



中華開發金控
CHINA DEVELOPMENT FINANCIAL



China Development Financial
Corporate Social Responsibility Report
2015

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, 2015.

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.

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.

Reporting 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.

Verification of the report

Verification of this report is commissioned to the British Standards Institution (BSI) as a third-party entity to assess and verify the inclusivity, materiality, and responsiveness of information disclosed in this report as required in the G4 edition of the GRI, based on the AA1000 Standard. A statement of verification is issued afterwards.

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. The 2014 report was published in June 2015.

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Economic Performance

- CDF registered net profit of NT\$**8.6bn** in 2015, with overall capital maintained at a healthy level. Cash dividend has been set at NT\$0.5 per share, implying a 86.2% payout ratio and 6.0% cash yield based on the closing price on April 22, 2016.
- KGI Bank delivered robust earnings of NT\$**5.2bn** in 2015. The loan business claimed 0.9% market share as of end-2015, with outstanding loan balance and deposit up by a respective 2012-15 CAGR of 8.0% and 14.5%.
- Cash card market share climbed from 54% in 2011 to 70% in 2015, with total loans stable at NT\$**16.2bn** as of Dec 31, 2015. As for the credit card business, card-in-force ratio continued to rise to 41.6%, and total card consumption edged up 18.4% YoY in 2015, far above the market average of 7.9% YoY growth.
- KGI Securities' wealth management sales rose 35.5% YoY to NT\$490mn. Share in the warrant market picked up sequentially to 14.0% in 2015. The value of eurobonds underwritten by KGI Securities jumped 76% YoY to NT\$195.7bn, and including the NT dollar-denominated bonds, the total underwriting value was NT\$**222.9bn** in 2015, representing a peer-leading **15.6%** market share.
- Total PE/VC funds managed by CDF were worth NT\$26.7bn as of 4Q15, and the value will likely expand to NT\$**35.0bn** in 2016. CDF will also finish raising three private equity funds in 2016.



- CDF passed the **ISO 14001** certification process for its environmental management system in 2015.
- CDF purchased **200,000kWh** of green electricity in 2015 to show support for green power development.
- CDF reduced carbon emission by **700mt** YoY in 2015 (carbon dioxide equivalent).
- KGI Bank and KGI Securities continued to develop digitalized financial services to reduce carbon footprints, including:
 - KGI Bank rolled out online services for account opening, loan application and ACH electronic authorization, in addition to continued expansion and optimization of phone banking, Internet banking and mobile banking services.
 - KGI Securities provided digitalized services like online account opening, multi-access e-statements, certificate application via mobile devices and e-signatures for risk acknowledgement forms.



- In 2015, the total number of participation of CDF and its subsidiaries in domestic and overseas training sessions (both physical and online) was **83,202** and the total training hours reached **207,078**, equivalent to **14** training sessions and **34** hours per employee on average.



- Since the launch of its sponsorship program in 2007, CDIB Education and Cultural Affairs Foundation has sponsored **1,000** economically disadvantaged college students in Taiwan. The program offers NT\$50,000 per year/ person for a total of 100 students based on academic merits and contribution to an after-class teaching assistant volunteer scheme.
- KGI Charity Foundation launched an elementary school assistance program in 2012, and has to date sponsored more than **300** elementary school students and provided emergency aid to 100 underprivileged families.
- KGI Bank served as the trustee bank of Taiwan's first Social Enterprise Revolving Trust in 2015, providing well-rounded financial services to emerging social enterprises. In the same year, KGI Bank also established a Spinal Cord Injury Foundation to support spinal injury patients' self-reliance .
- Out of its total NT\$**10mn** donation, CDF allocated NT\$**4.0mn** to establish a trust fund for children who lost their parents in the 2016 Tainan earthquake.
- CDIB offered to cover the full tuition fees for young, economically challenged victims of the Formosa Fun Coast explosion until they finish their tertiary education in Taiwan. In the first semester of 2015, CDIB Educational and Cultural Affairs Foundation sponsored four postgraduate students, 83 undergraduate students and seven high school students, with total spending of NT\$**3,085,412**.
- 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 **400** visits have been made by KGI Bank employees.



- KGI Bank conducted a survey of walk-in and new account customers in 2015. Of the 24,000 questionnaires retrieved, **99.4%** of respondents expressed satisfaction or high satisfaction with services.
- In a random survey of customers who called the KGI Securities customer service hotline in 2015, **97.6%** of the total 28,689 respondents expressed satisfaction or high satisfaction with service quality.

Message from Management

The global economy kicked off 2015 with strong growth, but trended lower as the year progressed, as financial volatility deepened and raw material prices slumped. Inflation and interest rates were both low across the world, and monetary policies were accommodative as a result. While comparatively healthy, the US economy was weighed on by foreign trade and the manufacturing sector. The Eurozone continued to experience low inflation along with inadequate economic recovery momentum. In China, the economy slowed significantly under pressure from industrial and economic structural transformation. Taiwan saw its economic growth tank to 0.85% in 2015, the lowest level since the 2008 global financial crisis, due to weak global end-demand, China's slowdown, and competition from Chinese supply chains, which affected exports.

In order to effectively adapt itself to the rapidly changing market and facilitate steady business growth, CDF has established comprehensive financial services and products in the three core fields of commercial banking, securities, and venture capital, following the transfer of the corporate banking and treasury businesses of China Development Industrial Bank to KGI Bank on May 1, 2015. However, due to the costs of the transfer and the ensuing business and personnel consolidation, as well as global financial market volatility, which was detrimental to the business environment and squeezed growth, CDF posted consolidated net profit of NT\$8.615 billion in 2015 (including a minority interest of NT\$87 million), lower than the NT\$10.837 billion of 2014 (including a minority interest of NT\$85 million), equivalent to EPS of NT\$0.58 (NT\$0.73 in 2014). Consolidated return on equity (ROE) was 5.00% in 2015 (6.28% in 2014).

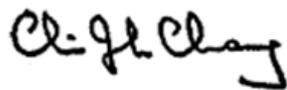
The ultimate goal of a business is to perpetually coexist with society. Faced with various challenges and opportunities, CDF has adhered to its original intention of being "the Partner of Success" to enterprises and individuals, and focused on long term sustainability. While pursuing corporate profitability and shareholder' right, CDF also periodically reviews the impact of its various operations on the social, environmental and governance spheres. CDF embraces a vision of coexistence with society in its efforts to fulfill its social responsibility.

CDF's CSR policy is to proactively participate in public affairs, promote a balance between the economy and the environment, and undertake corporate social responsibility. Over the years, CDF has had many accomplishments in multiple facets of CSR. As for corporate governance, CDF has been making every effort to strengthen the function of the board of directors, improve the quality of corporate governance, and ensure the fulfillment of corporate social responsibility. In 2015, CDF formulated the following internal guidelines: "Corporate Governance Best-Practice Principles", "Ethical Corporate Management Best Practice Principles", "Corporate Social Responsibility Guidelines" and "Codes of Ethical Conduct". In terms of social benefits, through China Development Industrial Bank Foundation and KGI Charity Foundation, CDF has focused on charity, education, and the support of culture. CDF encourages all employees to take parts in related activities, in hope that all employees through the participation of the social caring events, not only can pursue personal growth but also gain spiritual satisfaction. On the environmental protection front, CDF has obtained ISO 14001 certification in 2015, and CDF will continue its efforts on maintaining environmental sustainability. With regard to customer benefits, CDF has been raising customer satisfaction levels and enforcing measures to safeguard customer information. In response to the Digital Financing 3.0 Plan, an innovative financial initiative, CDF has launched a variety of online account-opening methods, providing speedy and high-quality services to fulfill client's financial needs. In terms of employee care, CDF meets employees' self-development requirements by continually deploying the 360 appraisal system and providing

diversified training courses. Meanwhile, CDF endeavors to build a friendly working environment through various welfare, care, and relation-strengthening programs for employees.

In the face of a highly competitive environment, CDF will pursue sustainable development on a prudent basis, boost profitability by adjusting its business structure and capturing digital business opportunities, and gradually build a financial service platform across the Asia-Pacific region. All CDF employees will provide professional and differentiated services to customers in a proactive manner, taking the necessary steps to make CDF the most distinguished financial group among the world's Chinese-speaking population.

Chia-Juch Chang, Chairman



Paul Yang, President





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 KGI Bank on January 5, 2015, in order to stabilize earnings streams, generate cross-selling synergies, enhance capital utilization, provide comprehensive services to securities clients, and enhance shareholders' return on equity. CDF now provides a full range of financial services, spanning principal investment, securities, and commercial banking. CDF's principal investment business has long held the lead in the Taiwan market. In recent years, the Company has focused on the raising and management of private equity funds. As regards the securities business, KGI Securities is a leading player in the local market in brokerage and underwriting and has expanded successfully into Hong Kong, Thailand, and Singapore. KGI Securities will coordinate with the timing of the signing of the Cross-Strait Agreement on Trade in Services to leverage opportunities represented by the opening up of China to Taiwanese securities companies, which will enable it to greatly increase its presence in China and become a leading Taiwanese brokerage play in Asia. As to commercial banking, KGI Bank will benefit from the injection of resources from the financial holding company and the integration of various financial services within the group to aggressively promote cross-selling, create synergies, introduce diverse digital financial products, and kick start operations in overseas markets. These endeavors will enable KGI Securities to provide clients with high-quality, 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.

As of end of 2015, the net worth of CDF was NT\$166.8 billion, and the consolidated assets were NT\$866.7 billion.

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.



中華開發金控
CHINA DEVELOPMENT FINANCIAL



中華開發工業銀行
CHINA DEVELOPMENT INDUSTRIAL BANK

Domestic Subsidiaries

- CDIB Capital Management Corp.
- CDIB Venture Capital Corp.
- CDIB Capital Innovation Advisors Corp. Ltd.
- 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.
- CDIB Private Equity (Fujian) Co. Ltd.
- CDIB Yida 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.

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 concentrated in 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 played the role as a pioneer among local investment banks. The evolution of Taiwan's industrial structure is neatly encapsulated in the changes of CDIB's investment and credit portfolio. CDIB invested in traditional textiles and petrochemicals industries in the 60s and 70s; it shifted its focus in the 80s and 90s to foster high-tech industries, such as the electronics and information technology industry, and the semiconductor industry. From 2000, CDIB has been actively involved in industries such as optoelectronics, alternative energy, medical and healthcare as well as consumer goods. The investment history of CDIB virtually reflects well the history of Taiwanese industrial and economic development.

CDIB, on May 1, 2015, transferred its corporate banking and financial transaction business to KGI Bank. In recent years, to coordinate with government policies to upgrade the financial industry, CDIB has been leveraging its strengths and experience accumulated over the years to assist companies in Taiwan in being actively engaged in fundraising and management of private equity funds. CDIB has thus far succeeded in establishing five private equity funds, namely a cultural and creative industry fund, a bio-medical industry fund, CPEC Huachuang Private Equity Fund (Fujian), CPEC Huachuang Private Equity Fund (Kunshan), and Asia Partners Fund, for a total value of some NT\$26.7 billion in managed assets. In this way, CDIB is working toward its objective of becoming a world-class private equity fund manager based in the Asia-Pacific region.

As the end of 2015, the net worth of CDIB was NT\$69.6 billion, and the consolidated assets were NT\$72.8 billion.

KGI Bank is a wholly-owned subsidiary of CDF, providing multiple financial services including deposits, wealth management, consumer banking, corporate banking, global markets, and foreign exchange transactions. In recent years, the bank has launched a variety of innovative products and services and achieved outstanding performance, particularly in mobile payment and revolving micro loans. KGI Bank has taken the lead in launching the first mobile payment service in Taiwan. According to the Financial Supervisory Commission's survey of the mobile payment business (October 2015), KGI Bank ranked above all other banks in Taiwan on both amount and value of Mobile X Card transactions.

KGI Bank became a part of CDF on September 15, 2014, while on May 1, 2015 it completed its integration with China Development Industrial Bank's corporate banking and financial market operations in order to strengthen the overall business structure. KGI Bank has been promoting cross-selling to maximize synergies among different business units via the injection of resources from the financial holding company and from the integration of various financial services within the group. Moreover, to keep up with the digital financial environment 3.0 trend, the bank has aggressively integrated physical and virtual channels and has introduced a diverse range of digital financial products to enhance service convenience for clients. In order to achieve its goal of becoming a Taiwan-based leader in innovative banking, KGI Bank has been aggressively expanding the group's overseas presence in the Greater China region and Southeast Asia. The bank has also committed itself to develop innovative financial products and services and to create a more competitive and international financial service platform.

In 2016, KGI Bank will continue to focus on maximizing cross-selling and efficient capital utilization, with a view to strengthening competitiveness. Moreover, continue to expand its overseas presence in order to achieve the goal of becoming an international player. In a financial environment that's constantly changing and being reinvented, KGI Bank will continue to offer niche customer experiences and use diverse, highly professional financial services to win over more clients. In this way, the company can enhance the growth of shareholders' equity as well as give back to society.

As at the end of 2015, KGI Bank's net worth was NT\$57.9 billion and total assets was NT\$546.2 billion.

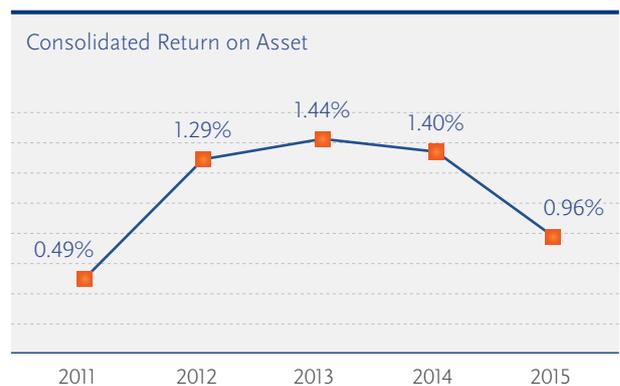
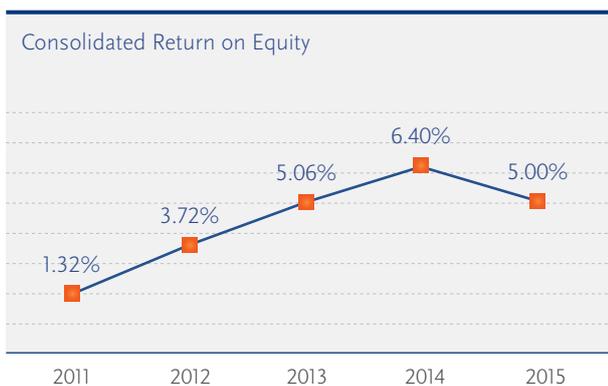
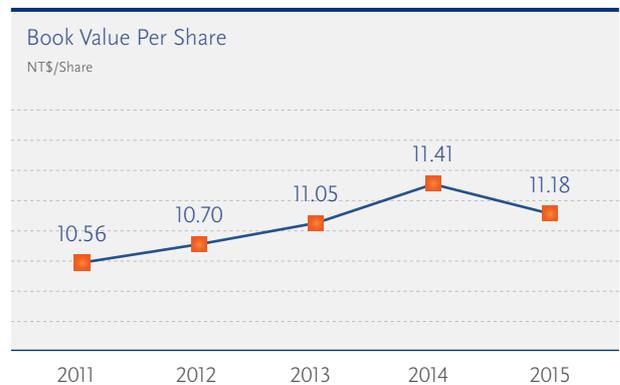
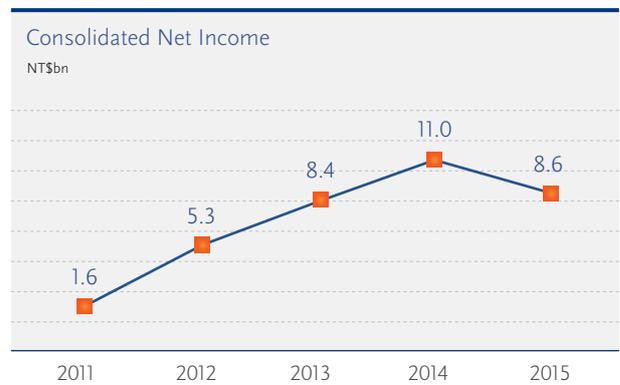
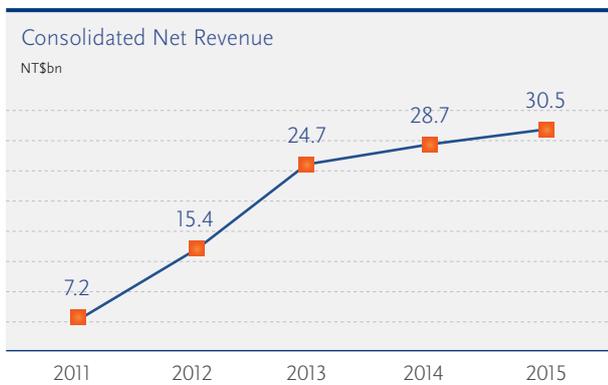
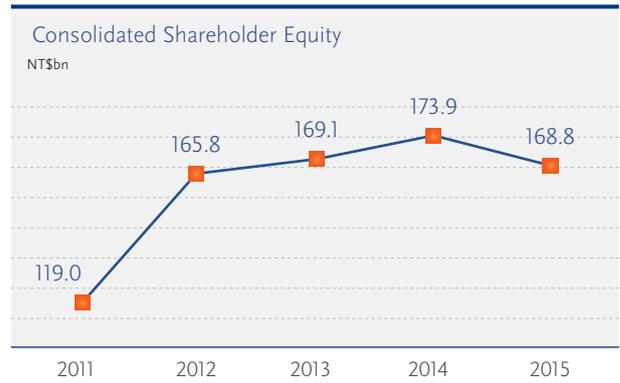
KGI Securities

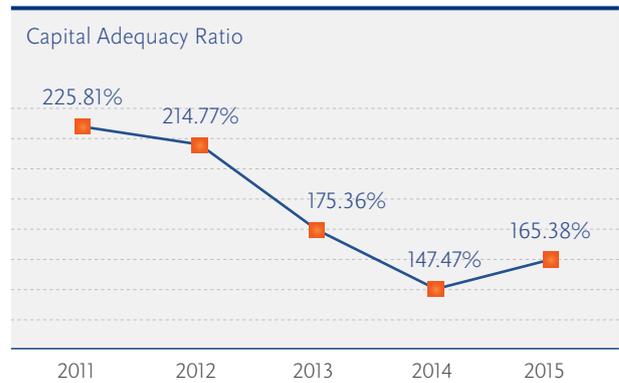
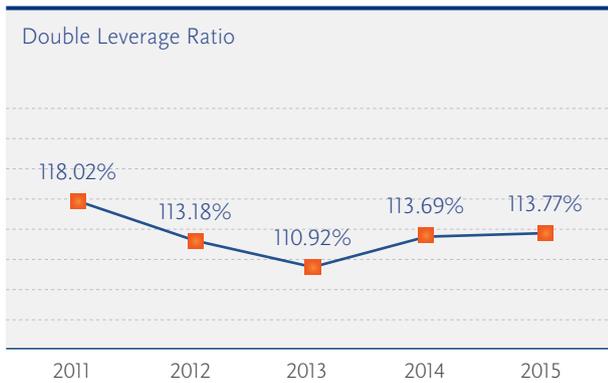
KGI Securities, a wholly-owned subsidiary of CDF, provides a full range of products including brokerage, proprietary trading, underwriting, fixed-income, and a variety of derivatives products. In addition to brokerage, KGI Securities is also a market leader in underwriting as an outcome of mutual synergy with China Development Financial. Moreover, fixed-income, derivatives, and institutional brokerage, 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, 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 Securities can provide clients with complete product portfolio: futures trading, mutual funds, asset management, venture capital, and insurance products. In addition to Taiwan, KGI Securities has a presence in Hong Kong, Thailand, and Singapore. The company's overseas profits weighting is approximately 24%, making KGI one of few Taiwanese securities firms with successful overseas operations.

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, the company will capitalize on these new business opportunities to accelerate growth and reinforce its position in Asia as an outstanding securities firm and leading investment bank.

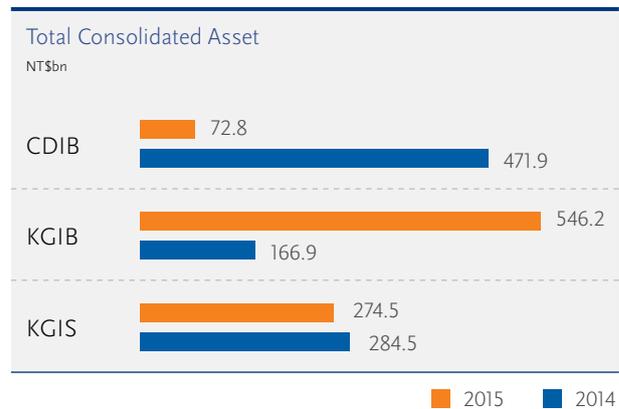
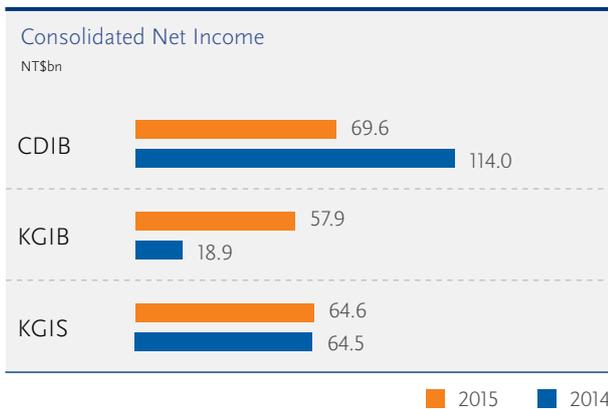
As of end of 2014, the net worth of KGI Securities was NT\$64.6 billion, and consolidated assets were NT\$274.5 billion.

Financial summary





Note: Financial statements in 2013 were IFRS compliant.



Note: On May 1, 2015, CDIB transferred cooperate banking and treasury business to KGI Bank.

There follows a brief summary of pertinent developments in CDF's three major business divisions in 2015.

1. China Development Industrial Bank (venture capital investment):

Poor performance in local and foreign stock markets undermined returns of investments that the bank invested in. Nevertheless, thanks to the contributions from the investment in biotech/healthcare sector and co-investment with international private equity funds, CDIB is able to deliver positive returns overall. In the future, the bank will attract world-renowned investment institutions to invest in sponsored PE/VC funds and thus reduce its capital commitments, and re-deploy the capital to support other business developments of the financial group. CDIB has made prominent progress in fund management: in addition to the existing CDIB Capital Creative Industries Limited, the CDIB Capital Healthcare Ventures Limited and CDIB Private Equity (Fujian) Enterprise (Limited Partnership), CDIB has recently raised its new CDIB Yida Fund Private (Kunshan) Enterprise (Limited Partnership) in mainland China in the second quarter of 2015, which successfully raised RMB 1 billion. Furthermore, with the addition USD\$ 405 million from Asia Partners (a USD-denominated private equity fund), the total AUM (asset under management) of CDIB reached NT\$ 26.7 billion at yearend 2015, which represented a growth of more than 70% from the end of 2014. Apart from the five funds mentioned above, the launch of CDIB Capital Innovation Accelerator Ltd, CDIB Capital Growth Partners L.P. and Ali-Fund (in collaboration with Alibaba Group, China) is underway; therefore the total AUM is expected to rise further in 2016.

