



中華開發金控  
CHINA DEVELOPMENT FINANCIAL



Corporate Social Responsibility Report  
**2016**

China Development Financial

Corporate Social Responsibility Report

**2016**

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“ As a corporate citizen, China Development Financial (hereafter referred to as “the Company”, “the Group”, “we” or “CDF”) continues to actively promote and implement corporate social responsibility (CSR), devoting in economic, social, environmental, and governance aspects of CSR. To strengthen communication with our stakeholders and the general public, the Company has been publishing CSR reports (hereafter referred to as the Report) since 2011 through which to present the abundance of outcomes that the Company has attained through practicing CSR.

### Duration of the Report G4-28

The Report discloses the Company’s sustainability performance on the economic, social, environmental, and governance aspects in 2016 (January 1 to December 31).

### Scope of the Report G4-17 G4-22

The consolidated financial statements of CDF are available in the 2016 AGM Report.

The scope of this CSR Report encompasses CDF and its affiliates, including CDIB Capital Group (“CDIB Capital”; formerly China Development Industrial Bank), KGI Bank, and KGI Securities, and details the operating activities held in Taiwan. The scope of human resources and financial information, as shown in the AGM Report, includes overseas subsidiaries. Information regarding social philanthropy covers activities organized by CDIB Educational and Cultural Affairs Foundation and KGI Charity Foundation.

This Report cites information and data provided by CDF, its affiliates and the foundations. If the data scope or calculation method is different from the previous year, explanation will be provided. All financial indicators have been audited by certified public accountants and made public. Note that all figures cited are denominated in NT Dollars.

### Reporting Guidelines G4-32

This report is structured in accordance with the Global Reporting Initiative (GRI) G4 guidelines, as well as Financial Service Sector Disclosures, CSR Best Practice Principles for TWSE/GTSM Listed Companies, Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TPEX Listed Companies,

Sustainable Development Goals (SDGs), and the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

### Assurance of the Report G4-32 G4-33

The selected key performance indicators of this GRI-G4 based Report have been assured by KPMG Taiwan (“limited assurance”, based on ISAE3000 standards) and the complete assurance statement is provided in the appendix.

External verification measures:

The financial information disclosed in this Report was obtained from the consolidated financial report that was audited and verified by Deloitte & Touche in accordance with the International Financial Reporting Standards (IFRS). ISO 14001 Environmental Management System and ISO 14064-1 Greenhouse Gas (GHG) Emissions Inventories were certified by The British Standards Institution (BSI).

### Report Publication G4-29 G4-30

The Company’s annual CSR reports, available in Mandarin and English, are provided under the “Corporate Citizenship” section on CDF’s website. A digital version is available for browsing or downloads at:  
<http://www.cdibh.com/enhtml/content/1603>

CDF’s CSR Report was first published in 2011 and updated annually. The previous publication was 2015 CSR Report, published in June 2016.



CSR report

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Company Website



Chairman  
Chia-Juch Chang

In 2016, the world economic stabilized with a consecutive quarterly recovery and Taiwan GDP also improved, rising from 0.75% in 2015 to 1.5% in 2016. CDF has always been committed to facilitating the economic development and improving the quality of financial services, making concrete contributions to the economic growth and financial development in Taiwan. In recent years, the Company has constantly adjusted its organizational and development orientation in response to global trends and business requirement. Our subsidiary China Development Industrial Bank (CDIB) was officially re-named as CDIB Capital Group as of March 15, 2017, which focuses primarily on the raising and management of private equity funds. The Company is now composed of three core business groups, namely commercial banking, securities, and private equity / venture capital investment. The core operations continue to focus on facilitating industrial development and industry upgrade/transformation by providing comprehensive financial services. Attributed to our long-term devotion, the Company has accumulated over thousands of investees, establishing a dense network through which we gain extensive insight into the trends and pulse of the industry. Therefore, CDF is able to build a solid and diversified investment portfolio by selecting investment targets from the up-, mid-, and downstream chains of major industries.

Thanks to our extensive reach in every corner of the Taiwanese industries, the Company actively participates

and invests in the implementation of corporate social responsibility because we strongly believe that corporates are an integral part of the society for which we should provide extensive care and feedback. Like other corporate operations, only by combining one's core competencies to implement its strategic corporate social responsibility can maximal synergies be created. For years, CDF has utilized the resources of its private equity / venture capital business entity to develop the solar energy industry and expand access to clean energy; to invest in the health care industry and improve national health; to participate in resource recycling and waste management business and effectively conserve energy and improve the environment; and to engage in green investment of energy conservation and carbon reduction to create a clean environment. Subsidiaries KGI Bank and KGI Securities have also endeavored to develop their green financing business in an attempt to strike a balance between business development and social responsibilities.

In 2016, CDF has taken concrete actions in assimilating into the international community by formulating five core CSR strategic orientations based on the environmental, social, and governance (ESG) concepts: enhancing sustainable governance, motivating sustainable financing, cultivating sustainable talents, promoting sustainable environment, and sharing sustainable value. With the concerted efforts of our employees, the Company delivered the following performance in 2016:

- Ranked as top 5% among all listed companies participating in the Third "Corporate Governance Evaluation" undertaken by the Taiwan Stock Exchange.

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- Advocate support to the Principles for Responsible Investment (PRI): Integrate ESG issues into investment analysis and decision making; and subsidiaries CDIB Capital Group and KGI Investment Trust both became the Stewardship Principles signatories of Taiwan Stock Exchange.

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- Became the signatory of the Carbon Disclosure Project (CDP) in August 2016 to support the Paris Agreement.

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- Develop internal management systems: comprehensively integrating ISO14064-1 GHG inventory standards, promoting energy conservation and carbon reduction measures and disclosing carbon emission information.

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- Invite our suppliers to sign the "Supplier Corporate Social Responsibility Commitment Letter" and implement corporate social responsibilities jointly, in the hope of propagating corporate sustainability through supply chain management.

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- Participate in ESG survey held by international rating agencies for the first time: Bloomberg, Reuters, MSCI, DJSI, and CDP. CDF scored the highest in the Bloomberg ESG Survey among peers in Taiwan.

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- Subsidiary KGI Securities was certified ISO/IEC 27001: 2013 Information Security Management Certification by the British Standards Institution (BSI) as a means of continual improvement in information security management and technologies to provide safe, stable, and efficient financial services for customers.

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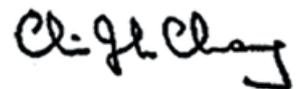
- In the event of the Tainan earthquake in 2016, CDF made donations to the Tainan City Government and established a trust fund for children and teens victims in hope that their education would not be disrupted. CDIB Education and Cultural Affairs Foundation continually sponsors student victims of the Formosa Fun Coast explosion every year, covering their tuition fees until they finish their tertiary education to help the families of the victims overcome financial difficulties.

- The social activities of CDIB Education and Cultural Affairs Foundation have centered on the theme of "care for the next generation, invest in children's future." Among all, the "Heritage 100 & Tutelage 100" and "Perfect Nutrition" are long-term projects which aim to provide assistance to economically disadvantaged students.

In this CSR report, we not only complied with the GRI G4 guidelines, but also introduced the elements of Integrated Reporting for the first time, basing our short-, mid-, and long-term corporate values and key performances on five major capitals. In addition we adhered to the 10 principles of the United Nations Global Compact, and referred to the 17 SDGs as the basis of our long-term development and goals, which highlights the Company's determination in ensuring transparent corporate governance and sustainable management.

From here on, the Group will remain devoted to upholding the philosophy of giving back to society and creating a positive cycle, regard the implementation of corporate social responsibilities as the key cornerstone of our business management, and continue to promote and implement corporate social responsibilities so that the positive cycle can be sustained to ensure a prosperous, harmonious society where significant ESG values are created.

Chairman



## 3.1 About Us G4-3 G4-4 G4-5 G4-6 G4-7 G4-8 G4-9 G4-17

China Development Financial (CDF) was established on December 28, 2001 following a share swap managed by China Development Industrial Bank (predecessor of CDIB Capital Group). CDF has three main subsidiaries, CDIB Capital Group, KGI Bank and KGI Securities. As of December 31, 2016, net worth was NT\$167.1 billion and the total consolidated assets was NT\$892.2 billion.

### Company Basic Information

Company Name	China Development Financial
Stock Code	2883
Date of Establishment	December 28, 2001
Chairman	Chia-Juch Chang
President	Daw-Yi Hsu
Total Number of Employees	6,970
Total Assets	NT\$892.2 billion
Paid-in Capital	NT\$149.7 billion
Total Number of Service Locations	136
Company Address	No. 125, Sec. 5, Nanjing E. Rd., Taipei 10504, Taiwan, R.O.C.

A strong regional financial institution with operations in the Asia-Pacific region



\*Note: Under planning

## Service and Operation Locations

Service Locations Main Services

52



凱基銀行  
Deposits/loans, credit cards, wealth management, consumer banking, corporate banking, global market, and foreign exchange transactions.

83

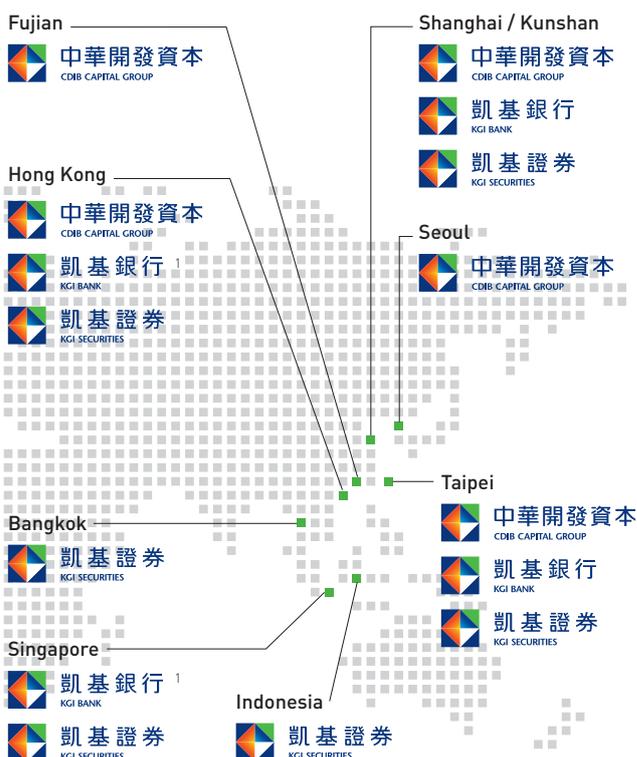


凱基證券  
Brokerage, wealth management, proprietary trading, underwriting, fixed-income, and a variety of derivatives products.

1



中華開發資本  
Venture capital, private equity and asset management, etc.

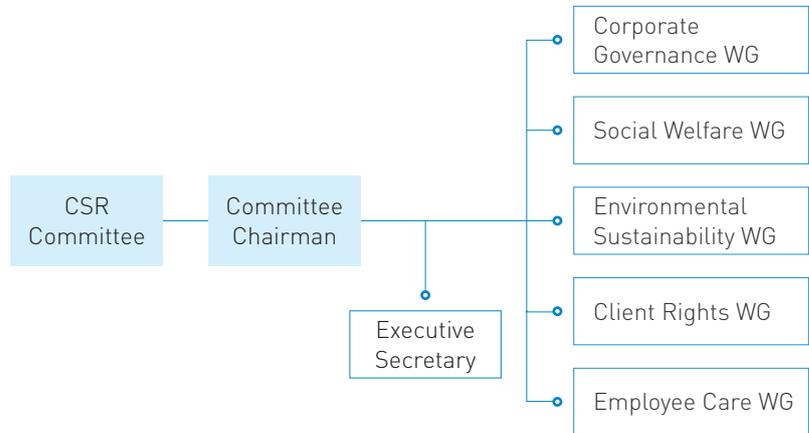


## Key Performance

### Key Performance

At the end of 2014, CDF established the "CSR Committee" of the highest management level to proactively implement annual CSR projects and assign various working groups (WGs) for follow-on operations. Chairman of CDF served as the Chairman of the Committee and the President, Independent Director, and Chairmen of subsidiaries all served as committee members. The CSR Committee periodically reports to the Board on the implementation status of each working groups. The Committee convened a total of 4 meetings in 2016.

### CSR Committee Organization Chart



## Key ESG Performance in 2016



### Environment

Received **ISO 14001** Environment Management System Certification.

Introduced **ISO 14064-1** International Standard for GHG Emissions Inventories and Verification.

The "Love the Earth by Walking" competition held in December registered a total of 592,960,903 steps by 1,155 employees (16.6% of all employees), which translate into **355,777** km, or nearly nine circles around the earth.

Subsidiary KGI Bank issued NT\$1 billion green bonds and is one of the **first** financial institutions to issue green bonds in Taiwan.

Key energy-saving initiatives in 2016 have saved approximately **160,000** kWh of electricity consumption.



### Social

KGI Securities obtained **ISO 27001** Information Security Management System Certification in December 2016.

KGI Bank's "**Barrier-Free Network**" obtained **A+** certification from the National Communications Commission (NCC) in 2016.

The ratio of female employees was **61%** and the ratio of female managers was **48%**.

In 2016, we held **83,827** training sessions, totaling **216,610** hours, both up 4% from the previous year. Total training cost reached NT\$**17,032,060**

Total charitable trust: NT\$**27,698,380**



### Governance

Ranked as top **5%** among all listed companies participating in the Third "Corporate Governance Evaluation" undertaken by the Taiwan Stock Exchange.

In May 2016, the Board of Directors was re-elected and passed the guidelines of "Performance Evaluation of the Board and Directors".

Subsidiaries CDIB Capital Group and KGI Securities Investment Trust signed the "Stewardship Principles for Institutional Investors" of the TWSE.

A total of **5,974** employees, which accounted for **97.7%** of all employees, completed the online courses for Ethical Corporate Management Best Practice Principles.

Component stock of TWSE's **Taiwan High Compensation 100 Index**

## 3.2 Value Creation

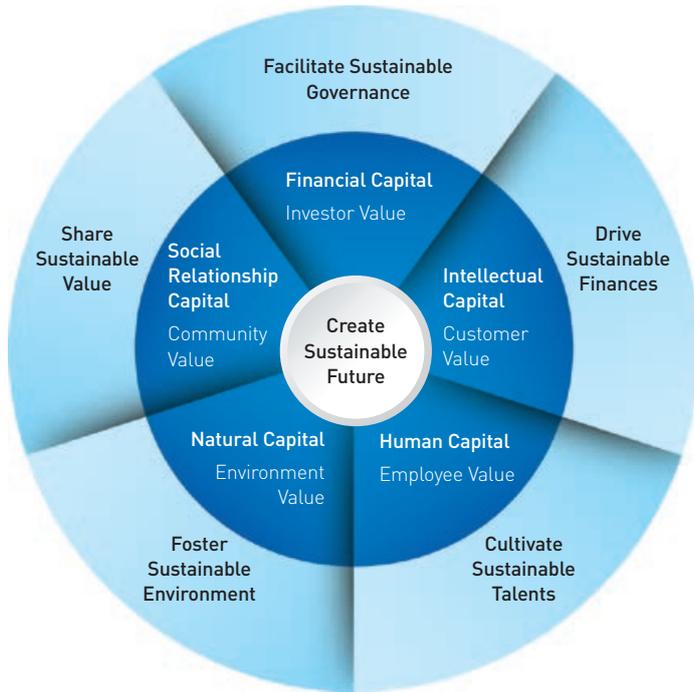
### Creating Sustainable Value

During recent years, the world has continued to focus on sustainability issues. CDF believes in addition to pursuing short-term financial performance, enterprises should also aim for sustainability and care about the impact of corporate operations on stakeholders, the society, and the environment in order to create sustainable value. Aside from implementing the Company’s development strategies, environmental protection measures, and social participation, it is even more crucial to integrate the core functions of the financial industry to direct funds into pollution prevention, energy-saving technology development, and other related environmental protection

industries through sound corporate governance for the purposes of supporting enterprises with a positive social value and establish the ideals of sustainable consumption among consumers. We believe that innovative financial products and services as well as improved information disclosure of sustainability data will not only fulfill CDF’s corporate social responsibility but also create a distinctive brand and a differentiated market. In 2016, the Company referenced the Integrated Reporting (IR) framework formulated by the International Integrated Reporting Council (IIRC) for the first time to incorporate the five major capitals (as the Company is a financial service provider, the manufacturing capital plays a less significant role in the Company’s overall capital structure and therefore it is not included) into the Company’s development strategies. The related performance indicators shall provide critical guidance for CDF’s sustainability performance and management.

	Definitions	Objective	Investment
	funds to support operations and businesses	create diversified value	<ul style="list-style-type: none"> <li>Total assets: NT\$ <b>892.2</b> billion</li> </ul>
Financial Capital	intellectual assets	product and service innovation	<ul style="list-style-type: none"> <li>NT\$ <b>10,081,439</b> in P2P projects (including software, equipment and salaries)</li> </ul>
Intellectual Capital	professional skills and innovative capabilities	provide a happy and safe workplace	<ul style="list-style-type: none"> <li>Total employee training expenses: NT\$ <b>17,032,060</b></li> </ul>
Human Capital	businesses and measures related to environmental protection	implement environmental protection measures that support international initiatives	<ul style="list-style-type: none"> <li>Green procurement: NT\$ <b>41.77</b> million</li> <li>Total green investment outstanding of CDIB Capital Group’s Venture Capital Department: NT\$ <b>25.1</b> billion</li> </ul>
Natural Capital	trust and recognition from stakeholders	fulfill mutual prosperity with the community	<ul style="list-style-type: none"> <li>Donationnote: NT\$ <b>95.7</b> million <sup>*note</sup></li> <li>Assets under management of CDIB Innovation Accelerator Fund: NT\$ <b>750</b> million</li> </ul>
Social Relationship Capital			

\*Note: 2016 donation details are given in CDF AGM Report, page 67-69



### Value Creation Model

CDF's Value Creation Model includes the implementation of five core CSR strategies to achieve effective and balanced deployment of the five capitals and create short, mid, and long-term values. Each value is closely related to stakeholders and corresponds to UN's Sustainable Development Goals (SDGs).

#### Business Model

- Integrate group resources and enhance diversified sales platforms
- Expand overseas markets in response to the government's New Southbound Policy
- Integrate core competencies to build innovative business models
- Value the security of customer information
- Increase employee benefits and facilitate equality in the work environment
- Provide diversified courses to promote career development
- Promote green finance to implement responsible investment
- Fully Introduce GHG emissions inventories and verification
- Increase green procurement
- Enhance supplier management
- Enhance financial inclusion of products to assist the disadvantaged groups
- Implement financial education for the next generation
- Implement responsible investment

#### Performance

- After-tax profit: NT\$**5.92** billion
- Return on equity: **3.57%**
- P2P Internet lending platform
- Credit scoring models for different industries
- Employee training hours: **216,610** hours
- Employee turnover rate: **15.5%**
- Component stock of TWSE Taiwan High Compensation 100 Index
- ISO 14001 Environment Management System certification
- Reduced **40,830**kg CO<sub>2</sub>e of carbon emissions through paperless services
- Support green industries
- Subsidized over **1,000** individuals from elementary to graduate students
- Build Taiwan's largest innovation and start-up platform in 2017 to cultivate startups talents

#### Value Created

Investor Value
Customer Value
Employee Value
Environment Value
Community Value



### 3.3 Materiality Issues

In order to determine the content of CDF's CSR Report, we first identify stakeholders' interested issues related to Economic, Environmental, Social and Governance. Through the process of identification, we could understand the theme and orientation of stakeholders' concerns about sustainable issues, and capitalize on the outcomes as the goal of sustainable development of the Company.

#### Stakeholder Identification G4-24 G4-25

To effectively identify stakeholders, the Company has invited its CSR committee members, senior executives and employees totaling 60 people to participate in the questionnaire which adopts the AA1000 Stakeholder Engagement Standard. The questionnaire evaluates different stakeholders based on five aspects: the level of dependence, influence, interest, responsibilities, and diversified viewpoints on CDF. Key stakeholders have been identified after comprehensive assessment and they are listed in sequence as follows: Government and competent authorities, employees, shareholders and investors, clients, media, suppliers, social groups and community residents, and investees.

#### CDF's Stakeholders



### Materiality Issues Identification and Response

G4-18 G4-19 G4-20 G4-21 G4-23 G4-26 G4-27

#### Procedures on Sources of Materiality Issues

##### 1 Reference of global sustainability development trends from domestic and international peers

File related topics based on materiality issues from business experience and the understanding of the industry.

##### 2 Confirmed the list of sustainability issues

The list of 30 sustainability topics was confirmed after the consolidation and adjustment.

##### 3 Issued 130 questionnaires and collected 122 valid questionnaires

**<Internal distribution>** To understand the importance of topics to internal stakeholders and the sustainability of the organization: 60 questionnaires were issued.

**<External distribution>** To understand the importance of different topics to external stakeholders: 70 questionnaires were issued.

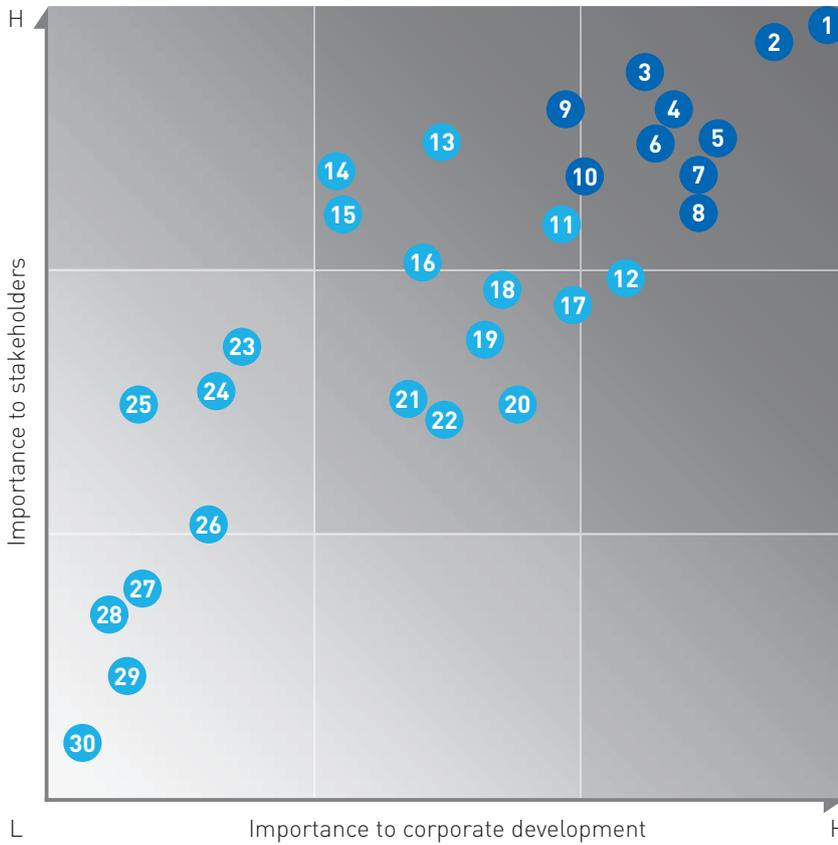
##### 4 Materiality Matrix

Construct a materiality matrix in accordance with the contents of the response from questionnaires and define the segments in materiality issues.

##### 5 Senior Executives verified materiality issues

Senior executives verify the levels of importance of the topics on the sustainability of the organization and the definitions of segments in materiality issues.

Materiality Issues Matrix



- 1 corporate strategy and sustainable development guidelines
- 2 operation performance and earning distribution
- 3 corporate image / level of trust
- 4 corporate governance performance
- 5 product / business strategy
- 6 market dynamics
- 7 digital product and product innovation
- 8 information and digital security system
- 9 compliance
- 10 service quality
- 11 legal environment and communication with competent authorities
- 12 risk assessment and management
- 13 customer protection
- 14 information disclosure
- 15 customer grievance mechanisms
- 16 working conditions and compensation/benefits
- 17 product availability and financial inclusion
- 18 labor relations and grievance management
- 19 indirect impacts of products and services
- 20 career development and training
- 21 diversity and labor rights
- 22 scale and structure of the organization
- 23 employee evaluation mechanism
- 24 safe workplace and barrier-free environment
- 25 occupational safety
- 26 shareholder participation
- 27 supplier management
- 28 community care
- 29 energy management
- 30 water conservation and waste reduction management

### Materiality Issues

The Company has identified 22 topics out of 30 sustainability topics that are placed in medium and high segments of the Materiality Issue Matrix. The CSR Report will disclose information on 22 materiality issues in accordance with GRI G4 and provide explanation on certain non-materiality issues. The significance and applicable scope identified in 2016 was similar to those identified in 2015.

Materiality	Sustainability Issue Category	CSR Topics	Priority	Aspects to consider with respect to GRI G4	Internal	
					China Development Financial	CDIB Capital Group
Materiality issues	Corporate governance	Corporate strategy and sustainable development guidelines	High		V	V
	Corporate governance	Operation performance and earning distribution	High	Economic Performance	V	V
	Corporate governance	Corporate image/level of trust	High	Anti-corruption Grievance system for social impact	V	V
	Corporate governance	Corporate governance performance	High	Economic Performance	V	V
	Product	Product/business strategy	High	Local Community Product Portfolio	V	V
	Product	Market dynamics	High		V	V
	Product	Digital product and product innovation	High	Local Community Product Portfolio		V
	Corporate governance	Information and digital security system	High	Customer Privacy	V	V
	Corporate governance	Compliance	High	Compliance	V	V
	Product	Service quality	High			
	Corporate governance	Legal environment and communication with competent authorities	High		V	V
	Corporate governance	Risk assessment and management	High		V	V
	Product	Customer protection	High	Product and service labeling		V
	Corporate governance	Information disclosure	High		V	V
	Product	Customer grievance mechanisms	High			
	Social	Working conditions and compensation/benefits	High	Labor employment relations	V	V
	Product	Product availability and financial inclusion	Medium	Local Community Product Portfolio		V
	Social	Labor relations and grievance management	Medium	Labor/employer relations Grievance system for labor issues	V	V
	Product	Indirect impacts of product and services	Medium	Indirect economic impacts/economic performance Product Portfolio Shareholder Investment		V
	Social	Career development and training	Medium	Training and education	V	V
	Social	Diversity and labor rights	Medium	Work diversity and equal opportunity Equal remuneration for different genders Child Labour Non-Discrimination Forced and Compulsory Labour Human rights grievance mechanisms	V	V
		Corporate governance	Scale and structure of the organization	Medium		V
Non-materiality issues	Social	Employee evaluation mechanism	Low	Training and education	V	V
	Product	Safe workplace and barrier-free environment	Low	Local Community	V	V
	Social	Occupational safety	Low	Occupational health and safety	V	V
	Corporate governance	Shareholder participation	Low		V	
	Corporate governance	Supplier management	Low		V	V
	Social	Community care	Low	Indirect economic impacts/economic performance Local Community		
	Environmental	Energy management	Low	Energy Emissions	V	V
	Environmental	Water conservation and waste reduction management	Low	Water Waste water and waste	V	V

		External							Corresponding chapters/ sections
KGI Bank	KGI Securities	Government and competent authorities	Shareholders and investors	Clients	Media	Suppliers	Social groups and community residents	Investors	
V	V	V	V	V				V	Message from Chairman Public Associations and Initiatives
V	V	V	V	V				V	About Us Financial Performance
V	V		V	V	V				Ethical Corporate Management Service Experience
V	V	V	V	V	V	V	V	V	Governance framework Financial Performance Drive Sustainable Finances
V	V			V					
V	V		V	V					Business Environment Drive Sustainable Finances
V	V			V					
V	V	V		V					Service Experience
V	V	V							Compliance Service Experience
V	V			V					Service Experience
V	V	V							Materiality Issues Business Environment Development Strategies
V	V	V							Risk Management
V	V			V					Service Experience
V	V	V	V						Transparent Communication
V	V	V		V					Service Experience
V	V	V							Workplace Diversity Employee Wellbeing
V	V	V		V					Drive Sustainable Finances
V	V	V	V						Workplace Diversity Employee Wellbeing Drive Sustainable Finances Workplace Diversity
V	V	V		V			V	V	
V	V								Career Development Workplace Diversity Employee Wellbeing
V	V	V				V		V	
V	V								About Us
V	V								Career Development
V	V	V		V			V		Service Experience
V	V	V							Employee Wellbeing
V	V		V						Transparent Communication
V	V					V			Responsible procurement
V	V						V		Service Experience Share Sustainability Value
V	V						V		GHG and Energy Management
V	V						V		Resource Management

## ► Communication on Materiality Issue

In addition to communicating with external parties on responses to materiality issues through the annual CSR Report, the Company also communicates with various stakeholders and groups on topics of their concern through a variety of channels.

