

3

MATERIAL TOPICS AND IMPACTS



2021 MATERIAL TOPICS AND IMPACTS 36

STAKEHOLDERS ENGAGEMENT 40

We intend to provide all stakeholders concerning the future of Chunghwa Telecom as well as the telecom industry with a more comprehensive understanding of how Chunghwa Telecom has exerted its industry influence on ESG topics. This purpose has improved the quality of our actions and disclosures.



The annual material topics are determined through the following process: **internal feedback, external questionnaires, topic identification by the ESG Secretariat, topic analysis by the four ESG working groups, ranking the topics, and finally, confirming the results.**



We have a set of procedures in place to identify, engage, interact, and communicate with stakeholders through various channels based on the **Stakeholder Engagement Standard (AA 1000SES:2015).**

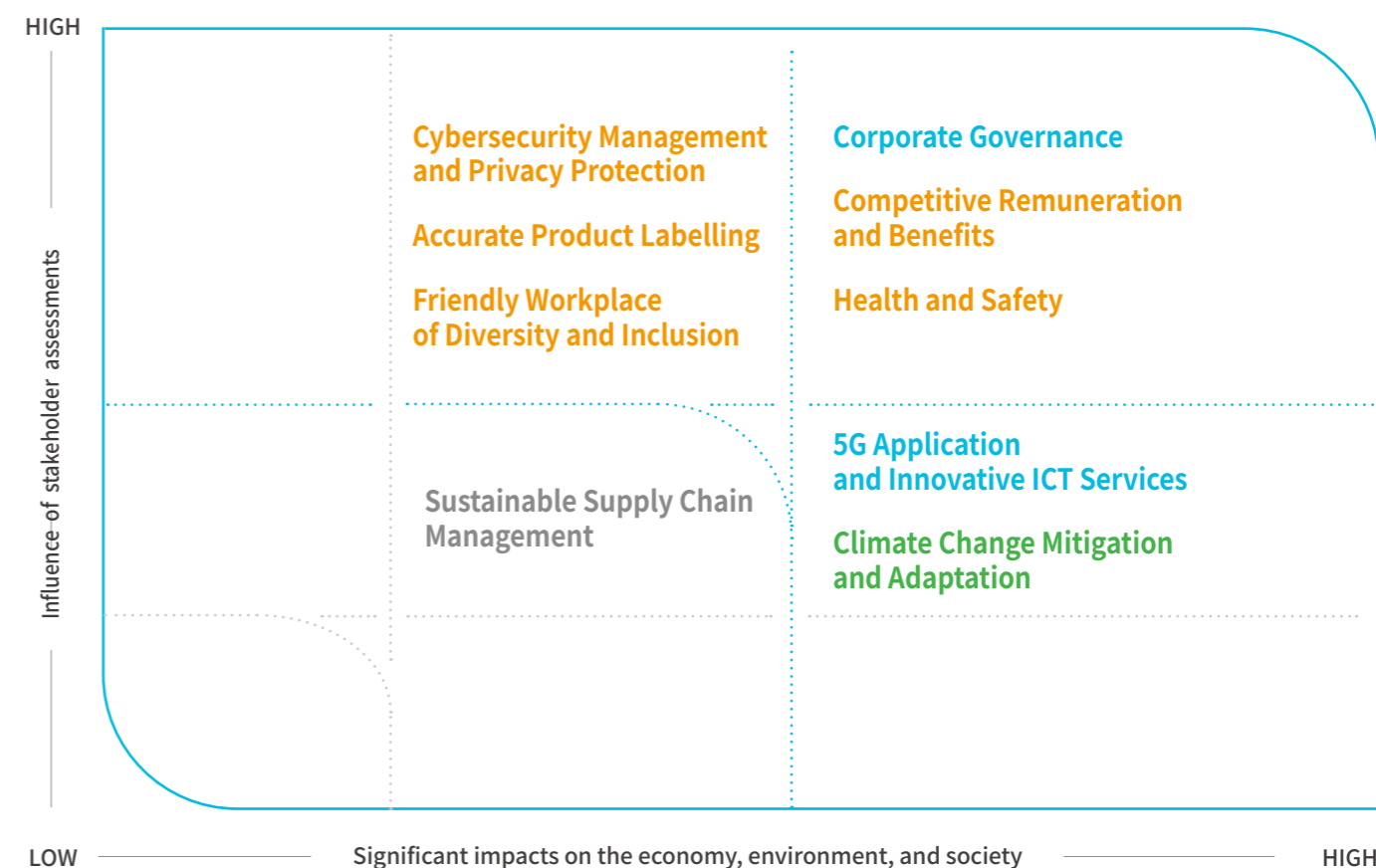
2021 Material Topics and Impacts

CHT is an integrated telecom service provider. Except for the use of electricity at business locations, facility rooms, and data centers, our other service processes and mechanisms have no major negative impact on the environment and society. However, with over 20 thousand employees, the capabilities of value chain procurement and supply and business locations all over Taiwan, we understand that our ICT services and products can bring positive transforming and business opportunities to the industry, economic development and people's life in Taiwan. Therefore, we seize opportunities and endeavor to decrease the potential risks from material ESG topics.

Material Topics	Range of impact				
	Entity	Within the organization		Outside the organization	
	CHT	Honghwa Subsidiary	CHT Security Subsidiary	Engineering Suppliers	Equipment Suppliers
Economic Performance	●				
Market Presence	●	▲	▲		
Anti-corruption	●	▲	▲	□	□
Energy	●				
Environmental Compliance	●				
Labor / Management Relations	●				
Occupational Health and Safety	●	▲	▲	□	□
Diversity and Equal Opportunity	●				
Non-discrimination	●				
Marketing and Labelling	●	▲			
Customer Privacy	●	▲	▲		