2. KGI Bank (commercial banking):

After the business transfer with CDIB, KGI Bank has become capable of offering full range of banking services and products. Below is a description of its performance in different aspects: (1) Corporate banking operation: the bank continues to strengthen its customer relations with TSEC/TPEX listed companies and large corporations for greater cross-selling and revenue opportunities; meanwhile, the bank also strives to explore inter-bank transactions in broader product varieties and counterparties. To achieve better job specialization, the bank has established a Commercial Banking Division to provide cash management and trade financing services to privately owned companies, with the aim of the cross-sell wealth management opportunities with business owners. (2) Financial market operation: the bank strives to optimize asset allocation and deliver consistent returns by issuing bank debentures and expand deposit base, reducing capital cost and increasing its medium and long-term investments in domestic and foreign bonds, high dividend yield and value stocks. In the meantime, the bank is working closely with other members of the financial holding group to provide solutions of treasury products, wealth management and alternative investment to corporate clients, business owners as well as professional investors. (3) Consumer banking operation: the bank continues to explore new business opportunities in both unsecured lending (such as personal credit) and secured lending (such as share-backed financing, loan against beneficiary certificates, etc.). Meanwhile, through innovative new technology, a secured and simplified online loan operation is well structured. (4) Branch banking operation: the bank has been able to grow its mortgage portfolio while maintaining asset quality. With the introduction of structured products and new training plans, the bank now possesses a strong wealth management team capable of delivering professional asset management solutions to customers' satisfaction.

3. KGI Securities (securities):

The slowing economic momentum worldwide coupled with the poor performance of the global capital market and declining trading volume of Taiwan's stock market had all presented challenges to the securities business. However, KGI Securities still managed to lead the market in terms of investment banking, warrant trading, bond underwriting, and equity underwriting in particular, where it topped the market both in case count and total underwriting value. Meanwhile, KGI securities has also been actively exploring new profit sources by undertaking sophisticated trading strategies and the underwriting of international bonds. Positive momentum also shown on its overseas operations: Increasing market share of KGI Ong Capital warrant trading in Singapore and after acquired AmFraser Securities at 1st quarter of 2015, the operational indicators of the new entity, KGI Fraser Securities has appeared promising. Moreover, with the acquisition of PT Hasta Dana Sekuritas Indonesia during the fourth quarter, KGI Securities had successfully extended its reach into the Indonesian market and complemented the group's plans in Asia. In the future, the securities segment will be undertaking more extensive integration of resources across regions and departments in order to provide the ultimate one-stop wealth management service to clients in Taiwan, Hong Kong and Southeast Asian countries and hence increase revenues from cross-selling and satisfy investors' needs for diversification.

Credit Rating

Taiwan Ratings Corp. maintained a respective long- and short-term credit rating of twA+ and twA-1 on CDF in November 2015, with outlook rated 'Stable'. These ratings confirm that CDF is well capitalized, has solid business clientele in the corporate banking and securities markets in Taiwan, and is appropriately diversified in terms of businesses and geographical locations 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



- ISO 14001: 2015 Environmental Management Certification by BSI
- Financial Information Service Co., Outstanding Bank in Promotion of Virtual Cash Flow Business
- TAIFEX Futures Trading Diamond Awards, Growth in Trading Volume for Banks (Ranked #2)
- FinanceAsia, Best Taiwan DCM House
- The Asset, Best Bond House in Taiwan
- The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds (Ranked #1)
- The Asset, Asian Currency Bond Benchmark Survey, Top Bank in the Secondary Market for Corporate Bonds (Ranked #1)
- Euromoney, Awards for Excellence, Best Investment Bank in Taiwan
- Asiamoney, Best Foreign and Local Brokerages in Taiwan Research (Ranked #3)
- TWSE, SPO Fund-raising (Ranked #1)
- TWSE, Securities Dealers ETF Trading Contest, Distinguished Contribution Award
- TWSE, Best Warrant Market Maker in Taiwan
- Taipei Exchange, Best Government Bond Market Maker
- Taiwan Future Exchange, Futures Trading Diamond Awards, Outstanding Contribution by Introducing Brokers, Outstanding Contribution by Futures Proprietary Merchants, and Performance Excellence by RHF Market Makers
- Wealth Magazine, Consumer Financial Services and Financial Holdings CSR Awards, Best Brokerage Brand (Ranked #2), and Best Brokerage Services
- Business Today Wealth Management Review, Best Service (Ranked #1), and Best Wealth Management for Securities Houses, Best Sales Team, Best Product, and Best Digital Development (Ranked #2)



- BSI, BS10012:2009 Specification for a Personal Information Management System
- FinanceAsia, Best Taiwan DCM House
- FinanceAsia Country Awards, Best Taiwan Investment Bank, Best Taiwan DCM, Best Taiwan ECM
- GreTai Securities Market, Bond Trading (Ranked #1), and Bond Issue (Ranked #2), Golden Laureate Award
- GreTai Securities Market, Listing Advisory Service (Ranked #1), and Emerging Stock Market Making (Ranked #2), Golden Laureate Award
- GreTai Securities Market, OTC Derivatives Transaction Volume (Ranked #1), and Number of New Issues of Warrants (Ranked #3), Golden Laureate Award
- GreTai Securities Market, Brokerage (Ranked #2), Golden Laureate Award
- Taiwan Central Bank, Best Government Bond Dealer
- The Asset, Best Bond House in Taiwan
- TWSE, SPO Fund-raising (Ranked #1)
- TWSE, Total Value of Warrant Transactions (Ranked #2), and Number of Warrants Issued (Ranked #3)



- Asiamoney, Best Foreign and Local Brokerages in Taiwan Research (Ranked #3)
- Global Views Monthly, 11th "Service Industry Survey", Banking Category, (Ranked #4)
- GreTai Securities, Central Government Bond Market Maker Review (Ranked #3), 2nd 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, IPO Fund-raising (Ranked #1), SPO Fund-raising (Ranked #1), and IPO Market Value (Ranked #2)
- TWSE, Number of Warrants Issued (Ranked #2), Total Value of Warrant Transactions (Ranked #2), and Best Warrant Market Maker in Taiwan



- Asiamoney, Best Foreign and Local Brokerages in Taiwan Research (Ranked #3), Best Execution Award (Ranked #3), Best Roadshow and Company Visit Award (Ranked #2)
- GreTai Securities Market, Best Market Making for Government Bonds (Ranked #3), 1st 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 Domestic Bond House, Best Fixed Income Local Provider for Interest Rates Products (Ranked #2), and Best Local Brokerage (Ranked #2)
- Department of Treasury of the Central Bank, Best Government Bond Dealer (Ranked #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 Local Brokerage (Ranked #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 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 (Ranked #2), and Leading Bank in Taiwan Dollar Corporate Bonds (Ranked #2)



- Asiamoney, Best Bond House in Taiwan
- The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds & Corporate Bonds (Ranked #1), and Leading Bank in Taiwan Dollar Government Bonds (Ranked #2)



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



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



- Asiamoney, Best Local Brokerage
- Global Finance Magazine, 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 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 (Ranked #2)
- FinanceAsia, Best Local Investment Bank
- The Asset, Best Investment Bank in Taiwan

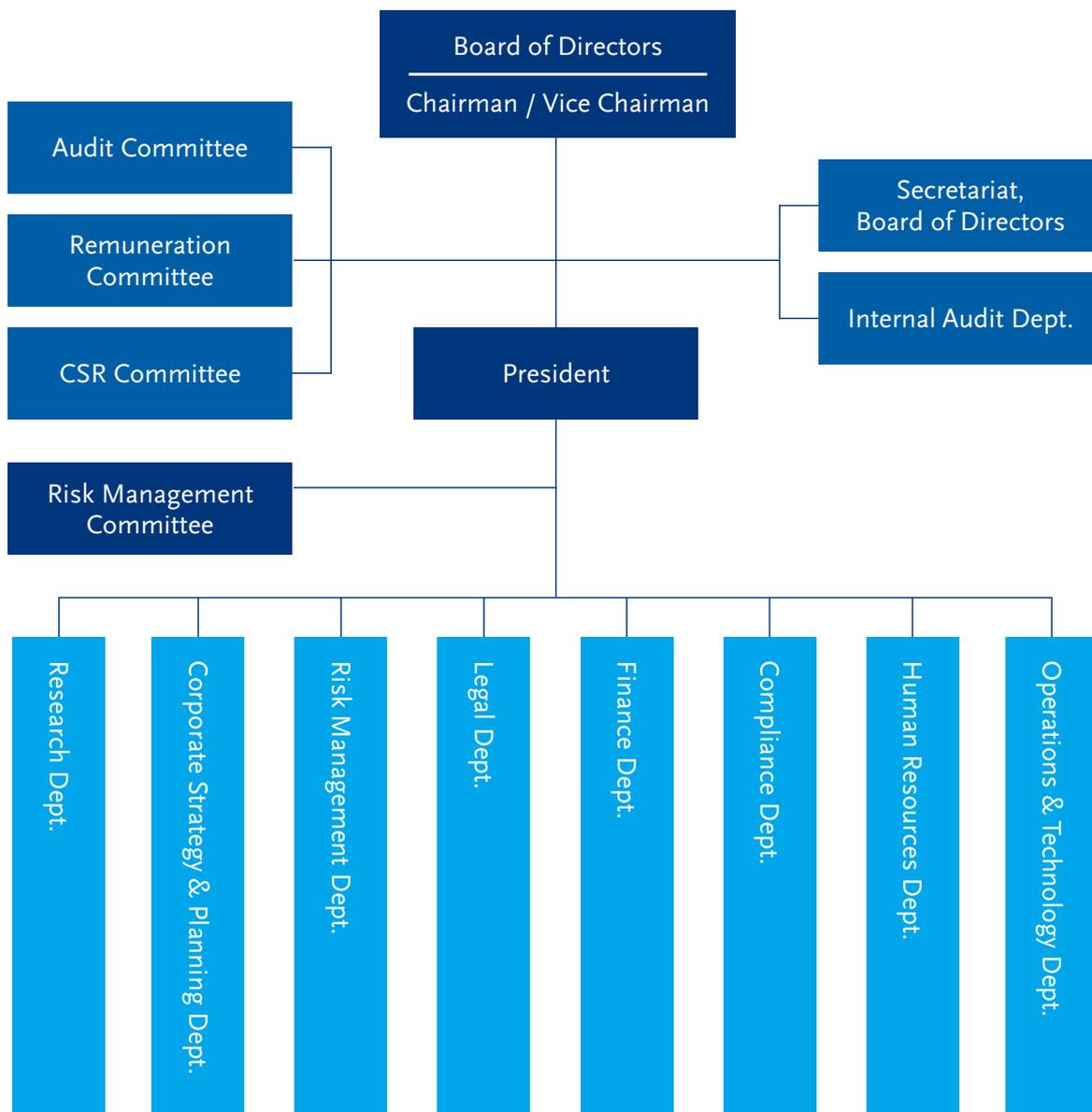
Corporate governance has emerged as a key business concept around the world. Sound corporate governance practices will boost the value of a company. We believe that only companies under proper corporate governance as a source of investor confidence will last long.



Corporate Governance

Organization and responsibilities of key departments

1. Organization Chart of CDF



Organization and responsibilities of key departments

2. 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

Structure and Independence of the Board of Directors

CDF has 11 board directors, all of whom are male with an average age of 62. Three of the 11 board members are independent directors who have solid professional expertise and no conflict of interest of the company. We try to bring in a diversified pool of experienced professional directors by soliciting them from the financial, industrial and academic sectors. Moreover, CDF has set up Audit Committee, Remuneration Committee and CSR Committee under Board of Directors to enhance board functions, improve corporate governance and fulfill CSR. While Audit Committee and Remuneration Committee consist of all the independent directors, CSR Committee is made up of the FHC chairman, CEO and independent directors, as well as the chairman and outside directors of FHC direct subsidiaries, and members appointed by the board, effectively implementing independent supervision to facilitate sound management and board operation.

1. Education and background of board members

Date: February 29, 2016

Title	Name	Experience Education
Chairman	Kai Don Investment Co., Ltd. Representative Mu-Tsai Chen	Master's degree in Economics, National Taiwan University; Chairman, Bank of Taiwan; Chairman, China Development Industrial Bank
Director/ Vice Chairman	Chi Jie Investment Co., Ltd. Representative Chia-Juch Chang	Ph.D., Purdue University, U.S.A.; MINISTRY OF ECONOMIC AFFAIRS Minister
Independent Director	Ching-Yen Tsay	Ph.D., University of Utah, U.S.A.; Compal Electronic, INC group senior advisor
Director	GPPC Chemical Corp. 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., The George Washington University, Washington, D.C., U.S.A.; Master of Financial Management, Benjamin Franklin University, Washington, D.C.; Director General, Insurance Bureau of Financial Supervisory Commission
Director	Kai Don Investment Co., Ltd. Representative Paul Yang	M.B.A., Harvard University; MS, Massachusetts Institute of Technology Senior Executive Vice President and Chief Investment Officer, China Development Financial Holdings Corp.
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

Title	Name	Experience Education
Director	Bank of Taiwan Co., Ltd. Representative Shing-Shiang Ou	Ph.D. in Economics, Georgia State University, U.S.A.; SVP & General Manager, Department of Credit Analysis, Bank of Taiwan Co., Ltd.; SVP & General Manager, Department of Auditing, Bank of Taiwan Co., Ltd.
Independent Director	Hue-Sun Teng	M.A. in Business Administration, Middle Tennessee State University, U.S.A.; Senior Vice President, Fullerton Financial Holdings Pte. Ltd. Singapore
Independent Director	Gilbert T.C. Bao	B.A.in Economics, University of Southern California, U.S.A.; Chairperson, Taiwan Man-Made Fiber Industries Association

2. Professional qualifications and independence analysis of directors and supervisors

Date: February 29, 2016

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 Don Investment Co., Ltd. Representative Mu-Tsai Chen	◎	◎	◎
Chi Jie Investment Co., Ltd. Representative Chia-Juch Chang	◎		◎
Ching-Yen Tsay	◎		◎
GPPC Chemical Corp. Representative David Chen			◎

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

Chi Jie Investment Co., Ltd.
Representative
Mark Wei

◎

Kai Don Investment Co., Ltd.
Representative
Paul Yang

◎

Shin Wen Investment Co., Ltd
Representative
Howe Yong Lee

◎

Shin Wen Investment Co., Ltd
Representative
Long-I Liao

◎

Bank of Taiwan Co., Ltd
Representative
Shing-Shiang Ou

◎

Hue-Sun Teng

◎

Gilbert T.C. Bao

◎

3. Board operation

The board of directors convenes regular meetings monthly and ad-hoc meetings in emergency. A total of 18 meetings were convened in 2015, with an average attendance rate at 88.38%. Prior to the meeting, the board sets out an agenda, notifies all the directors before a regulated period and provides sufficient meeting materials.

To ensure smooth operations of the board, CDF has established Rules of Procedure of the Board of Directors, stipulating the items to be discussed at the board meetings. In the event of an agenda item representing a conflict of interest for a director or for the entity he or she represents, he or she shall disclose the conflict at the meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of the board.

The Board of Directors has complete comprehensive guidelines to avoid conflicts of interest, including:

(1) Regulations to prevent conflicts of interest

- A. For better corporate governance and better awareness of conflicts of interest by the board as regards investor rights, CDF has stipulated in Article 16-1 of the board meeting rules: "In the event of an agenda item representing a conflict of interest for a director or for the entity he or she represents, he or she shall disclose the conflict at the meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of the board."
- B. To disclose how a director is engaged in the board meeting in the event of a conflict of interest, the first paragraph of the 17th Article of the Rules of Procedure of the Board of Directors mandates inclusion into the board meeting minutes of the name of the director, his or her conflict of interest and the reason why he or she is or not recused.

(2) Measures to avoid conflicts of interest

- A. In front of the agenda index, the agenda sent to the directors includes the guidelines regarding conflicts of interest, highlighted in large and bold text. This is to remind directors to excuse themselves during discussion or vote on a conflicted matter.
- B. In the event of discussion on a matter deemed a conflict of interest for a director, in addition to the procedure unit of the meeting shall announce the name of the director and remind him or her to excuse him- or herself from the proceedings, the chairman of the meeting will remind him or her again to excuse him- or herself from the proceeding.

(3) The board staff shall enter into the meeting minutes 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 the first paragraph of the 17th Article of the Rules of Procedure of the Board of Directors.

Conflict of interest agenda items for directors and recusals in 2015:

Recused Director	Agenda Item	Reason for recusal	Notes
January 26, 5th term, 31st meeting			
Mu-Tsai Chen Chia-Juch Chang Ching-Yen Tsay Paul Yang Mark Wei	The attendance fee of CSR meetings for CSR Committee member.	The interested directors are the CSR Committee members	Recused
February 9, 5th term, 32nd 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
Paul Yang	The proposed distribution list of the 2nd restricted employee shares (issued in 2015)	The interested director is the recipient of the subject restricted new shares	Recused
Mu-Tsai Chen Chia-Juch Chang	Performance remuneration for Chairman and Vice Chairman	The interested directors are the chairman and vice chairman of the Company.	Recused
March 23, 5th term, 34th meeting			
Paul Yang	The disposal of non-core overseas private equity funds of CDIB and its four 100% owned overseas subsidiaries	The interested director is the chairman of overseas venture capital subsidiaries.	Recused
April 13, 5th term, 35th meeting			
David Chen Paul Yang Shing-Shiang Ou	releasing the non-competition restrictions for the 5th term board of directors (including judicial persons and their representatives)	The interested directors are the parties who will lift the obligation for non-competition.	Recused from discussion and vote on the matter
April 27, 5th term, 36th meeting			
Paul Yang	Duty adjustment proposal for CDF and CDIB's management team and graded with 13th senior-level staff.	The interested director is the party who will be affected by the adjustment.	Recused
June 12, 5th term, 39th meeting			
Mu-Tsai Chen Chia-Juch Chang Paul Yang David Chen Long-I Liao Howe Yong Lee Mark Wei Shing-Shiang Ou Ching-Yen Tsay Gilbert T.C. Bao Hue-Sun Teng	2014 remuneration of directors	The interested directors are the parties receiving the remuneration.	Recused from discussion and vote on the matter

Recused Director	Agenda Item	Reason for recusal	Notes
July 27, 5th term, 41st meeting			
Chia-Juch Chang	Appointment of Chia-Juch Chang as board director of subsidiary KGI Securities	The interested director is the proposed appointee.	Recused
September 21, 5th term, 44th meeting			
David Chen Paul Yang	The merger plan of two subsidiaries: CDIB Capital Management Corp. and China Venture Management, Inc.	The interested directors are the board members of the subject subsidiaries.	Recused
David Chen Paul Yang	The merger plan of three subsidiaries: CDIB Venture Capital Corp., R.O.C. Strategic Co. Ltd. and CDIB Strategic Venture Fund, Ltd.	The interested directors are the board members of the subject subsidiary.	Recused
David Chen Paul Yang	CPE HK (100% owned subsidiary of CDIB) proposes to purchase 100% share of CDIB Private Equity(China) Corporation and 56% stake of CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership) from CVC HK	The interested directors are the board directors of CPE HK and CVC HK	Recused
October 26, 5th term, 45th meeting			
Paul Yang	The proposed capital return plan, total amount of NT\$110 million to CDIB from three 100% owned subsidiaries (capital generating source: GMII – by capital reduction; and GMI & GMIII through repurchase of shares)	The interested director is the board director both of GM I and GM III	Recused
December 28, 5th term, 48th meeting			
David Chen Paul Yang	Application to Financial Supervisory Commission (FSC) and Investment Commission, Ministry of Economic Affairs (MOEA) of the purchase plan: CPE HK (100% owned subsidiary of CDIB) proposes to purchase 100% share of CDIB Private Equity(China) Corporation and 56% stake of CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership) from CVC HK	The interested directors are the board directors of CPE HK and CVC HK	Recused

Recused Director	Agenda Item	Reason for recusal	Notes
December 28, 5 th term, 48 th meeting			
David Chen Paul Yang	Application to Financial Supervisory Commission (FSC) and Investment Commission, Ministry of Economic Affairs (MOEA) of the capital injection plan for CDIB Private Equity (China) Corporation from CDIB's 100% owned subsidiary CPE HK plan to support its purchase plan: to purchase 70% shares of CPEC Huakai Private Equity (Fujian) Co., Ltd. ("Huanan GPI") from CDIB Venture Capital (HK) Corporation Limited ("CVC HK") and 65% stake of CPEC Huachuang Private Equity (Kunshan) Co. Ltd. ("Huadong GPI") from CPE HK.	The interested directors are the board directors of the subject subsidiaries.	Recused from voting
Chia-Juch Chang	KGI Securities proposes, through its 100% owned subsidiary KGI Capital Asia Ltd., to purchase 99% share of PT Hasta Dana Sekuritas Indonesia from PT HD Capital Asia Ltd.	The interested director is the board director of KGI Securities	Recused from voting

Courses relating to corporate governance attended by directors in 2015:

Course name	Duration		Organizer	Name of director	Training hours
	Start	End			
Corporate Governance and Directors' and Supervisors' Responsibilities; Corporate Governance and Intellectual Property Rights	2015/3/10	2015/3/10	Taiwan Corporate Governance Association	Long-I Liao	6
International Conference on "Corporate Governance, Financial Supervision and Laws"	2015/6/26	2015/6/26	Taiwan Stock Exchange Corporation	Mark Wei	6
Amendment and Practical Interpretation of the Company Act	2015/6/30	2015/6/30	China Development Financial	Chia-Juch Chang	2
Key to Industry Growth and Upgrade – Cross-border M&A	2015/7/14	2015/7/14	Taiwan Corporate Governance Association	Hsing-Hsiang Ou	3
Best Board Practice and Corporate Governance Workshop	2015/7/22	2015/7/22	Taiwan Academy of Banking and Finance	Hsing-Hsiang Ou	3
Implications of Business Secret Protection Laws in Business Competition	2015/7/24	2015/7/24	Taiwan Corporate Governance Association	Mu-Tsai Chen	3
Independent Directors – "Outsiders" with Greater Responsibilities? An Investigation into Independent Directors' Responsibilities	2015/8/18	2015/8/18	Taiwan Corporate Governance Association	Mu-Tsai ChenChing-Yen Tsay Hsing-Hsiang Ou	3 3 3
Independent Director Functions	2015/8/25	2015/8/25	Taiwan Corporate Governance Association	Hui-Sun Teng	3
Independent Director and Functional Committee Practices	2015/9/1	2015/9/1	Taiwan Corporate Governance Association	Hui-Sun Teng	3

Course name	Duration		Organizer	Name of director	Training hours
	Start	End			
The Parent-Subsidiary Structure and Division of Director/Supervisor Responsibilities	2015/10/27	2015/10/27	Securities and Futures Institute	Chia-Juch Chang	3
				Ching-Yen Tsay	3
				Long-I Liao	3
				David Chen	3
				Mark Wei	3
Corporate M&A Trends and Case Studies	2015/10/27	2015/10/27	Securities and Futures Institute	Paul Yang	3
Advanced Practical Conference for (Independent) Directors and Supervisors: “Insiders’ Civil Liabilities under the Securities and Exchange Act”	2015/12/1	2015/12/1	Securities and Futures Institute	Gilbert Bao	3
Advanced Practical Conference for (Independent) Directors and Supervisors: “Risk Control and Directors’ and Supervisors’ Legal Responsibilities in Misstated Reports – A Case Study”	2015/12/18	2015/12/18	Securities and Futures Institute	Gilbert Bao	3

(4) Remuneration of directors

Remuneration of the Company’s directors is determined according to the Company Act and Corporate Governance Best-Practice Principles, with considerations of their participation and contribution as well as company operating results, and specified in the Articles of Incorporation.