Stakeholder	Top five prioritized topics	Communication channel, practice, and frequency*	Actual Performance in 2016
Government and competent authorities	<ol style="list-style-type: none"> <li>1. Compliance</li> <li>2. Legal environment and communication with competent authorities</li> <li>3. Information disclosure</li> <li>4. Risk assessment and management</li> <li>5. Corporate governance performance</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in policy discussions and seminars organized by the competent authorities</li> <li>2. Comply with supervision and inspections by competent authorities</li> <li>3. Visit competent authorities and create opportunities for direct communication</li> </ol>	<ul style="list-style-type: none"> <li>■ Ranked as top 5% among all listed companies participating in the Third "Corporate Governance Evaluation" undertaken by the Taiwan Stock Exchange.</li> <li>■ Selected as component stock of Taiwan RAFI® EMP 99 Index / creation of local jobs for 7 consecutive years</li> </ul>
Employees	<ol style="list-style-type: none"> <li>1. Working conditions and compensation/benefits</li> <li>2. Employee evaluation mechanism</li> <li>3. Labor relations and grievance management</li> <li>4. Operation performance and earning distribution</li> <li>5. Corporate strategy and sustainable development</li> </ol>	<ol style="list-style-type: none"> <li>1. Employee Welfare Committee providing discount information</li> <li>2. Annual performance review</li> <li>3. Quarterly labor-management meetings</li> <li>4. Employee opinion mailbox</li> <li>5. Notification of monthly education and training information</li> <li>6. Notifications of company strategy</li> </ol>	<ul style="list-style-type: none"> <li>■ The Group convened 22 labor-management meetings in 2016</li> <li>■ There were at least 4 notifications for internal education and training each month in 2016</li> <li>■ Component stock of TWSE Taiwan High Compensation 100 Index</li> </ul>
Shareholders and investors	<ol style="list-style-type: none"> <li>1. Operation performance and earning distribution</li> <li>2. Corporate strategy and sustainable development</li> <li>3. Risk assessment and management</li> <li>4. Information disclosure</li> <li>5. Corporate governance performance</li> </ol>	<ol style="list-style-type: none"> <li>1. Organize one shareholders meeting, two investor conferences and two online investor conferences annually and announces operation performance monthly</li> <li>2. Establish shareholder services and investor relations contact window to provide dual-way communication channels</li> </ol>	<ul style="list-style-type: none"> <li>■ Obtained improved outlook credit rating by credit rating agencies / Fitch Ratings upgraded KGI Bank's rating to "stable"</li> <li>■ Upload English AGM Annual Report simultaneously with the Chinese version to improve the Company's transparency for international shareholders/investors</li> </ul>
Clients	<ol style="list-style-type: none"> <li>1. Service quality</li> <li>2. Customer grievance management</li> <li>3. Customer protection</li> <li>4. Corporate image/level of trust</li> <li>5. Information and digital security system</li> </ol>	<ol style="list-style-type: none"> <li>1. Customer satisfaction survey</li> <li>2. Provide multi communication channels, including a 24-hour service line, website customer compliant/message board and customer service lines</li> <li>3. Official website, real - time maintenance management of community and media; wealth management seminars; Corporate image advertising</li> </ol>	<ul style="list-style-type: none"> <li>■ KGI Bank over-the-counter customer satisfaction survey: 99.7%</li> <li>■ KGI Bank established "Customer Care Committee" to regularly collect and analyze the voices of the customers (VOC); 89% of customer complaint cases have been resolved within 3 days in 2016 (above the set target of 85%)</li> <li>■ KGI Securities phone-center customer satisfaction survey: 97.9%</li> <li>■ KGI Bank: 20 wealth management seminars for customers; 6 social enterprise professional seminars</li> <li>■ KGI Securities: total 1,056 wealth management and investment seminars and forums organized by local branches nationwide</li> <li>■ KGI Bank's corporate image micro movie accumulated 580,000 viewers</li> <li>■ KGI Securities obtained ISO27001 Information Security Management certification</li> </ul>

Stakeholder	Top five prioritized topics	Communication channel, practice, and frequency*	Actual Performance in 2016
Media	<ol style="list-style-type: none"> <li>1. Information disclosure</li> <li>2. Market dynamics</li> <li>3. Corporate strategy and sustainable development</li> <li>4. Digital product and product innovation</li> <li>5. Operation performance and earning distribution</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide profit and revenue information through emails</li> <li>2. Announce latest news and business development information through press conferences and small-scale seminars</li> </ol>	<ul style="list-style-type: none"> <li>■ Social Enterprise Green Field Press Conference: CDF supports social enterprises by sponsoring the Social Enterprise Hub.</li> </ul>
Suppliers	<ol style="list-style-type: none"> <li>1. Digital product and product innovation</li> <li>2. Product/business strategy</li> <li>3. Corporate image/level of trust</li> <li>4. Information and digital security system</li> <li>5. Customer protection</li> </ol>	<ol style="list-style-type: none"> <li>1. Organize supplier meetings</li> <li>2. Actively invite suppliers to sign the Corporate Social Responsibilities Commitment Letter</li> </ol>	<ul style="list-style-type: none"> <li>■ 116 suppliers signed the Corporate Social Responsibilities Commitment Letter (accounts 47.68% of total suppliers)</li> </ul>
Social groups and community residents	<ol style="list-style-type: none"> <li>1. Corporate strategy and sustainable development</li> <li>2. Corporate image/level of trust</li> <li>3. Service quality</li> <li>4. Community care</li> <li>5. Product/business strategy</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in various forums or seminars organized by private associations and academic institutions</li> <li>2. Through CDIB Education and Cultural Affairs Foundation and KGI Charity Foundation to communicate with related community groups</li> </ol>	<ul style="list-style-type: none"> <li>■ Participate in 49 private associations</li> <li>■ Interchange with 10 domestic and foreign universities</li> <li>■ "KGI Volunteer Day" provide services at elderly care facilities and accompany the elders; more than six hundred employees have participated since launched</li> </ul>
Investees	<ol style="list-style-type: none"> <li>1. Customer protection</li> <li>2. Corporate image/level of trust</li> <li>3. Compliance</li> <li>4. Product/business strategy</li> <li>5. Legal environment and communication with competent authorities</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in investees' shareholders meetings and Board meetings and exercise voting rights</li> <li>2. Communicate and interact with the management of investees</li> <li>3. Visit and participate in various activities organized by investees</li> </ol>	<ul style="list-style-type: none"> <li>■ Organize the CDIB Annual Conference for private equity fund investors</li> <li>■ Participate in approximately 208 shareholder meetings and 224 Board meetings of the investees</li> </ul>

\* Note: If communication is not conducted regularly, no frequency detail will be provided.

## 4.1 Business Environment

EC2

Economic PerformanceDMA

Looking back at the consecutive quarterly global economic recovery and Taiwan's recovery due to external demand and related domestic policies in 2016, the economic growth rate in 2017 is expected to increase to approximately 2%. CDF is dedicating efforts to the development of various businesses while focusing on corporate sustainability internally and externally. In addition to promoting corporate sustainability to its employees, CDF is also integrating corporate sustainable development and corporate social responsibilities into its core businesses research and development for investment targets and financial products related to climate and social changes. Moreover, through active participation in international ESG surveys, CDF continues to assess its performance in environmental, social and governance and strive for improvement in order to keep up with the global sustainability trend.

### Risks and Opportunities in the Business Environment

CDF manages market, credit, operational, and liquidity risks in accordance with international standards and the Company's Risk Management Policy, and utilizes these to formulate risk management principles for the Company and subsidiaries. In addition to climate change risk, there are more challenges the Company is facing, such as changes of technology, industry, regulation and society. In accordance with the long-term accumulated experience on investment and credit, the Company and its subsidiaries will invest and develop the investment targets and financial products related to climate and social change, such as green environmental protection, health care and innovation and continue to work hard to grasp the trend and business opportunities.

#### Emerging Risks and Opportunities

In addition to effective management of internal operational risks, we also pay attention to external social and environmental changes that may negatively impact or provide opportunities for the Company.

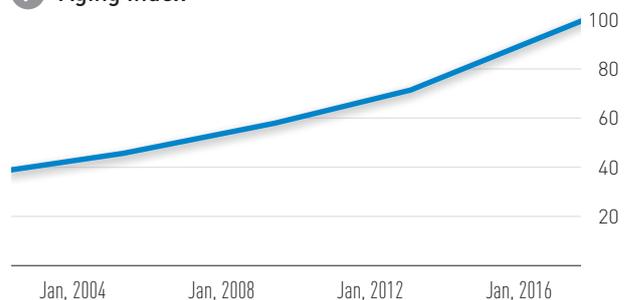
#### Aging Population

According to the Statistics Department of the Ministry of the Interior, the average elderly population dependent for every 100 working people is 18.2 as of end-February 2017. The Aging Index, defined as the number of people aged

65 and over per 100 young people under the age of 15, also exceeds 100 for the first time. Therefore, the social changes due to an aging population cannot be ignored.

CDF plays an intermediary role in the financial service industry and has always paid close attention to risks and opportunities brought forth by social and climate changes. In addition to setting up the "CDIB Capital Healthcare Ventures" fund to facilitate growth in pharmaceuticals, medical device, services, channels, and other healthcare-related industries, the subsidiary KGI Securities Investment Trust also launched the "Elderly Fund" to accommodate demand in an aging society. In the future, the Group will continue to pay close attention to changes in the population structure to research and develop more financial products that meet the requirements and interests of the society.

#### > Aging Index



65 years and over population per 100 0-14 years population. A higher Aging Index indicated the population as a whole is growing older.

#### Climate Change

In addition, climate change has also caused a change to the frequency and intensity of extreme weather and natural disasters, with resulting economic loss also rising rapidly. The international community has promoted a low-carbon economy through various agreements or joint declarations. On Earth Day, April 22, 2016, 171 nations signed the Paris Agreement at the Headquarters of the United Nations for the purpose of mitigating and slowing global warming.

Extreme weather caused by climate change has a significant negative impact on global economic activities and the financial markets. CDF has diversified its

## 4.2 Development Strategy

### Indirect Economic Impacts DMA

investment to minimize the negative impact of extreme weather on the Company's investments and finances, and also used investments to expand its CSR influence. CDF invites suppliers to sign the "CSR Commitment Letter" and implements strict procedures to review loan and investment proposals. Moreover, CDF became a signatory of the Carbon Disclosure Project (CDP) in 2016 and has fully incorporated the ISO 14064-1 International Standard for GHG Emissions Inventories and Verification. In 2017, as pioneer in the financial industry, CDF obtains eligibility from Taipei Exchange (TPEX) and issues a NT\$1 billion green bonds to demonstrate our commitment to corporate responsibility with regard to environmental protection.

### Sustainability Goals

"Cooperate with enterprises to create a sustainable future" is CDF's sustainability goal. Over long periods of time, CDF has upheld transparency in business operations and implemented a high standard of corporate governance. It has designed diverse green financial products to promote green finance. It has also provided comprehensive customer services and employee care and continues to pay attention to sustainability topics in order to advance environmental, social and governance (ESG) goals. Since its inception, CDF has concentrated in the principal investment, corporate banking, and capital market businesses. 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. Therefore, the most significant difference between CDF and peers lies in the core business of "venture capital". CDF has dedicated efforts to implement sustainability through investments. It chooses investment targets that are closely related to environmental sustainability and corporate governance, such as investment in green energy and biotechnology projects and actively provides assistance to entrepreneurs in order to implement the UN's Sustainable Development Goals (SDGs). For example, the CDIB Capital Innovation Accelerator fund has built the largest innovation and start-up platform in Nangang and helps start-up companies to develop business models and succeed in business ventures by providing mentors in professional realms, such as business management, finance, and employee management. We hope to use our influence in investee companies to spread the seeds of sustainability, so that they may take root, prosper, and bear fruit.

### Development Goals

Over half century, CDF has not only established a close-knit industrial network, but also has been a key driving force in the process of Taiwan's industrial development. CDF has accumulated over 50 years of experience in principal investment and most of investee companies have successfully extended their reach from Taiwan to Greater China, as well as to other major global markets. 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.

### Business Strategies: CSR Core Strategies for Five Major Capitals

To achieve the goal of creating a sustainable future,



CDF's main development strategy is classified into five major segments: facilitate sustainable governance, drive sustainable finances, cultivate sustainability talents, foster sustainable environment, and share sustainability values. The detailed implementation and performance are disclosed in this report:

- Facilitate sustainable governance (pages 16-33)
- Drive sustainable finances (pages 34-49)
- Cultivate sustainability talents (pages 50-59)
- Foster sustainable environment (pages 60-70)
- Share sustainability values (pages 71-81)

## 4.3 Financial Performance



On May 1, 2016, CDF transferred corporate banking and treasury businesses from subsidiary CDIB Capital Group to KGI Bank. This business transfer provided the Group with exposure to three core business activities: commercial banking, securities, and venture capital / private equity, which enables it to offer the most complete lineup of financial services and products. However, after the recent transfer of business, the follow-up operations, staff integration and IT investments did increase the Company's operational costs, while uncertainties in the global financial markets also limited the Company's market potential to a certain extent. Therefore, CDF posted a consolidated after-tax profit of NT\$5.9 billion in 2016, equivalent to an EPS of NT\$0.40 and a consolidated return on equity (ROE) of 3.6%.

To increase capital utilization efficiency, CDF has continued its asset monetization strategy by gradually reducing direct investment from NT\$66.6 billion at the end of 2012 to NT\$48.4 billion at the end of 2016. CDF reallocated capital from low-leverage direct investment business to the commercial banking business with higher leverage thus increasing the financial leverage ratio from 2.9 times at the end of 2012 to 5.3 times at the end of 2016, bought back common shares four times in 2012-2016 totaling NT\$4.7 billion, and maintained a high dividend payout policy to protect shareholder interests.

### Economic Outlook

In light of a rapidly-changing financial environment, CDF will focus on optimizing products, services and customer relationship management in the commercial banking business, and try to utilize digital platforms and cross-selling to increase revenue contributions from wealth management and distribution of treasury products. For the securities business, CDF aims to maintain its market competitiveness, explore overseas opportunities, optimize capital allocation, increase fee revenues, and diversify trading gains for better earnings stability. Last but not least, for the private equity / venture capital business, CDF aims to strengthen its asset management business. It will continue to monetize its assets by progressively reducing its principal investment and reallocating capital

into other businesses within the Group to support the long-term business plan of the Company.

In response to the highly-competitive environment, CDF will strive for sustainable growth and continue to improve its profitability by business restructuring and seizing opportunities in digital financial services, while at the same time construct a financial service network that spans across the Asia Pacific region to provide customers with professional and differentiated services.

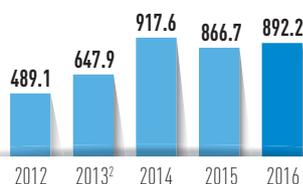
**Economic Value Distribution** (unit: NT\$'000)

	2014	2015	2016
Operating expenses	16,829,647	20,595,413	19,265,421
Employee salary & benefit expenses	10,083,169	12,522,077	11,414,576
Interest expenses	4,436,123	5,138,176	4,332,469
Dividend (cash)	0.6	0.5	0.5

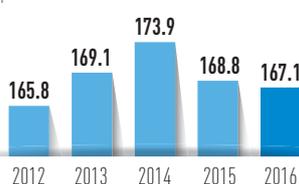
\*Note: Please refer to 2016 AGM Report page 223 for detail information

**Financial Performance<sup>1</sup>** Stable balance sheet and rising financial leverage

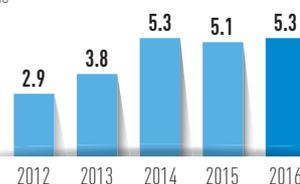
**Total consolidated asset**  
NT\$bn



**Net worth**  
NT\$bn



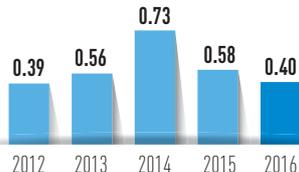
**Total assets/net worth**  
ratio



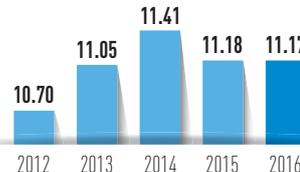
**Profit after tax**  
NT\$bn<sup>3</sup>



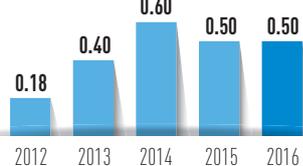
**Earnings per share**  
NT\$/share



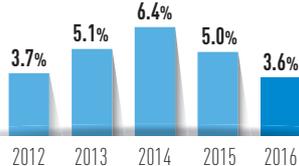
**Net worth per share**  
NT\$/share



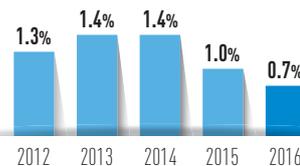
**Cash dividend per share**  
NT\$/share



**ROAE**



**ROAA**



\*Note: 1. Please refer to 2016 AGM Report (page221) for detail information; 2. Complied with IFRS financial statistics since 2013; 3. Deducted net profit attributable to non-controlling equity

# 4.4 Governance Framework

## CDF Corporate Governance Structure

G4-34



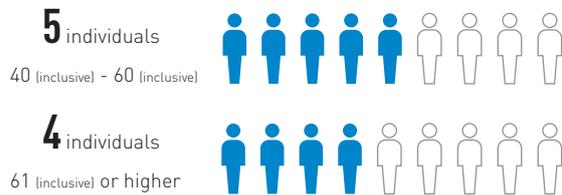
To enhance Board functions, improve corporate governance and fulfill CSR, CDF has established functional committees under the Board of Directors including the Audit Committee, Remuneration Committee, and the CSR Committee. All members of the Audit Committee and Remuneration Committee consist of all the Independent Directors. The CSR Committee is made up of the Company’s Chairman, President, and Independent Director, as well as the Chairman and Independent Directors of direct subsidiaries, and members appointed by the Board to effectively implement independent supervision to facilitate sound management and Board operation.

### Members, Independence, and Diversity of the Board of Directors LA-12

CDF elected the 6th-term Board of Directors in the general shareholders meeting on May 16, 2016. The Board consists of 9 directors, including 3 independent directors. Independent directors account for 33% of the members of the Board. The Company’s directors serve a term of three years and all 9 directors are male, with

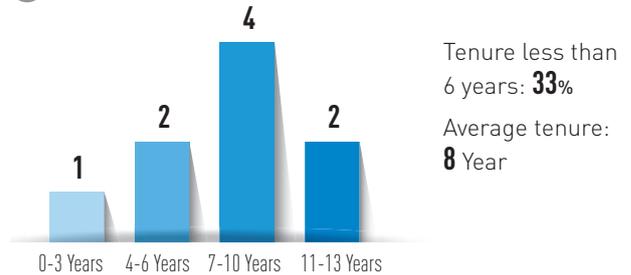
the average age of 61. We try to recruit a diversified pool of experienced professional directors by soliciting them from the financial, industrial and academic sectors. The 3 independent directors are independent individuals with outstanding professional backgrounds

#### Age



Total 9 Board directors; average age **61**

#### Tenure



CDF’s “Corporate Governance Best-Practice Principles”  
<http://www.cdibh.com/enhtml/download/1662>



The Principles have established clear guidelines on the diversity of Board members and their personal capabilities. The composition of the members of the Board should include diversity standards in the following two aspects:

#### Diversity

- **Basic profile and Value**  
Gender, age, nationality and culture
- **Professional knowledge and skills**  
Career background, professional skills or industry experience

Summary of Director Qualifications and Skill Matrix

Title	Name	Age	Date First Elected	Education and background	Other positions in the FHC and other companies	Skill	Committee		
							Audit	Remuneration	CSR
Chairman	Chia-Juch Chang	67	2006	<ul style="list-style-type: none"> <li>Ph.D., Purdue University, U.S.A.;</li> <li>Chairman of China Steel Corporation;</li> <li>Chairman of China Airlines Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, CDIB Capital Group</li> </ul>				<ul style="list-style-type: none"> <li>CSR</li> </ul>
Managing Director	Long-I Liao	77	2006	<ul style="list-style-type: none"> <li>B.A. in Economics, National Taiwan University;</li> <li>President, First Commercial Bank.</li> </ul>	<ul style="list-style-type: none"> <li>Director, KGI Bank;</li> <li>Independent Director, TCI Co., Ltd.</li> </ul>				
Managing Director (Independent Director)	Ching-Yen Tsay	73	2007	<ul style="list-style-type: none"> <li>Ph.D., University of Utah, U.S.A.;</li> <li>Chairman, Industrial Technology Research Institute.</li> </ul>	<ul style="list-style-type: none"> <li>Independent Director/ Managing Director, CDIB Capital Group</li> </ul>		<ul style="list-style-type: none"> <li>Audit</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>CSR</li> </ul>
Director	Mark Wei	59	2013	<ul style="list-style-type: none"> <li>M.B.A., The George Washington University, Washington, D.C., U.S.A.; Master of Financial Management, Benjamin Franklin University, Washington, D.C.;</li> <li>Director General, Insurance Bureau of Financial Supervisory Commission.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, KGI Bank</li> </ul>				<ul style="list-style-type: none"> <li>CSR</li> </ul>
Director	Paul Yang	49	2009	<ul style="list-style-type: none"> <li>M.B.A., Harvard University; MS, Massachusetts Institute of Technology;</li> <li>Director and President of China Development Financial;</li> <li>Director and President of CDIB Capital Group</li> </ul>	<ul style="list-style-type: none"> <li>Partner &amp; CEO of Greater China, KKR Asia Limited.;</li> <li>Director of CDIB Capital Group</li> </ul>				<ul style="list-style-type: none"> <li>CSR (*note)</li> </ul>
Director	Howe Yong Lee	61	2011	<ul style="list-style-type: none"> <li>B.A. in Business Administration, University of Washington, U.S.A.;</li> <li>Director, Singapore Transmarco Limited.</li> </ul>	<ul style="list-style-type: none"> <li>Director, Lee Kim Yew (Pte.) Ltd.;</li> <li>Director, Lee Kim Yew (Trading) Pte. Ltd.;</li> <li>Director, Lee Kim Yew (Property) Pte. Ltd.</li> </ul>				

\*Note: no longer served as CSR committee member from 21 January, 2017

Key area of knowledge, skills and experience

- Execution & Strategic Planning
- Government & Public Policy
- Corporate Governance
- Investment
- Business & Marketing Leadership
- Human Resources
- Risk Management
- Financial Services
- Securities / Insurance
- Commercial Banking
- Information Technology
- International Experience

Title	Name	Age	Date First Elected	Education and background	Other positions in the FHC and other companies	Skill	Committee		
							Audit	Remuneration	CSR
Director	Shing-Shiang Ou	59	2004	<ul style="list-style-type: none"> <li>Ph.D. in Economics, Georgia State University, U.S.A.;</li> <li>SVP &amp; General Manager, Department of Credit Analysis, Bank of Taiwan Co., Ltd.;</li> <li>Board of Directors, Auditing Committee, Bank of Taiwan Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>SVP &amp; General Manager, Department of Economic Research, Bank of Taiwan</li> </ul>	  			
Independent Director	Gilbert T.C. Bao	53	2004	<ul style="list-style-type: none"> <li>B.A. in Economics, University of Southern California, U.S.A.;</li> <li>Chairperson, Taiwan Man-Made Fiber Industries Association</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, Chung Shing Textile Co., Ltd.;</li> <li>Independent Director of CDIB Capital Group</li> </ul>	    	■	■	
Independent Director	Hsiou-Wei Lin	54	2016	<ul style="list-style-type: none"> <li>PHD in Business, Stanford University, U.S.A.;</li> <li>Independent Director, MStar Semiconductor, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Distinguished Professor and Dean of Management College, Tunghai University;</li> <li>Professor, Department of International Business, National Taiwan University;</li> <li>Independent Director, KGI Bank</li> </ul>	   	■	■	

Key area of knowledge, skills and experience

-  Execution & Strategic Planning
-  Government & Public Policy
-  Corporate Governance
-  Investment
-  Business & Marketing Leadership
-  Human Resources
-  Risk Management
-  Financial Services
-  Securities / Insurance
-  Commercial Banking
-  Information Technology
-  International Experience

Please refer to the "2016 CDF AGM Annual Report" for the expertise, experience, and independent status of Directors.

<http://www.cdibh.com/enhtml/content/1670>



## Board Operation

The Board of Directors convenes regular meetings monthly and ad-hoc meetings in emergencies. A total of 18 meetings were convened in 2016, with an average attendance rate of 86% for personal attendance by directors, or 99% if attendance by proxy is included. Prior to the meeting, the Secretariat, Board of Directors will set the agenda and notify all directors within a specified period and provide sufficient meeting materials for review.

To ensure smooth operations of corporate governance, 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 current 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.

In addition, the Rules of Procedure also state that the Company's Board of Directors meetings shall be recorded into meeting minutes that faithfully record all methods and results of resolutions for all proposals; summary of comments by directors, experts, and other personnel; names of directors in conflict of interest in accordance with laws and regulations; description of important contents of the conflict, the reasons for recusal or waived recusal, the actual recusal, objections or qualified opinions made on record or with written statements as well as written statements from independent directors.

## Improve Board Functionality

To strengthen the professional functions of the Board, the Company periodically provides information on related continuing education courses to directors and helps them register for courses. The Company's directors attended 14 related courses on regulations, taxation, risk management, and corporate governance organized by the Taiwan Corporate Governance Association, the Chinese National Association of Industry and Commerce, Taiwan (CNAIC) and the Securities and Futures Institute in 2016. The directors have logged a total of 56 hours in continuing education in 2016 and it meets the 6 hours of courses required per year as specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".

Please refer to the "2016 CDF AGM Annual Report" for the 2016 status of continuing education for Directors  
<http://www.cdibh.com/enhtml/content/1670>



## Board Performance Evaluation

For effective corporate governance and better Board performance, the Company has established performance targets to increase the operation efficiency of the Board of Directors and passed the "Board of Directors Performance Evaluation Guidelines" in the Board meeting on November 21, 2016. The guidelines require performance evaluation of the Board of Directors in the current year before the end of the year. The evaluation methods include the Board's performance self-assessment and self-assessments by members of the Board.

### Board Performance Evaluation Operations

#### Internal Performance Evaluation of the Board

- Involvement in the Company's business activities,
- Improvement of the quality of the Board's decisions-making,
- Board structure and composition,
- Election of directors and continuing education,
- Internal control

#### Individual Board Director Self-Evaluation

- Control over the Company's goals and tasks,
- Recognition of duties as Directors,
- Involvement in the Company's business activities,
- Management of internal relations and communication,
- Directors' professional and continuing education and training,
- Internal control

The "2016 Outcome of CDF's Performance Evaluation of the Board and Directors" have been included in the Board of Directors Report date January 19, 2017 and disclosed on the Company website

Performance Evaluation of the Board and Directors  
<http://www.cdibh.com/enhtml/download/1730>



## Liability Insurance for Directors and Supervisors

In comply with Article 16, Paragraph 3 of the Company's Articles of Incorporation, CDF has purchased liability insurance for the Directors of the Company and subsidiaries since 2002 in order to minimize the risks in legal and financial liabilities and to reduce potential losses.

