



中華開發金控
CHINA DEVELOPMENT FINANCIAL



China Development Financial
Corporate Social Responsibility Report 2014



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China Development Financial (CDF) features a corporate logo that owes its origin to KGI Securities. The logo is designed square-shaped to convey a message of steadiness and solidness. The triangles within tell of ambitions to expand worldwide and a corporate spirit defined by self-confidence, professionalism, integrity, and honesty.

The color scheme consists first of blue, which reflects, as a company, CDF's sophistication, stability, professionalism, and reliability, while the contrast offered by orange and green highlights CDF's uniqueness as a corporation and emphasizes its employee culture as characterized by youthfulness, energy and innovation. Toward the center of the logo, the orange becomes yellow, with this convergence representing the dedication, solidarity, and sense of honor of each member of the company's workforce. The rays that radiate outward from the center in incremental hues are symbolic of CDF's untiring efforts in exploring new business frontiers, of its exceptional business performance, and of its ongoing journey toward becoming the most outstanding financial holding company in the Chinese speaking world.

The simplicity of the logo design and the sense of modernness imparted by the fonts used serve as a reminder that CDF is committed to perpetuating its fifty-plus years of tradition in providing comprehensive, professional financial services to clients.

About this report

Duration of the report

This report is a record of CDF's efforts in the areas of, among others, corporate governance, environmental protection, employee well-being, customer relations, and social philanthropy, as well as the results of such efforts, spanning the period from January 1 to December 31, 2014.

Scope of the report

Information and data divulged in this report relate to CDF and its subsidiaries including China Development Industrial Bank (CDIB), KGI Bank, and KGI Securities. "The company" referred to in this report is CDF and "the Group" refers to CDF and its subsidiaries. The report presents information and data concerning operations within the Republic of China (Taiwan). Regarding the charitable activities that are discussed, this information covers activities organized by legal entities such as CDIB Educational and Cultural Affairs Foundation and KGI Charity Foundation.

As regards environmental protection, in terms of information and data on energy consumption and usage, this is limited to CDF's operations at the headquarters building (No. 125, Section 5, Nanjing East Road, Songshan District, Taipei City), to the KGI Bank office (No. 188, Jingping Road, Zhonghe District, New Taipei City) and its branches around the island, and to the KGI Securities headquarters building (No. 700, Mingshui Road, Zhongshan District, Taipei City).

This report cites information and data internally audited by CDF, CDIB, KGI Bank, KGI Securities, CDIB Education and Cultural Affairs Foundation, and KGI Charity Foundation, as well as financial indicators that have been verified by qualified chartered accountants and made public. Note that all figures cited are denominated in NT Dollars.

Report writing guidelines

The content of this report is presented in accordance with the G4 edition of the guidelines and report structure outlined by the Global Reporting Initiative (GRI). A GRI indicator chart is included. This report contains information and data on nine specific categories of the company's affairs, namely corporate background, corporate governance, identification of and engagement with stakeholders, investor relations, employee well-being, customer relations, peer relations and public policy participation, environmental protection, and social philanthropy.

Method of publication

This report, in full, is posted in the Corporate Citizenship section on CDF's website. A digital version is available for browsing or download at:
<http://www.cdibh.com/enhtml/content/1603>.

Frequency of publication

This report was first published in 2011 and is renewed annually.

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Key Financials

(data as of end-2014)



CDF had consolidated total assets of NT\$**917.56**bn, up more than 2.7-fold from late 2010.

CDF registered net income of NT\$**10.98**bn, up 30% YoY and surpassing the NT\$10bn mark for the first time since 2007.

CDF registered EPS of NT\$**0.73**, the highest level since 2011.

CDIB had a leading position in Taiwan's principal investment market with a market share of **30%**.

KGI Bank re-initiated its personal loan business in 2010 and has grown the business by 13.83-fold in the past four years. By offering individual clients diverse and customized financial tools, KGI Bank's personal loans jumped to over NT\$**17**bn as of the end of 2014.

KGI Securities was the **leader** in securities underwriting business in Taiwan.

Employee Relations



CDF Group had a workforce of **5,608** professionals at year-end 2014.

Employees of CDF and its subsidiaries attended job skill-related courses in Taiwan and overseas, either in person or online, on **72,738** separate occasions, or for 208,014 hours, which is equivalent to 13 times, or 37 hours per employee for the full-year.

Environmental Protection



Compared to 2013, CDF headquarters, KGI headquarters (Dazhi), and KGI Bank Zhonghe Office and branches had combined power consumption of **3,764,829** kWh.

The use of telephone/Internet banking, digitalized services and email helped reduce paper consumption by **19,200** packs (A4 size).

Compared to 2013, CDF headquarters, KGI headquarters (Dazhi), and KGI Bank Zhonghe Office and branches reduced combined water consumption of **4,776** cubic meters in 2014.

Customer Relations



KGI Bank was accorded full marks by **87%** of respondents in a customer satisfaction survey, up from 84% in 2013.

Since the launch of its sponsorship program in 2007, CDIB Education and Cultural Affairs Foundation has sponsored **800** college students with outstanding academic merits in Taiwan in order to reduce their financial burden as they pursue academic excellence.

Social Philanthropy



KGI Bank initiated a volunteer program in October 2013, and has since encouraged employees to spend half a day per month on weekends helping elderly citizens at senior care institutions. To date, more than **300** employees have signed up for the program.

KGI Charity Foundation launched a primary school benefits program in 2012, and has to date sponsored more than **200** primary school students and provided emergency aid to nearly 60 households.

A Word from Management

Given continued economic and financial challenges across the globe in 2014, major nations have expanded accommodative monetary policies, which are of great significance to the global financial market. Taiwan delivered GDP growth of 3.74% in 2014, the strongest in the past three years. Since the full acquisition of Cosmos Commercial Bank (now re-named KGI Bank) on September 15, 2014, China Development Financial (CDF) now has three major businesses: an industrial bank (venture capital), a commercial bank and a securities brokerage. This broad-based business structure allows CDF to provide more comprehensive financial services and product lines to clients. In 2014, CDF generated consolidated net profit of NT\$10.98bn (including non-controlling equity returns of NT\$147mn), which was substantially higher than the NT\$8.45bn in 2013 (including non-controlling equity returns of NT\$144mn). 2014 EPS climbed to NT\$0.73, up from NT\$0.56 in 2013, with consolidated ROE of 6.40%, up from 5.06% in 2013.

In the area of Corporate Social Responsibility (CSR), we at CDF, in accordance with CSR Best Practice Principles for TWSE/GTSM Listed Companies, have formulated guidelines for CSR organization. These guidelines stipulate that a CSR committee be established under the Board of Directors, with CDF chair person acting as committee head, and with other committee members to be served by independent directors, the CDF president, and the chairs and outside directors of CDF subsidiaries, as well as individuals appointed by the Board. Under the aegis of the committee, five task forces of corporate governance, social philanthropy, environmental protection, client relations and employee well-being have been assembled to engage in the planning and supervision of CSR policy.

As regards corporate governance, we have strengthened internal management mechanisms and ensured that CSR policy is put into practice. This is executed under the Board of Directors via three Board seats for independent directors specifically created for the purpose. Also involved in the implementation of corporate governance policy are functional committees, such as the Auditing, Remuneration and CSR Committees.

In the realm of social philanthropy, we at CDF have long been proactive participants in a variety of social charities. Our subsidiaries, along with CDIB Education and Cultural Affairs Foundation and KGI Charity Foundation, have also participated in many philanthropic events.

For environmental protection, despite rapid operational growth, our commitment to carbon reduction and green purchasing is unchanged. CDF's employees are urged to contribute to the cause of environmental protection, while customers are encouraged to opt for non-paper financial services, such as e-billing.

As regards client relations, we continue to value highly feedback from our retail and institutional clients so as to be better able to provide comprehensive, quality financial products and services through our operating units. In-person surveys and questionnaire surveys are also conducted to ensure that we keep abreast of customers' needs. At the same time, given stringent requirements in Taiwan and overseas to safeguard personal data, we have put in place several mechanisms designed to make the privacy of customers' personal data a top priority.

In the area of employee well-being, we note that the workforce of CDF expanded significantly in 2014 as a result of the addition of the commercial bank subsidiary. We at CDF remain committed to providing a work environment that is safe and free of any kind of discrimination among employees. We value to the utmost all of our employees and respect in full all the rights they are entitled to. We also endeavor to provide a wide array of training programs to help enhance employees' professional capabilities.

Looking into 2015, we expect the global economy will recover at a moderate pace. While still facing challenges of business change and integration, we at CDF will continue to fulfill our corporate social responsibilities in accordance with the planning of the newly-established CSR Committee, with a view to satisfying the expectations of all stakeholders. Meanwhile, we at CDF will continue to emphasize teamwork and will continue our untiring efforts to provide clients with the utmost professional and differentiated services, as we pursue our goal of becoming a leading financial holding company for Chinese-speaking clients around the world.

Chairman Mu-Tsai Chen



President & CEO Paul Yang



About Us

China Development Financial

China Development Financial (CDF) was established in 2001 following a share swap managed by China Development Industrial Bank (CDIB). Along with its key subsidiaries, CDIB, KGI Bank and KGI Securities, CDF has enjoyed its leading position in the venture capital market and investment banking business in Taiwan.

Over the past 50 years, CDF has not only established a close-knit industrial network, but also has been an important driving force in the process of Taiwan's industrial development. CDF has accumulated over 50 years of experience in principal investment, and most of the clients in whom CDF invested have successfully extended their reach from Taiwan to Greater China, as well as to other major markets worldwide.

CDF made Cosmos Bank a subsidiary through a share swap on September 15, 2014, and renamed the Bank as KGI Bank on January 5, 2015, in order to stabilize earnings streams, generate cross-selling synergies, enhance capital utilization, provide comprehensive services to our securities' individual clients, and enhance shareholders' return on equity. CDF now provide a full range of financial services, spanning principal investment, securities, and commercial banking. Our principal investment business commands 30% of the market share, giving us a leading position in Taiwan's private equity/venture capital market. In recent years, we have focused on the fundraising and management of private equity funds. As regards the securities business, KGI Securities currently lead the market in brokerage and underwriting and we have expanded our footprint to Hong Kong, Thailand, and Singapore. We will coordinate with the timing of the signing of the Cross-Strait Service Trade Agreement to leverage opportunities represented by the opening up of mainland China to Taiwanese securities companies, through which we will be able to greatly increase our presence in mainland China. Thereafter, we look to become a leading Taiwanese securities firm in Asia. As to commercial Banking, KGI Bank integrates its niche consumer finance businesses, together with CDIB's strengths in corporate banking and KGI Securities' advantages in investment banking and retail brokerage to provide customers a full range of international financial services.

While following a "Taiwan first" philosophy that puts Taiwan at the top priority, CDF will also actively deploy its extensive network across Asia in the future, and move ever closer to our goal of becoming a leading financial holding company for Chinese clients around the world.

At year-end 2014, the net worth of CDF was NT\$173.9bn, and the consolidated assets were NT\$917.6bn.

Company Information

Industry: Financial Industry

Stock Code: 2883 TT (Listed on Taiwan Stock Exchange)

Businesses: Providing principal investment, commercial banking and securities services

Establish Date: December 28, 2001

Major Subsidiaries: China Development Industrial Bank, KGI Bank, KGI Securities

Capital: NT\$153.4bn (as of the end of 2014)

Chairman: Mu-Tsai Chen

President & CEO: Paul Yang

Address of the Headquarters:

No. 125, Section 5, Nanjing East Road, Sungshan District, Taipei City, 105, Taiwan (R.O.C.)

Stock transfer agency: KGI Securities

Accounts: Deloitte Touche Tohmatsu Limited

Telephone: +886-2-2753-2201

E-mail address: ir@cdibh.com

Website: <http://www.cdibh.com>



中華開發金控
CHINA DEVELOPMENT FINANCIAL



中華開發工業銀行
CHINA DEVELOPMENT INDUSTRIAL BANK

Domestic Subsidiaries

- China Venture Management, Inc.
- CDIB Private Equity Corp.
- CDIB Venture Capital Corp.
- China Development Asset Management Corp.

Overseas Subsidiaries

- CDIB Capital International Corp.
- CDIB Capital International (Hong Kong) Corp. Ltd.
- CDIB Capital International (USA) Corp.
- CDIB Capital International (Korea) Corp.
- CDIB Private Equity (China) Corp.
- CPEC Huakai Private Equity (Fujian) Co. Ltd.
- CPEC Huachuang Private Equity (Kunshan) Co. Ltd.



凱基證券
KGI SECURITIES

Domestic Subsidiaries

- KGI Futures Co. Ltd.
- KGI Securities Investment Advisory Co. Ltd.
- KGI Securities Investment Trust Co. Ltd.
- KGI Insurance Brokers Co. Ltd.
- KGI Venture Capital Co. Ltd.
- Global Securities Finance Co.

Overseas Subsidiaries

- KGI Singapore Group
- KGI Hong Kong Group
- KGI Shanghai Group
- KGI Securities Shenzhen Rep. Offices



凱基銀行
KGI BANK

Domestic Subsidiaries

- CDC Finance & Leasing Co.
- Cosmos Bank Insurance Brokerage Co.

Overseas Subsidiaries

- CDIB International Leasing Co.

China Development Industrial Bank

CDIB, formerly China Development Corporation, was the first private development-oriented financial institution in Taiwan. It was established in 1959 through the coordinating efforts of the Economic Stabilization Committee of the Executive Yuan, the World Bank and private funding. In 1999, it was restructured to become an industrial bank. In its more than 50 years of history, CDIB has primarily focused on the principal investment and corporate banking business. It has invested in and provided financial services to domestic and overseas clients in over 100 industries, and it continues to play a critical role in Taiwan's venture capital market.

CDIB has long worked in close partnership with the Taiwanese government to support the nation's economic growth. It has not only made a significant contribution to the nation's economic and industrial development, but has also ably served as a pioneer among local investment banks. The evolution of Taiwan's industrial structure is neatly encapsulated in the evolution of CDIB's investment and credit portfolio. CDIB invested in traditional textiles and petrochemicals industries in the 1960s and 1970s; it shifted focus in the 1980s and 1990s toward nurturing high-tech industries, such as the electronics, information technology and semiconductor industries. Since 2000, CDIB has been proactively engaging newer industries such as optoelectronics, alternative energy, medical and healthcare and consumer goods. Thus, the investment history of CDIB is closely reflected in the history of Taiwan's industrial and economic development.

In recent years, in an effort to keep abreast of government policies to upgrade the financial industry, CDIB has been leveraging its strengths and experience accumulated over the years to proactively assist local firms in fundraising efforts and in the management of private equity funds. Ultimately, this is part of the company's long-term objective of becoming a world-class private equity fund management company in the Asia-Pacific region.

At year-end 2014, the net worth of CDIB was NT\$114bn, and consolidated assets were NT\$471.9bn.

KGI Bank

KGI Bank is a wholly-owned subsidiary of China Development Financial (CDF), providing multiple financial services including deposits, wealth management, consumer banking, corporate banking, global markets, and foreign exchange transactions. KGI Bank positions itself as a bank which provides the best financial services for customers. In recent years, KGI Bank has launched a variety of innovative products and services and achieved outstanding performance, especially in mobile payment and revolving micro loans. The bank has taken the lead in launching the first mobile payment service in Taiwan, and it boasts a leading market share in the cash card business of the revolving micro loan segment.

KGI Bank became part of CDF on September 15, 2014. For future business expansion, the bank will integrate its existing advantages in various segments of the financial business with CDF's solid customer relations in corporate banking and with KGI Securities' inherent advantages in developing innovative, convenient, and comprehensive banking services. Moreover, to enhance its competitive strengths in the prevailing digital era, KGI Bank has also established the Digital Banking Division to integrate virtual channels with physical branches and to promote digital financial products. The digital banking business will provide SMEs with banking services in cross-border trading, trade financing, and treasury marketing units (TMU), as part of efforts to build a brand new e-commerce platform.

With the support of CDF, KGI Bank will be in a position to access more resources with a view to bolstering its competitive strengths via execution of the dual strategies of cross-selling and efficiency of capital. The bank looks to expand its global network and internationalize its operations, thereby honing its professionalism and enhancing its comprehensive range of banking services.

At year-end 2014, KGI Bank's net worth was NT\$18.9bn, and total assets were NT\$166.9bn.

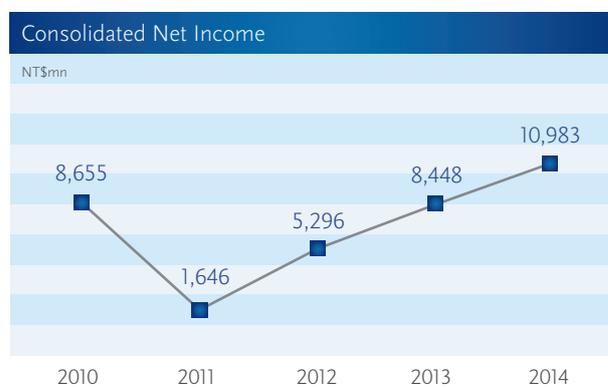
KGI Securities

KGI Securities, a wholly-owned subsidiary of CDF, is a market leader in a broad range of areas including brokerage, proprietary trading, underwriting, fixed-income, and a variety of derivatives products. In addition to brokerage, KGI Securities is the leader in investment banking in Taiwan, as investment banking and direct investment, major businesses of CDF, are highly complementary. The company's other business units, including fixed-income, derivatives, and institutional equities, have come to represent the standard to which the broader industry aspires, with these units garnering various awards locally and internationally over the years. In the proprietary trading of equities and fixed-income, KGI Securities has succeeded in the pursuit of absolute profit by adhering to stringent risk management principles. By integrating the resources of its local subsidiaries, KGI Futures, KGI Securities Investment Trust, KGI Securities Investment Advisory, KGI Venture Capital, and KGI Insurance Brokers, KGI Securities can provide clients with futures trading, mutual funds management, asset management, venture capital projects, and insurance products. In addition to Taiwan, KGI Securities has a presence in Hong Kong, Thailand, and Singapore. With an overseas profits weighting of approximately 25%, KGI Securities is one of few Taiwanese securities firms with successful operations overseas.

