



中華開發金控
CHINA DEVELOPMENT FINANCIAL

2017 Corporate Social Responsibility Report



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About the Report 102-1 102-50 102-51 102-52

To strengthen communication with our stakeholders and the general public, China Development Financial (CDF) has been publishing CSR reports (hereafter referred to as the Report) annually through which to disclose the Company's sustainability performance on the economic, environmental, social and governance aspects. The 2017 Report, published in June, 2018, discloses the Company's sustainability performance from January 1 to December 31 2017.

Scope of the Report 102-10 102-45 102-48 102-49

The scope of this Report encompasses CDF and its affiliates, including KGI Bank, KGI Securities, CDIB Capital Group and China Development Asset Management Corp., and details the operating activities held in Taiwan. Financial data is based on the information of 2017 AGM Annual Report and includes a 35% owned subsidiary, China Life Insurance as well as overseas affiliates. (The consolidated financial statements of CDF are available in the 2017 AGM Annual Report.) 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 given. All Financial indicators have been audited by certified public accountants and make public. Note that all figures cited are denominated in NT Dollars.

Reporting Guidelines 102-54

Organization	Guidelines
Global Reporting Initiative (GRI)	The GRI Sustainability Reporting Standards (GRI Standards)
International Integrated Reporting Council (IIRC)	Integrated Reporting Framework
United Nations	<ul style="list-style-type: none"> Sustainable Development Goals (SDGs) Global Compact
Taiwan Stock Exchange Corporation	<ul style="list-style-type: none"> CSR Best Practice Principles for TWSE/GTSM Listed Companies Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports

Third Party Assurance 102-56

The information and data disclosed in this Report are certified by the certification authority and follow the standards as follows

Standard	Agent
ISAE 3000 Limited Assurance	KPMG
International Financial Reporting Standards (IFRS)	Deloitte & Touche
<ul style="list-style-type: none"> ISO14001 Environmental Management System ISO14064-1 Greenhouse Gases Emission 	British Standards Institution (BSI)

Note: Full assurance statement is provided in the appendix.

Report Publication

The Company's annual CSR reports, available in Mandarin and English, are provided under CSR section on CDF's website.



A digital version is available for browsing or downloads at:
<http://www.cdibh.com/enhtml/content/1843>



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 Company Website : www.cdibh.com

2 Chairman's Message 102-14

The global economy has recovered rapidly in 2017, and Taiwan has benefited from this recovery with an increased economic growth rate as high as 2.84%. In 2017, CDF continued to strive towards promoting economic development and providing comprehensive financial services. In September, CDF successfully purchased 25.33% of China Life Insurance Company shares, officially extending its reach into 4 areas: life insurance, commercial banking, securities, and venture capital/private equity. Thanks to the hard work of everyone in the company, CDF has done well in its annual financial performance with a profit of NT\$11.7 bn after taxes, representing a 97.5% growth from 2016.

We hold a longterm interest in environmental sustainability. Climate change and greenhouse effects have steadily worsened, and the resulting environmental issues now threaten the survival and development of the entire world. In response to the Paris Agreement signed by the UN Climate Change Conference at the end of 2015, we have not only reduced emissions through specific actions within the company, but have also made efforts to promote green finance, in hopes of mobilizing funds that will become a powerful backing for the green energy industry. As a citizen of the world, CDF spares no effort in fulfilling its sustainable corporate responsibilities. Thus, our management strategies follow the Global Compact and Sustainable Development Goals (SDGs) of the United Nations: ensuring fair and quality education, promoting economic growth, fulfilling human rights and equality, and promoting sustainable green environments— our strategies have matched 15 of the SDGs. On the investment side, we follow the UN PRI (Principles of Responsible Investment) and focus on ESG (Environmental, Social and Governance) fields. Through our venture capital subsidiary, we are dedicated to investing in green energy, the solar energy, medical and healthcare, as well as recycling and waste disposal industries, in hopes that as we advance in terms of business development, we can also create a sustainable green environment for the well-being of society.

In 2017 we continued our goal of sustainable management, following the international integrated report structure to invest in the five Capitals: Financial, Intellectual, Human, Natural, and Social Relationship Capitals; in this way, we have actively executed our five core strategies: facilitate sustainable governance, drive sustainable finance, cultivate sustainable talents, foster sustainable environment, and share sustainable value.

We strongly believe that corporations are an integral part of the society, and that only when corporations provide extensive care and feedback to their societies can they continue to develop sustainably. Looking to the future, we will work harder to fulfill our corporate

social responsibility through ethical management, business development and stakeholder engagement. It is our goal to effect social integration and work hand-in-hand with you for the sustainable and beautiful development of the world.



Chairman

A handwritten signature in black ink, appearing to read 'Ch. J. Chay'.

ESG Performance

Corporate Governance

• Ranked **A++ (top 5%)** among all listed companies participating in the third "Corporate Governance Evaluation" conducted by Corporate Governance Center of Taiwan Stock Exchange.



• Included in the **FTSE4Good Emerging Index** and FTSE4Good TIP Taiwan ESG Index.

• Integrated ESG issues into our investment analysis and decision making process, and established relevant regulations and practices. Our subsidiaries CDIB Capital Group and KGI SITE have both signed the "**Stewardship Principles for Institutional Investors**" enacted by the Taiwan Stock Exchange Corporation.

• Identified **3 emerging risks**: aging population, climate change, and information security; we will thoroughly conduct research into these risk factors to develop relevant business opportunities and establish counter measures.



Environmental

• Received ISO 14064-1 **greenhouse gases emission verification** and have steadily expanded the scope of coverage since 2017.



• Issued **the first green bond in Taiwan** to actively promote green credits (KGI Bank).

• Led all three green corporate bonds cases in Taiwan in 2017, with **100% market share** (KGI Securities).

Social

• Formulated CDF Human Rights Commitment and conducted human rights assessment as an act of abiding international human rights conventions.

• Integrated ESG-related KPIs into employee performance assessments.

• Implemented sustainable supply chain management and the percentage of main suppliers signed the "**Corporate Social Responsibility Commitment Letter**" reached **100%**.



• Promoted inclusive finance by providing small revolving loan to taxi drivers who, due to the nature of their professions, have difficulties to be granted for loans. Nearly **50%** of applications were granted in 2017 (KGI Bank).

• Received **ISO27001 Information Security Management Certification** from 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 (KGI Securities).



3

**Create
Sustainable
Future**

3 Create Sustainable Future

3.1 Operation Overview

3.1.1 Service and Operation Locations

102-2 102-3 102-4 102-5 102-6 102-7

About Us

China Development Financial (CDF) was established in 2001 following a share swap managed by China Development Industrial Bank (CDIB), which has transformed into CDIB Capital Group. Along with its key subsidiaries, KGI Bank, KGI Securities, CDIB Capital Group and China Life Insurance, CDF enjoys a leading position in the venture capital and investment banking markets in Taiwan. With over 500,000 shareholders, CDF has one of the largest numbers of shareholders among Taix-listed companies. As of December 31, 2017, total consolidated assets were NT\$2,392.5 bn and consolidated equity was NT\$249.2 bn.

Company Name /
China Development Financial

Stock Code / 2883

Date of Establishment /
December 28, 2001

Chairman / Chia-Juch Chang

President / Alan Wang

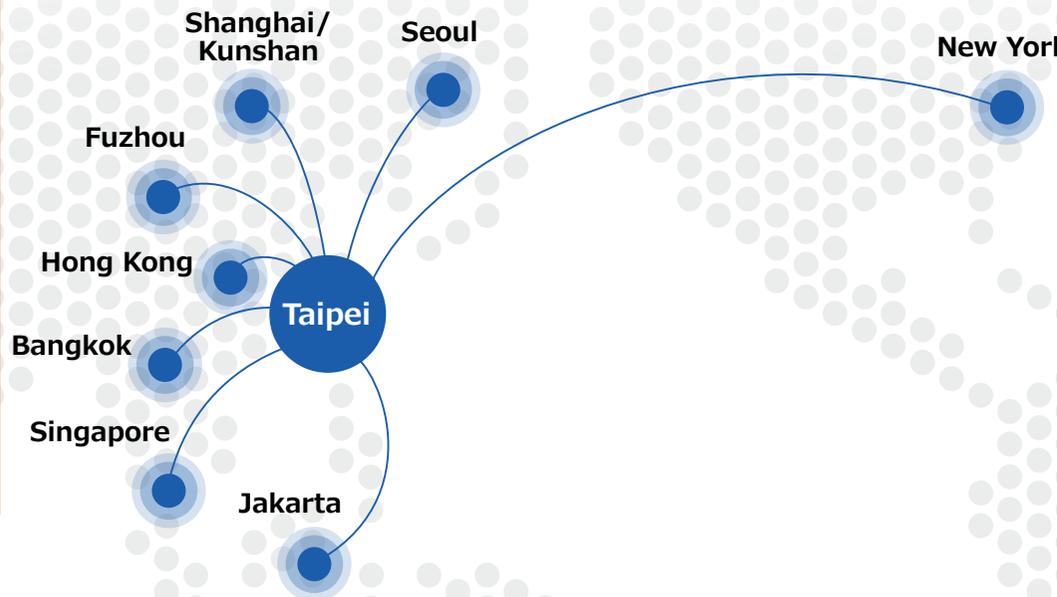
Total Number of Employees / 6,830

Total Assets / NT\$2,392.5 bn

Paid-in Capital / NT\$149.8 bn

Total Number of Service Locations / 293

Company Address /
No. 125, Sec. 5, Nanjing E. Rd.,
Taipei 10504, Taiwan, R.O.C.



CDF has been an important driving force in the process of Taiwan's industrial development. It has accumulated over 50 years of experience in principal investment, and most of the clients in whom CDF invested have successfully extended their reach from Taiwan to Greater China, as well as to other major markets worldwide. Going forward, CDF will continue to be a reliable partner for clients and provide four major businesses: life insurance services, commercial banking, securities, and venture capital / private equity investments, in order to become the leading financial group in the Chinese-speaking marketplace.

Competitive Advantages

With all four major business arms coming together as one, CDF subsidiaries' profitability benefits from synergies. The group is not only a veteran in Taiwan's finance industry, but has also established an international network of branch offices in Shanghai, Hong Kong, Singapore, Bangkok, Jakarta, Seoul, New York, and other cities, allowing the company to provide corporate and individual clients with a full range of financial services.

Service Locations	53	KGI Bank Deposits/loans, credit cards, wealth management, consumer banking, corporate banking, global market, and foreign exchange transactions.
Service Locations	79	KGI Securities Brokerage, wealth management, proprietary trading, underwriting, fixed-income, and a variety of derivatives products.
Service Locations	1	CDIB Capital Group Venture capital, private equity and asset management, etc.
Service Locations	1	China Development Asset Management Corp Debt valuation, acquisition and management, accounts receivable acquisition and overdue accounts receivable management, among others, for financial institutions
Service Locations	159	China Life Insurance Various insurances for individuals and investment activities in compliance with laws and regulations

3.1.2 Business Environment 102-15

In 2017, global economic growth strengthened with advanced, emerging and developing markets all recovering. The IMF revised up its 2017 global economic growth estimate to 3.6%. However, rising trade protectionism, tightening monetary policies in Europe and the US and geopolitical risks could hinder the integration of global supply chains and impact global trade. In Taiwan, the economy continues to recover, with economic growth momentum gathering pace on higher-than-expected exports and private consumption. However, capital expenditures, mainly from the semiconductor sector, have been slowing. Thanks to global economic recovery, Taiwan has seen economic growth indicators, including industrial production, imports and exports, continue rising, boosting financial market transactions.

Faced with the present global economic situation, CDF is striving to develop life insurance, commercial banking, securities and venture capital/ private equity businesses and implement the concept of corporate sustainability across all subsidiaries. Important economic events that impact business development for subsidiaries are highlighted, such as slow economic growth that affects investment in specific sectors and rising excess savings that prompt banks and securities subsidiaries to aggressively develop wealth management products. The falling birth rate and aging population in Taiwan provide opportunities for banks and securities subsidiaries to establish wealth management systems jointly with medical institutions. In terms of changing environments, it is often difficult for the green energy sector to raise funds due to information imbalance. Via responsible investment strategies and ESG considerations, CDF helps the green energy sector in fund raising and the banking subsidiary sets up financing projects in line with government plans, establishing risk assessment and control measures for the solar energy, wind energy and biomass power generation sectors.

With regard to the aforementioned ESG issues, CDF not only enforces strategies to address the issues but also closely monitors global monetary policies, China's economic development, cross-strait relations and the government's forward-looking economic plans. In response to likely interest rate hikes in 2018, the financial market will optimize asset and liability management and reinvestment profits and control costs to boost earnings.

Financial Performance

In 2017, CDF recorded net income of NT\$11.7 bn, up 97.5% YoY, its best result in eleven years with a consolidated ROE of 7.1%. CDF publicly acquired a 25.33% stake in China Life Insurance on September 13, 2017, and the acquisition had helped CDF to entering a four-growth-engine era with life insurance, commercial banking, securities and venture capital/ private equity businesses.

The banking subsidiary continued expanding the lending business, with lending balance (including guarantees) standing at NT\$329.1bn at the end of 2017, up 14.3% YoY, for 2015-17 CAGR of 11.3%, higher than the peer average. In 2017, Pre-provision operating profit (PPOP) was NT\$5.52bn, up 10.1% YoY, beating most peers. The securities arm became the largest earnings contributing subsidiary in 2017, thanks to increased average daily turnover in both Taiwan and Hong Kong stock markets, which helped the brokerage business and investment capital gains, and a one-off profit from investment in China Life. The principle investment business continued speeding up its monetization, from NT\$66.6bn at end-2012 to NT\$43.1bn at end-2017, and aggressively expanded the scope of existing funds. CDIB Capital Group's assets under management stood at NT\$37bn at end-2017, with investment returns emerging.

In order to increase capital efficiency, CDF has been shifting from the low-leveraged principle investment business to the higher-leveraged insurance and banking businesses. CDF also strives to strengthen corporate governance, ensure information transparency, timely availability and fairness, adhere to the corporate culture of ethical management, and boost ROE, achieving the goal of corporate sustainability.

▼ Financial Snapshots

CDF (consolidated)	2013	2014	2015	2016	2017
Total assets (NT\$bn)	647.9	917.6	866.7	892.2	2,392.5
Total net worth (NT\$bn)	169.1	173.9	168.8	167.1	249.2
Total assets/net worth (ratio)	3.8	5.3	5.1	5.3	9.6
Net profits (NT\$bn)(Note1)	8.3	10.8	8.5	5.9	11.7
EPS (NT\$/share)	0.56	0.73	0.58	0.40	0.80
Book value per share (NT\$/share)	11.05	11.41	11.18	11.17	11.6
Cash dividend per share (NT\$/share)	0.4	0.6	0.5	0.5	0.6
Dividend payout ratio (%)	71.4	82.2	86.2	125.0	75.0
Adjusted ROAE (%) (Note2)	5.1	6.5	5.1	3.6	7.1
ROAA (%)	1.4	1.4	1.0	0.7	0.8

Note 1 : excluding profits attributable to non-controlling interests;

Note 2 : Adjusted ROAE excludes non-controlling interests

Economic Outlook

Faced with a changing business environment, CDF will continue to enhance corporate governance and sustainable development. Via changing corporate culture, it will continue to cultivate the concept of sustainable corporate social responsibilities across all subsidiary businesses, integrate group resources and strengthen customer relations, and boost the rate of steady business revenue to achieve the objective of corporate sustainable development.

