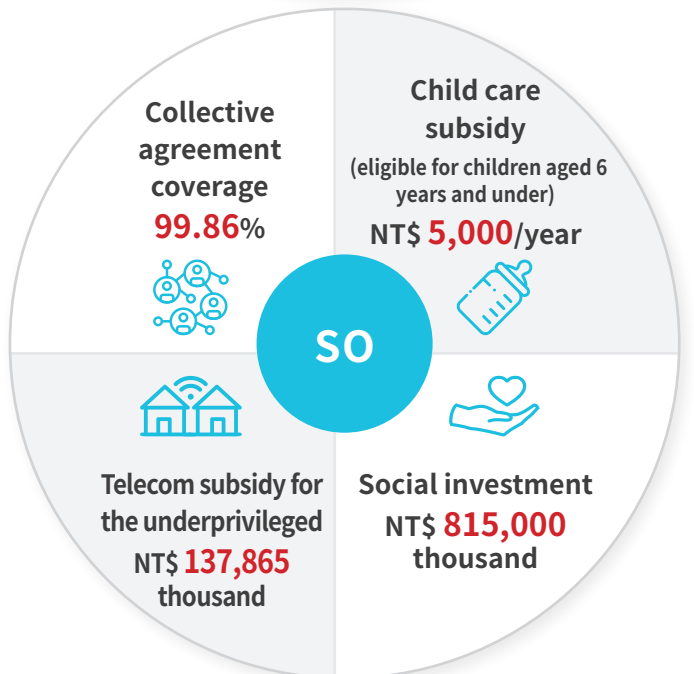
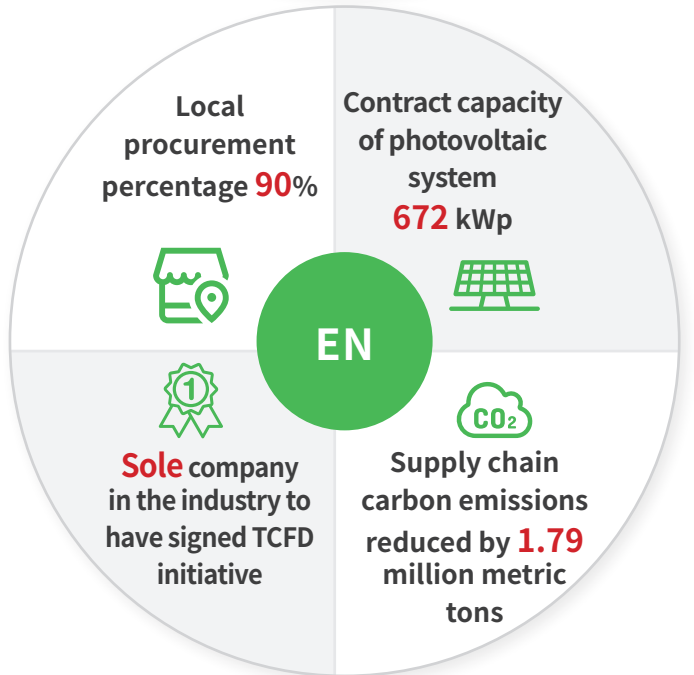
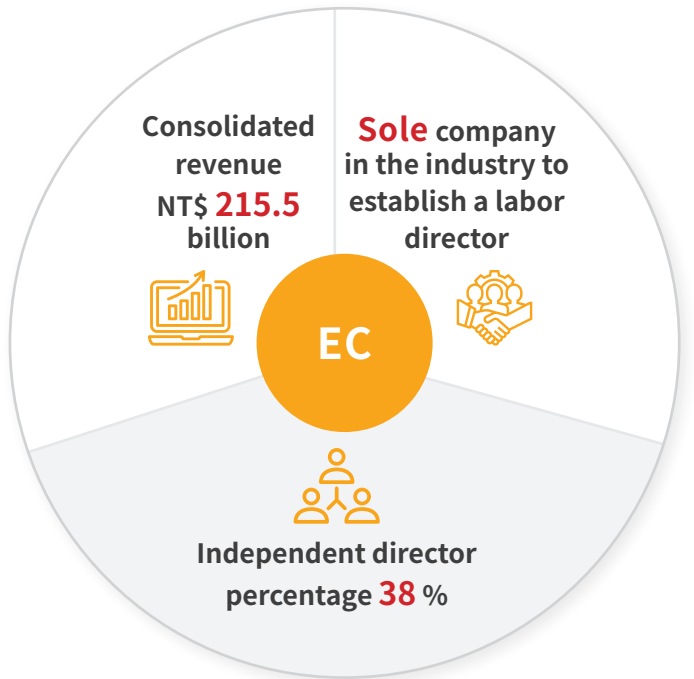
