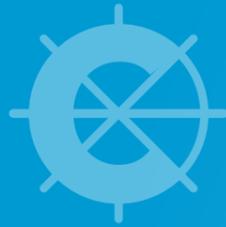


1 CORPORATE OVERVIEW



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Chunghwa Telecom (TAIEX:2412, NYSE: CHT) is the largest integrated telecom carrier in Taiwan. The head office is located at 21-3, Section 1, Xinyi Road, Taipei with more than 691 locations in 22 counties and cities in Taiwan. Our major business include fixed and mobile communications, broadband access and the Internet. We also provide corporate customers with information and communication services, including big data, information security, cloud and Internet Data Center. 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.

Since 2006, Chunghwa Telecom upholds the service philosophy of "bridge the digital divide, implement environmental sustainability, and care for the disadvantaged". Hence, the core technologies, resources, competencies, and features of the Company have been leveraged to implement the brand spirit of "Always Ahead" on the three fronts of Environmental, Social, and Governance. We demonstrate our determination in sustainable operation with our actions to fulfill our corporate social responsibility on all fronts. In recent years, our active efforts in ESG were constantly recognized by professional institutes at home and abroad.

* [Three Telecom Laws](#)

Main businesses of branch offices and reinvestment companies: Please refer to p.17, 137-140 in the 2021 Annual Report.



For 2021, Chunghwa Telecom's consolidated net income was NT\$ **210,500,000** thousand and its annual earnings per share was NT\$ **4.61**.



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



Chunghwa Telecom established a **Sustainable Development Committee** for stipulation of various sustainability policies through its four groups.



The **only** telecom operator to have a **labor director** elected.



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



Operational strategy "**Sustainability+5G+Transformation**": Core Business Maintenance, Driving Emerging Businesses, Customer Orientation, Forming Alliances, Group Cooperation.

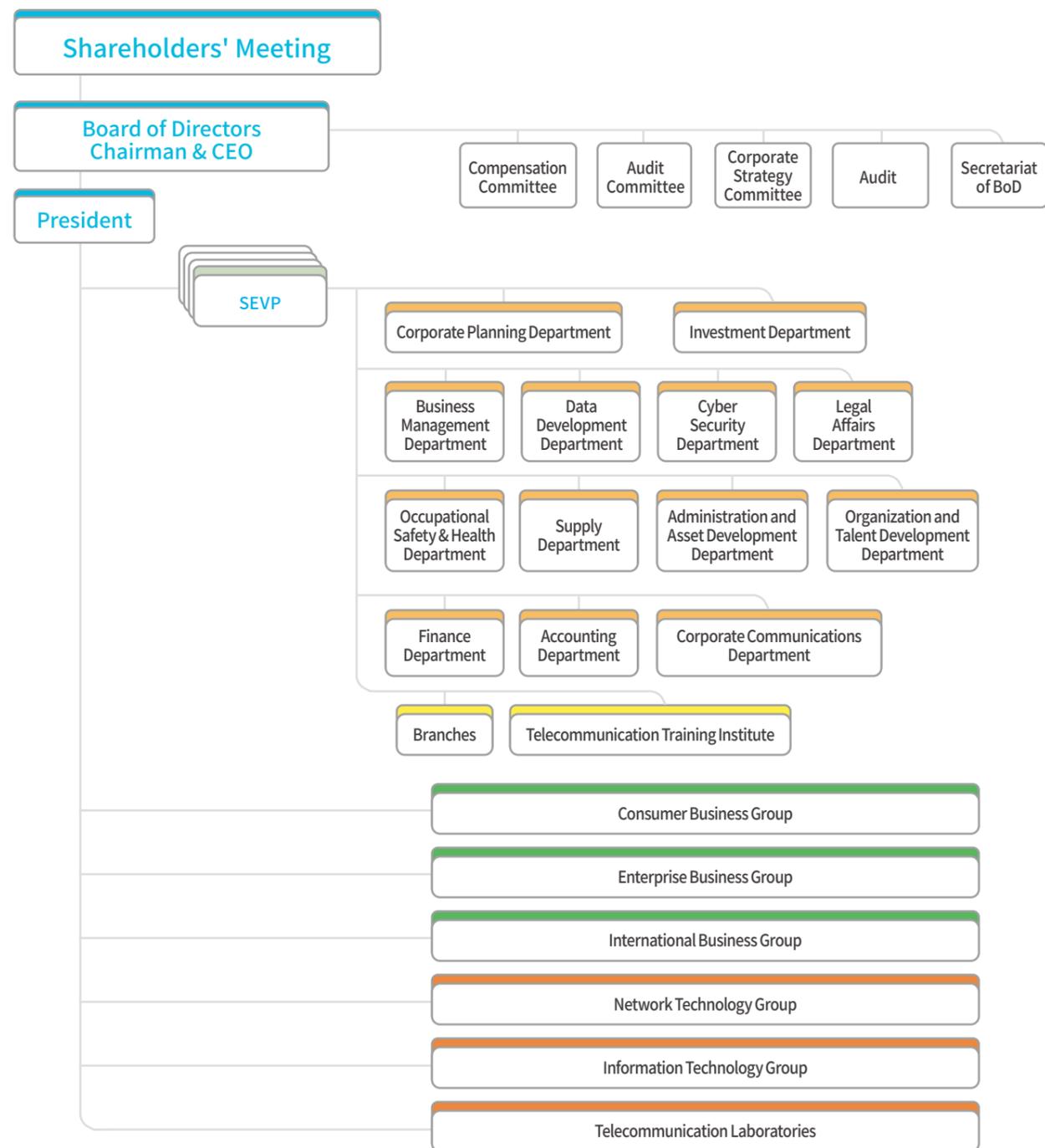


To **link sustainability performance with the remuneration of the Board Directors**, Chunghwa Telecom implemented a soft incorporation of sustainable development strategies and targets into its review of **compensation**.