Audit Committee

1. Composition and Operation

- (1) The Audit Committee officially commenced operation on June 24, 2011, with all three members being independent directors.
- (2) The Audit Committee shall convene at least once every quarter, or anytime when needed. In 2015, 13 meetings were convened with average attendance rate at 92.31%.

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) [B / A] <small>(Note)</small>
Independent Director	Ching-Yen Tsay	13	0	100
Independent Director	Gilbert T.C. Bao	12	1	92
Independent Director	Hue-Sun Teng	11	2	85

Discussions of the proposals that independent directors have invested interests in and their recusals at 2015 meetings: N/A

2. 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 2015:
- 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.
 - 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, KGI Securities and KGI Bank), with a focus on the Finance, Risk Management and Compliance Departments, at least every six months, pursuant to Articles 15, 16 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.
 - 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.
 - 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 Audit Committee and the Board of Directors, pursuant to Article 26 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.

- E. 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.
- F. In accordance with Article 7 of the Corporate Governance Best-Practice Principles, the Internal Audit Department shall held a meeting with the directors, at least once a year, to review the internal control system. The meeting minutes shall be submitted to the Board of Directors and Audit Committee for approval.

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

3. Scope of function

- (1) The adoption or amendment of the internal control system pursuant to Article 14-1, Securities and Exchange Act;
- (2) Assessment of the effectiveness of the internal control system;
- (3) 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;
- (4) Matters in which a director is an interested party;
- (5) Asset transactions or derivatives trading of a material nature;
- (6) The offering, issuance, or private placement of equity-type securities;
- (7) The hiring or dismissal of a certified public accountant, or their compensation;
- (8) The appointment or discharge of a financial, accounting, or internal audit officer;
- (9) Annual and semi-annual financial reports; and
- (10) Other material matters as may be required by the Company or by the competent authority.

Remuneration Committee

1. Composition and Operations

- (1) The Remuneration Committee officially commenced operation on September 30, 2011, with three sitting members.
- (2) A total of ten meetings were convened in 2015, 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	10	0	100
Member	Independent Director	Gilbert T.C. Bao	3	10	0	100
Member	Independent Director	Hue-Sun Teng	3	9	1	90

* Qualifications required becoming 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.

2. Scope of function

As the sound operations of the Company are based on an adequate link between the remuneration of top management and organizational performance, the Remuneration Committee was established in 2011 with an independent director as the convener. The committee aids the board of directors, via fair and transparent procedures, in devising the policies and standards of performance evaluation and compensation for board (including chairman and vice-chairman) and management.

Members of the committee propose the following items to the board of directors for discussion, at meetings convened in compliance with the committee charter:

- (1) Regular review of the Remuneration Committee charter and suggestions for revision.
- (2) Devising and regular review of the policies and standards of performance evaluation and compensation for board (including chairman and vice-chairman) and management.
- (3) Devising and regular review of the remuneration package for individual directors (including chairman and vice-chairman) and managers.

The remuneration of directors (including chairman and vice-chairman) and management is allotted based on company earnings, their individual performance and contribution to the Company, proposed to the Remuneration Committee for suggestions, and submitted to the board for approval.

Corporate Social Responsibility Committee

1. Composition and Operation

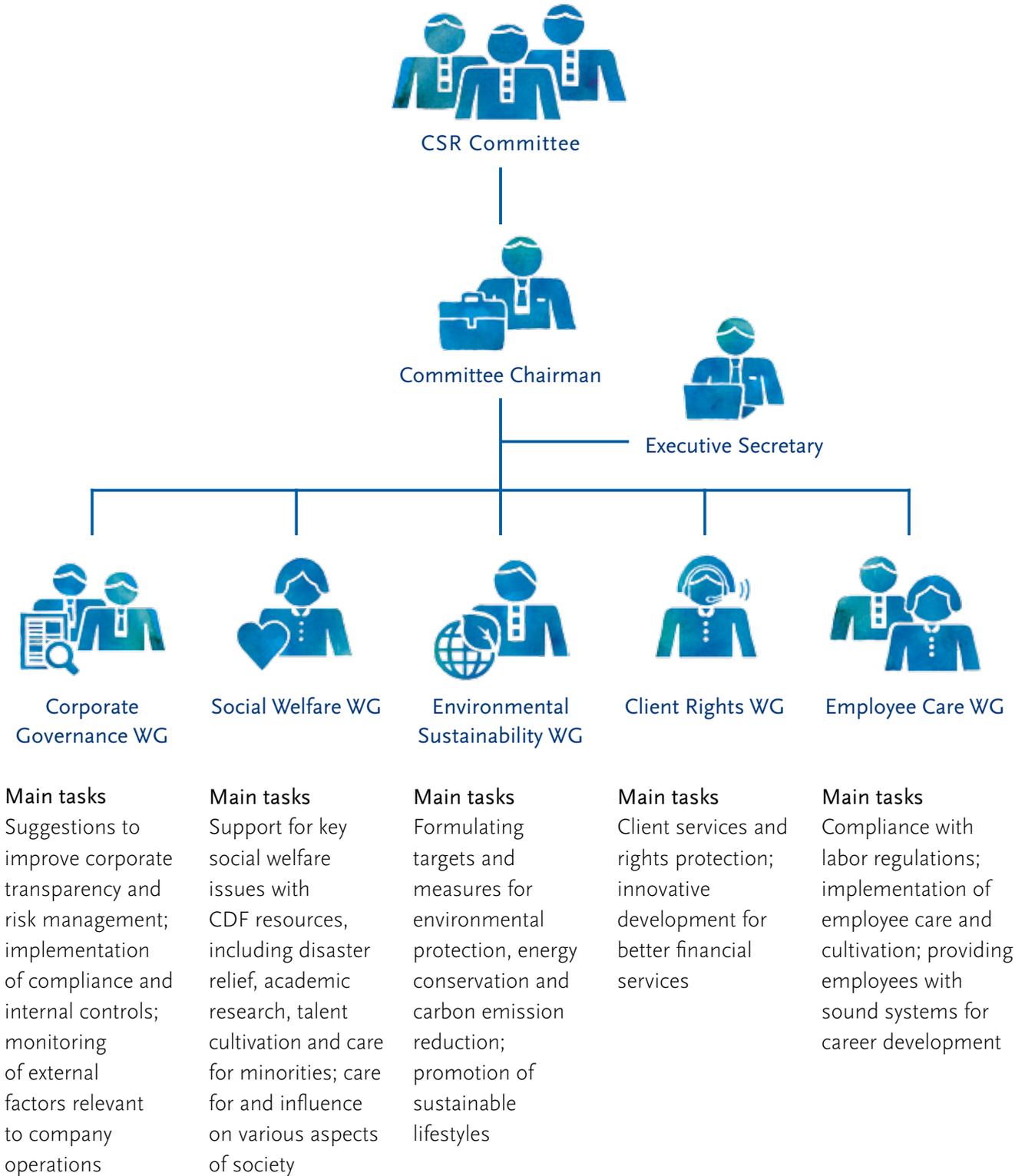
- (1) To actively participate in public affairs, achieve sustainable and balanced development of the economy, society, and environment, and to realize its corporate social responsibility, CDF has drafted the CSR Committee Charter and set up CSR Committee under Board of Directors. Meanwhile, CDF has also drafted CSR Guidelines to solidify CSR management for the long-term goal of corporate sustainability.
- (2) CDF's first CSR Committee consists of nine members:
 - A. Chairman served as by CDF's chairman;
 - B. Other members served as by CDF's CEO, chairman of direct subsidiaries, independent directors, outside directors of CDF's direct subsidiaries, and persons appointed by the board;
- (3) CSR Committee meetings are convened biannually at least and ad hoc when needed. Four meetings were convened in 2015 with attendance rate at 91.67%.
- (4) The CSR Committee has five working groups (WG) each with a specific task: corporate governance, social welfare, environmental sustainability, client rights and employee well-being. A head is selected by the committee chairman from managers of CDF and its subsidiaries for each working group to coordinate task execution. Members of the working groups are selected by the head from employees of CDF and its subsidiaries. There are also an executive secretary and several secretaries responsible for assisting the committee chairman with administrative affairs, coordination with other departments and follow-up on the execution of committee resolutions. The secretaries support the executive secretary in administrative affairs and other matters assigned.

2. Scope of function

- (1) Outlining the annual CSR plan and strategy;
- (2) Determining CSR programs and activities;
- (3) Tracking and reviewing the efficacy of the annual CSR plan, strategy and activities;
- (4) Approving and finalizing the CSR report; and
- (5) Passing resolutions regarding CSR- or public affairs- related tasks assigned by the Board of Directors.

CSR committee should report its execution plan to the Board of Directors annually

Organizational chart of the CDF CSR Committee



Ethical Corporate Management and Responsible Lending

For ethical corporate culture and sound development, CDF formulated its Ethical Corporate Management Best Practice Principles in reference to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies in November, 2015.

The Ethical Corporate Management Best Practice Principles of CDF govern the behavior of directors, managers and employees, outlining a list of dishonest behaviors and conflicting interests, prohibiting any offer of illegal political contributions, improper donations or sponsorships, and revelation of or inquiries into the Company's confidential information. In addition to monitoring the trends of ethical corporate management regulations at home and abroad, CDF solicits suggestions for revisions to its version from the directors and employees to enhance the effect of ethical corporate management.

Implementation status of Ethical Corporate Management:

Evaluation Item	Implementation Status
1. Establishment of ethical corporate management	
Does the company state its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	On November 23, 2015, the Board of Directors have passed the Company's "Ethical Corporate Management Best Practice Principles", and will be proposed for resolution during the 2016 shareholder meeting.
Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	The Company's "Ethical Corporate Management Best Practice Principles", "Code of Conduct" and "Subsidiary Insiders Discipline" specifically outline a list of dishonest behaviors and conflicting interests, and prohibit any offer or accept bribery, and improper Donations or sponsorships. These rules are conveyed to employees through training sessions. Employees who are found to have committed dishonest behaviors will be disciplined according to the Company's policies or regulations.
Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	According to the Company's "Ethical Corporate Management Best Practice Principles," employees are required to report to the Audit Committee, managers, internal audit officers or other managerial staff where appropriate upon discovery of any violation against business integrity. The Company will maintain confidentiality of informant's identity and the details reported, while in the meantime take initiative in the investigation. Furthermore, the Company's "Code of Conduct" also requires employees to handle the Company's affairs in the utmost honesty and good faith. Should any employee violate this policy, the relevant departments are required to report to the Internal Audit Department for immediate inspection. Violations that are found to be true will be subject to disciplinary actions in accordance with the Company's Employee Reward and Discipline Policy. Where government regulations are involved, employees may also be subject to legal liabilities.

Evaluation Item	Implementation Status
2. Implementation of Ethical Business Conduct	
Does the company evaluate the ethical records of all counterparties? Are there any integrity clauses in the contracts it signs with business partners?	The Company evaluates credibility of all major suppliers. The Company would require all major suppliers to commit to the Company's policies. To ensure suppliers' commitment, the Company would specify in the service contract all of the policies that suppliers are bound to follow (including but not limited to the protection of workers' rights, environment, and consumers' interests); If the counterparty is involve in unethical conduct or caused significant impact on the environment or society, the Company may, at any time, terminate or rescind the contract.
Does the company have a dedicated unit which promotes corporate ethical management and reports the implementation to the Board of Director regularly?	The Company has assigned various departments to promote corporate ethical management within their respective areas of expertise. For example, Finance and Accounting Departments are responsible for the execution of the accounting policy; whereas the Human Resource Department is responsible for organizing corporate ethical management courses and assisting CSR Committee's Customer Protection Unit to report its implementation status to the Board of Directors.
Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	In order to prevent potential conflict of interest and facilitate immediate resolution, employees have the obligation to report to their departments and the human resource department any commercial activities they have taken outside the Company in their private capacity. Non-managerial staff has to report to the head of department, who then forwards to the Human Resource Department for filing. Managerial staff is required to report to line managers, who then circulate to Legal Affairs and Human Resource Departments before seeking President's or Chairman's approval. When required by law or under special circumstances, permission must be sought in a managing directors meeting or Board of Directors meeting before employees are allowed to undertake concurrent employment. The Company will carefully evaluate all concurrent employments reported by employees, in order to identify a potential conflict of interest.
Has the company established effective accounting and internal control systems for the implementation of corporate ethical management? Are these systems reviewed by internal or external auditors on a regular basis?	The Company has established effective accounting policies and internal control systems to ensure business integrity. According to the Company's "Ethical Corporate Management Best Practice Principles," the Internal Audit Department is required to conduct general audits at least once a year, and special audits (finance, risk management, or compliance-related) at least once every six months on the Company and its subsidiaries. The Internal Audit Department also conducts regular checks on subsidiaries with regards to their establishment, execution and compliance of business integrity principles.
Does the company organize internal or external training on a regular basis to enforce business integrity?	The Company has "Ethical Corporate Management Best Practice Principles," "Code of Conduct" and "Subsidiary Insiders Discipline" in place that requires employees to handle the Company's affairs in the utmost honesty and good faith. These policies have been made accessible on the Company's intranet; any additions and amendments made are notified to all employees via email, whereas internal trainings are organized on a regular basis.

Evaluation Item	Implementation Status
3. Status of Whistleblowing system	
Does the company provide incentives and means for employees to report misconducts? Has the company assigned dedicated personnel to investigate the reported misconducts?	The Company encourages employees to take initiative in notifying the Audit Committee, managers, internal audit officers or any supervisor deemed appropriate upon discovery of any situation that would constitute a violation against laws or policies. The Company has an opinion box created within the computer network that employees may use to report misconducts. The Company also has dedicated phone lines available for outsiders to report employee misconduct. All reported misconducts are treated with discretion by dedicated personnel.
Has the company implemented any standard procedures or confidentiality measures for handling reported misconducts?	The Company would assign dedicated persons to investigate the reported misconduct. The process and details of which would be kept confidential, while informants and investigators are protected from harm.
Has the company provided proper whistleblower protection?	The Company has internal and external channels for receiving misconduct reports. All reported cases are treated with discretion and in a manner that protects the informant.

4. Enhancing information disclosure

Has the Company disclosed its Ethical Corporate Management Best Practice Principles and progress onto its website and MOPS?	The Company's Ethical Corporate Management Best Practice Principles and the results of implementation have been posted on the Company's Chinese / English website.
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5. If the company has established ethical corporate management policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None

Responsible lending policies

In assessing loan applications or project financing, CDF takes into consideration of the borrower's environmental awareness and social accountability. As an encouragement, CDF offers preferential loans to enterprises with green initiatives and rejects applications from enterprises which are highly-polluting or violating with environmental regulations. If any violating of CSR being found among existing clients, CDF requests improvement or stops extending the loans issued to those with low compliance as a means to encourage them to take the environment and society to heart.

Risk Management Committee

To ensure consistent, adequate, steady and transparent risk management mechanism, CDF has established the Risk Management Committee to integrate, plan, supervise and manage the risks confronting of the Company and its subsidiaries.

1. Composition and Operation

- (1) The Risk Management Committee was established on May 10, 2002, with 11 sitting members including CEO, Chief Strategy Officer (CSO), Chief Legal Officer (CLO), Chief Audit Officer (CAO), head of financial management, head of risk management, head of operations management, managers of other business units, and other members solicited by the chairman.
- (2) Risk Management Committee meetings are convened quarterly at least and ad hoc when needed. Six meetings were convened in 2015.

2. Scope of function

- (1) Fostering a risk-management oriented culture within CDF; deepening and expanding risk management; and boosting the effectiveness of risk management;
- (2) 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;
- (3) Supervising the establishment of the risk management framework; overseeing the execution of overall risk management practice;
- (4) 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 if the risks undertaken are within the established risk tolerance, and to assess the implementation of the risk management system. In addition, the Committee periodically reviews and analyzes various risk-concentration situations at CDF and its subsidiaries from CDF's overall perspective; and
- (5) Periodically reporting to the Board of Directors of the executions, as well as proposals for improvement. In the major risk event, the Committee shall ensure that all subsidiaries adopt appropriate measures and report to the Board of Directors.

Internal Audit System

1. Internal Audit System

- (1) The Audit Department, subordinate to the Board of Directors, formulates general auditing systems and the structure of internal controls and outlines the duties and rules. With a disinterested attitude, the Audit Department takes charge of corporate auditing and reports to the Audit Committee and Board of Directors biannually.
- (2) The Chief Audit Officer (CAO), whose corporate rank equivalent to senior vice president (SVP), his/her appointment, dismissal or transfer will come into effect by consent of over half of the Audit Committee members and over two thirds of the board directors, along with approval from the authority. Meanwhile, the Audit Office has several other auditors in charge of internal audit at the Company and subsidiaries.

2. Rules and Operations of Internal Audit

(1) Duties of the Audit Department

- A. Compiling the handbook and working papers for internal audit and providing suggestions for improvement with regards to the appropriateness and effectiveness of internal control within each unit;
- B. Monitoring the formulation of procedures for self-inspection of the internal control system by business and management units and reviewing the implementation of self-inspection by each unit; and
- C. Drafting the annual audit plan and inspection plan targeted at CDF's subsidiaries and units based on their risks and business attributes and the implementation of internal audit.

By the end of each fiscal year, the Audit Department shall submit a written annual audit plan for the next year to the Audit Committee and the Board of Directors for review and deliberation.

The Audit Department reports to the authority via the online platform the next year's audit plan by the end of every year, the previous year's audit plan implementation by the end of February, and suggestions for improvement of the previous year's internal controls by the end of May.

The Audit Department conducts a routine audit on CDF at least once a year and a special audit on the Company's finance, risk management, and compliance with applicable acts and regulations at least twice a year. In addition, a monthly audit on derivatives shall be conducted.

Within two months upon completion of the audit, the internal audit report shall be submitted to the Chairman of the board for ratification; to the CEO for review; to the Audit Committee for examination and to declare it on the official website of the Financial Examination Bureau.

The Audit Department shall continuously conduct follow-up reviews on any examination opinions or audit deficiencies brought up by the financial authority, CPAs or internal audit units, and on matters specified in the internal control declaration. A written report on the implementation of improvement of deficiencies shall be submitted to the Audit Committee and Board of Directors for review and deliberation, which will also be used as crucial criteria for performance evaluation.

The Audit Department shall annually evaluate the efficacy of the internal control activities of all overseas and domestic subsidiaries by law. The evaluation results shall be sent to the relevant subsidiary's Board of Directors for their reference regarding personnel evaluations.

The Audit Department shall supervise the self-inspection carried out by all CDF's internal departments and subsidiaries and review the self-inspection reports of each department, along with the suggestions for improvement from the financial examination authority, accountant and internal audit staff, as reference for validity assessment of internal controls by the Board of Directors, CEO, CAO and CLO, and as reference for internal control declaration.

The Audit Department offers appropriate training to internal audit staff annually in accordance with the business attributes of each department.

(2) Procedures to be followed in the Event of Major Abnormalities and Defects

- A. Upon discovery of major abnormalities or defects at the Company and its subsidiaries, including fraud, the Audit Department shall immediately report to the chairman of the board and independent directors, notify the authority, and submit a report copy to the Audit Committee.
- B. In the event of any material losses caused by management neglecting the suggestions for improving internal controls at the Company and its subsidiaries, the Audit Department shall immediately report to the chairman of the board and notify the Audit Committee and the authority.
- C. In the event of major abnormalities or defects of internal controls at the Company and its subsidiaries, the Audit Department shall immediately request the department responsible to rectify, follow up on improvement progress, and submit a written report of progress to the Audit Committee and Board of Directors.

To enhance the auditing quality and expertise of auditing staff, the Audit Department began offering the annual one-day auditing course to all the Company's auditing staff in 2007, and organizes reading clubs from time to time, in addition to requiring auditing staff to take training courses (at least 30 hours per year) offered by the Company or external organizations. Auditing staff are also encouraged to actively participate in audit seminars at home and abroad to advance their know-how and skill to facilitate their auditing task.

3. Other Auditing functions

- (1) Action items instructed by the authority;
- (2) Supervision of procurement at the Company and its subsidiaries; and
- (3) Participation in internal and external projects and seminars.

Risk management

With long-term experience in the financial services industry, CDF not only predicts and wards off risks but actively manages risks by converting them into development opportunities. CDF integrates operations management with risk management, quantifies and qualifies risks, shapes a corporate culture that blends risk awareness into the business strategy and organization, and formulates risk management policies according to the Basel Accords, government regulations and business strategies.

For integrated and adequate management of risk exposure, the independent Risk Management Department is responsible for creating and promoting risk management systems and formulating risk management policies for the Company.

CDF's major subsidiaries have set up their respective risk management department or division as regulated by law or according to their business needs, which is responsible for formulating and implementing the risk management systems and regulations specific to the industry and financial holding entities. To oversee the execution of risk management, CDF and its major subsidiaries have set up the respective Risk Management Committee to monitor risk exposure within the group and ensure smooth risk management.

CDF has a set of defined authorities in place to manage risks. Below is a description of the Company's risk management framework:



China Development Financial

“Risk Management Department” – Responsible for devising, implementing and maintaining CDF’s risk management program and policies and ensuring that all CDF subsidiaries adhere to CDF’s risk management agenda and establishing an effective risk management mechanism.