▼ Economic Value Distribution

(unit: NT\$million)

	2014	2015	2016	2017
Operating expenses *	16,830	20,595	19,265	22,003
Employee salary & benefit expenses	10,083	12,522	11,415	13,759
Interest expenses	4,399	5,138	4,332	5,396

*Note : Please refer to 2017 AGM Report for detail information

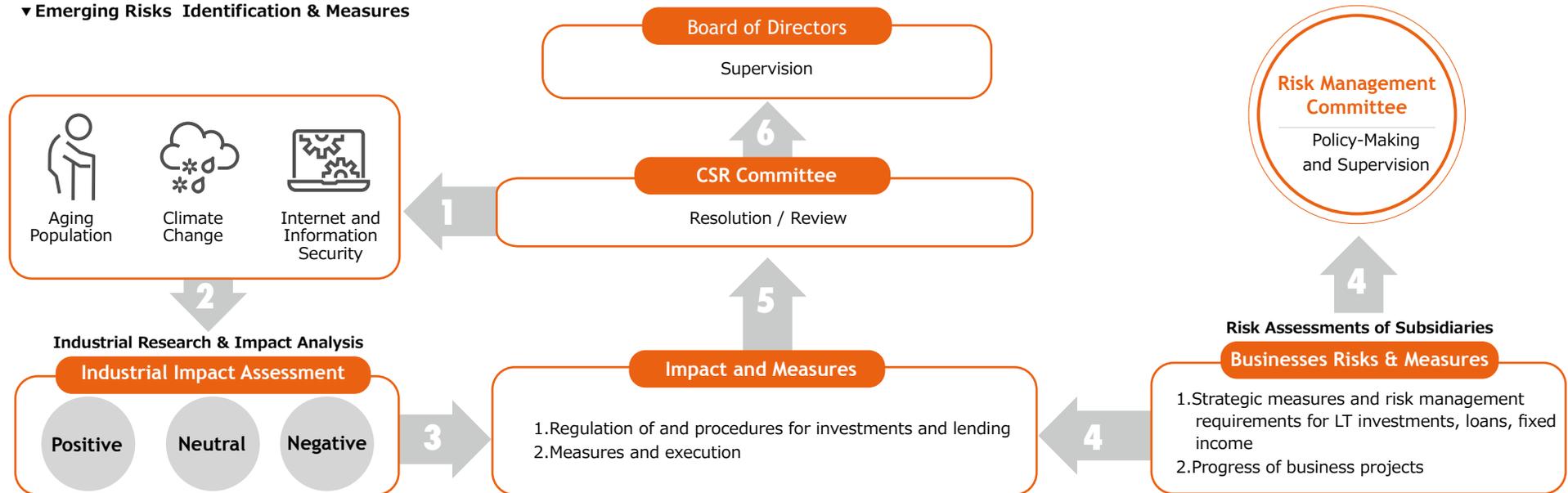
3.1.3 Risks and Opportunities 102-15 102-29 201-2

CDF closely monitors its daily operation risks which include market, credit, operational and liquidity risks. In addition, based on international situations and global industrial trends, CDF has also identified major emerging external risks include climate change risk, changes of technology, industry, regulation and society changes (such as an aging population, changes in demand, etc). Due to its long-term accumulated experience on investment and lending, CDF is able to control the risk related to climate and social changes and engages in the investment opportunities raised, such as green environmental protection, health care and innovation. In future, CDF will continue to work to ride trends and develop business opportunities. Risk management mechanisms and related regulation please refer to Section 4.3 Risk Management of this report.

Emerging Risks and Opportunities

Global emerging risks are on the rise, with risks caused by climate change, an aging population and internet-led information security issues affecting the financial environment more significantly. How to effectively assess related risks and establish measures in response has become a top priority for sustainable development.

▼ Emerging Risks Identification & Measures



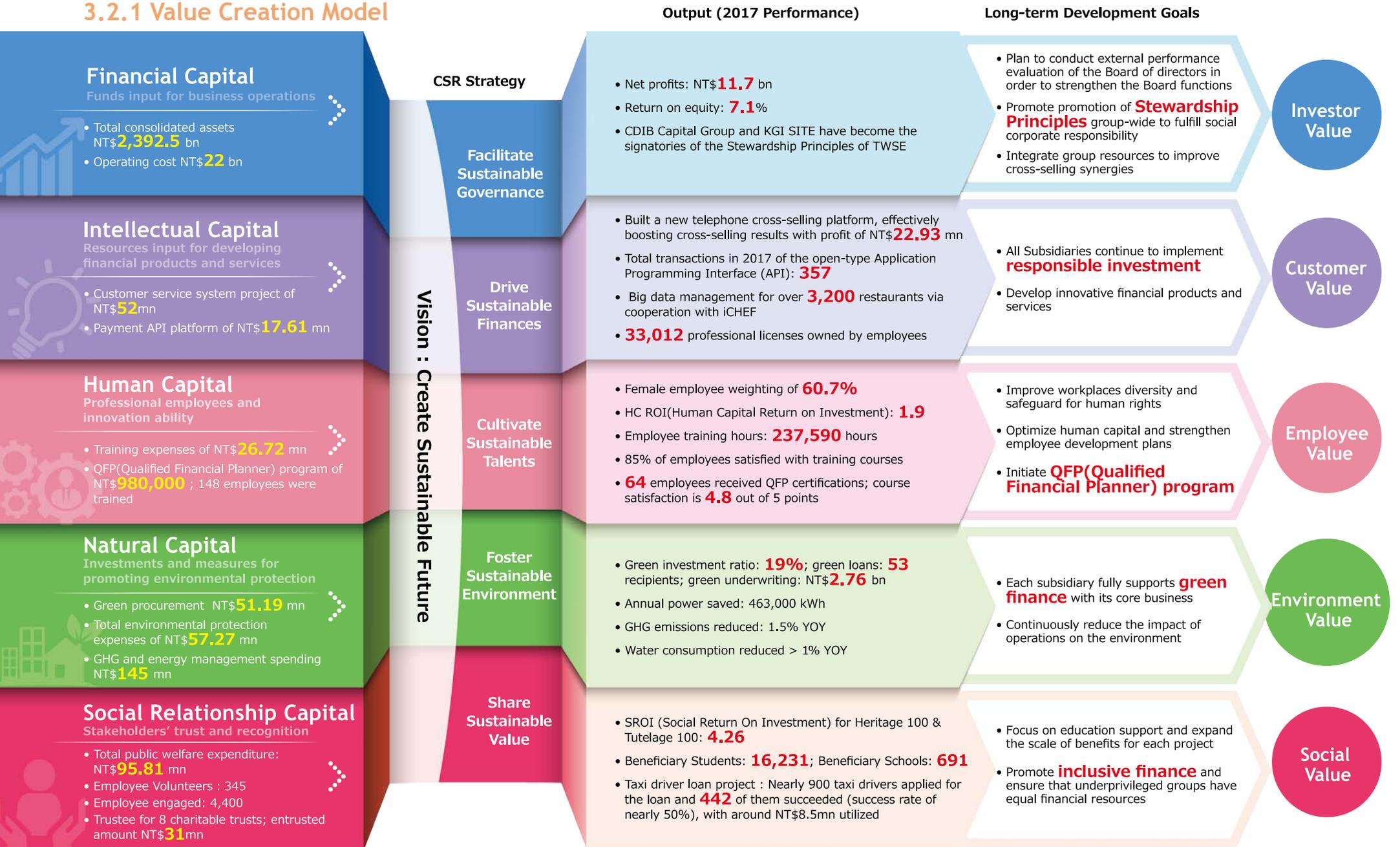
▼ Major emerging risks and opportunities, potential financial impacts, strategies and measures

We have identified three major emerging risks: aging population, climate change, and internet and information security.

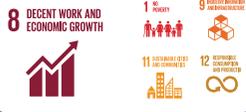
	Description	Risks and financial impacts	Opportunities and financial impacts	Strategies	2017 Performance
 <p>Aging Population Risk factor 1</p>	<p>The average elderly population dependent for every 100 working people is 37.23 as of March 31, 2018. The Aging Index defined as the number of people aged 65 and over per 100 young people under the age of 15, reached a historical high at 107.45. Therefore, the social changes due to an aging population cannot be ignored</p>	<p>Low growth and high inflation caused by aging population will reduce the savings rate, investment activities and real interest rates</p> <ul style="list-style-type: none"> • Changes in bank's product mix will affect profitability • Lower profit from young population-related industries • Lower willingness to invest 	<p>Low birth rate and aging population will change consumption structures, impacting related markets and leading to changes in profit structure for the financial sector</p> <ul style="list-style-type: none"> • Higher profit from sectors related to senior citizens, such as financing for barrier-free home renovation, mobile smart payment services • Higher profit from investing in sectors related to senior citizens, such as lending to new business ventures of related industries 	<ul style="list-style-type: none"> • Investment in sectors related to senior citizens and biomedical fields, including pharmaceuticals, medical devices, services, distribution channels and health-related • Develop financial products in response to the aging society • Continue to respond to market needs by adjusting asset allocation and developing products 	<ul style="list-style-type: none"> • CDIB Capital Healthcare Ventures (CDIB Capital Group) • KGI Silver Age Fund and Hospital and Long-term Care Industry Fund (KGI Securities Investment Trust) • Protection-type insurance and micro insurance products (KGI Bank)
 <p>Climate Change Risk factor 2</p>	<p>Due to rapidly rising losses in global economic activities and the financial market resulted from extreme weathers on climate change, on World Earth Day April 22, 2016, 171 nations signed the Paris Agreement at the UN headquarters, keeping a global temperature rise this (the 21) century below 2 degrees Celsius above pre-industrial levels in hopes of preventing global warming.</p>	<p>Impact on business operations from regulatory requirements and supervision of climate change issue</p> <ul style="list-style-type: none"> • Higher operating costs on internal environment management • Higher operating costs due to policy changes or penalties • Financial expenditures and losses on extreme weather events caused by typhoons and flooding 	<p>Products and services in response to climate change</p> <ul style="list-style-type: none"> • Launch a series of preferential lending programs for green energy technologies, recycling economy and green buildings, and renewable energy to generate profits • Increase underwriting for the green energy, low carbon sector • Launch funds that invest in the green energy, low carbon sector 	<ul style="list-style-type: none"> • Promote green financing: Minimizing the potential negative impacts from extreme weathers on company investments and finances via investment diversification; launch green energy related financial products and preferential loans to promote energy savings and green buildings • Introduce and conduct ISO 14064-1 greenhouse gas inventory and enhance supplier management 	<ul style="list-style-type: none"> • Green investment ratio: 19% • Issued green bonds of NT\$1.0bn • As a lead manager of all three local green corporate bond underwritings in 2017 • Average power consumption per person decreased by over 2% in 2017 • Expanded the scope of Group's greenhouse gas investigation with buildings in five locations obtained verification statements • CDF received ISO 14001 environmental management system certification in 2015 and completed the review operation in 2016 and 2017
 <p>Internet and Information Security Risk factor 3</p>	<p>Risk management has been changing significantly on increasingly tightened supervision worldwide and fast developing new technologies. It is easy for hackers to use AI tools and APT technologies to forge transactions; information environment is susceptible to hacking, thus leaking personal data and confidential data and paralyzing systems.</p>	<p>Information security maintenance costs rise in order to enhance the protection of internet information security.</p> <ul style="list-style-type: none"> • Expenditures on replacing outdated equipment, increasing manpower, developing technologies and purchasing software • Information security loopholes will lead to transaction losses, penalties by regulators, compensation claims from victims and customer loss due to reputation damage 	<p>Boost customer confidence and satisfaction via strengthening internet security measures and system stability</p> <ul style="list-style-type: none"> • Obtain internationally recognized internet security certification • Invest in internet information security related industries 	<ul style="list-style-type: none"> • Examine information environment's security framework • Build automatic detection and protection systems • Establish reporting systems for information security events and conduct regular drills • Establish a comprehensive information security and personal information protection system; combine verification mechanisms of all platforms to prevent theft • Plan to purchase insurance for information security events to reduce potential financial expenditures 	<ul style="list-style-type: none"> • KGI Securities obtained ISO27001 Information Security Management Systems Certification in 2016 and completed the re-examination process in 2017 • Established "Information Risk Assessment Report" and "Information Security Risk Management Project" • Conducted 6 information security drills • Mandate online course on Personal Data Protection Act for new employees and the completion rate is 100% • CDF Group did not violate any information security laws and regulations and did not leak any information in 2017

3.2 Value Creation 103-2 103-3

3.2.1 Value Creation Model



3.2.2 Sustainable Strategies and Performances 201-1

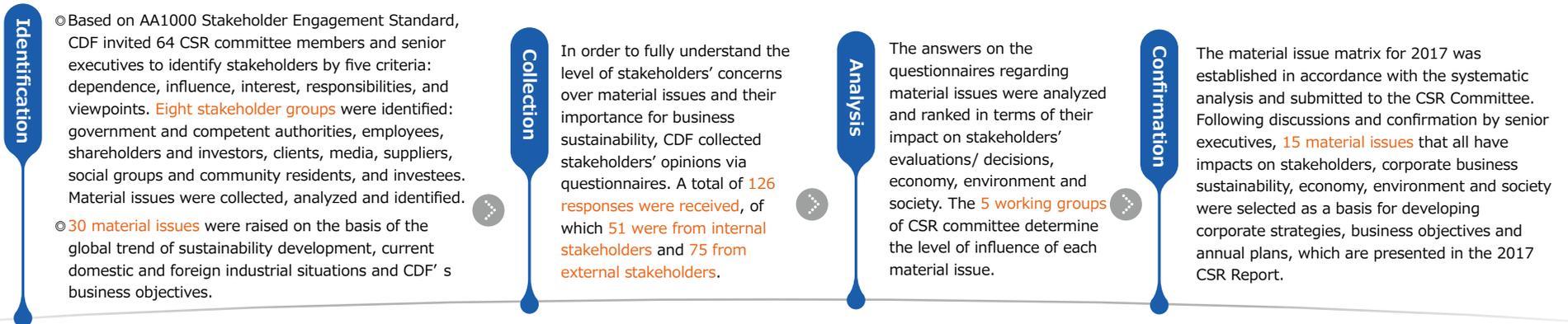
CSR Strategy	Short Term Goal	Medium Term Goal	Long Term Goal	Action Plan	Performance and Main Achievements in 2017	Vision
Facilitate Sustainable Governance 	Strengthen functions of Board of directors	<ul style="list-style-type: none"> Plan to conduct external performance assessment for Board of directors in 2020 Identify emerging risks and business opportunities 	<ul style="list-style-type: none"> Remain in top 20% in TWSE corporate governance evaluation Become a top global firm of corporate governance 	<ul style="list-style-type: none"> Establish a sustainable risk management system Correct shortcomings cited in the evaluation Implement institutional investor stewardship 	<ul style="list-style-type: none"> Completed emerging risk identification Selected to become a constituent stock of FTSE4Good Emerging Market Index; also being included in FTSE4Good TIP Taiwan ESG Index Ranked as top 5% among all listed companies participating in the Third "Corporate Governance Evaluation" undertaken by the Taiwan Stock Exchange 	A sustainable leading financial institution
Drive Sustainable Finances 	Promote green finance and inclusive finance	<ul style="list-style-type: none"> Promote inclusive finance Introduce United Nations Principle of Responsible Investment (PRI) 	<ul style="list-style-type: none"> Promote green finance Provide products with sustainability meanings 	<ul style="list-style-type: none"> Promote green loans to renewable energy and green energy sectors Provide financing assistance to the underprivileged groups Assist the development of social enterprises 	<ul style="list-style-type: none"> KGI Securities was the lead manager for all three green corporate bonds cases in 2017, with a 100% market share, raising a total of NT\$14.1bn 49% of applications for taxi driver small revolving loans were approved Establish Jumpstart charitable trust 	Implementation of responsible investment and inclusive finance
Cultivate Sustainable Talents 	Ensure workplace Equality	<ul style="list-style-type: none"> Expand the scope of "Employee Caring and Health Care Projects" Implement human rights assessment 	<ul style="list-style-type: none"> Assist employees in career development and create competitive advantages Maintain a healthy and safe workplace 	<ul style="list-style-type: none"> Establish human rights standards and policy Implement workplace equality Promote employee career development 	<ul style="list-style-type: none"> Formulated human rights commitment, fostering a quality equal rights working environment 49.9% supervisors are female Average training hours per person rose 14.4%YoY and annual training expenses rose 56.9%YoY 	Build a happy-employee workplace
Foster Sustainable Environment 	Expand the scope of ISO 14064-1 GHG inventory	<ul style="list-style-type: none"> Introduce the ISO 50001 energy management system Reduce 2% of GHG emission in 2019 from the level seen in 2016 	<ul style="list-style-type: none"> Reduce GHG emission by 2.5% in 2020 from the level seen in 2016 Maintain 80% of local supplier ratio 	<ul style="list-style-type: none"> Strengthen supplier management, jointly assuming corporate social responsibilities Implement energy-saving and carbon-reduction projects Continue to increase green purchase 	<ul style="list-style-type: none"> Percentage of major suppliers signed the Supplier CSR Commitment Letter: 100% GHG emission down 1.5%, water use down 1%, power use down 2% in 2017 Green purchase rose to NT\$51.19 mn, up 22.55% YoY 	Create a sustainable, low carbon environment
Share Sustainable Value 	Introduce social return on investment (SROI) evaluation mechanism	<ul style="list-style-type: none"> Expand the scope of public welfare activities Continue engage in rural education, cultivate art and cultural talents, and provide financial aids 	<ul style="list-style-type: none"> Commit to industry-academic cooperation in financial education heritage Promote social welfare projects to create sustainable values 	<ul style="list-style-type: none"> Provide educational aids to underprivileged students Bridge educational resources gap between urban and rural areas Foster art talents, promote art and cultural activities 	<ul style="list-style-type: none"> SROI (Social Return On Investment) for Heritage 100 & Tutelage 100: 4.26 Total welfare expenses: NT\$95.81 mn Beneficiary students: 16,231; beneficiary schools: 691 	Increase educational resources for the underprivileged

3.3 Materiality Issues

3.3.1 Material Issues Identification 102-40 102-42 102-43 102-44 102-46 102-47 103-1 103-2

CDF emphasizes stakeholders, expecting to incorporate issues they consider important into CDF's goal of business sustainability. Before compiling the 2017 CSR report, we have identified the top 8 stakeholder groups and collected related issues of economic, environmental, social, and governance of which our stakeholders may concern about and their impacts on the company's sustainable management. We have constructed corporate strategies, business objectives and annual plans based on the material issues and presented in the 2017 CSR Report.