The SDGs CHT contributes to in this chapter:



Chunghwa Telecom Organization Chart



Chunghwa Telecom implemented the "customer-centric" organizational transformation. On January 1, 2022, the Consumer Business Group was established as one of the three major customer-centric business groups together with the Enterprise Business Group and the International Business Group. Meanwhile, the Network Technology Group was established to integrate mobile network and fixed line businesses. Also, the Data Communication Business Group was renamed as the Information Technology Group on April 30, 2022. Together with the Telecommunication Laboratories, the three technical groups are formed to support the business promotion of three business groups. Hence, we may secure the greatest advantage through the organizational resource integration and overall business synergy to elevate the corporate competitiveness for the prospect of yet another brilliant business performance.

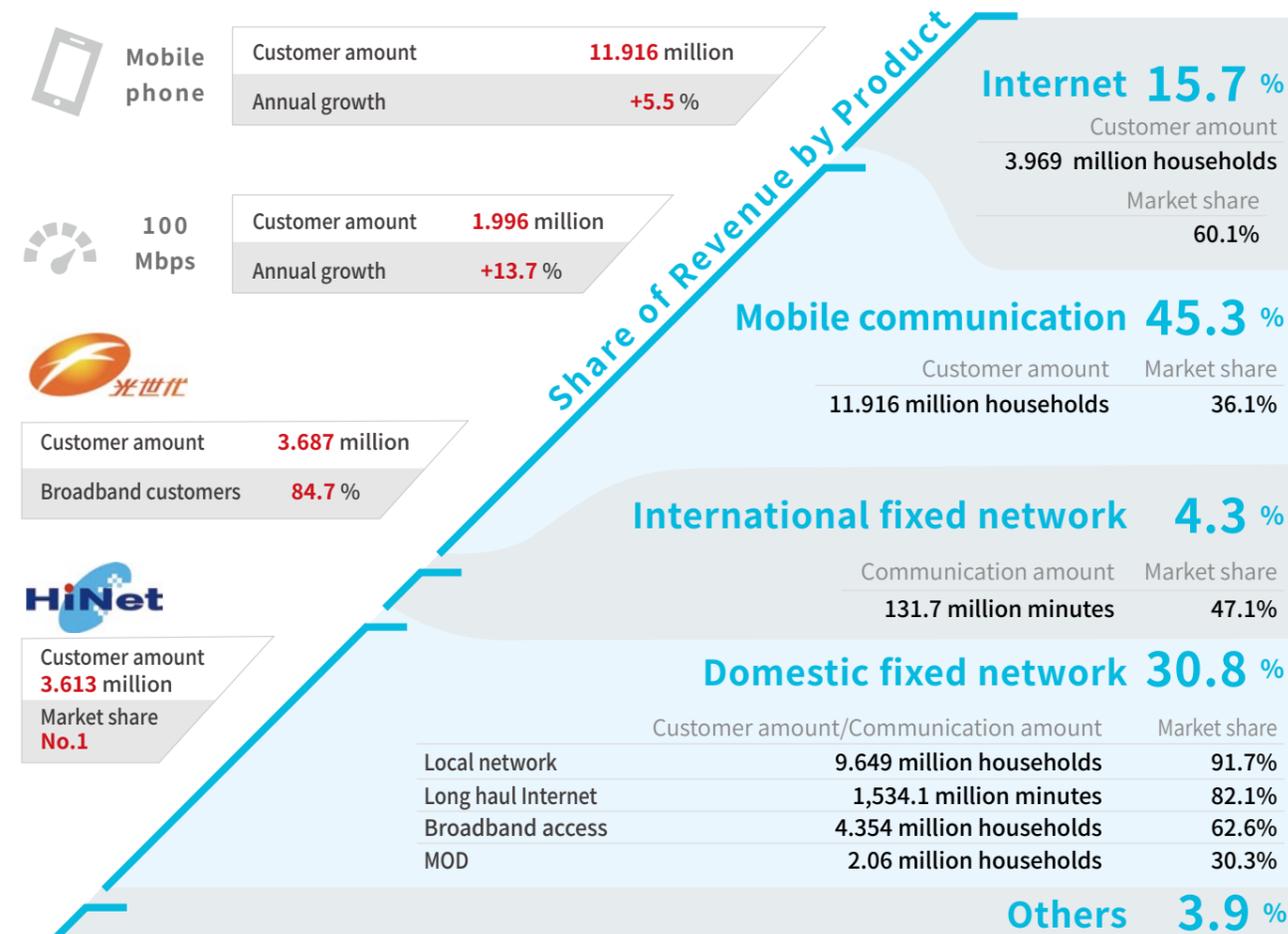
We Strive to

- Create a gateway to an enjoyable digital life for people
- Enhance the operational efficiency of corporations
- 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