Going forward, investment banking, the opening of offshore securities units (OSU), and expected permission to establish a joint venture securities firm in China, are viewed as potential growth drivers for KGI Securities. Backed by the strong support of CDF, which boasts abundant resources and a leading position in direct investment, KGI Securities will capitalize on these new business opportunities to accelerate its growth and reinforce its position in Asia as an outstanding securities firm and leading investment bank.

At year-end 2014, the net worth of KGI Securities was NT\$64.5bn, and consolidated assets were NT\$284.5bn.

Financial summary





Note: Financial statements in 2013 were IFRS compliant.

There follows a brief summary of pertinent developments in CDF's three major business divisions in 2014.

I. Industrial bank (venture capital)

Investment returns of the principal investment business improved significantly as the segment benefited from stock market rallies in Taiwan and overseas, as well as from contribution from CDF's global deployment. Aside from investment returns, the business also realized other notable achievements, for example finalizing the raising of NT\$1.75bn for a healthcare fund in 3Q14 as part of the government's policy to develop the biomedical healthcare industry in Taiwan. Together with the CME (creative, media, and entertainment) Fund, a total of NT\$3.25bn was raised in Taiwan in 2014. In China, a Rmb1bn fund targeting investment in southern China became operational, while another private equity investment fund with a focus on eastern China is also being set up. Capital injection and the establishment of a management company for this latter fund are completed, while prospective investors are being actively sought. The fund is expected to close in 2Q15. CDF's US dollar-based private equity fund, Asia Partners, which is focused on investment in the Asia-Pacific region, made several closings starting from 1Q14, with investment activities beginning in the same quarter. The Asia Partners fund had reached US\$270mn as the end of 1Q15.

II. Commercial banking

CDIB and KGI Bank are engaged in the following four key activities:

(i) Corporate banking

In this business segment, the main aim is to sustain business growth in terms of deposits, trade financing and loans, without compromising asset quality, and to expand sales opportunities. In 2014, segment earnings improved on a year-on-year basis.

(ii) Global markets

In this business segment, KGI Bank strives to generate stable income through appropriate asset allocation that balances risk and returns amid global financial volatility. In 2014, the focus was on value stocks in Taiwan and Hong Kong, as well as foreign currency bonds and Taiwan government bonds. Amid continued growth of the investment pool, the value of investments also improved. Regarding the development of financial products, the aim is to leverage strengths of other business units and to continue to expand the TMU client base and per-client sales at the same time.

(iii) Consumer banking

In this business segment, the main focus is maintaining the cash card and credit card business, which generates high profits. Also, personal loan balance grew 19% to NT\$17.3bn in 2014, driven by various marketing and cross-selling campaigns. In addition, online credit services are provided, featuring streamlined loan application, as part of efforts to increase the weighting of younger customers.

(iv) Branch banking

Through this business segment, mortgage balance grew 4% in 2014 to NT\$37.7bn, without compromising asset quality. The funding cost of NT dollar deposits was effectively reduced by increasing the weighting of demand and short-term deposits. Meanwhile, the product portfolio continued to expand, while employee training was provided to ensure that clients received customized wealth management services. At end-2014, the value of assets under management (AUM) was NT\$211.7bn.

III. Securities business

Having consolidated Taiwan-based branches, KGI Securities' per-branch share of Taiwan's securities brokerage market has improved significantly. Together with rising daily turnover of the Taix in 2014, the profits of this business segment surged. KGI Securities continued to lead in market share in investment banking, warrant trading and bond underwriting in Taiwan in 2014. For stock underwriting, KGI Securities was the top player in Taiwan in terms of the volume and value of public offerings. Acquisitions that year included One First Tradition (SG), TG Holborn (HK) and Alpha Global (HK), with the aim of enhancing overseas presence. AmFraser Securities (SG) was also acquired in early 2015. Re-named KGI Fraser Securities, this company will facilitate development of a well-rounded securities trading platform in Singapore and allow integration of regional resources (financial services and products), ultimately providing clients with more asset allocation options. This is part of KGI Securities' strategy to accelerate the development of the overseas wealth management business.

Credit rating

Taiwan Ratings Corp. maintained a respective long- and short-term credit rating of twA+ and twA-1 on CDF in November 2014, with outlook rated 'Stable'. These ratings confirm that CDF is well capitalized, has a solid business clientele in the corporate banking and securities markets in Taiwan, and is appropriately diversified in terms of businesses and geographical location as compared to other Taiwanese financial groups.

Summary of latest rating agency assessments:

Rating type	Rating agency	Credit rating		Outlook
		Long-term	Short-term	
International rating	Standard & Poor's	BBB-	A-3	Stable
National rating	Taiwan Ratings	twA+	twA-1	Stable

Accolades



Asiamoney, Best Bond House in Taiwan
Asiamoney, Best Local Brokerage Rank #2
FinanceAsia, Best Local Investment Bank
The Asset, Best Investment Bank in Taiwan



Asiamoney, Best Bond House in Taiwan
Asiamoney, Best Local Research and Sales & Trading Team
FinanceAsia, Best Local Investment Bank
The Asset, Best Investment Bank in Taiwan



Asiamoney, Best Bond House in Taiwan
Asiamoney, Best Local Brokerage
Global Finance Magazine, Best Investment Bank in Taiwan



Asiamoney, Best Local Brokerage
Global Finance Magazine, Best Investment Bank in Taiwan



Asiamoney, Best Bond House in Taiwan
Asiamoney, Best Local Brokerage Rank #1, Best Overall Sales Rank #1, Best Sales Trading Rank #1, Best Execution Rank #1
FinanceAsia, Best Bond House in Taiwan
The Asset, Best Bond House in Taiwan
The Asset, Deals of the Year
The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds Rank #1



Asiamoney, Best Bond House in Taiwan
FinanceAsia, Best Bond House in Taiwan
The Asset, Best Bond House in Taiwan
The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds Rank #2



Asiamoney, Best Bond House in Taiwan

The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds & Corporate Bonds Rank #1, and Leading Bank in Taiwan Dollar Government Bonds Rank #2



Asiamoney, Best Bond House in Taiwan

Asiamoney, Best Managed Company (Medium Cap) for Taiwan, and Best Debt House - Taiwan

FinanceAsia, Best Bond House - Taiwan

Financial Supervisory Commission, First class award in risk management assessment

The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds Rank #2, and Leading Bank in Taiwan Dollar Corporate Bonds Rank #2



Asiamoney, Best Local Brokerage Rank #2

The Asset, Asian Currency Bond Benchmark Survey, Best Domestic Bond House, Corporate Bonds Market Share 1st Bank, and Government Bonds Market Share 2nd Bank



Asiamoney, Best Domestic Bond House, Best Fixed Income Local Provider for Interest Rates Products Rank #2, and Best Local Brokerage Rank #2

Department of Treasury of Central Bank, Best Government Bond Dealer Rank #1

FinanceAsia, Best Equity House and Best Bond House

Financial Supervisory Commission, First class award in risk management assessment

GreTai Securities Market, Excellent Issue of New Financial Products, Golden Laureate Award

GreTai Securities Market, Excellent Listing Recommended of GTSM Market (Emerging Stock Board), Golden Laureate Award

GreTai Securities Market, Excellent Stock/Bond Underwriter, Golden Laureate Award

Taiwan External Trade Development Council (TAITRA), Top 20 Taiwan Global Brands

The 11th Golden Goblet Award, Outstanding Securities Expertise, and Outstanding Financial Innovation

The Asset, Asian Currency Bond Benchmark Survey, Best Domestic Bond House, Top Bank in the Secondary Market for Government Bonds, Taiwan, and Top Bank Arranger – Quality and Number of Primary Government Bond Deals, Taiwan

World Finance, Best Investment Bank 2011 – Taiwan



Asiamoney, Best Foreign and Local Brokerages in Taiwan Research Rank #3, Best Execution Award Rank #3, Best Roadshow and Company Visit Award Rank #2

GreTai Securities Market, Best Market Making for Government Bonds Rank #3, first half of 2012

Taiwan Stock Exchange, Outstanding Innovation Award

The Asset, Asian Currency Bond Benchmark Survey, Top Bank in the Secondary Market for Government Bonds



Asiamoney, Best Foreign and Local Brokerages in Taiwan Research Rank #3

Global Views Monthly, Rank #4 in the Banking category of 11th "Service Industry Survey"

GreTai Securities, Rank #3 in Central Government Bond Market Maker Review during the second half of 2013

GreTai Securities, Most IPO Cases in the GreTai Securities Market (GTSM) and Registrations in the Emerging Stock Market in 2013

Taiwan Central Bank, Best Government Bond Dealer

The Asset, Best Bond House in Taiwan

TWSE, Rank #1 in IPO Fund-raising, Rank #1 in SPO (Secondary Public Offering) Fund-raising, and Rank #2 in Market Value in IPO

TWSE, Rank #2 in the number of warrants issued, Rank #2 in the total value of warrant transactions, and the best warrant market maker in Taiwan



BSI, BS10012:2009 Specification for a Personal Information Management System

FinanceAsia, Best Taiwan Deal

FinanceAsia Country Awards, Best Taiwan Investment Bank, Best Taiwan DCM, Best Taiwan ECM

GreTai Securities Market Golden Laureate Award -Securities Market, Rank #1 in bond trading, Rank #2 in bond issue

GreTai Securities Market Golden Laureate Award -Securities Market, Rank #1 in Listing Advisory Service, Rank #2 in the Emerging Stock Market Making

GreTai Securities Market Golden Laureate Award -Securities Market, Rank #1 in OTC Derivatives Transaction Volume, Rank #3 in the Number of New Issues of Warrants

GreTai Securities Market Golden Laureate Award -Securities Market, Rank #2 in Brokerage

Taiwan Central Bank, Best Government Bond Dealer

The Asset, Best Bond House in Taiwan

TWSE, Rank #1 in SPO (Secondary Public Offering) Fund-raising

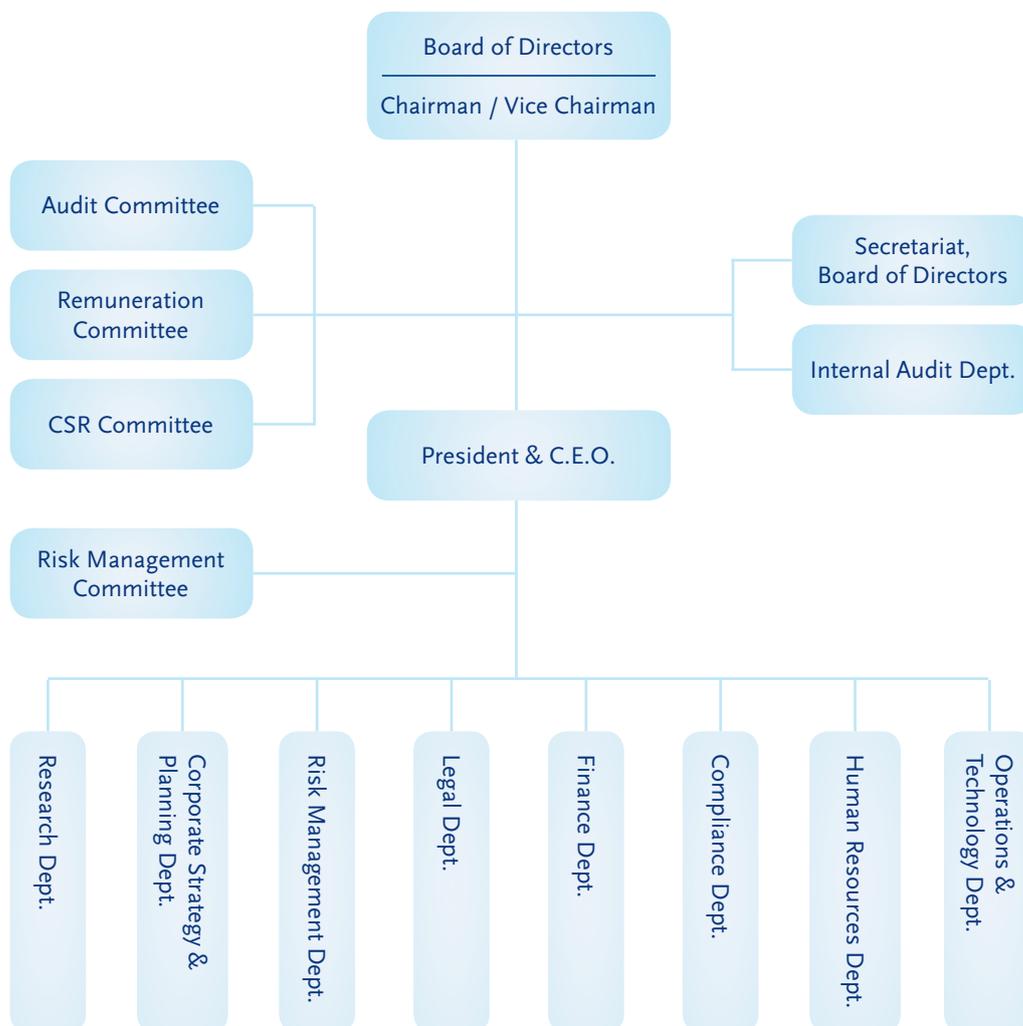
TWSE, Rank #2 in the total value of warrant transactions, Rank #3 in the number of warrants issued

Corporate Governance

Corporate governance has become a global trend. Only companies with a well-established corporate governance regime can demonstrate real corporate value. CDF firmly believes that business sustainability can only be ensured through the implementation of corporate governance and the trust of investors.

Organization and Responsibilities of Key Departments

I. Organization chart of CDF



CDF has stipulated in its Articles of Incorporation that the organizational structure and functions of all departments be in accordance with Corporate Governance Best-Practice Principals for Financial Holding Companies approved by the regulatory authorities. An independent Internal Audit Department has also been established. In order to avoid conflict of interest, the head of this department is not permitted to perform duties unrelated to internal auditing.

CDF established the CSR Committee in accordance with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies. The committee is in charge of the establishment and execution of corporate social responsibility policy, and to ensure the implementation of such policies.

II. Functions of key departments

Secretariat, Board of Directors	Secretarial duties for the Board of Directors, Audit Committee and other functional committees under the Board of Directors; handling stock-related matters
Internal Audit Department	Responsible for matters relating to business audits and internal controls
Research Department	Corporate credit checking, industry research, macroeconomic research
Corporate Strategy and Planning Department	Strategic planning, administration of subsidiaries, investor relations, media and general shareholder relations, sponsorship of charitable activities and material information disclosure
Risk Management Department	Managing risk, including credit risk, market risk and operational risk
Legal Department	Responsible for handling all legal related issues
Finance Department	Financial management, capital management, and performance management; handling of all accounting-related matters
Compliance Department	Planning, administration and execution of compliance policy
Human Resources Department	Human resource management, employee relations and matters relating to the Remuneration Committee
Operations and Technology Department	General affairs, IT and operations

III. Primary duties of functional committees

1. Audit Committee

The Audit Committee consists of all independent directors of CDF. The powers of the Committee are as follows:

- The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act;
- Assessment of the effectiveness of the internal control system;
- The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others;
- Matters in which a director is an interested party;
- Asset transactions or derivatives trading of a material nature;
- The offering, issuance, or private placement of equity-type securities;
- The hiring or dismissal of a certified public accountant, or their compensation;
- The appointment or discharge of a financial, accounting, or internal audit officer;
- Annual and semi-annual financial reports; and
- Other material matters as may be required by this Corporation or by the competent authority.

2. Remuneration Committee

The Remuneration Committee consists of all independent directors. Its duties are:

- Establishing and periodically reviewing the policy, system, standards and structure of the performance evaluation and remuneration of directors (including the chairman and vice chairman) and management members;
- Periodically assessing and setting the remuneration contents and structure of directors (including the chairman and vice chairman) and management members; and
- Deciding on matters assigned by the Board of Directors.

With the exception of matters assigned by the Board of Directors and regulations and rules approved by the Board of Directors, which may be implemented after the Remuneration Committee gives its approval, all decisions made by the Committee must be sent to the Board of Directors for discussion.

3. CSR Committee

CDF has established a CSR Committee, which reports to the Board of Directors, in order to proactively participate in public affairs, promote the balance between the economy, society and environment, and implement corporate social responsibility policies with a view to corporate sustainability. The Committee has the following duties:

- Determining the annual corporate social responsibility plan and strategy;
- Determining corporate social responsibility projects and activity plans;
- Tracking and reviewing the execution results of the annual corporate social responsibility plan, strategy and activities;
- Reviewing and approving the corporate social responsibility report; and
- Determining other matters relating to corporate social responsibility and public affairs participation as assigned by the Board of Directors.

4. Risk Management Committee

The Risk Management Committee was established in order to ensure the consistency, appropriateness, stability and transparency of the risk management mechanisms of CDF and its subsidiaries by integrating, planning, overseeing and managing the various risk areas of CDF and its subsidiaries. The duties of the Committee are:

- Fostering a risk-management oriented culture within CDF; deepening and expanding risk management; and boosting the effectiveness of risk management;
- Reviewing the risk management framework via the procedures of identifying, assessing, monitoring, reporting and responding to risks, including key risks such as market, credit and operational risks; establishing a top-down, cross-firm and cross-business risk management and reporting regime to effectively manage risk;
- Supervising the establishment of the risk management framework; overseeing the execution of overall risk management practice;
- Periodically reviewing the risk management reports of CDF and its subsidiaries, including reports on market, credit, operational, interest rate and liquidity risks, in order to evaluate whether the risks undertaken by CDF and its subsidiaries are within the established risk tolerance, and to assess the implementation of the risk management system. In addition, the Committee periodically reviews and analyzes, from the financial holding company's overall perspective, various risk-concentration situations at CDF and its subsidiaries; and
- Periodically reporting to the Board of Directors of CDF the execution of risk management by CDF and its subsidiaries, as well as proposals for improvement. In the event of a major risk event, the Committee shall ensure that all subsidiaries adopt appropriate measures and report to the Board of Directors of CDF.

Structure & Independence of the Board of Directors

Of the 11 board members of CDF, three are independent directors with a prestigious professional background. In addition, CDF has set up the Audit Committee and Remuneration Committee to improve corporate governance, with members coming from the financial, industrial and academic sectors and boasting extensive management experience and professional expertise.