▼ Stakeholder identification and material issue analysis



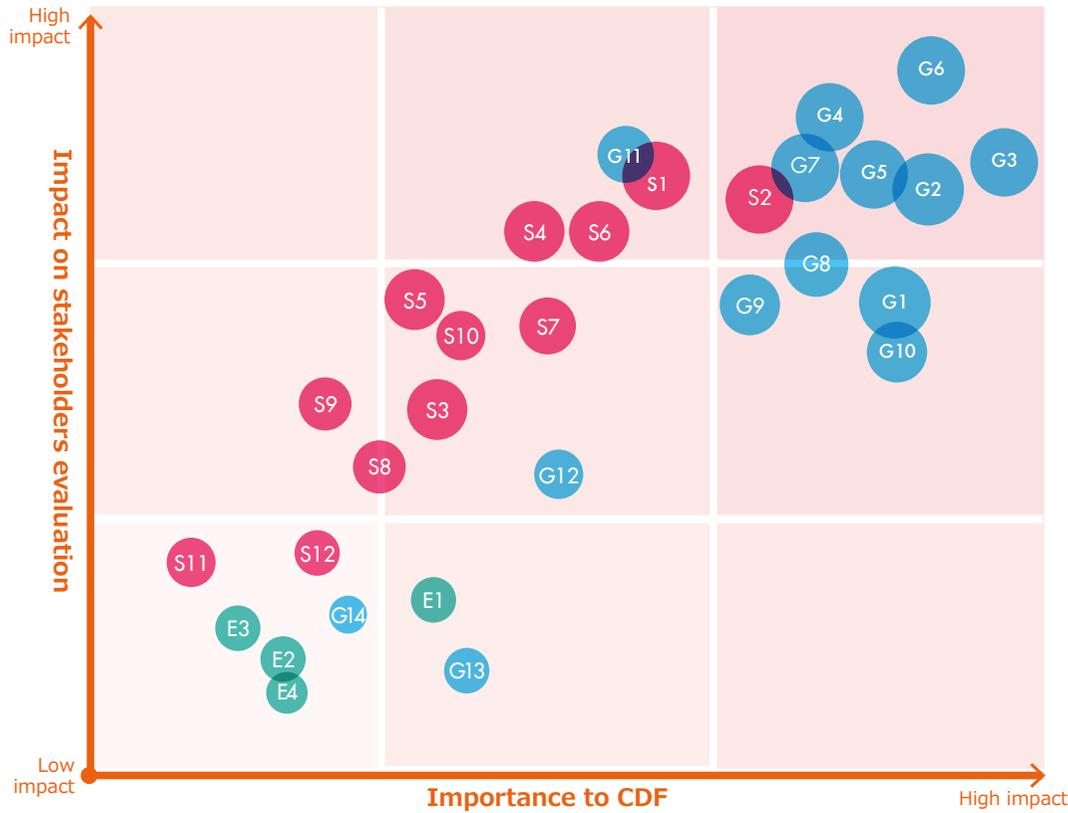
▼ Stakeholder Engagement

Stakeholder	Material Issues	Communication channel and frequency	2017 Results
 Government and competent authorities	1. Compliance 2. Customer protection and communication 3. Corporate governance 4. Risk management 5. Communication with competent authorities	<ul style="list-style-type: none"> Participate in policy discussions and seminars organized by the competent authorities Comply with supervision and inspections by competent authorities Visit competent authorities and create opportunities for direct communication 	<ul style="list-style-type: none"> Ranked as top 5% among all listed companies participating in the Third "Corporate Governance Evaluation" by Taiwan Stock Exchange. Selected as component stock of Taiwan RAFI® EMP 99 Index for 8 consecutive years CDIB Capital Group and KGI SITE became signatories of TWSE's Stewardship Principles for Institutional Investors and reported as scheduled

Stakeholder	Material Issues	Communication channel and frequency	2017 Results
 <p>Employees</p>	<ol style="list-style-type: none"> 1. Employee benefits 2. Employee evaluation mechanism 3. Operation performance 4. Labor relations 5. Corporate image 	<ul style="list-style-type: none"> • Internal websites or emails to provide information, such as employee welfare programs (physical check-ups, group insurance, etc.), Employee Welfare Committee information, companies' major business information, training courses, and annual performance management information, among others • Labor-management meetings : CDF, KGI Securities, and CDIB Capital Group - every 3 months; KGI Bank – every 2 months • Proactively interact with labor union to maintain good relations • Collect employee opinions via opinion mailbox 	<ul style="list-style-type: none"> • Promoted “Employee Caring and Health Care Projects”, offering assistance and care for employees • Posted over 50 announcements of employee welfare and training courses information • Convened 27 labor-management meetings in 2017 group-wide
 <p>Shareholders and investors</p>	<ol style="list-style-type: none"> 1. Corporate governance 2. Sustainable development strategies 3. Risk management 4. Shareholder engagement 5. Operation performance 	<ul style="list-style-type: none"> • News release/ material information: timely disclosure and announcement via media/ Market Observation Post System, such as corporate governance, key business developments, business results, etc. • 1 shareholders meeting annually and publish annual reports • 2 investor conferences and online investor conferences annually. Periodically hold overseas investor conferences • Establish shareholder services and investor relations contact window to provide dual-way communication channels • Periodically meet analysts from domestic and foreign institutions • Participate in local and international; investor forums 	<ul style="list-style-type: none"> • 183 Chinese/ English material information and announcements; 2,103 news releases • Organized 5 investor conference (2 domestically and 3 overseas) • Met analysts from 97 domestic and foreign institutions; attended 4 domestic and overseas investor forums
 <p>Clients</p>	<ol style="list-style-type: none"> 1. Information security 2. Customer protection and communication 3. Information transparency 4. Service quality 5. Corporate governance 	<ul style="list-style-type: none"> • Advertisement and social media: publish periodically • Provide clients with diversified communication channels, including 24-hour service hotline, complaint hotline and website visitor message board • Monthly Customer Care Committee meeting to establish customer-care mechanism • Customer satisfaction survey • Wealth management lectures and Wealth Management Seminar 	<ul style="list-style-type: none"> • 101,791 Facebook fans/ 48,917 LINE friends • KGI Bank customer satisfaction ratio: 99.71% • KGI Bank held 233 wealth management VIP events with 7,000 participants; KGI Securities organized 100 wealth management seminars attended by 700 customers

Stakeholder	Material Issues	Communication channel and frequency	2017 Results
 Media	<ol style="list-style-type: none"> 1. Corporate image 2. Market dynamics 3. Compliance 4. Information transparency 5. Digital Innovation 	<ul style="list-style-type: none"> • News release : Periodically update the latest corporate information of product/ service • Press conference : Periodically hold press conferences to announce important news to the media 	<ul style="list-style-type: none"> • Through sponsorship to Social Enterprise Hub, CDF held a Social Enterprise Financial Forum from a financial perspective, with 300 participants and over 50 social groups and startups taking part, successfully connecting industry, government and academia
 Suppliers	<ol style="list-style-type: none"> 1. Information security 2. Sustainable development strategies 3. Corporate image 4. Information transparency 5. Supplier management 	<ul style="list-style-type: none"> • Proactively invite suppliers to sign the Supplier CSR Commitment Letter and hold explanatory meetings with suppliers before opening bids • Establish CDF procurement mailbox (procurement@cdibh.com) to engage in two-way communication with suppliers 	<ul style="list-style-type: none"> • A total of 304 suppliers signed the Supplier CSR Commitment Letter; major supplier signed up ratio: 100%
 Social groups and community residents	<ol style="list-style-type: none"> 1. Corporate image 2. Employee diversity and labor rights 3. Community care 4. Social engagement 5. Green purchasing 	<ul style="list-style-type: none"> • Actively participate in various forums or seminars organized by private associations and academic institutions • Through CDIB Education and Cultural Affairs Foundation and KGI Charity Foundation to communicate with related community groups 	<ul style="list-style-type: none"> • Cooperated with 3 domestic universities/ colleges • 291 students participated in industry-school cooperation programs • 4,400 employees engaged in public-welfare activities in 2017. • 345 employee volunteers with 1,500 volunteering hours
 Investees	<ol style="list-style-type: none"> 1. Corporate image 2. Information transparency 3. Information security 4. Career development and training 5. Energy management 6. Market dynamics 	<ul style="list-style-type: none"> • Participate in investees' shareholders meetings and Board meetings and exercise voting rights • Hold roadshows periodically to share economy and industry updates with investees • Visit and engage in various activities organized by investees 	<ul style="list-style-type: none"> • Attended 110 shareholder meetings and 64 board meetings of investees • Visited 691 companies • Sponsored 4 innovation mentor speeches and 50 events

▼ Materiality Issues Matrix



Governance

- G1 Risk Management
- G2 Sustainable Development Strategy
- G3 Operation Performance
- G4 Corporate Image
- G5 Corporate Governance
- G6 Information Security
- G7 Compliance
- G8 Digital Innovation
- G9 Market Dynamics
- G10 Communication with Competent Authorities
- G11 Information Transparency
- G12 Impact Evaluation on Products and Services
- G13 Shareholder Engagement
- G14 Supplier Management

Social

- S1 Customer Protection and Communication
- S2 Service Quality
- S3 Employee Diversity and Labor Rights
- S4 Customer Grievance Mechanisms
- S5 Labor Relations
- S6 Employee Benefits
- S7 Career Development and Training
- S8 Inclusive Finance
- S9 Safe Workplace
- S10 Employee Evaluation Mechanism
- S11 Community Care
- S12 Social Engagement

Environmental

- E1 Climate Change Measure
- E2 Energy Management
- E3 Green Purchasing
- E4 Water Conservation and Waste Reduction

Information disclosure channel	Purposes of disclosure channels and contents
 Annual reports of parent company and subsidiaries	Announce Annual Report for parent company and subsidiaries, releasing business results and financial condition changes and increasing the timeliness and transparency of corporate information
 Monthly sales information	Publish sales information on a monthly basis to increase the timeliness and transparency of corporate information
 Shareholder meeting information	Hold shareholder meetings to assist shareholders and other stakeholders understand the latest business status and future business directions
 Investor conference information	Explain industry outlook, business conditions and financial performance and answer questions from professional investors, general investors and media face-to-face
 Market Observation Post System	Strive to disclose corporate information in a timely manner and with transparency. CDF abides by regulations in disclosing material information and filing public information online
 Chinese and English Official Website	Provide investors with material information, including corporate governance, shareholder-related, material information, financial information, credit rating, ESG related and punishment due to regulation violation
 IR email: ir@cdibh.com	Dispatch notification by emails in time so that investors will not miss important information. Check messages daily to shorten response time and increase the volume of cases handled
 Press release	In order to maintain all stakeholders' rights to understand and obtain on an equal basis all CDF's public information and corporate social responsibilities, CDF releases material information or timely information to the press and arranges media interviews with appropriate units in accordance with issues involved

▼ Strategies and long-term goals responding materiality issues

Materiality Issues	Information Security	Corporate Governance	Risk Management
Impact on operation	<ul style="list-style-type: none"> ◎ Important for operational security and corporate image ◎ Important for customer rights and benefits 	<ul style="list-style-type: none"> ◎ Cornerstones for corporate sustainability ◎ Demonstration of ethical corporate management 	<ul style="list-style-type: none"> ◎ Help to reduce legal liability risks and improve operational stability ◎ Effectively identify company advantages and turn crisis into business opportunities
Strategy	<ul style="list-style-type: none"> ◎ Strengthen information security management: Conduct information security drills and training courses ◎ Implement personal information protection measures: Regularly implement for personal data inventory risk assessment ◎ Enhance digital security: Establish an information security management team to monitor, report and take measures in order to ensure the safety and stability of electronic transactions 	<ul style="list-style-type: none"> ◎ Strengthen functions of the Board of Directors, such as tax management and risk management ◎ Conduct trainings on ethical corporate management ◎ Proactively participate in related domestic and foreign surveys as a basis for improvement 	<ul style="list-style-type: none"> ◎ Risk management department continues to train, test and supervise all employees on risk management plans. ◎ Research Department regularly analyze international emerging risk trends and impacts ◎ Business units design related financial products
Long term goals	<ul style="list-style-type: none"> ◎ Maintain zero information security violation/ information leakage records ◎ Plan for information security insurance 	<ul style="list-style-type: none"> ◎ Rank among top 20% in evaluation conducted by Corporate Governance Center of Taiwan Stock Exchange ◎ Regular external evaluations on Board of Directors performance 	<ul style="list-style-type: none"> ◎ Identify business opportunities and products derived from emerging risks ◎ Establish modules to assess impact of risks on finance
2017 Performance	<ul style="list-style-type: none"> ◎ KGI Securities obtained ISO27001 Information Security Management Systems Certification in 2016 and completed the 2nd review in 2017 ◎ Conducted 6 information security drills ◎ 100% of new employees completed the online course on Personal Data Protection Act for new employees 	<ul style="list-style-type: none"> ◎ Ranked among top 5% in corporate governance evaluation for the first time ◎ Online ethical corporate management training courses completion rate: 100% ◎ Completed re-election of Board members ◎ Zero violation of ethical-related issues 	<ul style="list-style-type: none"> ◎ Established a work team on emerging risks and opportunities ◎ Successfully identified three major emerging risks ◎ Research Department completed the first report on global emerging risk evaluation

▼ Material Issues and Parties Impacted

Materiality Issues	ESG category	Reason	Internal				External						GRI	Chapter	Page	
			CDF	KGI Bank	KGI Securities	CDIB Capital Group	Government and competent authorities	Shareholders and investors	Clients	Media	Suppliers	Social groups and community residents				Investors
① Risk Management	G	Risk management enables efficient use of resources to create new opportunities	V	V	V	V	V	V	O		※		O	102	4.3 Risk Management	31
② Sustainable Development Strategy	G	Development strategy and vision is the cornerstone of corporate sustainable development	V	V	V	V	O	V	O				O	102, 201	2 Chairman's Message 3.2 Value Creation	3 10
③ Operation Performance	G	Boosting overall business efficiency can effectively create shareholder value	V	V	V	V	O	V	O				O	201	3.2.2 Sustainable Strategies and Performance	11
④ Corporate Image	G	Corporate image affects stakeholders' opinion on the Company's liability	V	V	V	V			O	O	V		O	102, 205	4.2 Ethical Corporate Management 5.3 Service Experience	28 44
⑤ Corporate Governance	G	Transparent corporate governance and ethical corporate management help business sustainability	V	V	V	V	V	V				※		102, 405, 201	3.2 Value Creation 4.1 Governance Framework	10 23
⑥ Information Security	G	Ensuring information security and customer information confidentiality to win customer trust	V	V	V	V	V		V			※	V	102, 416, 418	3.1.3 Risks and Opportunities 5.3 Service Experience	8 44
⑦ Compliance	G	Comply with laws and regulations to enforce the corporate culture of ethical business management	V	V	V	V	V							102, 307, 419	4.2 Ethical Corporate Management 4.3.2 Compliance	28 32
⑧ Digital Innovation	G	Developing digital innovative financial products and services helps boost efficiency and strengthen competitiveness		V	V	V			O			※	O	416	5.3 Service Experience	44

Parties impacted (V – direct impact; O – prompt impact; ※ business relations)

Materiality Issues	ESG category	Reason	Internal				External							GRI	Chapter	Page	
			CDF	KGI Bank	KGI Securities	CDIB Capital Group	Government and competent authorities	Shareholders and investors	Clients	Media	Suppliers	Social groups and community residents	Investors				
9 Market Dynamics	G	Having a solid grasp on market dynamics and global trends in the fast-changing financial market enables steal a march on competitors	V	V	V	V	O	O	O						102, 201	3.1 Operation Overview	6
10 Communication with Competent Authorities	G	Good communication and interaction with regulators helps align with the present laws and regulations and conform to future trends	V	V	V	V	V								102	3.1 Operation Overview 3.2 Value Creation 3.3 Materiality Issues	6 10 12
11 Information Transparency	G	Information transparency and accessibility to build good communication channels	V	V	V	V	V	V	O	O	※	O	O		102	3.3 Materiality Issues	12
12 Impact Evaluation on Products and Services	G	Must consider overall impact when developing financial products and services		V	V	V	O		O		※	V	O		203	5 Drive Sustainable Finances	36
13 Shareholder Engagement	G	Shareholder engagement can ensure shareholder rights/benefits and implement the ethical management of corporate governance	V	V	V	V			V						102	3.3 Materiality Issues 4.2 Ethical Corporate Management	12 28
14 Supplier Management	G	Supplier management will prompt joint implementation of corporate social responsibilities, establishing a sustainable environment	V	V	V	V					※				204, 308, 414	7.3 Responsible Procurement	75
15 Customer Protection and Communication	S	Customers' personal information protection and easy-to-understand products and services can improve the customer communication		V	V	V			V		※				416, 417, 418	5.3 Service Experience	44