Product and Services

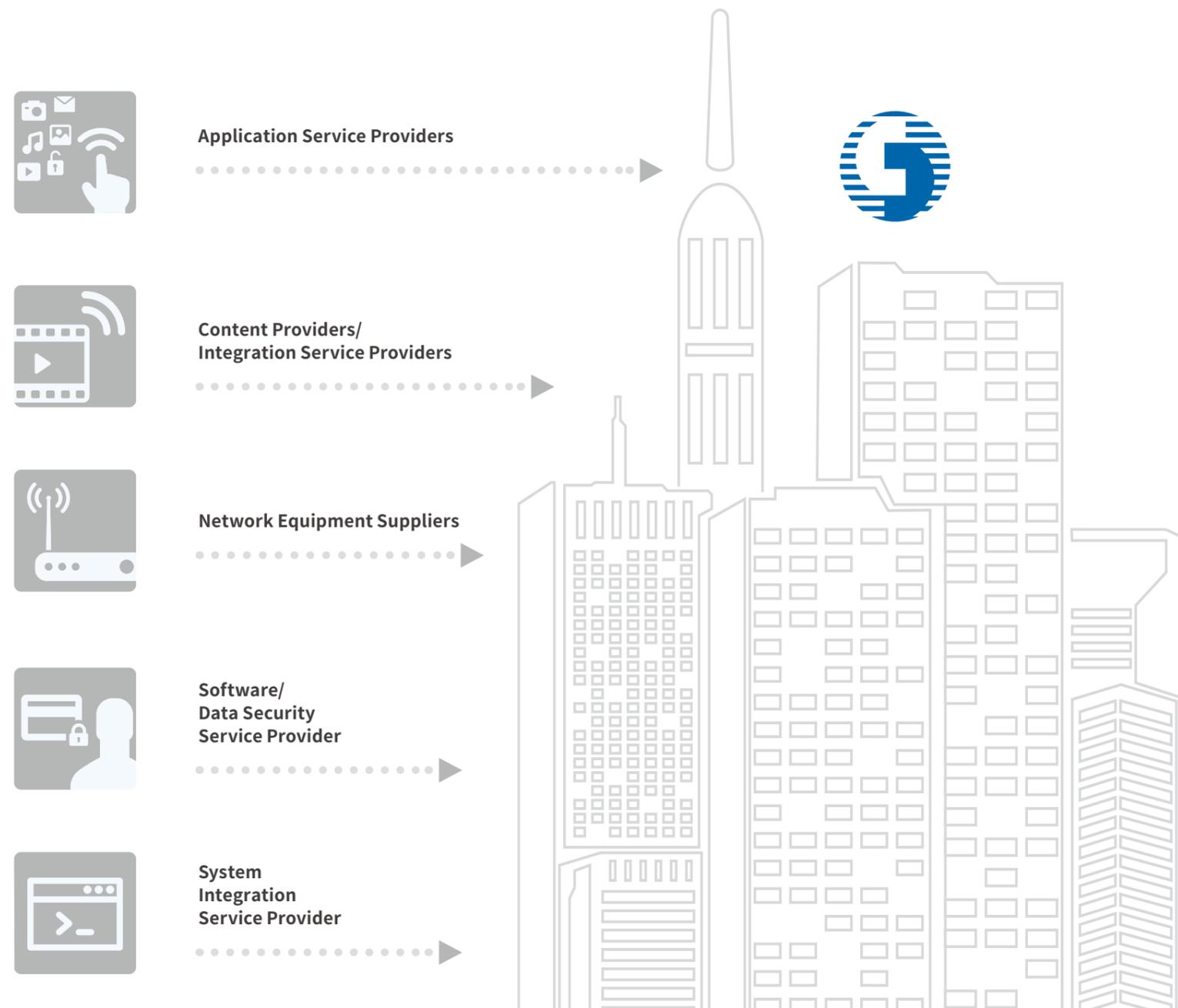
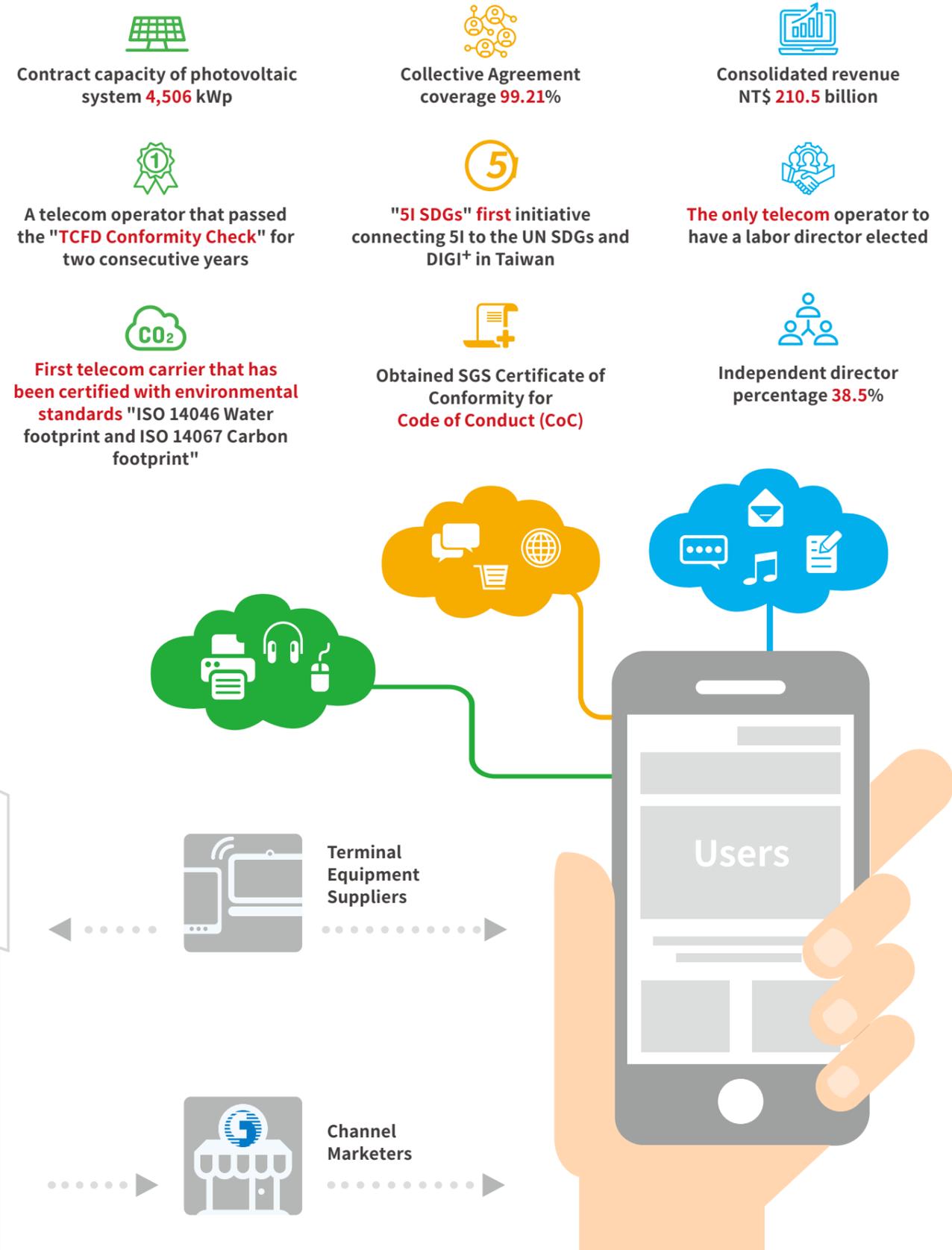