I. Education background and experience of board members

Title	Name	Education background and experience
Chairman	Kai Tung Investment Co., Ltd. Representative: Mu-Tsai Chen	Master of Economics, National Taiwan University; Chairman, Bank of Taiwan
Managing Director	Chi Jie Investment Co., Ltd. Representative: Chia-Juch Chang	Ph.D. Purdue University, U.S.A.; Minister, Ministry of Economic Affairs, R.O.C.
Independent Director/ Managing Director	Ching-Yen Tsay	Ph.D., University of Utah, U.S.A.; Group Senior Advisor, Compal Electronics Inc.
Director	GPPC Chemical Co., Ltd. Representative: David Chen	Doctor of Business Administration, Nova University, Fort Lauderdale, Florida, U.S.A.; Senior Executive Vice President, China Development Industrial Bank
Director	Chi Jie Investment Co., Ltd. Representative: Mark Wei	M.B.A. in International Business, George Washington University, Washington, D.C., U.S.A. M.S. in Financial Management, Benjamin Franklin University, Washington, D.C., U.S.A. Director General, Insurance Bureau of Financial Supervisory Commission
Director	Kai Tung Investment Co., Ltd. Representative: Paul Yang	M.B.A., Harvard University, U.S.A., M.S. in Mechanical Engineering, Massachusetts Institute of Technology; Senior Executive Vice President & Chief Investment Officer, China Development Financial Holding Corporation
Director	Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	B.A. in Business Administration, University of Washington, U.S.A.; Director, Singapore Transmarco Limited
Director	Shin Wen Investment Co., Ltd. Representative: Long-I Liao	B.A. in Economics, National Taiwan University; President, First Commercial Bank
Director	Bank of Taiwan Co. Ltd. Representative: Jen-Chieh Pan	B.A. in Accounting, National Chung Hsing University; Secretariat, Bank of Taiwan
Independent Director	Hue-Sun Teng	Master in Business Administration, Middle Tennessee State University, U.S.A.; Senior Vice President, Fullerton Financial Holdings, Pte. Ltd.

Title	Name	Education background and experience
Independent Director	Gilbert T.C. Bao	B.A., University of Southern California, U.S.A.; Chairman, Taiwan Man-made Fiber Industries Association

II. Qualifications and expertise of board members

Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company
Kai Tung Investment Co., Ltd. Representative: Mu-Tsai Chen	√	√	√
Chi Jie Investment Co., Ltd. Representative: Chia-Juch Chang	√		√
Ching-Yen Tsay	√		√
GPPC Chemical Co., Ltd. Representative: David Chen			√
Chi Jie Investment Co., Ltd. Representative: Mark Wei			√
Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee			√
Shin Wen Investment Co., Ltd. Representative: Long-I Liao			√
Bank of Taiwan Co. Ltd. Representative: Jen-Chieh Pan			√
Hue-Sun Teng			√
Gilbert T.C. Bao			√

III. Operations of the Board of Directors

The Board convenes a meeting on a regular basis (monthly) or immediately in the event of emergency. The board secretariat prepares agenda items for board of directors meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting to all directors of the board before regulatory deadlines.

To ensure smooth operations of the board, CDF has established Rules of Procedure for Board of Directors Meetings, stipulating the items to be discussed at board meetings. If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.

The Board of Directors has instituted guidelines to avoid conflicts of interest among board members, namely:

1. Avoidance of conflicts of interest

- (1) For better corporate governance and heightened awareness of conflicts of interest by the board as regards investor rights, Paragraph 1, Article 16 of the Rules of Procedure for Board of Directors Meetings stipulates: "If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter."
- (2) In order to disclose in full transparency the conduct of a director in the board meeting in the event of a conflict of interest, Paragraph 1, Article 17 of the Rules of Procedure for Board of Directors Meetings mandates the board meeting minutes shall record the name of any director that is an interested party with respect to any agenda item, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal.

2. Measures to avoid conflicts of interest

- (1) The regulations and guidelines regarding conflicts of interest are attached with the agenda and meeting materials sent to the directors. As highlighted in large and bold text, the regulations and guidelines are to remind directors to recuse themselves during discussion or vote on a conflicted matter.
- (2) In the event of discussion on a matter deemed a conflict of interest for a director, in addition to the meeting procedures unit announcing the name of the director, the chairman of the meeting shall remind him or her to recuse him- or herself from the proceedings.

3. The meeting minutes shall record details of the agenda item with which a director has a conflict of interest and of his or her participation during discussions on the matter, in accordance with Paragraph 1, Article 17 of the Rules of Procedure for Board of Directors Meetings. The meeting minutes shall be further submitted for confirmation at the next board meeting.

Conflict of interest agenda items for directors and recusals in 2014

Recused director	Agenda item	Reason for recusal	Notes
Jan 27/ 5th-term board, 12th meeting			
Mu-Tsai Chen	2013 performance bonus for chairman of the board	Mu-Tsai Chen is the chairman.	Recused
Feb 24/ 5th-term board, 14th meeting			
Mu-Tsai Chen	Performance review results of chairman of the board doubling as chairman of subsidiary CDIB	Mu-Tsai Chen is the chairman.	Recused
April 28/ 5th-term board, 17th meeting			
Long-I Liao, Chin-Yen Tsay, David Chen, Paul Yang, Eddy Chang, Howe Yong Lee, Jen-Chieh Pan, Gilbert T.C. Bao	Abolishment of non-competition restrictions set on 5 th -term directors, including institutional entities and their representatives	Non-competition restrictions are lifted for Long-I Liao, Ching-Yen Tsay, David Chen, Paul Yang, Eddy Chang, Howe Yong Lee, Jen-Chieh Pan, Gilbert T.C. Bao and Bank of Taiwan.	Recused individually from discussion and vote on the matter concerning themselves
Aug 25/ 5th-term board, 24th meeting			
Mu-Tsai Chen, Paul Yang, David Chen, Long-I Liao, Howe Yong Lee, Mark Wei, Eddy Chang, Jen-Chieh Pan, Ching-Yen Tsay, Gilbert T.C. Bao, Hue-Sun Teng	2013 compensation of directors	Mu-Tsai Chen, Paul Yang, David Chen, Long-I Liao, Howe Yong Lee, Mark Wei, Eddy Chang, Jen-Chieh Pan, Ching-Yen Tsay, Gilbert T.C. Bao and Hue-Sun Teng are directors or representatives of institutional directors from 2013.	Recused individually from discussion and vote on the matter concerning themselves
Sep 12/ 5th-term board, 25th meeting			
Long-I Liao, Mark Wei	Appointment of Mark Wei, Eddie Yu-Chang Wang, Richard Chang, Long-I Liao, Hsiao-Ling Shen and Sheire Chiu as 9 th -term directors of the board of subsidiary Cosmos Bank and Shiou-Wei Lin, Hsien-Lang Lin and Wen-Yew Wang as its independent directors	Long-I Liao and Mark Wei are the proposed appointees.	Recused

Recused director	Agenda item	Reason for recusal	Notes
October 27/ 5th-term board, 28th meeting			
Chia-Juch Chang	Appointment of Chia-Juch Chang as a director of the board of subsidiary CDIB	Chia-Juch Chang is the proposed appointee.	Recused
Chia-Juch Chang	Proposal to appoint Chia-Juch Chang as managing director and chairman nominee of subsidiary CDIB	Chia-Juch Chang is a managing director and chairman nominee of subsidiary CDIB.	Recused
Nov 24/ 5th-term board, 29th meeting			
Chia-Juch Chang	Remuneration of vice chairman of the board	Chia-Juch Chang is the vice chairman.	Recused
Dec 29/ 5th-term board, 30th meeting			
Mu-Tsai Chen, Chia-Juch Chang, Ching-Yen Tsay, Paul Yang, Mark Wei	Appointment of Mu-Tsai Chen, Chia-Juch Chang, Paul Yang, Mark Wei, Daw-Yi Hsu, Ching-Yen Tsay, Hsien-Lang Lin, Hsing-Cheng Tai and Daniel Wu as the 1st-term members of the Corporate Social Responsibility (CSR) Committee	Mu-Tsai Chen, Chia-Juch Chang, Ching-Yen Tsay, Paul Yang and Mark Wei are the 1st-term members of the CSR Committee	Recused

Courses relating to corporate governance attended by directors in 2014

Course	Duration		Host	Name of the director	Hours
	Start	End			
Operating practices of independent directors and Audit Committee	2014/3/7	2014/3/7	Taiwan Corporate Governance Association	Long-I Liao	3
Review of major corruption scandals and criminal asset forfeiture confiscation	2014/3/14	2014/3/14	Taiwan Corporate Governance Association	Ching-Yen Tsay	3
Legal responsibilities as a director and planning on liability insurance	2014/3/25	2014/3/25	Chinese National Association of Industry and Commerce, Taiwan	Mark Wei	3
Corporate governance & corporate crisis management	2014/3/26	2014/3/26	Chinese National Association of Industry and Commerce, Taiwan	Hue-Sun Teng	3
M&As and legal responsibility as a director	2014/5/21	2014/5/21	Taiwan Corporate Governance Association	David Chen	3
Class for supervisors in the trust industry (on service included)	2014/10/2	2014/10/2	Taiwan Academy of Banking and Finance	Paul Yang	6

Course	Duration		Host	Name of the director	Hours
	Start	End			
Equity planning and election of directors for listed companies	2014/10/24	2014/10/24	Taiwan Corporate Governance Association	Gilbert T.C. Bao	3
Rights, obligations and legal responsibilities as a director	2014/11/6	2014/11/6	Taiwan Corporate Governance Association	Mu-Tsai Chen	3
Advanced class for accounting managers at securities issuers, brokerages and exchanges	2014/11/13	2014/11/14	Accounting Research and Development Foundation	Jen-Chieh Pan	12
Class for supervisors in the trust industry (on service included)	2014/11/20	2014/11/20	Taiwan Academy of Banking and Finance	Hue-Sun Teng	3

IV. Remuneration of directors

The compensation the directors receive is determined according to the Company Act and Best Financial Holding Companies' Governance Practices, with considerations of their participation and contribution as well as company operating results, and specified in the Articles of Association.

1. In Article 28: Participation and contribution of the directors, along with company operating results and a market pay scale, will be considered by the board for the compensation they receive.
2. In Article 33: Earnings to be distributed are calculated from the surplus income after losses from the previous year, taxes, legal reserves, and (reversal of) other special reserves are deducted. No less than 1% of the amount will be allotted to employees and no more than 1% to directors. The board determines how to distribute among directors based on the quota agreed at the annual general meeting (AGM) with consideration of their individual contribution.

Audit Committee

I. Organization and operation

1. The Audit Committee officially commenced operation on June 24, 2011, with three sitting members.
2. The Audit Committee shall convene at least once every quarter, or anytime when needed. In 2014, a total of fourteen meetings were convened, with attendance detailed below.

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)
Independent Director	Ching-Yen Tsay	14	0	100
Independent Director	Gilbert T.C. Bao	12	2	86
Independent Director	Hue-Sun Teng	14	0	100

Conflict of interest agenda items for independent directors and recusals in 2014

Recused independent director	Agenda Item	Reason for recusal	Notes
Ching-Yen Tsay, Gilbert T.C. Bao	Abolishment of non-competition restrictions set on 5 th -term directors, including institutional entities and their representatives.	Ching-Yen Tsay and Gilbert T.C. Bao are the concerned parties.	Concerned parties among the independent directors did not participate in the vote following discussion regarding potentially allowing themselves to operate in competitive business.

II. Communication of independent directors with internal auditor head and CPA

1. The Internal Audit Department of the company submitted the following work statement report to members of the Audit Committee and independent directors in 2014:

- (1) The Internal Audit Department reports its audit business to the Audit Committee and the Board of Directors every six months, pursuant to Article 10 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
- (2) The Internal Audit Department conducts a routine audit at least once annually, and a special audit on operations of the company as well as subsidiaries (CDIB and KGI Securities), with a focus on the Finance, Risk Management and Compliance Departments, at least every six months, pursuant to Articles 15 and 19 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The Internal Audit Department is also required by the regulatory authorities to carry out enhanced inspection of subsidiaries. All aforementioned internal audit reports are delivered to the Audit Committee for review.
- (3) The Internal Audit Department prepares audit plans for the upcoming fiscal year in a prescribed format, for approval by the Audit Committee and Board of Directors, pursuant to Article 22 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
- (4) The Internal Audit Department conducts follow-up reviews on any examination opinions or audit deficiencies brought up by the financial examination authority, CPA, or internal audit unit, and on matters specified in the internal control system statement as per requirement for improved efforts in auditing policy and practice. The Department then submits a written report on the implementation of improvements designed to rectify deficiencies to the Board of Directors, with a copy going to the Audit Committee, pursuant to Article 26 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
- (5) Within three months of the end of each fiscal year, the Internal Audit Department prepares a statement on the current status of the internal control system, jointly signed and issued by the chairperson, president, general auditor, and compliance officer, for submission to the Audit Committee and Board of Directors for review, pursuant to Article 27 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
- (6) Any additional or revised content made to the internal control system must be submitted to the Board of Directors and Audit Committee for review, in accordance with Article 6 of the Audit Committee Organizational Guidelines.

2. The company's Finance Department regularly submits the CPA-reviewed financial reports to the independent directors for inspection, with the CPA reports and discuss findings directly with the independent directors.

III. Scope of function

- The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act;
- Assessment of the effectiveness of the internal control system;
- The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others;
- Matters in which a director is an interested party;
- Asset transactions or derivatives trading of a material nature;
- The offering, issuance, or private placement of equity-type securities;
- The hiring or dismissal of a certified public accountant, or their compensation;
- The appointment or discharge of a financial, accounting, or internal audit officer;
- Annual and semi-annual financial reports; and
- Other material matters as may be required by this Corporation or by the competent authority.

Remuneration Committee

I. Organization and operation

1. The Remuneration Committee officially commenced operation on September 30, 2011, with three sitting members.
2. The term for current committee members is from June 19, 2013 to June 12, 2016. In 2014, a total of eleven meetings were convened, with attendance detailed below.

Title	Position holder	Name	Qualified category* (1, 2, 3)	Actual attendance	Attendance by proxy	Actual attendance ratio (%)
Chief	Independent Director	Ching-Yen Tsay	1, 3	11	0	100
Member	Independent Director	Gilbert T.C. Bao	3	8	3	72.7
Member	Independent Director	Hue-Sun Teng	3	10	1	90.9

* Qualifications required to become a committee member (please fill in 1, 2, or 3 in the chart above):

- (1) Position of lecturer and above at public or private universities and colleges in the fields of commerce, law, finance, accounting and related fields;
- (2) Judge, prosecutor, lawyer, Certified Public Accountant or professional and technical person with national examination certification as well as certificates in the business areas required by the companies ;
- (3) Persons with professional experience in the fields of commerce, law, finance, and accounting, or business areas required by the companies.

II. Scope of function

In recognition of the fundamental role that executive remuneration and organizational performance in generating solid corporate operations, the Remuneration Committee was set up in 2011, under the aegis of independent directors. The intention was to assist the Board of Directors in establishing a fair and transparent set of policies, systems, standards and structures of salary remuneration for the performance evaluation of directors (chairman and vice chairman included), supervisors and managers. The committee convenes meetings in accordance with the organizational charter and offers suggestions to the directors. The committee's main duties are as follows.

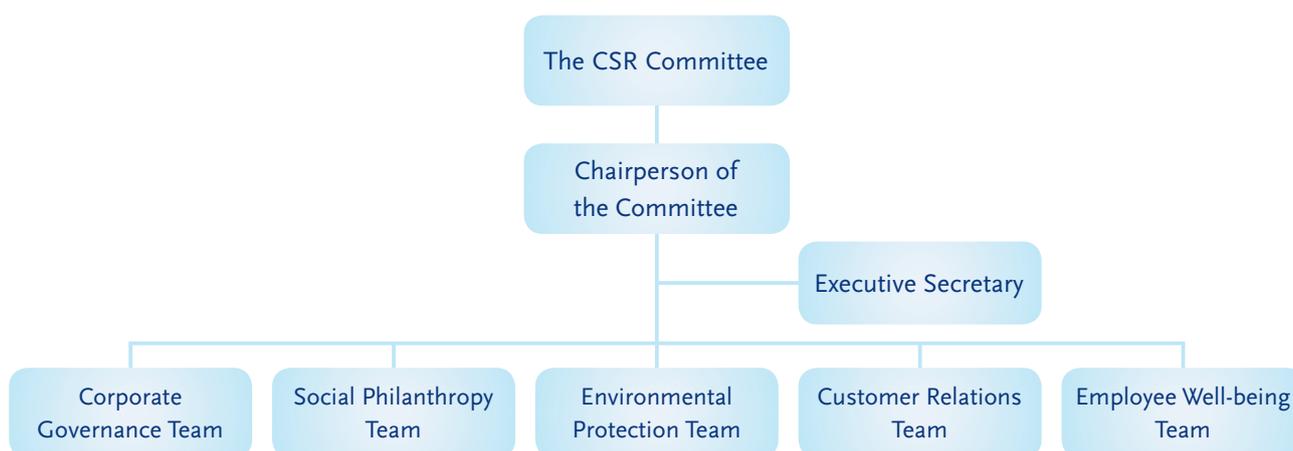
- (1) Periodically assessing and proposing amendments to the organizational charter.
- (2) Establishing and periodically assessing the performance and remuneration policies, systems, standards and structures for directors (chairman and vice chairman included) and executives.
- (3) Establishing and periodically assessing directors (chairman and vice chairman included) and individual executives' remuneration and related structure.

The remuneration of the company's directors (chairman and vice chairman included) and executives reflects comprehensive consideration of corporate earnings, individual performance and contribution, all of which are reported to the Remuneration Committee for review, prior to the Board of Director's approval.

Corporate Social Responsibility (CSR) Committee

I. The Organizational Structure and Operation of the CSR Committee

1. To actively participate in public affairs, achieve sustainable and balanced development of the economy, society, and environment, and to realize its corporate social responsibilities, CDF has established the Organizational Charter of the Committee of Corporate Social Responsibility (the CSR Committee) and set up the committee under the Board of Directors.
2. CDF's first term CSR Committee consists of nine members:
 - (1) Chairperson of the committee: Served by the Chairperson of the Board.
 - (2) Others: President of CDF, President of CDF's wholly-owned subsidiaries, CDF's independent directors, non-executive directors of CDF's wholly-owned subsidiaries, and others whose eligibility are approved by the board.
 - (3) The term of the committee members is the same as that of the current Board of Directors (Current term ends on June 12, 2016).
3. The CSR Committee shall convene at least twice a year, or anytime when needed.
4. Based on various task attributes, five working teams are set up under the CSR Committee—the Team of Corporate Governance, Social Philanthropy, Environmental Protection, Customer Relations, and Employee Well-being. The committee shall have one Executive Secretary and several other secretaries. The Executive Secretary shall act in accordance with the Chairperson's instructions, assist the Chairperson in managing the CSR Committee, and serve as the coordinator between different units and track the implementation of committee resolutions. Other secretaries shall assist the Executive Secretary in managing committee affairs and other tasks assigned by the Executive Secretary.