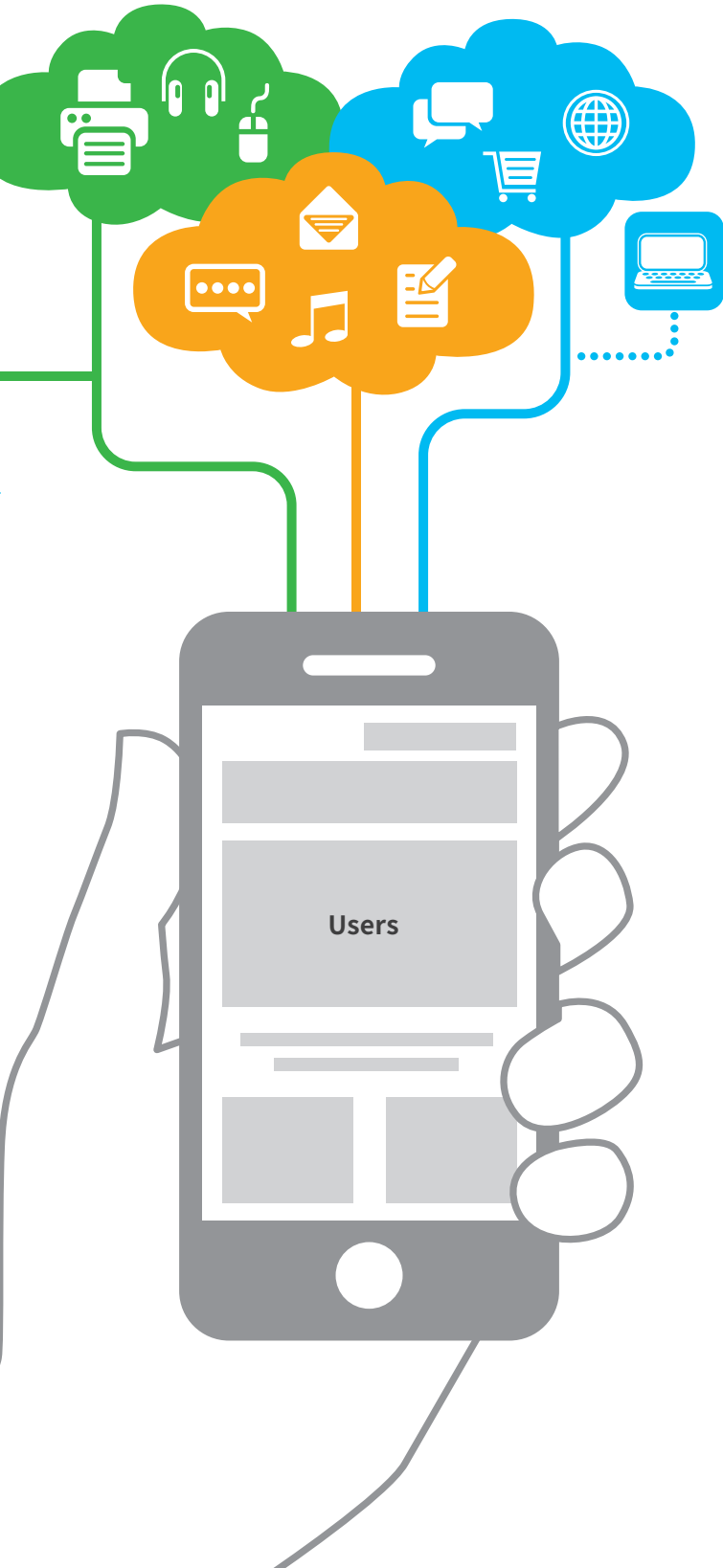
Industry Value Chain and Critical Sustainability Performance