Industry Value Chain and Critical Sustainability Performance

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.

Moving forward, Chunghwa Telecom shall continue to better itself in services of fixed network, mobile, data, and eICT while strengthening the partnership with its suppliers throughout the supply chain to form a closer industrial ecosphere to introduce more quality services.

**Environment****Society****Governance**

Corporate Governance



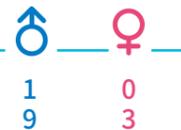
Chunghwa Telecom Board of Directors is the highest governing body. The Board of Directors is responsible for appointing and nominating high-level managers, as well as formulating and reviewing corporate social responsibility, and sustainable development strategies. The 10th Board has 13 directors. To date, there are 3 female and 10 male directors, including 4 male and 1 female independent directors. Directors' tenure is three years (May 27, 2022 to May 26, 2025). All of the independent directors are included in the Audit Committee to ensure the independence of governance and the perspectives of the stakeholders.

To meet the needs of Chunghwa Telecom's business development, the Board of Directors of Chunghwa Telecom shall comprise experts and scholars in the industries as well as in the fields of finance and accounting, management, etc.; the members of the Board of Directors shall include one or more talent in the fields of innovation capacity, business experience, legal expertise, and ICT, respectively. In addition, gender equality in the composition of the Board of Directors is highlighted. The target of female directors accounting for 20% by 2025 has been set.

Chunghwa Telecom's outside directors (including independent 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.

To ensure an effective operation of sustainable management, along with encouragement to senior managers to attain the corporate vision and its short-/mid-/long-term strategic targets, we included ESG Sustainable Development in the Directions Governing Performances of Senior Managers of Chunghwa Telecom, integrated in the key performance indicators for the corporate performance, departmental performance, and individual performance.

CHT Board of Directors



* For more information about the Board of Directors, please visit here [🔗](#)

30-50 Years Old (person) 1
Above 51 Years Old (person) 9

Continuing Education of the Board of Directors: Please refer to the 2021 Annual Report on p.80-82.

Board Diversity Policy

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

Linking 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 p.36-39 of the Company's 2021 Annual Report.