Socioeconomic Compliance	●				

- : direct impact ; ▲: indirect impact ; □: impact from business relations
- Except for the impact within the CHT organization (including 2 subsidiaries), the influence of the external impact is determined by the "supplier type."
- CHT also promotes relative management principles and actions. For detailed topic information, please refer to the corresponding chapter and page.

The Materiality Matrix



- The materiality threshold: 2.5 and above for both the X-axis and the Y-axis (3-point scale).
- Chunghwa Telecom also willingly discloses issues that are not identified as material issues in 2021, please refer to the topics with "*" in the index catalog p.163-165.

Process for Determining Material Topics



STEP 1

Confirming the determining process for material topics

The ESG Secretariat calls for the ESG working groups to confirm the material topics determining process of the current year. We perform through feedback and external questionnaires.



STEP 2

Information collecting / Topic identification

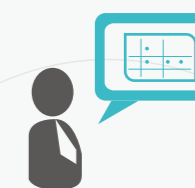
The ESG Secretariat is responsible for identifying ESG topics while considering CHT's short-, mid-, and long-term achievement and referring to the material it collects including international guidelines, such as the GRI Standards, sustainability rating surveys, international benchmark business information and the news related to CHT in 2021.



STEP 3

Analysis / Prioritizing

The ESG working groups analyze topics and hold discussions based on internal consideration, industry status, industry chain practice, and advices from stakeholders. The topics are prioritized according to urgency and seriousness and the level of impact.



STEP 4

Result confirmation / Materiality matrix

Members of the ESG working groups were invited to consider the relevance between the topics and the actual operation according to internal and external information. The 2021 topic identification results were confirmed and a materiality matrix was prepared for submission to the Sustainable Development Committee for approval.