## Functional Committees

The Company has established functional committees under the Board of Directors including the Audit Committee, Remuneration Committee, and the CSR Committee. The functions and operations of the Committees are summarized below:

### Audit Committee

#### Composition and Operations

1. The Audit Committee was established on June 24, 2011, with all three members being independent directors
2. The Audit Committee convenes meetings at least once every quarter or anytime when needed. A total of 14 meetings were convened in 2016, with an average attendance rate of 90%, or 100% if attendance by proxy is included, for personal attendance by members (Independent Directors).

#### Functions

1. Stipulation and amendment of internal control system in accordance with Article 14-1 of the Securities and Exchange Act;
2. Effectiveness assessment of internal control system;
3. Establish and amend the processes for the acquisition or disposal of assets pursuant to provisions provided by Article 36-1 of the Securities and Exchange Act, and handle the derivative commodity trade processes that involve significant amounts of finances;
4. Matters involving the personal interests of the directors;
5. Major asset or derivative trading;
6. Public offering, issuance or private offering of equity securities;
7. Appointment, dismissal, or compensation of the certified public accountant;
8. Appointment and removal of the financial, accounting, or internal auditing executive officers;

9. Annual or semi-annual financial reports; and
10. Other major matters set forth by the Company or competent authorities.

### Remuneration Committee

#### Composition and Operations

1. The Remuneration Committee was established on September 30, 2011, with all three members being independent directors.
2. The Remuneration Committee shall convene meetings at least twice a year. A total of 11 meetings were convened in 2016, with an average attendance rate of 94%, or 100% if attendance by proxy is included, for personal attendance by members (Independent Directors).

#### Functions

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

### CSR Committee

#### Composition and Operations

1. The CSR Committee officially was established on December 29, 2014 and members include: The chairman, president and independent directors of Company as well as the chairmen, outside directors of the Company's direct subsidiaries, and persons appointed by the Board.
2. CSR Committee meetings are convened biannually at least and ad hoc when needed. Four CSR Committee meetings were convened in 2016 with attendance rate of 94%, or 97% if attendance by proxy is included, for personal attendance by members.
3. The CSR Committee has five working groups: corporate governance, social philanthropy, environmental sustainability, client relations and employee well-being. Please refer to the organizational chart for the main tasks of working groups.

Organizational chart of the CDF CSR Committee



Functions

1. Outlining the annual CSR plan and strategy;
2. Determining corporate social responsibility projects and activity plans;
3. Monitoring and reviewing the implementation outcomes of annual plans, strategic directions, projects and activities;
4. Reviewing and approving the corporate social responsibility report; and
5. Determining other matters relating to corporate social responsibility and public affairs participation as assigned by the Board of Directors.

## 4.5 Ethical Corporate Management

G4-56 Anti-CorruptionDMA S04 S05 S08

Transparent and ethical corporate governance is the foundation for corporate sustainability. To build an environment for sustainable development and an ethical corporate culture, the Company has established the "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", "Code of Conduct for Employees" and "Code of Conduct for Subsidiaries' Insiders" to specifically prohibit unethical conduct and interests. In addition, the Human Resources Department is in charge of ethical corporate governance and, with the help of the five CSR Committee working groups, reports the implementation of corporate governance to the Board of Directors every year.



### Ethical Corporate Management Policy

- The Company has established the "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles", and "Corporate Social Responsibility Guidelines" to specifically require directors, managers, employees, individuals or any entity which are substantially controlled by the Company to strictly adhere to principles of ethical conduct and prohibit the provision or acceptance of bribery, provision of illegal political donations, inappropriate charity donations or sponsorship, unreasonable gifts and entertainment, or other unlawful interests. Any violation shall be processed in accordance with local laws and the Company's regulations.

- The Company and major subsidiaries were not involved in any case of corruption or bribery in 2016.
- The Company set up preventive measures in business activities with higher risks for unethical conduct, such as the "Donation Management Principles" for CDF and subsidiaries to follow. It also established the "Employee Code of Conduct" to specifically require employees to adhere to integrity obligations and prohibit unethical conduct and benefits.

## Implementation of Ethical Corporate Management

- To fulfill corporate social responsibilities and promote the economic, environmental and social advancement for the purpose of achieving sustainable development, the Company established the "Corporate Social Responsibility Guidelines" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" of TWSE in November 2015. The Company and its subsidiaries shall actively implement corporate social responsibilities while conducting corporate operations in order to follow the global emerging trends. The Company shall increase its contribution to the Taiwan economy and improve the quality of life for employees, communities, and society by fulfilling its duties as a corporate citizen and advance its competitive advantages based on corporate social values.
- The Company has established rigorous and effective accounting and internal control systems for auditing personnel to periodically inspect the status of compliance and report the discrepancies and improvement status to the Board of Directors.
- The Company periodically explains the disciplinary regulations to new recruits and conducts comprehensive training in the Group to fully educate employees on the concepts of ethical and disciplined behavior through education and training each year. In 2016, 5,974 of employees, 97.7% of total, have completed the "Ethical Corporate Governance Online Education Program".
- In addition to performance indicators, the Company also includes internal audits, internal controls, and legal compliance as important indicators in performance evaluations to implement related regulations on ethical corporate management.
- The Company assigns related units to prepare analysis reports and propose improvements on all penalties imposed by competent authorities. The internal auditing department is responsible for following up on improvement and to fully implement the internal auditing system. The documents are included into the semi-annual "Compliance Report" of the Compliance Department and submitted to the President for approval before being submitted to the Board of Directors.
- In 2016, with the exception of two corrections made to KGI Bank by the competent authority Financial Supervisory Commission (FSC), and personnel of KGI Securities received a one-month suspension of operations from the FSC, the Company and other subsidiaries have not received penalties from the FSC.

## Anti-Money Laundering and Anti-Terrorist Financing

- The Company set up the Compliance Department and established the "Anti-Money Laundering and Anti-Terrorist Financing Policy" in accordance with Article 37, Paragraph 3 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector", and the Company's "Risk Management Policy" in February 2015. The subsidiaries devised the Operating Procedures for Anti-Money Laundering and Anti-Terrorist Financing in accordance with related regulations and nature of businesses to actively comply with policies of the competent authorities and prevent the flow of illegal funds.
- The Company organizes several training sessions on prevention of money laundering each year for employees to continue learning and increase their awareness to respond to an ever-changing environment.



In accordance with Money Laundering Control Act, CDF actively complies with policies of the competent authorities and prevents the flow of illegal funds. Moreover, the Group prohibits any form of corruption and bribery.

## Foreign Account Tax Compliance Act

- The Company established the "Guidelines on Compliance with Foreign Account Tax Compliance Act (FATCA)" in November 2016 in response to the Intergovernmental Agreement in the Foreign Account

Tax Compliance Act signed by the government of Taiwan and the United States, and to comply with the Foreign Financial Institution (FFI) Agreement signed by the Company and the US Internal Revenue Service. The Guidelines shall apply to the Company and subsidiaries that meet the definition of "foreign financial institutions" in FATCA. From the effective date of FATCA, all subsidiaries in the Group shall not accept account openings by the following entities or conduct transactions with the following entities:

1. Customers or recipients who do not comply with identification review procedures.
2. Non-participating FFI.

**Communication channels for ethical corporate management**

Corporate Governance  
<http://www.cdibh.com/enhtml/content/1745>



Stakeholder Relations  
<http://www.cdibh.com/enhtml/content/1516>



Investor Relations  
<http://www.cdibh.com/enhtml/content/318>



## 4.6 Risk Management

G4-14

### Management System

**Scope of Management**

The scope of the Company's risk management includes KGI Bank, CDIB Capital group and KGI Securities. Risk management covers market, credit, operational, and liquidity risks. CDF complies with international standards and its Risk Management Policy to formulate risk management principles accordingly as the basis for risk management of the Company and subsidiaries.

**Organizational Structure**

The Board of Directors is responsible of supervising the Company to establish an appropriate risk management structure and culture to ensure the efficacy of risk management practices and reviewing key risk control information. The Board also bears the ultimate responsibility of risk management and set up the Risk Management Committee to supervise the setting of risk management structure, review internal hierarchy of reporting and handling risks, and oversee overall execution of risk management. The Company adopts three lines of defense in its risk management framework:

**Three lines of defense**

- First line of defense:



**1<sup>st</sup> line of defense**    **2<sup>nd</sup> line of defense**    **3<sup>rd</sup> line of defense**  
 Operation Unit                      Risk Management Unit                      Audit Unit

Each unit is responsible for verifying its compliance with risk management regulations and implementing daily risk management in business activities

- Second line of defense:  
 An independent risk management unit is 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, including the Risk Management Committee and the Board of Directors.

- Third line of defense:  
The audit unit shall be responsible for reviewing the establishment of risk management systems and reviewing the compliance and implementation of the systems.

**Management System**

CDF conducts technical assessment of various risk sources and evaluates the potential losses and relevance of risk positions as reference for business administration. The Company defines the risk limit for its businesses in relevant rules and regulations, as well as Market Risk Management Principles, Credit Risk Management Principles, and Operation Risk Management Principles. The Company also established the frequency for monitoring in accordance with risk types and nature of businesses.



**Market risk**

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 Management system to enhance management associated with financial instruments and has developed approaches to boost capital efficiency. The Company continuously designs limits management systems and contingency measures specifically for complex, risky derivatives.

**Credit risk**

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 banking business as the structure for credit risk assessment, and introduced the e-Credit System for managing credit checking of corporate banking. 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 whether corporate borrowers have fulfilled their environmental, ethical and social responsibility in project financing in accordance

with World Bank guidelines and the Equator Principles.

**Operational risk**

Operational risks are monitored through Loss Event (LE) reports, Risk Control Self-Assessment (RCSA) and Key Risk Indicator (KRI) systems to implement regular/unscheduled management. In addition to comply with the principle of the division of labor among the front office, middle office and back office to ensure the independence of functions and authority, accountability and mutual balancing, and the feasibility of information audits, as well as to ensure that appropriate identification and evaluation procedures have been carried out before the launch of new products, events, procedures, and systems. In the event of a loss, related business management units shall inspect whether there is room for improvement in the current operating procedures or internal control and management system and formulate recommendations for improvement.

**Liquidity risk**

Liquidity risks are controlled by position limits of overall positions. In addition, the management of liquidity risks through daily cash flow and regular review of liquidity risk indicators ensures that emergency funding needs can be satisfied promptly. Such liquidity risk indicators include the funding gap limit, net current liabilities (current liabilities minus current assets), and the credit utilization ratio for any single borrower.

**Report System**

The Company compiles and monitors critical information related to risks from subsidiaries and periodically reports to senior management, the Risk Management Committee, or the Board of Directors. In the event of major changes in the macroeconomic and financial environment, the Company shall retain control of related information to respond to actual risks and provide effective monitoring and response measures.

**Compliance**



CDF believes the financial markets establishment and trading stability are the critical prerequisites to national economic development. Therefore, the Company established the Compliance Department in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in February 2015

to be responsible for the Company's legal compliance and supervise and strengthen the legal compliance functions of various units. Subsidiaries KGI Bank and KGI Securities have also established legal compliance departments to implement legal compliance affairs. The other subsidiaries have, based on the scale of employees, management structure, legal risk exposure, and shareholding ratios, established legal compliance executives or arranged for their management or parent companies to take charge of legal compliance affairs.

#### Functions of the Compliance Department

- Establishing a precise and appropriate system for legal communication, consultation, coordination, and general communication.
- Ensuring operating procedures and rules are updated as required by government regulations.
- Defining compliance assessment and procedures and supervising units to conduct regular self-evaluation on legal compliance.
- Organizing legal training for employees.
- Reviewing the legality of operations.
- Monitoring compliance of all subsidiaries.
- Other legal compliance tasks.

The Company convened two legal compliance executive meetings in 2016 to fully communicate and coordinate various compliance matters. The Compliance Department has reported the implementation status of compliance to the Audit Committee and the Board of Directors once in the first half and once in the second half of the year.

To increase awareness of regulations, the Company has organized over ten compliance courses in 2016 including "Discussion on Digital Finance Development and Related Regulations", "Regulations on Cross-Selling among Subsidiaries of Financial Holding Companies", "Anti-Money Laundering Regulations and Case Studies", "Discussion on the Personal Information Protection Act", "Financial Consumer Protection Act and Case Studies", and etc., and has effectively increased employees' knowledge of related regulations.

To ensure the full implementation of the compliance system, the Company conducts annual evaluations on the compliance system of each department. The evaluation results are important reference for annual performance evaluation of each department and the Company's Statement of Internal Control. The results of the 2016 evaluation show that none of the Company's units have been penalized by the competent authorities. Therefore,

it is evident that the Company's efforts to ensure compliance have been successful.

In addition, due to the Company's business nature, the land areas owned, leased or managed by the Company and their surrounding geographic regions are not wildlife habitats, and the Company has not violated any regulation regarding environmental protection.

## Internal Audit

EN Compliance DMA

SO Compliance DMA

PR Compliance DMA

CDF adopts three lines of defense for risk management and the internal audit unit is the third line of defense. The Company has established a general audit mechanism in the Internal Audit Department under the Board of Directors in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" for the purposes of helping the Board of Directors and senior management verify and evaluate the effectiveness of internal controls, providing timely recommendations for improvement, ensuring the continuity of implementation, and providing a basis for review and modification of the internal controls system.

#### Operation of CDF's Internal Department

##### Formulation and execution of the annual audit plan

- The Company has completed auditing operations in the annual audit plan and the discrepancies have been filed for follow up until the completion of improvements.
- The Internal Audit Department has referenced the financial inspection guidelines provided by the Financial Supervisory Commission (FSC) as well as the high-risk operations and weaknesses in internal controls of the Company and subsidiaries to formulate the audit plan for the following year, which has been approved the Company's Audit Committee and Board meeting.

##### Supervision of internal audits

- Supervise units of the Company and subsidiaries to complete the self-audit of the internal control system.
- Organize training courses on how to execute internal audits.

### Tracking and management of discrepancies

- Track and reevaluate items that require improvements as proposed in the inspection opinion, audited discrepancies, and Statement on Internal Control filed by the financial inspection institution, Internal Audit Department, and the unit conducting self-audits.
- Include the improvements on discrepancies into the comprehensive auditing report and file the report to the Audit Committee and the Board of Directors every six months.

### Coordination of inspections by financial supervisory authorities

- During inspection by the competent authorities, the Internal Audit Department serves as a contact window to assist in retrieval of information and coordinates communication between units under inspection and inspectors.

### Performance appraisal of subsidiaries' internal audits

- Evaluate the results of internal audits of subsidiaries. The results shall be sent to the Boards of respective subsidiaries for reference in personnel evaluation.

### Consultation on business policies and operating guidelines

- Review the related business regulations or operating procedures submitted by the Company and subsidiaries and provide suggestions where appropriate.

### Reporting and notification

- Comply with the competent authorities' instructions in submitting the Company's annual audit plans and execution status to the designated website.
- Report the Company's material contingencies in accordance with the "Directions Governing the Scope, Procedure and Other Items on Financial Institutions Reporting Material Contingencies" of the FSC and the Company's "Auditing Principles".

### Organization of seminars and communication meetings

- Organize joint conferences for executives of the Internal Audit Department, Compliance Department, Risk Management Department, and related employees.
- Organize review meetings on improvements for discrepancies in the internal control system with all Directors in accordance with the "Corporate Governance Best-Practice Principles".

## 4.7 Transparent Communication G4-27

Company information must remain open and transparent. The Company must maintain positive and friendly relations with stakeholders for them to understand the status of operations and for the Company to achieve the purpose of self-inspection through the information disclosure process.

A total of 191 announcements both in Chinese and English were provided on the Market Observation Post System (MOPs) in 2016.  
<http://www.cdibh.com/enhtml/content/503>



### Investor Relations Team

- The Investor Relations Team is responsible for providing services to domestic and foreign institutional investors and related institutions. In addition to continuing maintenance of the transparent and instant communication between the Company and the investment market, the Company shall organize semi-annual investor conferences and participate in local and international investor forums and roadshows to deliver the Company's operational and financial performance, strategic development, and business direction.
- Investors can also request information from or directly communicate with the Spokesperson or the Investor Relations Team. Investor opinions shall be compiled and provided to management for reference in the decision-making process.

### Chinese and English Website

[www.cdibh.com](http://www.cdibh.com)

- The bilingual website provides investors with various important information such as corporate governance, shareholder services, major announcements, financial information, investor conference briefing/broadcast, financial statements, and annual reports.



### Market Observation Post System

<http://emops.twse.com.tw/server-java/t58query>

- The Company is dedicated to maintaining transparent communication by disclosing major announcements and information online as required.



### Corporate Social Responsibility Report

<http://www.cdibh.com/enhtml/content/1603>

- Through the CSR Report, the Company conducts a self-assessment and responds to Stakeholders' material issues.



### Participation in the International ESG Survey in 2016

Bloomberg ESG Survey, Thomson Reuters Asset4 ESG Data, Dow Jones Sustainability Indices (DJSI) Assessment, MSCI ESG Rating and Carbon Disclosure Project (CDP)

- The international ESG surveys are important benchmarks for institutional investors and allow external parties to understand CDF's performance in environmental, economic and social sustainability.

## 4.8 Public Associations and Initiatives

G4-15 G4-16

The Group has actively participated in a total of 49 organizations and associations such as the Bankers Association, Taiwan Securities Association, Trust Association, and Chinese National Futures Association to help the government advance domestic financial, monetary, and business regulations. In addition to maintaining good relations with the industry, the Company also keeps abreast of industrial development, changing regulations, as well as staying up to date on corporate governance issues. Participation in associations also provides the Company with an insight into the dynamics of the industry and serves as key stimulators for increasing the Company's competitiveness.

The Company does not make financial contributions to political parties, think tanks, political initiatives/organizations, or support for initiatives.

### China Development Financial

■ Bankers Association of the ROC	CDF Chairman Chia-Juch Chang is a Director
■ Chinese International Economic Cooperation Association	CDF Chairman Chia-Juch Chang is a Director
■ Chinese National Association of Industry and Commerce	KGIB Chairman Mark Wei is a Supervisor
■ Financial Holding Business Committee of the Bankers Association of the ROC	CDF Executive Vice President Lawrence S. Liu is the Chairperson
■ Monte Jade Science & Technology Association	CDIB Capital Vice Chairman David Chen is an Executive Director
■ Shareholder Service Association	CDF Vice President Justin Wu is a Director
■ Taiwan-ASEAN Business Council	KGIB Bank Chairman Mark Wei is the Vice Chairman
■ The Bankers Association of Taipei	CDF Chairman Chia-Juch Chang is an Advisor
■ AmCham Taipei	Member
■ Cross-Strait CEO Summit	Member
■ European Chamber of Commerce, Taiwan	Member
■ ROC-USA Business Council	Member
■ Taiwan Corporate Governance Association	Member

### CDIB Capital Group

■ Taiwan Mergers & Acquisitions and Private Equity Council	CDF Executive Vice President Lawrence S. Liu is the Vice Chairman
■ Taiwan Private Equity Association	CDF Executive Vice President Lawrence S. Liu is the Vice Chairman; KGI Securities Chairman Daw-Yi Hsu is an Executive Director
■ Banking Education Association of Taiwan	Member
■ Chinese Blood Donation Association	Member
■ Financial Executives Institute of Taiwan	Member
■ National Culture and Arts Foundation	Member

### KGI Bank

■ Bankers Association of the ROC	KGI Bank President Richard Chang is a Director
■ Trust Association of ROC	KGI Bank Senior Vice President Wen-Hsin Chen is a Supervisor
■ Accounting Research and Development Foundation	Member
■ Insurance Brokerage Association of Taiwan	Member
■ National Credit Card Center of ROC	Member

- ROC Bills Finance Association Member
- Securities Investment Trust & Consulting Association of the ROC Member
- Taiwan Depository & Clearing Corporation Member
- Taiwan Securities Association Member

**KGI Securities**

- Chinese National Futures Association KGI Future Chairman Falco Mi is the Chairman
- Taiwan Securities Association KGI Securities Chairman Daw-Yi Hsu is an Executive Director
- ROC-USA Business Council Member
- Securities Analysts Association, Chinese Taipei Member
- Trust Association of ROC Member

\*Note: Repeated participation due to business requirements of subsidiaries. as of March 2017



**The Carbon Disclosure Project Initiative**

CDF voluntarily became a signatory to the international non-profit organization CDP (formerly Carbon Disclosure Project) initiative in August 2016 to support CDP’s climate change project and recognize its positive momentum and determination in promoting sustainability across the world. At the same time, the Company shall also focus on evaluating the true value of natural resources as well as the impact and opportunities of climate change. The Company hopes to follow global carbon emissions reduction trends through channels provided by CDP.



**Stewardship Principles for Institutional Investors**

CDF’s subsidiaries CDIB Capital Group (formerly China Development Industrial Bank) and KGI Securities Investment Trust Co. Ltd. have both become signatories to the “Stewardship Principles for Institutional Investors” of the TWSE. (Further details provided in Chapter 5)



**United Nations Sustainable Development Goals**

CDF follows the spirit of the UN Sustainable Development Goals (SDGs) and the UN Global Compact’s Ten Principles to establish short, mid, and long-term development strategies and action plans to truly implement corporate social responsibility.



## Drive Sustainable Finances

“ The Group adheres to the spirit of sustainable corporate development through the appropriate use of funds. We also fulfill our corporate social responsibility through our extensive influence on the market and investors. Under the latest technology trends and user requirements prompted by the swift pace of global digitization, digital finance is used to rapidly satisfy customer needs. Through the power of technology and outstanding services, CDF could enhance customer experience and create value for our customers. We also actively support the green energy industry which reduces carbon emissions and creates a clean energy environment and to ensure sustainable environmental development. At the same time, we encourage innovation and support new startups to inspire young entrepreneurs. This will hopefully solve the “unemployment or underemployment” problem faced by the younger generation.

## ” 5.1 Service Experience

### Optimization of Products and Services

Indirect Economic Impacts DMA EC8

The rise of FinTech is leading to a gradual transformation in the business model of the traditional financial industry as FinTech is being utilized to eliminate the constraints of time and distance. CDF is no exception. We are now targeting additional customer groups by improving the convenience of our financial services and make them far more accessible. To realize the objectives listed above, the Company seeks to provide customers with a full-spectrum of financial services in a faster, more convenient and secure manner by integrating different information technologies, introducing an online account registration platform and mobile business services, as well as investing in social media management. In terms of providing standardized services, in addition to powerful apps, easy-to-use online trading and convenient mobile transactions, customized services are provided to meet the needs of our clients. We also provide links to overseas exchanges and financial planning products to deliver the convenience of cross-time zone, multi-asset trading to assist customers with their product portfolio management.

KGI Bank

#### 🔄 HCE Mobile Credit Card launched in 2016 – Mobile payments in 3 easy steps

1



Download the “t wallet+” app from Google Play or scan the QR code

2



Activate “t wallet+” then scan the physical card or manually enter the credit card number. Agree to the app’s terms and conditions of use to finish downloading and saving the credit card.

3



“t wallet+” can now be used to make credit card payments at stores equipped with credit card readers.

**Mobile Banking App – Offering 24-hour financial services all year-round**

Cooperated with FSC’s “Digital Finance Environment 3.0” plan, KGI Bank launched an online consumer loan platform that handles 24-hour online loan applications for increased convenience.

**KGI Securities**

**e-Open and e-Loan Services**

To provide investors with even more convenient digital wealth management services, KGI Securities introduced the “e-Open” integrated online account registration platform as well as the “e-Loan” service for stock loans in 2016. Investors can now open accounts or apply for loans by simply using their computers or mobile phones.

**KGI e-World and Mobile Broker**

“Mobile Broker” is an electronic trading platform developed by KGI Securities for mobile devices (smartphones/tablets). Customers can check their accounts in real-time and place trading orders anytime at their fingertips.

**Social Network Management**

**KGI Bank**

**KGI Bank: “We Care” Facebook**



**KGI Securities**

**KGI Securities: “LOHAS Financial Planner” Facebook**



CDF values our interactions with customers. Therefore, to actively forge a closer connection with society, both KGI Bank and KGI Securities have set up official Facebook pages and a LINE accounts. These represent the beginning of our social media development efforts in the digital age with emerging technologies in order to expand the communication channels with various consumer groups.

**Caring and Inclusive Services**

EC8 Indirect Economic Impacts DMA Local Community DMA  
S01 FS14

CDF believes that branch offices should not only be equipped with the basic operation functions, but also serve as a bridge between the Company and local communities. The Company strives to provide more attentive services and engages with the local community by hosting various activities. Moreover, we also focus on service details, by improving the accessibility of our physical branches and virtual channels to ensure the disabled to enjoy accessible and equal financial services.

**Community Communication**

**KGI Bank**

- KGI Bank offers payment collection and corporate salary transfer services for community committees. Residents and businesses near branch locations can therefore enjoy convenient electronic financial services. To strengthen our connection with local residents and merchants, KGI Bank continues to share all kinds of relevant service information with neighboring customers through marketing media and activities.
- KGI Bank invites customers to attend wealth management seminars to introduce the latest domestic and overseas investment trends and strategies so that participants can incorporate the concept of financial planning into their daily lives. KGI Bank also actively participated in neighborhood community events to promote our services. In 2016, 30 branches have held community networking events, or 60% of total branches. Since 4Q16, 20 seminars have been arranged, and we expect to host around 80 seminars in 2017.
- KGI Bank is using all types of marketing media to regularly update and promote its commercial information to community customers. We are also cooperating with the government policy by promoting a variety of friendly financial service measures.

**KGI Securities**

Through wealth management seminars, we offer customer financial planning knowledge and enhance KGI Securities’ professional corporate image and boost brand recognition. In 2016, all 82 branches have hosted wealth management seminars.

**KGI Securities hosted the following seminars in 2016:**

	Sessions	Attendance
KGI Securities Nationwide Investment and Financing Seminar	109	c.a. 3,000
Large-Scale Wealth Management Seminar	13	1,268
Wealth Management Seminar	206	4,393
KGI Securities Small-Scale Nationwide Futures Seminar	576	5,135
2016 Wealth Train Seminars	55	1,149
Master Series Seminars	92	850
2016 Warrant Go Go Go Campaign	1	501
Warrant Seminar – Beginner to A-Lister Development Class	4	314

**Accessibility services**

**KGI Bank**

**Accessible Online Finance**

KGI Bank set up “public information and simple functionality website” (accessible service website) and “basic functionality online ATM” on its official website, which received an A+ rating for web accessibility from the “National Communications Commission” in August, 2016. KGI Bank also offers accessible and convenient financial services to disadvantaged groups such as the visually impaired, physically/mentally disabled, foreign spouses/children and seniors, through simplified web interface, recorded audio instructions and procedure descriptions. The information offered includes account overview/transaction details, designated account transfers, interest/exchange rates, and credit card activation/report of lost or stolen/credit line adjustment.

KGI Bank accessible website  
<https://www.kgibank.com/AccessibilityWeb/>

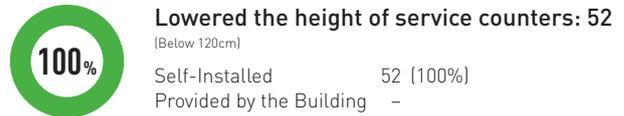
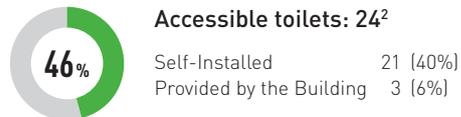


**Accessible Branches**

The “outdoor access”, “evacuation ramps and handrails”, “evacuation exits”, “indoor entrances” and “indoor corridors” of all new KGI branches conform to the specifications of the *Design Specifications of Accessible and Usable Buildings and Facilities* which enable disabled individuals to access and move through the premises without requiring additional assistances. The “Service bells” are also installed for use by the disabled in the accessible ramps and toilets. All branches have been fitted with “accessible service counters” with staff on hand to provide guidance. There are currently 52 ATMs

throughout Taiwan which can be accessed by those in wheelchairs.