Governance Procedures of the Board of Directors for the ESG Topics in 2021

In line with the regulatory amendments, CSR has been officially revised as ESG. The CSR Committee of the Company was also restructured as the "Sustainable Development Committee." On July 27, 2021, it reported the "ESG Implementation Plan" on the 14th meeting of the Corporate Strategy Committee of the 9th Board of Directors. Also, on the 16th meeting of the 9th Board of Directors on January 25, 2022, the ESG strategy was incorporated in the 2022 Business Plan, which included the ESG implementation progresses in 2021 as well as the goal and mid-to-long-term strategic targets for 2022. The topics are as follows:

- 1 Fully integrate ESG strategies with the Company's business plan
- 2 Focus on driving the most relevant UN sustainability goals of the Company
- 3 Collaborate with like-minded partners to drive the ecosystem for ESG promotion
- 4 Enhancing investment in the emerging business of energy efficiency and carbon reduction (e.g. smart energy and smart healthcare)
- 5 Strengthening investment in bridging the digital divide in the rural areas, disadvantaged groups, and SMEs
- 6 The pursuit of fairness and justice in governance, and to establish a culture of accountability for senior managers with clearly defined rewards and punishments
- 7 ESG communication and coordination with stakeholders for alignment within and without



Corporate Strategy Committee

Consists of 7 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 reorganization of the Company, applications for or returns of business licenses, annual operating plans and budget compilations and revisions, capital increases or decreases, and other strategic decisions. The resolutions are submitted to the 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, system standards and structures. Also, the compensations of directors and managers are evaluated and stipulated on a regular basis.



Audit Committee

Consists of all 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, the adoption of or amendments to the internal control system and the assessment of the effectiveness of the internal control system.

Avoidance of Conflict of Interest

Chunghwa Telecom's Chairman is concurrently the CEO. The election of directors comply with relevant laws and regulations, which suggests the directors are nominated by the Board and shareholders who meet the statutory shareholding requirements, and the announcement of director nomination and nomination process are conducted in accordance with the statutory procedures. In order to avoid conflicts of interest in the highest governance body, we conduct strict controls in accordance with the following procedures, including:

All the new directors shall sign the Consent to act as a director, and to comply with Article 23 of the Company Act, to exercise the due care of a good administrator in conducting the business operation of the Company.

Due to the directors' high ethical standards and self-discipline, and under the operation of the mechanism, no conflict of interest has occurred since the Board of Directors was established. Moreover, the Board has adopted 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 of the BoD also evaluates on a regular basis.

Performance Evaluation for the Board of Directors

To implement corporate governance and enhance the functions of the Board of Directors, performance objectives are set forth to improve the operation of the Board of Directors. In 2019, at the 2nd meeting of the 9th Board of Directors, the Company adopted the Regulations Governing the Performance Evaluation of the Board of Directors of Chunghwa Telecom Co., Ltd. that details rigidly the cycle, period and scope of the performance evaluation of the Board of Directors as well as the evaluation procedures, evaluation indexes, scoring criteria, and other matters of compliance. The self-evaluation for the Directors on the Board as well as the self-evaluation on the performance of functional committees is conducted on an annual basis, while the performance evaluation by external, independent, professional institutions or external teams of experts and scholars is carried out once every 3 years.

* Regulations Governing the Performance Evaluation of the Board of Directors of Chunghwa Telecom [↗](#)

* Results of the 2021 Board Performance Evaluation [↗](#)



Protection of Shareholders' Interests

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 effectively.

Shareholder Structure of Chunghwa Telecom

Government	Financial Institutions	Other Legal Entities	Individual	Foreign Institutions and Individuals
40.70%	17.03%	8.16%	18.01%	16.10%

Unit: Shareholding ratio

2021/8/26 (the most recent book closure date)