2021 Material Topics Description

ESG Aspect	Material Topics	Meaning to CHT	Topic Corresponding to the GRI Standards	Goals	Key Results in 2021	Topic Corresponding to UN SDGs
Environment 	Climate Change Mitigation and Adaptation	Aiming to become a "green enterprise", we aspire to enhance our core competencies, identify relevant risks and opportunities, and steer the development of a low-carbon industry on the issues of energy and climate change.	Energy	Short-term (2022) <ul style="list-style-type: none"> Procurement of 50 million kWh or more of renewable energy Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> 100% IDCs using renewable energy Science-based targets proposed with the plan to cut carbon emissions by 50% by 2030 compared to the 2020 levels 	<ul style="list-style-type: none"> 7.02% less carbon emission in 2021 compared to 2020 levels 	
	Cybersecurity Management and Privacy Protection	We have continued to strengthen our processes and systems in response to external security threats and regulatory changes, and constantly refine information security systems and management strategies for consumer data protection.	Customer Privacy	Short-term (2022) <ul style="list-style-type: none"> No cybersecurity or privacy breach in 2021 Continuous Data Protection Insurance Certificate of Conformity for Privacy Policy issued by SGS Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> 100% information assets inclusion and log collection with reference to NIST CSF Vulnerability intelligence, warning, and joint defense mechanisms established with high-risk vulnerability handled and responded within 7 days 100% security check to systems online, patching of high-risk vulnerabilities, and ongoing obtainment of independent third-party cybersecurity certification Cybersecurity threat early warning and swift check and response mechanisms established with notification in 1 hour and emergency response completed in 24 hours The number of cybersecurity service customers: 500,000 family and SME users and over 300 large corporate users Revenue from cybersecurity and privacy protection: >NT\$10 billion 	<ul style="list-style-type: none"> In 2018, CHT invested in the subsidiary, CHT Security Co., Ltd. yielded a revenue of NT\$1.139 billion in 2021 100% information assets inclusion and log collection with reference to NIST CSF in 2021 Vulnerability intelligence, warning, and joint defense mechanisms established with high-risk vulnerability handled and responded within 7 days, CHT reached 100% completed in 2021 100% security check to systems online, patching of high-risk vulnerabilities, and ongoing obtainment of independent third-party cybersecurity certification, CHT 100% completed in 2021 Cybersecurity threat early warning and swift check and response mechanisms established with notification in 1 hour and emergency response completed in 24 hours. There are no cybersecurity or privacy breach in 2021 The number of cybersecurity service customers: 320,000 family and SME users and over 200 large corporate users in 2021 Revenue from cybersecurity and privacy protection: NT\$2.566 billion of revenue from cybersecurity services in 2021 	
Society 	Accurate Product Labelling	We accurately communicate product and service information, and actively provide instructions and usage regulations to ensure that consumers are aware of the effects while overuse of products and services.	Marketing and Labelling	Short-term (2022) <ul style="list-style-type: none"> 0 cases of major information labeling or deception Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> Product and service promotion information is 100% compliant with laws and internal regulations 	<ul style="list-style-type: none"> No violation of laws concerns on health, safety, or product labeling in 2021 	
	Friendly Workplace of Diversity and Inclusion	We view our employees as the most important partners, materially protect their rights at work, sign the Collective Bargaining Agreement with the labor unions, and are committed to offering a friendly workplace of equality and diversity for our employees.	Labor/Management Relations Non-discrimination Diversity and Equal Opportunity	Short-term (2022) <ul style="list-style-type: none"> No discrimination cases No violation of work or human rights case The investigation committee has over half of female members Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> Ratio of female managers (senior director or above) raised to 30% 	<ul style="list-style-type: none"> No discrimination cases in 2021 The investigation committee has over half of female members We fully respect aboriginal employees' cultures and no violation of work or human rights was reported in 2021 	
	Competitive Remuneration and Benefits	With remuneration above the statutory standards and the industry average, we stress on the well-being of our employees, encourage our employees with actions for them to focus on work without distraction, and share our business results.	Market Presence	Short-term (2022) <ul style="list-style-type: none"> Certificate of Conformity for Corporate Code of Conduct (CoC) issued by SGS Maintain the reward of senior employees Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> Average employee salaries remain in the top 5% of the industry "Collective Agreement" employee coverage maintain over 99% 100% General courses execution performance 	<ul style="list-style-type: none"> Collective Agreement coverage 99.21% in Feb. 2022 The base salary at CHT as 1.3 time of that in Taiwan; the average salary at CHT as 3 folds of that in Taiwan 	
	Health and Safety	We incorporated ISO 45001 to ensure that each process is in compliance with the regulation.	Occupational Health and Safety	Short-term (2022) <ul style="list-style-type: none"> Employees' participation in health screening reaches 99% Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> Maintain validity of ISO 45001 Occupational Health and Safety Management of all institutions 	<ul style="list-style-type: none"> All 27 institutions complete ISO 45001 verification in 2021 The monitoring results of the working environment of employees meet the requirements in 2021 Family members are also entitled to checkups at the same rate, and a total of 3,012 persons participated in 2021 	
Governance 	Corporate Governance	The upright operation is the core value CHT insists on. We make the employees strictly follow the laws and regulations through policies and propaganda.	Socioeconomic Compliance Environmental Compliance Anti-corruption	Short-term (2022) <ul style="list-style-type: none"> 0 major violations Maintain the number of independent directors above 35% At least 1 female directors on the board of directors Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> Ensure no major violations of Taiwan's economic, social and environmental regulations MSCI ESG rating to AAA in two phases (AA by 2025) 	<ul style="list-style-type: none"> No FTC penalties in 2021 38.5% independent directors on the board of directors 	
	5G Application and Innovative ICT Services	Due to impacts from the global industrial chains, Chunghwa Telecom more proactively strengthens its core businesses, introducing momentum to drive revenues via innovative ICT products and services while elevating shareholders' willingness to hold shares in the long run.	Economic Performance	Short-term (2022) <ul style="list-style-type: none"> "Customer-centric" organizational structure initiated with an aim to become the Leader in Smart Living and Agent of Digital Economy Empowerment to build the next-generation cloud-based intelligent networks Mid-/Long-Term (2023-2030) <ul style="list-style-type: none"> NT\$30 billion of revenue from the emerging businesses, including IDC, cybersecurity, and 5G+AIoT Over 2.2 million subscribers for MOD, CHT's OTT platform 35% market share for 5G services with 3 million users 	<ul style="list-style-type: none"> NT\$17.512 billion of revenue from the emerging businesses in 2021 2.06 million subscribers for MOD, CHT's OTT platform in 2021 20% market share for 5G services in 2021 	