Parties impacted (V – direct impact; O – prompt impact; ※ business relations)

Materiality Issues	ESG category	Reason	Internal				External						GRI	Chapter	Page	
			CDF	KGI Bank	KGI Securities	CDIB Capital Group	Government and competent authorities	Shareholders and Investors	Clients	Media	Suppliers	Social groups and community residents				Investors
16 Service Quality	S	Improving service quality and customer satisfaction can create customer loyalty		V	V				V				V	416, 417, 418	5.3 Service Experience	44
17 Employee Diversity and Labor Rights	S	Taking into consideration of diversification and rights/ benefits of employees can improve employees' cohesiveness	V	V	V	V	V					※		102, 401, 405, 406, 407, 408, 409	6.1 Workplace Diversity 6.2 Employee Wellbeing	55 59
18 Customer Grievance Mechanisms	S	Customer complaints mechanism provides instant and effective customer feedback		V	V				V				V	418	5.3 Service Experience	44
19 Labor Relations	S	Fostering a harmonious workplace and working conditions will boost work efficiency	V	V	V	V	O							402	6.1 Workplace Diversity 6.2 Employee Wellbeing	55 59
20 Employee Benefits	S	The employee welfare and remuneration system will affect the enterprises to attract outstanding talents and create market competitiveness	V	V	V	V	O							401, 405	6.2.1 Employee Benefit and Retention	59
21 Career Development and Training	S	Assist employees in building career development and training programs that help increase employee loyalty and create a win-win situation for employees and the Company	V	V	V	V								404	6.3 Career Development	63
22 Inclusive Finance	S	Launching inclusive financial products and services to implementing corporate social responsibilities		V	V		O		O			V	O	-	5.2 Sustainable Partnerships	41

Parties impacted (V – direct impact; O – prompt impact; ※ business relations)

Materiality Issues	ESG category	Reason	Internal				External						GRI	Chapter	Page	
			CDF	KGI Bank	KGI Securities	CDIB Capital Group	Government and competent authorities	Shareholders and investors	Clients	Media	Suppliers	Social groups and community residents				Investors
23 Safe Workplace	S	Safe workplace and barrier-free facilities can prevent dangers and accidents	V	V	V	V	O		V		※	V		416	5.3 Service Experience	44
24 Employee Evaluation Mechanism	S	Performance evaluation mechanism will stimulate employee potentials	V	V	V	V								404	6.3 Career Development	63
25 Community Care	S	Highlighting community care and interaction helps boost corporate image	V	V	V	V						V		203	5.2 Sustainable Partnerships 8 Share Sustainable Value	41 78
26 Social Engagement	S	Social engagement activities can boost corporate recognition	V	V	V	V						V		203	4.4 Public Engagement 8.2 Community Investments	33 83
27 Climate Change Measure	E	Establishing climate change measures to prevent potential risks and discover new opportunities	V	V	V	V	O	O	O		※	O	O	102, 201, 203	3.1.3 Risks and Opportunities 5.1 Investment Momentum 5.2 Sustainable Partnerships 7 Foster Sustainable Environment	8 37 41 66
28 Energy Management	E	Establishing energy management measures can reduce impact and capture potential opportunities	V	V	V	V	O				※	O		305, 302	7.1 Greenhouse Gases & Energy Management	69
29 Green Purchasing	E	Promoting green procurement to improve environmental sustainability	V	V	V	V	O				※			204, 308	7.3 Responsible Procurement	75
30 Water Conservation and Waste Reduction	E	Implementing energy-saving, carbon-cutting measures to reduce the impact on environment and fulfill corporate social responsibilities	V	V	V	V	O				※	O		303, 306	7.2 Resource Management	72

Parties impacted (V – direct impact; O – prompt impact; ※ business relations)



4 Facilitate Sustainable Governance



Top 5%
Corporate Governance Evaluation



1st
Global Emerging Risk Report

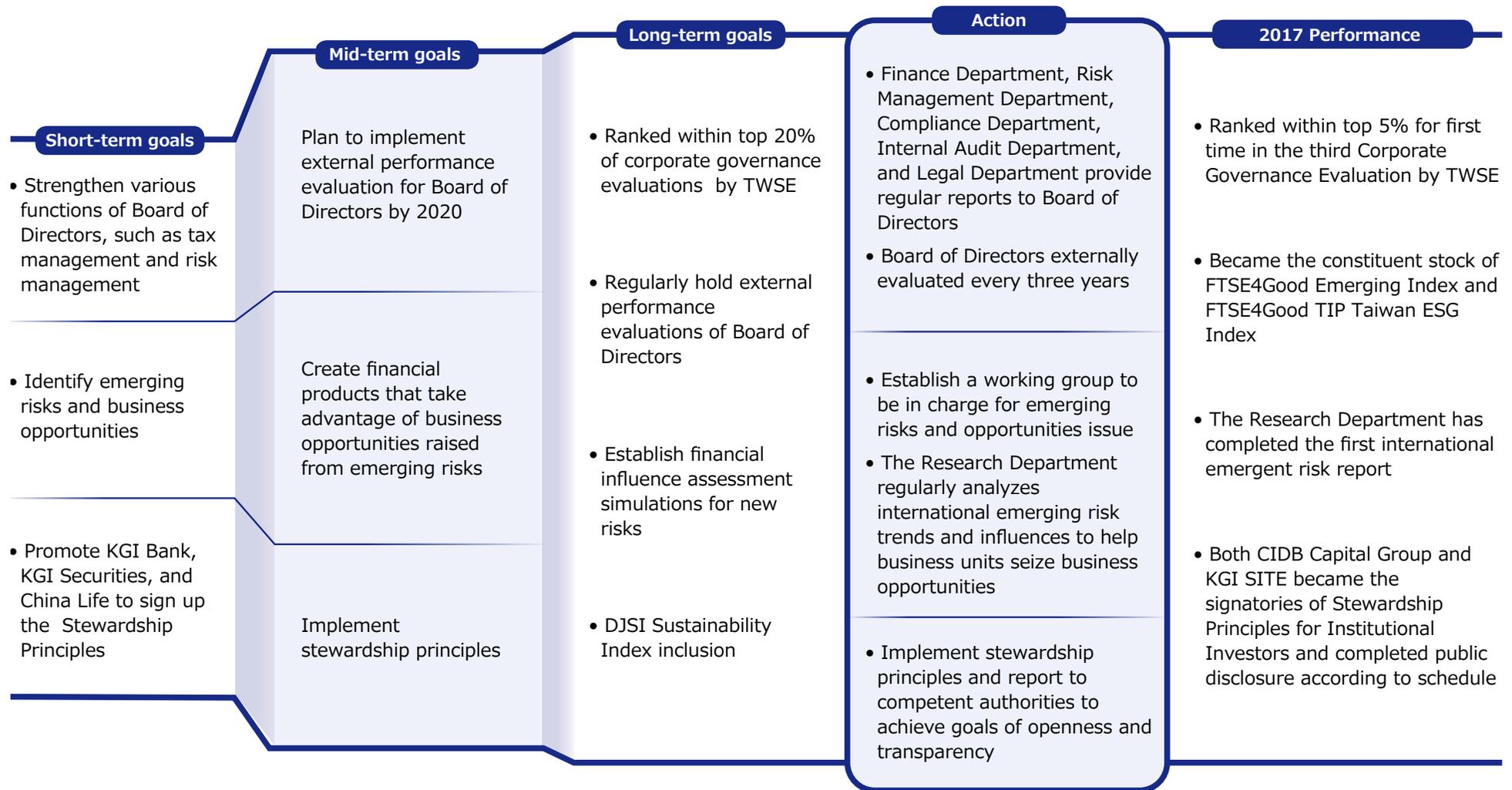


FTSE4Good
Inclusion in
FTSE4Good Emerging Index
& **FTSE4Good TIP Taiwan ESG Index**



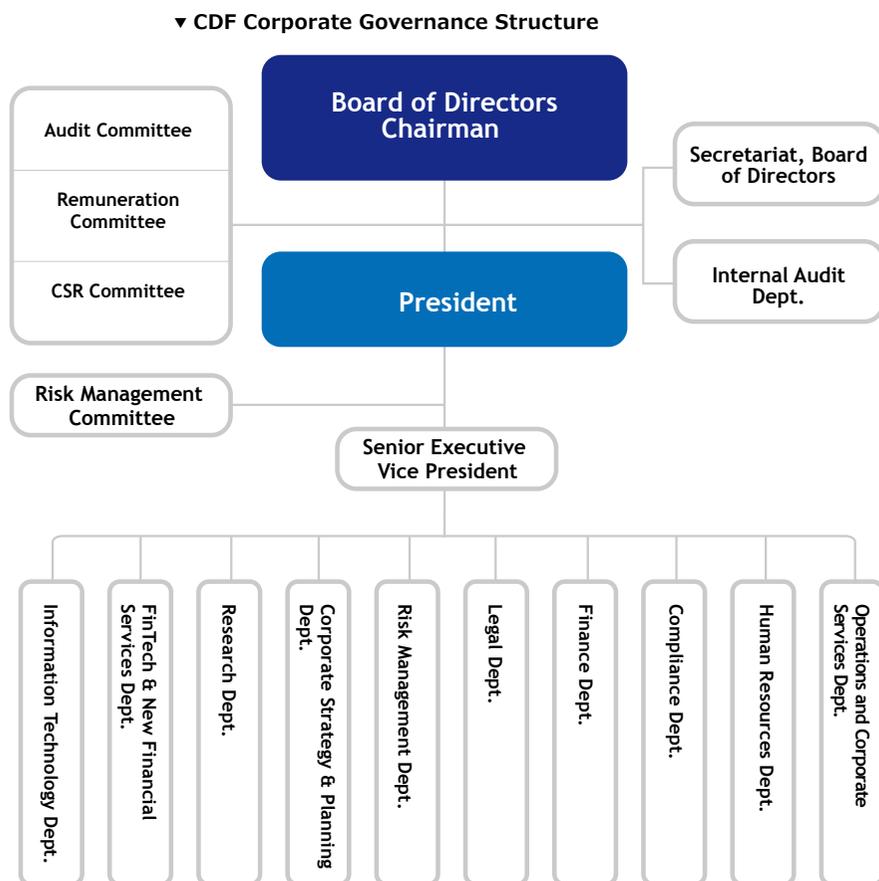
CDIB Capital Group & KGI SITE
Stewardship Principles
Signatories

4 Facilitate Sustainable Governance



4.1 Governance Framework 102-18 102-19 102-26

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. Members of the Audit and Remuneration Committees consist of all three independent directors. The CSR Committee is made up of the Company's chairman, president, and independent director, as well as the chairman and outside directors of direct subsidiaries, and members appointed by the Board to effectively implement independent supervision to facilitate sound management and Board operation.



Board of Directors - Members, Independence, and Diversity 102-22 102-23 405-1

CDF's Board election, comply with the Article 16 of the Articles of Incorporation, is adopting a nomination system. Moreover, in order to enhance the diversity of the Board, the company's Corporate Governance Best-Practice Principles has established clear guidelines in the selection of Board members: in addition to operations, business models and development needs, the Board should include diversity standards in the following two aspects:

Basic profile and value	Professional knowledge and skills
Gender, age, nationality and culture	Professional background, skill sets or industry experience

The Company's directors serve a term of 3 years and the 6th-term Board, with a total of 9 members, began on May 16, 2016 and will end May 15, 2019. There are 3 independent directors, making up 33% of the Board. One of the 9 Board members is a foreign national. Average age of the Board is 63 years and average tenure of eight years. Board members come from a diversified background, including financial, industrial, and academic sectors, and have abundant experience in operations and management, as well as ample professional knowledge, skill, and accomplishments. All 3 independent directors are independent individuals with outstanding professional backgrounds.

Matrix %	
Corporate Governance 100	Business & Marketing Leadership 67
Execution & Strategic Planning 100	Human Resources 67
Investment 100	Commercial Banking 56
Financial Services 89	Government & Public Policy 33
International Experience 89	Information Technology 33
Risk Management 78	Securities/ Insurance 33

Summary of Director Qualifications and Skill Matrix 102-22 102-23

Date : March 31, 2018

Title	Name	Executive Director	Independent Director	Gender		Age		Tenure (years)				Skill	Committee			
				M	F	40- 60	61 and above	0-4	5-7	8-11	12-14		Audit	Remuneration	CSR	
Chairman	Chia-Juch Chang			V			V				V	        				•
Managing Director	Long-I Liao			V			V				V	        				
Managing Director	Ching-Yen Tsay		V	V			V				V	         	•	•	•	
Director	Alan Wang	V		V			V	V				          				•
Director	Paul Yang			V			V				V	         				
Director	How Yong Lee			V			V			V		       				
Director	Shing-Shiang Ou			V			V				V	      				
Independent Director	Gilbert Bao		V	V			V				V	      	•	•		
Independent Director	Hsiou-Wei Lin		V	V			V				V	      	•	•		

 Execution & Strategic Planning

 Government & Public Policy

 Corporate Governance

 Investment

 Business & Marketing Leadership

 Human Resources

 Risk Management

 Financial Services

 Securities/ Insurance

 Commercial Banking

 Information Technology

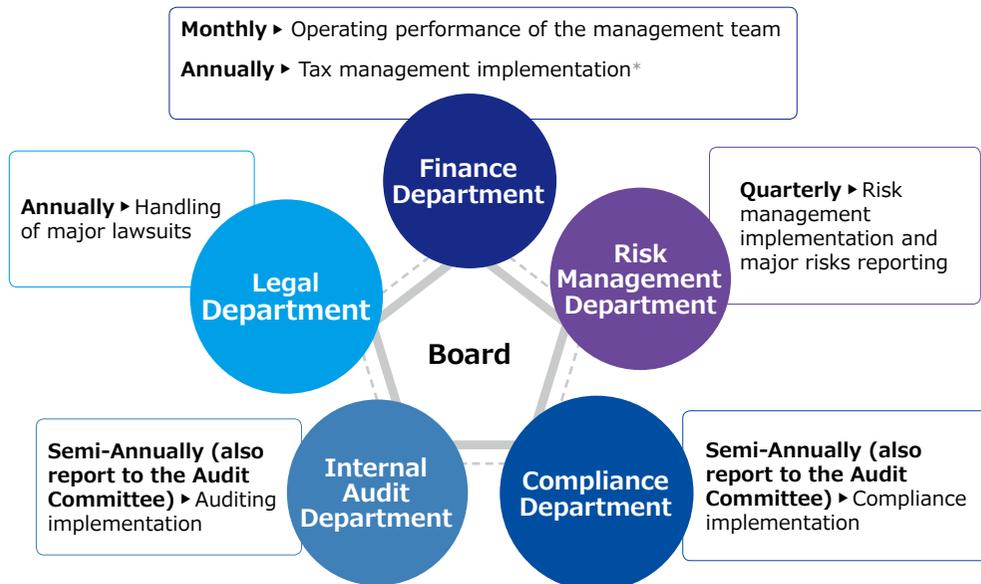
 International Experience

Board Operation 102-24 102-25

The Board of Directors convenes regular monthly meetings and ad-hoc meetings in emergencies. A total of 16 meetings were convened in 2017, with an average attendance rate of 87% for personal attendance by directors (100% 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 items to be discussed at Board meetings. In the event of an agenda item representing a conflict of interest for a director of 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. Please refer to 2017 AGM Report for detail.

▼ Board's supervision over company's operation:



*Note: To strengthen the tax regulation compliance, the 6th Board of Directors has passed the new Tax Governance Policy on the 31st meeting on March 26, 2018. The policy set clear guidelines for tax governance principles, tax governance authority, and the basis for supervision of the taxation of subsidiaries.