China Development Industrial Bank

“Risk Management and Audit Department” – Responsible for the establishment and execution of risk management policies and systems, implementation of risk monitoring and reporting practices, control of transaction exposure risks, regular review of the risk management system, and credit assessment/industry risk assessment for direct investment projects.

KGI Bank

“Risk Management Department” – Responsible for the establishment and execution of risk management policies and systems, implementation of risk monitoring and reporting practices, evaluation and monitoring capital adequacy, control of risk limits, and regular review of the risk management system.

KGI Securities

“Risk Management Department” – Responsible to the establishment and execution of risk management policies and practices, allocation of capital and resources, control of transaction exposure risks, regular review of the risk management system, procedures and adequacy, while ensuring the consistency of risk limits and policies and the effectiveness of risk management efforts.

1. Well-structured organization

Supervised by the Board of Directors, CDF established an appropriate risk management structure and culture to ensure the efficacy of risk management practices and to review key risk control information and held the ultimate responsibility of risk management.

The Risk Management Committee supervises the setting of risk management structure, reviews internal hierarchy of reporting and handling risks, and oversees overall execution of risk management.

Moreover, an independent risk management unit has set up to design and manage CDF's risk management system and to supervise the execution of risk management of its subsidiaries and provide comprehensive risk management information to top management and the Board of Directors.

2. Risk Assessment

CDF conducts technical assessment of various risk sources and evaluates the potential losses and relevance of risk positions as reference for business administration. It also defines the risk limit for its businesses in relevant rules and regulations.

Market risk is contained by analyzing sensitive positions and value at risk (VaR) to assess the current or potential market exposure and thereby to set position and stop limits, which are actively administered daily. Additionally, the Company has completed the Risk Manager system to enhance management of risks associated with financial instruments, has developed Advanced Interest Rate Risk-Based Approach to boost provision efficiency, and continuously designs limits management systems and contingency measures specifically for complex, risky derivatives.

Credit risk is gauged by indicators such as probability of default (PD), loss given default (LGD), exposure at default (EAD), and credit ratings. In addition to compliance with the new Basel Accord, the Company has developed the credit model and rating scheme for consumer and corporate financing, as the structure for credit risk assessment, and introduced the e-Credit System for credit investigation. To contain credit risk, the exposure of every account is monitored every day to ensure the credit lines are not exceeded, and credit portfolios are monitored monthly. Meanwhile, the Company assesses debtors' environmental, ethical and social responsibility in project financing in accordance with World Bank guidelines and the Equator Principles.

Operational risk is controlled by three lines of defense, first by daily operations management at individual departments, second by a record of loss event (LE), risk and control self-assessment (RCSA), and key risk indicators (KRI) by the operational risk management unit, and third by occasional examination by the internal audit unit.

Liquidity risk is divided into market liquidity risk and funding risk. While the former is managed by position limits, the latter is controlled by monitoring daily cash flow and regular review of liquidity risk indicators to ensure funding needs can be satisfied anytime. Such liquidity risk indicators include the funding gap limit, net current liabilities (current liabilities minus current assets), and singles loans as a share of total lendable funds.

3. Disclosure of risk management

CDF and its subsidiaries shall disclose risk management information in addition to that required by the authority.

4. Independence and accountability of duties

In order to ensure the independence and accountability of the duties as well as viability of information cross-check, CDF and its subsidiaries separate risk management tasks to the front office, middle office and back office, respectively.

The Company will continue to strengthen its ability to identify and evaluate risks. To ensure sound operations for the long-term and provide most trustworthy financial products, CDF and its subsidiaries not only meet capital adequacy requirements, but also establish an alert system and estimates risk assets more precisely.

Compliance

CDF takes great concerns on compliance. In addition to formulate its Compliance Policies and Implementation Guidelines to ensure employees' legal awareness and corporate operations, each department and unit has a compliance manager to facilitate the implementation of compliance.

All compliance policies and guidelines enacted by CDF, apply also to all its subsidiaries. Compliance mainly includes:

1. Establishing a transparent and efficient system for legal communication, consultation, coordination, and general communication.
2. Ensuring operating procedures and rules up to date so they always comply with government regulations.
3. Defining compliance assessment and procedures and supervising the regular self-evaluation by each department and unit.
4. Discussing with individual departments over unworkable government regulations and providing feed back to the authority for revisions.
5. Organizing legal training for employees. In 2015, 13 courses were offered with 713 attendances, covering the Financial Holding Company Act, Personal Information Protection Act, Money Laundering Control Act, and Financial Consumer Protection Act.
6. Monitoring compliance of all subsidiaries.
7. Other legal compliance tasks.

All the departments are required to conduct compliance self-assessment biannually for thorough implementation of compliance activities.



Stakeholder Engagement

Stateholders Identification and Engagement

Corporate social responsibility has long been a key concern of CDF in its daily business practice. Stakeholder identification is based on the AA1000 Stakeholder Engagement Standard and deliberation of the leaders of the Corporate Social Responsibility Committee workgroups, in an effort to find out the stakeholders that CDF interacts with, and to identify issues that are of high relevance to stakeholders. An individual score is assigned to the issues to measure the scope of impact. CDF 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, including an open platform on the official website, for stakeholders to engage in a dialog in a timely, convenient, close, and effective fashion. 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 identification and engagement

Issues of Concern	Impact on Business Operations	Stakeholder Attention	Stakeholder Engagement
Stakeholders: Employees			
Salary and benefits	High	High	<ul style="list-style-type: none"> Recruiting and hiring based on professional skills, and providing competitive salaries vs. peers
Employee Performance assessment	Low	Medium	<ul style="list-style-type: none"> Providing multiple grants and insurance coverages for employees and their dependents Offering compensations and bonuses based on corporate earnings and individual employee performance
Education and training	High	Medium	<ul style="list-style-type: none"> Building an e-learning platform to facilitate various on-job training; employees are also encouraged to sign up for external training programs
Workplace safety	Low	Medium	<ul style="list-style-type: none"> Imposing stringent access control with 24-hour security at headquarters buildings and putting in place fire protection safety equipment to ensure a safe workplace
Labor Relations and communication	Medium	Medium	<ul style="list-style-type: none"> Establishing an equitable management system and open communication channel to protect employee rights Providing group insurance for employees, arranging health checks on a regular basis and hiring a full-time healthcare professional to promote health, prevent occupational hazards and organize healthcare workshops on a case-specific basis
Healthcare	Low	Medium	
Human rights	Medium	Medium	
Employee relations enhancement	Medium	Medium	<ul style="list-style-type: none"> Providing equal employment opportunities and terms as requested by law
Stakeholders: Investors			
Corporate governance	High	High	<ul style="list-style-type: none"> Managing corporate organization and department functions and continuing enhancing the role of the board in accordance with relevant laws and regulations
Business performance	High	High	<ul style="list-style-type: none"> Establishing internal control and legal compliance systems and an independent auditing department to ensure effective operations of the internal control system
Compliance	High	High	<ul style="list-style-type: none"> Establishing risk management policy and mechanism, and a dedicated committee for the matter
Disclosure of business information	Medium	High	<ul style="list-style-type: none"> Establishing an audit committee and remuneration committee Convening shareholder meetings to allow exercise of shareholder rights
Protection of investor rights	Medium	High	<ul style="list-style-type: none"> Providing regular updates of corporate results and related information on the Market Observation Post System and the company's official website as requested by law Hosting analyst meetings on a regular basis and participating in the domestic and overseas investor forums or roadshows organized by foreign securities firms Establishing an investor relation website with access to search and download CDF-related information in both Chinese and English Assigning a contact person accessible via phone or email to engage in real-time communication

Issues of Concern	Impact on Business Operations	Stakeholder Attention	Stakeholder Engagement
Stakeholders: Clients			
High-quality financial products and services	High	High	<ul style="list-style-type: none"> Subsidiaries shall continue to provide innovative and unique financial products Collecting, processing and utilizing client information in compliance with the Personal Information Protection Act, and stating the privacy protection policy at the official website of CDF Formulating policies that uphold clients' rights and benefits as requested by the Financial Consumer Protection Act Providing convenient financial services like online banking, online order placement and mobile app Front desk staff should help conduct surveys on clients satisfaction to capture first-hand feedback from clients Subsidiaries should have in place guidelines for client complaints and dispute settlement; a client report hotline and email shall be established and a dedicated staff member shall be assigned to process the complaints and disputes for the purpose of protecting client rights Participating in all kinds of philanthropic events and inviting clients to give back to society in a proactive manner
Client information protection	High	High	
Digital services	Medium	Medium	
Client satisfaction	Medium	High	
Client relations management	Medium	High	
Corporate image	High	Medium	

Stakeholders: Vendor			
Vendor management	Medium	Medium	<ul style="list-style-type: none"> Formulating purchase guidelines that cover vendor selection standards, vendor assessment and follow-up management External sourcing shall undergo the bidding and price negotiation process to ensure openness and equitability; priority shall be given to environmentally-friendly products, including low-power consumption machines, lights and office supplies Vendors' commitment to fulfill their corporate social responsibilities is required during the selection process; to ensure such commitment is honored, CDF always include a special provision in the supply contracts with major vendors, which includes, but is not limited to, labor right protection, environmental protection, consumer rights protection. Any violation of such provision to that extent the environment or society has been significantly affected will lead to suspension or termination of the supply contracts

Issues of Concern	Impact on Business Operations	Stakeholder Attention	Stakeholder Engagement
Stakeholders: Regulators			
Legal compliance	High	High	<ul style="list-style-type: none"> Tracking the implementation and effectiveness of company systems on a regular basis as required by the competent authorities Establishing a well-rounded system of internal control and legal compliance as required by law and conducting regular checks to ensure adherence to the laws and regulations Disclosing relevant information regularly on the Market Observation Post System and company website Assigning a contact person to maintain good interactions with the competent authorities
Information disclosure	High	High	
Stakeholders: Other financial institutions			
Fair competition	Medium	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
Stakeholders: Communities			
Social Philanthropy	Medium	Medium	<ul style="list-style-type: none"> Participating in charity and philanthropic events to fulfill corporate social responsibilities Supporting and engaging in educative events in a proactive manner Giving back to the community and staying connected to the society's development Passing the ISO 14001 certification on environment management system Formulating environmental policies with continued efforts in all kinds of energy conservation, carbon reduction and recycling campaigns to build a low-carbon environment
Environment management	Low	Medium	

The leaders of the Corporate Social Responsibility Committee task forces have, after discussions, identified 13 issues that are of great significance to business operations and most cared about by stakeholders as the major issues to address in 2015, based on the results of the stakeholder identification and engagement as well as the matrix of significance analysis. The other non-major issues are relevant to the operating guidelines of CDF and also important issues for internal as well as external stakeholders. As a result, they are disclosed using the GRI-G4 indicators.

Matrix of Significance Analysis

Impact on Business Operations	High		<ul style="list-style-type: none"> • Corporate image • Education and training 	<ul style="list-style-type: none"> • Business performance • Corporate governance • Legal compliance • Salary and benefits • Client information protection • Information disclosure • High-quality financial products and services
			<ul style="list-style-type: none"> • Social Philanthropy • Digital services • Vendor management • Fair competition • Labor relations and communication • Employee relations enhancement • Employee human rights 	<ul style="list-style-type: none"> • Client relations management • Client satisfaction • Disclosure of business information • Protection of investor rights
	Low		<ul style="list-style-type: none"> • Employee performance assessment • Healthcare • Workplace safety • Environment management 	
		Stakeholder attention		High

Determination of GRI-G4 aspects of concerns:

CDF identified 13 major issues, which are analyzed using the GRI-G4 standards where applicable. The results are as follows:

Major issues	GRI-G4 Category	Management Strategy (DMA section)	GRI indicators	Report boundary
Business performance	General indicator – About us	About us	G4-3~9	Within organization: CDF & subsidiaries Outside organization: investors
	Economy aspects – economic performance	About us –Financial Summary	G4-EC1	
Salary and benefits	Social aspects – Labor Practices and Decent Work – Diversity and Equal Opportunit	Employee well-being	G4-LA13	Within organization: CDF & subsidiaries/ employees
	Training and education	Employee well-being	G4-LA9	
Corporate governance	General indicator – governance	Corporate governance	G4-34, 36, 38 41, 47, 52	Within organization: CDF & subsidiaries Outside organization: investors
Legal compliance	General indicator – governance	Corporate governance – legal compliance	G4-34, 36, 38 41, 47, 52	Within organization: CDF & subsidiaries Outside organization: investors, competent authorities
	Environmental aspects – compliance		G4-EN29	
	Social aspects – society – compliance		G4-SO8	
	Social aspects – product responsibility – compliance		G4-PR9	
Client information protection	Social aspects – product responsibility – product and service labeling	Client relations	PR3/PR5	Within organization: CDF & subsidiaries Outside organization: clients
	Social aspects – product responsibility – customer privacy	Client relations	PR8	
Information disclosure	General indicator – governance	Corporate governance	G4-34	Within organization: CDF & subsidiaries Outside organization: competent authorities
Quality financial products and services	General indicator – About us	Corporate governance	G4-4	Within organization: CDF & subsidiaries Outside organization: clients
	Environmental aspects – products and services	Client relations	EN27	
	Financial Service Sector Disclosure – Product portfolio	Client relations	FS15	
Client relations management	Financial Service Sector Disclosure – Product portfolio	Client relations	FS15	Within organization: CDF & subsidiaries Outside organization: clients

Major issues	GRI-G4 Category	Management Strategy (DMA section)	GRI indicators	Report boundary
Client satisfaction	Social aspects – product responsibility –product and service indicators	Client relations	PR5	Within organization: CDF & subsidiaries Outside organization: clients
Disclosure of business information	Economy aspects – economic performance	About us – Financial Summary	EC1	Within organization: CDF & subsidiaries
	Financial Service Sector Disclosure – Product portfolio		FS6	Outside organization: investors
Protection of investor rights	General indicator – Ethics & Integrity	Corporate governance – Integrity and Accountability Policies	G4-57/G4-58	Within organization: CDF & subsidiaries Outside organization: investors
	Social aspects – product responsibility – product and service indicators	Client relations	G4-PR3, FS15	
Corporate image	Economy aspects – Indirect Economic Impacts	Social philanthropy	EC7	Within organization: CDF & subsidiaries
	Environmental aspects – products and services	Environmental protection	EN27	Outside organization: clients
	General indicator – Ethics & Integrity	Integrity and Accountability Policies	G4-57/G4-58	
Education and training	Social – Labor	Employee well-being	LA9/LA10/LA11	Within organization: CDF & subsidiaries/ employees
	Practices and Decent Work – Training and Education			Outside organization: competent authorities



Investor Relations

Investor Relations

To safeguard investor rights, CDF has participated in investor forums at home and abroad, as well as in Non-deal roadshows (NDR) hosted by foreign securities firms. The ultimate goal is to make known CDF's business status and management strategies, in addition to maintaining full and transparent information disclosure. In 2015, CDF attended at least seven IR events overseas. Below is an overview of some of the major events that CDF has participated in:

Date	Event
2015/01/06	2015 Asia-Pacific Financial Corporate Day hosted by Macquarie
2015/03/17	2015 Taiwan, Technology & Beyond Conference organized by Merrill Lynch
2015/05/12	NDR hosted by Goldman Sachs
2015/06/04	2015 Asia Investment Forum hosted by Nomura
2015/07/06	2015 Taiwan Emerging Growth Companies Day organized by Morgan Stanley
2015/09/09	16th Annual Asian Technology Conference hosted by Credite Suisse
2015/12/10	NDR hosted by Nomura

Since 2012, CDF has held regular investor conferences to engage in face-to-face communication with representatives of domestic and international institutional investors in an effort to improve operational transparency. Investor conferences are held in the first and second half of each year and include English presentations to address overseas investors. In 2015, investor conferences were held on May 6 and October 6. Both were attended by more than 100 institutional investors from at home and abroad.

Under the Investor Relations section of CDF's official website (Chinese and English language), investors can access information about the company's stock price, investor conferences, and shareholder meetings. In addition, investors can access or download CDF's financial statements and annual reports. IR Presentation Slides are also available on the website to disclose the company's very latest business status on a quarterly basis. An Investor Relations Contact is provided so that investors can request further information about CDF via phone or email (ir@cdbh.com).

In order to serve more than 500,000 shareholders, CDF holds shareholders' meeting annually.



CDF Investor Conference on May 6, 2015

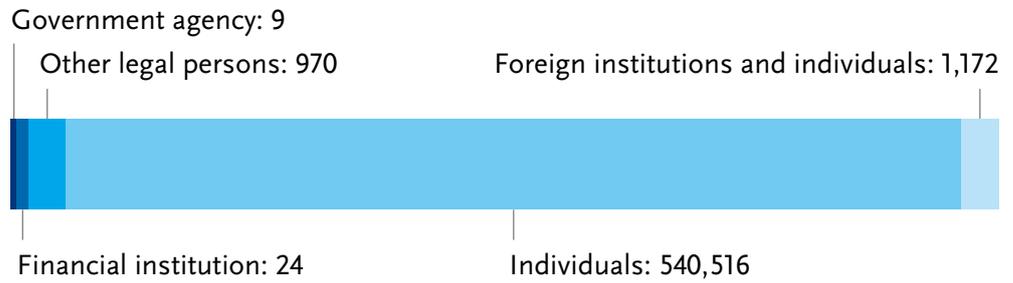


CDF annual general shareholder's meeting on June 12, 2015

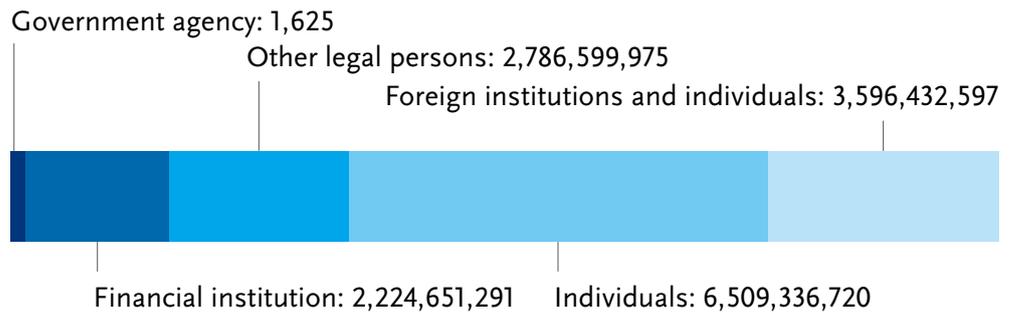
CDF Shareholding Structure (Data as of March 18, 2016)



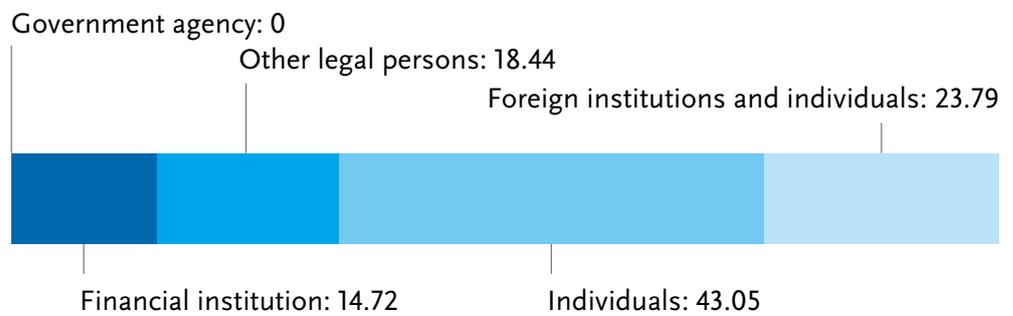
Head count
Total: 542,691



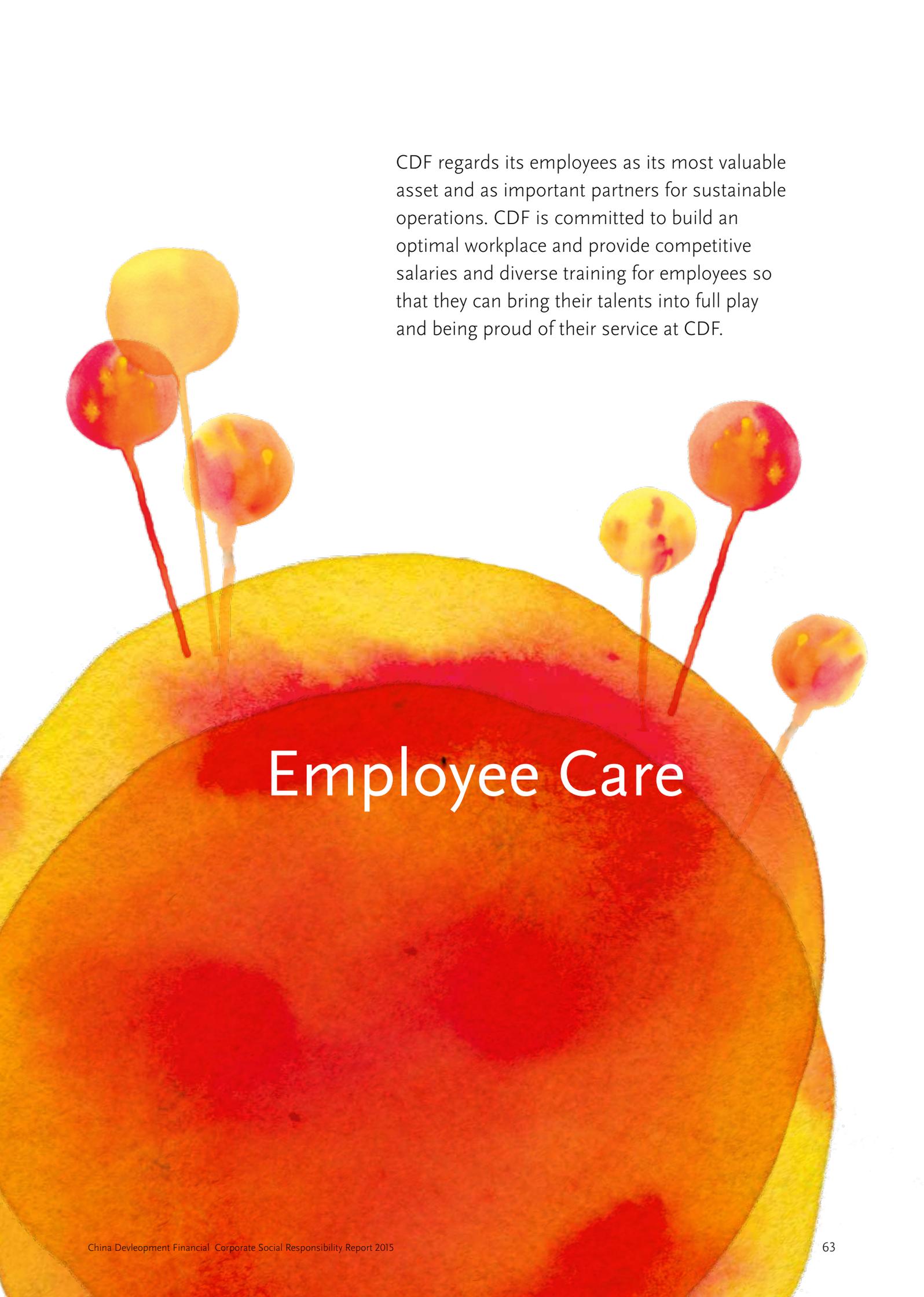
Share ownership
(shares)
Total: 15,117,022,208



Holding (%)
Total: 100



CDF regards its employees as its most valuable asset and as important partners for sustainable operations. CDF is committed to build an optimal workplace and provide competitive salaries and diverse training for employees so that they can bring their talents into full play and being proud of their service at CDF.