For details of the management policies for the material topics, please refer to p.158-159.

Stakeholders Engagement

We have always thought that "Chunghwa Telecom can do more." As the leading brand in Taiwan telecom industry, CHT focuses on industry development and competition. In addition to good products, services and profits, we also give back to society. We also pay close attention to the voices of our internal and external stakeholders before making careful responses to the needs of society.

The identification of the stakeholders and their issues is a very important part of the ESG practice. In the initial meeting of ESG report preparation, we invite members from all departments to exchange the issues related to current key stakeholders and their concerns. Upon reaching mutual understanding, the result is incorporated into a table that is regarded as an essential reference for the disclosures in the report. In the process of promoting ESG activities and information disclosure, we consult the opinion of the internal and external stakeholders, important relevant mechanisms include:

- "Consultation meeting with external professionals" for ESG report
- Regular invitation of external professionals to the "ESG Conference" and relevant forums
- The "ESG Supplier Conference" is held every year
- Specialists designated for ESG and the CHT Foundation
- CHT was the first to create "ESG videos" and the CHT official YouTube ESG program to record the implementation of ESG action on a regular basis, as well as the collection of internal and external feedback for further improvement

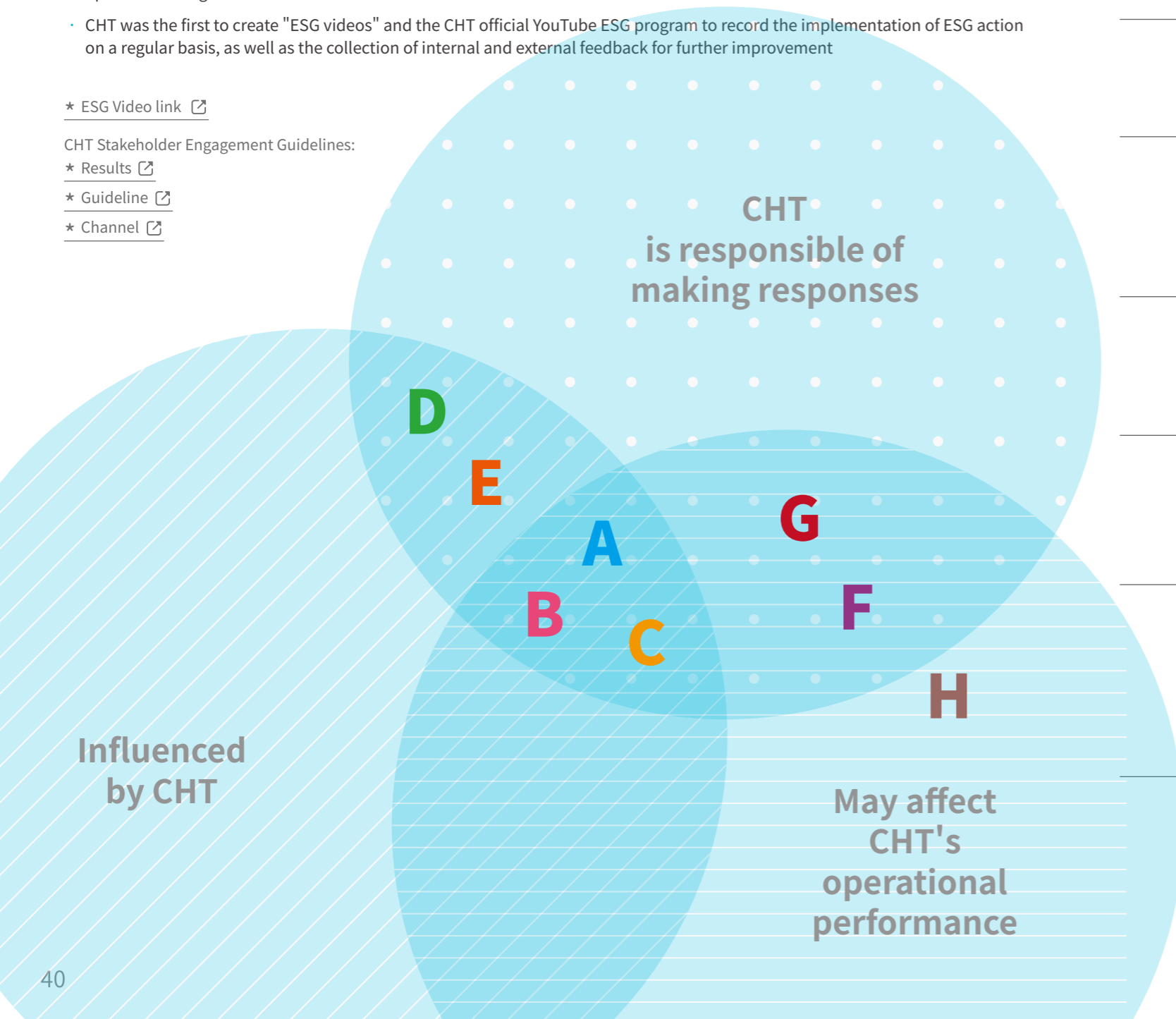
* [ESG Video link](#)

CHT Stakeholder Engagement Guidelines:

* [Results](#)

* [Guideline](#)

* [Channel](#)



Stakeholder	Meaning to Chunghwa Telecom	Focused Topics	Communication Channel	Communication Frequency
A Shareholders / Investors	As shareholders / investors are our stockholders, we must be accountable to them.	<ul style="list-style-type: none"> • Economic Performance • Anti-corruption 	<ul style="list-style-type: none"> • Shareholders' meeting • Shareholder hotline/ mail • Earning results conference 	<ul style="list-style-type: none"> • Annually • Real-time • Quarterly • Nonperiodic
B Employees	Employees are critical to the sustainable development and they are the driving force for sustainable growth.	<ul style="list-style-type: none"> • Market Presence • Anti-corruption • Labor/Management Relations • Non-discrimination • Diversity and Equal Opportunity • Occupational Health and Safety 	<ul style="list-style-type: none"> • E-mail • Telephone call • Online forum • Labor employer meeting • Negotiation meeting 	<ul style="list-style-type: none"> • Real-time • Every 2 months • Nonperiodic