2017 Major Resolutions:

- Resolution for amendments of major charters: Article of Incorporation, The Procedures for Acquisition or Disposal of Assets, and Code of Ethical Conduct;
- Resolution for assigning or reassigning directors/supervisors for subsidiaries;
- Resolution for lifting the non-competition restrictions on directors;
- Resolution for issuing unsecured corporate bonds;
- Resolution for 2016 annual financial statements, earnings distribution, employee and director remuneration, as well as the 2017 budget report;
- Resolution for reinvestment plan through a tender offer to purchase 880 mn outstanding shares of China Life
- Resolution for directors' liability insurance for 2017;
- Resolution for appointing the Company's CEO

Note: For Board meeting details, please refer to the "2017 CDF AGM Report"

Improve Board Functionality 102-27

To strengthen the professional functions of the Board, CDF periodically provides information on related continuing education course to directors and helps them register for course. In 2017, CDF's directors have attended various courses of finance, risk management, operations, business, accounting, compliance, anti-money laundering and countering the financing of terrorism and CSR which organized by the Taiwan Corporate Governance Association, the Chinese National Association of Industry and Commerce, the Securities and Futures Institute, Taipei Foundation of Finance, Taiwan Insurance Institute, and Taiwan Academy of Banking and Finance. In 2017, CDF's directors have logged a total of 69 hours in continuing education and met the 6 hours per year requirement by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."

Board Performance Evaluation 102-28

For effective corporate governance and Board functionality, CDF has established the "Board of Directors Performance Evaluation Guidelines" which requires the internal performance evaluation of the Board for the current year shall be completed by the end of the year. The evaluation methods include the Internal Evaluation of the Board and the individual Board Director self-assessment.

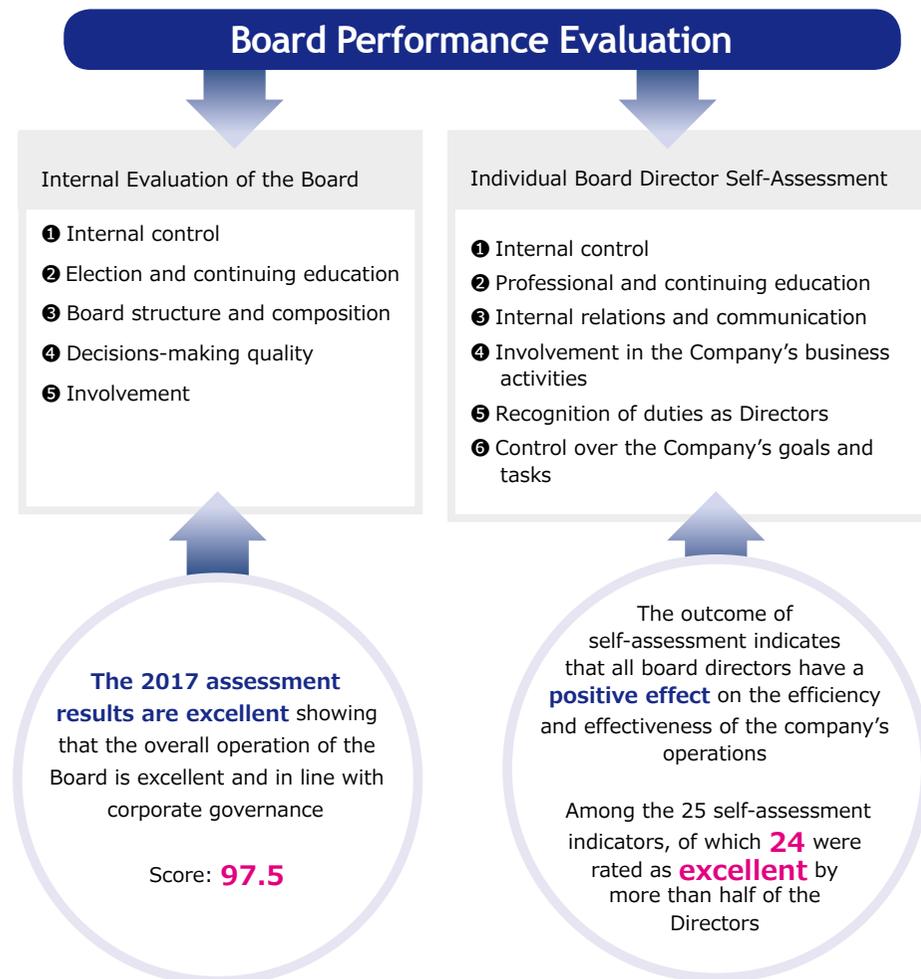
The results of the 2017 annual Board of Directors internal evaluation were reported at the 29th meeting of the 6th Board of Directors on January 30, 2018, and disclosed on the company website (<http://www.cdibh.com/enhtml/download/1730>) as well as at the "2017 AGM Report".



Board of Directors Performance Evaluation Guidelines



2017 AGM Report



Moreover, in order to continue strengthening the company's corporate governance, the 29th meeting of the sixth Board of Directors passed an amendment of the Board Performance Evaluation Guidelines on 30 January, 2018, in which it added external evaluations to the company's Board of Directors, setting guidelines that the company must enlist external professional independent agencies or external experts and scholars to conduct evaluations at least once every three years. The company plans to appoint external evaluation agency to conduct the performance evaluation of the Board of Directors in 2020. Keeping abreast of the trend for companies to put more emphasis on ESG, CDF will review the evaluation criteria, adding issues emphasized by the annual corporate governance evaluation by TWSE (Taiwan Stock Exchange) or international ESG ratings, if appropriate.

Functional Committees 102-20

The company has established three functional committees under its Board of Directors: the Audit Committee, Remuneration Committee, and CSR Committee. For an overview of the responsibility and operations of these committees, please refer to the 2017 AGM Report.

	Audit Committee	Remuneration Committee	CSR Committee
Committee Members (Note)	3	3	9
Percentage of independent directors of the company or subsidiaries (%)	100	100	33
Meetings held in 2017	13	10	3
Attendance rate (in person) (%)	87	87	88
Attendance rate (including attendance by proxy) (%)	97	100	100

*Note: As of March 31, 2018

Remuneration Policy 102-35102-36102-37

To safeguard shareholders' rights and interests, the Remuneration Committee was composed of three independent directors and convenes meetings at least twice a year. In addition to assist the Board of Directors in reviewing and supervising the company's remuneration policy, the Remuneration Committee also evaluates and approves the remuneration package of the Board Directors and managers.

1. Remuneration Policy for Directors and Executives

- Reference to domestic and foreign peers
- Consideration of the individual performance and the Company’s operating performance (including financial indicators such as ROE; and non-financial indicators such as risk management, ESG performance, etc.) and classify them into fixed salary and variable bonus.
- Evaluate the achievement of goals, including the Company’s short - and long-term goals

2. Procedure of Remuneration

- Complying with the “Remuneration Committee Charter of China Development Financial Holding Corporation”
- Establishing and periodically reviewing the policy, system, standards and structure of the performance evaluation and remuneration of Board Directors (including the chairman and vice chairman) and the managers
- Periodically assessing and setting the remuneration contents and structure of Board Directors (including the chairman and vice chairman) and the managers
- Approving on matters authorized by the Board

3. Remuneration of managers at CDF includes a regular salary and a variable bonus, the latter of which is decided in accordance with the performance of the Company as well as the performance of the individual. Managerial performance is related to both financial indicators as well as to the establishment, evaluation, and review of the Company’s environmental, social, and governance (ESG) goals; the basis of evaluation is the

performance evaluation of the manager in the three aspects of ESG. Variable bonuses include long-term bonuses, which are given in the form of deferred bonuses or employee stock options (with the maximum 7-year of vesting period); deferred bonuses include deferred cash plans and employee stock ownership trust plans. Such bonuses link the remuneration of the managers to the stock price of the Company, so that the managers have an interest in maintaining the long-term performance of the Company; in effect, this is beneficial to the Company, its employees, and its shareholders.

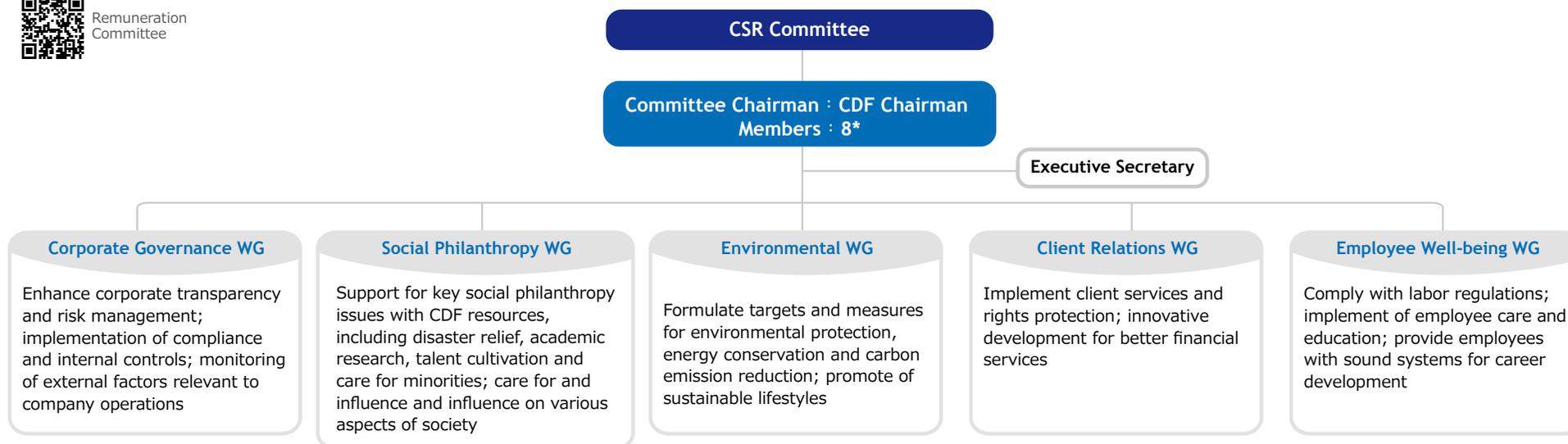
Organizational Chart of the CDF CSR Committee

102-21 102-31 102-32 103-3

The Company adopts business policies that focus on achieving “active participation of public affairs, balance between economic, social, environmental development, and business sustainability through corporate social responsibilities”. The CSR Committee under the Board was therefore established with five working groups (WGs): Corporate Governance WG, Social Philanthropy WG, Environmental WG, Client Relations WG, and Employee Well-Being WG. These 5 working groups are responsible for planning and executing the Company’s ESG plan. When formulating ESG-related projects, the working groups will gather opinions from internal and external stakeholders through the “Stakeholder Survey Form” to identify major ESG issues and serve as the basis for the annual implementation plan. The CSR Committee periodically reports to the Board of Directors on the implementation status of each WG.



Remuneration Committee



*Note: As of March 31, 2018

4.2 Ethical Corporate Management

102-17 205-2 205-3 415-1

In order to establish a trustworthy corporate culture and robust development, CDF established the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct", which urge all employees of the Company and subsidiaries to conduct business in a fair and transparent manner and prohibit them from directly or indirectly offering, accepting, promising, or requesting any improper benefit, or engaging in unethical acts including breach of ethics, illegal acts or breach of fiduciary duties. CDF complies with the principles for ethical management to promote corporate social responsibilities. A promotional online course is also available for all employees to obey the principles.

There were no breaches of trust (business ethics, corruption, bribery) at the Company or its subsidiaries in 2017.

Also, according to the "Ethical Corporate Management Best Practice Principles", all donations, gifts, or sponsorships provided by the Company must follow relevant laws and internal operational procedures; such items may not be exchanged for commercial benefits or trading advantages. The group did not make any financial contributions to political parties, think tanks, political advocacy groups, or advocacy movements in 2017.



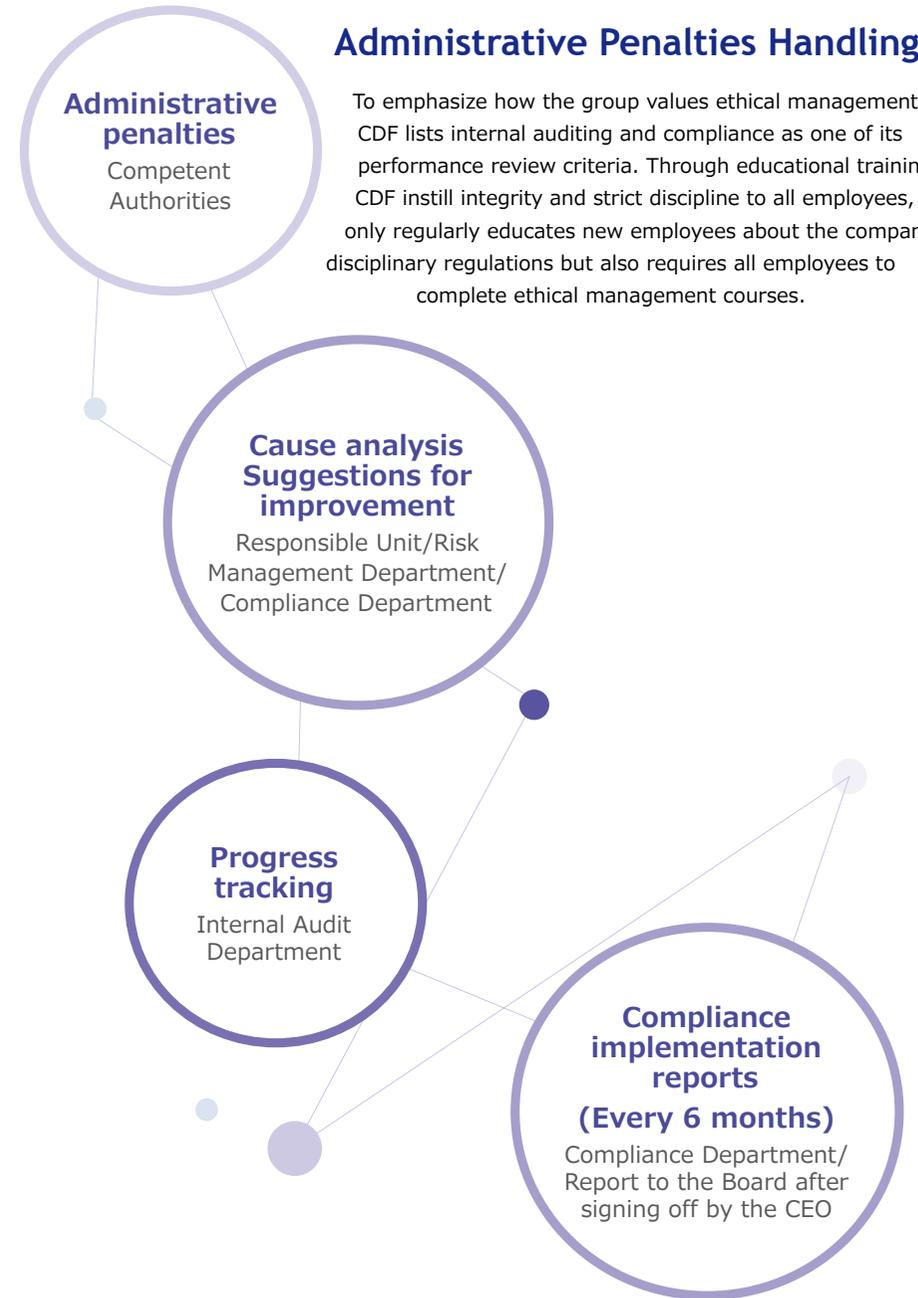
Ethical Corporate Management Best Practice Principles



Code of Ethical Conduct

Implementation of Ethical Corporate Management

Besides "Ethical Corporate Management Best Practice Principles" and "Code of Conduct" the Company has established the "Code of Conduct for Employees" and "Code of Conduct for Subsidiaries' Insiders" to specifically prohibit unethical conduct and interests. The Human Resources Department is in charge of ethical corporate management and together with the five CSR Committee working groups, periodically reports the implementation to the Board of Directors. Moreover, the auditors regularly check the status of compliance and make report to the Board on the main missing and suggestions for improvement.



Administrative Penalties Handling

To emphasize how the group values ethical management, CDF lists internal auditing and compliance as one of its performance review criteria. Through educational training, CDF instill integrity and strict discipline to all employees, not only regularly educates new employees about the company's disciplinary regulations but also requires all employees to complete ethical management courses.

Course	Course hours	Participants
The Red Line of Insider Trading	3	137
Analysis of False Corporate Financial Statements and the Criminal Legal Risks of Supervisor and Managers	3	28
Unconventional Transactions and Special Breaches of Trust	3	25
Insider Trading	3	26

Online course	Course hours	Participants
2016 Corporate Integrity Management Online Course and 2017 Supplemental Material to Ethical Corporate Management Best Practice Principles	0.5	6,054
Completion rate	100%	

Due to the group's proactive management, the company and its subsidiaries received no major penalties from competent authorities in 2017 (penalties as defined by Article 2 of the Financial Supervisory Commission Public Disclosure Regulations for Penalties Regarding Violations of Major Financial Sanctions).