II. Scope of function

1. Outlining CDF's annual CSR plans and strategic direction;
2. Designing CSR programs and activities;
3. Tracking and reviewing the efficacy of annual CSR plans, strategic direction, programs, and activities;
4. Approving and finalizing the CSR Report; and
5. Passing resolutions regarding CSR- and public affairs-related tasks assigned by the Board of Directors. The CSR Committee shall report annually to the Board of Directors regarding the implementation of annual CSR initiatives.

The Auditing System

I. Organizational Structure of Internal Auditing

1. Reporting directly to the Board of Directors, the Internal Audit Department of CDF is responsible for establishing a chief auditor system to manage all audit business by outlining the organizational structure, duty, relevant rules and regulations of CDF. The department shall perform its duties in a detached and independent manner, and report its audit business to the Audit Committee and the Board of Directors at a minimum period of every six months.
2. A Chief Auditor is appointed to the Internal Audit department, whose rank is commensurate with that of executive vice president. The employment, dismissal, or transfer of the Chief Auditor should have the consent of more than two-thirds of board members and report to the competent authority for ratification. The department also has 19 auditors tasked with conducting internal audits of CDF and its subsidiaries.

II. Regulations and Operations of Internal Auditing

1. Responsibilities of the Internal Audit Department include:

- (1) Presenting internal audit working manuals and working papers and recommending improvements with regard to the appropriateness and effectiveness of internal controls within each department.
- (2) Monitoring the formulation of procedures for self-assessment of internal control systems by business and management units, and reviewing the implementation of the self-assessment undertaken by each unit.
- (3) Formulating the annual audit plans and based on the business risk profile of and implementation of internal audits by each subsidiary or department, determining audit plans targeted at each individual subsidiary or department.

By the end of each fiscal year, the Internal Audit Department shall submit written annual audit plans for the next year to the Audit Committee and the Board of Directors for approval.

The Internal Audit Department shall upload the following items to an Internet-based information system in a prescribed format for recordation by the competent authority: its audit plans for the next year by the end of each fiscal year; a report on the execution of its annual audit plans for the preceding year by the end of February; and any procedural changes implemented to rectify deficiencies and irregularities identified in internal control systems for the preceding year by the end of May.

The Internal Audit Department shall conduct a routine audit on CDF at least annually and a special audit on CDF's finance, risk management, and compliance with applicable acts and regulations at least semiannually. In addition, a monthly audit on financial derivatives business shall be conducted.

Within two months of following completion of the audit, the internal audit report shall be delivered to the chairman of the Board of Directors for approval, the President for review; and the Audit Committee for examination. According to applicable rules, the report shall also be uploaded to the website of the Financial Examination Bureau of the Financial Supervisory Commission for recordation.

The Internal Audit Department shall continually conduct follow-up reviews of any examination opinions or audit findings raised up by the financial examination agency, CPAs, or internal audit units, and of matters specified in the "Internal Control System Statement" as requiring stronger improvement efforts. The Internal Audit Department shall submit a written report on the implementation of improvements designed to rectify deficiencies to the Audit Committee and the Board of Directors for review and deliberation. It is to be noted that these improvement efforts form an important basis for the performance evaluation of relevant units and departments.

The Internal Audit Department shall supervise foreign or domestic subsidiaries based on regulations and evaluate annually the efficacy of the internal control activities of subsidiaries. The results of the evaluation shall be sent to the Board of Directors of the relevant subsidiary for reference with regard to the performance evaluation of relevant personnel.

For the purpose of self-assessment internal control system of CDF, the Internal Audit Department shall supervise and review the self-assessment reports of each department and subsidiary. The self-assessment reports, along with reports on any examination opinions or improvements designed to rectify audit deficiencies raised by the financial examination authority, CPAs, or internal audit units, shall serve as a basis for the Board of Directors, chairman, Chief Auditor, and Chief Compliance Officer to evaluate the overall efficacy of internal control systems and to issue the "Internal Control System Statement."

The Internal Audit Department shall organize self-assessment programs annually and hold training courses for auditors in accordance with the business attributes of each department of CDF.

2. Internal Audit Department procedures for handle material contingencies or significant deficiencies:

- (1) In the event the Internal Audit Department is noticed or informed of material contingencies/malpractice (including serious fraud) or significant procedural deficiencies at CDF and/ or its subsidiaries, it shall at once report to the chairman and independent directors of CDF as per regulations. The written report submitted to the competent authority shall immediately be submitted to the Audit Committee for review and deliberation.
- (2) In the event the improvement plan prepared by the Internal Audit Department in order to rectify the said significant deficiencies or noncompliance identified in internal control is not accepted by the management of CDF and its subsidiaries as a result the Company might incur a material loss, the Internal Audit Department shall submit a report to the chairman of CDF immediately. The Internal Audit Department shall also deliver a written report to the Audit Committee for review and deliberation, as well as to the competent authority.
- (3) In the event of material contingencies or significant internal control deficiencies, the Internal Audit Department shall request CDF and its subsidiaries to immediately rectify the deficiencies and conduct follow-up reviews to ensure all necessary improvements have been implemented. A comprehensive breakdown of the review and improvement process shall be submitted, in writing, to the Audit Committee and the Board of Directors for review and deliberation.

To improve the quality of auditing within CDF and enhance the skills of the company's auditors, all the auditors under the Audit Committee shall take at least 30 hours of courses annually, as offered by internal or external training institutions. In addition, since 2007, the Internal Audit Department has organized, on an annual basis, one-day professional training workshops for all CDF auditors, as well as occasionally hosting reading clubs in an effort to foster the continued education of the company's auditors. Meanwhile, all auditors have been actively participating in domestic and international audit-related seminars where they can enhance their knowledge of the most up-to-date auditing concepts and practices.

3. Other responsibilities:

- (1) Following the instructions issued by the competent authority.
- (2) Monitoring the procurement-related activities of CDF and its subsidiaries.
- (3) Participating in internal and external programs and seminars.

Risk management

Many years of experience in the financial market has taught CDF that effective risk management entails not only to predict and to prevent risks, but also to manage risks more efficiently and to turn them as the company's development opportunities. CDF has in addition integrated business and risk management operations in an attempt to hone its management strategies and fine-tune the corporate culture, with a view to putting risk management at front and center. The qualified and quantified results of risk management operations serve as the basis for the outlining of CDF's development roadmap. It should be noted that CDF formulates its risk management policies in accordance with international standards (e.g. the Basel Accords), the regulations of competent authorities, and its own business development plans.

To objectively and effectively manage risk exposure, CDF has set up an independent risk management department in charge of the formulation and implementation of risk management mechanisms, as well as the formulation of related policies and regulations.

In addition, each of CDF's subsidiaries has also set up its own risk management department as per legal requirement and in consideration of relevant business attributes. These risk management departments are responsible for the formulation and implementation of risk management mechanisms and related policies and regulations, as guided by their respective areas of business operation and CDF's overall risk management policies. To monitor the implementation of risk management practices, CDF and its major subsidiaries have also set up Risk Management Committees. These committees are specifically tasked with monitoring the risk exposure of CDF and its subsidiaries and with ensuring the smooth operation of the company's overall risk management program.

In order to guarantee that this latter objective is achieved, CDF has stipulated in clear terms the responsibilities of each of its subsidiaries as regards risk management. CDF and its subsidiaries' risk management organizational structure is detailed below:



CDF

The department is responsible for formulating, implementing, and maintaining CDF's risk management program and policies, and for ensuring that all CDF subsidiaries adhere to the parent's risk management agenda and put in place their own risk management mechanisms.

China Development Industrial Bank

The department is tasked with drawing up and executing risk management policies and mechanisms and with establishing a system for monitoring and reporting risk management information. The department is also responsible for identifying and controlling all kinds of transaction risks and for reviewing its risk management program on a regular basis.

KGI Bank

The department is charged with developing and implementing risk management policies and mechanisms and with setting up a system for monitoring and reporting risk management information. The department is also responsible for evaluating and monitoring capital adequacy, defining and controlling risk limits, and reviewing its risk management mechanism on a regular basis.

KGI Securities

The responsibilities of the department include formulating and implementing risk management policies and practices, managing the allocation of capital and resources, identifying and monitoring various transaction risks, reviewing the appropriateness of its risk management program, processes, and responses on a regular basis, and monitoring risk limits, coherence of policies, and the effectiveness of risk management practices.

CDF's risk management system covers market risk, credit risk, operational risk, and liquidity risk. A specific risk management policy is formulated for each risk category in accordance with international standards and CDF's risk management policies, to serve as a basis for CDF and its subsidiaries to manage various types of risk.

I. A well-structured organization

Supervised by the Board of Directors, CDF has established an appropriate risk management structure and corporate culture to ensure the efficacy of its risk management practices. The Board has oversight over critical risk control information and is ultimately responsible for risk management.

CDF has established a Risk Management Committee to supervise the formulation of risk management mechanisms, review risk control reports, and resolve risk management issues. The committee also monitors the overall implementation of risk management policies throughout the corporate structure.

The Risk Management Departments have been set up independent of the company's business units. These units are responsible for formulating and overseeing CDF's risk management system and supervising the risk management practices of its subsidiaries. It also provides overall risk management information to high-level executives and the Board of Directors.

II. Risk Assessment

CDF has adopted appropriate measures to assess various sources of risk. It bases its sound risk management policies on estimates of potential losses and the correlation between various risk positions. The risk limits for its respective business units are clearly defined in the company's rules and regulations, drawn up in accordance with the law and guided by the need to diversify risk at all times.

III. Disclosure of Risk Management Data

CDF and its subsidiaries publicly disclose relevant risk management information, in addition to that required by the competent authority.

IV. Independent Responsibility and Accountability of Risk Management

In overseeing the implementation of risk management mechanisms, CDF and its subsidiaries distinguish between front-, mid-, and back-end business units to ensure independent responsibility and accountability across all units and to enhance the feasibility and independence of data checks.

Going forward, CDF will continue to strengthen its risk identification and evaluation capabilities in order to improve the efficacy of risk management. In addition to complying with the relevant capital adequacy requirements for financial holding companies and various businesses, CDF will also continue to enhance its early risk warning system and evaluate risk capital in a more precise way to ensure sound business operations. The ultimate goal of the company as regards risk management is to provide clients with the most secure and trustworthy financial products in the market.

Compliance

Compliance is the core foundation on which CDF is built. In addition to formulating the Compliance Policies and Implementation Guidelines to ensure the compliance of employees, CDF also has a clearly-defined internal control system to ensure sound operations. Each department and unit of the company has its own compliance officer, whose job it is to enforce the implementation of compliance policies.

All compliance policies and guidelines enacted by CDF not only apply to the departments and units under CDF but also to its subsidiaries as managing and guiding principles. These policies and guidelines can be summarized in the following directives:

- I. Establishing a transparent and efficient system for legal communication, consultation, coordination, and general communication.
- II. Ensuring that all business and management guidelines are updated in a timely manner to keep abreast of relevant laws, so that all aspects of business operations are compliant with the law.
- III. Defining the criteria and processes for evaluating compliance practice and monitoring the regular self-evaluation by each department and unit in CDF.
- IV. Organizing appropriate legal training sessions for employees.
- V. Verifying the legality of CDF's various businesses.
- VI. Monitoring the compliance of all subsidiaries of CDF.
- VII. Managing other compliance-related affairs.

It is required that all departments and units under CDF conduct a self-evaluation of compliance practice every six months to ensure that an adequate degree of compliance is achieved at all levels of the company.

Stakeholder Engagement

Stakeholder Engagement

Corporate social responsibility has long been a key concern of CDF in its daily business practice. The company has identified multiple stakeholders in its sustainable development, including employees, investors, clients, regulators, vendors, communities, and other financial institutions. CDF sees all stakeholders as partners *en route* to long-term business success. Guided by its motto “Partnership for Success,” the company is committed to understanding the issues that concern stakeholders and to establishing appropriate channels of communication with stakeholders in order to maintain timely, convenient, close, and effective dialogue with them. Based on stakeholder input, CDF undertakes strong response measures in an effort to meet the expectations and needs of stakeholders and to minimize factors that impinge on sustainable business development.



Stakeholder Engagement

Stakeholders	Issues of Concern	Impact on Business Operations (high/medium/low)	Stakeholder Engagement
Employees	<ul style="list-style-type: none"> • Salary and benefits 	High	<ul style="list-style-type: none"> • Establish the Remuneration Committee. • Focus on professional competency of employees in recruitment. • Establish the Employee Welfare Committee.
	<ul style="list-style-type: none"> • Performance evaluation • Education and training • Workplace safety • Internal communication • Healthcare • Human rights 	Medium	<ul style="list-style-type: none"> • Determine remuneration based on the overall performance of the company and personal performance. • Establish a learning platform (The CDF Financial Academy) for employee development. • Maintain a healthy and safe workplace environment • Establish a fair and equitable system and open communication channel to protect the rights of employees. • Hire registered nurses to ensure employee safety and implement labor safety and hygiene policies. • Comply with labor laws and value employment equality.
Investors	<ul style="list-style-type: none"> • Corporate governance • Business performance • Compliance 	High	<ul style="list-style-type: none"> • Set up the company's organizational structure and department functions based on relevant laws. • Establish an independent department of internal audit. • Formulate risk management policies and mechanisms. • Establish the Audit Committee and Remuneration Committee and convene regular meetings.
	<ul style="list-style-type: none"> • Disclosure of business information • Protection of investor rights 	Medium	<ul style="list-style-type: none"> • Convene shareholder meetings to protect shareholder rights. • Regularly disclose information on the Market Observation Post System and the company's official website. • Participate in domestic and international roadshows organized by foreign securities firms. • Set up Chinese and English language websites on investor relations, where investors can view/ download information on the company. • Provide Investor Relations contacts (phone and email) to enable timely communication.

Stakeholders	Issues Concerned	Impact on Business Operations (high/medium/low)	Stakeholder Engagement
Clients	<ul style="list-style-type: none"> High-quality financial products and services Client information protection 	High	<ul style="list-style-type: none"> Continually deliver innovative and unique financial products from all subsidiaries. Collect, process, and use client information in accordance with regulations and disclose "Privacy Policy" on the official website.
	<ul style="list-style-type: none"> Branch offices Digital services Customer satisfaction Customer relations management Corporate image 	Medium	<ul style="list-style-type: none"> Set up branch offices or service stations in major business districts and communities. Provide convenient online banking services, online trading, and mobile app platforms. Frontline staff members should interview clients or conduct customer satisfaction surveys to collect client feedback and ascertain the level of satisfaction. Set up customer hotlines for different businesses. Set up a feedback email address. Engage clients in social service activities to give back to the community.
Vendors	<ul style="list-style-type: none"> Open and transparent procurement 	Medium	<ul style="list-style-type: none"> Formulate Operation Guidelines for Procurement. Bidding and price negotiation are required for procurement to ensure a transparent and fair process. Emphasize fair and green procurement. Purchase low-energy and environmentally-friendly office supplies, multi-function machines, and lighting equipment.
Regulators	<ul style="list-style-type: none"> Compliance information disclosure 	High	<ul style="list-style-type: none"> Regularly track and examine the company's systems and operations as per the requirements of the competent financial authority. Establish a well-designed compliance system with routine evaluations to ensure good compliance practice. Regularly disclose information on the Market Observation Post System and the company's official website. Establish contacts and maintain a healthy relationship with the competent authority.
Other financial institutions	Fair competition	Medium	<ul style="list-style-type: none"> Participate in activities organized by trade associations of various businesses and strive to create a fair and harmonious competitive environment.
Communities	Giving back	Medium	<ul style="list-style-type: none"> The company has been recognized for its participation in community blood donation campaigns and social service activities. Give back to local communities according to various social development needs.
	Energy conservation and carbon reduction	Low	<ul style="list-style-type: none"> Adopt energy-saving and carbon reduction measures.

Investor Relations

Investor Relations

CDF attaches great importance to the management of investor relations. To disclose all aspects of its financial condition, CDF has set up an Investor Relations section on its official website where investors and analysts can access a variety of timely and comprehensive information.

Since 2012, CDF has adopted an item-by-item approach when passing resolutions at its annual general meetings in order to achieve full information disclosure and provide a forum for shareholders to openly voice their opinions on resolutions. Investors can access information regarding shareholder meetings and the process and results of the passing of resolutions item-by-item on CDF's official website under the Investor Relations, Shareholders Information and Shareholder Services sections.

To safeguard investor rights, CDF has participated in investor forums at home and abroad and roadshows hosted by foreign securities firms to make known CDF's business status and management strategies, in addition to maintaining full and transparent information disclosure. Since 2012, CDF has held investor conferences in which it engages in face-to-face communication with representatives of domestic and international institutional investors in an effort to improve operational transparency.

Under the Investor Relations section of CDF's official website (Chinese and English language), investors can access information on the stock prices, investor conferences, and shareholder meetings of the company. In addition, investors can download CDF's financial statements and annual reports, which disclose the very latest business status of the company. Meanwhile, Investor Relations Contacts are provided for investors to access all information on CDF via phone or email.



The Annual General Meeting on June 21, 2014



CDF Investor Conference on September 24, 2014

Employee Well-being

Human Rights Clauses

I. Creating an Equal Working Environment for All

CDF recruits, selects, and hires employees based on professional competence. Once employed, CDF works hand-in-hand with employees to enhance their work skills and professional knowledge through internal and external training programs.

II. Prevention of Workplace Sexual Harassment

To safeguard employees' safety and prevent sexual harassment in the workplace, CDF has formulated stringent policies for the prevention of sexual harassment and instituted an easily accessible and confidential complaints reporting process. It has also drawn up punitive measures for proven cases of sexual harassment, in accordance with the Act of Gender Equality in Employment. The complaints reporting procedure includes a panel for the reviewing of complaints, which helps ensure a working environment free of sexual harassment for all employees.