Out of all 52 KGI Bank locations throughout Taiwan, the number and percentage of those who have installed or leased accessibility service facilities are shown in the table below:



\* Note 1: Mobile ramps are used at 3 locations, an elevator is used at 1 location, and fixed ramps are installed in the terrace at 3 locations.

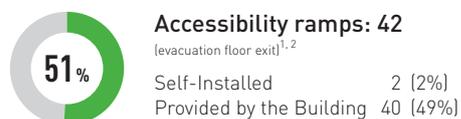
\* Note 2: “Specifications of Accessible and Usable Buildings and Facilities” was established on April 10, 2008 by the Ministry of the Interior and took effect from July 1, 2008. All new setup KGI branches from 2008 onwards are equipped with accessible ramps and toilets in comply with the regulations.

When a visually-impaired individual requires over-the-counter financial products or services, the bank staff will assist him/her by reading the summary the document(s) to be signed and reminding him/her to pay attention to the risk control. In addition to offering notary services as required by law, the regulation was also relaxed to allow a witness to assist the visually-impaired with the reading of relevant documents. Moreover, all writing desks at branch locations are equipped with courtesy glasses for seniors, and the branch greeters also actively assist seniors or customers with disabilities to complete their transactions successfully.

**KGI Securities**

**Accessible Branches**

Out of the 82 KGI Securities branches around Taiwan, the number and percentage of those who have installed or leased accessibility service facilities are shown in the table below.





**Accessible toilets: 29**

Self-Installed 8 (10%)  
 Provided by the Building 21 (26%)



**Lowered the height of service counters: 68**

(Below 120cm)

Self-Installed 68 (83%)  
 Provided by the Building -

**Accessibility services**

**For the visually-impaired (blind or with vision impairment)**



**+ Opening an account**

**Over-the-Counter Services**

For those who are unable to read the contract for opening a securities trading account due to blindness, visual impairment or illiteracy, the customer and KGI Securities can each appoint one witness to read the key points of the contract for the opening of an account to the customer.

**Services Provided Remotely**

If a referral customer is unable to open an account in person, then account opening services can be provided off-site by following the same procedure as over-the-counter services.

**+ Trading**

**Over-the-Counter Services**

Telephone commissioned trading service can be provided by KGI Securities sales staff which allows orders to be placed from a company telephone extension with audio recordings for verification.

**Services Provided Remotely**

Provision of voice trading services.

**+ Other**

**Over-the-Counter Services**

Manager on duty provides the services required by the customer.

**Services Provided Remotely**

Answering questions over the telephone.

**For the hearing or speech-impaired**



**+ Opening an account**

**Over-the-Counter Services**

Provide written communication service for those with impaired hearing or speech impediment.

**Services Provided Remotely**

If a referral customer is unable to open an account in person, then account opening services can be provided off-site.

**+ Trading**

**Over-the-Counter Services**

Sales staff can provide on-site commissioned trading services, with the salesperson and customer communicate in writing.

**Services Provided Remotely**

Provision of electronic trading services.

**+ Other**

**Over-the-Counter Services**

Manager on duty provides the services required by the customer.

**Services Provided Remotely**

Answering questions via fax, correspondence or e-mail.

**For the hearing or speech-impaired**



**+ Opening an account**

**Over-the-Counter Services**

If the customer is unable to provide a signature due to physical handicap, the customer's personal chop can be used instead of a written signature.

**Services Provided Remotely**

If a referral customer is unable to open an account in person, then account opening services can be provided off-site by following the same procedure as over-the-counter services.

**+ Trading**

**Over-the-Counter Services**

Telephone commissioned trading service ,which allows orders to be placed from a company telephone extension with audio recordings for verification, or on-site commissioned trading services can be provided by KGI Securities sales staff

**Services Provided Remotely**

Provision of electronic trading services.

**+ Other**

**Over-the-Counter Services**

Manager on duty provides the services required by the customer.

**Services Provided Remotely**

Answering questions over the telephone.

## Customer Rights and Protection

Product and Service Labeling DMA   Customer Privacy DMA  
 PR8   PR Customer Privacy DMA

### Fair Treatment and Consumer Protection

CDF is fully aware that customers are the source of business development. To take care of our customers and protect their rights, we take a customer-centric approach to designing products based on different levels of risk tolerance; operational procedures are also refined continuously to improve service efficiency. We use a multitude of channels including our corporate website, product documents, as well as e-mail and personnel services to achieve full information disclosure. We provide customer consultation services and respond to their needs on demand to ensure their rights and interests are protected. The planning and promotion of fair treatment of customers at KGI Bank and KGI Securities have adopted the 9 principles (fair and honest contract, due diligence, truth in advertising, appropriateness of products or services, information disclosure, marketing of complex high-risk products, balance between commissions and sales, complaints and protection, and professionalism of sales personnel) and 5 levels of execution defined by the *Principles for Fair Treatment of Customers in the Financial Services Industry* issued by the Financial Supervisory Commission. Actual examples include: the establishment of policies and strategies on the fair treatment of customers on April 30, 2016 and later approved by the Board of Directors; all departments were also instructed to incorporate the "Principles for Fair Treatment of Customers", "Internal Compliance Rules" and "Code of Conduct" into company education and training courses; enclose the establishment and implementation of all "Principles for Fair Treatment Customers" into internal control and audit schemes; conduct reviews on management meetings and periodically report to Board of Directors. These measures served to enhance employees' understanding of consumer protection and compliance with related laws and regulations.

CDF and its subsidiaries attach importance to the customer interests. Both KGI Bank and KGI Securities strictly comply with the regulation of the competent authorities in dealing with various financial products: *Financial Consumer Protection Act, Guideline for Establishing Product Suitability Policy for Non-Professional Investors by Trust Enterprises, Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of*

*Contract by Trust Enterprises, Regulations Governing Offshore Structured Products by FSC; and the Regulations Governing Internal Operating System and Procedures of Financial Derivatives by Banks, the Regulations Governing Over-the-Counter Trading of Financial Derivatives by Securities Firms and Directions for Providing Financial Derivative Services to General Customers by Taipei Exchange. No violation of law has been reported in 2016.*

### KGI Bank

1	KYC	Customers risk tolerance analysis via questionnaires
2	Risk Disclosure	Customers are fully aware of the product risks and potential losses
3	Product Information	Customers are given the published fund prospectus and structured product contract and informed of product structure, linked subject, conditions, etc.
4	Sale of Product	Provide suitable products based on customers risk tolerance
5	Transaction Confirmation	Purchase of financial products up to a certain amount or more, needs to be recorded
6	Regular Service	Regular evaluation of investment performance and asset allocation

- KYC:** Questionnaires filled out by customers and interviews are used to gain a better understanding of their investment knowledge and experience, wealth status, and trading intention and risk tolerance. Then assign a risk tolerance level to each customer to implement Know Your Customer assessment.
- Risk Disclosure:** Customers are informed of the risks related to trading in financial products. Risk disclosure report and product contract are also compiled detailing the potential impact of each risk factor and the losses that the customer may sustain as a result.
- Product Information:** Explain clearly about the published fund prospectus and structured product contract to customers to help them understand the structure and feature of the products.
- Sale of Product:** Only products which meet the customer's risk tolerance level are sold.
- Transaction Confirmation:** The relevant purchase documents shall be confirmed by the customer. Purchase amount up to a certain limit or more, transaction needed to be recorded. (For structured products, all transaction needs to be recorded despite of the purchase amount.)

**6. Regular Services:** Regular visit or call to customers and help them to evaluate the investment performance and asset allocation

When promoting its products or services, KGI Bank is dedicated to transforming the complex payment products and procedures into user-friendly experience for customers and provides customers with quick and professional response in the age of Big Data. The improved speed and transparency enhances customer understanding and communication efficiency.

The financial product and service labeling made available by KGI Bank on its corporate website as below:

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 **Digital Finance** Online account opening  
 Host Card Emulation (HCE) Credit Card  


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 Bank 3.0 mobile banking app provides 24-hour, year-round financial services

- The KGI Bank website clearly outlines digital financial products and services offered; detailed instructions on account opening, required documents, and important customer information are also included to ensure the protection of customer rights.
- To promote the adoption of the HCE mobile credit card service, KGI Bank offers a complete explanation of the service and usage processes. A list of frequent-asked questions can be viewed on the corporate website as a reference.

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 **Deposits** Deposits include checking deposits, passbook deposits, time deposits, foreign currency deposits and exchange, offshore banking, RMB deposits, bills for collection, and safe deposit box operations

- Customers are provided with an introduction to product features, the terms and conditions for value-added accounts, interest calculations, application forms, as well as a Q&A based on the new credit check management system as references.
- The provision of detailed information ensures that customers have a full understanding of products and services offered by KGI Bank as well as their associated risk levels.

- Business-related regulations are detailed on the business information page along with investor warnings.
- A FATCA enforcement information area has been set up with relevant forms attached for customer use.

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 **Credit Cards** Credit card introduction, promotions, merchant partners, loyalty points, inquiries on card-holder rights and services, credit card merchant acquiring services

- Card-holders can view their rights and obtain services on the official website including obtaining a copy of the terms and conditions booklet, access online security authentication services, credit card Q&A, and credit card application status

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 **Trust Investment** Fund products, overseas bonds, ETFs, structured products, pre-sale real estate trust, voucher trust, cash trust, real estate escrow, charity trust, prepayment trust

- KGI Bank lists a range of trust investment products on its website for customers to learn more about each trust product. A dedicated wealth management study session provides customers financial planning trial service to evaluate and plan their investments. A separate Investor Precautions session has also been set up to remind investors that risks are present in every investment.

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 **Insurance** Interest-sensitive life/ interest-sensitive annuity/interest-sensitive endowment insurance, investment-type insurance

Savings endowment insurance, lifetime additional optional/return of premium insurance, medical/guarantee-related/health and injury insurance

- In addition to the detailed description of insurance products, KGI Bank also provides full disclosure of insurance precautions and personal data protection on its website.
-

## KGI Securities

1	<b>KYC</b>	Determine customer eligibility for product
2	<b>Risk Disclosure</b>	Customers are fully aware of the product risks and potential losses
3	<b>Product Information</b>	Customers are informed of product structure, linked subject, conditions, maximum losses, etc.
4	<b>Sale of Product</b>	Provide suitable products based on customer risk tolerance
5	<b>Transaction Confirmation</b>	Confirm content of transaction
6	<b>Regular Service</b>	Assist customers with tracking their assets

- 1. KYC:** Questionnaires filled out by customers and interviews are used to gain a better understanding of their investment experience, knowledge of financial products, wealth status, and trading intention to assign a risk tolerance level to each customer. We also check customer eligibility in comply with the regulation and internal product risk classification in order to implement the Know Your Customer assessment.
- 2. Risk Disclosure:** Customers are informed of the risks related to trading in derivatives. A risk disclosure report is also compiled detailing the potential impact of each risk factor and the losses that the customer may sustain as a result.
- 3. Product Information:** The customer is provided with all product information pamphlets before trading. The pamphlets state the product name, linked subject, trading conditions, trading structure, maximum potential loss and scenarios, fees and trading procedures. Product features are explained in detail to the customer in an easy to read and understand format; for customers invested in funds can gain fee related information through fund prospects and channel rewards disclosure.
- 4. Sale of Product:** Only products which meet the customer's level of risk tolerance are sold.
- 5. Transaction Confirmation:** A confirmation of the transaction is sent to the customer to ensure that the nature of the transaction is understood by both parties.
- 6. Regular Services:** A confirmation of the transaction is sent to the customer to ensure that the nature of the transaction is understood by both parties.

## Information and Digital Security

CDF continues to strengthen the security controls of information and digital platforms to ensure data safety in this age of digital transformation. No complaints were filed in 2016 against the Group for privacy violations or information leaks.

### Information Security Management

- All CDF subsidiaries have clearly defined information security management guidelines to ensure strict internal control mechanisms. Data security education and social engineering training are conducted regularly to enhance Information security awareness among employees, as well as to ensure the normal operation and data security of all information systems. KGI Securities received the "ISO 27001 Information Security Management System" certification from BSI in 2016.

### Personal Information Protection Measures

- In response to the implementation of the Personal Information Protection Act, a Personal Information Protection Task Force was established in 2013 to oversee the evaluation, planning, and execution of personal information protection systems.
- Inventories of personal data and risk assessments are evaluated regularly for each business system. Control mechanisms for data loss prevention and USB storage devices are used to prevent the leak of personal information while also enhancing the level of protection for customer and business data.
- In 2014, KGI Securities received the "BSI10012 Personal Information Management System" certification from BSI.
- To ensure that employees understand the importance of customers' personal data and related operating procedures, as well as to demonstrate the level of attention given to ensure the safety of customer information, CDF and all subsidiaries conduct a Company-wide "Personal Information Protection Act Legal Education Course" at least once per year.

### Digital Security

- Data security investments are on the rise to keep pace with the development of FinTech. An IT security monitoring, reporting and response unit has been set up to protect against new types of online security threats including Advanced Persistent Threat (APT) and Distributed Denial of Service (DDoS) attacks. This effectively ensures the security and stability of electronic transactions as well as the safety of customer data.

Concrete actions taken by KGI Bank include the transfer of responsibilities to oversee privacy protection measures from the Business Management Committee to the Risk Management Committee. The head of the Compliance Department as well as the compliance officer of each unit were also designated as members of a core team. With the head of the Compliance Department serving as the convener and the Compliance Department providing administrative support, the team is responsible for ensuring that each unit compiles and updates a "Personal Information Inventory Form" at least once every two years. The core team exams the overall state of personal information management and produce the KGI Bank "Personal Information Risk Management Self-Assessment Report". The Report is ultimately submitted to the Risk Management Committee for review and then the president for approval. In addition, a personal information inventory and risk assessment workshop is conducted as part of the compliance officer conference every 6 months. The workshop targets compliance officers from the head office and business units to cover topics including the current state of personal information protection laws, cases involving recent penalties imposed by the Financial Supervisory Committee, amendments to KGI Bank regulations, explanations of personal information inventory and risk assessment operations, and the reporting of results.

### Customer Feedback

Product and Service Labeling DMA PR5

CDF values the voices of our customers. To enforce and establish a corporate culture that values customer

relations, we take advantage of opportunities such as customer satisfaction surveys and interactions at the customer service center to encourage customers to give us their suggestions. Their valuable input is crucial to the overall improvement of the Group.

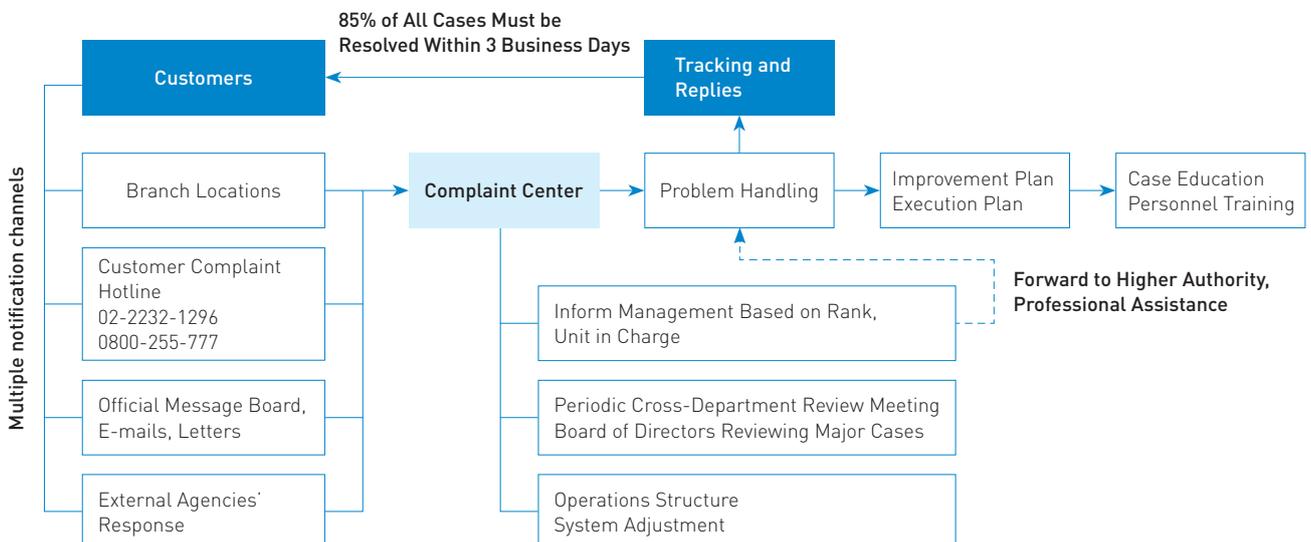
### Customer Care and Handling Complaints

#### KGI Bank

A consistent customer complaint and dispute handling system was established to protect the consumer rights. The "Guidelines for Handling Consumer Complaints and Disputes" were approved by the Board of Directors to ensure the effective resolution of customer complaints and disputes as well as the continued provision of our exceptional services.

KGI Bank has set up a dedicated customer complaint management unit to handle customer complaint. A comprehensive Customer Complaint Resolution Process (CCRP) platform was established in 2008 to record the category, content, cause, handling procedure, processing time, and corrective actions of all customer suggestions. Complaint case must be filed into the platform on the same day and make contact with the customer immediately. At the same time, the dedicated customer complaint unit initiates the case tracking process. We resolved 89% of all cases within 3 business days in 2016, exceeding our target of 85%. We continued to uphold our philosophy of "resolving customer issues right away" by dealing with customer suggestions in a suitable manner and providing high-quality services.

### Customer Complaints Handling of KGI Bank



**KGI Securities**

KGI Securities has established various public channels, such as customer service hot lines (02-2389-0088 and 0800-085-005) and an email box (service1@kgi.com) on the trading website for customers to make inquiries and voice their needs. The details of all customer feedback or complaints received by KGI Securities are recorded for further follow-up and auditing. Internal control procedures and regulations, including rules concerning telephone recording system management and guidelines on processing customer complaints and disputes, have therefore been put into place to track and deal with problems as part of the concerted effort to protect customer interests and provide the best services.

**Customer Satisfaction Survey**

During 4Q16, the Retail Banking Group has established the "Customer Care Committee" to regularly collect and analyze the voices of the customers (VOC). High-level inter-departmental meetings were held to amplify the volume of VOC so that customer suggestions can play a key role in making product and process improvements. We examined 1,673 VOC cases in 4Q16 and organized them into eight main categories: personnel issues, operation process, facility issues, equipment issues, product design and quality, system interface suggestions, suggestions for new system functions, and information notification. A total of eight improvement projects on process and system were implemented to demonstrate how KGI Bank values its customers.

In 2016, KGI Bank conducted a customer satisfaction survey targeting over-the-counter foreign currency transactions, account opening, financial planning services at its branch locations as well as customers who called the Customer Service Center. Customers were asked to rate our performance on aspects such as greeting, service attitude, proficiency, and professionalism. A total of 24,000 responses were collected with an average overall satisfaction rating of 99.7%. Our customer satisfaction rating has remained above 96% for the past three years.

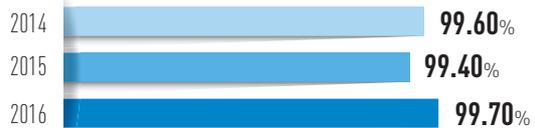
In addition, through periodical inspection on branch operation and service, such as customer guidance, attitude and manners of counter staff, cleanness of inner and outside environment and fluency of ATM/ADM, etc., KGI Bank strives to maintain the consistent quality of service. Moreover, we also conduct regular call-center inspection to keep the courtesy of phone service.

In response to the trend of digital finance, a satisfaction survey was conducted for the first time in 2016 targeting customers who used online and mobile banking services. The average satisfaction rating was 72.6%. The digital finance unit of KGI Bank also took advantage of the valuable recommendations from the survey to improve the functionality and simplicity of our digital services.

**KGI Bank Customer Satisfaction Survey  
No. of people surveyed**



**KGI Bank Customer Satisfaction Survey  
Satisfaction rating**



In 2016, KGI Securities conducted a random survey of customers who called the Customer Service Center; those who used their keypad to indicate "very satisfied" or "satisfied" after completing their calls accounted for **97.9%** of the **23,620** respondents.

## 5.2 Investment Momentum

Product Portfolio DMA

Active Ownership DMA

### Responsible Investment FS10

#### Incorporating ESG issues into investment analysis and decision-making

Sustainable development is a global mission of utmost urgency. Through the appropriate use of capital cannot only exert influence on the companies being invested in but also fulfill our corporate social responsibility and create a sustainable environment. During the assessment of direct, co-investments or potential private equity fund investments, we not only look at the creation of shareholder equity but also strive to fulfill our Group's social responsibility as part of the capital supply chain. The performance of the potential investment target in the environmental, social and corporate governance aspects, or the potential investment target for private equity fund's compliance with the "Stewardship Principles for Institutional Investors" are taken into consideration during investment assessment.

In addition, the Group's investments also steer clear of cases involving disputed or sensitive issues such as genetic modification, munitions, and animal experimentation.

#### Signing of Stewardship Principles

The Group understands the tremendous influence exerted on the market and invested companies when large sums of capital are gathered and put to use by institutional investors. We must therefore act in the long-

term interests of the capital provider (include customers, beneficiaries or the shareholders of the institutional investor itself) during investments or exercising fiduciary duties. Apart from taking an interest in the activities of investees, we also engage in corporate governance by attending shareholders' meetings, exercising voting rights, as well as conducting appropriate dialogue and interactions with the management of invested companies to monitor performance and the impact and of environmental and social aspects. To keep abreast of international corporate sustainability trends and improve our corporate governance, the Company's subsidiaries CDIB Capital Group and KGI SITE have both signed the "Stewardship Principles for Institutional Investors" to follow the six principles of: establish and disclose stewardship policies, establish and disclose policies on managing conflicts of interest, regularly monitor investee companies, maintain an appropriate dialogue and interaction with investee companies, establish clear voting policies and disclose voting results and periodically disclose to clients or beneficiaries about status of fulfilment of stewardship responsibilities.



In 2016, the Venture Capital Department of CDIB Capital Group took part in approximately **208** shareholders' meetings and **224** Board of Directors meetings at various investees. Exchanges and communication was conducted in terms of corporate governance, development direction, as well as the impact and performance of environmental and social issues.

### Guidelines for Investee Management and Follow-up

#### + New Account Management

Account managers should adhere to the "2-Year Follow-Up Plan", by conducting a follow-up every 6 months. A 2-year investee follow-up form should also be filled out and submitted to the head of the investment unit (or authorized personnel).

#### + Tiered Investee Management

Investees should be classified as a key account, a general account, a flagged account, a small account, a suspended account, or a written-off account for tiered management; the corresponding classification is then used to set the visiting schedule and frequency. A "Follow-up Interview Report" must be filled out after each visit. If intervention is necessary for an investee, personnel will be dispatched to provide on-site assistance after submitting a project report.

#### + Other Important Matters

Major events such as bounced checks, suspension of business operations, financial difficulties, major litigation at an investee, or their business continuity is severely impacted by a major disaster leading to serious loss of asset value, then the situation shall be handled in accordance with the Company's "Guidelines for Investee Management and Follow-up".

## Sustainable Investment Performance

The former Secretary-General of the United Nations Mr. Pan Ki-Mun once said: "Investors are key partners in the realization of sustainable development" and this has always been what CDF expects of itself as well. We not only support the UN Global Compact but also adhere to the UN Sustainable Development Goals (SDGs). Through responsible investment, we can move forward with the rest of the world and realize a better future. Our investment projects include the following:



Invested in the agribusiness startup "Greenvines" (hydroponically-grown vegetables in green houses) to achieve food safety and promote sustainable agriculture; "DaBomb Protein" is committed to delivering a "sustainable, green and safe" total solution to the livelihood of the human race by producing fish/pig feed based on 100% natural plant peptides. The goal is to provide the best products in everything from raw ingredients to food, from the farm to the dining table, and from health care to people's daily lives.



CDIB Capital Healthcare Ventures fund focuses on investments in new pharmaceutical research and the development, manufacturing and marketing of medical devices, medicine and health care. CDIB Capital Group also invested in "Qisda" (Nanjing BenQ Hospital, Suzhou BenQ Hospital) and "Share-Hope" (hospital management) to improve public health.



CDIB Capital Creative Industries fund invested in a leading provider of bundled high school digital teaching materials in Taiwan which began investing in the development of digital content platforms in 2008. The learning platforms provide equal learning opportunity to students of any ability level. In addition, CDIB Private Equity (Fujian) Enterprise invested in "51CTO", a leading Chinese IT website. Experts from cooperate partners can share their professional experience with technical specialist from any field though face-to-face or online webcasts communication. CDIB Capital International invested in a software design company, which leveraged its expertise in software development and design to create the a special learning program helps Argentinian youths living on the fringes of society find IT-related job opportunities, helping fulfill the ideal of equal education opportunities for all.



We have invested in the water pollution treatment company "GSD" which operates in the Greater China region and the water resource management company "Super Max" which specializes in sewage treatment and waste disposal.



We proactively invested in more than 10 solar energy companies including Sino-American Silicon Products, Neo Solar Power, Solartech, Green Energy Technology, Sunshine PV, Tainergy Tech, and Sinonar Solar Corp. to expand the channels for acquiring clean energy. Our investee Aosheng Hi-Tech Limited also established positions in wind power, new energy vehicles and other fields. Its wind power products have successfully cut into the supply chain for Vestas, a top global supplier.



CDIB Innovation Accelerator and its start-up mentors hope to use the professional expertise and industry experience of mentors from different fields to help new startups to quickly accumulate experience and establish connections with industry networks, in hope to promote sustainable economic growth.

With respect to overseas investments, we invested in an Indian financial institution which provides alternative financing option to small and medium enterprises in India; invested in a developer of comprehensive human resources management software and total solutions, provides business owners and their employees with a more efficient human resources management platform.



CDF is a long-term investor in public transportation (Taiwan High Speed Rail, Kaohsiung Rapid Transit Corp.), renewable energy, telecommunications (FarEasTone, Vibo), and independent power plants to support infrastructure upgrades and transformations in the industrial and commercial sectors. CDIB Innovation Accelerator Fund actively focuses on emerging fields such as mobile internet, social network economy, cloud computing, and Internet-of-Things to accelerate the development of innovative industries. In terms of overseas investments, our investment in telecom service provider has helped to improve the development of telecommunications infrastructure and services in India; and invested in a Chinese transportation logistics

company which provides more efficient transportation services through the integration of information technology and e-commerce.



CDIB Innovation Accelerator Fund ensures that young entrepreneurs have a fair chance to start their own companies; Invested in i CHEF which supplies POS systems and uses big data analysis when opening new restaurants; Invested in FundP data platform which enables local business owners to air their advertisements right away and further reduce commission fee paid to advertising agencies .



To promote sustainable cities, CDF invested in the waste treatment company Cleanaway, which uses effective waste treatment processes to reduce environmental impact; invested in Kaohsiung Rapid Transit Corp. to promote the development of a sustainable transportation system; and invested in Taiwan High Speed Rail to provide a safe and convenient long-distance transportation system and stimulate urban and rural development.



Investee O'right embraced "Green, Sustainability, Innovation" as its mission. The Company has developed a sustainable consumption and production model based on 100% bio-degradable materials. CDIB Yida Private Equity (Kunshan) invested in Giant Fortune Plastics Industry, a Chinese company specializing in the recycling and reuse of plastic waste. Its Nanjing recycling station went live in July 2016 and currently recovers nearly 8 tons of waste per day. In addition, agreement has been reached with P&G Suzhou while negotiations are underway with P&G Tianjin to recover approximately 300 tons of mixed waste each month.