C Clients / Customers	Only when customers prefer the products and services of Chunghwa Telecom could we have value for existence.	<ul style="list-style-type: none"> • Customer Privacy • Marketing and Labelling 	<ul style="list-style-type: none"> • Service hotline • Customer service center 	<ul style="list-style-type: none"> • Real-time
D Suppliers	The large product and service chain of Chunghwa Telecom relies on the stable support of the suppliers.	<ul style="list-style-type: none"> • Occupational Health and Safety 	<ul style="list-style-type: none"> • E-mail • Hotline • ESG Supplier Conference • Supplier Training • Survey 	<ul style="list-style-type: none"> • Real-time • Annually • Nonperiodic
E Communities / NPOs	We wish to reciprocate for society with our professional standing in telecom and create a better future.	<ul style="list-style-type: none"> • Energy • Environmental Compliance 	<ul style="list-style-type: none"> • E-mail • Hotline • Stakeholder forum 	<ul style="list-style-type: none"> • Real-time • Nonperiodic
F Media / Accreditation Institutes	We have learned and grown with the media and accreditation institutes through their mentorship in sustainable development.	<ul style="list-style-type: none"> • Energy • Anti-corruption 	<ul style="list-style-type: none"> • E-mail • Hotline • Press release • Press conference • Survey 	<ul style="list-style-type: none"> • Real-time • Nonperiodic
G Competent Authorities	Our products, services and related marketing behaviors are subject to audits by the competent authority.	<ul style="list-style-type: none"> • Anti-corruption • Energy • Environmental Compliance • Socioeconomic Compliance 	<ul style="list-style-type: none"> • Public hearing/press conference • E-mail • Official document • Meeting • Telephone call • Visit 	<ul style="list-style-type: none"> • Real-time • Nonperiodic
H Competitors	As the leading brand in the telecom industry in Taiwan, we strive to engage in fair competition in the industry for a healthy development of the industry.	<ul style="list-style-type: none"> • Market Presence • Marketing and Labelling 	<ul style="list-style-type: none"> • Official document • Meeting • Telephone call 	<ul style="list-style-type: none"> • Real-time • Nonperiodic