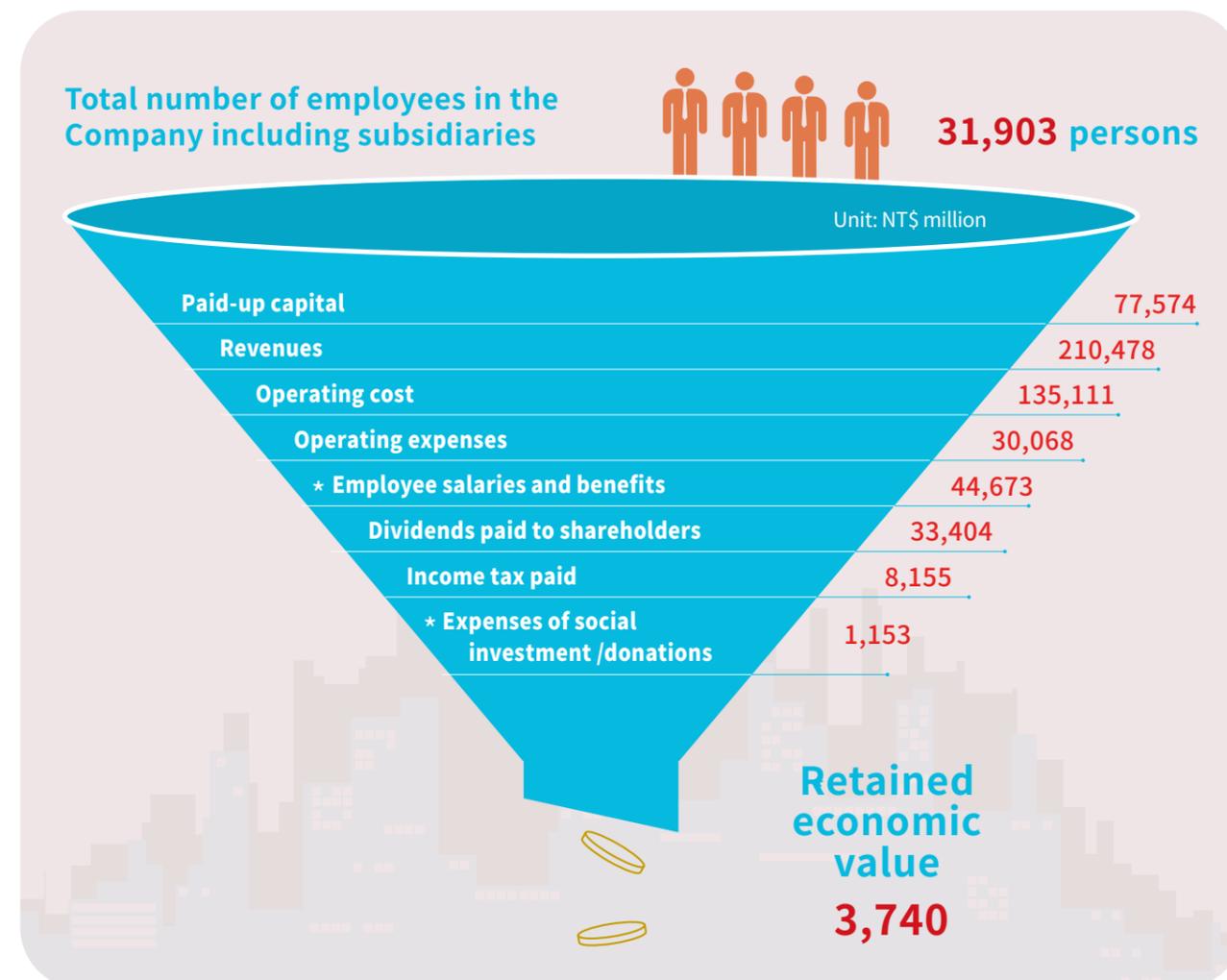
Creating Value for Shareholders

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\$210.5 billion in 2021.

Owing to the impact by replacement and competition from free messaging Apps and VoIP technology, the revenue from voice service tumbled; ICT projects were completed as scheduled in line with the quality requirement, which benefited the revenues from tender projects. The overall revenue in 2021 was flat compared to that of 2020. Net income attributable to the parent company amounted to NT\$35.8 billion while EPS reached NT\$4.61 in 2021.

In 2021, Chunghwa Telecom income tax was the equivalent of an effective tax rate of 19.26%. The deviation from statutory 20% tax rate was mainly attributed to the provisions of Article 42 of Income Tax Act, in that net dividends or net earnings recognized from local invested businesses are exempt from income tax. In addition, the application can also be made for tax preference pursuant to Article 10 of the Statute for Industrial Innovation as well.

Economic Performances



1.* Operating costs and expenses included

2.* Social investment: Not-for-profit or business marketing costs or expenditures, including universal access services, education and learning, children welfare, telecom services sponsorship, charity advertising sponsorship, venue rental, contributions in cash and in kind, corporate volunteers, epidemic prevention projects, etc.

3.* Retained economic value = revenues – operating costs - operating expenses – income tax paid

Highest Moral Standard

We have set up the Code of Ethics of Chunghwa Telecom Co. and Ltd. Ethical Corporate Management Best Practice Principle. These are formulated as basic ethical guidelines to ensure that all employees engage in all activities with the highest standard. Meanwhile, to implement "Code of Conduct" in Chunghwa Telecom, we also passed the rigorous check procedures of SGS-Taiwan and obtained Certificate of Conformity for Code of Conduct (CoC) from the external third party for three years in a row.



Prevention of Corruption

In response to the emphasis on prevention of corruption and money laundering, to exercise our responsibility as a citizen in the international community, and to meet the demands of investors, we promulgated the amended "Anti-Corruption and Anti-Money Laundering Policy" on September 22, 2021.

In terms of governance, effective accounting and internal control systems have been formulated. Audits are carried out regularly each year. Since 2021, the performance with the Procedures for Ethical Operation and Guidelines for Conducts has been listed as necessary items in the corporate-level audit in the annual auditing plan, which covers the relevant policies, mechanisms, promotion, and trainings. Also, the results of the compliance audit are included in the internal audit report and submitted to the Board of Directors.

In terms of system, the ethical corporate management policy is integrated with the performance appraisal of employees and human resource policy. A specific, effective reward and penalty system has been established. "Guidelines for Personnel Evaluation" and "Standards Governing the Administrative Rewards and Discipline of Chunghwa Telecom Personnel" have been stipulated as the reference in employee performance appraisal. In the event of matters worthy of reward or actions to be disciplined, the rewards or disciplinary actions will be issued promptly in line with the regulations. Meanwhile, a secure and rigorous employee reporting mechanism in confidence is established. The information regarding employee hotline and other means for complaints or report is made available to employees at the Enterprise Information Portal. There were 67 complaints received in 2021, of which 66 were closed and 1 being verified and addressed as of April 2022. All cases were in line with the processing progress. There were 8 incidents of the Code of Conduct violations in 2021, and all of which were investigated, deliberated, and addressed in accordance with the operating procedures and handling principles, serving as reminders for personnel to abide by the regulations and uphold the corporate disciplines and shareholders' interests.

In terms of execution, all operation regulations and the importance of risk assessment management are promoted to all employees from time to time, making sure compliance with regulations is observed throughout operations. In 2021, for the promotion and test of regulations in the Ethical Corporate Management Best



Practice Principles, education courses on "Code of Conduct" and "Ethical Corporate Management Best Practice Principles" were administered to all employees via e-learning. Employees in 2021 were 100% trained. As for reasons otherwise, except Maternity Leave, Occupational Sickness Leave, and Long-term Sick Leave, 20,091 employees have 100% completed the test. In 2022, we plan to increase the number of case studies, strengthening employees' awareness of ethics and integrity with various news involving violations of laws or regulations or corruption.