III. Protection of Employee Rights

To protect employee rights, CDF clearly sets out in the work rules the minimum period of advance notice for significant work-related changes in the company:

CDF may terminate an employment contract via advance notice under the following conditions:

1. Where the employers' businesses are suspended, or has been transferred.
2. Where the employers' businesses suffers an operating losses, or business contractions.
3. Where force majeure necessitates the suspension of business for more than one month.
4. Where the change of the nature of business necessitates the reduction of workforce and the terminated employees can not be reassigned to other suitable positions.
5. A particular worker is clearly not able to perform satisfactorily the duties required of the position held.

The minimum period of advance notice is given in one of the following ways:

1. Where an employee has worked continually for more than three months but less than one year, the notice shall be given ten days in advance.
2. Where a worker has worked continually for more than one year but less than three years, the notice shall be given twenty days in advance.
3. Where an employee has worked continually for more than three years, the notice shall be given thirty days in advance.

Employee Code of Conduct

CDF values integrity and professional conduct in its recruitment process. All CDF employees must comply with relevant laws and regulations and the code of conduct and ethics established by CDF when fulfilling their duties. CDF's code of conduct for employees is outlined as follows:

- I. Employees shall fulfill their duties based on honesty and integrity.
- II. Employees shall not disclose to anyone internal information on CDF or any client information obtained during the course of providing professional services, and shall not use such information for their own benefit or the benefit of others.
- III. Employees shall not engage in activities that against the interest of CDF or impair CDF's integrity and reputation.
- IV. Employees shall not receive or accept any gratuity or payment of any kind from any person having or intending to do any business with CDF.
- V. Guidelines for Avoidance of Conflicts of Interest

CDF upholds integrity as the principal of business. Through internal controls, internal audits, risk management, and other monitoring mechanisms, CDF is able to take full control of its business activities and always take the initiative to prevent fraud. CDF has also formulated stringent measures to ensure the company and all its businesses are compliant with codes of ethics and relevant laws and regulations.

In the event of an employee violating the company's code of conduct, the relevant department shall report to the Internal Audit Department for further investigation. In cases of proven violations, penalties shall be determined according to CDF's policy of reward/ penalty for employees. Violation of government laws and regulations shall be dealt with in accordance with relevant laws and regulations.

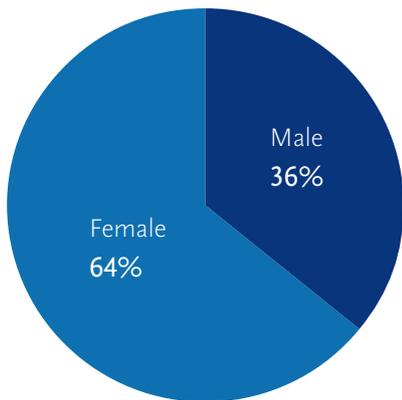
Recruitment of Employees

Talent is the most important asset of a company and the key to a company's success. To ensure recruitment of the best candidates, CDF finds talent through campus recruitment programs, job search websites, CDF's official website, and other channels before it interviews potential candidates.

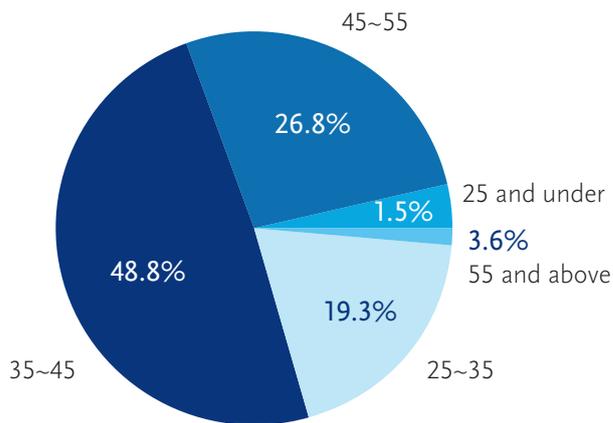
CDF's HR practices are in line with laws and regulations pertaining to labor, and all employee rights are protected. CDF emphasizes employment equity and prohibits any form of discrimination against any person because of gender, race, religion, political affiliation, sexual orientation, rank, national origin, or age. CDF, therefore, does not exercise any form of employment discrimination and does not use child labor or forced labor.

By the end of 2014, CDF had a total of 5,608 employees with a turnover rate of 17.1% and an average length of service of 8.51 years. Distributions of employees' gender, age, and education level are as follows (all figures as of end of 2014):

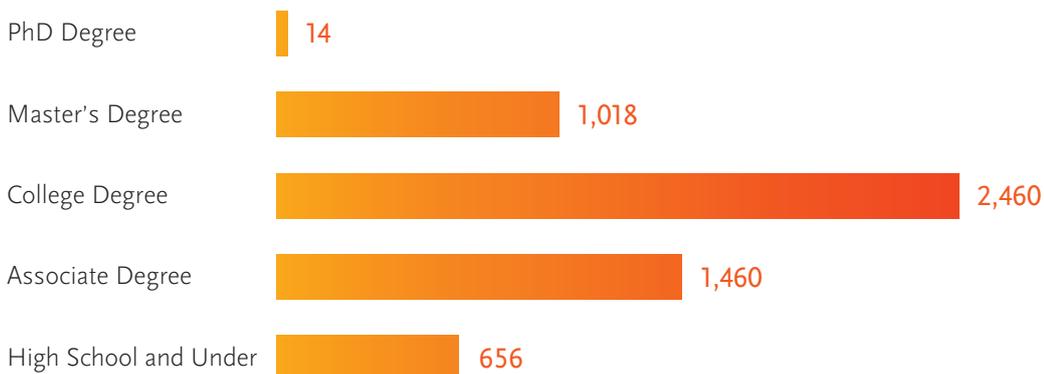
Gender Distribution of Employees



Age Distribution of Employees

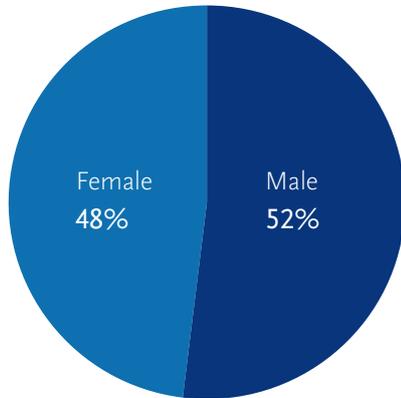


Education Level of Employees (Number of Staff)

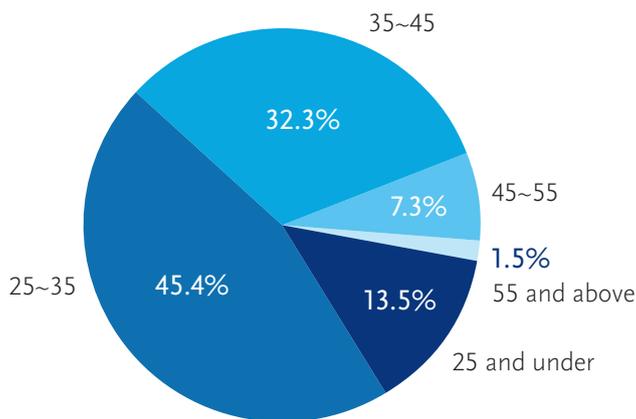


In 2014, CDF recruited 716 new employees. Distributions of the newly-recruited employees' gender, age, and education level are as follows (all figures as of end of 2014):

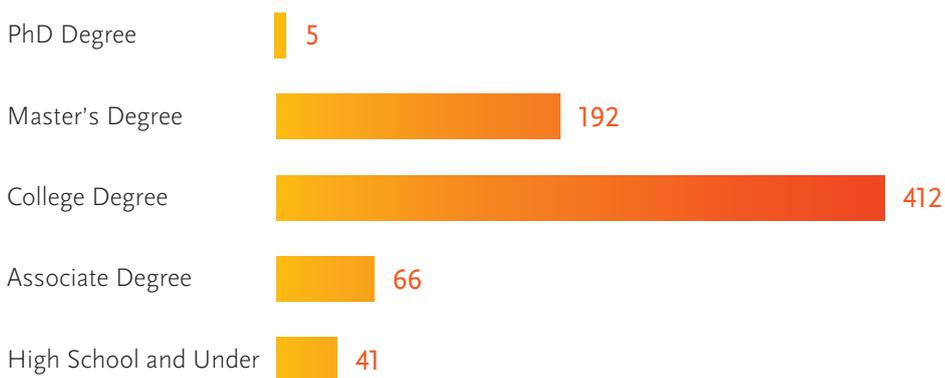
Gender Distribution of Newly-Recruited Employees



Age Distribution of Newly-Recruited Employees 25 and under, 13.5%



Education Level of Newly-Recruited Employees (Number of Staff)



In-service Education and Training for Employees

CDF values the personal development of its employees. It provides the best possible educational training resources and environment to its employees and has established the CDF Financial Academy to offer courses in banking and finance. Since the acquisition of Cosmos Bank in 2014 (now KGI Bank), CDF has also utilized the Bank's KGI e-College to offer educational services to employees. CDF continues to enhance the quality and range of online courses for employees, guided by the need to keep its workforce up-to-date with international trends in the field of finance. It also organizes courses on legal matters that focus on compliance with laws and regulations, as well as personal development instruction designed to enhance individual capabilities. Such courses are intended to equip CDF employees with a solid foundation of professional knowledge and expertise in the face of a rapid-changing financial world. Looking ahead, CDF will continue to use the CDF Financial Academy to facilitate knowledge exchange and experience sharing among its employees, all the while fostering a corporate culture of educational improvement and personal development.

In 2014, total participation of CDF and its subsidiaries in domestic and overseas training sessions (both physical and online) was 72,738, and total training hours reached 208,014. On average, each employee participated in 13 training sessions and received 37 hours of training. With CDF's acquisition of a new subsidiary Cosmos Bank (now KGI Bank), both participation and hours of training have increased significantly. As employees mostly attended high professional-level training sessions, they also clocked up more training hours. Judging by the questionnaires that employees filled out after the training sessions, they were overall "very satisfied" with the sessions, learning environment, and online platform.

The courses cover a wide variety of subjects. For newly-recruited employees, courses focus on the corporate structure, management team, legal compliance, money laundering prevention, risk management, codes of conduct, and employee well-being. Also available are internal and external training sessions tailored to specific job areas and relevant laws and regulations. In this regard, CDF makes a point of keeping employees updated with the most recent laws and regulations.

CDF has instituted a well-rounded competence assessment system of employees, which is designed to assess employees from different perspectives on a regular basis, and also to facilitate their personal development. This system is predicated on the company's comprehensive competence management mechanism, which is in turn attuned to its business philosophy. Over the years, the system has built up a proven track record of helping employees realize their competitive advantages and potential, and the need for broader personal development. In the long term, this aids employees in mapping out a blueprint for their future career.

Employee Compensation and Benefit

With the aim of recruiting and retaining outstanding talent, CDF has adopted a performance-based compensation system. In order to enhance its competitiveness in the market, the compensation system takes into account both overall business and individual employee performance in order to maximize benefits for the company, employees, and shareholders. Employee wages are determined as per local labor laws and regulations. The starting wage of employees is determined based on their professional capabilities and previous positions and experience. CDF does not discriminate against, or grant deferential treatment to, any person on the basis of race, age, national origin, sex, birthplace, or religion. In addition, there is no difference between the minimum wage offered to men and women at CDF. The company attaches great importance to the wages and benefits of all employees and strives to offer competitive remuneration packages. In 2014, Employee Benefit expense was NT\$10.09bn, up 14.2% from the previous year, a clear indication that CDF rewards its employees based on the status of business operations.

Benefits for employees include:

- I. Lunch meals - Healthy meals are provided free on a daily basis for all employees at company canteens.
- II. Group insurance for employees and family members - CDF provides accident and health insurance coverage to employees and their spouses, young children, and parents.
- III. Employee Welfare Committee - The committee was established in accordance with the Employee Welfare Fund Act. CDF appropriates employee welfare funds on a monthly basis. The funds are used for company tours, holiday bonuses, gifts, birthday cash gifts, and scholarships for employees' children, among others. The committee also seeks contractual relations with companies and stores that offer employees special discounts on food, clothes, travel, and entertainment.
- IV. Retirement scheme - Retirement packages are offered in accordance with CDF's retirement rules and the Labor Pension Act.

Employee Healthcare

CDF offers care to its employees in different ways. Not only does CDF constantly engage in dialogue with its employees, it also strive to respond to employee feedback in a timely manner. CDF also provides comprehensive healthcare benefits to employees, including support and assistance for those receiving hospital treatment.

In addition to contributing to employees' national labor and health insurance plans, as required by law, CDF also arranges regular health check-ups for its employees to make sure that they are healthy both mentally and physically. Workplace safety is just as high on CDF's agenda, as it holds regular seminars on labor safety, fire prevention, and disaster control and prevention. The company has implemented emergency response plans and reporting systems to minimize such risks. As a result, no workplace accident has ever occurred in CDF's history. As regards the issue of mothers' right to breastfeed, the company offers a supportive environment and has set up breastfeeding rooms. CDF also hires professional nurses to provide basic nursing care and disseminate healthcare information to help employees maintain physical and mental health.

CDF has implemented the following measures to provide a safe and healthy environment for its employees:

- I. Strict access control to ensure employees' safety at work;
- II. Regular safety testing of water dispensers, air conditioning, and lighting systems;
- III. Regular public safety checks and reports;
- IV. Regular cleaning and sanitation;
- V. Regular maintenance of surveillance systems;
- VI. Implementation of a smoke-free workplace; and
- VII. Establishment of comfortable breastfeeding rooms.

Labor Relations and Communication

CDF uses a variety of ways to maintain effective communication with its employees and responds to their feedback in a timely fashion. Due to the harmonious relations between CDF and its employees, no labor disputes have ever occurred.

Workplace Safety

CDF is committed to fulfilling its corporate social responsibilities and ensuring the safety of its employees by enabling a safe, healthy, and comfortable working environment. CDF stringently implements labor safety and healthcare policies and actively encourages employees to maintain physical and mental health. Below are some measures CDF has taken to ensure workplace safety:

I. Strengthening awareness of workplace safety to eliminate potential dangers in the workplace and reduce cases of occupational hazard.

To create a hazard-free working environment, CDF has set up a labor safety and health agency to arrange training sessions on workplace safety and fire drills to keep employees updated on the latest safety practices. CDF also works with safety professionals to conduct regular inspections of lighting systems and to measure CO2 levels in the office space to ensure its employees work in a healthy environment.

II. Making contributions to employees' insurance plans, arranging employee medical examinations, and setting up an Employee Welfare Committee to ensure employee welfare.

In addition to making contributions to national labor and health insurance plans and group insurance policies for its employees, CDF also arranges regular employee medical examinations. CDF hires professional nurses and regularly invites doctors from medical institutions to help implement programs to enhance employee health and prevent occupational hazards. These professional personnel also provide healthcare information and give health lectures. To ensure that overall employee welfare is taken care of, CDF has in addition set up an Employee Welfare Committee that handles support allowance for weddings and funerals, scholarships for employees' children, support for hospitalized employees, emergency assistance, post-disaster support, and grants to employee club activities.

III. Conducting regular emergency drills to strengthen disaster preparedness and response mechanisms.

To also emphasize the importance of disaster prevention and relief, CDF has set up the Safety Task Force to maintain and ensure safety within the company. The task force oversees the implementation of safety measures, educational training on safety, and regular safety drills. The directors of each department and staff at different branches are organized into safety task forces and meet regularly to maintain and ensure workplace safety.

These task forces include fire prevention, security, communication, and first-aid task forces. The relevant drills are conducted on a regular basis to ensure the safety of personnel and property. These drills enhance the ability to maintain or resume normal business operations in the event of robbery and natural disasters.

Strengthening Relations with Employees

2014 KGI Securities Family Day

KGI Securities has held a Family Day for the last six years. The theme of each event ranges from softball and theme park to fun fair and road running. The Family Day is popular among KGI Securities employees and their family members, and has become one of the largest signature annual events of the company. In 2014, KGI Securities invited employees of CDF and its other subsidiaries to the KGI Securities Family Day. An amazing turnout of over 4,000 made it a day to remember!

The 2014 KGI Securities Family Day was held on two separate days so that employees living in different areas could attend. On December 6, the Family Day for the Northern District was held along the Breeze Canal in New Taipei City, while on December 19, the Family Day for the Central and Southern District was held in Taichung Metropolitan Park. Both events featured road running, family DIY events, game challenges, live performances, fun fair booths, and a lucky draw. The wide range of activities made for a fun time for all comers. Great weather was the icing on the cake. From registration to the game challenges later in the day, the 2014 event was full of fun surprises for everyone. The bouncy castle proved the most popular spot with the kids, while Momo, a popular children's entertainer in Taiwan, also attracted a lot of attention during her performance.

Aside from the fancy dress theme, the road running race lured in many employees, making it a highlight of the day. The contestants all warmed up together and started running at the same time. The competition included a 1km event for families and their dogs, a 3km event for those somewhat fitter, and a 6km event for those that love a physical challenge. Some ultra keen competitors had actually signed up for the race before the Family Day, inspiring many others to also sign up right before the race. Mr. Dao-yi Hyu, Chairman of KGI Securities, fired the starting pistol, and the race along the Breeze Canal began.



CDF senior executives participated in the Family Day, including Mr. Mark Wei, Chairman of KGI Bank (second from left); Mr. Dao-yi Hyu, Chairman of KGI Securities (first from right); Mr. Chin-lung Tseng, Chairman of KGI Insurance Brokers (first from left); Mr. Eddie Yu-chang Wang, Vice Chairman of KGI Bank (third from left), and Mr. Richard Chang, President of KGI Bank (second from right).



Road running contestants warming up.

After the race, the worn-out runners were greeted with the sound of music coming from the center stage, while nearby others played game challenges and fun fair booths. The family DIY events and massage sections were crowded all day, while music lovers lapped up the glorious weather and sat on the lawn listening to live performances by talented singers. The 2014 Family Day reached its climax when Taiwanese pop sensation Amber An performed her hit song “Comfort of Love”. With the lucky draw taking place after her performance, the crowd was a sea of smiles, a sure sign of the great success of the 2014 KGI Securities Family Day.



Warm weather heated up the road running event.



Employees and family members enjoying the sun on the lawn.



Taiwanese pop sensation Amber An's performance was a big hit.