Due to technological advancements, boundaries of specialized markets that we used to know of are starting to shift, thus allowing industry participants to compete outside of their dominant markets. International Data Corporation has even combined ICT, e-Commerce, Electronics and Entertainment into a new segment called eICT to recognize the increasingly common cross-industry collaboration.

The wave of digital convergence brings new values to the telecom industry and opportunities to meet users' needs by offering innovative eICT services, which makes content providers and integrators, application service providers, network equipment suppliers and terminal equipment suppliers the important value partners to a telecom carrier in the development of digital convergence services.



In the future, Chunghwa Telecom will continue to dedicate to the fixed network, mobile, data and eICT framework and strengthen collaborations with suppliers to offer the best services to our customers. By tightening coordination among the upstream, midstream and downstream, we shall be able to provide users with best quality service.



Corporate Governance

Chunghwa Telecom Board of Directors is the highest governing body. The Board of Directors is responsible for appointing and nominating high-level managers, as well as formulating and reviewing corporate social responsibility, and sustainable development strategies. The 9th Board has 13 directors. To date, there are 2 women and 11 men, including 4 independent male directors and 1 female independent director. Directors' tenure is three years (June 21, 2019 to June 20, 2022). All of the independent directors are included in the Audit Committee to ensure the independence of governance and the perspectives of the stakeholders.

Chunghwa Telecom's independent directors and outside directors provide expertise based on their respective areas of practice and professionalism to assist the Board of Directors in making decisions as to benefit the company and the shareholders. To prevent personal liability and financial losses due to third-party litigation, we have purchased indemnity insurance for Directors.

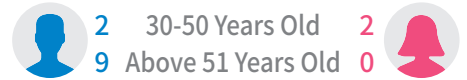
Advanced studies of the Board of Directors:

Please refer to <https://www.cht.com.tw/en/home/cht/about-cht/corporate-governance/board-of-directors/board-of-directors>

Experiences of the Directors: Please refer to the 2018 Annual Report on page 83-85.

CHT Board of Directors

Unit: person



Board Diversity Policy

Chunghwa Telecom values diversity in Board of Directors and recruits talents primarily based on skill sets. Selection of directors is not limited to any particular gender, nationality or ethnicity. Directors are expected to have outstanding quality, industry experience and expertise to complement the board.

Linking Director Compensation to Sustainability Performance

All Chunghwa Telecom directors are nominated by the Board of Directors and shareholders holding the legally required percentage of shares, they are then subsequently appointed by the Board of Directors. The compensation committee has implemented a soft incorporation of sustainable development strategies and targets into its review of director compensation in accordance with the Company's Articles of Incorporation so as to achieve the following: (1) evaluation of required core competencies in order to facilitate the connection between director performance and the Company's sustainability outlook and short-, medium, and long-term strategies and targets, (2) strengthening accountability and linking performance with compensation, recruitment and retention to attract key talent on the Board of Directors. The implementation of this measure coupled with the substantial effect of the variable compensation plan is a win-win for the Company and its directors.

Director compensation: Please refer to page 40-41 of the Company's 2018 annual report.



Audit Committee

Consists of the independent directors, whose main duties are to select or dismiss the CPA, determine the CPA compensation, review and discuss quarterly, semiannual, and annual financial reports, review the internal control system and examine and revise the content and appropriateness of the internal control statement.



Strategy Committee

Consists of 8 board members, who are responsible for mid- and long-term development plans and other critical issues, as well as major investment and mergers and acquisitions, major changes in organization and structure, the acquisition or surrender licenses, formulating and or modifying the annual operational plan and budget, increases or decreases in capital, and other major strategic issues. The resolutions are submitted to the full BoD for final approval.



Compensation Committee

Consists of three independent directors, who are responsible for the evaluation of the performance of directors and managers, and for determination of appropriate compensation policies, wages, institutions, standards and structures.