Externally, we also demand stakeholders conducting business with Chunghwa Telecom, such as suppliers and contractors, to abide by ethical standards equivalent to that of the CHT employees. Meanwhile, the internal audit departments will audit the Company, contractors, suppliers, and clients for compliance with relevant laws and regulations from time to time.

* [Chunghwa Telecom Anti-Corruption and Anti-Money Laundering Policy](#)

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](#)



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, ESG 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 the 7th Corporate Governance Evaluation, we were recognized as the top 5% for the sixth time as well as the top 10% in "The electronics industry with a market value of 10 billion TWD or more" of the TWSE- and TPEX-listed companies in the Evaluation!



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. Committed to compliance with relevant regulations, there was zero case fined by the Fair Trade Commission in 2021.



Supporting Global ESG 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 Training Institute organizes human rights-related courses on a yearly basis and whenever there is a change in labor regulations and policies. 5 courses were held in 2021. The course hours were 15 in total with 252 person-times enrolled.

* [Chunghwa Telecom Human Rights Policy](#)



ESG Management

Chunghwa Telecom introduced the CSR management mechanisms in 2006. In 2021, the "CSR Committee" was restructured as the "Sustainable Development Committee" with a mission to develop future ESG strategies and abide by the vision and cause of sustainable development, along with a focus on the aspects of environmental sustainability, social responsibility, and corporate governance. The CHT Chairman and the President serve as the Chairperson and Vice Chairperson of the Sustainable Development Committee, who are also members of the Board of Directors.

Our vision for sustainable development is to pilot smart living and facilitate sustainable development with "Greening & Decarbonization, Digital & Empowerment, Integrity & Transparency." The unique corporate resources and expertise are utilized to practice the brand spirit of "Always Ahead" via four groups. We are committed to sustainability topics such as "creation of social inclusion, digital inclusion, green ICT products and services, green brand management, energy efficiency and carbon reduction to materially carry out ESG actions in all aspects.

* Corporate Social Responsibility Best-Practice Principles for Chunghwa Telecom Co., Ltd [↗](#)



Environment

The key strategy is to raise the efficiency of energy used as well as procure (install) renewable energy.

- 1 50% cut of carbon emissions compared to that of 2020
- 2 100% renewable energy used in IDCs



Society

The key strategy is introduction of gender equality in recruitment interview and training, I Learning – Establishment of education support ecosystem, and creation of product marketing teams in the rural areas.

- 1 Ratio of female managers (Director or above) raised to 30%
- 2 Cumulative 22,000 individuals from the disadvantaged groups in the rural areas benefited from the digital empowerment/cumulative 19,000 SMEs with digital environments or new business models established



Governance

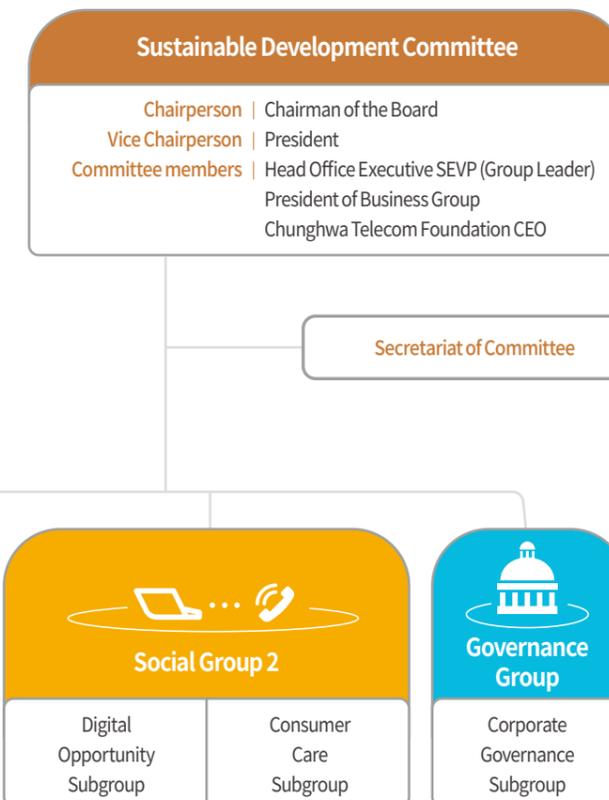
The key strategy is to strengthen ESG implementation as well as improve and better the timeliness and transparency of the Chinese and English contents on the official website in alignment with the focus areas of MSCI ESG Ratings, and link the accountability of senior managers with material ESG topics.