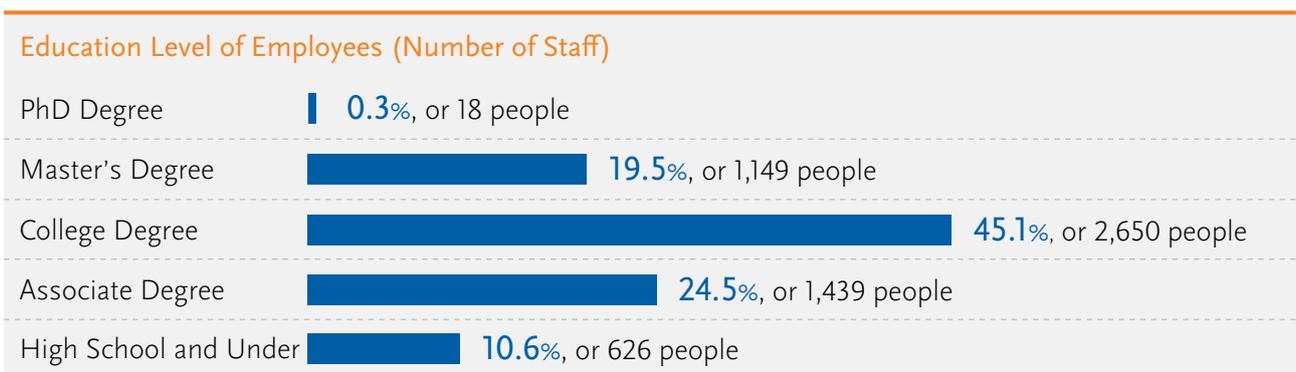
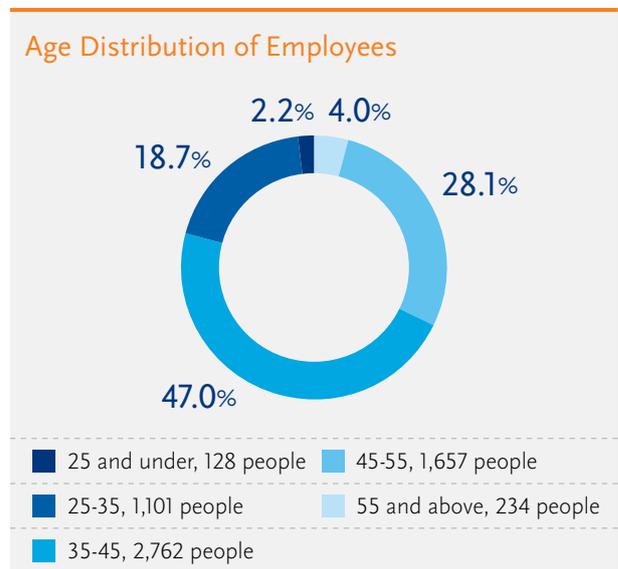
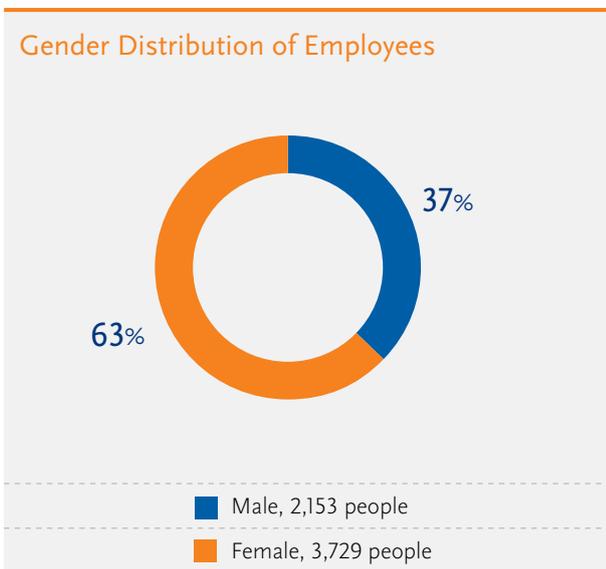
Employee Care

Employee Mix

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

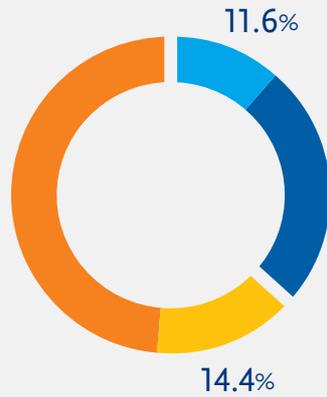
CDF's HR practices are in line with laws and regulations pertaining to labor, and all employee rights are protected. CDF emphasizes employment equality and prohibits any form of discrimination against any person because of gender, race, religion, political affiliation, sexual orientation, rank, national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

As of end-2015, CDF had a total of 5,882 employees with an average length of service of 8.49 years. Distributions of employees' gender, age, and education level are shown as follows:



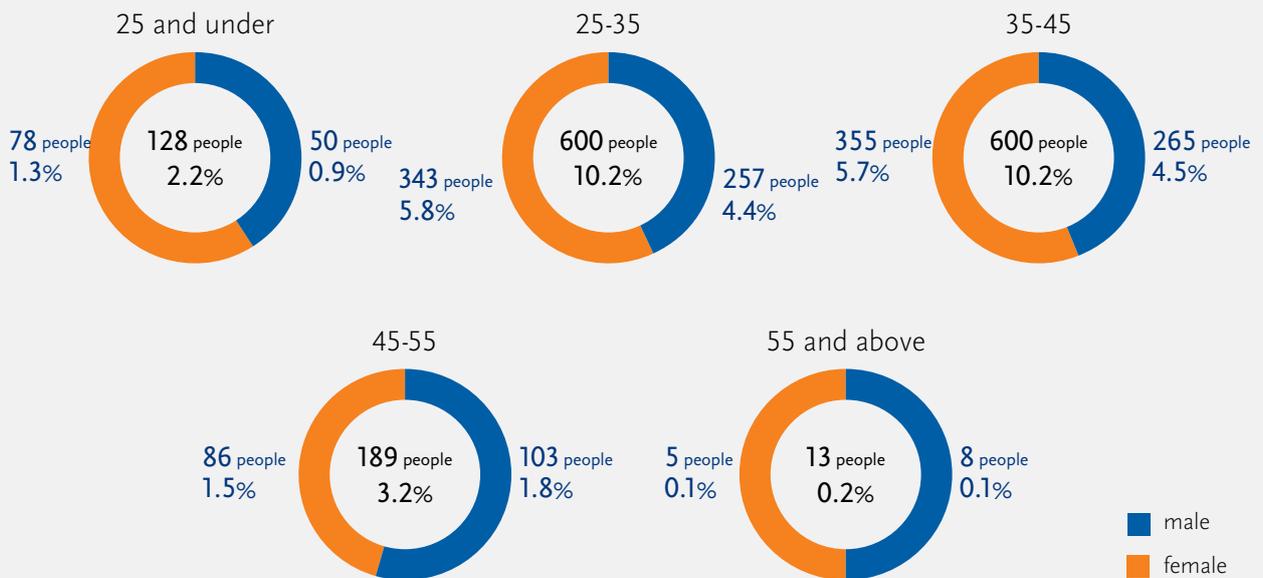
In 2015, CDF recruited 1,530 new employees. Distributions of the newly-recruited employees' gender, age, and education level are shown as follows:

Gender Distribution of Newly-Recruited Employees and Their Weighting in Total Workforce at end-2015



■ Male 683 people, or 11.6% of total workforce (■ existing male workers + ■ newly-recruited male workers = total male workers of 2,135)
■ Female 847 people, or 14.4% of total workforce (■ existing female workers + ■ newly-recruited female workers = total female workers of 3,729)

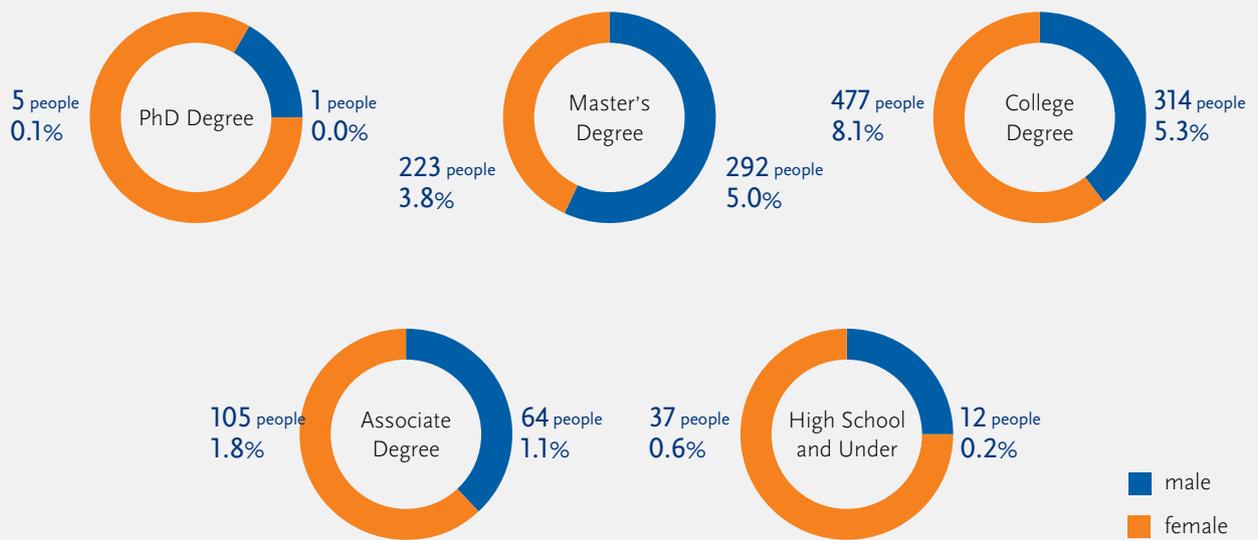
Age Distribution of Newly-Recruited Employees and Their Weighting in Total Workforce at end-2015



Age Distribution of Newly-Recruited Employees and Their Weighting in Total Workforce at end-2015

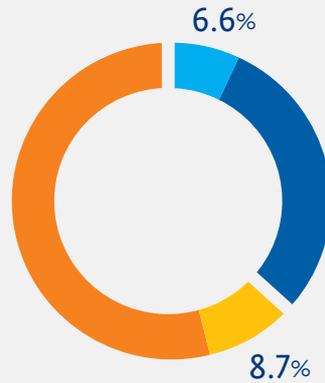


Education Level of Newly-Recruited Employees (Number of Staff) and Their Weighting in Total Workforce at end-2015



In 2015, 899 people resigned from their positions at CDF, implying a 15.7% turnover rate. Gender and age distribution of resigned employees are as follows:

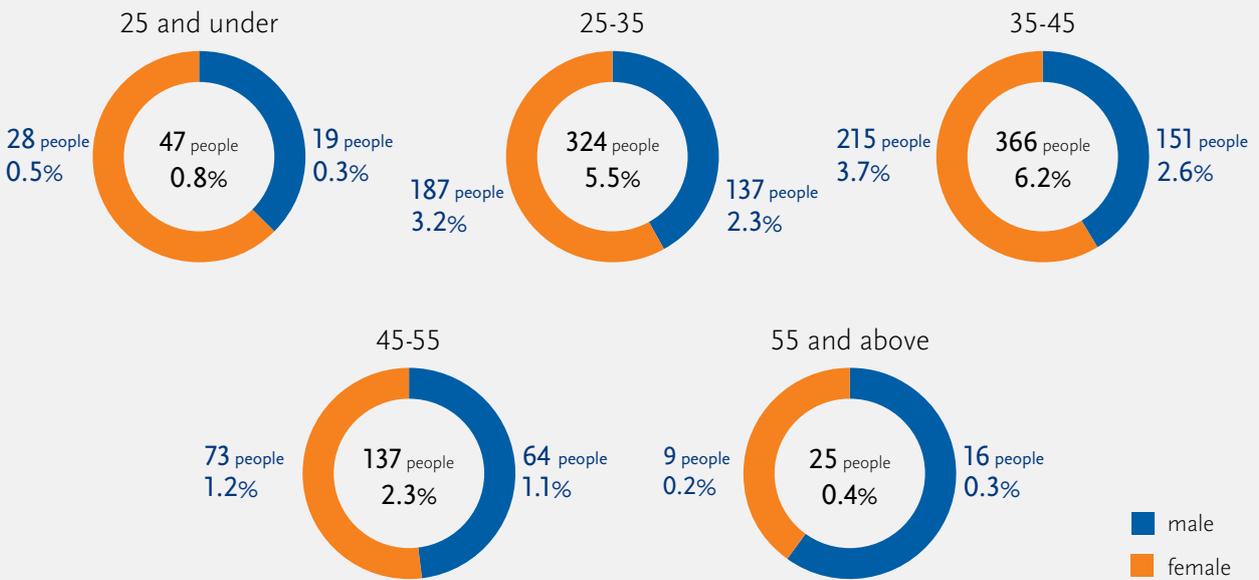
Gender Distribution and Their Weighting in Total Workforce at end-2015



■ Male 6.6% of total workforce, or 387 people (■ existing male workers + ■ resigned male workers = total male workers of 2,135)

■ Female 8.7% of total workforce, or 512 people (■ existing female workers + ■ resigned female workers = total female workers of 3,729)

Age Distribution and Their Weighting in Total Workforce at end-2015



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 inclusion of the commercial banking unit in 2015, 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.

CDF offers wide variety of courses to employees. For newly-recruited employees, courses focus on the knowledge of corporate structure, management team, legal compliance, money laundering prevention, risk management, code of conduct, and employee care. All employees are required to complete internal and external training sessions according to the needs of their jobs and relevant laws and regulations. CDF also promotes the latest laws and regulations in order to keep employees updated. The questionnaires that employees filled out after the training sessions showed that they were overall "very satisfied" with the sessions, learning environment, and online platform.

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.

2015 CDF Training Overview



Total training attendance: **83,202**
Total employee training hours: **207,078**
Average training session per employee: **14**
Average training hours per employee: **34**

Employee training hour breakdown by gender and position:



Male 35.3 hours
Female 34.6 hours



Sales employees: average 46.6 hours
(male 47.8 hours; female 44.7 hours)
Non-sales employees: average 22.8 hours
(male 20.1 hours; female 25.6 hours)



Managerial employees: average 38.7 hours
(male 36.5 hours; female 40.4 hours)
Non-managerial employees: average 29.5 hours
(male 30.1 hours; female 28.9 hours)

Employee Compensation and Welfare

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 and maximize benefits for the company, employees and shareholders, the compensation system takes into account both overall business and individual employee performance. Employees' wages comply with local labor laws and regulations and the starting wage is determined based on professional capabilities and positions. CDF has developed a fair and rational compensation system that offer equal pay regardless of race, age, national origin, sex, birthplace, type of job or religion. The actual ratio of female to male minimum wage is 100%. The company attaches great importance to the wages and welfare of all employees and strives to offer competitive remuneration packages. In 2015, per capita welfare expense on non-managerial employees of CDF and its subsidiaries was NT\$1.374mn, up 2.3% from the previous year.

CDF hosts a variety of group activities for employees, including the Family Day event. It also has many athletic sport clubs to help employees cultivate teamwork. Major subsidiaries hire full-time nurses and part-time physicians to offer workshops and seminars on the latest medical knowledge in order to promote health and prevent occupational hazards for all employees. Employees are encouraged to balance life and work in order to maintain both mental and physical health.

Welfares for employees include:

1. Lunch meals – Free and healthy meals prepared by professional cooks are provided at company canteens daily for all employees.
2. All employees are covered by labor and national health insurance. In addition, CDF also provides group insurance programs (life, accident and medical) for employees and their family members, including spouses, young children, and parents (accident and medical insurance only).
3. Retirement scheme - Retirement packages are offered in accordance with CDF's retirement rules based on the Labor Standards Act. CDF contributes to the employee pension account under the supervision of the Financial Supervisory Commission monthly. The retirement rules are also subject to the Labor Pension Act, which became effective on July 1, 2005:
 - (1) Employment started after (including) July 1, 2005: shall adopt the new pension scheme based on the Labor Pension Act;
 - (2) Employment started before July 1, 2005: may choose between the old scheme (based on the Labor Standards Act) and the new one over the next five years. If the employees did not make the choice before the expiry date, the old pension scheme shall apply.
4. CDF values the work-life balance of employees. In addition to offer better than legally mandated vacation provision, the company also reviews the vacation plans of employees regularly to make sure everyone gets enough rest.
5. CDF cares about the health of employees. It offers free regular physicals checkups to all employees.
6. In order to enhance employees' health awareness, CDF organizes health-care workshops on topics covering food safety, cancer prevention, weight control, and digestive system protection.
7. Employee Welfare Committee was established in accordance with the Employee Welfare Fund Act. CDF appropriates employee welfare funds annually. The funds are used for company tours, holiday bonuses, gifts, birthday cash gifts, and scholarships for employees' children, among others. The committee also offers employees with special discounts on food, clothes, travel, and entertainment at selected stores.

Ratio of employees who receive regular work performance assessments and career overview:



Male **100%** Sales employees **100%**
 Female **100%** Non-sales employees **100%**

Status of Employee Taking Parental Leave without Pay

	Male	Female	Total
Number of eligible employees	316	481	797
Employees who used parental leave in 2015	5	55	60
Employees who were expected to return to positions in 2015	6	52	58
Employees who actually returned to positions in 2015	2	28	30
2015 return rate	33.3%	53.8%	51.7%
Retention rate of returning employees in 2015 ^{note}	100%	82.1%	83.3%

Note: The retention rate indicates people who stayed for more than a year at their previous positions after returning as a percent of total returning employees as of end-2015.

Employees who stayed less than a year after returning either resigned voluntarily or applied for another sabbatical.

Employee Health Care

CDF offers care to its employees in different ways. Not only does CDF constantly engage in dialogue with its employees, it also strives 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 treatments.

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. As workplace safety is high on CDF's agenda, 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. Moreover, CDF has set up breastfeeding rooms in order to provide breastfeeding employees a supportive environment. Major subsidiaries of CDF also hire professional nurses to provide basic nursing care and promote 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:

1. Strict access control to ensure employees' safety at work;
2. Regular safety testing of water dispensers, air conditioning, and lighting systems;
3. Regular public safety checks and reports;
4. Regular cleaning and sanitation;
5. Regular maintenance of surveillance systems;
6. Implementation of a smoke-free workplace; and
7. Establishment of comfortable breastfeeding rooms.

Human Rights Clauses

1. 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. In 2015, CDF employees received a total of 2,515 hours of education on human rights, with a 37.1% participation rate.

2. 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.

3. 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 following conditions:

- (1) When the employers' business is suspended, or has been transferred.
- (2) When the employers' business suffers an operating losses, or business contraction.
- (3) When force majeure necessitates the suspension of business for more than one month.
- (4) When the change of the nature of business necessitates the reduction of workforce and the terminated employees cannot be reassigned to other suitable positions.
- (5) When 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) 10-day notice: for employee who has worked continually for more than three months but less than one year
- (2) 20-day notice: for employee who has worked continually for more than one year but less than three years
- (3) 30-day notice: for employee who has worked continually for more than three years

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 Ethical Conduct" for employees is outlined as follows:

1. Employees shall fulfill their duties based on honesty and integrity.
2. 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.
3. Employees shall not engage in activities that are against the interest of CDF or impair CDF's integrity and reputation.
4. 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.
5. Guidelines for Avoidance of Conflicts of Interest

CDF upholds integrity as a key 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.

Labor Relations and Communication

In order to enhance the labor relations and strengthen collaboration between the employer and employees, CDF holds labor relations meetings on a regular basis, with 50% of the participants being employee representatives. The meetings allow both sides to negotiate matters relevant to employee rights and benefits. CDF uses a variety of ways to maintain effective communication with its employees and respond to their feedback in a timely fashion. Due to the harmonious relations between CDF and its employees, no labor disputes occurred in 2015.

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:

1. 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.

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

In addition to make contributions to national labor and health insurance plans and group insurance policies for its employees, CDF also arranges regular employee medical checkups. 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.

3. Executing firefighting measures and fire safety drills in accordance to regulation in order to implement disaster prevention and contingency measures.

In accordance to regulation, fire safety equipment maintenance and reporting is authentically executed at CDF and its subsidiaries. Moreover, CDF also formulates relevant fire protection plans and measures, adopts self-guard fire protection grouping method and compiles by task requirements to form the task forces of fire prevention, security, communication, and first-aid and conducts regular drill. All actions taken were aimed to enhance the ability to maintain or resume normal business operations in the event of robbery and natural disasters.

4. Implementing stringent access control to ensure office safety

CDF set forth access control regulations for employees and visitors to follow when entering or leaving the offices. 24-hour security is also deployed at headquarters, with scheduled patrols to prevent illegal break-in and thus protect the safety of individuals in the offices.

Employee Relations Enhancement

2015 KGI Securities Family Day

2015 marked the seventh consecutive year of KGI Family Day. The 2015 KGI Securities Family Day was held on two separate days so that employees living in different areas could attend. On October 31, the Family Day for the Northern District was held at the Meiti Riverside Park in Taipei, while on November 29, the Family Day for the central and southern districts was held in the Xizhou Gardens in Changhua. Events featured softball games, open-air cinema (north district only), road running, family DIY events, games, live performances, fun fair booths, and a lucky draw. The wide range of activities made for a fun time for a total of 3,500 attendees.

With a variety of fun activities, the event was a merry time and full of laughter. After a warm-up period, the runners began the road race after top management pulled the trigger on the starter gun. At the main stage, children gathered to sing and dance with YoYo TV entertainers. Another stage was also set up for jazz bands and live performers. Event participants were able to savor food provided by food trucks while enjoying great music. The open-air cinema was the highlight of the day, as parents sat with their children watching “Frozen” at the beautiful riverside to conclude a wonderful day.