Client Relations

Client Services and Satisfaction

While superior financial products may bring more clients, it is superior quality of service that will retain that clientele. “Creating value for customers through outstanding services” is a founding principle and core value of CDF. The company aims to improve customer satisfaction in the following ways:

I. China Development Industrial Bank (CDIB)

Unlike commercial banks, CDIB provides direct investment services only to institutions. In order to gauge the level of satisfaction among client institutions and high-level managers with regard to the bank’s direct investment business, CDIB dispatches investment specialists to visit clients in person, and it also regularly hosts the CEO’s Club where experts from the government, industry, and academia can exchange ideas and insights and establish closer ties with one another.

II. KGI Bank

1. Corporate Banking

To enhance the breadth and depth of client services and understand client needs and feedback, front-line client managers proactively engage in face-to-face exchanges with clients. To improve client relations, KGI Bank also arranges in-depth meetings on industrial research and analysis, as per client needs.

The bank also boasts a broad diversity of financial product portfolios and services. Through keynote presentations and discussions, it is able to communicate with clients effectively and respond to their individual needs, thereby cementing client loyalty and improving satisfaction levels. On KGI Bank’s official website, a section is dedicated to customer complaints and a corporate banking service hotline (02-2232-2605) is also available. The integrated online banking system uses a comprehensive security mechanism to ensure total security of transactions and data transmission, and to prevent illegal access, theft, tampering, or destruction of transaction records and data.

2. Global Markets

KGI Bank provides financial market services primarily to professional institutions. In accordance with government policy, the bank has proactively developed renminbi transactions and related businesses as part of its expansion into Greater China financial markets. KGI Bank also offers customized financial products tailored to both individual client needs and market conditions across the Taiwan Strait. After transactions are made, the bank provides a service and complaint hotline to respond rapidly to client requests and prevent transaction disputes.

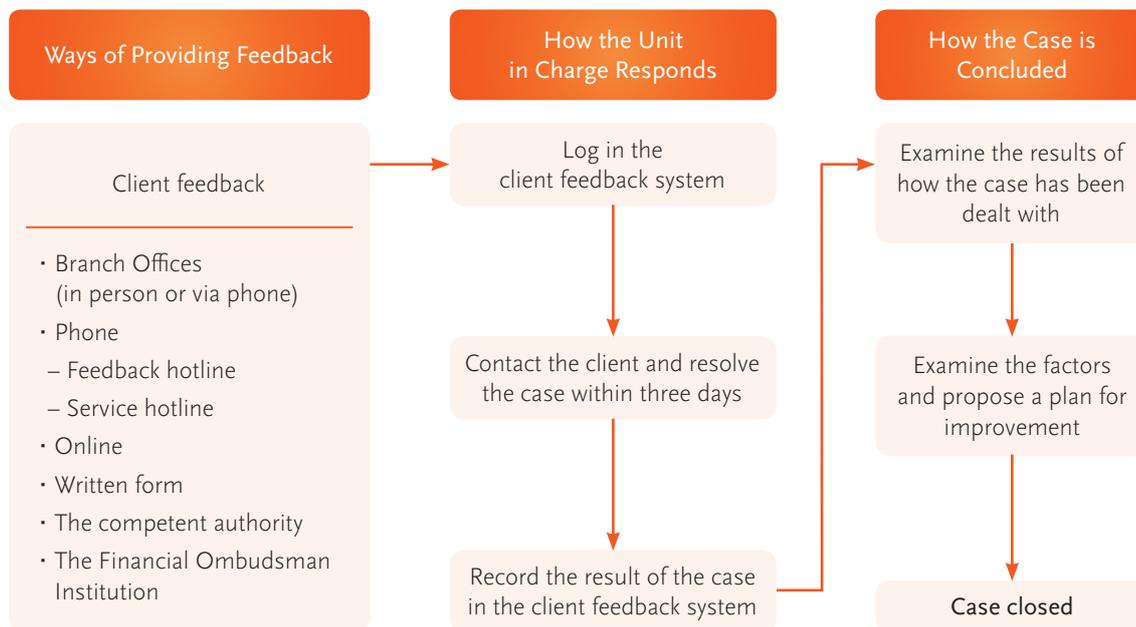
3. Consumer Banking

KGI Bank delivers a wide range of consumer banking products while actively developing digital financial products in an effort to service a full range of consumer banking needs and to streamline the application process for financial products. With respect to customer service, the bank accepts client feedback with an eager ear and responds to feedback in as timely a manner as possible.

4. Client Services

(1) Customer Feedback Response Operating Procedure

KGI Bank has set up a service hotline to handle client feedback and inquiries pertaining to product and service disputes



(2) Analysis of Issues Raised by Clients via Phone

Issues and problems raised by clients via phone are recorded for analysis and categorization and for the establishment of a standard operating procedure. In so doing, the customer service specialists can efficiently respond to clients and properly execute their assigned tasks. Moreover, as problems of a similar nature are grouped under the same cluster based on previous analysis, the customer service specialists will provide explanations and solutions to other relevant problems in addition to the one(s) raised by clients. With such an effective operating procedure in place, the bank can resolve all pertinent issues in one phone call, as well as prevent subsequent problems.

(3) Analysis of the Efficacy of Telephone Banking

KGI Bank analyzes the frequency of use of various services in the telephone banking system and adjusts the order of menu options when necessary. It also adds options and services to the menu based on the launch of new businesses and analysis of previous calls to enable a highly user-friendly system. The system has an ID verification and authentication mechanism to strengthen information protection and enhance service efficiency and security.

(4) Customer Experience Management (CEM)

KGI Bank administers customer experience and satisfaction surveys to improve customer satisfaction levels. Through the surveys, the bank can ascertain client expectations pertaining to the experience and values created by various points of contact of the bank. The survey results also serve as a basis for the bank's continued improvement on its way to becoming the bank of choice among existing clients. In addition, improvements are made to reduce clients' waiting times and to streamline processes, including system integration for account opening and the establishment of an electronic writing system and a queuing number calling system.

In 2014, KGI Bank conducted a client satisfaction survey covering a wide range of topics, including branch services, wealth management, ATM/ADM facilities, application for Flexible Card and other credit cards, application for loans and mortgages, and the customer service center. More than 30,000 questionnaires were returned, with a client satisfaction level of 87%, representing 3% growth from the previous year. Going forward, the bank will continue to administer client satisfaction surveys in an effort to stay open to client feedback, innovate new products and services and improve existing services.

III. KGI Securities

The customer service specialists and frontline employees of KGI Securities proactively collect client feedback data with a view to better understanding the needs and satisfaction level of clients regarding various businesses. They also strive to resolve problems in a timely and efficient manner. A client service hotline and a dedicated email address are also available for clients to make inquiries and provide feedback. Moreover, KGI Securities has also established guidelines pertaining to internal controls, handling of customer complaints, and the management of the telephone recording system in order to track and resolve problems efficiently.

KGI Securities actively encourages its employees to stay up-to-date on the latest knowhow and trends in the financial world. It holds training sessions regularly to help equip employees with the skills necessary to develop new businesses and financial products. Employees can also take internal training courses and register for the online CDF Financial Academy to sharpen financial skills and enhance compliance awareness. In so doing, all employees can be furnished with the expertise and knowledge necessary to deliver outstanding services to clients in an ever-changing financial environment.

Client Information Protection

To protect client information and ensure confidentiality, CDF has complied with relevant government regulations, including Rules Concerning Cross-Selling by Financial Holding Company Subsidiaries, Self-Regulatory Rules of Financial Holding Companies and Subsidiaries, the Personal Information Protection Act and Regulations Governing the Security of Personal Data Files in Non-Government Organizations Designated by the Financial Supervisory Commission. In addition, CDF has established its own bylaws governing the collection, processing, and use of client information, including Policies for Personal Information Management and Protection, Guidelines for Client Information Confidentiality and Protection of Client Rights, Measures for Protection of Personal Information and Data Disposal after Termination of Business, and Guidelines for the Rights of Clients Regarding Personal Information and Ways to Exercise Them. The bylaws are updated in line with government regulations, while the Privacy Policy of CDF is disclosed on its official website.

CDF's measures to enhance client information security include:

- I. Adopting access control of information use. Only authorized persons are permitted to access client information within permissible bounds to avoid data leaks.
- II. Adopting Secure Socket Layer (SSL) to enhance the security of data transmission.
- III. Establishing firewalls and a system for network intrusion detection and prevention to protect data stored on servers and other storage devices in order to prevent unauthorized access.
- IV. Implementing physical safety measures, such as access control of entrances, security systems, and offsite backup of client information to ensure that data are protected in the event of an emergency or disaster.
- V. Employing a data management consultant in accordance with the Personal Information Protection Act to assist CDF in the adoption of a personal information management system compliant with relevant regulations and financial requirements. Specific measures include:
 - Designing and implementing personal information protection in accordance with the Personal Information Protection Act;
 - Conducting regular reviews on personal information pertaining to various businesses; and
 - Regulating the use of personal computer terminals, defining the acceptable use of USBs, and establishing a mechanism for data loss prevention to prevent leaks of confidential data from computer terminals to USBs or external networks and to enhance the security level of client and business data.

KGI Securities was certified with BS10012 PIMS (Personal Information Management System) standard authentication in 2014.

Peer Relations and Public Policy Participation

Participation in Organizations and Associations

To join the government in promoting financial, economic, and commercial regulations, CDF actively participates in 48 domestic and international trade associations and organizations, such as bankers associations, securities associations, trust associations, and futures associations, with the aim of contributing to the development and upgrading of the industry.

Participation in Public Policies

To keep abreast of the policy of energy conservation and carbon reduction formulated by the Department of Economic Development, Taipei City Government, CDF sets the temperature of air-conditioners for all offices at 25-26 degrees Celsius. While the company has used high-power, energy-saving lights, it is gradually replacing old ones with T5 lights that consume less power. Staff members in non-office areas are now required to turn off the lights for an hour and turn off computers that are not in use to reduce power consumption during lunch breaks.

In 2012, CDF signed a declaration of its intention to create an enterprise that anybody would be happy to work for. This indicates the company's commitment to the well-being for the employees and society as a whole.

Environmental Protection

As the reality of climate change has become increasingly evident in recent years, the importance of environmental protection and energy conservation have become widely recognized by countries around the world. As a responsible global citizen, and as CDF knows that it cannot isolate itself from the consequences of climate change, it has adopted many measures to save energy and reduce carbon emissions. The company hopes it can minimize its environmental footprint and can achieve sustainable development of itself and nature.

Management of the Workplace and Facilities

To provide its employees with a comfortable, healthful work environment in which to work more efficiently, CDF has adopted the following measures:

I. Designating a Responsible Department

The Department of Operations & Technology is designated to oversee the management of the work environment and facilities. It is responsible for maintaining facilities and a clean work environment.

II. Operation of Facilities

Regular maintenance and testing are arranged for water, electricity, and air-conditioning facilities to prevent waste of energy.

III. Creating a Green Environment

Different types of plants are planted around office buildings and on balconies and rooftops to create a green environment.

IV. Creating a Smoke-free Environment

All CDF buildings are smoke-free. Anti-smoking posters are posted near entrances and exits. Outdoor smoking areas are designated.

V. Environmental sanitation and cleaning

CDF conducts environmental sanitation and cleaning for all its buildings on a regular basis. In 2014, CDF spent NT\$6.35mn on environmental sanitation and cleaning for CDF Building and NT\$13.28mn for KGI Bank (Zhonghe Office and other branches). The sanitation and cleaning of KGI Dazhi Building was outsourced to a contract company. Areas outside the office buildings are sanitized and cleaned with the help of local village/ borough chiefs.

Energy Conservation and Carbon Reduction

CDF continually works to reduce the use of water, electricity, and gas within the company, and has initiated the practice of waste sorting. In addition, CDF also pays considerable attention to office management and green procurement. At the same time, it encourages its employees to take concrete action and engage in the following initiatives:

I. Water Resource Management

1. Wastewater treatment: Wastewater from kitchens and pantry rooms is processed before it goes to the underground public drainage pipelines. Oil and water separation equipment is installed in kitchens to prevent water pollution.
2. Water conservation: Urinals are equipped with sensors for automatic flushing. Faucets in restrooms and pantry rooms are equipped with water-saving devices to reduce water use. Water use in 2014 was greatly reduced by 4,776 cubic meters from the 2013 level.
3. Water quality: CDF arranges cleaning services for water storage vessels every three months and conducts water quality testing. The results show that the water quality always meets drinking water standards. There are currently 20 drinking water dispensers in the CDF Building and 12 in the KGI Ta-Chi Building. The filter cartridges are replaced every two months in order to ensure the quality of drinking water for all employees.
4. Impact on water resources: The water used by CDF and its subsidiaries comes from local water supply plants rather than from groundwater or rivers. Wastewater treatment and garbage transportation are outsourced to professional service providers and therefore do not have any risk of leakage or environmental pollution.
5. Recycling and reuse of water: CDF does not recycle or reuse water.

II. Energy Conservation and Management

1. Elevators:

- (1) Some elevators are shut down during off-peak hours and on holidays.
- (2) Old elevator control systems are replaced to reduce electricity consumption.

2. Air Conditioning System:

- (1) The room temperature of all CDF offices is set at 26–28 degrees Celsius.
- (2) Before 7:00 and after 19:00 on holidays and work days, air-conditioners are turned off.

3. Lighting:

- (1) Adjusting the number of existing light fixtures to lower light intensity.
- (2) Replacing lighting fixtures in public areas and underground parking areas with T5 or LED lights that consume less power.
- (3) Adjusting the time for the use of outdoor light projectors and corridor lamps.

- (4) Using insulation paper and sunshades for areas under direct sunlight to reduce solar radiation.
- (5) Encouraging employees to turn off lights and computers before leaving the office, and to turn off the lighting system in some public areas and parking areas during lunch breaks and after office hours.

Implementation of the aforementioned policies to save energy enabled CDF Building, KGI Dazhi Building, and KGI Bank (Zhonghe Office and other branches) to reduce the use of electricity by 3,764,829 kWh in 2014 from the 2013 level.

III. Greenhouse Gas Emission Control

Greenhouse gas emission control helps identify the level of carbon emission in order to determine how much greenhouse gas emission can be reduced. In recent years, CDF has primarily focused on the implementation of this control policy in the headquarters to reduce the use of energy and carbon emission.

1. Main sources of energy consumption: CDF is a financial institution. Most of its greenhouse gas emission comes from the operation of facilities in buildings, power purchased, and gasoline used for vehicles.
2. Secondary source of energy consumption: Indirect greenhouse gas emission comes from visitors, business trips, and employee commute trips.
3. Control approach: Gradually adjusting facilities in buildings, operation of facilities, and time in use.

Reduction of ozone-depleting substance emission:

As CDF is not a manufacturer, it does not have any direct emission of ozone-depleting substances. Its non-energy-related greenhouse gas emission mostly comes from septic tank cleaning and sewage removal. CDF has urged its service providers to streamline the process of cleaning and removal.

There are currently 275 ABC fire extinguishers in the CDF Building, 198 in KGI Ta-Chi Building, and 797 in KGI Banks. The Nangang Information Center uses the FM200 fire suppression system. The ABC fire extinguishers and the FM 200 fire suppression system are all in line with the standards set for carbon reduction. CDF has also installed exhaust gas dampers for emergency power generators within all CDF buildings to reduce air pollution.

IV. Waste Sorting, Recycling, and Reuse

1. Used batteries are sorted and recycled.
2. Food waste from employee canteens is recycled and reused for other purposes.
3. Oil and water separation equipment is installed in kitchens to prevent water pollution.
4. Office trash is sorted into non-recyclables and recyclables. Disposal and treatment of waste is outsourced to professional service providers.
5. Used IT devices, light bulbs and tubes, toner cartridges, and other used office supplies are also sorted before recycling.

Comparison Sheet for CDF's Use of Water, Electricity, Gas, and Gasoline in 2013 and 2014

Consumption of Electricity and Carbon Emission

		Year 2013	2014	Increase (Decrease)
CDF Building	Total Consumption (kWh)	3,666,800	3,604,400	-62,400
	Total Emission (0.612 kg CO ₂ /kWh)	2,244,081	2,205,893	-38,188
KGI Dazhi Building	Total Consumption (kWh)	7,125,600	6,429,600	-696,000
	Total Emission (0.612 kg CO ₂ /kWh)	4,360,867	3,934,915	-425,952
KGI Bank (Note)	Total Consumption (kWh)	17,894,847	14,888,418	-3,006,429
	Total Emission (0.612 kg CO ₂ /kWh)	10,951,646	9,111,712	-1,839,934

Note: KGI Bank: Zhonghe Office and other branches.

Consumption of Gas and Carbon Emission

		Year 2013	2014	Increase (Decrease)
CDF Building	Total Consumption (M ³)	20,487	21,100	613
	Total Emission (2.09kg CO ₂ /M ³)	42,818	44,099	1,281
KGI Dazhi Building	Total Consumption (M ³)	68,755	68,309	-446
	Total Emission (2.09kg CO ₂ /M ³)	143,698	142,766	-932

Consumption of Gasoline and Carbon Emission

		Year 2013	2014	Increase (Decrease)
CDF Building	Total Consumption (liter)	40,590	40,012	-578
	Total Emission (2.26 kg CO ₂ /liter)	91,733	90,427	-1,306
KGI Dazhi Building	Total Consumption (liter)	140,572	162,548	21,976
	Total Emission (2.26 kg CO ₂ /liter)	317,694	367,360	49,665
KGI Bank (Note)	Total Consumption (liter)	392,515	362,704	-29,811
	Total Emission (2.26 kg CO ₂ /liter)	887,084	819,711	-67,373

Note: KGI Bank: Zhonghe Office and other branches.

Consumption of Water and Carbon Emission

		Year 2013	2014	Increase (Decrease)
CDF Building	Total Consumption (M ³)	26,459	26,365	-94
	Total Emission (0.193 kg CO ₂ /M ³)	5,107	5,088	-19
KGI Dazhi Building	Total Consumption (M ³)	46,653	48,090	1,437
	Total Emission (0.193 kg CO ₂ /M ³)	9,004	9,281	277
KGI Bank (Note)	Total Consumption (M ³)	63,513	57,394	-6,119
	Total Emission (0.193 kg CO ₂ /M ³)	12,258	11,077	-1,181

Note: KGI Bank: Zhonghe Office and other branches.