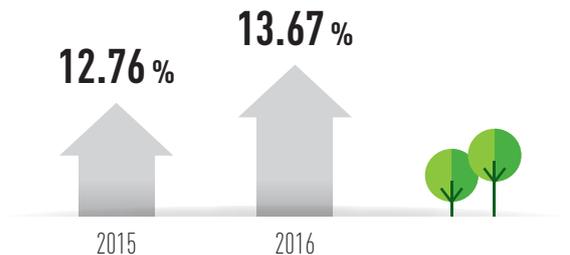


CDF Group has long supported sustainable environmental development through environmental protection, carbon reduction, and the creation of a clean energy environment. Our investments include: Microprogram, the developer of the Ubike system, and Fukuta Motor, the manufacturer of Tesla electric motors; these green investments help realize energy conservation and carbon reduction. The investee company O'right plants trees to protect the planet and its products are carbon footprint certified to help mitigate climate change.

**Green Investment** Product Portfolio DMA FS8

The green energy investment is directly corresponded to No. 7 of UN Sustainable Development Goals. Use the total investment outstanding balance of CDIB Capital Group's Venture Capital Department from 2015 and 2016 as a basis, the proportion of green energy-related investments has increased from 12.76% in 2015 to 13.67% in 2016.

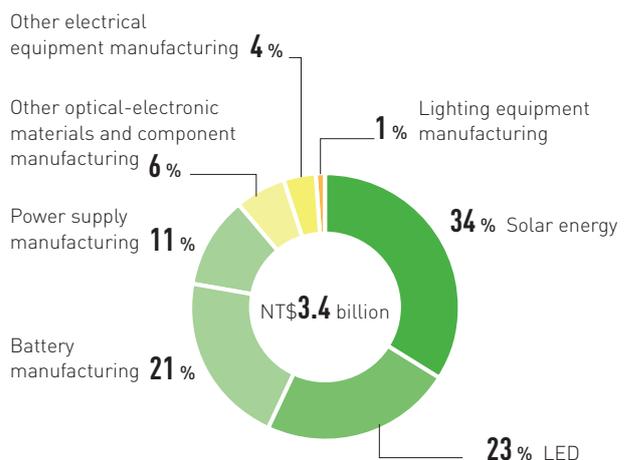
**Green energy-related investment as a proportion of the total investment balance**



\*Note: The total investment outstanding balance of CDIB Capital Group's Venture Capital Department was NT\$27.1 billion in 2015 and was NT\$25.1 billion in 2016.

CDF's investment balance in green energy-related industries for 2016 was NT\$3.4 billion. In the future, additional investments will be channeled into green energy-related industries by CDF.

**Investment Distribution of Green Energy-Related Industries. 2016 Green Energy Investment Balance: NT\$3.4 billion**



## 5.3 Sustainable Partnerships

Product Portfolio DMA

In support of the government’s policy to promote financing for innovative industries, we now offer the “5+2 Industries Lending Program” to help key industries in Taiwan finance their operations, expand their facilities/equipment, or develop new products and technologies. Loan objects include green energy technologies, Asia Silicon Valley, biotechnology and medicine, smart machinery, new agriculture, and circular economy, all of which are closely interlinked with the UN Sustainable Development Goals.

### Driving Forces for Environmental Protection — Products & Services Related to Environmental Issues

F58

CDF promotes green development through green loans and underwriting services. We also closely monitor international trends in green finance. In 2017, KGI Bank was one of the first few financial institutions in Taiwan obtained eligibility from Taipei Exchange (TPEX) to issue green bonds.

#### Green Finance — Green Credit

CDF is promoting green finance to bring about the transformation and sustainable development of the green energy industry while KGI Bank offers financing and payment services to organic agriculture, innovative energy conservation, PV module installation and power generation, wind power and solar power component industries.

#### KGI Bank Green Financing Approval Guidelines

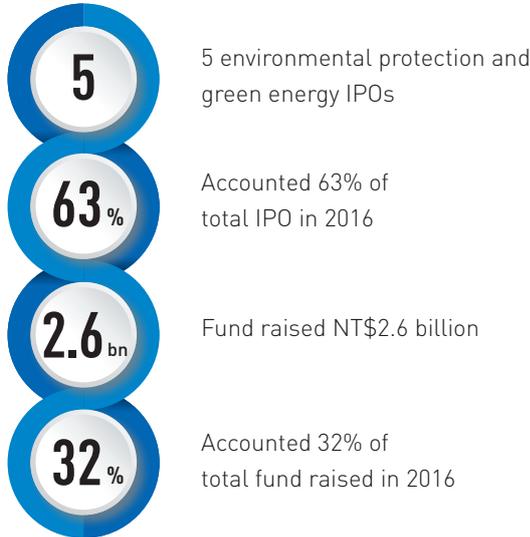
To promote environmental protection and the sustainable development of society, since 2015, KGI Bank has introduced guidelines for financing applications based on the Bankers Association credit guidelines. Credit applicants are assessed on their ethical management, environmental protection, and social responsibility performance. And since 2017, KGI Bank further adopts the concept of Equator Principles to review large credit applications of over US\$10 million in water-intensive and highly polluting industries, the feasibility of related environmental guidelines are rated in the credit report; it may also be included in the loan conditions to

increase business accountability. In principle, loans will not be granted to companies that do not comply with environmental protection guidelines and have no concrete plans for making improvements. For existing clients, CDF will require corrective actions be undertaken. Non-compliant companies deemed to have a serious impact on company operations and KGI Bank’s obligations will have their credit capped or progressively reduced. This is to encourage and assist companies with strengthening their environmental protection measures and fulfill CSR responsibilities.

Throughout 2016, KGI Bank actively supported the UN SDGs. Green credit cases representative of the Company’s support for SDGs are listed in the table below:

Goal	Description
	Committed to assisting enterprises to promote organic agriculture. Provide financing to Taiwan Sugar Corporation to build 13 organic farms in Taiwan to produce organic rice, fruits, vegetables and composting. And further promote organic concepts through organic demonstration park.
	Provided financing to Taiwan Water Corp., Taipei Water Dept., and other companies for investing in pipeline upgrades that boost water supply quality and delivery.
	Provided credit guarantees for CTCL and other companies for securing tenders related to the upgrade projects of generator and environmental protection equipment at Taipower’s power stations, in hope to lower carbon emissions and energy consumption. Aim to promote the sustainable development through waste reduction and clean energy, KGI Bank have been proactively supported and financed the Solar energy and Natural Gas projects, including the well-known solar cell module manufacture, Motech; Photovoltaic power plant developer, G.D. Development Corp.; natural gas power generation, Ever Power IPP Corp., and Sun Ba Power Corp.

Green Finance — Green Underwriting



KGI Securities took five environmental protection and green energy companies public in 2016, which accounted for 63% of all IPO cases during the year and raised more than NT\$2.6 billion, 32% of total amount raised. Most of the companies were in environmental protection-related industries such as electric vehicle IC, energy-saving compressors, environmentally friendly building materials and recyclable packaging. Future plans include the offering of capital-raising services for companies involved in eco-friendly medical devices, waste removal and pollution control equipment, environmentally friendly chemical products, and waste-reducing/ recycle/ energy-efficient environmental protection systems. We hope the capital market can help fund the growth of environmentally friendly industries and make a contribution to the green transformation of this land.

KGI Securities actively supported the UN SDGs in 2016. 63% of KGI Securities' underwriting cases for the year were related to the green energy industry. Those representative of the support for SDGs are listed in the table below:

SDG	IPO Cases in 2016
	M.J. International group (KY 8466): Production and sale of green eco-friendly plastic flooring  Jiyuan Packaging (KY 8488): Production and sale of recyclable metallic packaging materials



Underwriter of Environmental Protection & Green Energy Company IPOs in 2016



- Sino power (6435):  
Design of electric vehicle power management IC
- Lida Holdings (KY 4552):  
Production and sale of generic air compressors
- Chang Wah Technology (KY 6548):  
Manufacturing of energy-saving LED lead frames

Financial Inclusion — Products and Services Related to Social Issues



Indirect Economic Impact DMA EC8 FS7

Uphold the care and dissimilarity of disadvantaged groups and social enterprises, CDF and its subsidiaries in the design of financial products and services, are in line with the actual financial needs of the guidance, combined with the core business of the subsidiaries, to provide friendly and permanent sustainable assistance. In addition to continuing to promote the establishment of public welfare trusts and assisting the development of social groups, we also focused on fostering start-ups and creating jobs for young people. In the future, we will continue to develop financial products and services related to social well-being in hope to create the greatest social benefits and contribution to society.

(1) Promoting Social Policies with “Protection-type Insurance” and “Micro Insurance”

**Guaranteed Insurance:** In response to demographic problems such as an aging society and low birth rates, insurance products such as Disability Support Insurance and Long-term Care Insurance which provide long-term nursing care, and Lifetime Medical Insurance which provide medical care are offered through KGI Bank insurance platform; these policies help satisfy the need for economic security and obtaining medical care during elder age.

**Micro Injury Insurance:** Micro injury insurance is offered through KGI Bank insurance platform to ensure that disadvantaged groups can receive assistance and protection from KGI Bank when needed.

(2) Caring for the Disadvantaged through Charitable Trusts

KGI Bank actively uses its professional financial tools to support various charitable groups. Having previously

been appointed as the trustee of the "Spinal Cord Injury Foundation" at the end of 2015, KGI Bank also helped establish the "Ama Museum - Empowering Women Charitable Trust Fund", the "Glow Charitable Trust Fund", the "Dentway Oral Care Education Charitable Trust Fund", and the "E. S. Tai Insurance Education Charitable Trust Fund" during the course of 2016. The establishment of charitable trusts will hopefully allow charitable funds to focus on the development of their charitable activities for the disadvantaged while KGI Bank executes public donations to charity campaigns in accordance with the trust agreement. Although trusts involve a multitude of services, discounted service fees are offered for charitable trusts in keeping with the spirit of philanthropy and supporting the development of charities. KGI Bank will continue to provide friendly and convenient financial services to ease the financial management burden for charities.



KGI Chairman, Mark Wei attended the press conference of "Spinal Cord Injury Foundation".

**(3) KGI Bank Appointed as a Trustee of the First Revolving-fund Charitable Trust in Taiwan**

KGI Bank was appointed as the trustee of the "Social Enterprise Revolving Trust" (SERT), the first private-sector revolving-fund for social enterprises was established at the end of 2015 with the assistance of the Executive Yuan. The revolving fund was set up as a charitable trust that offers small amount of funding assistance to new social enterprises, and two social enterprises, NPO Channel and Farm-Direct, both received support in 2016. KGI Bank's proactive efforts to provide a diverse range of sound financial services has allowed it to become the benchmark for charitable trusts.

NPOchannel is a platform that helps non-profit organizations launch charity projects and raise funds. NPOs can register their fund-raising programs on the platform and meet their fund-raising targets by inviting members of the public interested in related issues, who

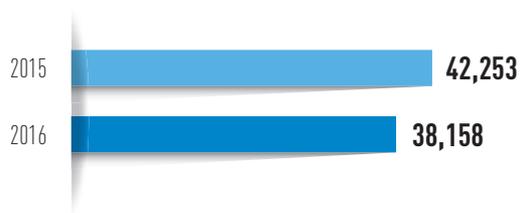
can offer their support through a variety of different channels. The platform also offers selected local Taiwanese products and charity merchandise from NPOs for sale to provide the public with a transparent and sound avenue for charitable consumption.

Farm-Direct specializes in the retail of fresh produce under the "Farm-Direct" channel brand. Unlike conventional online retailers, Farm-Direct believes that making the food supply chain shorter and more transparent is the only way to protect the livelihood of small farmers and ensure reasonable profits for producers. The shortening of the last-mile in food production helps to save energy, reduce carbon emissions, and realize sustainable agricultural development.

**(4) Participation in the Small and Medium Enterprise Guarantee Fund to Support Social Enterprise Development**

KGI Bank has long supported the Small and Medium Enterprise Guarantee Fund (SMEG) by providing capital guarantees and loans for micro and social enterprises. In 2016, KGI Bank donated more than NT\$38 million to SMEG and helped the social enterprise "Okogreen" successfully qualify for credit guarantee. This has established a positive feedback cycle for the operation of social enterprises in Taiwan.

**➤ KGI Bank Donations to SMEG (Unit: NT\$ thousand)**



**(5) KGI SITE Launching the KGI Silver Age Fund**

In 2016, KGI Securities' subsidiary KGI SITE launched the KGI Silver Age Fund, which specialized in investment opportunities related to our aging society. Apart from pharmaceutical companies, hospitals and senior care, this fund also covered the asset management industry for global pension plans, the surveillance industry for monitoring personal health, recreational services, and consumer products for senior citizens, as well as the health and beauty industry for fitness and physical well-being. Due to the rise of diseases of affluence, serious illnesses suffered by people at earlier ages, and rising demand for medical services in emerging markets, more business opportunities are being created. The hospital and long-term care industry fund is therefore launched

in 2017. Investments from the fund will stimulate the development of related industries which will in then enhance the quality of life and medical care for seniors.

#### **(6) CDIB Capital Group's CDIB Capital Innovation Accelerator supports the aspiration of startup companies**

With a fund size of NT\$750 million, CDIB Capital Innovation Accelerator forms a strategic alliance with Taiwan's largest entrepreneurial platform, Meet Startup Innovation Corporation, to invest in cloud service, Internet of Things, mobile internet and e-commerce platforms and assists startups to obtain abundant entrepreneur tutoring and reach beyond Taiwan.

Representative cases of products and services related to social issues that correspond to the SDGs are listed in the table below:

SDG	Case description
	<ul style="list-style-type: none"> <li>■ Spinal Cord Injury Foundation</li> <li>■ Silver Age Fund</li> </ul>
	<ul style="list-style-type: none"> <li>■ Dentway Oral Care Charitable Trust Fund</li> <li>■ E.S. Tai Insurance Education Charitable Trust Fund</li> </ul>
	<ul style="list-style-type: none"> <li>■ CDIB Capital Innovation Accelerator Fund</li> </ul>
	<ul style="list-style-type: none"> <li>■ Guaranteed Insurance and Micro Insurance</li> <li>■ Ama Museum - Empowering Women Charitable Trust Fund and Glow Charitable Trust Fund</li> </ul>
	<ul style="list-style-type: none"> <li>■ Promotion of small and medium enterprise development through Small and Medium Enterprise Guarantee Fund (SMEG)</li> <li>■ Social Enterprise Revolving Trust (SERT)</li> </ul>

# Cultivate Sustainable Talents

“ At China Development Financial, we consider every employee to be a valuable asset and an important partner for sustained growth. CDF is committed to fostering an exceptional and equitable workplace. Competitive salaries are offered to attract talented employees, and diverse learning channels and career development options are provided which enable employees to realize their potential and be a proud member of the CDF family.

Our talent development efforts are closely aligned with the UN SDGs, and this reflects on our human resources performance. In terms of gender equality, our ratio of male to female managers is nearly 1:1, and we are committed to cultivating a happy workplace by providing starting salaries which are at least 20% higher than the statutory minimum.



## 6.1 Workplace Diversity

Employment DMA Labor/Management Relations DMA

### Workforce Structure G4-10 LA1 LA12

As end of 2016, the Group had 6,970 permanent employees. Average seniority was 8.69 years, average age was 41.6 years, female employees accounted for 60.8% of all employees, managerial roles accounted for 14.1% of all employees, female managers accounted for 48.1% of all managers, and 121 non-permanent employees were employed domestically. The parity between new employees and departing employees reflects the stability of the Group's workforce structure and underscores our steady long-term planning for personnel development.

The employee demographics of CDF are as follows:

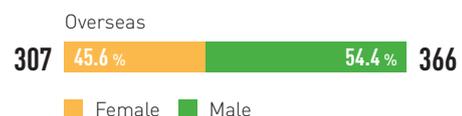
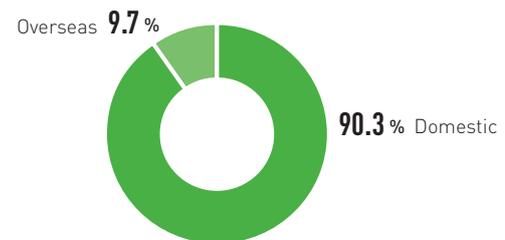
#### Total Workforce



Total **6,970**

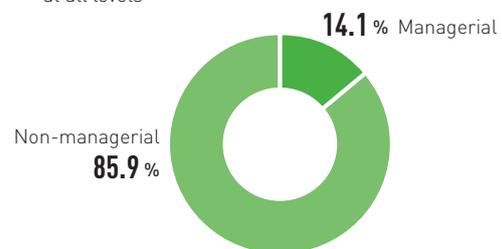


#### Region

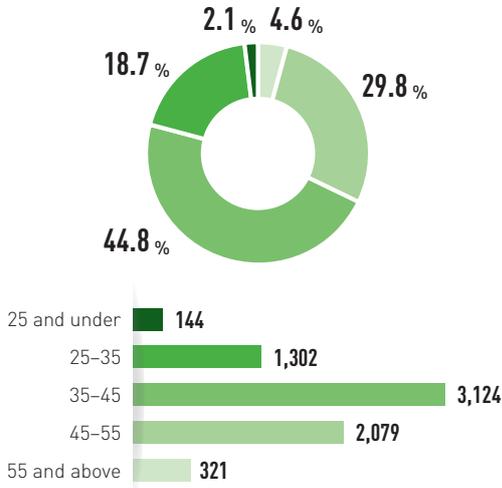


#### Function

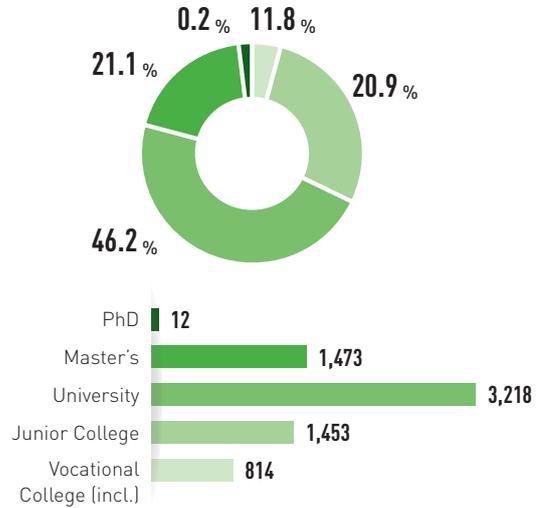
Definition of managerial: Group executives and supervisors at all levels



> Age Group



> Educational background



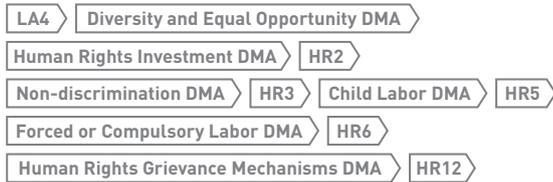
> Distribution of new employees in 2016:

		Female		Male		Total	
Total Workforce		529	7.6%	491	7.0%	1,020	14.6%
Region	Domestic	484	6.9%	436	6.3%	920	13.2%
	Overseas	45	0.6%	55	0.8%	100	1.4%
Age Group	25 and under	63	0.9%	45	0.6%	108	1.5%
	25-35	195	2.8%	229	3.3%	424	6.1%
	35-45	215	3.1%	153	2.2%	368	5.3%
	45-55	51	0.7%	61	0.9%	112	1.6%
	55 and above	5	0.06%	3	0.04%	8	0.1%
Education	PhD	0	0.00%	1	0.01%	1	0.01%
	Master's	101	1.6%	162	2.3%	263	3.8%
	University	292	4.2%	268	3.8%	560	8.0%
	Junior College	79	1.1%	32	0.5%	111	1.6%
	Vocational College (incl.)	57	0.8%	28	0.4%	85	1.2%

> Distribution of departing employees in 2016:

		Female		Male		Total	
Total Workforce		558	8.0%	530	7.6%	1,088	15.5%
Region	Domestic	496	7.1%	468	6.7%	964	13.8%
	Overseas	62	0.9%	62	0.9%	124	1.8%
Age Group	25 and under	30	0.4%	29	0.4%	59	0.8%
	25-35	192	2.7%	206	3.0%	398	5.7%
	35-45	215	3.1%	175	2.5%	390	5.6%
	45-55	92	1.3%	96	1.4%	188	2.7%
	55 and above	29	0.5%	24	0.3%	53	0.8%

## Recruitment and Labor Rights



Talent is the most important asset and the key to our success. The Group discovers new talent through campus recruitment programs, job search websites, our official corporate website, and other channels prior to screening and interviewing potential candidates.

In addition, we conduct a Management Associate (MA) Program every year to build up a pool of talent for supporting the long-term development of the Group. Around 10 to 20 management associates (MAs) are recruited by the Group each year to undergo a special one-year comprehensive training and internship program. In addition to inviting presidents and executives of the Group and key subsidiaries to introduce the Group's business philosophy, development strategy, and vision for the future, managers and veteran employees from key business areas are brought in to develop training courses for MAs. These courses enable MAs to quickly learn financial knowledge and absorb professional experience, while allowing them to embrace their own ambitions, resulting in a talent pool that can eventually join the Group.

A total of 18 MAs were recruited - by the Group in 2016.



The Group's HR practices comply with all relevant labor laws and regulations to ensure that the rights and interests of employees are adequately protected. We believe in equal opportunity in employment and treat all employees with trust, respect, fairness, and care. All forms of discrimination based on gender, race, religion,

political affiliation, sexual orientation, job position, nationality, and age are strictly prohibited. There were no incidents of discrimination during the reporting period. The Group did not employ child labor, forced labor, or other practices in violation of labor laws. A total of 39 disabled persons, comprising 28 men and 11 women, were employed by the Group in 2016, and subsidiaries which did not meet the quota made required contributions to the disabled employment fund of their local competent authorities. The Group will continue to employ persons with disabilities and give them opportunities to apply their skills.

In addition, the Group supports and adheres to numerous international conventions such as the *UN Universal Declaration of Human Rights*, the *UN Global Compact*, and the *OECD Guidelines for Multinational Enterprises*. We respect internationally-recognized human rights and safeguard the legal rights of all employees to the greatest extent possible. Our hiring policy does not discriminate on the basis of gender, race, age, marital status, religion, political affiliation, place of birth, sexual preference, physical or mental handicaps, or union membership, resulting in wholly equitable treatment in the areas of compensation, training, and opportunities for promotion and advancement. The use of child labor, defined as persons under the age of 16, is prohibited. Practices that could lead to the use of child labor are also forbidden, and we actively work to eliminate all forms of forced labor. There were no incidents of human rights abuses or discriminatory labor practices at the Group in 2016.

To safeguard the safety and human rights of employees as well as prevent sexual harassment in the workplace, the Group has formulated stringent policies for preventing sexual harassment in accordance with the *Gender Equality in Employment Act*. Complaint channels and complaint review committees have also been established to handle sexual harassment complaints. CDF did not receive any complaints in 2016.



In 2016, Group employees received a total of **4,015** hours of education and training on human rights issues, with a **39.6%** participation rate.

To safeguard the rights and interests of our employees, the Group's work rules clearly stipulate the minimum period of advance notice for termination of employment contract.

In accordance with the Labor Standards Act, the Group may only terminate an employment contract with advance notice under one of the following conditions:

- + Where the employers' businesses are suspended, or have been transferred.
- + Where the employers' businesses suffer an operating loss or business contraction.
- + Where force majeure necessitates the suspension of business for more than one month.
- + Where the change of the nature of business necessitates a reduction of workforce and the terminated employees cannot be reassigned to other suitable positions.
- + A particular worker is clearly not able to perform satisfactorily the duties required of the position held.

The minimum notice period is governed by the following rules:

- + 10-day notice: For an employee who has worked continually for more than three months but less than one year.
- + 20-day notice: For an employee who has worked continually for more than one year but less than three years.
- + 30-day notice: For an employee who has worked continually for more than three years.

## 6.2 Employee Wellbeing

Employment DMA

### Employee Benefits and Retention

LA2 LA3 LA13

Equal Remuneration for Women and Men DMA

The Group has adopted a performance-based compensation system that takes market competitiveness into account to recruit and retain outstanding talent, and we link the Group's overall business results with individual performance to maximize returns for employees, the Company, and shareholders. Employee wages comply with local labor laws and regulations, and starting wages are based on professional competencies and the requirements of each position. The Group has developed a fair compensation system that offers pay in an equitable manner regardless of race, age, nationality, ancestry, sex, birthplace, or religion. In addition, the Group does not have a gender pay gap in terms of starting salaries. The Group attaches great importance to the compensation and benefits of all employees. We strive to offer competitive remuneration packages, and our starting salaries are at least 20% higher than the statutory minimum. Gender has no bearing on the starting salaries for new employees. In 2016, the ratio between the annual salaries of all female and male Group employees was 1:1.39.

The average annual employee benefit expenses of non-managerial employees in 2016 was NT\$1,370,600, a decrease of 0.24% from the previous year.

The Group's business units organize a variety of activities including outings for employees and their families as well as sports competitions that demonstrate the spirit of teamwork. To take better care of the health of our employees, full-time nursing professionals are staffed at all main subsidiaries. Furthermore, we have made arrangements with certain hospitals to allow physicians to hold educational seminars with employees on topics such as health promotion and prevention of occupational illnesses. The Group also provides health-related information and holds health seminars from time to time. Employees are encouraged to achieve a suitable work-life balance in order to remain healthy both mentally and physically.

➤ The Group offers the following employee benefits:



### Employee Health and Quality of Life

- CDF values the work-life balance of employees. In addition to offering more annual leave than required by law, managers receive regular updates to help them care and assist employees with vacation plans.
- The physical health of employees is important to the Group. Health exam coverage is superior to legally required mandates, and all employees under the age of 40 are entitled to receive one company-funded health exam every two years, while those above age 40 are entitled to receive a health exam once a year.
- Health seminars are organized to promote employees' knowledge of health-related topics such as food safety, cancer prevention, weight control, and maintaining a healthy digestive system.



### Employee Insurance and Retirement Plans

- Employees receive Labor Insurance and National Health Insurance as required by law. Apart from the statutory insurance policies, CDF also offers group coverage for life, accident, and hospitalization insurance. Employees' spouses, underage children, and parents can also be enrolled in accident and hospitalization policies.
- Our retirement policy complies with the *Labor Standards Act*, which requires the Group to make monthly pension contributions to employees' personal accounts maintained by the Labor Pension Supervisory Committee. The Group also enforces all applicable rules stipulated by the *Labor Pension Act*, which went into effect on July 1, 2005, including:
  - (1) All employees whose employment commenced on or after July 1, 2005 are bound by the provisions of the *Labor Pension Act*.
  - (2) Employees whose employment commenced prior to July 1, 2005 were free to choose whether to adopt the *Labor Pension Act* or the *Labor Standards Act* for their pension system depending on their own requirements within a five-year period beginning July 1, 2005. In cases where a decision was not made by the given deadline, the pension regulations of the *Labor Standards Act* continued to remain in force.



### Employee Subsidies and Other Assistance

- As a way to thank veteran employees for their valuable contributions to the Group, employees with 15 years of service, as well as for each additional five years thereafter, are publicly recognized every year and presented with memorabilia.
- Staff cafeteria is catered by professional cooks to provide employees with healthy, nutritious, and delicious lunch options.
- Employee welfare committees have been established in accordance with the *Employee Welfare Fund Act*. The committees of each business unit provide a range of benefits based on the allocated budget each year, including holiday bonuses and gifts; stipends for major events, including marriage, funerals, and childbirth; scholarships for children of employees; company travel outings; birthday bonuses; sickness and injury compensation; subsidies for club activities; subsidies for art & cultural activities; family days; as well as promotional offers and discounts.

The Group offers menstrual leave and prenatal exam leave for female employees, paternal leave for male employees, family care leave, as well as unpaid child-care leave. Employees also receive assistance with returning to work at the end of the unpaid child-care leave period.