Top management addressed participants of the Family Day event. KGI Securities President Albert Ding at the front; standing behind him were (left to right) KGI Bank Chairman Mark Wei, KGI Investment Advisory Chairman Tu Chin-lung, KGI Bank President Richard Chang and Global Securities Finance Corp Chairman Tzeng Chin-lung.



Road running (3km)



Children's book fair kiosk of the KGI Charity Foundation



Customer Relations

Customer Services and Satisfaction

While superior financial products may bring more customers, it is superior quality of service that will retain customers. “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:

1. 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 customer institutions and high-level managers with regard to its direct investment business, CDIB attends institutions' board and shareholders' meetings and dispatches investment specialists to visit them in person to learn the latest status and establish closer ties with them. By doing this, CDIB can provide services that are best suited to specific needs. With the CDF group's extensive resources, CDIB provides all financial services needed from inception to the listing of a company.

2. KGI Bank

(1) Corporate Banking

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

KGI Bank also boasts a broad diversity of financial product portfolios and services. Through keynote presentations and discussions, it is able to communicate with customers effectively and respond to their individual needs, thereby cementing customer loyalty and improving satisfaction levels. On KGI Bank's official website, a section is dedicated to customer complaints and a corporate banking service hotline (02-2171-7350) 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 unauthorized access, theft, tampering, or destruction of transaction records and data.

(2) 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. KGI Bank responds to feedback in as timely a manner and strives to deliver top-quality customer services and comprehensive financial services.

(3) Digital Banking

In response to the development of digital technology and the rise of the Internet generation, KGI Bank provides digital banking and mobile e-commerce services. KGI Bank also combines digital banking services with public benefit, satisfying customers' financial needs and thus upgrading customer satisfaction.

KGI Bank proactively engages in the R&D of various financial products. It is the first bank to launch mobile payment X cards. In 2015, it introduced handset credit cards, mobile bank cards, and mPOS card readers. KGI Bank also led the pack by offering mobile ATM and 3 in 1 EDC service for credit cards, electronic stored value cards, and SmartPay acquiring business, allowing customers to experience new financial technology (FinTech) services. Going forward, KGI Bank will develop a financial application

ecosystem for target customers, continuously integrating multiple mobile payment solutions to satisfy mobile transaction needs under various scenarios in a safe and convenient way.

KGI Bank combines cash management and various e-transaction functions with charitable trusts, providing nonprofit charitable organizations with donation channels and platforms. Take “Spinal Cord Injury Foundation” as an example: the foundation plays a key role in executing public affairs, such as charitable, educational and welfare projects, while funds raised from the general public for a charitable trust, as well as revenues and expenses of the trust, are executed by KGI Bank in accordance with the trust agreement. Going forward, KGI Bank plans to build a public donation platform with cash flow services, continually providing nonprofit charitable organizations with more comprehensive digital banking services.

KGI Bank is dedicated to corporate social responsibility. All donations made by mobile payment X cards and received by nonprofit charitable organizations, including United Way, Taiwan Foundation for the Blind, Harmony Home Association, Children Are Us Foundation, Sunshine Social Welfare Foundation, Tsu-Hsin Children's Home and Cerebral Palsy Association of Chiayi City, are free of transfer charges. KGI Bank also helps disadvantaged groups through various channels and resources by combining companies with common goals to take corporate social responsibility. For instance, KGI Bank sponsors Okogreen (fair-trade coffee). KGI Bank strives to help nonprofit charitable organizations gain more awareness in order to make society better and more harmonious.

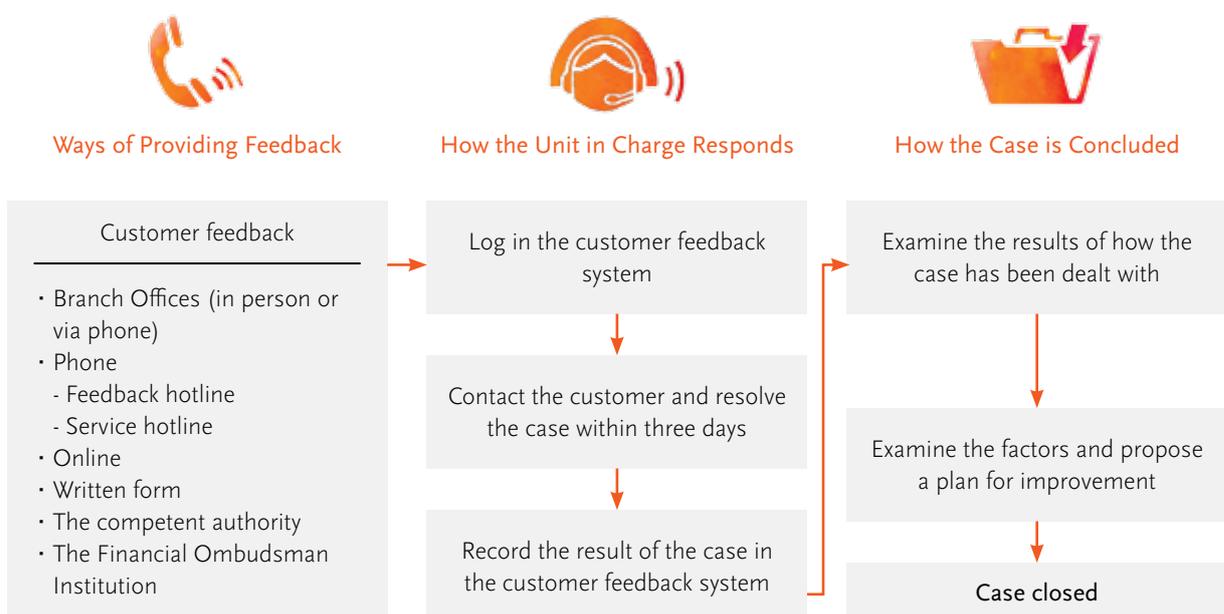
(4) Global Financial Markets

KGI Bank provides financial market services primarily to professional institutions and ensures the suitability of products provided to customers by following Know Your Customer (KYC) and Know Your Product (KYP) procedures. It also takes into account customer needs and market conditions to customize products in order to satisfy specific financial requirements. After transactions are made, KGI Bank provides a service and complaint hotline to respond rapidly to customer requests and prevent transaction disputes.

(5) Customer Services

A. Customer Feedback Procedure

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



B. Analysis of Issues Raised by Customers via Phone

Issues and problems raised by customers 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 customers 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 customers. With such an effective operating procedure in place, KGI Bank can resolve all pertinent issues in one phone call, as well as prevent subsequent problems.

C. 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.

D. Customer Experience Management (CEM)

KGI Bank administers customer experience and satisfaction surveys to improve customer satisfaction levels. Through the surveys, KGI Bank can ascertain customer expectations pertaining to the experience and values created by various points of contact of KGI Bank. The survey results also serve as a basis for KGI Bank's continued improvement on its way to becoming KGI Bank of choice among existing customers.

In 2015, KGI Bank conducted a customer satisfaction survey on branch on-site transactions and account openings. A total of 24,000 questionnaires were collected, with 99.4% ranking very satisfied or satisfied. KGI Bank will continue to listen carefully to customers and will upgrade professionalism via continual improvements. KGI Bank will form a customer perspective as it strives to provide innovative services that exceed customer expectations in order to achieve the goals of lifting the level of customer satisfaction and building customer loyalty.

In a bid to boost customer satisfaction, aside from telephone surveys, KGI Bank conducts on-site surveys at business units (i.e. greetings services, services while waiting, information counter services, deposit and remittance services, branch environment and heartwarming services), aiming to make improvements and reward staff members that offer good customer service.

3. KGI Securities

(1) Equity research services

In order to enable customers to trade securities successfully in ever-changing financial markets, KGI Securities Investment Advisory continues to conduct in-depth and extensive research on global and local economies and industries, individual stocks, and investment strategies. KGI Securities Investment Advisory provides forward-looking economic forecasts, industry insight, corporate financial forecasts and investment recommendations on a daily basis. It also frequently holds domestic and overseas roadshows in various forms, enabling investors to personally exchange views about TWSE- and TPEX-listed companies with analysts of KGI Securities Investment Advisory, increasing the chances of earning profits from investments. KGI Securities Investment Advisory and KGI Securities have received various awards from international financial magazines over the years. These awards are based on ballots cast by institutional investors with regard to research and service quality over the preceding year, confirming consistent recognition of our research and customer services.

(2) Digital financial services

KGI Securities has been making every effort to provide faster, easier and safer services to ensure customers enjoy full-fledged financial services in a secure digital environment. Below are some of the efforts we have made to upgrade digital transactions and account-opening services:

A. Diversified transaction platforms to satisfy various requirements

In order to meet diverse customer needs, KGI Securities provides a wide range of transaction methods, such as placing orders via software, mobile devices, TV apps and automated telephone systems, allowing customers to find a transaction tool that best suits them anytime, anywhere and in any transaction environment. In addition, KGI Securities provides smart order functions, where customers can conduct transactions in accordance with preset conditions of his/ her choice to meet the requirements of fast and easy order placement. For veteran investors, KGI Securities supplies eWinner Application Programming Interface (“API”), which allows customers to establish selling and buying strategies, automatic submission of orders to the brokerage house triggered by preset parameters, shorten order placement time and enhance operational efficiency.

B. Diversified financial products & integrated cross-product transactions

KGI Securities offers diversified financial products spanning from securities to futures, and from sub-brokerage to mutual funds, all of which can be accessed via an electronic platform in order to satisfy one-stop shopping needs. KGI Securities also provides customers with cloud individual storage space to consolidate information of all accounts at KGI Securities (i.e. securities, futures, sub-brokerage, wealth management, and others) so that investment portfolios can be viewed via the personal wealth management cloud.

C. Online account opening

In response to the government’s digital financing 3.0 initiative, KGI Securities has launched a variety of online account opening methods for customers to choose from. Customers can open accounts in an easy and safe way via mobile phones, national health insurance cards or KGI Bank online banking ID, among others, without stepping out the door. Aside from securities, KGI Securities plans to introduce additional online account opening functionality for more products, including wealth management, margin trading and short selling, futures and sub-brokerage, to render more convenient and comprehensive account opening services.

(3) Warrant transaction

KGI Securities launched a warrant transaction website in September 2015 with a responsive web design that is accessible from customer devices. This provides customers with the best viewing experience, irrespective of whether a PC, tablet or smartphone is used, saving them the trouble of resizing pages when using different devices to view other brokerage houses’ websites. This new website has “Warrant One Touch” and “Warrant Price Calculator” functions: with the former can rapidly select warrants with better terms and conditions while the latter can calculate theoretical value of warrants, providing customers with more convenient and efficient warrant investment tools. For structured products, KGI Securities complies with regulatory rules by providing general investors with a product prospectus, a notice to customers and a risk disclosure statement, detailing clear and accurate information about products to mitigate investment risks arising from incomprehensive knowledge.

(4) Customer relations and satisfaction

KGI Securities proactively asks customer opinions via customer service specialists and sales staff at business outlets across Taiwan in order to gather information with regard to customer satisfaction levels and customer needs, aiming to solve problems in the most efficient manner. In 2015, among randomly selected customers who received services after calling the customer service center, 97.6% of the 28,689 responding customers expressed satisfactory or very satisfactory levels of customer satisfaction via our automated phone survey system. In addition, KGI Securities dispatches staff to hold quarterly meetings with certain institutional customers to learn their satisfaction levels and requirements. Results of these meetings are reported periodically at KGI Securities' internal meetings in order to integrate resources from all units to improve customer services and boost customer satisfaction levels.

KGI Securities has established various public channels, such as customer service hotlines (02-2389-0088 and 0800-085-005) and an email box (service1@kgi.com) on the transaction website, allowing customers to give feedback at any time. All transaction-related phone calls and documents are filed in an effort to protect customer rights. In addition, internal control procedures and regulations, including rules about telephone recording system management and guidelines on the handling of customer complaints and disputes, are in place to efficiently track problems and implement improvements. This is all part of a concerted effort to provide customers with the best services while protecting their rights. Aims to provide customers with satisfactory services, KGI Securities continuously equips all employees with solid professional knowledge and compliance culture through internal training courses and an e-learning platform of CDF Financial Academy.

KGI Securities employees strive to promptly address and resolve customers' complaints. Relevant documents or evidence will be collected when necessary. After coordination and discussions, the method of resolving the complaint is explained to the customer for his/ her acceptance. If the customer still has concerns or does not accept the proposed method, KGI Securities will make every effort to reach a reasonable resolution to smoothly settle the dispute. When dealing with customer complaints, KGI Securities always documents in detail the customer's complaints and opinions, as well as the manner in which the issue was resolved for follow-up and examination.

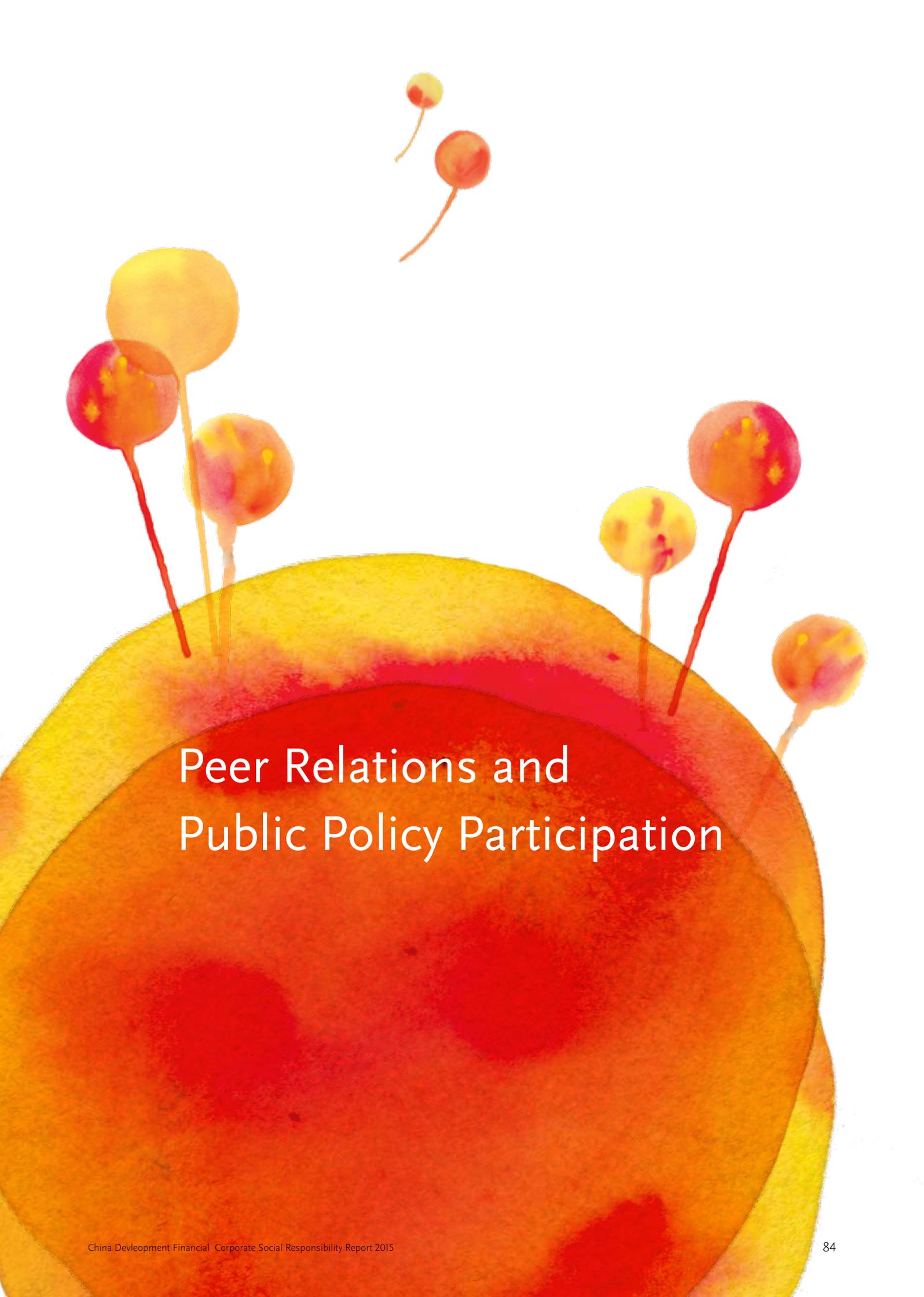
Customer Information Protection

To protect customer 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 customer information, including Policies for Personal Information Management and Protection, Guidelines for Customer Information Confidentiality and Protection of Customer Rights, Measures for Protection of Personal Information and Data Disposal after Termination of Business, and Guidelines for the Rights of Customers 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 customer information security include:

1. Adopting access control of information use. Only authorized persons are permitted to access customer information within permissible bounds to avoid data leaks.
2. Adopting Secure Socket Layer (SSL) to enhance the security of data transmission.
3. 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.
4. Implementing physical safety measures, such as access control of entrances, security systems, and offsite backup of customer information to ensure that data are protected in the event of an emergency or disaster.
5. 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 customer and business data.

KGI Securities, a subsidiary of CDF, was certified with BS10012 PIMS (Personal Information Management System) standard authentication in 2014.



Peer Relations and Public Policy Participation

Participation in Industry Organizations and Associations

To join the government in the promotion of financial, economic, and commercial regulations, CDF actively participates in 50 domestic and international trade associations and organizations, such as Bankers' Associations, Securities Associations, Trust Associations, and Futures Associations (inclusive of the associations in which CDF and its subsidiaries are both members, such as the Securities Investment Trust & Consulting Association, Taiwan Venture Capital Association, Taiwan Private Equity Association, Insurance Brokerage Association and ROC-USA Business Council). Participation in the aforementioned organizations has allowed CDF to maintain good relationships with peers and to stay abreast of the latest industry developments, laws and progress, as well as to gain insight into the latest issues, big or small, related to corporate governance, which serve as important avenues for CDF to sharpen its competitiveness

Date: April 30, 2016

Associations that CDF has participated in

Chinese International Economic Cooperation Association	(CDF Chairman Chen Mu-Tsai as a director) (KGIB Chairman Mark Wei as a director)
Chinese National Association of Industry and Commerce	(KGIB Chairman Mark Wei as a supervisor)
Monte Jade Science & Technology Association	(CDIB Vice Chairman David Chen as a standing director)
Bankers Association of Taipei	(CDF Chairman Chen Mu-Tsai as a director) (CDIB Chairman Chang Chia-juch as a consultant)
Taiwan Stock Affairs Association	(CDF Vice President Wu Jun-da as a director)
ROC-USA Business Council	(CDF Chairman Chen Mu-Tsai as a standing director)
European Chamber of Commerce, Taiwan	Member
AmCham Taipei	Member
Cross-Strait CEO Summit	Member
Taiwan Corporate Governance Association	Member
Financial Holding Business Committee of the ROC Bankers Association	Member
Taipei Foundation of Finance	Member
Taiwan-ASEAN Business Council	Member

Associations that CDIB has participated in

Chinese Blood Donation Association	Member
Chinese East Asia Economic Association	Member
Taiwan Economic Association	Member
Banking Education Association of Taiwan	(CDIB President Paul Yang as a director)
Taiwan Mergers & Acquisitions and Private Equity Council	(CDF Executive Vice President Lawrence Liu as the vice chairman)
Taiwan Private Equity Association	(CDF Executive Vice President Lawrence Liu as the vice chairman) (KGI Securities Chairman Hsu Daw-yi as a standing director)
ROC Bankers Association	(CDF Chairman Chen Mu-Tsai as a director)
Financial Executives Institute of Taiwan	Member
Financial Information Service Company	Member
National Culture and Arts Foundation	Member

Associations that KGIB has participated in

ROC Bankers Association	(KGIB President Richard Chang as a director)
ROC Trust Association	(KGIB Senior Vice President Chen Wen-hsin as a supervisor)
ROC Bills Finance Association	Member
ROC National Credit Card Center	Member
ROC Securities Investment Trust & Consulting Association	Member
Accounting Research and Development Foundation	Member

Associations that KGI Securities has participated in

Taiwan Securities Association	(KGI Securities Consultant Tseng Jin-lung as a director)
Securities Analysts Association, Chinese Taipei	Member
Chinese National Futures Association	Member
ROC Trust Association	Member
ROC-USA Business Council	Member

Participation in Public Policies

To meet energy conservation and carbon reduction policies formulated by the Department of Economic Development of Taipei, CDF sets the temperature of air conditioners for all offices at no lower than 26 degrees Celsius. Moreover, CDF also replaces the old lighting tubes with high-power, energy-saving T5 and LED light bulbs, which consume less power, as priority is given to low energy consumption and environmentally friendly products when it comes to supply purchases. 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 the heat source, and ultimately cut power consumption during lunch breaks.

CDF has long dedicated to protect the environment, reduce carbon emissions, and create a clean energy environment, so as to make human development sustainable. In 2015, it volunteered to co-organize the 2015 Earth Event led by the Society of Wilderness and O'right. Moreover, on March 28, 2015, CDF headquarter turned off all lights for an hour between 20:30 to 21:30 to participate in the Earth Hour activity.

In 2015, in an attempt to utilize a more systematic approach towards environmental protection and energy saving, CDF has passed ISO14001 Environmental Management System certification in December 2015. This is as much a new responsibility as it is recognition.

CDF takes climate change issue seriously and has raised risk awareness. Going forward, CDF will not only divulge statistics at main offices but also at all subsidiaries and branched when tallies data on environmental management and these data will become an important basis for advancing environmental protection efforts. CDF strives to become a low carbon enterprise in order to contribute in global environmental protection.



Environmental Protection

Management of the Workplace and Facilities

To provide its employees with a fresh, comfortable and healthy working environment to increase their job efficiency, CDF has adopted the following measures:

1. 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.

2. Operation of Facilities

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

3. Creating a Green Environment

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

4. 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.

5. Environmental Sanitation and Cleaning

CDF conducts environmental sanitation and cleaning for all its buildings on a regular basis (including garbage transportation, carpet cleaning, and exterior wall cleaning). In 2015, CDF spent NT\$57mn on environmental protection. Areas outside the office buildings are sanitized and cleaned with the help of local village chiefs.

Energy Conservation and Carbon Reduction

CDF has drafted service handbooks that detail environmental policies and office environmental protection and energy conservation issues according to specific characteristics of the financial industry and has strengthened internal management. 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. As the main source of greenhouse gas emissions comes from electricity use, CDF plans to reduce its total electricity consumption by 1%, using total energy consumption in 2015 as the base, over a period of two years (by the end of 2017) in relation to air-conditioning and lighting power consumption. At the same time, we encourage our employees to take concrete action and engage in the following initiatives:

1. Energy Conservation and Management

(1) Elevators:

- A. Some elevators are shut down during off-peak hours and on holidays.
- B. Old elevator control systems are replaced to reduce electricity consumption.