Recycling

		Year 2013	2014	Increase (Decrease)
CDF Building	Paper	22,510	22,050	-460
	PET Bottles	580	560	-20
	Tin/Aluminum Cans	142	135	-7
KGI Dazhi Building	Paper	23,980	21,800	-2,180
	PET Bottles	907	864	-43
	Tin/Aluminum Cans	740	708	-32
KGI Bank (Note)	Paper	–	19,596	–
	PET Bottles	–	414	–
	Tin/Aluminum Cans	–	414	–

Note: KGI Bank: Zhonghe Office and other branches.

Unit: kg

V. Green Services

1. Making good use of e-mails, BBS, and the electronic document system to replace hard-copy documents and streamline the approval process.
2. Printing double-sided documents or printing multiple pages per sheet to reduce the use of paper.
3. Reusing paper for informal documents and printing on the side that has not been used; reusing envelopes.
4. Using pens or ball pens that can be refilled.
5. Using glass cups or ceramic cups instead of disposable cups.
6. Making use of the video conference system for meetings within CDF or with clients or colleagues in different countries or regions. This not only saves travel expenses and time but also reduces energy consumption and carbon emission.

VI. Green Procurement

1. Using high-power lighting fixtures or energy-saving light bulbs instead of using traditional light bulbs to reduce electricity consumption.
2. Purchasing ABC fire extinguishers for all CDF buildings.
3. Using eco-friendly consumables for Multi-Function Printers (MFPs) and recycling them after use.
4. Purchasing MFPs or personal computers with power-saving functionality.
5. Not providing disposable tableware in employee canteens. Encouraging employees to bring their own chopsticks.
6. Using non-toxic and fireproof materials for interior renovation.

Other Practices

- I. CDF has worked in collaboration with IBM to establish at the Nangang Information Center a green facility room with energy-saving server racks and the FM-200 fire suppression system.
- II. The employee canteen strives to provide a balanced and diversified diet with a focus on vegetarian food. All ingredients are in-season and locally-sourced in proper amounts to reduce food waste and energy waste during transportation.
- III. CDF encourages and promotes the use of telephone and online banking to reduce the need for paper. For every 100 grams of A4-sized paper (around 20 pieces) saved, a total of approximately 19,200 packages of A4-sized paper can be saved annually, the height of which in piles is equivalent to 1.8 times the height of Taipei 101. Moreover, based on the estimates of the Intergovernmental Panel on Climate Change (IPCC), mailing one piece of paper statement produces around 6.32 grams of carbon dioxide. For CDF, it can save 31 metric tons of CO₂ emission every year and reduce waste treatment costs substantially.
- IV. CDF has adopted a standardized and consistent procedure for procurement to facilitate resource sharing. Some materials can be reused when units are renovated and retrofitted to reduce waste. When procuring corporate gifts, CDF prefers those that are environmentally-friendly, safe and convenient to customers, and symbolic of CDF's efforts to assume its corporate social responsibility obligations.

It is noteworthy that CDF has never been fined or penalized for violation of environmental regulations. None of the lands that it owns, rents, or manages are located in ecological reserves and thus do not pose a threat to the environment. In addition, the water used by CDF and its subsidiaries comes from local water supply plants rather than from groundwater or rivers. Waste water treatment and garbage transportation are outsourced to professional service providers and therefore do not have any risk of leakage or environmental pollution.

CDF continues to adopt green procurement practices in its effort to become more environmentally-friendly. Along with holding training sessions for the procurement staff, it also continually strives to raise the environmental awareness of all of its employees and encourages them to be responsible global citizens.

Social Philanthropy

China Development Financial

I. CDF Lectures at College of Management, National Taiwan University

In the fall semester of 2013, CDF launched a series of courses in collaboration with the College of Management of National Taiwan University (NTU). As the courses enjoyed immense popularity among students, CDF continued to offer the same lineup of courses again in the fall semester of 2014, addressing themes such as venture capital, securities, and strategies and businesses of investment banks. Since CDF acquired KGI Bank in 2014, new courses have been offered on strategies and practice of commercial banking, consumer banking, and online banking to provide insights to students.

Based on the experience of the 2013 academic year, CDF pointed out that students found courses on strategies of venture capital firms and investment banks to be the most interesting and useful. Through the sharing of investment case studies by the CDF management team, students who took the courses learned how venture capital firms add a Midas touch to business ideas. They also learned about key issues to which both investors and invested entities should pay attention. Professor Wun-Hwa Chen of NTU's College of Management said that the unique history and background of CDF has imbued his course with its own identity. In his course, students learned in one semester about the operations of financial holding companies, venture capital firms, securities firms, investment banks, and commercial banks. In a way, the course provided the best orientation training before students enter the job market.

In the 2014 academic year, CDF offered a course on strategies and businesses of financial holding companies, venture capital firms, investment banks, and commercial banks. With a focus on the discussion of issues and case studies, the course invited high-level executives of CDF to share their experience. The course also equipped students with professional financial knowledge and revolutionized the learning experience. The roster of instructors included CDF Chairman Mu-Tsai Chen, China Development Industrial Bank Vice Chairman Shin Chen, CDF President & CEO Paul Yang, CDF Senior Vice President Lawrence Liu, CDF Chief Legal Officer Melanie Nan, KGI Bank Chairman Mark Wei, KGI Securities Chairman Daw-yi Hsu, CDF Senior Vice President and Vice Chairman of KGI Bank Eddie Wang, and KGI Bank President Richard Chang.

For students to better understand strategies and businesses of financial holding companies, venture capital firms, investment banks, and commercial banks, the lecturers started by introducing each of CDF's core businesses in a way that is easy to understand. To enrich the course content, CDF Chairman Mu-Tsai Chen invited Chairman Soushan Wu of the Gre Tai Securities Market to be the guest speaker of the course.



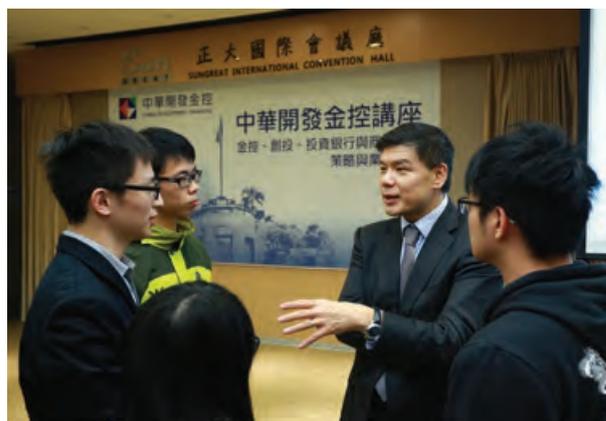
Chairman Soushan Wu of the Gre Tai Securities Market was invited to be one of the keynote speakers of the forum on October 22nd, 2014 and talk about the present and future of Taiwan's financial industry. The guests and speakers of the forum included (from left to right) Chairman of KGI Bank Mark Wei, Chairman Soushan Wu of the Gre Tai Securities Market, CDF Chairman Mu-Tsai Chen, Dr. Ruey-Shan Andy Guo, Dean of the College of Management of National Taiwan University, China Development Industrial Bank Vice Chairman Shin Chen, CDF Chief Legal Officer Melanie Nan, and CDF Executive Vice President & Spokesperson Eddy Chang.

Chairman Wu said in the class that National Taiwan University has set an example of academia–industry collaboration, while CDF has greatly benefit both NTU and its students with the course that provided rich content and a window to the industry.

CDF Chairman Mu-Tsai Chen was also one of the lecturers in the 2013 academic year. Last year, he started the course with an introduction to CDF's five decades of investment history and its role in Taiwan's industrial development. This year, Chairman Chen took questions directly from students. In particular, he emphasized the importance of "attitude," making the point that one's attitude towards life or work determines how far he or she can go. He therefore encouraged the students to take a positive attitude towards problems no matter what they do for a living in the future. Chairman Chen's point tied in closely with many students' questions. In addition to the skillset and knowledge required for the job market, many students would also like to know the key to future career success.

In his course on the development and prospects of private equity fund, CDF President & CEO Paul Yang talked about the present and future of private equity fund, citing China Development Industrial Bank's investment in private equity funds. President Yang stressed the importance of increasing the scale of asset management to achieve the ultimate goal—creating the optimal strategy. According to President Yang, China Development Industrial Bank saw its heyday from the 1980's to 2000, when it made money on every investment. However, as the market changed over time, the bank shifted its focus from investing with its own capital to asset management. It has raised more than US\$1bn in less than two years to invest in the cultural and creative industry and the biomedical industry. President Yang also shared his views generously with his students. According to President Yang, Taiwan's economy has gone past the stage of takeoff and is now moving towards an era characterized by exquisiteness and specialization in various industries. Therefore, when starting up a business, one should focus on one niche area rather than many areas of specialization. After conducting extensive research, CDF has identified the cultural and creative industry and the biomedical industry as the two most promising industries that will open up a window of opportunities. That is why CDF has set up two private equity funds to invest in the two burgeoning industries, with an aim to nurture their development and tap into investment opportunities.

In addition to the core businesses of China Development Industrial Bank and KGI Securities, the courses offered this year also addressed subjects of great interest to students—business strategies of commercial banks, including financial market practice, financial management, lending to SMEs, and future trends of online banking. Besides CDF's businesses in venture capital investment and private equity funds, CDF Chief Legal Officer Melanie Nan also touched on one of the new emerging trends—venture philanthropy.



CDF President & CEO Paul Yang exchanged ideas with students after class.



Student listened attentively in class.



CDF Senior Vice President and KGI Bank Vice Chairman Eddie Wang was teaching in his class.

After learning about the differences between venture philanthropy and other forms of venture capital, students became highly interested in this new form of investment that holds great potential and does social good.

CDF believes that its presence on campus has provided an opportunity for learned and experienced executives to interact face-to-face with the elite of the younger generation. It has also provided students with the most up-to-date financial knowledge and concepts, nurtured students into corporate talents, and bridged industry-academia gap. Most importantly, CDF wishes to enhance the international financial competitiveness of the next generation and help Taiwan secure a place in the global financial market with an abundant supply of top-notch human resources.

II. Participation in the Financial Lectures Organized by Taiwan Financial Services Roundtable (TFSR)

To support the Financial Literacy Program launched by the Financial Supervisory Commission of the Executive Yuan, Taiwan Financial Services Roundtable (TFSR) has been organizing a series of practical courses on financial topics since 2013 in collaboration with education institutions in Taiwan such as National Taiwan University and National Chengchi University. The Financial Lectures aim to incorporate financial literacy into the general education programs offered by financial departments in colleges and universities to bring the industry and the campus closer and foster future financial professionals.

CDF has been actively supporting the Financial Literacy Program and has been invited by the TFSR many times to send high-level executives to serve as speakers in the lectures, including KGI Bank Chairman Mark Wei and KGI Futures Chairman Falcon Mi. The lecturers from CDF shared their extensive knowledge and practical experience in the industry with the students, who were able to establish a close link between financial theory and practice thanks to the lectures. By participating in the Financial Literacy Program, CDF has had the honor to contribute to the cultivation of financial talent in Taiwan and help advance the spread of financial knowledge.

III. Participation in the Social Services Program of the College of Law, National Chengchi University

The Social Services Program of the College of Law, National Chengchi University offers a series of elective courses with credit, with an aim to integrate legal services with professional social services in the frontline. Since 2012, CDF has been part of the program as a collaborating partner and recommended honorary mentors to help students draft their service proposal, correct students' assignments, arrange site visits, and advise students on career planning. Mentors and students under the program can take part in social service events held by CDF in the future.

IV. Participation in the Cross-Strait (Asia Pacific) Enterprise M&A Mooting Competition held by National Chengchi University

The Cross-Strait (Asia Pacific) Enterprise M&A Mooting Competition is jointly organized by the College of Law and College of Commerce of National Chengchi University (NCCU). The competition used to be an extension activity of the course "Cases on Mergers and Acquisitions," where students from the Department of Law, Accounting, and Business Administration of NCCU formed groups and went through a simulated M&A deal in a mooting competition by the end of each semester. As of 2015, the competition has seen the participation of 12 universities in the Asia Pacific: Peking University, Tsinghua University, Renmin University of China, Shanghai Jiao Tong University, Xiamen University, and Nanjing University in Mainland China; National Taiwan University, National Chengchi University, and National Taipei University in Taiwan; the University of Hong Kong in Hong Kong; and the National University of Singapore and the Singapore Management University in Singapore.

Since 2012 (the competition in its second year), representatives from CDF have served as coaches and judges of the competition and shared M&A cases and processes and various steps of negotiations with the students. Participants over the years have contributed enormously to the success of the competition and left many enduring memories.



CDF Consultant Frank Chang (third from the right in the rear row)



The Award Ceremony



CDF Chief Legal Officer Melanie Nan (fourth from the right) and CDF Consultant Frank Chang (fifth from the right) with students in the competition.

V. Establishing the Financial Elite Program in National Chengchi University

In February 2013, KGI Bank Chairman Mark Wei founded the Financial Elite Program at National Chengchi University (NCCU), a series of financial lectures in English offered on Saturdays, in collaboration with the College of Commerce and Department of Finance of NCCU. Supported by Dean Kwei Tang of the College of Commerce of NCCU, the program aims to cultivate future financial professionals in Taiwan and foster their international perspectives.

Tapping into his personal networks established over the years in the industry, KGI Bank Chairman Mark Wei has invited scholars of international relations and high-level managers in the financial services industry to present expertise on their professional fields in the program, including Vice Chairman of KGI Bank Eddie Wang, President of KGI Securities Albert Ding, Regional Head of Risk Management of KGI Securities Steve Wang, President of HSBC Bank (Taiwan) John Li, Senior Vice President and Head of Global Financial Institutions—Greater China for Wells Fargo Bank Dr. Hwa-Ping Chang, (then) Chief Investment Officer of Sunshine Insurance Group Xian-Wei Chen, and Associate Professor Dr. Kwei-Bo Huang of the Department of Diplomacy at NCCU. The lectures have helped broaden the international financial knowledge of the students (junior and senior students and master's students of NCCU) en route to professional careers and increase their familiarity with the financial industry.

The Financial Elite Program, which has been organized for three consecutive years, has been held to widespread acclaim among the lecturers and students. Since 2014, the series of lectures has officially become part of the curriculum of the Department of Finance of NCCU and the Department of Finance and International Business of Fu Jen Catholic University, making the program an excellent example of collaboration between outstanding public and private universities in Taiwan. Participants in this program include not only students from NCCU and Fu Jen Catholic University but also interns of CDF from the College of Management of National Chiao Tung University, the Department of Finance of National Dong Hwa University, Shih Hsin University, and Chang Gung University. In the past three years, the lectures of the Financial Elite Program have invited more than 180 students to join, making it a remarkable success.



Regional Head of Risk Management of KGI Securities Steve Wang



President of KGI Securities Albert Ding (front middle) with the students (third from the left in the front) and Dean Chien-Shan Han of the Department of Finance and International Business of Fu Jen Catholic University (second from the left in the front) with the students.

VI. Donations

The massive gas explosion in Kaohsiung in August, 2014 caused severe casualties. CDF donated NT\$10mn to Kaohsiung City Government for disaster relief and post-disaster reconstruction.

CDIB Education and Cultural Affairs Foundation

Considering “education” as the most valuable investment, CDF gives back to society through its philanthropic efforts which revolve around “Caring for the Next Generation, Investing in Children’s Future.” In 1999, CDIB established the CDIB Education and Cultural Affairs Foundation, which systemically focuses on the areas people pay less attention to, including education, social welfare, and charitable activities. Over the years, a variety of donations and scholarships have achieved significant results in child education.

In a joint effort by CDIB Education and Cultural Affairs Foundation and enterprises, concrete plans were mapped out in 2014, including subsidizing college students who tutor disadvantaged children, providing grants for children’s meal in remote areas, supporting children from low-income families to develop talent, nurturing art and literary talent, and helping out with the fundraising in social welfare organizations. It not only invests resources but also encourages individual participation, making public benefit part of all employees’ daily lives and fostering outstanding corporate citizens.

Caring for children — “Our Class Has Got Talent” Program

The “Our Class Has Got Talent” Program aims at dispelling the myth that academic achievement should be the only pursuit for children. It encourages children with low academic achievement to build other competitive advantages and provides scholarships for the economically disadvantaged children in the hope that children will gain more confidence in learning, and more cultural and creative talent can be nurtured. The “talent” is discovered by teachers (carers) and peers, who film a documentary on the talent’s value and gift worthy of recognition and recommend the talent to the foundation. The photographer is a selfless and wise talent scout, who maps out individual development plan and seeks opportunities for development according to his/her needs and will. Each child in this program receives a scholarship of NT\$100,000 to 200,000. Through the recorded video, peers have the opportunity to get to know each other and respect the differences. It is also hoped that more talent can be discovered through the call for entries.



Archery Team, National Taitung University Affiliated Physical Education Senior High School



Inline Skating, Yilan King Young Elementary School

Scholarship and grant scheme — The “Heritage 100 & Tutelage 100”

To help bridge the education gap between urban and rural areas, the Foundation established the “Heritage 100 & Tutelage 100” scholarship and grant scheme in 2007. The program utilizes an annual budget of NT\$5mn to provide 100 scholarships to economically-disadvantaged college students with outstanding academic performance. In addition to supporting their studies and relieving their economic pressure, the Foundation also encourages recipients to work as volunteers for 100 hours to tutor underprivileged children. This program extends CDIB’s charity work to promote higher education and support the disadvantaged.



CDF President & CEO Paul Yang



CEO Paul Yang and the 8th “Heritage 100 & Tutelage 100” Scholarship recipients

School Lunch Subsidization Program —“Perfect Nutrition”

The CDIB Education and Cultural Affairs Foundation has provided subsidies for disadvantaged schools in remote areas to augment their school lunch programs since 2006. The program works to ensure that children receive proper nutrition and enable schools to provide breakfast and afternoon snacks or add more dishes to their lunch meal. This program has been lauded by local governments and schools since it was launched.



Subsidizing the lunch meals in remote schools



“Lunch Dates”

Since 2012, the Foundation has built on its “Perfect Nutrition” program and held a series of “lunch dates.” CDF employees went to remote schools in groups to share the meals they prepared for those children. While most of these office workers were far from whizzes in the kitchen, with a can-do attitude, they prepared platters of delicious dishes, including pizza, spaghetti bolognese, sweet and sour spare ribs, making it a lunch to remember for school faculty and students.