Avoidance of Conflict of Interest

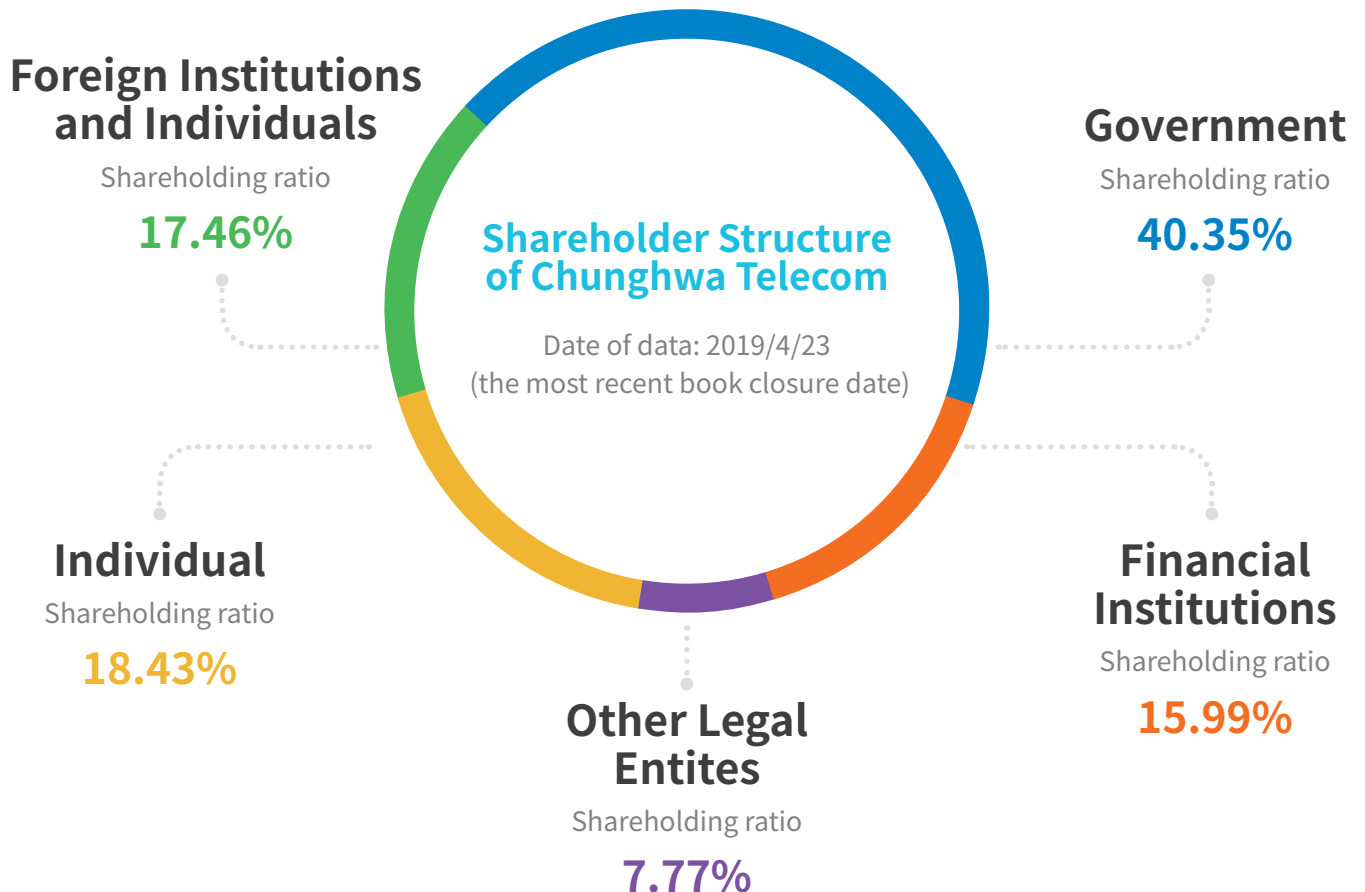
Chunghwa Telecom’s Chairman is concurrently the CEO. The elections of directors comply with relevant laws and regulations, which suggest the Board and shareholders with qualified shareholding ratio nominate the candidates, and director’s nomination and review are conducted accordingly. In order to avoid conflicts of interest in the highest governance bodies, we conduct strict controls in accordance with the following procedures, including:

- All the new directors shall sign the Consent to Appointment to announce that they will follow Section 23 of the Company Act, conduct faithful business and perform the duty of care as a bona fide manager.
- All directors have to sign the Statement to show that they clearly knew the content of Section 206 of the Company Act, which is about the content of avoidance of voting rights and the legal effect of violations.

Due to the directors’ high ethical standards and self-discipline, in the operation of the mechanism, no conflict of interest has occurred since the Board of Directors was established. Moreover, the Board has resolved to approve a total of 50 articles of “Code of Corporate Governance for Chunghwa Telecom,” while all departments are required to implement the Code of Conduct, and the secretariat also evaluates on a regular basis.