➤ **Applications for and reinstatements from unpaid child-care leave by Group employees in 2016 are as follows:**

	Female	Male	Total
No. of Applications	48	11	59
No. of Expected Reinstatements	40	4	44
No. of Actual Reinstatements	30	2	32
Reinstatement Rate	75.0%	50.0%	72.7%
Retention Rate of Reinstatements <small>Note: The retention rate is the percentage of employees who were still with the Group one year after reinstatement by the end of 2016.</small>	76.7%	100%	78.1%

\*Note: Employees who stayed less than a year after returning either resigned voluntarily or applied for further unpaid leave

## Workplace Safety

LA6 Occupational Health and Safety DMA

In addition to contributing to employees' national labor and health insurance plans as required by law, the Group arranges regular health check-ups for employees to ensure they remain healthy, both mentally and physically, and continue performing well on the job. Employees who are hospitalized due to injury or illness receive visits as a show of concern for their well-being. As workplace safety is high on the Group's agenda, regular seminars are held on workplace safety, fire prevention, and disaster control and prevention. These include courses on protection against occupational injury and transportation safety. The Company has also implemented emergency response plans and reporting systems to minimize safety risks. Moreover, all main office locations of the Group now provide safe, quiet, and comfortable breastfeeding rooms for female employees. In accordance with relevant government regulations, the subsidiaries employ professional nurses to provide basic nursing services and promote the latest medical and health knowledge to raise employee awareness and enhance their physical and mental wellbeing.

In accordance with regulations, fire safety equipment maintenance and reporting is carefully implemented at CDF and all of its subsidiaries. Moreover, we have also formulated fire protection plans and measures and adopted a group-based assignment system which, based

on task requirements, allows groups to be formed for fire prevention, security, communication, and first-aid, and practice drills are conducted on a regular basis. These actions are taken to enhance our ability to maintain and resume normal business operations in the event of a robbery or natural disaster.

The Group has set access control for employees and visitors to follow when entering and leaving all work areas. In addition, 24-hour security guard is deployed at the Group headquarters which includes scheduled patrols to prevent illegal entry and protect the safety of our employees in the workplace.

The Group provides a safe and healthy environment for employees, including taking the following measures:

- Strict access control to ensure employee safety at work.
- Regular safety testing of water dispensers, air conditioning, and lighting systems.
- Regular public safety inspections and reporting.
- Regular cleaning and sanitation.
- Regular maintenance of office surveillance systems.
- Enforcement of a smoke-free workplace.
- Establishment of private and quiet breastfeeding rooms.



To create a hazard-free working environment, the Group has set up a labor safety and health unit for organizing regular training sessions on workplace safety and fire drills to keep employees up to date on the latest safety practices. Courses on prevention of common workplace accidents are given in order to reach the goal of zero-accident workplace. Moreover, health-care workshops and seminars are organized as part of our employee health promotion and occupational disease prevention activities.



No. of occupational safety course sessions: **39** sessions  
Total training hours of occupational safety courses: **9,684** hours

Occupational injury leave is granted for employees injured at work based on the relevant regulations and the actual circumstances. Employees receive assistance on Labor Insurance claims so they can receive the help they need as soon as possible.

➤ Occupational injury statistics for employees are as follows:

	Female	Male	Total
Total number of occupational injuries	32	11	43
Total days lost due to occupational injury	292	215	507
Occupational injury rate	2.32	0.80	3.12
Lost day rate	21.18	15.60	36.78
Total number of sick leave applicants	970	436	1,406
Total number of sick leave days	4,225.8	1,299.4	5,525.2
Absentee rate (%)	0.24	0.08	0.32

Occupational injury rate: (Total number of occupational injuries/Total work hours in a year) × 1,000,000

Lost day rate (LDR): (Total number of days lost/Total work hours in a year) × 1,000,000

Absentee rate: Absentee days as a percentage of total work days in a year

### Labor-Management Relations

G4-11 Labor Practices Grievance Mechanisms DMA LA16

In order to enhance labor relations and strengthen collaboration between the employer and employees, CDF holds labor relations meetings on a regular basis wherein 50% of participants are employee representatives. Our labor relations meetings are used to negotiate various matters which have an impact on employees. The Group respects and communicates with labor unions in good faith. Face-to-face communication between labor and management helps build a consensus, facilitates cooperation between employees and the employer, protects the rights of all employees, and creates a mutually beneficial outcome for both sides.



The Group held **22** labor relations meetings in 2016.



A variety of channels is used by the Group for employee engagement. Our internal website is used to publish all company regulations, employee-related benefits, and exclusive promotional offers. The Group also has a dedicated unit for publishing daily e-newsletters on the internal website to keep employees up to date on important company information and the latest industry developments. All major operational changes, changes in executive leadership, recent regulatory developments, and adjustments to internal systems within the Group are immediately announced via e-mail or the corporate website to keep employees informed.

The Group provides notifications via e-mail on topics such as employee training, employee-only offers, innovation competition, company recreational activities, and charity campaigns, allowing employees to remain highly effective at work while also enjoying relaxing time outside of work. The "We Care Mailbox" at KGI Bank also serves as an important channel for employee feedback. All employee suggestions and queries are processed and answered by the relevant units. The Company values the opinions of all employees.

The employee complaint procedure is published on the Group's internal website. This covers the organization or personnel responsible for handling complaints, scope of complaints, and complaint procedure as well as the responsible units, the complaint hotline and fax number. Employee-related complaints and feedback are processed by dedicated personnel. All cases are investigated in a lawful and reasonable manner to ensure that employee complaints are handled in an appropriate manner. There was no complaint from employee in 2016 at CDF.

## 6.3 Career Development

### Education and Training

Training and Education DMA LA9

At China Development Financial, employee development has always been a top priority. In keeping with this philosophy, the Group has continued to provide our employees with the best training resources and environment. The Group overhauled our "CDF Financial Academy" e-learning platform in 2016 to provide a wider variety of learning and development options. The new "CDF Financial Academy" was also fully integrated with "KGI e-Learning" to provide employees with a dual-service platform. In terms of the development and learning environment, we continue to enhance the quality and breadth of online courses for employees based on the need to keep our workforce up to date with international trends in the field of finance. Courses on legal compliance, CSR, and information security are held along with personal development courses intended to enhance the skills of our employees. Training is also prioritized to equip employees with professional knowledge and competencies for meeting the challenges of a constantly changing financial market. In the future, the "CDF Financial Academy" and "KGI e-Learning" will continue to serve as a knowledge exchange center and experience sharing platform for all employees. We will continue to invest resources in education and training and encourage all employees to engage in proactive learning and invest in their futures to create a competitive advantage both for the Company and themselves.

CDF offers wide variety of courses to employees. For newly-recruited employees, courses focus on knowledge of our organizational 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 according to the needs of their jobs and relevant laws and regulations. CDF also provides information to keep employees up to date on the latest laws and regulations. Questionnaires filled out by employees after their training sessions indicate that they were "very satisfied" with the sessions, learning environment, and online platform.

➤ CDF Financial Academy



➤ Educational Training in 2016

	Female	Male	Total
Total training hours	143,618	72,992	216,610
Average training hour	36.5	30.9	33.4
Average training hour: managerial	40.8	29.2	34.8
Average training hour: non-managerial	33.0	26.2	30.5



In 2016, the Group's education and training expenses totaled NT\$17,032,060

➤ Details of Training Hours in 2016

New Employee Orientation **9,721** hours

Management Skills **8,720** hours

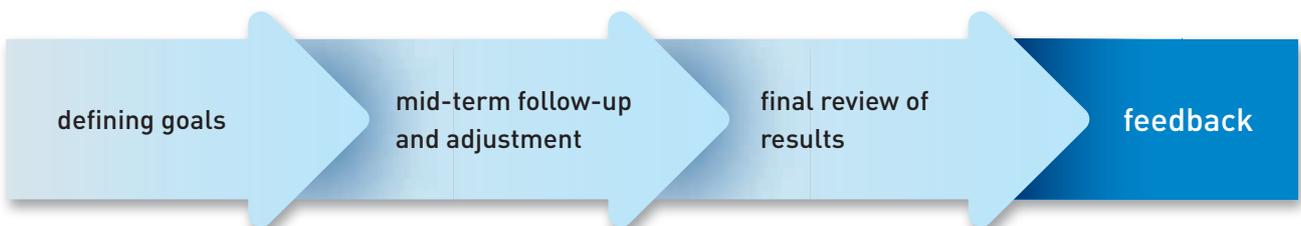
Professional Knowledge **168,796** hours

Legal Compliance **44,286** hours

Corporate Social Responsibility **4,817** hours

Competency Assessment and Performance Evaluation LA11

➤ Performance management process



In accordance with its business philosophy, CDF has instituted a comprehensive 360-degree competency assessment system designed to periodically assess employees at different stages of development from all angles and facilitate personal development. The continuous operation of the 360-degree competency assessment system can help employees to identify their competitive advantages and overall potential and further to map out for future career development.

To encourage the circulation of talent throughout the Group and promote greater diversity in the career

development options for our employees, the Group leverages resources to give employees priority on applications for internal job openings. Employees are also transferred between subsidiaries, including overseas assignments, based on operational needs.



In 2016, **155** people were internally transferred between Group subsidiaries.

The goal of performance management is to integrate corporate strategic objectives with employee work goals and review accomplishments during the evaluation period. A three-stage performance management process consisting of defining goals, mid-term follow-up and adjustment, and final review of results provides all Group employees with a fair mechanism for undergoing annual performance evaluations. The results of the performance evaluations are used as a benchmark for determining performance bonuses, promotions, salary raises, and career development. Our performance evaluations consist of four main aspects: core work duties, cost-effectiveness, legal compliance and operating risks, and leadership and teamwork. Each department has its own specialized indicators for core work duties to fully reflect the efforts and accomplishments of employees during the evaluation period. In addition, for employees who are involved in corporate social responsibility operation, the non-financial performance indicators such as environmental sustainability, employee care and customer rights, will also be included in the overall performance evaluation.

The Group considers personal ethics and professional integrity to be of the utmost importance. All Group employees are expected to adhere to relevant financial regulations and our internal code of conduct. Internal controls and legal compliance also form a critical component of employee performance evaluations. Violations by employees are reported and investigated in accordance with the code of conduct and then handled in accordance with the relevant rules governing rewards and disciplinary action. Persons who are found to have violated the law are handled in accordance with relevant laws to protect the interests of the Group and stakeholders.



In 2016, **100%** of employees underwent routine performance and career development reviews regardless of their region, sex, or job role.

## Foster Sustainable Environment

“ To fulfill our corporate social responsibility and adapt to a low-carbon environment in the wake of the Paris Agreement, the Environmental Sustainability working group under the CSR Committee is in charge to oversee the Group’s promotion of environmental protection, energy conservation, and carbon reduction efforts while the general affairs units are responsible for conducting regular maintenance to ensure normal operation of equipment and a clean and pleasant office environment. In 2015, the ISO 14001:2015 environmental management system was introduced and the “Environmental Management Guidelines”, “Environmental Management Rules” and “Environmental Policy” were established to serve as a basis for environmental management compliance. The conservation of energy resources, waste sorting, and green purchasing were also emphasized to effectively reduce the environmental footprint of business operations. Moreover, to ensure the systematic implementation of internal environmental management efforts, CDF obtained ISO 14001:2015 environmental management system certification in December 2015. All environmental management information within the Group is now centralized and analyzed to facilitate the continued promotion and effective control of environmental protection measures.



**ISO14001 Certification of Environmental Management System**

### 2015

- Established the Environmental Sustainability WG under CSR Committee to oversee environmental protection, energy conservation, and carbon reduction efforts.
- Obtained ISO 14001: 2015 environment management system certification
- Formulated “Environmental Management Guidelines” and “Environmental Management Rules”
- Announced “Environmental Policy”
- Purchased 200,000 kWh in green electricity for the first time
- Participated in “Earth Hour” campaign for the first time
- Promoted environmental protection measures through e-mail and hosting the environmental protection e-learning courses for the first time.

### 2016

- Incorporated ISO 14064-1 International Standard for GHG Emissions (Scope 1 and Scope 2) into CDF and key subsidiaries
- Formulated “Supplier CSR Implementation Guidelines” and requested suppliers to sign the “Supplier CSR Commitment Letter”
- Organized the “Walk for the Planet” walkathon
- Further purchase of 200,000 kWh in green electricity
- Continued to participate in the “Earth Hour” campaign
- Promoted environmental protection measures through e-mail and emphasized energy conservation and carbon reduction measures on the Earth Day (April 22nd)
- Became a signatory of CDP’s Carbon Action Initiative

### 2017

- Completion of ISO 14064-1 GHG Inventory certification for the CDF Building
- Internal calculation of carbon emissions from domestic and overseas business travel at CDF and key subsidiaries (Scope 3)
- Annual report printed on eco-friendly FCS-certified paper
- Further purchase of 200,000 kWh in green electricity
- Continued to participate in the “Earth Hour” campaign
- Promoted environmental protection measures through e-mail and hosting of environmental protection e-learning courses to coincide with the Earth Day (April 22nd)
- Target for reducing 2% of average electricity consumption per person by 2017, using the average electricity consumption per person in 2015 as the compared base.

# 7.1 Greenhouse Gases and Energy Management

## GHG Management

Emissions DMA EN15 EN16 EN17

CDF is keenly aware that greenhouse gas (GHG) is now accelerating global warming and climate change. As a member of the global community, we recognize the importance of this issue. To meet the critical challenges associated with climate change, CDF introduced the ISO 14064-1 standard for GHG emissions (Scope 1 and Scope 2) in 2016 in order to conduct an inventory of GHG emissions at main offices and actively track emissions. The action will be expanded to other Group branches in the future to strengthen GHG management.

As a financial service provider, the bulk of CDF's GHG emissions are the result of externally purchased electricity as well as gasoline and natural gas consumed by facilities and vehicle fleets. Owing to the expanded scope of GHG inventory in 2016, CDF's total emissions increased over the previous year. However, the emissions

per person, is actually decline, indicating that our energy conservation and carbon reduction policy is having a positive impact.

The GHG emissions of CDF are calculated using the ISO 14064-1 standard of GHG inventories, which forms an important basis for making continued improvements to environmental protection efforts.



GHG inventory (Scope 1 and Scope 2) results of the CDF Building were verified by BSI

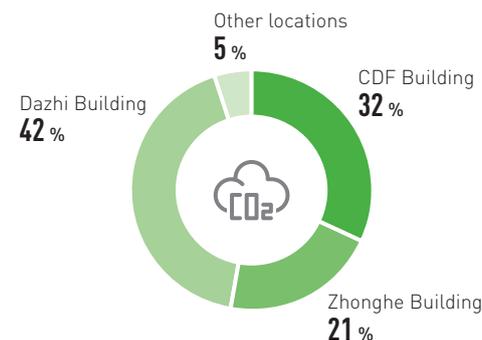
### GHG emissions from 2014 to 2016 (Scope 1 and Scope 2) (Unit: kg CO<sub>2</sub>e)

	2014	2015	2016
Direct greenhouse gas (GHG) emissions (Scope 1)	1,446,395	1,592,311	903,093
Indirect greenhouse gas (GHG) emissions (Scope 2)	11,843,605	11,173,095	18,826,706
Total greenhouse gas (GHG) emissions (Scope 1 and Scope 2)	13,290,000	12,765,406	19,729,799
Average emissions per person (Scope 1 and Scope 2)	4,309.34	4,069.30	3,262.20

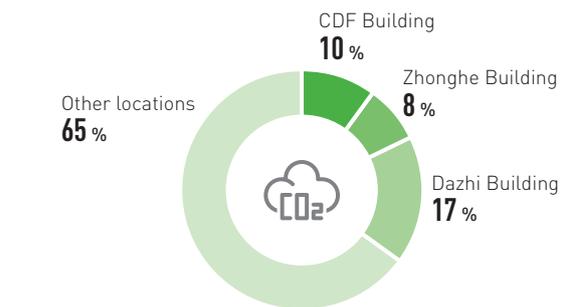
\*Note 1: GHG emissions for 2014 and 2015 are internal estimates based on emission coefficients published by the Environmental Protection Administration (EPA) of the Executive Yuan in the Greenhouse Gas Emissions Coefficient Management Table. The 2016 GHG emissions were calculated using the EPA GHG Inventory Registration Form.

\*Note 2: The scope of the 2014 and 2015 GHG emission statistics includes the Group's CDF building, Dazhi building, Zhonghe building, and KGI Bank branches. In 2016, additional locations, including the Nangang Park offices, Taikail Building and KGI Securities branches are also included.

### Distribution of 2016 Direct GHG Emissions (Scope 1)



### Distribution of 2016 Indirect GHG Emissions (Scope 2)





To track the carbon emissions generated by employees during business travel (Scope 3), CDF also began inventorying the modes of transportation and itineraries for business trips conducted by employees of CDF and CDIB Capital Group in 2016. We also tracked back to calculate 2015 Scope 3 emissions. We plan to expand the scope to cover all key subsidiaries in 2017.

**GHG emissions from 2015 to 2016 (Scope 3)** (Unit: kg CO<sub>2</sub>e)

	2015	2016
GHG emissions from business travel (Scope 3)	122,237	110,495

\*Note: In 2015 and 2016, total business travel by CDF and CDIB Capital employees amounted to 1,811,083 km and 1,592,834 km, respectively.

**Energy Management**

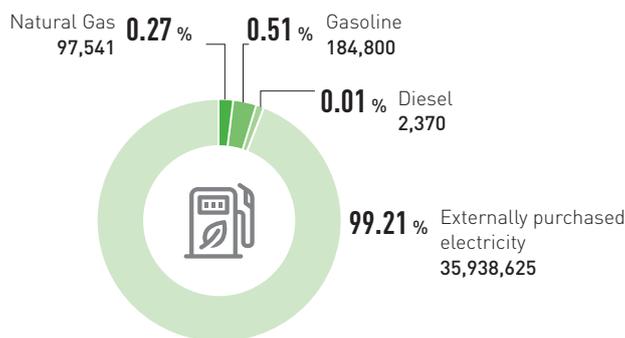


Apart from continuing to expand the scope of GHG inventory, CDF is also actively developing feasible reduction plans in the hope of reducing environmental impact as much as possible to strike a balance between environmental sustainability and company growth. We have adopted a series of energy management measures to reduce our GHG emissions by improving our energy efficiency and reducing unnecessary energy consumption.

The scope of statistics for calculating CDF's energy usage in 2014 and 2015 included the CDF building, Dazhi

building, Zhonghe building, and KGI Bank branches. In 2016, the scope was expanded to include the Nangang Park offices, Taikai Building, and all KGI Securities branches. Externally-purchased electricity accounted for the bulk (97.09%) of total energy consumption at CDF and its subsidiaries, followed by gasoline consumed by the company fleets. Gasoline consumption of privately-owned vehicles of employees was not included in the gasoline statistics for 2016, resulting in a dramatic decrease compared to 2014 and 2015. Natural gas was mainly used in employee cafeterias, so consumption at each building was proportional to cafeteria size. We did not begin tracking diesel statistics until 2016. The scope of diesel consumption, most of which is used in emergency generators, includes the CDF building, Dazhi building and Zhonghe building.

**Distribution of Energy Consumption in 2016** (Unit: kWh)



\*Note: The Group's energy consumption statistics for 2016 were calculated using the energy unit conversion table issued by Academia Sinica and are denominated in kWh.

**Energy Consumption from 2014 to 2016**

		2014	2015	2016
Externally purchased electricity	Total consumption (kWh)	22,732,447	21,161,165	35,938,625
	Average consumption per person (kWh)	7,371.09	6,745.67	5,942.23
Natural Gas	Total consumption (cubic meters)	88,955	96,885	97,541
Gasoline	Total consumption (liters)	565,264	623,156	184,800
Diesel	Total consumption (liters)	-	-	2,370

\*Note 1: The scope of the 2014 and 2015 statistics for externally purchased electricity, natural gas, and gasoline included includes the Group's CDF building, Dazhi building, Zhonghe building, and KGI Bank branches. In 2016, additional locations, including the Nangang Park offices, Taikai Building and KGI Securities branches are also included.

\*Note 2: Gasoline consumption in 2016 excludes privately-owned vehicles of employees. Statistics for 2014 and 2015 cannot be broken down to show individual consumption by private vehicles of employees.

\*Note 3: CDF did not begin tracking diesel consumption at the Group's CDF building, Dazhi building, and Zhonghe until 2016.

\*Note 4: In 2016, the total cost of externally purchased electricity was NT\$140,245,711; other types of energy accounted for NT\$5,583,005 in spending.

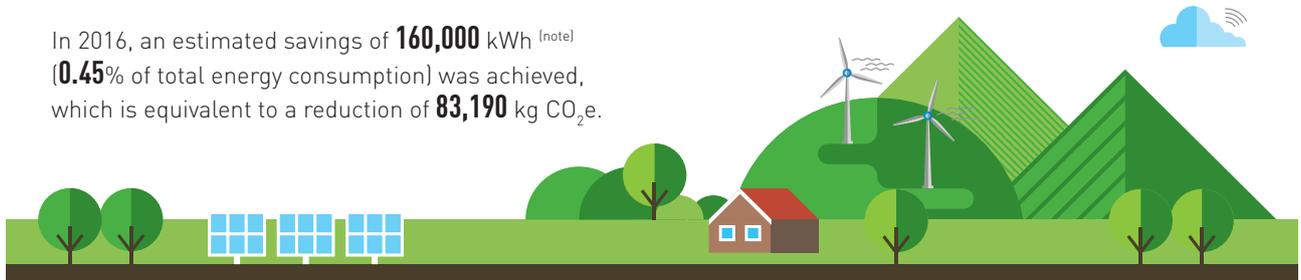
In addition, the Company voluntarily participated in the “Ministry of Economic Affairs Green Power Pilot Program” since 2015. For three consecutive years, 200,000 kWh of green electricity has been purchased annually and resulting in a emission reduction of 315,400 kg CO<sub>2</sub>e.

As our main source of GHG emissions is electricity use, we have continued to set energy-saving targets for air-conditioning and lighting equipment that consume relatively high amount of electricity, and a target of reducing average electricity consumption per person in 2017 by 2% compared to 2015. Numerous other energy-saving initiatives have also been launched.



➤ Key energy-saving initiatives in 2016

In 2016, an estimated savings of **160,000 kWh** (note) (0.45% of total energy consumption) was achieved, which is equivalent to a reduction of **83,190 kg CO<sub>2</sub>e**.



+ Timer control for air conditioning (AC) chiller unit

The AC chiller unit and iced water motor start/stop times were adjusted during the spring and winter months when the temperature is lower. External air was also pumped in to reduce indoor temperatures and lower indoor CO<sub>2</sub> concentrations to provide a comfortable and energy-efficient working environment. Average running time was reduced by 2 hours per day.

The AC chiller and motor running time were adjusted and reduced based on the type of offices on each floor of the Dazhi building, thereby effectively reducing the total power consumption of the building; the chiller and motor were shut down an average of one hour earlier each day.

The CDF building realized savings of **40,050 kWh**, and the Dazhi building achieved savings of **40,989 kWh**, totaling savings of **81,039 kWh**.

+ Replacement of old AC equipment

In April 2016, KGI Bank began replacing the old, worn AC equipment at the Sanchong branch, Chikan branch, Taichung branch, Zhonghe branch, and Taichung Consumer Debt Office with new eco-friendly refrigerant or inverter AC equipment.

Savings amounted to **22,656 kWh**. (Projected annual savings of **86,291 kWh**.)  
Investment Cost: NT\$**3,765,000**

+ Timer-control of lighting for energy conservation

Dazhi building now turns off all night lights; the daily duration of usage of corner wall lights was also reduced by 7 hours.

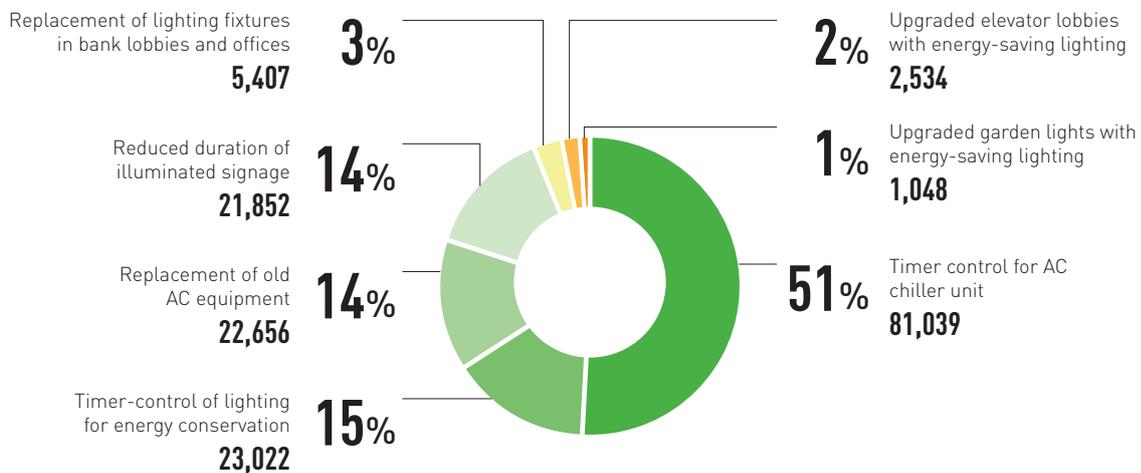
The Dazhi building achieved savings of **23,022 kWh**.



<p><b>+ Duration of illuminated signage reduced</b></p>	<p>As of August 2016, KGI Bank reduced the duration of illuminated outdoor vertical and horizontal signage by 2 hours at 38 branch locations.</p>	<p>Savings amounted to <b>21,852</b> kWh. (Projected annual savings of <b>52,445</b> kWh.)</p>
<p><b>+ Replacement of lighting fixtures in bank lobbies and offices</b></p>	<p>KGI Bank began progressively upgrading ceiling lights in bank lobbies and offices to new energy-saving lighting. The Chianan Region Business Finance Center offices replaced 145 T8 lamps with T5 energy-saving lamps in September 2016 while the Zuoying branch upgraded to 97 LED energy-saving lighting fixtures in November 2016.</p>	<p>Savings amounted to <b>5,407</b> kWh. (Projected annual savings of <b>19,131</b> kWh.) Investment Cost: NT\$<b>492,000</b></p>
<p><b>+ Upgraded elevator lobbies with energy-saving lighting</b></p>	<p>The PL lighting in the elevator lobbies of certain floors in the CDF building were replaced with T5 lamps in April 2016. A total of 20 lighting fixtures were replaced.</p>	<p>Savings amounted to <b>2,534</b> kWh. (Projected annual savings of <b>3,379</b> kWh.) Investment Cost: NT\$<b>14,000</b></p>
<p><b>+ Upgraded garden lights with energy-saving lighting</b></p>	<p>The Dazhi building's garden lights were upgraded from conventional PL lighting to solar-powered LED lighting in September 2016. Solar power is now converted into electricity to provide night-time illumination. A total of 28 lamps were replaced.</p>	<p>Savings amounted to <b>1,048</b> kWh. (Projected annual savings of <b>3,144</b> kWh.) Investment Cost: NT\$<b>109,000</b></p>

\*Note: The above energy-saving initiatives offer projected power savings of up to 268,000 kWh per year. With an average electricity charge of NT\$3.2/kWh, this translates into savings of NT\$858,000 per year. The total investment of NT\$4,380,000 is estimated to be recouped within 5 years.

**➤ Key Energy-saving Initiatives in 2016 (unit: kWh)**



## ➤ Energy Saving Measures

### ↻ Elevators



- Some elevators are shut down during off-peak hours and holiday periods.
- Old elevator control systems are replaced to reduce electricity consumption.
- Elevator dispatching system is optimized to improve efficiency and reduce average waiting time.
- Promoted the use of the stairs when moving between 2-3 floors and encouraged employees to use elevators with full occupancy.