(2) Air Conditioning System:

- A. The room temperature of all CDF offices is set at no lower than 26 degrees Celsius.
- B. Before 7:00 and after 19:00 on holidays and work days, air-conditioners are turned off.
- C. Replace the old air-conditioning chiller units with inverter-based ones.
- D. Regularly maintenance and cleaning of all electrical equipment to maintain the effectiveness and decrease unnecessary waste of energy.

(3) Lighting:

- A. Adjusting the number of existing light fixtures to lower light intensity.
- B. Replacing lighting fixtures in office areas, public areas and underground parking areas with T5 or LED lights that consume less power.
- C. Adjusting the time for the use of outdoor light projectors and corridor lamps.
- D. Using insulation paper and sunshades for areas under direct sunlight to reduce solar radiation.
- E. 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.
- F. Turning off lights and air-conditioning in unused conference rooms, equipment rooms and file rooms

(4) High-voltage electric power equipment:

To replace old high-voltage equipment with energy-saving and efficient transformers to reduce power waste at CDF Building.

Implementation of the aforementioned policies to save energy enabled CDF to reduce the use of electricity in the same monitored areas by 1,571,282 kWh and carbon emissions by 841,370 CO₂ equivalent kg in 2015 from the 2014 level.

2. 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 2015 was greatly reduced by 3,393 cubic meters from the 2014 level, and the carbon emissions were reduced 5,114 CO₂ equivalent kg.
- (3) Water quality: CDF arranges cleaning services for water storage vessels periodically and conducts water quality testing. The results show that the water quality always meets drinking water standards. For drinking water dispensers in the CDF Building and 12 in the KGI Ta-Chi Building, the filter cartridges are replaced regularly to ensure the quality of drinking water.
- (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.

3. Greenhouse Gas Emission Control

In recent years, CDF has been dedicated to implement policies of energy conservation and carbon emissions reduction. We have stepped up controlling of greenhouse gases and have kept track of carbon emissions to ensure reduction of greenhouse gases.

- (1) Direct sources of energy consumption: As a financial institution, most of CDF's greenhouse gas emission comes from the operation of facilities in buildings, and gasoline and natural gas used for vehicles. In 2015, gasoline consumption was 623,156 liters, which translated into 1,410,202 equivalent kg of carbon dioxide; natural gas consumption was 96,885 cubic meters, which translated into 182,047 equivalent kg of carbon dioxide emissions.
- (2) Indirect source of energy consumption: Indirect greenhouse gas emission comes mainly from purchased electricity. In 2015, the electricity used was 21,161,165 kWh, which was tantamount to 11,024,967 equivalent kg of carbon dioxide emissions.
- (3) In 2015, direct and indirect greenhouse gas emissions combined were 12,617,216 equivalent kg of carbon dioxide, down 712,534 equivalent kg from 13,329,750 equivalent kg in 2014.
- (4) Although CDF does not have statistics on other sources of greenhouse gas emissions such as septic tanks, fire extinguishers, and employee commutes, but through suppliers' management, materials controlling and staff education, CDF could successfully reduce greenhouse gas emissions. In the future, CDF will continue its self-management to high standards to keep greenhouse gas emissions under control.

4. Waste Sorting, Recycling, and Reuse

- (1) Used batteries are sorted and recycled.
- (2) Food waste from employee canteens are 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.

5. 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.
- (7) Encouraging and promoting use of digital services through the Internet and mobile devices to replace the use and mailing of paper. Subsidiaries KGI Bank and KGI Securities have continued to develop digital financial services in 2015 to live up to the environmental protection concept of using green energy and carbon emissions reduction. The accomplishments are as follows.
 - A. KGI Bank offers customers with internet platform for savings account opening, loan application, and ACH digitized authorization, among other services. Besides, KGI Bank has been expanding and optimizing cloud-based account-oriented services via telephone, the Internet and online banking webpage. Moreover, CDF launched the Green Account, a passbook-less account that stresses environmental protection and LOHAS, and digital statements for credit card transactions and savings account to pursue paper-less service.
 - B. KGI Securities offers customers with services as online bank account opening, cross-device reading of digital statements, and application for certificates or signing risk notification forms via mobile devices. Such paperless services as buying/selling stocks online and being sent digital statements are also available.

It is noteworthy that CDF has never been fined or penalized for violation of environmental regulations. All the lands that it owns, rents, or manages are not located in ecological reserves and thus do not pose a threat to the environment.

In the spirit of environmental protection and energy conservation, CDF has continued to advance initiatives that are in line with these two causes. Moreover, in 2015 CDF launched online classes for environmental protection education and training to have the notion of environmental protection take roots in the hearts of our employees, who will then behave accordingly. CDF pursues the balance between corporate development and a sustainable natural environment and a much better future for Taiwan.

Comparison Sheet for CDF's Use of Water, Electricity, Gas, and Gasoline in 2014 and 2015 (Group total)



Consumption of Electricity and Carbon Emission

Total consumption (kWh)



Total emission



Note1: 2014 electricity-consumption carbon emission coefficient 0.522 kg CO₂/kWh;
2015 electricity-consumption carbon-emission coefficient 0.521kg CO₂/kWh
(Source: Bureau of Energy under MOEA)



Consumption of Water and Carbon Emission

Water consumption (cubic meter)



Carbon emission



Note 1: 2014 water consumption's carbon emission coefficient was 0.193 kg CO₂/cubic meter;
2015 water consumption's carbon emission coefficient was 0.155kg CO₂/cubic meter
(Source: Taiwan Water Cooperation)



Consumption of Gas and Carbon Emission

Gas consumption (cubic meter)



Carbon emission



Note 1: 2014 gas consumption carbon emission coefficient was 2.09 kg CO₂/ M3; 2015 gas-consumption's carbon emission coefficient was 1.879 kg CO₂/ M3 (Source: Environmental Protection Administration's Greenhouse Gas Emission Coefficient Management Sheet version 6.0.1)

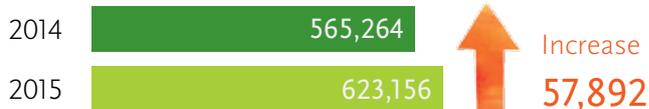
Note 2: 2015 gas consumption increased because subsidiary China Development Industrial Bank transferred operations to KGI Bank on May 1, and the ensuing consolidation of offices and branches had resulted in KGI Bank employees eating at CDH Building's employee restaurants.

Comparison Sheet for CDF's Use of Water, Electricity, Gas, and Gasoline in 2014 and 2015 (Group total)



Gasoline Consumption and Carbon Emission

Gasoline consumption (liter)



Carbon emission

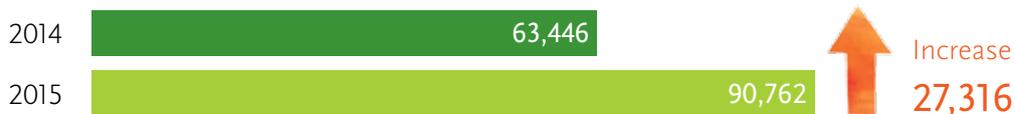


Note 1: 2014 gasoline-consumption's carbon emission coefficient was 2.26 kg CO₂/liter; 2015 gasoline consumption's carbon emission coefficient was 2.263kg CO₂/liter (Source: Environmental Protection Administration's Greenhouse Gas Emission Coefficient Management Sheet version 6.0.1)

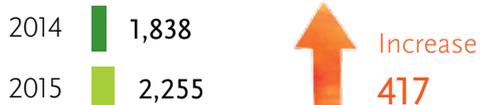


Recycling

Paper (unit: kg)



PET bottle (unit: kg)



Iron, aluminum can (unit: kg)



Note 1: 2015 paper recycled increased because subsidiary China Development Industrial Bank transferred operations to KGI Bank on May 1, and the ensuing consolidation of offices and branches had resulted in increase in paper shredded.

Supplier Management

CDF relies mainly on suppliers of miscellaneous services, equipment, and engineering services to provide security guards, electric equipment, telecommunications, office furniture, and construction/maintenance engineering services. Taiwan local suppliers are preferred for our procurement projects.

CDF and its subsidiaries have well established procurement regulations, which include selection criteria, assessment and management of suppliers. When selecting suppliers, in addition to comprehensively assessing the supplier's scale of operations, professional quality and experience, industry performance, and recommendations, CDF also plan to only consider suppliers that have received ISO certification or other quality assurance certifications to ensure that suppliers strictly fulfill CDF's vision of corporate social responsibility.

CDF places great emphasis on environmental, safety, health issues. Therefore, CDF requires all suppliers to commit to honest behavior and CDF's corporate social responsibility policies. To ensure suppliers' commitment, CDF has specified in the contracts all of the policies that suppliers are bounded to follow (including but not limited to the protection of workers' rights, environment, and consumers' interests); these contacts are structured in ways that allow CDF to terminate the service arrangement at any time if suppliers are found to have violated the prescribed policies or caused significant impact to the environment or society.

selection criteria

- scale of operations
- professional quality and experience
- records of cooperation
- certified engineers
- Offer recommendations or request documents as necessary for information system or maintenance /construction projects
- financial and credit status
- conflict of interest
- reputation and performance record

evaluation

Vital procurement projects shall adopt comprehensive selecting procedures based on the nature of the operation

follow-up management

1. establish suppliers database
2. supervise and manage the following matters in accordance with the contract:
 - all suppliers are bound to follow CDF's honest behavior and corporate social responsibility policies; if any violation, CDF can terminate the contract immediately;
 - safety management , insurance and warranty period;
 - building materials and procedures must comply with firefighting and construction regulations and be in line with the original plans and requirements;
 - any violations of Occupational Safety & Health Act, Fire Service Act and other governmental regulations, which result in mandatory suspension the construction or operation, CDF can demand compensation;
 - suppliers must abide CDF's requirements on occupational safety and sanitation;
 - during construction, suppliers must abide fire protection plans;
 - suppliers should provide product inspection certificate and conduct routine quality control testing
 - supplier must obey the Personal Information Protection Act while collecting, processing or using personal information

Green Procurement Accomplishments:

1. Purchasing MFPs or personal computers with power-saving functionality.
2. Using eco-friendly consumables for Multi-Function Printers (MFPs) and recycling them after use.
3. Using T5 or LED energy-conserving lighting gear to save on electricity expense.
4. Using non-toxic and fireproof materials for interior renovation.
5. Supporting governmental policies to develop green electricity by procuring 200,000 kWh of green power a year.
6. Purchasing ABC fire extinguishers for all CDF buildings.
7. 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.
8. Not providing disposable tableware in employee canteens. Encourage employees to bring their own chopsticks. 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.
9. 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.



Social Philanthropy

China Development Financial Holdings

CDF believes that education is the most valuable investment. Hence, the group focuses on education when dealing with issues such as talent cultivation and social care by inputting significant resources, while also broadening the scope of care. China Development Industrial Bank Foundation and KGI Charity Foundation both began operations with the goal of caring for underprivileged school children by establishing various aid programs. In addition to young children and adolescents, CDF extends its care to college students. Both CDF's chairman and president gave lectures at National Taiwan University and National Chengchi University and offered their valuable experience to the students. In an effort of giving back to local communities, CDF provides educational aids when major disasters strike in Taiwan. CDF donated NT\$24 million in 2015 to pay all future tuition fees for underprivileged students injured at Formosa Fun Coast explosion. Moreover, among the NT\$10 million donation to assist Tainan earthquake victims, NT\$4 million was dedicated to establish a trust fund for children and young adolescents who lost parents in the earthquake in hope that their education would not be disrupted.

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

CDF has run a lectures program, called CDF Lectures, in partnership with National Taiwan University's (NTU) College of Management since 2013. The program is designed to strengthen the company's ties with academia, fulfill its corporate social responsibility obligations, and impart its over half a century's worth of experience in venture capital and investment banking to students. Lecturers include top executives and CDF investees, who share their experiences of starting businesses. At the opening lecture of the current semester, CDF Vice Chairman Chang Chia-Juch explained that the success of a financial enterprise is not only determined by a sound business system and environment, but more importantly by its staff. This is why CDF collaborates with NTU in the lecture program – to equip up-and-coming talent with the knowledge they will need to compete in the international arena.

In 2015, CDF Lectures focused on the practical operations of venture capital and investment banking, with heavyweight lecturers including CDF President Paul Yang, KGI Securities Chairman Daw-Yi Hsu and KGI Bank Vice Chairman Eddie Yu-Chang Wang. The lectures were fine-tuned last year, the third year of the program, as CDF's business scope was altered as a result of KGI Bank joining the group, necessitating the addition of commercial banking development and strategy into presentations.



Lawrence Liu (fourth from the left), Chairman of CDIB Capital Creative Industries Limited, shared his ideas about opportunities and challenges in the cultural and creative industry. In order to enable students to further understand the current status and future outlook of Taiwan's cultural and creative industry, he invited Steven Ko, Chairman of O'right (first on the left), Jung-Kuo Lin, Chairman of Lin's Ceramics Studio (second from the left), and John C.T. Yang, Deputy of General Manager of Arrow Cinematic (fourth from the right), to participate in the discussion.



President Paul Yang of CDF, lecture: Case study of private equity investment



Vice Chairman David Chen of CDIB, lecture: VC case source development and assessment

President Paul Yang, who has lectured every year since 2013, delivered a 2015 lecture entitled “Private Equity and Venture Capital in Corporate Financing”, covering the function of private equity and venture capital in startups and creative industries, from Greater China to global equity capital markets, from commercial banks to corporate lending, and from private equity structure to individual case studies. Mr. Yang unveiled to the students some of the secrets of venture capital and investment banking, supported by analyses of the past, present and future. The venture capital focus of the CDF Lectures, being CDF’s specialist area, is designed to encourage entrepreneurship among young people and demystify the world of financing-related investment banking and commercial bank operations. Through the courses, students can become familiarized with the reality of venture capital and financial markets. Those interested in working in the financial and investment industries can gain from the lectures a hands-on, practical know-how from people with real experience in these complex fields. Meanwhile, those interested in starting their own businesses will have a better grasp of financing approaches and the mentality of capital providers.



(Upper left) Students in class
(Lower left) Group discussion with mentor

(Upper right) Vice Chairman Eddie Yu-Chang Wang of KGI Bank, lecture: Commercial banking plan of CDF
(Lower right) Chairman Daw-Yi Hsu of KGI Securities, lecture: Capital market and investment banking practice in Greater China

Also in 2015, which was the third year of the CDF Lectures program, the lecturers introduced a mentor system in which senior personnel from various departments of CDF guide students in group discussions on key industries that matter to global economic development and on key economic issues that will broaden their learning and simulate the kind of professional discussion environment found at CDF. Professor Wun-Hwa Chen, from NTU's College of Management, as a coordinator of the joint lectures, has noted that the collaboration with CDF has allowed students to gain insight into how the industry operates in the real world, while helping bridge the gap between academia and business.

In accordance with its philosophy that young talent is the most valuable resource of any society, CDF regards investment in talent via education as among the most worthy, as well as highest-yielding business investment. This is the reason CDF has committed to developing new talent in Taiwan and made it a cornerstone of its persistent efforts to connect with society outside of its financial operations. The CDF Lectures at NTU embody this philosophy, and exemplify how determined CDF is to give back to the community via an investment that benefits all sides – local young talent, Taiwanese society as a whole, and the company itself.

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

To support the Financial Literacy Program launched by the Financial Supervisory Commission, Taiwan Financial Services Roundtable (TFSR) has been organizing a series of practical courses about 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 and 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 at the lectures, including KGI Bank Chairman Mark Wei and KGI Futures Chairman Falcon Mi. In 2015, the lecturers from CDF visited nine universities and shared their extensive knowledge and practical financial industry experience with students. The program enables students to combine financial theory learned at school with actual industry practices. By participating in the Financial Literacy Program, CDF has felt honored to be able to contribute to the cultivation of financial talent in Taiwan and help advance the spread of financial industry knowledge.

3. Participation in the Financial Literacy for Youth program organized by the Financial Supervisory Commission

The Financial Supervisory Commission launched the Financial Literacy for Youth program in 2015 with the aim of helping equip college students from economically disadvantaged families with better qualifications for stable jobs in the financial sector. The program was prompted by cases of college students who are unable to properly focus on their studies either because they have to work part-time to share family financial responsibilities, or because they cannot afford the fees for financial license-related courses and exams in the first place. Ultimately, the goal of the program is to assist economically disadvantaged young people with starting a career, as a means of relieving the financial distress of families in the community.

CDF has actively participated in the program, with top executives lecturing at several colleges around Taiwan including KGI Bank Chairman Mark Wei and KGI Futures Chairman Falcon Mi. The lecturers from CDF have shared their extensive knowledge and practical experience of the industry with students to contribute to the cultivation of the country's financial talent and to open a window on the financial sector for economically disadvantaged young people.

The Financial Literacy for Youth program is intended not only to cultivate talent, but to also to help participating students with living expense allowances and subsidies for exam registration fees during the course. Additionally, the FSC plans to require financial associations and holding companies to offer jobs to students in the program and to jointly provide job-matching services. KGI Bank and KGI Securities, both subsidiaries of CDF, will also join the job-matching service to recruit more talent among young people with economic disadvantages.

4. 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 (NCCU) offers a series of elective courses with credit, with the aim of integrating legal services with professional social services on the frontline. Since 2012, CDF has been part of the program as a collaborating partner and has recommended honorary mentors to help students draft their service proposals, 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.

5. Participation in the Cross-Strait (Asia-Pacific) Enterprise M&A Mooting Competition, National Chengchi University (NCCU)

The Cross-Strait (Asia-Pacific) Enterprise M&A Mooting Competition is jointly organized by the College of Law and College of Commerce of NCCU. The competition originally was 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 took part in a simulated M&A deal in a mooting competition at the end of each semester. The latest competition took place in March 2016 in Taipei with 12 universities from the Asia-Pacific region participating: Peking University, Tsinghua University, Renmin University of China, Shanghai Jiao Tong University, Xiamen University, and Nanjing University in 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.

CDF executives have been instructors and judges since the second competition in 2012, sharing their negotiation and execution experience from real M&A cases. Along with the enthusiasm and hard work of all the students that have taken part, the competition has come to represent a fun, challenging, and rich learning experience cherished by all involved.



The judges and participating students in the 2015 NCCU Cross-Strait (Asia-Pacific) Enterprise M&A Mooting Competition



6. Establishing the Financial Elite Program at National Chengchi University (NCCU)

In February 2013, KGI Bank Chairman Mark Wei founded the Financial Elite Program at NCCU, a series of financial lectures in English, given 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 shape their international perspectives.

Tapping into his personal networks established over the years in the industry, Mr. 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, as well as increase their familiarity with the inner workings of the financial industry.

The Financial Elite Program, which has run for four years, has been held to wide acclaim among 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 the 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 participate, making it a remarkable success.



Regional Head of Risk Management of KGI Securities Steve Wang (third left in front row) and Han Chien Shan (second left in front row), Department Dean of the Department of Finance and International Business of Fu Jen Catholic University with members of the program



President Albert Ding of KGI Securities (middle of the front row), with members of the program

7. Summer School of National Chengchi University

NCCU's Summer School is the first in Taiwan that encourages students from different universities to study at NCCU during the summer vacation, with the aim of fostering a campus culture of interschool study and uninterrupted learning as part of the overall goal of excellent teaching. In July 2015, NCCU held an M&A research camp at its Summer School, for which CDF arranged a two-week educational visit to CDF for postgraduate students of economic/ commercial law from Peking University and Xiamen University, China.

CDIB Education and Cultural Affairs Foundation

Believing education is the most valuable investment, CDF's social activities for public benefit have centered on the theme of "care for the next generation, invest in children's future". In 2015, subsidiary CDIB donated NT\$30 million to China Development Industrial Bank Foundation, to continually supporting on cultivate programs of cultural, art education and public-benefit.

China Development Industrial Bank Foundation's public benefit programs in 2015 included financial assistance to student victims of the explosion of colored powder at Formosa Fun Coast in New Taipei City, scholarships and grants to college students who tutor underprivileged children, food subsidies for school children in remote areas, talent fostering programs for economically disadvantaged school children, support of art and cultural talent (sponsorship of Sizhukong jazz concert), and assistance to social welfare institutions for charity sale activities. In these programs, CDF not only contributed substantial resources but also encouraged employees to participate voluntarily, making public benefit part of their work life as corporate citizens.

1. Caring for Children — "Our Class Has Got Talent" Program

The "Our Class Has Got Talent" program sets out to counter the idea that academic achievement is the only worthwhile pursuit for children by encouraging children of low academic achievement to develop other inherent competitive advantages. The program provides scholarships for economically disadvantaged children in the hope that they will gain confidence in their learning abilities while also nurturing cultural and creative talent. In 2015, scholarships were granted to five individuals or groups in the art category, five in dancing, three in music, and nine in sports, with each winner receiving NT\$100,000 to NT\$200,000.



Physical education – Ligang Junior High School baseball team, Pingtung County



Music – Drum team, Shuang Xi Elementary School, Chiayi County



Painting – Mr. Chen, Guandu Junior High School, Taipei City



2. Scholarship and grant scheme — “Heritage 100 & Tutelage 100”

To help bridge the education gap between urban and rural areas in Taiwan, the CDIB Education and Cultural Affairs Foundation established the “Heritage 100 & Tutelage 100” scholarship and grant scheme in 2007. The program utilizes an annual budget of NT\$5 million to provide 100 scholarships to economically disadvantaged college students with outstanding potential. In addition to supporting their studies and relieving economic pressure, the foundation also encourages recipients to work as volunteers for 100 hours as tutors to underprivileged children. As the volunteer tutors are disadvantaged students themselves, they can serve as positive role models to children from low income families, giving them much-needed attention and understanding of their school life and life in general.



The ninth Heritage 100 & Tutelage 100 ceremony – President Paul Yang of CDF



President Paul Yang of CDF took part in the ninth Heritage 100 & Tutelage 100 seminar

3. School Lunch Subsidization Program — “Perfect Nutrition”

Since 2006, the CDIB Education and Cultural Affairs Foundation have provided subsidies for disadvantaged schools in remote areas to augment their school lunch programs. The program works to ensure that children receive proper nutrition and enable schools to provide breakfast and afternoon snacks or add more dishes to lunch meals. The program has been lauded by local governments and schools since it was launched. In 2015, the program supported 217 elementary and junior high schools in seven cities or counties, including Taitung, Yunlin, Chiayi, Pingtung, Taoyuan, Yilan and Kaohsiung, with subsidies amounting to NT\$6.04 million.



Lunch subsidy for schools in remote areas by China Development Industrial Bank Foundation

4. “Lunch Dates”

Since 2012, the foundation has built on its “Perfect Nutrition” program and held a series of “Lunch Dates” at schools in remote areas of the country. CDF employees go to visit these remote schools in groups for one day to share meals that they prepared with the children there. While most of these office workers are far from being geniuses in the kitchen, with a can-do attitude they find they can prepare many platters of delicious dishes, including pizza, spaghetti bolognaise, and sweet and sour spare ribs, making it a lunch to remember for school faculty and students.