Encourage Shareholders to Participate in Corporate Governance

Chunghwa Telecom has made changes and revisions to several systems and measures based on a corporate governance mindset. These include e-voting, voting by poll and the disclosure of meeting resolutions made on the Company official website. These diverse voting channels allow shareholders to exercise their rights easily and this has made corporate governance more effective.



Creating Value for Shareholders

Chunghwa Telecom business operations have been stable for years. Profitability and financial completeness have been uninterrupted. We pay our taxes honestly year after year, following the law, and make solid contributions to the country. Despite the existence of many challenges in the telecom operation environment, we maintain complete focus on our field and create value for the shareholders. Chunghwa Telecom generated consolidated revenues totaling NT\$ **215.5** billion in 2018.

The increasing popularity of smart mobile devices, information security, and the IoT technology, has resulted in a growth in revenue from value-added services, sales, and data subscriptions that covered the decline in voice services. Net income attributable to the parent company amounted to NT\$ **35.5** billion while EPS reached NT\$ **4.58**.

In 2018, Chunghwa Telecom income tax was the equivalent of an effective tax rate of **18.95%**. The deviation from statutory 20% tax rate was mainly attributed to the provisions of Article 4 of Income Tax Act, in that net dividends or net earnings recognized from local invested businesses are exempt from income tax. The application can be made for tax preference pursuant to Article 10 of the Statute for Industrial Innovation.



Total number of employees in the Company including subsidiaries

32,611 persons



Retained economic value

(4,562)

Unit: NT\$ million

Paid-up capital	77,574
Revenues	215,483
Operating cost	139,545
Operating expenses	32,404
Employee salaries and benefits*	47,024
Dividends paid to shareholders	37,205
Income tax paid	10,891
Expenses of social investment/donations*	815

*Operating costs and expenses included

Highest Moral Standard

We have set up the “Code of Ethics of Chunghwa Telecom Co Ltd,” “Ethical Corporate Management Best Practice Principle,” and “Procedures for Ethical Management and Guidelines for Conduct.” These are formulated as basic ethical guidelines to ensure that all employees engage in all activities with the highest standard. In addition to these codes being included in the training program for new hires, all employees are required to log into the web, review the material and take a test annually. All employees participated in the test in 2018 except for those who were not available for a legitimate reason at the time of the test.

Prevention of Corruption

Chunghwa Telecom has prepared the “Employee Appraisal Guidelines” and “Employee Reward/Disciplinary Standards” for the evaluation of performance. Rewards and sanctions are applied according to these rules whenever employees exhibit conduct deserving of them. Information such as a grievance hotline has been made available on the Chunghwa Telecom intranet/employee portal. A total of 52 internal complaint cases (disciplinary and leak investigations) were accepted in 2018, 50 of which are closed and 2 of which are still under investigation; 14 were associated with violation of the code of conduct. All complaints were investigated and handled according to company internal policies and principles, and taught as case studies to strengthen employee esteem for the rules, discipline, corporate image, and shareholders’ interests.

CHT's Anti-corruption Policy:

https://www.cht.com.tw/home/cht/-/media/Web/PDF/Sustainability/Economic/CHT_Anti-corruption-policy2019.pdf?la=zh-TW 

Response to Major Issues

We offer our full cooperation towards the indictment of a few of the Company’s employees involved in the case of procurement fraud. Furthermore, the incident shall be submitted to the Personnel Evaluation Committee for review, strengthening the Company’s internal management mechanisms.

For more information, please refer to the Company’s 2018 annual report.

<https://www.cht.com.tw/en/home/cht/investors/annual-report> 

The Internal Audit System

The internal audit helps the Board and managers to check the effectiveness of the internal control systems and operations. It is located under the Board and conducts business audits in accordance with the regulations and policies. The annual audit plan is formulated based on the results of the risk assessment made at the end of every year. After the approval of the Board, the plan is sent to the competent authorities via the Internet information system for their reference.

Organization and functioning of Chunghwa Telecom’s internal audit unit:

<https://www.cht.com.tw/en/home/cht/about-cht/corporate-governance/internal-audit-function> 

Transparent Information Disclosure

The corporate governance of Chunghwa Telecom places great emphasis on integrity, accountability, and trustworthiness. We are committed to reducing information asymmetry between the management and external stakeholders, and utilize a variety of means such as the corporate website, a Market Observation Post System, Annual Reports, CSR Reports, press conferences and investor conferences to facilitate transparent communication with stakeholders. Furthermore, measures have been taken to ensure the timeliness, quality, balance, and credibility of the information disclosed. In 2019, the Company was ranked among the top **20%** in the 5th Corporate Governance Evaluation by the TWSE.