### ↻ Water, Electricity, and AC Equipment



- The room temperature on all building floors is set at no lower than 26°C.
- AC turned off before 7:00 and after 19:00 on work days and during holiday periods.
- Replacement of old air-conditioning chiller units with inverter units to reduce energy consumption.
- Regular maintenance and testing are arranged for water, electricity, and air-conditioning facilities to prevent energy waste.

### ↻ Lighting and Office Equipment



- Replacement of lighting fixtures in building office areas, public areas, and underground parking areas with more efficient T5 or LED lights.
- Adjusted the operating times for the building's external illuminated signage, projector lights, and corridor lights.
- Installation of window insulation paper and blinds in exposed areas to reduce solar thermal radiation.
- Employees are encouraged to turn off lights and computers before leaving the office; the lighting in some public areas and the parking lot is switched off during the lunch break and after hours.
- Lighting and AC in conference rooms, server rooms, and file rooms are switched off when not in use.
- Purchase of multi-function printers (MFPs) and personal computers with power-saving mode.
- MFPs and personal computers configured an automatic stand-by mode.

### ↻ Other Measures



- Partnered with IBM to establish a green data center at the Nangang Information Center featuring energy-saving server racks and the FM-200 fire suppression system.
- Company vehicles should be hybrids.
- Telephone and video conferencing systems should be used to enable employees or customers located in different regions and countries to participate in meetings. This translates into savings on travel time and expenses while also reducing energy consumption and carbon emissions from transportation.
- The employee cafeteria 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.
- Non-toxic and flame-retardant building materials, and T5 or LED energy-saving lightings are used for interior fittings, and all Group buildings are now equipped with ABC fire extinguishers.

## 7.2 Resource Management

### Water Resource Management

Water DMA EN8 Effluents and Waste DMA

Most of CDF's water consumption is from livelihood water consumption and air-conditioning. All water is supplied by the local water plants without use of ground-water or waterways. Water is only consumed at office buildings and offices by employees and a small number of customers; hence, CDF does not have a significant impact on water resources. Wastewater from building kitchens and pantry rooms is processed before being discharged into the underground sewers laid by the government. Oil and water separation equipment is installed in kitchens to prevent water pollution. Therefore, CDF does not have a significant impact on the local environment and waterways; there have also been no spills.

To utilize water resources more efficiently and prevent unnecessary waste, automatic flush sensors were installed on the urinals in CDF restrooms. In addition, faucets in restrooms and pantryrooms are equipped with water-saving devices to reduce water usage. When replacing equipment and facilities, only devices with the water-saving marks are used.

### Waste Reduction and Management

Effluents and Waste DMA EN23

CDF is in the financial service industry. The waste produced is divided into the recyclable and non-recyclable, and there is no hazardous waste produced. The means of waste disposal is as follows:

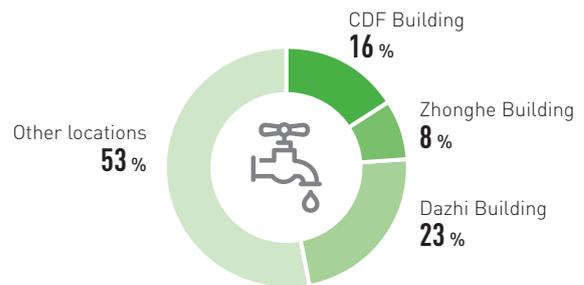
- + Waste IT devices, light tubes, toner cartridges, and other office supplies are sorted before recycling.
- + Food waste from employee cafeterias is recycled in agricultural programs.
- + Used batteries are sorted and recycled.
- + Confidential documents are shredded and destroyed under employee supervision.
- + Office trash is sorted into non-recyclables and recyclables. Professional waste management service providers are engaged to handle the removal and incineration of general waste products.

### Water Resource Consumption from 2014 to 2016

	2014	2015	2016
Total consumption (cubic meters)	120,742	117,349	199,724
Average consumption per person (cubic meters)	39.15	37.41	33.02

\*Note: The scope of the 2014 and 2015 statistics included includes the Group's CDF building, Dazhi building, Zhonghe building, and KGI Bank branches. In 2016, additional locations, including the Nangang Park offices, Taikail Building and KGI Securities branches are also included.

### Tap Water Consumption in 2016



### Waste Management from 2014 to 2016

	2014	2015	2016
<b>Recyclable</b>			
Paper	63,446	90,762	67,938
PET bottles	1,838	2,255	2,012
Tin/aluminum cans	1,072	1,667	1,297
Kitchen scraps	-	-	107,030
<b>Non-recyclables</b>			
General trash	-	-	127,450
<b>Total</b>	<b>66,356</b>	<b>94,684</b>	<b>305,727</b>

\*Note: Statistics commenced for kitchen scraps and general trash started in 2016.

In addition to establishing a comprehensive recycling system, CDF has also begun cultivating the habit of everyday waste reduction and introducing reclaimed, recyclable, and other eco-friendly products to reduce the environmental impact of operations.

## Waste Reduction Measures

- +** A principle of standardization and uniformity has been implemented for procurement in order to share and exchange resources. This also allows for reuse after organizational restructuring to reduce waste. The Group's operations are primarily in Taiwan, so preference is given to local suppliers when making purchases.

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- +** Email, bulletin board system (BBS), and the electronic official document systems are used to replace hard-copy documents and streamline the approval process.

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- +** Setting double-sided printing or printing multiple pages per sheet options as default to reduce paper consumption. Paper is recycled for reuse. The reverse-side of waste paper is used for printing informal documents where possible; envelopes and folders are reused multiple times.

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- +** Business cards and annual reports are printed on eco-friendly FCS-certified paper.

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- +** Multi-function printers (MFPs) use eco-friendly consumables that can be recycled.

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- +** Glass or ceramic cups are provided instead of paper cups. No disposable tableware is provided at employee cafeterias, and employees are encouraged to use eco-friendly chopsticks.

In 2016, the Group used around 186 tons of paper. To conserve resources and reduce paper consumption, CDF is continuing to encourage and promote the use of phone, Internet, and mobile platforms by customers for electronic trading, e-statements, and other paperless services.

The Group's office buildings and business premises are regularly cleaned and disinfected (including waste removal, carpet cleaning, and exterior wall cleaning, etc.). In 2016, the Group spent a total of NT\$57 million on environmental protection measures. Areas outside the office buildings are cleaned and disinfected with the help of the heads of local villages and neighborhoods. Plants are planted throughout the arcades, balconies and rooftops of the Group's main office buildings to green and beautify the environment.



- KGI Bank processed nearly 45,000 online applications for deposits and loans, credit cards, and financial planning, and the proportion of e-statements is increasing every year. This measure is estimated to save more than 2,180,000 sheets of A4 paper a year, or the equivalent of **12,228** kg CO<sub>2</sub>e in carbon emissions.
- KGI Securities' paperless services such as online account opening, electronic trading confirmations, and e-statements are estimated to save more than 5,110,000 sheets of A4 paper a year, or the equivalent of **28,602** kg CO<sub>2</sub>e in carbon emissions.
- The paperless services of KGI Bank and KGI Securities therefore save a combined total of more than 7,290,000 sheets of A4 paper a year, or the equivalent of **40,830** kg CO<sub>2</sub>e in carbon emissions.

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- KGI Bank offers customers an online service for account opening, loan applications, and Automated Clearing House (ACH) authorization. Cloud customer account services, which are provided through phone, online, and mobile banking platforms, have also been expanded and optimized. Complementary services include credit card e-statements and integrated e-statements.

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- KGI Securities offers customers online account opening, cross-device reading of digital statements, and application for certificates or signing risk notification forms via mobile devices. Paperless services such as electronic trading and e-statements are also offered.

\*Note: Based on the data provided by the Taiwan Product Carbon Footprint website of the EPA: Each box of A4 paper containing 500 x 70g (210mm x 297mm) sheets generates 2.8 kg CO<sub>2</sub>e.



## 7.3 Responsible Procurement

G4-12 Supplier Environmental Assessment DMA EN32

The Group relies on suppliers for the provision of miscellaneous services, equipment, and engineering support ranging from security services, electronic equipment, telecommunications, and furniture to construction and maintenance projects, and gives preference to local suppliers when possible.

In 2016, CDF formulated the Supplier CSR Guidelines to enforce our green purchasing and supplier management policy. The guidelines cover supplier selection criteria, supplier assessment, and follow-up management. From 2016 onwards, the selection of new suppliers must include conducting a general assessment of the supplier’s scale, professionalism, experience, and industry record as well as taking into account ISO certifications, other QA system certifications, and any past record of environmental damage or fines. Those with serious violations will be excluded as suppliers. Onsite inspections may also be conducted if necessary.

CSR Commitment Letter signed by suppliers	<b>116</b> suppliers
Percentage of suppliers that signed the CSR Commitment Letter	<b>48%</b>
Suppliers who underwent onsite audits	<b>39</b> suppliers
No. of onsite supplier audits executed	<b>102</b>

\*Note: “Key supplier” refers to a supplier which has signed an individual contract with the Company worth NT\$1 million or more.

### Supplier Management Procedure

<p><b>1</b> Supplier Selection Criteria</p> <ol style="list-style-type: none"> <li>1. Scale</li> <li>2. Professionalism and experience</li> <li>3. Financial and credit status</li> <li>4. Potential conflict of interest</li> <li>5. Record of past cooperation</li> <li>6. Industry track record</li> <li>7. Engineering certification</li> <li>8. Whether proposals or related documentation were prepared for IT system or construction/maintenance projects</li> <li>9. ISO or other QA system certification</li> <li>10. Past record of environmental damage or fines</li> </ol>	<p><b>2</b> Supplier Assessment</p> <p>Suppliers for key procurements should go through a comprehensive assessment process</p>	<p><b>3</b> Follow-up Management and Requirements</p> <ol style="list-style-type: none"> <li>1. Establish suppliers database</li> <li>2. Supervision and management of the following based on terms of the contract:                     <ol style="list-style-type: none"> <li>(1) Adhere to the code of ethics and CSR policy; the Group may terminate or revoke the contract at any time for violations that have a significant environmental and social impact.</li> <li>(2) Construction safety management, insurance, and warranty period.</li> <li>(3) All building materials and procedures must comply with fire and construction regulations. The work must follow the design plans and use designated building materials.</li> <li>(4) If violations of the Occupational Safety &amp; Health Act, Fire Service Act, or other government regulations result in mandatory suspension of construction or business operations, the vendor is liable for all resulting losses. Damages may also be claimed by CDF.</li> <li>(5) Suppliers must abide CDF’s requirements on occupational safety and sanitation, or the relevant regulations of the “Construction Safety and Hygiene Facilities Standard.”</li> <li>(6) Suppliers must adhere to the regulations governing fire safety during construction.</li> <li>(7) Suppliers should provide product inspection certificates and conduct routine quality control testing.</li> <li>(8) Supplier must adhere to the privacy statement during the collection, processing, and use of personal information.</li> </ol> </li> </ol>
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### Green Procurement Accomplishments

Preference is given to products with domestic or overseas eco-certification such as the Green Mark, Energy-Saving Mark, and Green Building Mark in procuring computer IT equipment, OA equipment, MFP consumables, papers, fleet leasing, and building materials. The target percentage of green purchasing is also continuously increasing each year.

Green Procurement in 2016: approximately NT\$**41.77** million

To encourage suppliers to join in fulfilling our corporate social responsibilities, "Supplier CSR Fulfillment Guidelines" were issued in 2016. Effective immediately from the date of issue, suppliers were asked to sign the "Supplier CSR Committee Letter" promising that they will join CDF in fulfilling the code of ethics and CSR-related policies. A total of 116 suppliers have signed the "Supplier CSR Committee Letter" as of the end of 2016 with 48% being key suppliers. We will strive to continue growing the number of signed "Supplier CSR Commitment Letters" in the future.

To ensure that suppliers are truly committed to CSR, the Group now specifies the policies that suppliers are expected to follow in their contracts (including but not limited to protection of labor rights, environmental protection, and consumer protection). These contracts can also be terminated in the event of policy violations by the supplier that have a significant impact on the environment or society.

### Key Points in the Supplier CSR Commitment Letter



#### Protection of Labor Rights

- No child labor.
- No compulsory labor.
- Ban on all forms of discrimination.
- Respect for freedom of association and collective bargaining.
- Compliance with laws governing labor health and occupational safety & health, as well as adherence to the project safety & health and environmental management guidelines issued by the CDF.



#### Protection of the Environment

- Pay attention to environmental protection and energy conservation-related issues; cultivate a corporate culture of environmentally sustainable development; commit to protect the planet and environment, conserve resources and energy.
- Emphasis on avoiding serious negative impact on environment or any violation of environmental protection regulations; compliance with environmental protection policies.
- Adhere to CSR-related policies.
- CDF may terminate or revoke the contract where CSR commitments are violated (including but not limited to protection of labor rights, environmental protection, and consumer protection) with serious environmental or social impacts.



#### Ethical Management and Code of Ethics

- Adhere to guidelines related to the Code of Conduct including but not limited to ethical corporate management, fair trading, transparency, avoidance of improper benefits and false advertising, and compliance with intellectual property rules.
- Willingness to do business with CDF in an open and transparent manner based on the principles of ethical management; suppliers involved in serious ethical breaches shall have their contract terminated or revoked by CDF.

## 7.4 Environmental Advocacy and Promotion

### Internal Promotion

#### Education, Training, and Promotion

To further promote environmental protection and energy conservation, the Group has continued to promote related initiatives and engaged in public education. In 2015, the Group began planning and regularly hosting e-learning courses on environmental protection. For Earth Day on April 22, 2016, e-mails were also sent out to all employees to promote the campaign as well as realize energy conservation and carbon reduction. This will gradually instill the concepts of environmental protection in employees' everyday life. The exertion of corporate and individual influence will hopefully spread this to all employees, customers, families, and society as a whole. At CDF, we seek to balance corporate development with environmental sustainability in order to build a better future for Taiwan.

#### Competitions

CDF planned and hosted the "Love the Earth by Walking" walkathon in 2016 to encouraged employees to drive less and walk more with their colleagues, families, and friends to cultivate the fitness habit of walking and offered NT\$100,000 for prizes. During the month-long walkathon, participating employees walked a total of 592,960,903 steps. If 10,000 steps are equal to about 6 km, this is equivalent to a total distance of 355,777 km — or 9 trips around the world — and a reduction in carbon emissions by 84,200 kg CO<sub>2</sub>e.

### External Advocacy

In 2015, we began actively supporting the "Earth Hour" campaign launched by "Hair O'right International Corporation". This included notifying employees and customers of the lights-out event. On March 19, 2016, the CDF building switched off the lights for one hour from 8:30PM to 9:30PM in support of the event.

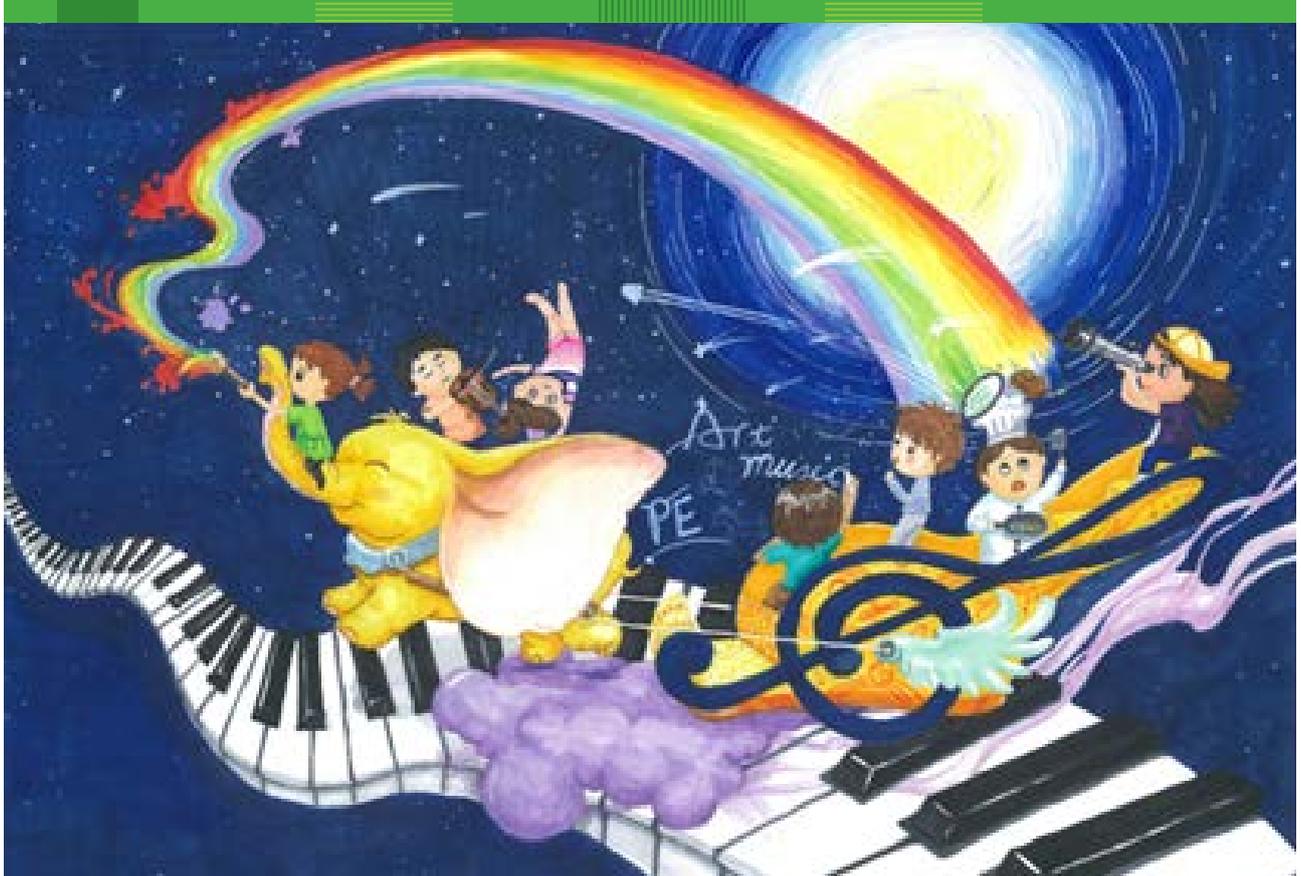
## Shared Sustainable Value

Shan-Yen Kang is one of the students sponsored by the CDIB Education and Cultural Affairs Foundation "Our Class Has Got Talent" project. This artwork embodies CDF's views on the importance of education, in particular that each person's value and achievements can transcend academic performance and be expressed in various unique ways, such as through art and athletics, which is why education should be comprehensive and all-encompassing.

"Our Class Has Got Talent" represents one of the many public welfare campaigns organized by foundations which operate within the Group. At CDF, we are fully aware of our responsibilities as global citizens, and we are dedicated to promote the concept of sharing sustainable value starting from education and branching out into other fields in recognition of the importance of education. We have maintained our focus on key areas, such as providing school lunches to elementary school students and helping university students exercise their right to receive education.

When a major catastrophe strikes, emergency funds are made available through CDF and its subsidiaries. Education remains an important focus. Over the years, the scope of our educational programs has been continually expanding. At present, our programs range from an elementary school tutor program to promoting financial education in universities, thereby serving to meet the practical needs of students at every stage of education and fostering opportunities for the future. In essence, these programs also help fulfill our corporate social responsibility and core mission.

In addition to education, the Group also focuses on a wide spectrum of charity work, including emergency funds aimed at providing aid in the event of major catastrophes. This ideal of philanthropy is also expressed in how we conduct business, and most notable of all is how our employees attend charity events on their own. Over the years, the Company has encountered different ideas and different people through various programs. Like the orange hue at the center of the CDF company logo, our passion shines bright and projects outward.



# 8.1 Educational Aid

Indirect Economic Impact DMA EC8

From elementary school to graduate students, the Group has developed comprehensive education programs which are rooted in the concept that education is a crucial long-term task that cannot be delayed. With this in mind, basic necessities like food, clothing, housing, and transportation, as well as education and entertainment, are incorporated into our comprehensive programs.

## Elementary school student program

### “Love, starting from Elementary School”

- **Organizer:** KGI Charity Foundation
- **Recipients:** Low-income students
- **Content:** Support low-income students to secure their right to life and education
- **2016 Result:** Helped 150 students through a total donation of NT\$**2,848,320**



### “Let Love Flower”

- **Organizer:** KGI Charity Foundation
- **Recipients:** Economically disadvantaged students living in rural areas
- **Content:** Assist students from economically disadvantaged backgrounds to have fair opportunity for quality education
- **2016 Result:** Helped 12 schools in rural areas, totaling NT\$**2,132,890**



### “Love from the Early Start”

- **Organizer:** KGI Charity Foundation
- **Recipients:** Low-income disadvantaged students in Taitung County
- **Content:** The healthy breakfast program ensures that students don't go hungry at school
- **2016 Result:** Benefited 10 schools and 442 students through a total donation of NT\$**1,567,480**



### Emergent Aid Program for Student Family

- **Organizer:** KGI Charity Foundation
- **Recipients:** Low-income students
- **Content:** Financial aid and emergency funds for student's family that experience sudden upheavals
- **2016 Result:** Helped 52 students through a total donation of NT\$**1,860,000**



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- 1 Students from Yayu Elementary School in Taitung visited KGI Securities and had lunch with staff members.
- 2 KGI Charity Foundation visited Feng-Li Elementary School located in Taitung County.
- 3 Chiayi Geng-Liao Elementary School collaborated with nearby schools to conduct English teaching rounds.

➤ Elementary to college student program

♥ “Perfect Nutrition”

- **Organizer:** CDIB Education and Cultural Affairs Foundation
- **Recipients:** Elementary and junior high schools in rural areas
- **Content:** Subsidy for school lunch
- **2016 Result:** Supported 209 schools, total subsidies NT\$**5,930,000**



♥ “Dreams Come True Bicycle Donation Drive II”

- **Organizer:** KGI Securities Thailand
- **Recipients:** Children aged 8–15 who have commuting difficulties to school
- **Content:** Ensure students won’t have to interrupt their education due to commuting difficulties
- **2016 Result:** **1,000** bicycles were donated to 71 schools in 8 provinces



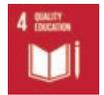
♥ “Our Class Has Got Talent” — Big Future for Small Talents

- **Organizer:** CDIB Education and Cultural Affairs Foundation
- **Recipients:** Individuals or groups with potential
- **Content:** Talent reward program
- **2016 Result:** 35 beneficiaries through total funding of NT\$**1,936,700**



♥ “Children and Teens Education Program”

- **Organizer:** KGI Securities Thailand
- **Recipients:** Students in rural areas
- **Content:** Make donations to rural communities and offer university scholarships
- **2016 Result:** Build libraries



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- 4 KGI Securities Thailand donated bicycles to school children in rural areas to help keep them in school
- 5 “Our Class Has Got Talent” program: sponsoring students with special potential
- 6 “Perfect Nutrition” program: funding school lunches in rural areas

➤ College and graduate student program

📍 “Heritage 100 X Tutelage 100”

- **Organizer:** CDIB Education and Cultural Affairs Foundation
- **Recipients:** Low-income university students
- **Content:** Beneficiaries who receive the scholarship are encouraged to tutor underprivileged children for 100 hours in a synergy effect of not only providing academic support but also serving as positive role models to children.
- **2016 Result:** **200** beneficiaries including university and after-school students received total funding of NT\$**5,000,000**



📍 “DBA Financial Seminar” at Soochow University

- **Organizer:** CDF
- **Recipients:** Soochow University students
- **Content:** Facilitate exchanges between industry, government and academia in regard of current crucial economic and financial issues, and to achieve the goals of academic participation in society and social philanthropy
- **2016 Result:** Over **100** students participated in or audited the classes



📍 “CDF Lectures” at National Taiwan University

- **Organizer:** CDF
- **Recipients:** National Taiwan University (NTU) students
- **Content:** Collaborated with the faculty of NTU MBA program to fulfill our corporate social responsibility and strengthen school-industry collaboration
- **2016 Result:** Over **100** students participated in or audited the classes



📍 “Social Services Program of the College of Law” at National Chengchi University

- **Organizer:** CDF
- **Recipients:** Chingchi University students
- **Content:** Integrate legal services with professional public service in the frontline
- **2016 Result:** As a collaborating partner, CDF has recommended honorary mentors to help students draft their social service proposals, grade students’ assignments, arrange on-site visits, and advise students on career planning



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- 1 “Heritage 100 X Tutelage 100”: KGI Bank Chairman Mark Wei with university students who received financial aid.
- 2 “DBA Financial Seminar” at Soochow University was hosted by Chen Chung (second from the right) and featured CDIB Venture Capital Corp. Chairman Lawrence S. Liu (first from the right) as the speaker.

“Summer School” at National Chengchi University

- **Organizer:** CDF
- **Recipients:** Chengchi University students
- **Content:** Jointly organized by the College of Law and College of Commerce of National Chengchi University, the competition used to be an extension activity of the course “Cases on Mergers and Acquisitions (M&A),” where students went through simulated M&A deals by the end of each semester
- **2016 Result:** As instructors and judges for the competition, CDF executives sharing their negotiation and execution experience from real M&A cases



“Cross-Strait (Asia-Pacific) University Students M&A Mooting Competition”

- **Organizer:** CDF
- **Recipients:** Cross-Strait university students
- **Content:** Invited university students from Taiwan and Mainland China to participate in study tours at National Chengchi University based on the concept of “local study tours”
- **2016 Result:** In July 2016, CDF arranged for civil and commercial law graduate students at Nanjing University and law graduate students from Xiamen University that participated in the study program to attend a two-week study tour at CDF.



Programs Pertaining to the Arts

“Supporting artistic and cultural talent”

- **Organizer:** CDIB Education and Cultural Affairs Foundation
- **Recipients:** Art and culture groups and schools
- **Content:** Sponsored various cultural events
- **2016 Result:** Sponsored events like “Lanyang International Double Bass Summer Camp”, etc



“Zero Distance in Art” National Theater & Concert Hall charity program

- **Organizer:** CDIB Education and Cultural Affairs Foundation
- **Recipients:** Disadvantaged students and families
- **Content:** Invited students from disadvantaged areas to attend art performance event
- **2016 Result:** Nearly 300 people participated



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- 3 “Zero Distance in Art”: Disadvantaged students from Mingdao Elementary School were invited to attend event at the National Theater and Concert Hall.
- 4 Lanyang International Double Bass Summer Camp

## 8.2 Social Philanthropy

Indirect Economic Impact DMA EC8

When major catastrophes occur, CDF is always the first to extend a helping hand to demonstrate our commitment to fulfilling corporate social responsibility.

### Donation for Tainan Earthquake

- **Donor:** CDF
- **Beneficiary:** Tainan City Government & children orphaned by the tremor
- **Event:** Tainan Earthquake on February 6, 2016
- **Donation Arrangement and Application:** To ensure effective utilization of donations, CDF donated NT\$6 million of the NT\$10 million to the Tainan City Government as emergency funding; the remaining NT\$4 million was distributed in the form of an education trust fund created by KGI Bank to children and teens who lost parents as a result of the earthquake



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### Financial Assistance to Student Victims of Formosa Fun Coast Explosion

- **Donor:** CDIB Capital Group
- **Event:** Formosa Fun Coast Explosion
- **Donation Arrangement and Application:** After the fiery explosion in 2015, the CDIB Capital Group immediately announced a subsidy project to cover the cost of school fees for student victims of the incident. In 2016, the project provided financial aid to 6 graduate students, 171 college students, and 6 high school students with total subsidies of NT\$6,311,408.