2021 ESG Results of Critical Stakeholders Engagement



Employees

- 5 Labor-management conferences (to deliberate on 46 proposals)
- 3 Negotiation meetings (to deliberate on 12 proposals)
- 32 mails from employees, all of which have been addressed in a timely manner



Shareholders / Investors

- 1 Annual general meeting
- 455 calls from shareholders answered
- 4 Earning results conferences
- 4 NDR and broker investor conferences
- 55 visits/teleconferences with investors



Clients

- Approx. 29.6 million cases served by all channels of customer service (including the customer service hotline, customer grievance, call-out care, and text-based customer service chatbot service)
- 13.32 million tickets received
- 31.94 million cases of customer business accepted



Suppliers

- 37 suppliers participating in the Supplier Sustainable Environmental Visits
- 92 suppliers participating in the "2021 Annual ESG Supplier Conference"



Media

- 294 Press releases in total
- 22 Press conferences in total



Competitors

- 84 conferences attended



Competent Authorities

- 8 press conferences and public hearings convened
- 33 appeal and negotiation meetings completed
- 114 business inspections



2021 Annual ESG Supplier Conference

In light of the issue of net-zero emissions as a trend in the world and a focus in the industry, the 2021 Chunghwa Telecom ESG Partner Exchange, themed with "the strategies for net-zero sustainable development for the ICT industry," invited domestic industrial representatives and experts to probe into the sustainable development and net-zero emissions strategies for all participants.

Chunghwa Telecom was the first domestic telecom operator that proposed "sustainable supply chain" initiative. In the Exchange, President Shun Chieh Chang from the Sustainable Alliance for Low-carbon Economy (SALcE) was specifically invited as the facilitator. Together with four panelists: President Tan Ho Chen of Taiwan Ecological Engineering Foundation, Secretary-General Tsai Chi Kuo of Taiwan Academy of Corporate Sustainability, Senior COO Stephen Pao of SGS-Taiwan, and President Shui-Yi Kuo of Chunghwa Telecom, they shared the sustainability thinking we ought to have for the ICT industry to march toward the net-zero and how enterprises can seize opportunities to create low-carbon sustainability business opportunities during the transition to a low-carbon economy.

For an ongoing sustainability influence, CHT established the "Supplier Sustainability Rating" system, first in the industry. The "Certificates of Sustainability Rating" were presented by President Kuo to 8 outstanding suppliers, including FOCl Fiber Optic Communications, Inc., Chunghwa System Integration, Hold Key Electric Wire & Cable, Co. Ltd., Arcadyan Technology Corporation, Din Yen Technology Inc., International Integrated Systems, Inc., SYSTEX Corporation, and Kinmax Technology Inc., which passed the rigorous audits by SGS-Taiwan and received the "Gold-tier Certificates." "ESG Information Disclosure Awards" were presented to 3 supplier partners, i.e. Teamplus Technology Inc., Stark Inforcom Inc., and Kinmax Technology Inc. The "CDP Award" of the year went to CTBC Financial Holding Co., Ltd.

Moving forward, Chunghwa Telecom shall uphold the spirit of extensive alliance in sustainability to join hands with its huge army of supplier partners to exercise corporate social responsibility, bridge to the international development, create low-carbon opportunities together, and ultimately forge the sustainable future of ICT industry through "Customer-centric Value Creation."

* Sustainable Alliance for Low-carbon Economy (SALcE) * Video