Strengthen Business Management

To improve the quality of business marketing and consumers' trust, we have formulated the "Business Marketing Standards" to ensure the execution of business aligns with the requirements of the competent authority, while including compliance status into the evaluation of higher management's performance. Chunghwa Telecom received **no penalty from the Fair Trade Commission in 2018**.

Supporting Global CSR Initiatives and Guidelines

We willingly comply with the principles of The UN Global Compact and respect and uphold all basic human rights recognized in the world. We refrain from any disregard or neglect of such rights. In terms of employment practice, we protect the right of workers to freedom of association, while recognizing and supporting their rights to also negotiate with the employer. We are dedicated to eliminating all forms of illegal labor and discrimination.

Chunghwa Telecom has publicly disclosed its human rights policy and emphasizes the importance of such issues. It has a system in place to address violations and will continue with human rights protection as part of corporate policy. The Company openly states a respect for human rights and reviews human rights issues on a yearly basis. The Company keeps detailed records of internal findings concerning human rights policy, including child labor, the rights of indigenous peoples, and supplier human rights assessment. Current practices are audited regularly and the findings are used for review and correction by relevant departments. Chunghwa Telecom's Telecom Training Institute organizes human rights-related courses on a yearly basis and whenever there is a change in labor regulations and policies. **6** courses totaling **36** hours were held in 2018; **163** employees had participated in these courses.

Chunghwa Telecom Human Rights Policy: <https://goo.gl/7BHsx2> 

Climate Risk Management

Chunghwa Telecom builds a systematic and organized corporate governance structure to ensure that climate change-related challenges are incorporated into the Company’s annual strategy in real time and that relevant projects are implemented.

The Supervisory Responsibility of the Board of Directors

The chairperson and vice-chairperson of the CSR Committee of CHT are the Company’s Chairman and President respectively, who both are also members of the Board of Directors of CHT to ensure that climate change-related issues are discussed and reviewed at the annual CSR Committee, and report to the Board of Directors.

Recognizing the importance of climate change issues, CHT started to promote the “Measures Governing the Performance of Senior Managers” in 2018, incorporating “Corporate Social Responsibility” and “Climate Change” into the salary indicators, and evaluating the performance of corporate social responsibility implementation through relevant mechanisms and indicators.

The Role of Management

The Environmental Sustainability Task Force is established under the Chunghwa Telecom CSR Committee to evaluate climate-related risks and opportunities via the Company’s risk management procedures, which is carried out in accordance with the long-term strategies set by the Board of Directors, the needs of international investors, rating agencies, and stakeholders.

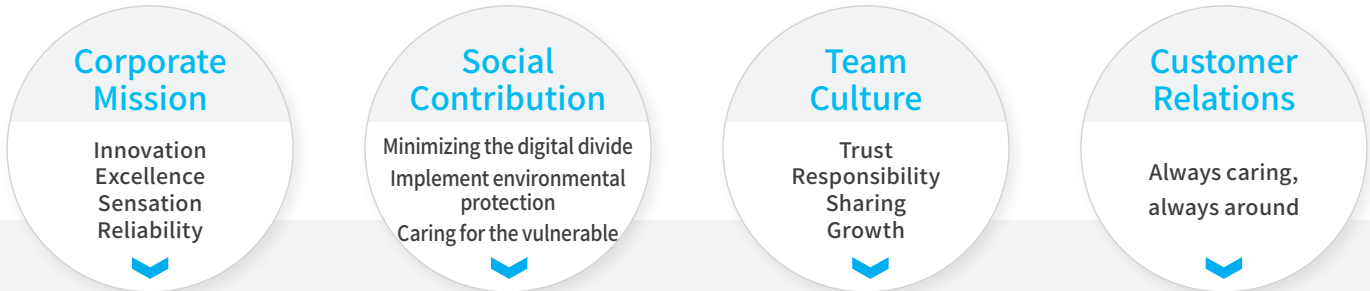
In addition, the CSR committee conducts annual review of the Company’s carbon management strategies, plans for appropriate budget implementation action plans, and sets related performance targets to ensure the incorporation of climate-related strategies in departments’ annual business operations. The related management responsibilities include:



CSR Management

We launched a CSR management system in 2006, and established the “CSR Committee” to stipulate sustainable policies. We also established six CSR groups, using a top-down approach to achieve sustainable action. The Chunghwa Telecom sustainable development strategy utilizes the competence and unique resources of the Company to implement sustainable action from the six groups with the focus on such matters as “Create social harmony, Digital inclusion, Green ICT products and services, Green brand management and Energy conservation and carbon reduction.”