Vice Chairman David Chen of CDIB led staffs of the Venture Capital Department to volunteer at Jingyi Elementary School, Kaohsiung, preparing food for 80 teachers and students.

5. Supporting Cultural Talent

The foundation sponsored the National Theater & Concert Hall's charity program and Sizhukong Jazz Band's 10th anniversary show in 2015 as part of its mission to support local cultural and artistic talent. It invited CDF employees and corporate clients to the events. Sizhukong Jazz Band performs western jazz music with traditional Chinese instruments, guided by the band's motto of "music localization". In September 2015, two outdoor concerts were held in Nanau, Yilan County (A-Cong Natural Farm) and Meinong, Kaohsiung (by Jhong-Jheng Lake). The staff members of the branches of KGI Bank and KGI Securities in Yilan, Luodong and Kaohsiung were invited, as well as corporate clients, for a total of 200 people. In November 2015, Taipei City Government Parental Theater - Sizhukong Tenth Anniversary Concert invited staff and corporate clients of CDF, China Development Industrial Bank and KGI Bank, for a total of 300 people, to attend the concert.

The National Theater & Concert Hall's charity program invites disadvantaged families and students from remote areas of Taiwan to attend its events at the National Theater & Concert Hall. In April 2014, 110 students of Dahjou Elementary School, Yilan County were invited to the National Theater & Concert Hall by CDF to watch the performance "The Secret Files of Detective Piggy" by IfKids Theatre. In June 2015, 32 school children from The Garden of Hope Foundation, Miaoli and the Taiwan Fund for Children and Families were invited to watch the performance of 1+1 Dance. Between October 2014 and November 2015, 111 volunteers of CDF's Heritage 100 & Tutelage 100 were invited to attend the programs of the National Theater & Concert Hall.



(Upper left) In 2015, China Development Industrial Bank Foundation invited school children of Dahjou Elementary School, Yilan to attend a tour of the National Theater & Concert Hall and watch programs there.

(Lower left) "Thank-you" notes sent by school children of Dahjou Elementary School, Yilan to the foundation after watching the programs in 2015

(Upper right) China Development Industrial Bank Foundation invited 32 school children from The Garden of Hope Foundation, Miaoli and the Taiwan Fund for Children and Families to watch programs at the National Theater & Concert Hall in 2015

(Lower right) China Development Industrial Bank Foundation sponsored a Sizhukong Jazz Band concert in Nanau, Yilan in 2015.

6. “Good Food, Kind Heart” project

Catholic Hua-Kuang Center for the Development of the Disabled, based in Guanxi, Hsinchu, cares for physically and mentally challenged students. The center teaches these students how to fend for themselves in the world, for example by teaching them how to make pastries and steamed buns with ingredients grown at the sheltered workshop, with the finished products both consumed by themselves and sold to the general public. It is hoped that this initiative can provide students with jobs and learning opportunities. In 2015, The CDIB Education and Cultural Affairs Foundation’s “Good Food, Kind Heart” project purchased 271 pastry sets monthly, with set price of NT\$100, from Hua-Kuang’s “Lei Zhi Sheltered Workshop” to support the hands-on experience every month in 2015, supporting the hands-on experience that students get at the workshop while learning to support themselves. Among the 271 sets of pastry, 58% (156 sets) was for the foundation itself and 42% was donated for welfare, 63 sets for the Huashan Social Welfare Foundation and 52 sets for the Catholic Hua-Kuang Social Welfare Foundation every month.



Activity of Good Food, Kind Heart held in CDF Building in 2015

7. Financial assistance for student victims of the colored powder explosion at Formosa Fun Coast, New Taipei City

The colored powder explosion at Formosa Fun Coast, New Taipei City, in June 2015, caused more than 10 deaths and more than 400 burn injuries of all levels. To provide assistance to the young people severely injured in the accident, CDIB donated NT\$24 million to the CDIB Education and Cultural Affairs Foundation, earmarked for paying in full the tuition fees of those most economically disadvantaged. For the first semester in 2015, the Foundation had provided financial aid to 4 postgraduate students, 83 university/college students and 7 high school students, with total subsidy amount of NT\$3,085,412.

Under the guidelines that were drafted for providing financial assistance to the student victims of the explosion, the foundation will pay tuition fees through college graduation, regardless of the schools attended, as long as they are verified as coming from disadvantaged families. Thus, the program is a long-term plan, with persistent and timely support given even after the students victims return to school in order to make sure both the students and their families can make it through the difficult time.



Chairman Chia-Juch Chang of CDIB and Deputy Minister Der-hwa Chen of the Ministry of Education announced the subsidy program at a joint press conference in 2015



8. Venture Capital Department of CDIB: “My One Acre of Farm” rice paddy fostering program

“My One Acre of Farm”, a rice paddy fostering program, has been up and running for nearly seven years. The program has increased rice farmers’ income via contract farming. Besides expanding farming areas island-wide, the program has prompted rice farmers to invest over NT\$15 million and has enticed second generations to return to their hometowns to farm. Every enterprise fostering rice paddies under the program develops a sense of connection to a particular piece of land via transplanting rice seedlings and harvesting rice. Meanwhile, it receives rice that is newly harvested, is of high quality and has a transparent production process that can be given as a gift at festivals. As such, the program achieves multiple purposes. In 2015, the staff of the Venture Capital Department participated in the program, transplanting rice seedlings in August and harvesting organic, toxic-free Taoyuan 3 rice in December. The program will continue to grow high-quality rice to be shared by many.



Staff of Venture Capital Department transplanted rice seedlings in 2015



1. Action plan to turn education around

LINE stickers designed by “Our Class Has Got Talent” awardees saw over 4 million downloads

To encourage students to utilize their potential, KGI Bank funds a non-academic skills program via the CDIB Education and Cultural Affairs Foundation’s “Our Class Has Got Talent” program. The bank’s Chinese New Year-themed LINE stickers in 2015 were contributed by students of the Advertising Design Department of National Chushan Senior High School, Nantou. The popular stickers saw nearly 4 million downloads and 100 million forwards. Thus, KGI Bank provided a stage for talented students to present their outstanding artwork to the public.



Purchase of products from Kanner Foundation of Taiwan as birthday gifts for employees

For years, KGI Bank purchases gifts for employees from charitable organizations to support good causes. One such case is that of Fushan Farm and its organic harvest. The farm is run by the headmaster of Fushan Elementary School, Wulai, in a bid to improve the economic circumstances of Wulai villagers and contribute funds for the higher education of Taiwan’s aboriginal population. In 2015, in order to gain employees’ attention about childhood autism, the bank purchased dessert gift boxes from Kanner Foundation for Autistic Children and Adults and distributed them as birthday gifts to employees. This charitable act helped employees pay attention to the issue of schooling, employment and career planning for autistic children.

2. Volunteering for the elderly to promote harmony between generations

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

In cooperation with the United Way of Taiwan; KGI Bank launched “KGI Volunteer Day” to care for the elderly in October 2013. By giving the day off of work, KGI Bank encourages all employees to spend half a day at care facilities in Taipei, Taichung and Kaohsiung, and on weekends once a month to keep the elderly company. More than 400 employees have worked as volunteers since “KGI Volunteer Day” was launched.



3. Promote charitable trust to support charitable organizations

KGI Bank as trustee of the first revolving-fund charitable trust in Taiwan

In late 2015, the Executive Yuan urged the private sector to establish the country's first revolving-fund charitable trust. Under a charitable trust, a revolving fund offers small amounts of funds to charitable organizations during the early stages. Being the trustee of the first revolving-fund charitable trust in Taiwan, KGI Bank highlights its pioneering position in providing well-rounded financial services and support for charitable causes.

KGI Bank as trustee of the charitable trust for spinal cord injury victims

KGI Bank's active support of charitable organizations is based on its financial expertise. In November 2015, a dedicated charitable trust for supporting spinal cord injury victims' self-reliance was launched and KGI Bank was designated as the trustee. This is the bank's first charitable trust dedicated to disadvantaged groups. With backing from the trust, the Spinal Cord Injury Foundation has been able to improve its care of the severely injured. Donations from charity campaigns are executed by the bank in accordance with the trust agreement. Moreover, the bank's professional, comprehensive financial services aim to help ease the financial management burden for this charitable organization.



Chairman Mark Wei of KGI Bank (first left), at a press conference for the establishment of a charitable trust for the Spinal Cord Injury Foundation

KGI Charity Foundation

KGI Securities, a subsidiary of CDF, has long been reaching out to disadvantaged members of society through the institution of various charitable programs. For underprivileged children in particular, these programs include the subsidization of schooling fees, free breakfasts, and donations of books and bicycles. KGI Securities' philosophy of giving back to society inspired the company to establish the KGI Charity Foundation in 2012, which devotes itself to charity with the aim of maximizing value for its clients, shareholders, and employees.

1. Elementary school student assistance program — “Love, Starting from Elementary School”

The Foundation established the “Love, Starting from Elementary School” scholarship program for kids in 2012. By providing financial assistance for elementary school students from disadvantaged families, the foundation aims to safeguard these students' right to receive a good education, and in doing so assists underprivileged families in need of support and resources.

As assistance to financially disadvantaged families is a long-term commitment, the foundation continued the project through 2015. Over the past four years, financial assistance has been offered to over 300 children, while more than 100 families with financial difficulties have received subsidies for educational purposes. The foundation also visited these families at the end of 2015 to present them with an allowance for the Chinese New Year holidays. The foundation will continue its efforts to help underprivileged students complete their studies so that they can be in a better position to realize their full potential in their adult lives.

At the 2015 Family Day, KGI Securities set up a booth containing nearly 1,000 children's books donated by employees to elementary school students who are part of the foundation's financial assistance program. The lucky kids were invited to the Family Day to have fun with KGI employees and to be able to go home with a bag full of books and gifts nicely wrapped by KGI employees. The participation of these lovely, lucky kids warmed the hearts of all involved.



KGI volunteers assist underprivileged school children



2. “Love from an Early Start” program

The KGI Charity Foundation launched the “Love from an Early Start” program in 2015, with the aim of providing nutritious breakfasts to disadvantaged children in Taitung County. The program is intended to ensure the children are well fed early in the morning and thus fully energized for a new day at school. The program provided free breakfasts for nearly 500 children from 16 schools in 2015.

The foundation is proud to report that schools participating in the “Love from an Early Start” program noted a higher willingness among students to go to school, improved overall health in the children, and fewer dropouts. Moreover, the local community rallied around the program, with owners of the eateries supplying the breakfasts showing an eagerness to get more involved in the effort to feed the young students by also engaging their families and soliciting donations for them. Thus, aside from supporting the local youth and lighting their path toward becoming mature, responsible and educated citizens, destined also to give back to society what they have been given, the program has also proven to be a means of uniting the local community around a good cause.



(left) KGI Charity Foundation visited Wuling Elementary School, Taitung County
(right) Certificate of Appreciation issued by Taitung County Government



Baseball team of Fengtian Elementary School, Taitung County visited KGI Securities and had lunch with staff



Thank-you card prepared by baseball team members of Fengtian Elementary School, Taitung County showing appreciation of assistance to help their dreams come true

3. “Love without Borders”

KGI Securities (Hong Kong)

KGI Securities (Hong Kong), a subsidiary of KGI Securities, has over the years been proactively taking part in public benefit matters, helping underprivileged people and making effort to protect the environment. Since 2007, KGI Securities (Hong Kong) has been awarded with the Caring Company logo frequently by The Hong Kong Council of Social Service, illustrating its caring for society and commitment as a corporate citizen. In addition to campaigning for energy-conservation activities under Earth Hour and Hong Kong No Air Con Night, KGI Securities (Hong Kong) holds volunteer events jointly with social enterprises. In 2015, the company threw birthday parties for senior citizens at community centers, donated stationary to financially disadvantaged children, and raised funds for public benefit groups by attending charity competitions.

KGI Securities (Thailand)

KGI Securities (Thailand), a subsidiary of KGI Securities, is also active in charitable deeds. One program involves offering long-term scholarships to nine universities in Thailand to provide financial assistance to academically outstanding students, allowing them to pursue academic excellence and realize their full potential. The program also offers internships to students with relevant majors. In 2015, KGI Securities (Thailand) donated 650 bicycles to students from eight remote provinces to make it easier for them to commute between school and home. The program has won the full support of the Thai government and education agencies.



KGI Securities (Hong Kong) team attended a six-kilometer night run event held by the World Wide Fund for Nature, witnessing the lights-out moment during Earth Hour and promoting low-carbon lifestyles



KGI Securities (Hong Kong) volunteers attended a birthday party for 60 senior citizens jointly held by KGI Care and St. James' Settlement



KGI Securities (Hong Kong) sponsored and participated in a charity run held by St. James' Settlement to raise funds for its various charitable programs



KGI Securities (Thailand) donated bicycles to school children in remote areas to assist them in going to school

4. Sharing love

Catholic Hua-Kuang Center for the Development of the Disabled provides services to physically and mentally challenged people in Taiwan. Students of the center make bakery products in the center workshop. The fixed monthly orders from KGI Securities employees give these students more opportunities to learn to take care of their daily lives on their own. In 2015, KGI employees placed 231 orders, helping the students develop themselves so that they may one day give back to society and be fully appreciated by the general public



KGI employees place monthly fixed baked goods orders to help physically and mentally challenged students so that they may one day take care of their daily lives on their own

Chairman Daw-Yi Hsu of KGI Securities led the staff in ordering baked goods to support physically and mentally challenged students



5. KGI volunteers

Helping people is in the DNA of KGI employees. Many are aware of societal needs and their own responsibilities, ranging from educational and medical assistance in the remote mountainous regions to the needs of underprivileged children. In 2015, KGI volunteer group was established, allowing KGI employees to make more contributions by visiting those in need, holding charity bake sales and participating in KGI Family Day. We believe the most valuable investment in life is the assumption of social responsibilities, because we obtain irreplaceable rewards through the smiles of those we help.



KGI volunteers helped with the collection children's book and toys for underprivileged children

President Albert Ding of KGI Securities welcomed underprivileged children to KGI Family Day



Global Reporting Initiatives Disclosure

Appendix 1

G4 Indicators		Chapter
Strategy and analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization	Message from Management
G4-2	Provide a description of key impacts, risks, and opportunities	Message from Management
Organizational Profile		
G4-3	Report the name of the organization	About Us
G4-4	Report the primary brands, products, and services	About Us
G4-5	Report the location of the organization's headquarters	About Us
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
G4-7	Report the nature of ownership and legal form	About Us
G4-8	Report the markets served	About Us
G4-9	Report the scale of the organization	About Us
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 Care
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Employee Care
G4-12	Describe the organization's supply chain	Environmental Protection
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
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Corporate Governance
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Environmental Protection
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

G4 Indicators		Chapter
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
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
G4-19	List all the material Aspects identified in the process for defining report content	Stakeholder Engagement
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Stakeholder Engagement
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Stakeholder Engagement
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
Stakeholder Engagement		
G4-24	Provide a list of stakeholder groups engaged by the organization	Stakeholder Engagement
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement
G4-26	Report the organization's approach to stakeholder engagement	Stakeholder Engagement
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
Basic Information of the Report		
G4-28	Reporting period	About This Report
G4-29	Date of most recent previous report	June 30, 2015
G4-30	Reporting cycle	About This Report
G4-31	Provide the contact point for questions regarding the report or its contents	About This Report
G4-32	a. Report the 'in accordance' option the organization has chosen b. Report the GRI Content Index for the chosen option (see tables below) c. Report the reference to the External Assurance Report	About This Report
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report	About This Report

G4 Indicators		Chapter
Corporate governance		
G4-34	Report the governance structure of the organization	Corporate Governance
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
G4-38	Report the composition of the highest governance body and its committees by: a. Executive or non-executive b. Independence c. Tenure on the governance body d. Number of each individual's other significant positions and commitments, and the nature of the commitments e. Gender f. Membership of under-represented social groups g. Competences relating to economic, environmental and social impacts h. Stakeholder representation	Corporate Governance
G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures	Corporate Governance
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Corporate Governance
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	Corporate Governance
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 Care
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 Ethical Corporate Management Customer Relations Employee Care
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Investor Relations Ethical Corporate Management Customer Relations Employee Care

G4 Specific Standard Disclosures (*Significant considerations)		Chapter
Economic		
* Economic Performance		
G4-EC1	Direct economic value generated and distributed	About Us
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Ethical Corporate Management
G4-EC3	Coverage of the organization's defined benefit plan obligations	Employee Care
Market Presence		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Employee Care
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	Employee Care
* Indirect Economic Impacts		
G4-EC7	Development and impact of infrastructure investments and services supported	Social Philanthropy Environmental Protection Ethical Corporate Management
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Environmental Protection
Procurement Practices		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Environmental Protection
Environmental		
Materials		
G4-EN3	Energy consumption within the organization	Environmental Protection
Energy		
G4-EN6	Reduction of energy consumption	Environmental Protection
G4-EN7	Reductions in energy requirements of products and services	Environmental Protection
Emissions		
G4-EN15	Direct greenhouse gas emissions	Environmental Protection
G4-EN16	Energy indirect greenhouse gas emissions	Environmental Protection
G4-EN17	Other indirect greenhouse gas emissions	Environmental Protection
G4-EN19	Reduction of greenhouse gas emissions	Environmental Protection
* Products and Services		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Environmental Protection Customer Relations
Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None

G4 Specific Standard Disclosures (*Significant considerations)		Chapter
Environmental		
Overall		
G4-EN31	Total environmental protection expenditures and investments by type	Environmental Protection
Supplier Environmental Assessment		
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Environmental Protection
Environmental Grievance Mechanism		
G4-EN34	Number of grievances about environmental impacts led, addressed, and resolved through formal grievance mechanisms	None
Social		
Labor Practices and Decent Work Employment		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employee Care
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employee Care
G4-LA3	Return to work and retention rates after parental leave, by gender	Employee Care
Labor Practices and Decent Work Management Relations		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Employee Care
* Labor Practices and Decent Work Training and Education		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employee Care
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employee Care
G4-LA11	Percentage of employees receiving regular performance and career development by employee category	Employee Care
Labor Practices and Decent Work 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 Care
* Labor Practices and Decent Work Diversity and Equal Opportunity		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Employee Care
Labor Practices and Decent Work Labor Practices Grievance Mechanism		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Employee Care
Human Rights: Investment		
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	Employee Care

G4 Specific Standard Disclosures (*Significant considerations)		Chapter
Social		
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	None
Society: Local Community		
G4-SO2	Operations with significant actual and potential negative impacts on local communities	None
Society: Anti-corruption		
G4-SO4	Communication and training on anti-corruption policies and procedures	Employee Care
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	In 2015, CDF and its subsidiaries were fined, censured or punished by the FSC six times, with penalties totaling NT\$240,000 ^{note} (annual report P95-101)
<p>Note: On August 24, 2015, Board of Directors of CDF passed a resolution to back the company's shares, and was later found to have made purchases before submitting a written report to FSC. Fines totaling NT\$240,000 were imposed against the statutory responsible person of CDF.</p>		

G4 Specific Standard Disclosures (*Significant considerations)		Chapter
Social		
* Product Responsibility Product and Service Labeling		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Customer Relations
G4-PR5	Results of surveys measuring customer satisfaction	Customer Relations
Product Responsibility 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
* Product Responsibility Customer Privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	In 2015, five complaints regarding breaches of customer privacy and losses of customer data were filed against the subsidiaries. Related subsidiaries had strengthened the necessary review procedure and personal information protection. Employees' education training was also taken place to ensure the implementation. Meanwhile, regular reviews and risk control assessments were conducted to improve operational risk management and prevent future recurrence of the complaints.
Product Responsibility 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

Appendix 2

G4 Financial Services Sector Supplement Disclosures		Chapter
Product Portfolio		
FS1/DMA	Environmental and social policies applied to business lines	Message from Management
FS2/DMA	Evaluate and review how every business lines manage environmental and social risks	Environmental Protection Ethical Corporate Management
FS3/DMA	Procedures of monitoring how customers implement environmental and social actions	Ethical Corporate Management
FS4/DMA	Procedures of improving employees' ability of implementing environmental and social policies and how the procedures are applied to business lines	Environmental Protection
FS5/DMA	Interactions between Customer/business partners from environmental, social risks and opportunities perspectives	Environmental Protection
FS6	Percentage of the portfolio for business lines by specific region, size	About Us
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Social Philanthropy
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Environmental Protection
FS15	Policies of fairly design and promote financial products and services	Customer Relations
FS16	Practices of improving financial knowledge	Employee Care

INDEPENDENT ASSURANCE OPINION STATEMENT

China Development Financial Holding Corporation 2015 Corporate Social Responsibility Report

The British Standards Institution is independent to China Development Financial Holding Corporation (hereafter referred to as CDF in this statement) and has no financial interest in the operation of CDF other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for CDF only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by CDF. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to CDF only.

Scope

The scope of engagement agreed upon with CDF includes the followings:

1. The assurance covers the whole report focused on systems and activities during the 2015 calendar year on the CDF's headquarter and relevant operations in Taiwan.
2. The evaluation of the nature and extent of the CDF's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the China Development Financial Holding Corporation 2015 Corporate Social Responsibility Report provides a fair view of the CDF CSR programmes and performances during 2015. The sustainability report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the CDF and the sample taken. We believe that the 2015 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate CDF's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that CDF's description of their approach to AA1000 Assurance Standard and their self-declaration in accordance with the core option of GRI G4 guidelines were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- review of issues raised by external parties that could be relevant to CDF's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers and staffs on CDF's approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 40 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G4 sustainability reporting guidelines is set out below:

Inclusivity

This report has reflected a fact that CDF has sought the engagement of its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the CDF's inclusivity issues.

Materiality

CDF publishes sustainability information that enables its stakeholders to make informed judgements about the company's management and performance. In our professional opinion the report covers the CDF's material issues. However, the future report should be further enhanced by the following areas:

- Encouraging to consider international practice in enhancing the identification method of material issues to integrate these aspects into the future corporate CSR strategies.

Responsiveness

CDF has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for CDF is developed and provides the opportunity to further enhance CDF's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the CDF's responsiveness issues, however, the future report should be further enhanced by the following areas:

- Encouraging to work towards a type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

GRI-reporting

CDF provided us with their self declaration of 'in accordance' with the Guidelines: the Core option (at least one Indicator related to each identified material Aspect). Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self-declaration covers the CDF's social responsibility and sustainability issues, however, the future report will be improved by the following areas:

- Continuously focus on the implementation of sustainability procedures and programs within the practices of financial service along with the developed Standards.

Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

Responsibility

This CSR report is the responsibility of the CDF's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu

Managing Director BSI Taiwan

24 May, 2016



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