Anti-Money Laundering and Countering the Financing of Terrorism

To strengthen anti-money laundering and countering the financing of terrorism mechanisms, CDF established the Anti-Money Laundering and Counter Terrorism Financing Guidelines and establish a group-wide plan for prevention. The guidelines apply to CDF and all its financial institution subsidiaries as defined by Article 5 of the Money Laundering Control Act. It dictates that each subsidiary should follow relevant laws and regulations, announcements from affiliated trade associations, and the content of this policy to establish anti-money laundering

and counter-terrorism financing regulations based on the nature of individual businesses, transaction types, transaction complexity, and the level of risk involved in money laundering. They should also actively cooperate with the policies of competent authorities to stop the flow of illegal funds. KGI Bank has set up a special unit and a relevant system to monitor any illegal acts.

Moreover, the Company and its subsidiaries organize training sessions on prevention of money laundering each year for employees to continue to learn, increase awareness, and respond to the ever-changing environment.

▼ Courses organized in 2017 are as follows:

Course	Course hours	Participants
Analysis of New Anti-Money Laundering and Counter-Terrorism Financing Laws	2	57
Anti-Money Laundering Laws	3	16
Money Laundering Patterns and Cases	3	33
Forum on Anti-Money Laundering and the Securities Exchange Act	2.5	34

Online course	Course hours	Participants
Money Laundering Prevention Act online courses (includes such courses as the Money Laundering Prevention Act, Anti-Money Laundering Regulations and Case Studies...)	1.5	5,890

Communication Channel

According to CDF's "Ethical Corporate Management Best Practice Principles", staff shall report unethical conduct to the Audit Committee, managers, internal audit managers, or other appropriate internal officers. CDF also established the "Whistleblowing Policy and Procedures for Illegal and Unethical Matters", and authorized the Compliance Department to handle all

compliant cases through written, email, telephone and other access. All reporters' identity and content of the report shall keep confidential while progressively investigating the case.

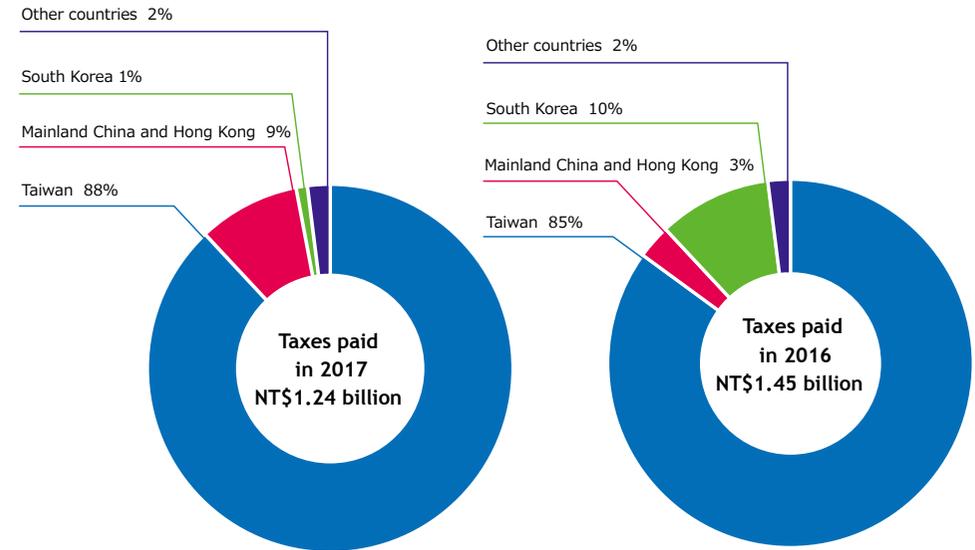
In 2017, the Company and its subsidiaries did not receive any reports of unethical acts (business ethics, corruption, bribery) or major penalties from competent authorities.

Tax Governance Policies and Practices

CDF maintains its goal of fulfilling its corporate responsibilities, achieving sustainable development, and practicing tax governance:

- Comply with tax regulations, properly handle taxation and tax reports, and fulfill social responsibilities as taxpayers.
- Perform taxation assessment before conducting business in order to manage operations in the most tax-efficient manner and bear the most suitable tax burden.
- Conduct tax risk and impact assessments before executing major transactions and decisions in order to effectively manage and control tax risks.
- Maintain an appropriate relationship with the tax authorities with honesty and openness to communicate and dispel doubt on important tax issues in a timely manner.
- Follow regulations such as financial statement guidelines and annual reporting disclosures to increase the transparency of tax information.
- Strengthen knowledge in taxation and keep up to date with new regulations and educational training.

In order to fulfill the Board of Directors' responsibility in supervising tax management, the Finance Department is required to submit annual tax management reports to the Board of Directors. In 2017, the amount of taxes paid by CDF worldwide (including primarily business income tax, business tax, and stamp tax) was NT\$1.24 billion, 88% of which was paid to Taiwan since CDF's main location of operation is Taiwan. The tax payment situation for the last two years is shown below:



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 :

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

4.3 Risk Management

102-11 102-15 102-29 102-30

4.3.1 Management System

Scope of Risk Management

The scope of the Company's risk management includes KGI Bank, KGI Securities, CDIB Capital Group and China Life Insurance. 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.

Risk Management 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 (convent quarterly meeting) 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:



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. Please refer to 2017 AGM Report for details of risk management. For sustainability and emerging risks, CDF has assigned Research Department to regularly analysis of international emerging risk trends and impacts to identify higher-risk industries and countries. Moreover, we also convene regular brainstorming meetings with business units to discuss opportunities and commodities derived from emerging risks. Please refer to Chapter 3.1.3 Risk & Opportunity for details.

Report System 102-33 102-34

The Company complies and monitors critical information related to risks from subsidiaries and quarterly 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, or major risk events in line with the company's specifications, the Company shall retain control of related information to respond to actual risks and provide effective monitoring and response measures.

Major risks specified by the Company are categorized as business or operational/internal controls, including penalty or corrections from competent authorities. In 2017, the Risk Management Committee reported 21 cases that qualified as major risk incidents and reported these to the Board of Directors for reviewing. Of the 21 cases, 9 were business cases or cases where investment, credit, or financial transactions resulted in potential business loss. Relevant business units are in charge of follow up actions. The rest 12 cases concerned operational/internal control missteps; corrective measures have been formulated by relevant departments.

4.3.2 Compliance 102-16

CDF believes that a good culture of legal compliance is the only way to strengthen corporate governance. Therefore, we established the Compliance Department in accordance with the compliance policy to be responsible for the Company's 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.

Since 2017, to ensure employees who conducting compliance tasks have a clearer and in-depth understanding of their responsibilities to meet the standards set by the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, the Compliance Department executives, management trainees and employees are required to attend the compliance regulator pre-employment workshop organized by the Academy of Banking and Finance. A total of 173 employees attended the workshop in 2017. Moreover, to fully educate employees about the regulations and relevant policies, and raise the overall understanding of regulations, the company not only organized ethical corporate management and anti-money laundering courses, but also held the following courses on regulations in 2017:

Course	Course hours	No. of participants
Digital Finance Regulations Seminar	2	121
The Limited Partnership Act Seminar	3	46
Introduction and Ombudsman Cases of the Financial Consumer Protection Act	2	60
Personal Information Protection Act Seminar	2	49
Material Information Reporting Practices	2	68

To ensure the full implementation of the compliance system, CDF conducts annual evaluations on the compliance system of each department. The evaluation results provide an important reference for the annual performance evaluation of each department and the Company's Statement of Internal Control. Such efforts show how the Company's promotion on compliance operations has taken effect. In 2017, none of the Company's units were penalized by the competent authorities.

4.3.3 Internal Audit

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.

All internal control and legal compliance tasks have been effectively implemented in 2017. No major deficiencies have been found for CDF and its subsidiaries, and all deficiencies have been tracked to ensure improvement (Please refer to 2017 AGM Report "Plan for improving internal controls" section for details).

4.4 Public Engagement 102-12 102-13

To promote social integration and help the government advance domestic financial, monetary and business regulations, CDF has actively participated in a total of 54 organizations and associations, such as the Bankers Association, Taiwan Securities Association, Trust Association, and Chinese National Futures Association. In addition to maintaining good relations with the industry, through public engagement, CDF also keeps abreast of industrial development, changing regulations, as well as staying up to date on corporate governance issues and to reach its goal of corporate sustainability.

The group takes part in organizations that have an active voice and influence over government policies, investing a total of NT\$ **7,883,038** (including membership and sponsorship fees)

International Economics and Trade Matters

The group provides active assistance in the government's efforts to promote international economics and trade partnerships, 2017 investing a total of NT\$ **801,000** (including membership and sponsorship fees)

Name of Association	Represent Person / Position	Membership/Sponsorship Fees (NTD)
Chinese National Association of Industry and Commerce	KGI Bank Chairman Mark Wei / Supervisor	Total \$350,000 ; Membership \$50,000, Sponsorship \$300,000
Taiwan-ASEAN Business Council	KGI Bank Chairman Mark Wei / Vice Chairman	Membership \$150,000
Cross-Strait CEO Summit	Member	Membership \$100,000
ROC-USA Business Council	Member	Total membership \$60,000 ; CDF and KGI Securities \$30,000 each
Chinese International Economic Cooperation Association	CDF Chairman Chia-Juch Chang / Executive Director	Membership \$50,000

Business Association

The group actively participates in business associations to share the latest international financial information with peers and promote the financial industry. It has invested a total of NT\$ **7,042,936** (including membership and sponsorship fees). The group mainly donates to and takes up major roles in the follow five major associations:

Name of Association	Entity / Position	Membership/Sponsorship Fees (NTD)
Bankers Association of the ROC	CDF & KGI Bank / Director	Total membership \$2,761,265; KGI Bank \$2,691,000 and CDIB Capital Group \$70,265
Trust Association of ROC	KGI Bank / Supervisor	Total membership NT\$1,048,670 ; KGI Bank \$586,519 and KGI Securities \$462,151
Securities Investment Trust & Consulting Association of the ROC	KGI SITE / Director	Total membership \$540,000 ; KGI Bank \$80,000, KGI Futures \$80,000, KGI Securities Investment Advisory \$140,000 and KGI SITE \$240,000
Monte Jade Science & Technology Association of Taiwan	CDIB Capital Group / Director	Total \$480,000 ; Membership \$20,000, Sponsorship \$460,000
China Venture Capital and Private Equity Association	CDF / Director	Membership \$457,890 (RMB 100,000)

Others

■ Taiwan Corporate Governance Association

In order to actively follow the company's principles of fulfilling Corporate Social Responsibility, CDF also active participates in the Taiwan Corporate Governance Association (membership fee NT\$10,000)

■ The Carbon Disclosure Project Initiative

CDF cares about the impact and opportunities that result from climate change. Beginning in 2016 and continuing over two years, it signed up to support the international non-profit organization Carbon Disclosure Project (CDP) and the its climate change project, and put emphasis on assessing the real value of natural resources, all with the aim of promoting the world's gradual progress towards sustainable development. 2017 membership fee paid US\$975 (NT\$29,102)



■ Stewardship Principles for Institutional Investors

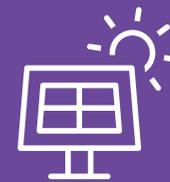
CDF's subsidiaries CDIB Capital Group and KGI Securities Investment Trust Co. Ltd. have both became signatories to the "Stewardship Principles for Institutional Investors" of the TWSE.

■ United Nations Sustainable Development Goals

CDF follows the spirit of **the UN Sustainable Development Goals (SDGs)** and the UN Global Compact. We plan short-, medium-, and long-term strategies plan according to the international development trends and corporate social responsibilities in order to achieve sustainable development.



5 Drive Sustainable Finances



19%
Green Investment Ratio



Loans for Startups and Cultural & Creative Industries
NT\$90.5 bn & NT\$3.46 bn



Led **All 3** Taiwan
Green Corporate Bonds
NT\$14.1 bn



50%
Approval Ratio
442 applications approved
Taxi Driver Loan Project

5 Drive Sustainable Finances

	Subsidiary	Project	2017 Performance	2018 Goal
	Promote green finance			
	CDIB Capital Group	Increase green energy investment portfolio	<ul style="list-style-type: none"> • CDF's investment in green energy-related industries amounted to NT\$4 bn as of Dec. 31, 2017. The proportion of green energy-related investments has increased from 13.7% in 2016 to 19% in 2017 	<ul style="list-style-type: none"> • To sustain the weighting of green energy portfolio in overall investment balance at 19% by end-2018; mid-term objective (2019-2020) is to maintain the weighting at 15%
	KGI Bank	Increase green energy loan portfolio	<ul style="list-style-type: none"> • Recipients of green energy credits: 53 accounts (2016: 47 accounts) • Green energy loan balance: NT\$8.35 bn (2016: NT\$7.95 bn) 	<ul style="list-style-type: none"> • To approve green energy credits to at least 55 recipients, for a sum of NT\$11.5bn
	Offer products dedicated to sustainability			
	KGI Securities	Lead green IPOs and SPOs	<ul style="list-style-type: none"> • Led a total of five ESG-related IPO and SPO projects for a total underwriting value of NT\$2.76 bn; led 3 green bonds issuance, raising a total NT\$14.1 bn 	<ul style="list-style-type: none"> • Equity – Engage in 3 ESG-related IPOs and SPOs investment projects • Bonds –Engage in 3 green bond offering projects
	Assist social enterprises development			
	KGI Bank	Combine core competence of subsidiaries with business opportunities related to materiality issues e.g. aging population	<ul style="list-style-type: none"> • Provide "Protection-type Insurance" and "Micro Insurance" • Silver Age Fund • The Hospital and Long-term Care Industry Fund 	<ul style="list-style-type: none"> • Provide financial products to meet clients' needs
	Create jobs for young people			
	KGI Securities (KGI SITE)	Promote charitable trusts, assist disadvantaged groups and social enterprises	<ul style="list-style-type: none"> • Launched "Jumpstart Charitable Trusts" 	<ul style="list-style-type: none"> • Donations of NT\$200,000 to fund Jumpstart Charitable Trusts
	Financial inclusion			
	CDIB Capital Group	Cultivate startup companies	<ul style="list-style-type: none"> • CDIB Capital Innovation Accelerator has organized a total of 50 events in 2017 including 4 mentor speeches, one-day startup board meetings and other networking events with 1,480 participants • The Accelerator fund invested in 5 new startups in 2017 	<ul style="list-style-type: none"> • To continue organizing startup events to increase interaction advance exchange between entrepreneurs and enterprises; goal for 2018 is to host 50 events
	KGI Bank	Support new startups and SME development by offering guarantees and loans to small/micro businesses	<ul style="list-style-type: none"> • Through optimizing the application review process, approval of working capital loans have been accelerated in an effort to cultivate startups and cultural organizations • Total loans for key-industry startups and cultural & creative industries reached NT\$90.5 bn and NT\$3.46 bn respectively as of Dec. 31, 2017 	<ul style="list-style-type: none"> • To continue supporting the cause for building startups and the cultural and creative industry
	KGI Bank	Assist disadvantaged communities to get financial aid	<ul style="list-style-type: none"> • "Giving You A Hand " Revolving Loan Promotion Project* • Taxi Driver's Small Revolving Loan Project 	<ul style="list-style-type: none"> • 600 applications, 500 have been approved, for an 80% approval rate • 1,200 applications, 500 have been approved
		Offer attentive barrier-free financial services	<ul style="list-style-type: none"> • Accessible Online Finance: offer accessible and convenient financial services to disadvantaged groups such as the visually impaired, physically/mentally disabled, foreign spouses/children and seniors 	<ul style="list-style-type: none"> • Scheduled to launch an English version of online banking and RWD mobile barrier-free web pages in 2019

* The program took shape in 2017 and has been rolled out since 2018

The most direct and engaging way for CDF to advance corporate social responsibility is through its core business, namely responsible investment. We not only focus on the financial performance aspect of our investment portfolio, but rather, while in the pursuit of solid long-term returns, we also hope to create a meaningful impact on the society and investee companies from a broader perspective, by evaluating the ESG performance of the investment targets. In addition, in order to promote financial inclusion, we continue to pay close attention on climate change issues, promote actively for green finance, and care for social enterprises and underprivileged communities. 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. 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 Investment Momentum 203-1 203-2

5.1.1 Responsible Investment 412-3

The most important corporate social responsibility of a financial institution is to properly manage the funds that institutional investors entrust it with, and create a meaningful impact on the society and investee companies. This is why CDF emphasizes responsible investment. Our responsible investment strategy is all about minimizing negative impact to the environment and society, while providing quality products and services that are in line with the global trend of sustainability, and maximizing positive value that we can create with our investments. To comply with the UN's Principles for Responsible Investment (PRI), Sustainable Development Goals (SDGs) and Equator Principles (EPs), we design a series of investment and credit evaluation processes and guidelines, and follow through on ESG protocols as well as Stewardship Principles to influence and encourage enterprises to fulfill their fair share of CSR. Put simply, an investment portfolio built on PRI is not only potentially highly lucrative but also creates a triple-win situation for the good of the environment, the society, and corporate governance.