Chunghwa Telecom’s CSR Vision



- Corporate Mission**
Innovation
Excellence
Sensation
Reliability
 - Social Contribution**
Minimizing the digital divide
Implement environmental protection
Caring for the vulnerable
 - Team Culture**
Trust
Responsibility
Sharing
Growth
 - Customer Relations**
Always caring,
always around
1. Facilitate positive business evolution through mobile, broadband, value-added and ICT integration services.
 2. Develop emerging service opportunities such as Cloud and IoT (Internet of Things); work with partners to generate best strategies.
 3. Continue to strengthen the applications of Internet facilities and information technologies to support business transformation and growth.
 4. Strengthen resource utilization and management mechanism to improve the efficiency of resources.
 5. Develop overseas ICT market to explore new opportunities.
 6. Sharpen the unique advantage of the subsidiaries to enhance the Company's competitiveness.
 7. Infuse telecom expertise into corporate social responsibility issues to implement the Company's commitment to corporate citizenship.

Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd:
https://www.cht.com.tw/home/cht/-/media/Web/PDF/About-CHT/Corporate-Governance/Other-Bylaws-EN/CSR_Best_Practice_Principles_for_CHT.pdf

Internalization and Communication of CSR

To ensure that all employees understand the spirit of CSR, we have established diverse channels for communications and education of related topics. The initiative integrated with a performance evaluation that helps to translate the concept of CSR into actions and is practiced in routine operations.

Channel	Item	Content
Communication within Senior Management	Senior management meeting	Material CSR issues are discussed in the senior management meeting annually, and the resolution indicates our improvement and direction.
Employee Forum	Chunghwa Telecom online forum	We have an intra-site for employees to share opinions with the Company and make suggestions. We will discuss the issues of concern with the employees and resolve them timely.
Employee Training	Environmental training	We provide at least 4 hours of training every year as well as educational ecological tours that instill a spirit of environmental sustainability.
	CSR training	We provide CSR related education every year, and invite external consultants to run seminars and courses in accordance with international trends.
	New employee training	New employees undergo three days of pre-service training that includes the personnel system, working guidelines, and labor relations. The Labor Standards Act is explained in detail with respect to labor-management coordination and the handling of disputes.
	e-Learning	We post relevant training courses and information on the e-Learning system that can be downloaded and studied freely by the employees.

The CSR Committee

The “Chunghwa Telecom CSR Committee” was established for expanding sustainable benefits of our core competence and implementing CSR vision as a starting point to promote the sustainable development of the industry and society.

Item	Description
Representative	Chi-Mau Sheih, Chairman
Mechanism	CSR Committee is responsible for coordinating each plan and supervising the progress of the policies approved by the Board of Directors. It also periodically reports the relevant issues and the results of communicating to stakeholders to the Board. The Board is in charge of the final performance evaluation every year.
Execution	<ul style="list-style-type: none"> The Public Affairs Department is designated as CSR Secretariat. The CSR Secretariat is responsible for relative policies and action planning. It is also in charge of budgeting, educational training, and management of follow-ups and awards measures. The six groups, branches and affiliates are responsible for promotions and implementation of related projects.
Meeting Frequency	Quarterly
Report Approval	Reports are submitted to the Chairman for final approval after the managements’ (SEVP) review.



Channel	Item	Content
Annual Evaluation	Administrative sustainability performance	We set energy reduction targets and link the results with employees’ performance bonuses.
	Online test on CoC	All our employees are required to take the “Chunghwa Telecom Code of Business Conduct Test” each year.
	Reporting mechanism	Once an employee is found to violate corporate regulations, it will affect his/her performance bonuses.
Others	CSR Report workshop	Internal training on new ways of preparing reports is held from time to time.
	Official website Social media	To coordinate with modern stakeholders’ communication pattern, we established dedicated CSR multimedia webpages on the official website, YouTube channel and a Facebook fan page as ways of communicating with our stakeholders.