Pizza-making by the Research Department



Fostering Art Talent — “A Night of Art and Music”

“A Night of Art and Music” was the Foundation’s first attempt to support traditional cultural and art groups as a private entity. This program not only aims at contributing to the preservation of traditional culture but also hopes to demonstrate the vitality embodied in the diverse Chinese culture through performance. The performances included the aboriginal song and dance representative of Austronesian cultures, Chinese folk dance, the Din Tao dance originating from Taiwan’s folk religion, and dance that combines traditional and modern dance. These performances showcased a multi-faceted Taiwanese culture where tradition and modernity clash and fuse together.



Tribute to the God of War— Taiwan Yuan-Yuan Indigenous Culture and Art Troupe



Chu Yun Han Feng—The Department of Dance, National Taiwan University of Arts



Din Tao—Chio-Tian Folk Drums & Arts Troupe



Jing Ling Qiao—Fang Shiang Dance Theatre



Performers & Chairman Koo of CDIB Education and Cultural Affairs Foundation

“Good Food, Kind Heart” Project

Catholic Hua-Kuang Center for the Development of the Disabled based in Guanxi, Hsinchu, looks after the physically and mentally challenged students. To help these students stand on their own feet, the Center taught them to make pastries and steamed buns with ingredients grown at the sheltered workshop, and the finished products are both for themselves and for sale. It is hoped that this can provide students with jobs and learning opportunities. The Foundation launched the “Good Food, Kind Heart” project in 2014, ordering products from Hua-Kuang’s “Lei Zhi Sheltered Workshop.” This enables students to have hands-on experience in the workshop while learning to support themselves.



“Good Food, Kind Heart” project, ordering and sampling at CDF Building in 2014



“Good Food, Kind Heart” project, ordering and sampling at CDF Building in 2014

Actions to help the disadvantaged people

• Mobilized Employees to Make Donations for the 2014 Kaohsiung Gas Explosions

The most severe gas leak and explosion occurred in the Cianjhen and Lingya districts of Kaohsiung in August, 2014, leaving many people homeless or even suffering from the pain of losing their loved ones. Aspiring to be the good neighbor of residents, KGI Bank not only responded immediately to check on its employees and clients, but also cooperated with United Way of Taiwan, calling on its employees to make donations. The funds raised topped NT\$1.15mn, which were coordinated and appropriated by United Way of Taiwan. Through its professional allocation and monitoring, the funding could be fully utilized to help victims rebuild their home.

• Purchasing Produce from Fushan Grange as Birthday Gifts

Fushan Grange is managed by Ms. Huang Mei-Ling, former Principal of Fushan Elementary School in Wulai District, New Taipei City. Fushan Grange encourages the Atayal Tribe in Fushan Village to save for their children's higher education in the hope that the economy in the tribe can be improved, and children's education can be subsidized through this "Saving for Education" project. KGI Bank has been purchasing produce from Fushan Grange as birthday gifts for employees. The Bank hopes that through a successful "Saving for Education" project, more aboriginal kids are able to receive a well-round education, and the public can place more emphasis on the educational problems of aboriginal children. Fushan Grange is also fully committed to promoting local agriculture in order to reduce import, strengthen the foundation of domestic agriculture, support local produce, protect the environment, and nurture the ecosystem.

• "Lunch Dates" — Preparing Lunch Meals for Children in Remote Schools

To deliver more care and warmth to children in remote schools and to ease the burden on the lunch preparation of those schools, KGI Bank took part in the "Lunch Dates" hosted by the CDIB Education and Cultural Affairs Foundation on December 18, 2014. Led by Mark Wei, Chairman of KGI Bank, employees worked as volunteers on that day at Bai-Ji Elementary School in Daxi District, Taoyuan City, where they prepared lunch meals for children and put corporate social responsibility into action.



KGI Bank Chairman Mark Wei (right) led a group of volunteering staff to prepare lunch meals for children at Bai-Ji Elementary School

“Active Aging” — Enhancing Intergenerational Integration

• Held the “2013 One Big Family — Collection of Grandparents’ Smiles” Event

To enhance intergenerational integration and senior citizens’ quality of life in an aging society with increasingly low birthrate, United Way of Taiwan proposed the “Active Aging 360” service, allowing the elderly to embrace aging and enjoy active aging. For the idea of “Active Aging 360” to take root, KGI Bank and United Way of Taiwan hosted the “2013 One Big Family — Collection of Grandparents’ Smiles” event from September 2013 to March 2014. Besides offering NT\$110,000 as prizes, award-winning photos will be displayed in public to draw more attention to matters related to caring for the elderly.

Aspiring to be a good neighbor of residents, KGI Bank hopes to raise awareness of aging in the public and private sector as well as help build a caring society by inviting the public to care for the senior citizens around them.



KGI Bank President Richard Chang (third from the right in the rear row) participated the “Active Aging 360” award ceremony



- Promoting “KGI Volunteer Day” to Gather Employees’ Power and Provide Services for More Senior Citizens.

In addition to partnering with United Way of Taiwan in a series of “One Big Family” events, KGI Bank launched “KGI Volunteer Day” to care for the elderly in October, 2013. KGI Bank worked with the care facilities in Taipei, Taichung, and Kaohsiung through United Way of Taiwan to give employees day off to do volunteer work. The Bank encourages all employees to spend half day at care facilities on weekends to keep the elderly company. More than 300 employees have worked as volunteers since “KGI Volunteer Day” was launched.



Devoting Itself to Improving Financial Literacy through Financial Education

- Participated in the “2014 Social Care Circus by Financial Service Institutions” (New Taipei City)

In order to impart more real-time correct financial knowledge to the public, KGI Bank participated in the “2014 Social Care Circus by Financial Service Institutions” held by Taiwan Financial Services Roundtable on November 1, 2014, during which it interacted with people with explanation that was clear and easy to understand, enabling more community residents to understand how financial industry works and acquire financial knowledge.



- Actively participating in the “Promotion of Financial Literacy on Campus and in Community” Project launched by the Banking Bureau, Financial Supervisory Commission

To help consumers gain correct understanding of consumer finance and money and debt management, KGI Bank’s employees actively take part in the “Promotion of Financial Literacy on Campus and in Community” Project organized by the Banking Bureau, Financial Supervisory Commission. Meanwhile, they go on campus and into the community to discuss with primary school (grade 3-6), secondary school, and college students as well as females, aboriginals, and soldiers. In so doing, KGI Bank helps the competent authority improve the public’s financial literacy, enable people to have a correct and responsible attitude towards money, and facilitate stable development of financial market and social order.

KGI Charity Foundation

KGI Securities, a subsidiary of CDF, has been caring for the disadvantaged and serving the society by hosting fundraising events in the company regularly and supporting the fundraising of Taiwan Fund for Children and Families. All funds raised go to the sick, the poor, and the elderly in remote mountains as well as the underprivileged children. In addition, KGI initiated its employees after Typhoon Morakot for disaster relief and fundraising, and KGI Securities in Honk Kong and Thailand consolidated the group's power to contribute to various charitable events.

KGI Securities' philosophy of giving back to society inspired us to establish the KGI Charity Foundation in 2012, which devotes itself to charity with the aim of maximizing the value for its clients, shareholders, and employees.

I. Medical and Educational Aid Program in Remote Mountain Areas

KGI Securities has held fundraising events regularly to provide aid for Heng Chun Christian Hospital and Taitung Christian Hospital and improved local medical and educational resources since 2006. By doing so, KGI Securities hopes that the sick, the poor, and the elderly in remote mountains can have access to convenient medical services, and children with insufficient economic resources are able to enjoy free tutoring after school.

II. "Pay It Forward" — Supporting the Disadvantaged Children

To help underprivileged children, KGI Securities has held various charity events since 2008, including "Pay It Forward," "My Sweetheart," and "Caring for Angels with Broken Wings," for the Taiwan Fund for Children and Families, Xinzhuang Children's Home, and Miaoli St. Francis Xavier Home for Children and Juvenile. The funds were raised to support the studies for underprivileged children and long-term adoption.



III. Love without Borders

After Sichuan earthquake and Typhoon Morakot in 2009, KGI Securities not only made donations but also initiated its employees to donate their salaries to the Red Cross for disaster relief. Moreover, to fulfill its corporate social responsibility, KGI Securities has consolidated the group's resources and management expertise to devote itself to a variety of public welfare activities in the Asia Pacific region. KGI Securities Asia established the "KGCARE" Volunteer Groups in Hong Kong, which has been awarded the Caring Company logo by the Hong Kong Council of Social Service for many years. In Thailand, besides offering scholarships for outstanding college students from disadvantaged families, KGI Securities also collaborated with the Thai royal family to take part in the Princess Project, a charity event directed by Thai Princess. In this project, KGI Securities went into the mountains in Northern Thailand to improve the educational environment for local children and has built classrooms and libraries there for three consecutive years. In recent years, KGI Securities (Thailand) has established a scholarship program to support students with great academic achievement in remote areas.



IV. Elementary school student assistance program — “Love, starting from Elementary School”

KGI Charity Foundation established the “Love, starting from Elementary School” scholarship program for kids since 2012. By providing financial assistance for elementary school students from disadvantaged families, the Foundation safeguards the students’ rights to live and receive education, and in doing so assists underprivileged families in need of support and resources.

Given that many poor children and families need long-term care and support, the Foundation has continued with the project in 2014. Over the past three years, financial assistance have been offered to over 200 children, and nearly 60 families in distress have received subsidies for emergency aid. The Foundation also has visited families which received subsidies at the end of the year and presented them an allowance for the Chinese New Year. KGI Charity Foundation will continue its efforts to help more underprivileged students to finish their studies and ensure that they can grow up without worries.



Global Reporting Initiatives Disclosure

G4 Indicators		Chapter	Page
STANDARD DISCLOSURES PART I: Profile disclosures			
1. Strategy and analysis			
G4-1	Provide a statement from the most senior decision-maker of the organization.	A Word from Management	08
G4-2	Provide a description of key impacts, risks, and opportunities.	A Word from Management	08
Organizational Profile			
G4-3	Report the name of the organization.	About Us	10
G4-4	Report the primary brands, products, and services.	About Us	10
G4-5	Report the location of the organization's headquarters.	About Us	10
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	About Us	10
G4-7	Report the nature of ownership and legal form.	About Us	10
G4-8	Report the markets served.	About Us	10
G4-9	Report the scale of the organization.	About Us	10
G4-10	<ul style="list-style-type: none"> a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers. 	Employee Well-being	49
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Employee Well-being	49
G4-12	Describe the organization's supply chain.	Stakeholder Engagement	43
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	About Us Stakeholder Engagement	10 43
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Corporate Governance	22

G4 Indicators		Chapter	Page
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Corporate Governance	22
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	Peer Relations and Public Policy Participation	65
Identified Material Aspects and Boundaries			
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	About Us	10
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	About This Report	03
G4-19	List all the material Aspects identified in the process for defining report content.	Stakeholder Engagement	43
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	Stakeholder Engagement	43
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	Stakeholder Engagement	43
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	None	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	About This Report	03
Stakeholder Engagement			
G4-24	Provide a list of stakeholder groups engaged by the organization.	Stakeholder Engagement	43
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement	43
G4-26	Report the organization's approach to stakeholder engagement.	Stakeholder Engagement	43
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	Stakeholder Engagement	43
Basic Information of the Report			
G4-28	Reporting period	About This Report	03
G4-29	Date of most recent previous report	September, 2014	
G4-30	Reporting cycle	About This Report	03
G4-31	Provide the contact point for questions regarding the report or its contents.	About This Report	03

G4 Indicators		Chapter	Page
G4-32	<p>a. Report the 'in accordance' option the organization has chosen.</p> <p>b. Report the GRI Content Index for the chosen option (see tables below).</p> <p>c. Report the reference to the External Assurance Report.</p>	About This Report	03
G4-33	<p>a. Report the organization's policy and current practice with regard to seeking external assurance for the report.</p> <p>b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.</p> <p>c. Report the relationship between the organization and the assurance providers.</p> <p>d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.</p>	About This Report	03
Governance			
G4-34	Report the governance structure of the organization	Corporate Governance	22
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Corporate Governance	22
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Corporate Governance	22
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Corporate Governance Stakeholder Engagement	22 43
G4-38	Report the composition of the highest governance body and its committees.	Corporate Governance	22
G4-39	Report whether the Chair of the highest governance body is also an executive officer.	Corporate Governance	22
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Corporate Governance	22
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed.	Corporate Governance	22
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Corporate Governance	22
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Corporate Governance	22

G4 Indicators		Chapter	Page
G4-44	<p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.</p>	Corporate Governance	22
G4-45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	Corporate Governance	22
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Corporate Governance	22
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Corporate Governance	22
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Corporate Governance	22
G4-49	Report the process for communicating critical concerns to the highest governance body.	Corporate Governance	22
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	Corporate Governance	22
G4-51	Report the remuneration policies for the highest governance body and senior executives	Corporate Governance	22
G4-52	Report the process for determining remuneration.	Corporate Governance	22
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration.	Corporate Governance	22
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Not disclosed	
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Not disclosed	

G4 Indicators		Chapter	Page
Ethics & Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Employee Well-being	49
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Investor Relations Employee Well-being Client Relations	47 49 60
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	Investor Relations Employee Well-being Client Relations	47 49 60
Specific Standard Disclosures			
Management Approach			
G4-DMA	Provide the statement from the highest decision maker in the organization	A Word from Management	08
Economic			
Economic: Economic Performance			
G4-EC1	Direct economic value generated and distributed.	About Us	10
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Environmental Protection	67
G4-EC3	Coverage of the organization's defined benefit plan obligations.	Employee Well-being	49
G4-EC4	Financial assistance from government	None	
Economic: Market Presence			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Employee Well-being	49
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	Employee Well-being	49
Economic: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported.	Environmental Protection	67
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Environmental Protection	67
Economic: Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Environmental Protection	67

G4 Indicators		Chapter	Page
Environmental			
Environmental: Materials			
G4-EN1	Materials used by weight or volume.	Not applicable	
G4-EN2	Percentage of materials used that are recycled input materials.	Not applicable	
G4-EN3	Energy consumption within the organization.	Environmental Protection	67
G4-EN4	Energy consumption outside of the organization.	Not applicable	
Environmental: Energy			
G4-EN5	Energy intensity.	Environmental Protection	67
G4-EN6	Reduction of energy consumption.	Environmental Protection	67
G4-EN7	Reductions in energy requirements of products and services.	Environmental Protection	67
Environmental: Water			
G4-EN8	Total water withdrawal by source.	Environmental Protection	67
G4-EN9	Water sources significantly affected by withdrawal of water.	Environmental Protection	67
G4-EN10	Percentage and total volume of water recycled and reused.	Environmental Protection	67
Environmental: Emissions			
G4-EN15	Direct greenhouse gas emissions.	Environmental Protection	67
G4-EN16	Energy indirect greenhouse gas emissions.	Environmental Protection	67
G4-EN17	Other indirect greenhouse gas emissions.	Environmental Protection	67
G4-EN18	Green gas emissions intensity.	Environmental Protection	67
G4-EN19	Reduction of greenhouse gas emissions.	Environmental Protection	67
Environmental: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	Environmental Protection	67
Environmental: Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None	
Environmental: Overall			
G4-EN31	Total environmental protection expenditures and investments by type.	Environmental Protection	67
Environmental: Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	Environmental Protection	67

G4 Indicators		Chapter	Page
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Environmental Protection	67
Environmental: Environmental Grievance Mechanism			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	None	
Social			
Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	Employee Well-being	49
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Employee Well-being	49
G4-LA3	Return to work and retention rates after parental leave, by gender.	Not disclosed	
Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	Employee Well-being	49
Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	<ul style="list-style-type: none"> • In addition to contributing to employees' national labor and health insurance plans as required by law, CDF also arranges regular medical examinations for its employees to make sure that they stay healthy both mentally and physically. • CDF has set up a labor safety and health agency to arrange training sessions on labor safety and fire drills to keep employees updated on the latest safety and health practices. 	
Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	Employee Well-being	49
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Employee Well-being	49
G4-LA11	Percentage of employees receiving regular performance and career development by employee category	Employee Well-being	49
Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Employee Well-being	49

G4 Indicators		Chapter	Page
Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not disclosed	
Labor Practices Grievance Mechanism			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	Employee Well-being	49
Human Rights: Investment			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	Not disclosed	
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.	Employee Well-being	49
Human Rights: Non-Discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	None	
Human Rights: Freedom of Association and Collective Bargaining			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	None	
Human Rights: Child Labor			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	None	
Human Rights: Force and Compulsory Labor			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	None	
Human Rights: Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	None	
Human Rights: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	Employee Well-being	49
Society: Local Community			
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	None	

G4 Indicators		Chapter	Page
Society: Anti-corruption			
G4-SO4	Communication and training on anti-corruption policies and procedures.	Employee Well-being	49
G4-SO5	Confirmed incidents of corruption and actions taken.	None	
Society: Public Policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	None	
Society: Anti-competition Behavior			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	None	
Society: Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None	
Product and Service Labeling			
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	None	
G4-PR5	Results of surveys measuring customer satisfaction	Client Relations	60
Marketing Communications			
G4-PR6	Sale of banned or disputed products.	None	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotions, and sponsorship, by type of outcomes.	None	
Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	None	
Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None	

G4 Indicators		Chapter	Page
Financial Services Sector Supplement Disclosure			
FS1/DMA	Environmental and social policies applied to business lines.	A Word from Management	08
		Stakeholder Engagement	43
FS2/DMA	Evaluate and review how every business lines manage environmental and social risks	Stakeholder Engagement	43
		Environmental Protection	67
FS3/DMA	Procedures of monitoring how customers implement environmental and social actions	Environmental Protection	67
FS4/DMA	Procedures of improving employees' ability of implementing environmental and social policies and how the procedures are applied to business lines.	Employee Well-being	49
FS5/DMA	Interactions between client/business partners from environmental, social risks and opportunities perspectives.	Environmental Protection	67
FS6	Percentage of the portfolio for business lines by specific region, size.	About Us	10
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	About Us	10
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Environmental Protection	67
FS15	Policies of fairly design and promote financial products and services	About Us	10
		Client Relations	60
FS16	Practices of improving financial knowledge	Employee Well-being	49
		Social Philanthropy	74

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