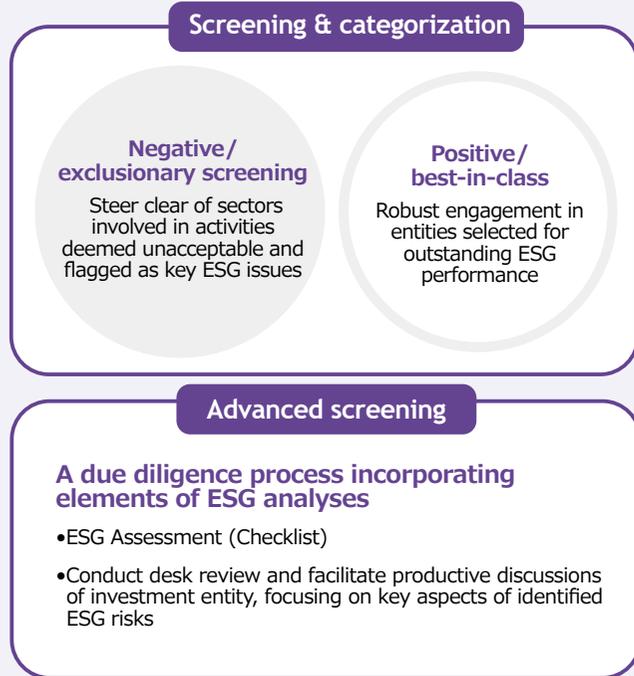
Exclusion List for Industries

1. CDIB Capital Group's investments steer clear of cases involving disputed or sensitive issues such as genetic modification, munitions, and animal experimentation. Additionally, to uphold responsible investment, CDIB Capital has drafted 11 assessment criteria based on 3 ESG dimensions, to thoroughly evaluate the investment target's sustainable industry development (steer clear of arms, sex, gambling and narcotics industries), human rights record (forced labor, child labor and labor dispute are flagged as key issues), environmental record (water pollution and carbon intensiveness) and corporate governance, among other key areas.
2. Underwriting projects declined by KGI Securities in 2017 citing ESG issues:

Screening Criteria	Exclusionary Screening Standard	No. Of Rejections
Sustainable Industry Development	<ul style="list-style-type: none"> Engagement in climate change or ozone depletion; gambling, genetic modification, nuclear power, sex, tobacco and arms industries 	3
Human Rights	<ul style="list-style-type: none"> Undergoing major labor disputes or strikes and ongoing negotiations Records of unfair dismissals without notice Adding screening guidelines for human rights through adopting the content and spirit of the International Bill of Human Rights and Articles 6, 7 and 8 of the International Covenant on Economic, Social and Cultural Rights 	0
Environment	<ul style="list-style-type: none"> Penalized for EPA compliance violations and currently unable to demonstrate mandatory compliance Kept on watch-list in case of indictment on pollution charges 	0
Governance	<ul style="list-style-type: none"> Involvement in past 6 months in tunneling, food safety scandal, insider and collusive trading, and other major misconduct 	1
Total		4

In the underwriting business, KGI Securities now fully operates in compliance with PRI, steering clear of projects flagged with sustainable industry development, human rights, environmental violation or governance dispute issues. In the rare events where KGI Securities had come in contact with a company at a time when the above deal-breaker issues had not yet been observed, a total of 4 submissions were eventually declined following preliminary review.

ESG Integration



Define risk level



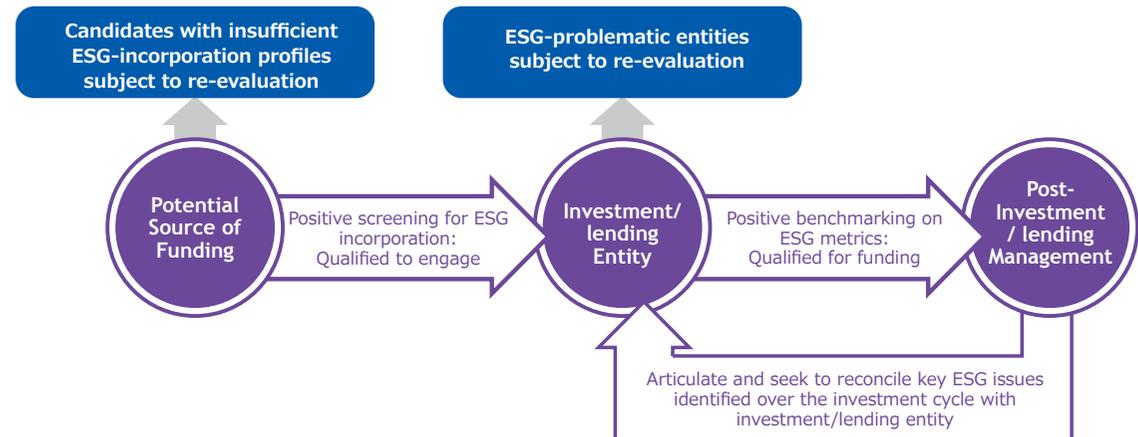
Selection

- ESG exclusion
- ESG screening conducted by deal team for each new investment / lending target
- ESG assessment will be conducted by ESG team when needed



ESG Assessment

In principle, KGI Bank will not grant loans to companies that do not comply with environmental protection guidelines, are undergoing employer-labor disputes, or are plagued with governance issues 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 will encourage and assist companies to strengthen their environmental protection measures and fulfill CSR responsibilities.

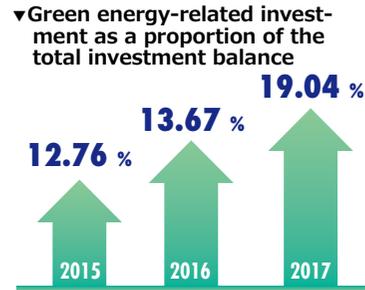


2017 Responsible Investment Performance

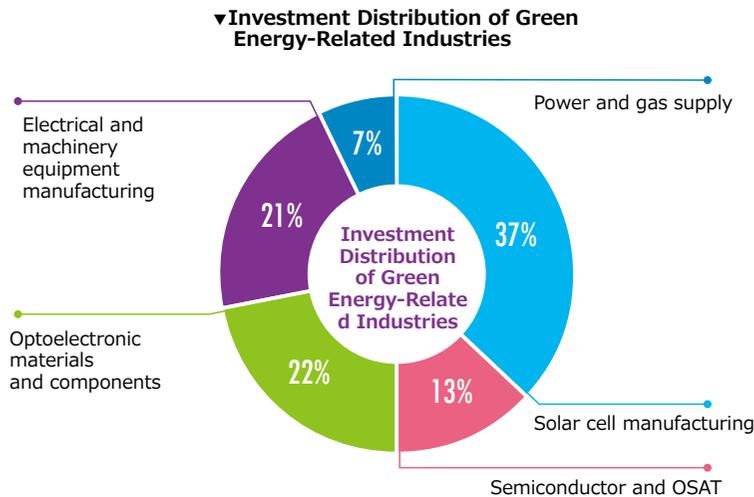
CDIB Capital Group's performance on Responsible Investment in 2017 in reference to three ESG dimensions:

1. Environment

The general public is increasingly concerned with economic activities and the associated risks on the environment and natural resources as global climate change intensifies, giving rise to the concept of a low-carbon economy, which is considered to play a key role in maximizing long-term economic growth. Meanwhile, green investment has also emerged as a popular theme. Therefore, CDIB Capital Group has been focused on green-energy related investment opportunities. The green energy related investment outstanding balance of CDIB Capital Group's Venture Capital Department was NT\$4 bn, which accounted 19% of total investment outstanding balance NT\$21.2 bn as Dec. 31, 2017.



2. Society



- In response to aging society: Fundraising for CDIB Capital Healthcare Fund

To meaningfully engage the global aging trend and reduce investment risks, CDIB Capital Group established CDIB Capital Healthcare Fund, focusing on fundraising for pharmaceutical companies and long-term care centers.

- Assist startups: Fundraising for innovative ventures and revving up the accelerator platform

In August, 2017, CDIB Capital Innovation Accelerator was established in Taipei's Nankang Software Park to offer a free and multifunctional space to hold startup and networking events and serve as a resource-integrated platform where investors and entrepreneurs can exchange ideas. As of 2017, CDIB Capital Innovation Fund has invested in 5 new startups in the IoT, mobile internet and e-commerce spaces. To address the needs of these funded startups, the platform has launched a mentoring program, which kicked off in 2017 with 4 mentor speech /one-day startup board meeting events, where startups and mentors can meet in person and try to address challenges head on. The accelerator organized a total of 50 workshop and other networking events in 2017, attended by 1,762 participants. The accelerator plans to host 50 lectures/workshops in 2018 to continue its support for local startups, with the goal of seeing Taiwan startups shine on the global stage through long-term enrichment and stewardship.

3. Governance

- Establish PRI working groups

All PE funds managed by CDIB Capital Group will establish respective PRI working groups in 2018 to conduct regular portfolio assessments on PRI compliance. The working groups will evaluate investment profiles based on the ESG checklist, and provide portfolio policy revisions on PRI-related topics.

- Stewardship Principles

The Company's subsidiaries CDIB Capital Group and KGI SITE have both signed the "Stewardship Principles for Institutional Investors" to follow its six principles, and periodically disclose compliance report on TWSE's and the Company's websites.

Long-Term Ventures

CDIB Capital Group strengthens its client relationships through an extensive network and long engagement in venture capital. As of end-2017, there were 239 portfolio companies with average outstanding investment periods of 5 years and 9 months.

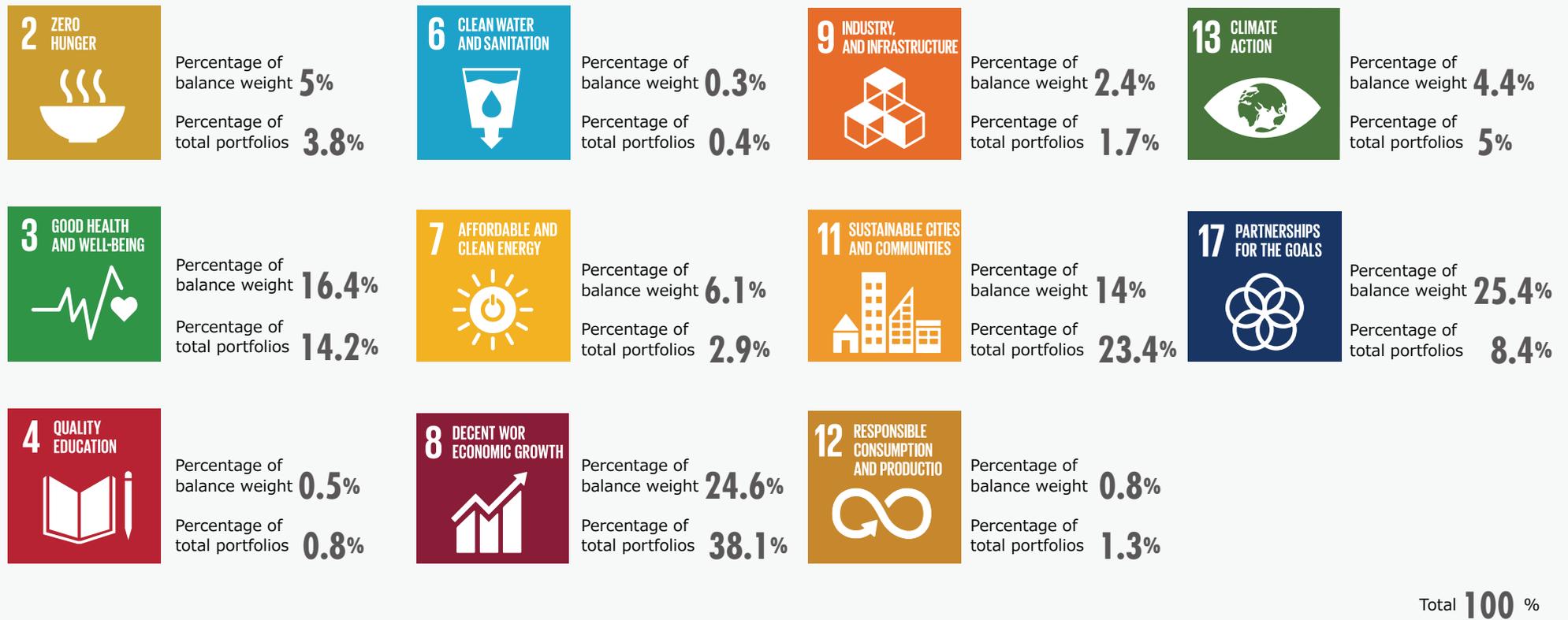
Regularly Monitor Investee Companies

We adhere to the "2-Year Follow-Up Plan" of Guidelines for Investee Management, by conducting a follow-up every 6 months. A follow-up form should also be filled out and submitted to the head of the investment unit. There were no ESG violations found among investees in 2017.

5.1.2 UN SDG-based Portfolio Performance

Sustainable development is a global mission of utmost urgency. The former Secretary-General of the United Nations Mr. Pan Ki-Mun once said: "Investors are key partners in the realization of sustainable development." To fulfill our Group's social responsibility as part of the capital supply chain, we not only look at the creation of shareholder equity in our portfolio assessment, but also strive to follow the UN Global Compact and support the cause of the 17 SDGs as the basis of our long-term development and goals.

▼ Breakdown of CDF's SDG Portfolio



Note: Including CDIB Capital Group venture capital department's principal investments and managed PE/VC funds

as of 2017.12.31

5.2 Sustainable Partnerships

5.2.1 Financial Inclusion : Products Related to Social Issues

We have long cared for the needs of disadvantaged groups and social enterprises. Through the core businesses of subsidiaries, we devote to provide sustainable financial assistance. In recent years, in combination with the opportunities raised from emerging risk, we have continued to develop various products and services related to social welfare in order to create maximum social benefits and give back to society.

KGI Bank

Product introduction and 2017 performance

1. **Protection-type insurance and micro insurance products** : In response to demographic problems such as aging society and low birth rates, since 2017, KGI Bank offers Disability Support Insurance and Long-term Care Insurance which provide long-term nursing care, and Lifetime Medical Insurance which provides medical care, are offered through its insurance platform; these policies help to satisfy the need for economic security and obtaining medical care during elder age. KGI Bank also continues to offer micro injury insurance product to ensure that disadvantaged groups can receive assistance and protection when needed.
2. **Charitable Trusts** : KGI Bank continues to provide professional financial services to ease the financial management burden for charities. In order to cultivate the skills needed in society to pursue careers and to nurture young and international talents, we helped to launch Jumpstart Charitable Trust Fund in 2017. As of the end of 2017, KGI Bank had acted as the trustee for 8 public-benefit trusts, totaling an entrusted amount of NT\$30mn.

3. Financial Inclusion Projects:

"Giving You A Hand " Revolving Personal Loan Promotion Project

This project targets low-income households, creative individuals who participating in the crowdfunding platforms, and individuals who own technical licenses issued by the Workforce Development Agency. By offering promotion loans to them, we live up to our promise to care for socially disadvantaged and assist promising young people to realize their dreams.

Taxi Driver's Small Revolving Loan Project

This dedicated small-scale revolving loan project is specially designed for taxi drivers who usually find difficult to apply for loans due to professional characteristics. Through big data analysis, we could analyze passenger trips and daily cash flow to take into account of risk control and practical operations at the same time. In 2017, nearly **900** people applied and **442** were successful.

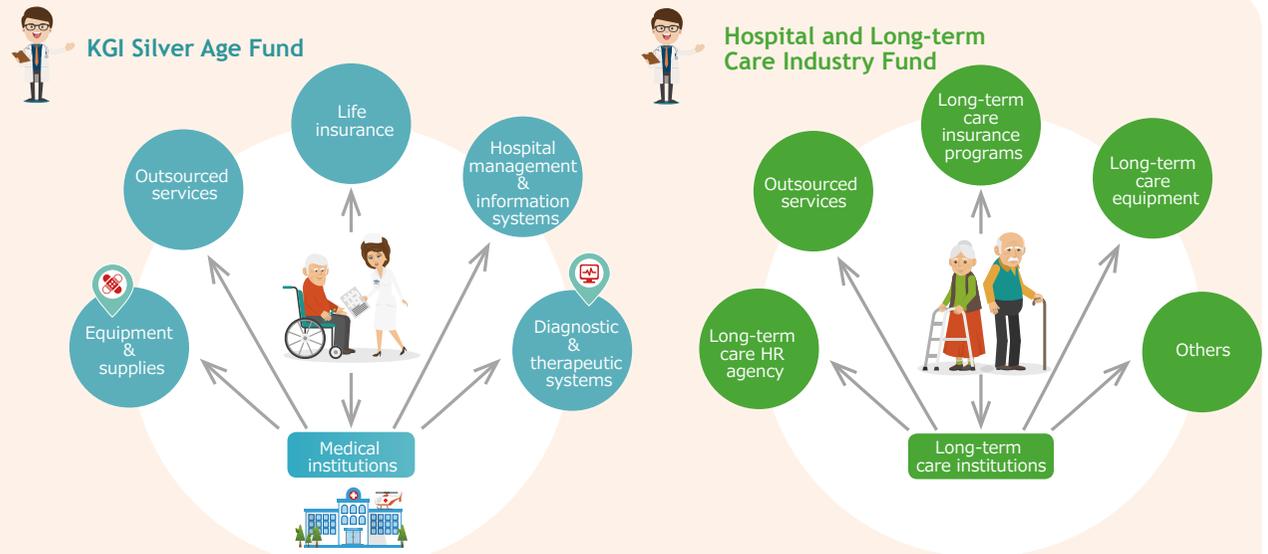
4. **Optimized loan reviewing process**: Cooperated with the Small and Medium Enterprise Guarantee Fund and through optimized reviewing process, we could greatly shorten the reviewing period and provided timely working capital to SMEs.