- 1 "AAA" of MSCI ESG Ratings attained in two phases ("AA" by 2025)
- 2 30% of the variable compensation of the senior managers tied with ESG indicators (2025)

Sustainable Development Committee

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

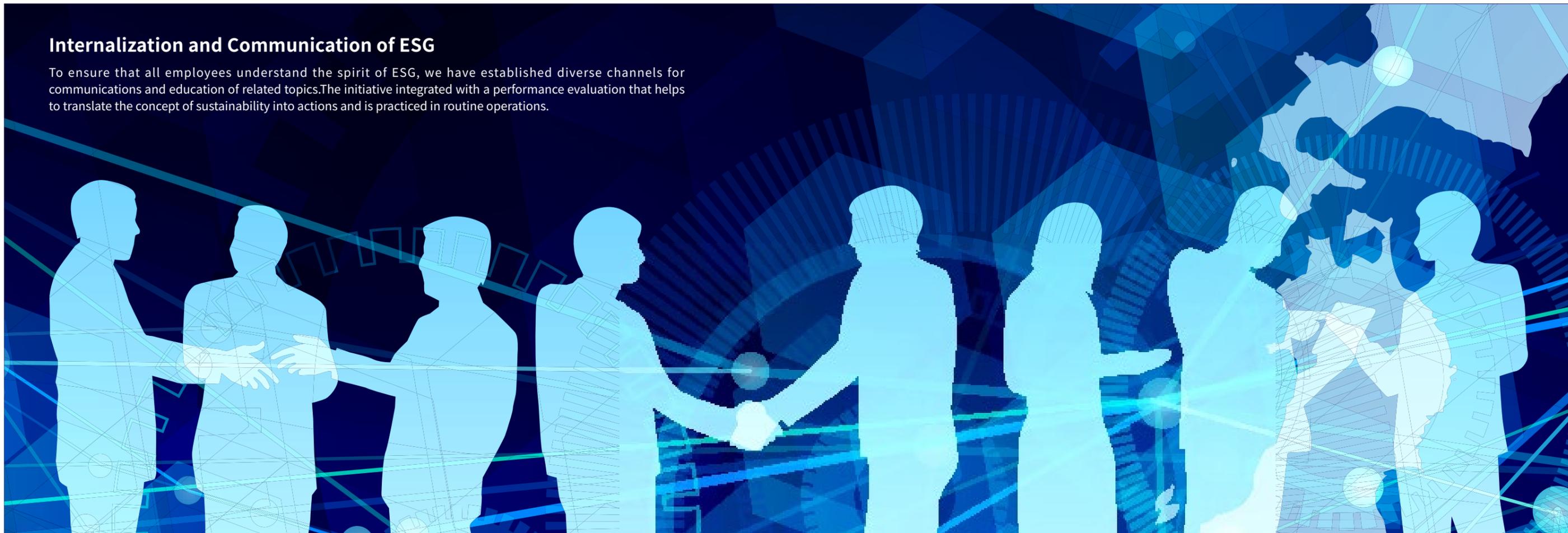
Under the CHT Sustainable Development Committee, "Environmental Group", "Social Group 1", "Social Group 2", and "Governance Group", which are supervised by four SEVPs of the Headquarters. The President calls an inter-group meeting quarterly. The Committee convenes every half a year to review the management strategies of the Company and sets related performance targets.



Item	Description
Representative	Chi-Mau Sheih, Chairman
Mechanism	Sustainable Development Committee is responsible for coordinating each plan and supervising the progress of the policies approved by the Board of Directors. It also semiannually reports the relevant issues and the results of communicating with stakeholders to the Board. The Board is in charge of the final performance evaluation every year.
Execution	<ul style="list-style-type: none"> The Corporate Communications Department and Corporate Planning Department are designated as Secretariat. Externally, the Secretariat is responsible for the ESG Report and information disclosure, various ratings and awards, exhibition participation and media communication; internally, it coordinates inter-group cooperation, target management/review and tracking, and performance evaluation design. Four groups set the annual targets and Objective Key Results (OKRs) and promote and implement various sustainable development works together with business groups and the respective institutions. Results of the Committee and various stages are included in the materials for the Board of Directors.
Meeting Frequency	Once every half a year for the Committee, quarterly for inter-group meeting, and monthly for group meeting.
Report Approval	Reports are submitted to the Chairman for final approval after the managements' (SEVP) review.
Execution Results in 2021	The resolution of restructuring as the "Sustainable Development Committee" adopted with the targets of net-zero by 2050 and sustainable development goals by 2030 set, which was reported on the 14th meeting of the 9th Board of Directors to put corporate sustainability into practice.

Internalization and Communication of ESG

To ensure that all employees understand the spirit of ESG, 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 sustainability into actions and is practiced in routine operations.



Channel	Item	Content	Channel	Item	Content
Communication within Senior Management	Senior management meeting	Material ESG issues are discussed in the senior management meeting annually, and the resolution indicates our improvement and direction.	Annual Evaluation	Administrative sustainability performance	We set energy reduction targets and link the results with employees' performance bonuses.
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.		Online test on CoC	All our employees are required to take the "Chunghwa Telecom Code of Business Conduct Test" each year.
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.		Reporting mechanism	Once an employee is found to violate corporate regulations, it will affect his/her performance bonuses.
	ESG training	We provide ESG related education every year, and invite external consultants to run seminars and courses in accordance with international trends.	Others	ESG Report workshop	Internal training on new ways of preparing reports is held from time to time.
	New employee training	New employees undergo digital 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.		Official website and Social media	To coordinate with modern stakeholders' communication pattern, we established dedicated ESG multimedia webpages on the official website, YouTube channel and a Facebook fan page as ways of communicating with our stakeholders.
	e-Learning	We post relevant training courses and information on the e-Learning system that can be downloaded and studied freely by the employees.			