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- 1 Tainan City Deputy Mayor Yen Chun-Tzo (center) accepted the donation from CDF
- 2 CDF Chairman Chia-Juch Chang announced that the Company will provide funds to cover all school fees of students who were injured in the Formosa Fun Coast explosion

“Country 100” Mobile Reading

- **Donor:** CDIB Education and Cultural Affairs Foundation
- **Beneficiary:** Caterpillar Philosophy for Children Foundation “Reading for Life”, Taitung reading promotion program, and Kaohsiung City Tao Yuan Junior High School “Summer Dance Workshop”
- **Donation Arrangement and Application:** NT\$300,000 in funds resulting in 240 beneficiaries



3

Donations to schools damaged by Typhoon Nepartak

- **Donor:** CDF Education and Cultural Affairs Foundation
- **Beneficiary:** Taitung County Government (Department of Education)
- **Event:** Typhoon Nepartak
- **Donation Arrangement and Application:** NT\$3 million was set aside in a designated fund to help over 80 schools affected by Typhoon Nepartak in July 2016, including replacing damaged teaching equipment, and allowing students to quickly resume school attendance.



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3 The “Country 100” Mobile Reading Program funded community workshops at Kaohsiung Tao Yuan Junior High School  
 4 “Country 100” Mobile Reading Program: Taitung Jing Ping Elementary School sharing picture books with children  
 5,6 CDIB Education and Cultural Affairs Foundation donated NT\$3 million to schools damaged as a result of Typhoon Nepartak

# 8.3 Supporting Social Enterprises



Indirect Economic Impact DMA EC8

In the process of making donations to social philanthropy, CDF strives to integrate charity work with business to create win-win situations. The Group is also dedicated to supporting social enterprises. In addition to managing the "Social Enterprise Community", KGI Bank is the designated trust bank managing Social Enterprise Revolving Trusts, underscoring our wholehearted commitment from the business end to the customer end.

## Sponsoring Social Enterprise Hub to provide substantive assistance to social enterprises

In order to fulfill corporate social responsibility, CDF has cooperated with the Social Enterprise Hub (located at Jinhua Residence) to work on a "click-and-mortar" program since January 2016. The program provides assistance in networking and digitizing events, as well as

the establishment of a social enterprise incubation office where CDF, using its core strength in venture capital and private equity business, provides consultation and other professional advice on a case-by-case basis. CDF also arranges a variety of seminars to meet the needs of new social entrepreneurs.

The incubation office of the Social Enterprise Hub is an open space designed to receive potential social entrepreneurs. CDF actively participates in events hosted by the Social Enterprise Hub, including forums with social entrepreneurs within the community in order to understand real issues in social enterprises, as well as sharing CDF's experience in venture capital, banking, and even securities to discuss solutions to these issues. More forums will be held in the future to promote social enterprises and cultivate aspiring social entrepreneurs.



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- 1 Taoyuan Yisheng Elementary School drums team performing at the Social Enterprise Grass Field inaugural event.
- 2 Incubation Office
- 3 Inaugural event

➤ **KGI Bank is dedicated to social enterprises, with excellent results**

★ **KGI Bank Serves as a Trustee of the First Revolving-Fund Charitable Trust in Taiwan**

Actively provide financial assistance in the form of small investments during the early developmental stages of social enterprises. In 2016, we successfully funded two social enterprises (NPO Channel and Farm Direct).



★ **Supporting the Development of Social Enterprises by Participating in the Small and Medium Enterprise Guarantee Fund**

Support the Small and Medium Enterprise Guarantee Fund by offering guarantees and loans to small/ micro businesses and social enterprises and promote a beneficial cycle of sustained business growth in Taiwan.



★ **Strengthening Local Identity by Integrating Wealth Management into Our Customer Experience**

The satisfaction rate of participated customer was 99%, and 97% of participants found the event helpful for understanding the value of Taiwanese businesses, and that meets their expectations of KGI Bank.



★ **Extending Assistance to Social Enterprises and Partnering Up for "World Fair Trade Day"**

The Fair Trade Festival was jointly organized with the Taipei City Government and Fair Trade Taiwan to promote relevant knowledge, help social enterprises present at the event to connect with the newest digital financial instruments, and use the mPOS mobile service to boost the convenience and efficiency of financial transactions



★ **Providing friendly financial services by establishing charity trusts**

KGI Bank actively uses its professional financial tools to lend support to charitable groups. Throughout 2016, KGI Bank helped establish the "Ama Museum - Empowering Women Charitable Trust Fund", "Firefly Social Trust", "Dentway Dental Education Charitable Trust Fund", and "E. S. Dai Insurance Education Charitable Trust Fund".



4

4 KGI Bank not only partnered up to organize the "Fair Trade Festival", but also provided social enterprises with convenient payment services, and offered card-holder discounts so that social enterprises can continue to make tangible improvements.

# 8.4 Staff Involvement

Indirect Economic Impact DMA EC8

Employees are not only our biggest asset, but also serve as the public face of the Company. Our employees' taking part in charitable activities demonstrates their recognition of CDF's vision to fulfill our corporate social responsibility.

## ★ "KGI Volunteer Day" Concentrates the Impact of Employees to Provide More Services to Senior Citizens

In cooperation with the United Way of Taiwan, KGI Bank launched "KGI Volunteer Day" to care for the elderly, including working together with Taipei City Chau-Ju Senior Care Center, Taichung Sungpoyuan Senior Care Center, and Kaohsiung Fang Chou Care Center. By rewarding the compensatory leave, employees are encouraged to spend half a day a month during weekend at care facilities in Taipei, Taichung, and Kaohsiung, and provide companionship to senior citizens. Since launched, more than 600 employees have signed up to talk part in this program.



## ★ "Bread of Love" project

The Catholic Hua-Kuang Center for the Development of the Disabled, based in Guanxi, Hsinchu and Qi Zi Vocational Training Center in Taoyuan, cares for students with physical and mental disabilities. The centers teach students how to fend for themselves in the world, such as making pastries and steamed buns with ingredients grown at the sheltered workshop. The finished products are consumed by the students and also sold to the general public, simultaneously providing valuable on-the-job learning opportunities. In 2016, CDIB Education and Cultural Affairs Foundation continued the "Bread of Love" program with 299 employees took part to raise NT\$500,000 to support students of these two centers.



KGI Securities employees also participated on this project to purchase baked products on monthly basis. Over 900 servings of baked products were purchased in 2016, helping physically and mentally disabled students find independence and more job opportunities.



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- 1,2 KGI Volunteer Day allows employees to join together to provide services to senior citizens. Many children of employees also took part to perform music on Christmas.
- 3 CDF employees participated in the "Bread of Love" project.



★ “Lunch Dates”

CDF staff visited schools in rural areas with insufficient funding to serve as one-day volunteers during lunch time, providing extra food for students and teachers.



- **Team:** KGI Bank Human Resources Department, Channel Management Division, and the Changhua Branch
- **City or County/School:** Mei-Feng Elementary School, Dacheng Township, Changhua County
- **Funds (NTD): 18,000**
- **Number of beneficiaries: 120**

- **Team:** KGI Bank Personal Banking Division
- **City or County/School:** Hua-Nan Elementary School, Gukeng Township, Yunlin County
- **Funds (NTD): 18,000**
- **Number of beneficiaries: 120**

★ “Gift Box of Love”

KGI Securities staff collected shoebox presents in winter time, sending their loving thoughts to children in rural areas. In 2016, nearly 300 shoebox presents were collected and sent to rural areas in Chiayi as Christmas presents, allowing children in rural areas to experience the warmth of the holidays.



- 4,5 CDF staff visited Mei-Feng Elementary School in Changhua County and Hua-Nan Elementary School in Yunlin County to have “lunch dates” with students
- 6 Taoyuan City Government presenting an award to thank KGI for promoting vocational training for mentally handicapped students.
- 7 KGI Securities sent Gift Boxes to Nei-Weng Elementary School in Chiayi

## Global Reporting Initiatives Disclosure G4-32

Description	Chapter	Page
<b>STANDARD DISCLOSURES PART I: Profile disclosures</b>		
<b>Strategy and analysis</b>		
G4-1 Provide a statement from the most senior decision-maker of the organization	Message from Chairman	4
<b>Organizational Profile</b>		
G4-3 Report the name of the organization	About Us	6
G4-4 Report the primary brands, products, and services	About Us	6
G4-5 Report the location of the organization's headquarters	About Us	6
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	6
G4-7 Report the nature of ownership and legal form	About Us	6
G4-8 Report the markets served	About Us	6
G4-9 Report the scale of the organization	About Us Financial Performance	6 18
G4-10 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	Workplace Diversity	50
G4-11 Report the percentage of total employees covered by collective bargaining agreements	Labor-Management Relations	56
G4-12 Describe the organization's supply chain	Responsible Procurement	68
G4-13 Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Financial Performance	18
G4-14 Report whether and how the precautionary approach or principle is addressed by the organization	Risk Management	27
G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Public Associations and Initiatives	32
G4-16 List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization	Public Associations and Initiatives	32
<b>Identified Material Aspects and Boundaries</b>		
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 the Report About Us	3 6
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	Materiality Issue Identification and Response	10

	Description	Chapter	Page
G4-19	List all the material Aspects identified in the process for defining report content	Materiality Issue Identification and Response	10
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Materiality Issue Identification and Response	10
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Materiality Issue Identification and Response	10
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	About the Report	3
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	Materiality Issue Identification and Response	10
<b>Stakeholder Engagement</b>			
G4-24	Provide a list of stakeholder groups engaged by the organization	Stakeholder Identification	10
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	Stakeholder Identification	10
G4-26	Report the organization's approach to stakeholder engagement	Materiality Issue Identification and Response	10
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	Materiality Issue Identification and Response Transparent Communication	10 31
<b>Basic Information of the Report</b>			
G4-28	Reporting period	About The Report	3
G4-29	Date of most recent previous report	About The Report	3
G4-30	Reporting cycle	About The Report	3
G4-31	Provide the contact point for questions regarding the report or its contents	About The Report	3
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, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	About The Report GRI G4 Assurance Report	3 82 88
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 The Report Assurance Report	3 88
<b>Corporate governance</b>			
G4-34	Report the governance structure of the organization	Governance Framework	20
<b>Ethics &amp; Integrity</b>			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Ethical Corporate Governance	25
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EC8	Significant indirect economic impacts, including the extent of impacts.	Optimization of Products and Services	34
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		Financial Inclusion- Products and Services Related to Social Issues	47
		Educational Aid	72
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DMA	Indirect Economic Impacts DMA	Development Strategy	17
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EN6	Reduction of energy consumption	Energy Management	62
DMA	Energy DMA	Energy Management	62
<b>■ Water</b>			
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<b>■ Emissions</b>			
EN15	Direct greenhouse gas emissions	GHG Management	61
EN16	Energy indirect greenhouse gas emissions	GHG Management	61
EN17	Other indirect greenhouse gas emissions	GHG Management	61
EN19	Reduction of greenhouse gas emissions	Energy Management	62
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<b>■ Effluents and Waste</b>			
EN23	Total weight of waste by type and disposal method	Waste Reduction and Management	66
DMA	Effluents and waste DMA	Water Resource Management	66
		Waste Reduction and Management	66
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EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Compliance	28
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<b>■ Supplier Environmental Assessment</b>			
EN32	Percentage of new suppliers that were screened using environmental criteria	Responsible Procurement	68
DMA	Supplier Environmental Assessment DMA	Responsible Procurement	68
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<b>■ Labor Practices and Decent Work: Employment</b>			
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Workforce Structure	50

	Description	Chapter	Page
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employee Benefits and Retention	53
LA3	Return to work and retention rates after parental leave, by gender	Employee Benefits and Retention	53
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LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Recruitment and Labor Rights	52
DMA	Labor/Management Relations DMA	Workplace Diversity	50
<b>■ Labor Practices and Decent Work: Occupational Health and Safety</b>			
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Workplace Safety	55
DMA	Occupational Health and Safety DMA	Workplace Safety	55
<b>■ Labor Practices and Decent Work: Training and Education</b>			
LA9	Average hours of training per year per employee by gender, and by employee category	Education and Training	57
LA11	Percentage of employees receiving regular performance and career development by employee category	Competency Assessment and Performance Evaluation	58
DMA	Training and Education DMA	Education and Training	57
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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	Members, Independence, and Diversity of the Board of Directors Workforce Structure	20 50
DMA	Diversity and Equal Opportunity DMA	Recruitment and Labor Rights	52
<b>■ Labor Practices and Decent Work: Equal Remuneration for Women and Men</b>			
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Employee Benefits and Retention	53
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LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Labor-Management Relations	56
DMA	Labor Practices Grievance Mechanisms DMA	Labor-Management Relations	56
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HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations	Recruitment and Labor Rights	52
DMA	Human Rights Investment DMA	Recruitment and Labor Rights	52
<b>■ Human Rights: Non-Discrimination</b>			
HR3	Total number of incidents of discrimination and corrective actions taken	Recruitment and Labor Rights	52
DMA	Non-Discrimination DMA	Recruitment and Labor Rights	52
<b>■ Human Rights: Child Labor</b>			
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	Recruitment and Labor Rights	52
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<b>■ Human Rights: Force and Compulsory Labor</b>			
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	Recruitment and Labor Rights	52
DMA	Force and Compulsory Labor DMA	Recruitment and Labor Rights	52
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HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Recruitment and Labor Rights	52
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FS14	Initiatives to improve access to financial services for disadvantaged people.	Caring and Inclusive Services	35
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SO4	Communication and training on anti-corruption policies and procedures	Ethical Corporate Governance	25
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SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Ethical Corporate Governance Compliance	25 28
DMA	Society Compliance DMA	Compliance Internal Audit	28 29
<b>■ Product Responsibility: Product and Service Labeling</b>			
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Compliance	28
PR5	Results of surveys measuring customer satisfaction	Customer Feedback	41
DMA	Product and Service Labeling DMA	Customer Rights and Protection Customer Feedback	38 41
<b>■ Product Responsibility: Customer Privacy</b>			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Customer Rights and Protection	38
DMA	Customer Privacy DMA	Customer Rights and Protection	38
<b>■ Product Responsibility: Compliance</b>			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Compliance	28
DMA	Product Responsibility Compliance DMA	Compliance Internal Audit Customer Rights and Protection	28 29 38
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FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Responsible Investment	43
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Independent Limited Assurance Report G4-32

安侯建業聯合會計師事務所

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## Independent Limited Assurance Report

To China Development Financial Holding Corporation:

We were engaged by China Development Financial Holding Corporation (“CDF”) to provide limited assurance over the selected information attached as Appendix I in the Corporate Social Responsibility Report (“the Report”) of CDF for the year ended December 31, 2016 which is prepared in accordance with the Article 4-3 of Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies (“the Regulation”) and the Core option of Global Reporting Initiative’s (“GRI”) Sustainability Reporting Guidelines (“GRI G4”).

### Reporting Criteria

CDF shall prepared the selected information in accordance with the Regulation and GRI G4 as set forth in “About This Report” section of the Report.

### Management’s Responsibility for the Report

CDF is responsible for determining its goals with respect to sustainable development performance and reporting, including the identification of stakeholders and material aspects, and using the reporting criteria to fairly prepare and present the information included in the Report. CDF is also responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the selected information that is free from material misstatement, whether due to fraud or error.

### Our Responsibilities

We performed our work in accordance with the Standard on Assurance Engagements No. 1 – “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” issued by the Accounting Research and Development Foundation and to issue an independence limited assurance conclusion on whether the selected information is free from material misstatement.

### Independence, professional standards and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Ethics for Certified Public Accountant in the Republic of China, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In addition, we applied Statements of Auditing Standard No. 46 – “Quality Control for Public Accounting Firms” in the Republic of China. Accordingly, we maintained a comprehensive system of quality control including documented policies and procedures regarding



compliance with ethical requirements and professional standards as well as applicable legal and regulatory requirements.

#### **Summary of Work Performed**

Our main work on the selected information included:

- Obtain and review the Report of CDF;
- Inquiries of responsible management level and non- management level personnel to understand the operational processes and information systems used to collect and process the information reported, including the evaluation to the design and implementation of internal control system.
- Base on the understanding of the above matters, perform analytical procedures on the selected information and if necessary, choose samples to test for obtain sufficient and appropriate evidence.

The work described above based on professional judgment and consideration of the level of assurance and our assessment of the risk of material misstatement of the selected information, whether due to fraud or error. We believe that the work performed and evidence we have obtained are sufficient and appropriate to provide a basis of our conclusion. However, the work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

#### **Inherent limitations**

There are certain inherent limitations of CDF's internal controls over the selected information in the Report that may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Conclusion**

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected information has not been properly prepared, in all material aspects, in accordance with the Reporting Criteria.

KPMG

Taipei, Taiwan (Republic of China)

Jun 28, 2017

#### **Notes to reader**

The limited assurance report and the accompanying selected information are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language limited assurance report and the selected information, the Chinese version shall prevail.



Appendix I: Summary of the Selected Information :

No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI G4 Index
1	Responsible Investment	43	<p>Incorporating ESG issues into investment analysis and decision-making :</p> <p>During the assessment of direct, co-investments or potential private equity fund investments, we not only look at the creation of shareholder equity but also strive to fulfill our Group's social responsibility as part of the capital supply chain. The performance of the potential investment target in the environmental, social and corporate governance aspects, or the potential investment target for private equity fund's compliance with the "Stewardship Principles for Institutional Investors" are taken into consideration during investment assessment.</p>	<ul style="list-style-type: none"> <li>▪ CDF incorporates ESG considerations into investment analysis and decision-making process.</li> <li>▪ CDIB Capital and KGI Bank signed "Stewardship Principles for Institutional Investors"</li> </ul>	<p>Article 4-3 Listed companies within the financial and insurance industry shall enhance disclosure of the specific management approaches and performance indicators of the economic performance and the environmental and social aspects for financial products or services provided by the listed companies.</p>
2	Green Investment	45	<p>The proportion of green energy-related investments has increased from 12.76% in 2015 to 13.67% in 2016. CDF's investment balance in green energy-related industries for 2016 was NT\$3.4 billion.</p>	<ul style="list-style-type: none"> <li>▪ The proportion of green energy-related investments of the total investment amount for each year</li> <li>▪ The proportion of the distribution of Green energy-related industry investment amount</li> </ul>	<p>Article 4-3.A Within the scope of the listed companies' financial products or services agreements or transactions, processes for encouraging and paying attention to their clients' or other counterparties' compliance with environmental and social requirements and how reasonable conditions are being followed.</p>
3	Green Credit	46	<p>KGI Bank has introduced guidelines for financing applications based on the Bankers Association credit guidelines. Considering Green Financing Approval Guidelines, credit applicants are assessed on their ethical management, environmental protection, and social responsibility performance.</p>	<ul style="list-style-type: none"> <li>▪ KGI Bank had established the Corporate Finance Credit and Review Essentials, and Considered Green Financing Approval Guidelines.</li> </ul>	<p>Article 4-3.A Within the scope of the listed companies' financial products or services agreements or transactions, processes for encouraging and paying attention to their clients' or other counterparties' compliance with environmental and social requirements and how reasonable conditions are being followed.</p>



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI G4 Index
4	Products and Services Related to Social Issues	47-49	<ol style="list-style-type: none"> <li>1. Promoting Social Policies with "Protection-type Insurance" and "Micro Insurance"</li> <li>2. Caring for the Disadvantaged through Charitable Trusts</li> <li>3. KGI Bank Appointed as a Trustee of the First Revolving-fund Charitable Trust in Taiwan</li> <li>4. Participation in the Small and Medium Enterprise Guarantee Fund to Support Social Enterprise Development</li> <li>5. KGI SITE Launching the KGI Silver Age Fund</li> <li>6. CDIB Capital Group's CDIB Capital Innovation Accelerator supports the aspiration of startup companies</li> </ol>	<ul style="list-style-type: none"> <li>▪ Products and services designed to deliver a specific social benefit for each business line.</li> </ul>	
5	Number of employees in non-supervisory positions	50	<p>As end of 2016, the Group had 6,970 permanent employees. The employee demographics of CDF are as follows:</p> <ul style="list-style-type: none"> <li>- Managerial position: 984 managerial employees (for 14.1% of all employees)</li> <li>- Non-managerial position: 5,986 non-managerial employees (for 85.9% of all employees)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of employee from the human resources system as at the end of the year.</li> <li>▪ Definition of managerial position: the Group executives and supervisors at all levels.</li> </ul>	<p>Article 4-3.B 1. Number of employees in non-supervisory positions, annual employee benefit expenses and difference comparing to those of the preceding year.</p>
6	Annual employee benefit expenses and difference comparing to those of the preceding year	53	<p>The average annual employee benefit expenses of non-managerial employees in 2016 was NT\$1,370,600, a decrease of 0.24% from the previous year.</p>	<ul style="list-style-type: none"> <li>▪ The non-managerial employee benefit expenses incurred in 2016 divided by the number of non-managerial employee in 2015</li> </ul>	
7	KGI Bank- Accessible Online Finance	36	<p>KGI Bank set up "public information and simple functionality website" (accessible service website) and "basic functionality online ATM" on its official website, which received an A+ rating for web accessibility from the "National Communications Commission" in August, 2016.</p>	<ul style="list-style-type: none"> <li>▪ Accessible service website certified by National Communications Commission.</li> </ul>	<p>GRI G4_FS14 Initiatives to Improve Access to Financial Service for Disadvantaged People</p>



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI G4 Index
8	KGI Bank- Accessible Branches	36	<p>Out of all 52 KGI Bank locations throughout Taiwan, the number and percentage of those who have installed or leased accessibility service facilities are shown in the below:</p> <p>Accessibility ramps (evacuation floor exit) : 48 Branches (92%)                      Accessible toilets : 24 Branches (46%)                      Lowered the height of service counters (Below 120cm) : 52 Branches (100%)                      All branches have been fitted with "accessible service counters" with staff on hand to provide guidance. There are currently 52 ATMs throughout Taiwan which can be accessed by those in wheelchairs.</p>	<ul style="list-style-type: none"> <li>▪ The number and percentage of accessibility service facilities</li> </ul>	
9	KGI Bank- Accessibility services	36	<p>When a visually-impaired individual requires over-the-counter financial products or services, the bank staff will provide him/her accessibility services. The branch greeters also actively assist seniors or customers with disabilities to complete their transactions successfully.</p>	<ul style="list-style-type: none"> <li>▪ KGI bank has established the accessibility services policy in the bank deposit chapter of deposit remittance policing method.</li> </ul>	
10	KGI Securities- Accessible Branches	36-37	<p>Out of the 82 KGI Securities branches around Taiwan, the number and percentage of those who have installed or leased accessibility service facilities are shown in the table below:</p> <p>Accessibility ramps (evacuation floor exit) : 42 Branches (51%)                      Accessible toilets : 29 Branches (36%)                      Lowered the height of service counters (Below 120cm) : 68 Branches (83%)</p>	<ul style="list-style-type: none"> <li>▪ The number and percentage of accessibility service facilities</li> </ul>	
11	KGI Securities- Accessibility services	37	<p>Provide accessibility services for the visually-impaired (blind or with vision impairment) , the hearing or speech-impaired, and the physically-disabled.</p>	<ul style="list-style-type: none"> <li>▪ KGI Securities has established the opening an account policy for the visually-impaired(blind or with vision impairment) and the physically-disabled</li> </ul>	



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI G4 Index
12	Green Underwriting	47	<p><b>【Green Finance – Green Underwriting】</b> KGI Securities took five environmental protection and green energy companies public in 2016, which accounted for 63% of all IPO cases during the year and raised more than NT\$2.6 billion, 32% of total amount raised.</p>	<ul style="list-style-type: none"> <li>▪ The number of IPO underwriting engagements and percentage, which is relevant to environmental protection and green energy.</li> </ul>	<p>GRI G4_FS8 Monetary Value of Products and Services Designed to Deliver a Specific Environmental Benefit for Each Business Line Broken Down by Purpose</p>
13	Legal Compliance	29	<p>The results of the 2016 evaluation show that none of the Company's units have been penalized by the competent authority. Therefore, it is evident that the Company's efforts to ensure legal compliance have been successful.</p>	<ul style="list-style-type: none"> <li>▪ Fines and total number of non-compliance with laws and regulations.</li> </ul>	<p>GRI G4_SO8 Monetary Value of Significant Fines and Total Number of Non-Monetary Sanctions for Non-Compliance with Laws and Regulations</p>
14	Customer Satisfaction Survey	42	<p><b>KGI Bank :</b> In 2016, KGI Bank conducted a customer satisfaction survey targeting over-the-counter foreign currency transactions, account opening, financial planning services at its branch locations as well as customers who called the Customer Service Center. The average overall satisfaction rating was 99.7%. Our customer satisfaction rating has remained above 96% for the past three years. In response to the trend of digital finance, a satisfaction survey was conducted for the first time in 2016 targeting customers who used online and mobile banking services. The average satisfaction rating was 72.6%.</p> <p><b>KGI Securities :</b> In 2016, KGI Securities conducted a random survey of customers, those who used their keypad to indicate "very satisfied" or "satisfied" after completing their calls accounted for 97.9% of the 23,620 respondents.</p>	<ul style="list-style-type: none"> <li>▪ Except for KGI Bank use the phone interview to get the results of customer service satisfaction in the account opening, financial planning and credit card services, and others adopt the questionnaire survey.</li> <li>▪ KGI Securities use the customer's voice system to get the results of customer service satisfaction.</li> </ul>	<p>GRI G4_PR5 Results of Surveys Measuring Customer Satisfaction</p>



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI G4 Index
15	Ethical Corporate Management Policy	25-26	<p>1. The Company has established the "Ethical Corporate Management Best Practice Principles", "Code of Conduct", "Employee Code of Conduct" and "Code of Conduct for Subsidiaries' Insiders" to specifically prohibit unethical conduct and interests.</p> <p>2. The Company has established the "Code of Conduct", "Ethical Corporate Management Best Practice Principles", and "CSR Principles" to specifically require directors, managers, employees, individuals or any entity which are substantially controlled by the Company to strictly adhere to principles of ethical conduct and prohibit the provision or acceptance of bribery, provision of illegal political donations, inappropriate charity donations or sponsorship, unreasonable gifts and entertainment, or other unlawful interests. Any violation shall be processed in accordance with local laws and Company regulations.</p> <p>3. The Company and major subsidiaries were not involved in any case of corruption or bribery in 2016.</p> <p>4. The Company set up preventive measures in business activities with higher risks for unethical conduct, such as the "Donation Management Principles" for CDF and subsidiaries to follow. It also established the "Employee Code of Conduct" to specifically require employees to adhere to integrity obligations and prohibit unethical conduct and benefits.</p>	<p>CDF has established the "Anti-Corruption" and related policies and standard</p>	<p>GRI G4_SO4 Communication and Training on Anti-corruption Policies and Procedures</p>



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI G4 Index
16	Implementation of Ethical Corporate Management	26	<p>1. In 2016, 5,974 of employees have completed the "Ethical Corporate Governance Online Education Program" (completion rate 97.7%).</p> <p>2. In the performance evaluation, in addition to performance indicators, the Company also lists internal audits, internal controls, and legal compliance as important items in evaluations to implement related regulations on ethical corporate management.</p> <p>3. The Company assigns related units to prepare analysis reports and propose improvements on all penalties imposed by competent authorities. The internal auditing department is responsible for following up on improvement and to fully implement the internal auditing system. The documents are included into the semi-annual "Legal Compliance Operations Report" of the Compliance Department and submitted to the President for approval before being submitted to the Board of Directors.</p> <p>4. In 2016, with the exception of two corrections made to KGI Bank by the competent authority Financial Supervisory Commission (FSC), and personnel of KGI Securities received a one-month suspension of operations from the FSC, the Company and other subsidiaries have not received penalties from the FSC.</p>	<ul style="list-style-type: none"> <li>▪ Employee's number and hours of training.</li> <li>▪ Performance evaluation indicators</li> <li>▪ "Legal Compliance Operations Report" submitted to the Board of Directors</li> <li>▪ The penalties imposed by competent authorities</li> </ul>	

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