KGI Securities

Product introduction and 2017 performance

In 2016, KGI Securities' subsidiary KGI SITE had launched the **KGI Silver Age Fund**, which focused on investment opportunities related to our aging society.

In 2017, it launched the **Hospital and Long-term Care Industry Fund** which aims to stimulate the development of related industries and then enhance the quality of life and medical care for seniors. It's to echo the elevation of per-capita income in emerging economies as well as the long-term growth trend of medical bills worldwide.



5.2.2 Environmental Protection Related Products

While pursuing the development of the enterprise, CDF also hopes to fulfill its social responsibilities, adhere to the concept of sustainable development and continue to pay attention to climate change and environmental protection issues. Therefore, in addition to the green energy investment mentioned in chapter 5.1.1, we have also actively promote green finance via green credit and green underwriting products, in the hope that we can do our bit to accelerate the transformation and sustainable development of Taiwan's green energy industry.

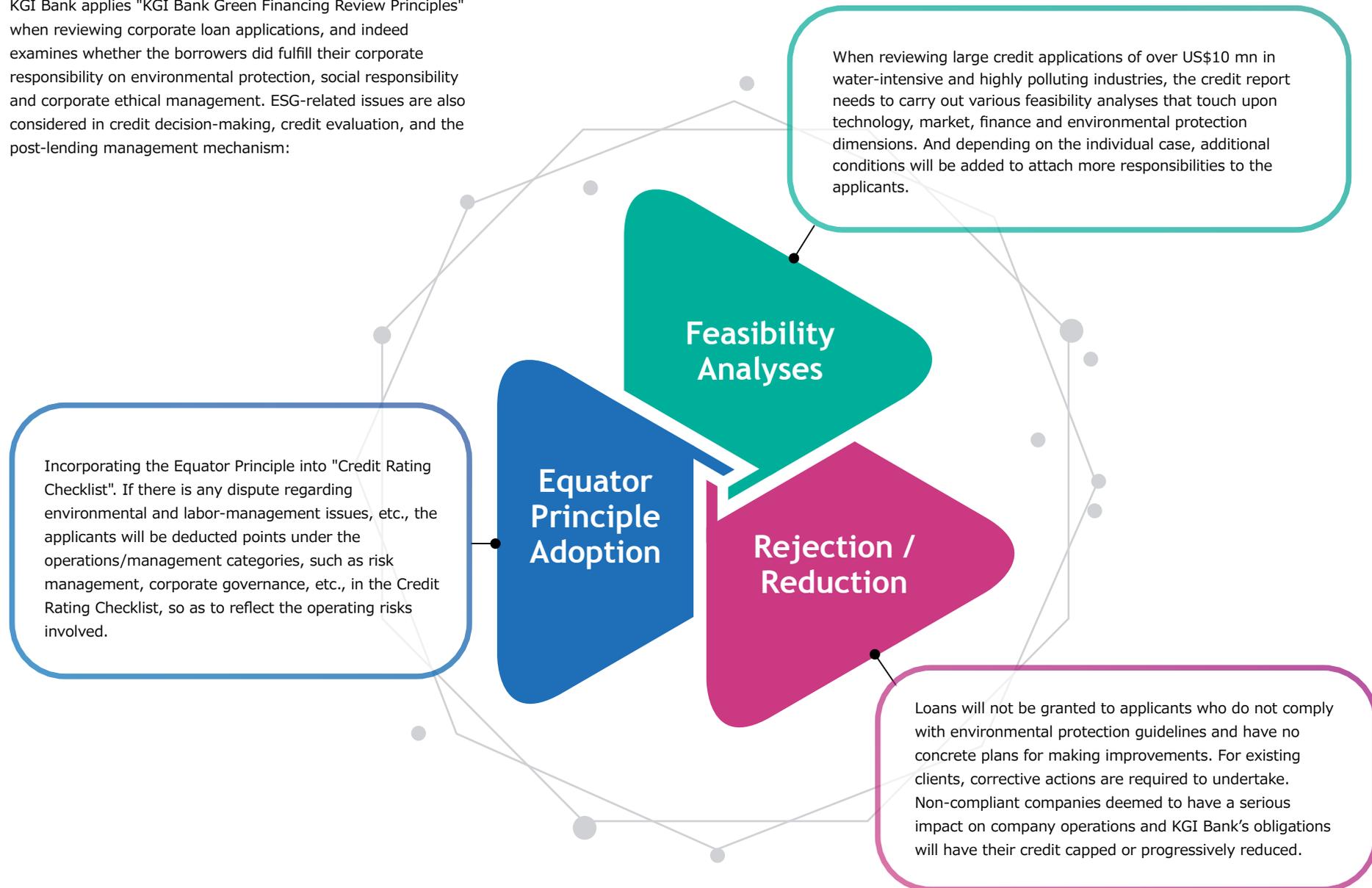
In 2017, KGI Bank received the eligibility from Taipei Exchange (TPEX) to issue green bonds and became one of the first few financial institution issuers. With this being one of many highlights in its green credit-granting efforts, KGI Bank has won international recognition. An internationally renowned information media, namely mtN-I, has recently announced that KGI Bank was awarded the Editor's Award this year for the issuance of green bonds, which shows that the international media affirmed the Bank's forward-looking and rapid development in its involvement of green bonds.

In 2017, KGI Bank declined on participating in the syndicated loan project due to the conglomerate borrower's involvement pollution and bribery record, in addition to a joint guarantor's deforestation concern.

	Green Product	Product Introduction And 2017 Performance
KGI Bank	Green Bonds	Issued on May 19, 2017 in the amount of NT\$1 bn, featuring nominal interest rate of 0.9% and a duration of three years.
	Green Credit	Active promotion of (syndicated) loan projects regarding renewable energy and green energy-related industries. As of the end of 2017, credit was granted to a total of 53 such corporate applicants, with a balance of NT\$ 8.3 bn
KGI Securities	Green Underwriting	KGI Securities acted as lead-underwriter for all three domestic green corporate bond cases in 2017, total issued NT\$14.1 bn . Green underwriting cases accounted for 6.4% of the total underwriting value of bonds in 2017. In addition, we assisted in 2 cases of environmental protection and green energy companies raising capital in the IPO market and 3 cases in SPO market. These accounted for 18% of KGI Securities' combined IPO and SPO cases the entire year. It raised NT\$2.76 bn, or 12.3% of KGI Securities' combined IPO and SPO market capital raised.

KGI Bank Green Financing Approval Guidelines

KGI Bank applies "KGI Bank Green Financing Review Principles" when reviewing corporate loan applications, and indeed examines whether the borrowers did fulfill their corporate responsibility on environmental protection, social responsibility and corporate ethical management. ESG-related issues are also considered in credit decision-making, credit evaluation, and the post-lending management mechanism:



5.3 Service Experience

5.3.1 Customer Needs 413-1

More Convenient Products and Services - with human touch

In response to the rise of financial technology, the traditional financial industry is gradually changing its operating model. That is, the full use of financial technology to eliminate distance and time constraints. CDF is no exception, and our hope is that the use of technology will make financial services more convenient and will significantly increase the availability of services to serve wider demographics. KGI Bank and KGI Securities are committed to offering "in-your-shoes and better services". The design and optimization of products and services are based on "customer needs" and aim to fulfill goals as "knowing customer needs, achieving their financial goals, and lifecycle services." KGI Bank and KGI Securities provide a diversity of online and offline services through its professional financial planning team and advanced digital finance technologies.

Product/Service	Contents	2017 Performance
KGI Bank		
Credit Cards	<ol style="list-style-type: none"> Credit card payments can choose installment programs online via PC or mobile device Adding convenience store FamiMart for payment collection 	Transaction volume grew 6-fold
Online Loan Applications	Provides clients with 24-hour online loan application service	Annual loan application amounted to NT\$300 mn
Trading Services	<ol style="list-style-type: none"> Service related to Funds: daily amount to invest in funds; fund transfer subscription Service related to Forex: daily amount to invest in forex products; foreign currency composite deposit transfer to fixed deposit 	Fund transactions grew 38% YoY; Foreign exchange transactions grew 46% YoY
E-Statement Services	Provide timely notification of account and payment information through mobile devices	The number of physical statements should be cut by 10% after e-statement services go online in June 2018
Automatic Message Notification	Provides corporate clients with digitalized receipts of foreign currency transactions (deposits, remittances, imports, exports, loans) and TWD loan transactions	172 clients applied for "Automated Message Notification Service" in 2017; A total of 212 service users as of March 23, 2018; estimated to reach 423 users at year-end 2018

Product/Service	Contents	2017 Performance
KGI Securities		
"E-Open" Multiple Authentication Methods	Added authentication options of IC ATM card and Natural Person Certificate	In addition to the original video and settlement bank ID authentication, the options of Natural Person Certificate and IC ATM card were added to offer the most diverse account-opening authentication services
"E-Loan" Speed Review And Disbursement Mechanism	TWSE-/TPEX-listed stock owners can apply for loans on line within the assigned limit	Clients applying for loans of less than NT\$2 mn are exempt from being present at the counter. The application reviewing system could efficiently shorten the manual procedures of recording, filling, submitting, signing, storing and settling account, and save operating time by more than 5 times
Optimization For Sub-Brokerage Business Platform	Only one single sub-brokerage account for multiple transaction options (such as telephone, Internet, mobile APP, etc.) is available to clients who want to directly invest in international stock markets including common stock, ETFs, preferred stocks, and overseas bonds	<ol style="list-style-type: none"> Added Shanghai Stock Connect and Shenzhen Stock Connect online trading platform to provide clients with more convenient trading methods Total transaction volume for Shanghai Stock Connect and Shenzhen Stock Connect are NT\$ 9.284 billion in 2017 NT\$422 mn worth of overseas bonds were purchased
Real-Time Binding Of The Settlement Account	Complete the binding of the KGI bank settlement account online	Significantly improved service efficiency by providing online real-time binding settlement accounts to replace the complicated procedures of printing, signing and sending back the "Securities Payment Remittance Authorization Form

More Innovative Digital Products and Services - FinTech & Big data

CDF is committed to the optimization of digital financial services, integrating the resources and services of the whole group, promoting innovative products, and hoping to provide investors with a faster, convenient and safe financial environment. KGI Bank and KGI Securities have continued to improve the numerous features of online account-opening, trading platforms, and

mobile e-commerce, so that our clients can connect to foreign financial markets and wealth management related products and enjoy the convenience of trading various asset classes across various time zones. This should allow our clients to manage their assets in a more efficient fashion.

"KGI Inside" is a concrete move by KGI Bank to support start-up entrepreneurs who are committed to creating a better customer experience. KGI Bank has the technical capabilities to fragment, modularize and API-ize financial services. Start-up entrepreneurs and platform operators can take the components of "KGI Inside" innovative financial services they need, such as day-to-day payment, other payments, cash flow custody, identity authentication, risk control, big data, online application, etc. and seamlessly plug them into the innovative services of their own. It's that simple and swift. As such, start-up entrepreneurs' services are indirectly extended to the financial sector, creating more business opportunities and significantly improving customer experience and loyalty. "KGI Inside" emphasizes the cooperation and common growth with FinTech companies and reflects KGI Bank's spirits of innovation and sharing.

Product / Service	Content	Project	2017 Performance
KGI Bank			
KGI Inside FinTech	An open-type financial service which focus on day-to-day payment service and through B2B cooperation enables start-ups to be connected to eight main payment functions	Pi mobile wallet	<ul style="list-style-type: none"> No. of transactions:547 Transaction value: NT\$5.31 mn
		CWMoney: an open-type Application Programming Interface (API) embedded in financing notebook APP which enable users to conduct both digital bookkeeping and day-to-day payments	<ul style="list-style-type: none"> No. of transactions:357 Transaction value NT\$1.11 mn
KGI Inside Big-Data Project	Through "KGI inside" to offer professional knowledge of data and information management and risk control in order to strengthen our partner iCHEF's control over variables of restaurant operations	Cooperating with iCHEF to unravel big data of restaurant operations and enhance the winning chance of running restaurants	<ul style="list-style-type: none"> Construct a restaurant outage forecast model Assist iCHEF to publish Restaurant Operations White Paper

Product / Service	Content	Project	2017 Performance
KGI Securities			
Mobile E-Commerce	Optimize the user experience of mobile device clients	"Mobile Official Website"	Exclusively offer personalized home page features Monthly users amounted to 12k
		"Mobile Trading Center"	Clients can place orders via social networking software (such as Line) which offers them more versatile investment experience Increased trading volume of NT\$12.67 mn after this service went online
	Construct a wealth-management mobile investing platform	Wealth-management smartphone APP	Since going online on October 28, 2017, users of this service had surpassed 4,300 at end of 2017
Securities Lending Service	"Securities-lending from trust"and "Securities-lending from custodian"	Offer clients with a comprehensive stock lending services	Securities lending balance led peers and asset under management (AUM) totaled NT\$14.3 bn, commending a market share of 39%.

More Aggressive Social Media Marketing Management

We attach great importance to the interaction with clients and hope to further understand the needs and preferences of the general public and clients through the social media's immediate, two-way interactive features. Therefore, both KGI Bank and KGI Securities have launched Facebook Fan Pages and Line's Official Account. Through social media exposure to young generations of the internet, we hope to expand communication channels with clients at all levels of society, and to endow young people the correct concept of and approach to wealth management.

Social Media	2017 status of operations*	2018 Goal
 KGI Bank Facebook "We Care"	No. of fans: 79,491 Annual articles posted: 377 Actual internet interactions: 181,040 (average 496 per day) Private messages to clients: about 60	The number of fans has increased by 15,000 in one year. We have continued to actively interact with the Facebook community, using new techniques such as AI algorithm and robot response mechanisms to increase the number of interactions with fans and win them over
 KGI Bank Line@ Life Circle	No. of friends: 16,917 Annual articles posted: 57 Average hits per article: 3~5% Private messages to clients: about 120	We continue to invite clients of the Bank to join us in order to provide product discount information that meets our clients' needs Using the one-on-one chat room function of LINE@, we are able to answer clients' questions on a real-time basis
 KGI Bank YouTube Channel	No. of videos uploaded: 9 Total views: 1,251,119	Continue to use Youtube videos to interact with clients and boost brand awareness
 KGI Securities Facebook "LOHAS Financial Planner"	No. of fans: 22,300 Annual articles posted: 658 Actual internet interactions: about 160,000 Average interactions per article: 243 times Views of mini-movies: over 110,000 times Private messages to clients: 476	Established the "2100 Expert Talkshow" column and invited well-known financial bloggers to present popular financial management articles at 9:00 pm every night. The content of articles cover a full range of products including: Taiwan stocks, US stocks, mutual funds, insurance and other wealth management products. It attracts fans to read various financial articles here and provides useful financial information
 KGI Securities Line@ LOHAS Investor Line Official Account	No. of friends: 32,000 Times of sharing: some 53,000 times Average hits per article: 3~10% No. of investors connected to this account: 9000 people	Provides daily real-time financial news, pre/post trading analysis, US/HK stock information, weekly hot ETFs, changes in margin loan /securities lending balance, net inflows/outflows of institutional investors, and other relevant financial information In 2018, we plan to provide futures/ domestic and foreign stock brokerage/ transaction notices, to further enhance personalized services and make it more convenient for investors to invest

*Statistics were calculated as of December 31, 2017

More Popularized Financial Education Seminars

To improve the general public's understanding of financial markets and products and implement our community service operations, we have organized various financial and investment seminars across Taiwan to provide the latest market updates and investment trends. Through interaction with clients, we hope to satisfy investors' needs for investment services.

▼ Forums and seminars held by KGI Securities in 2017:

Title	Sessions	Attendance
KGI Securities Nationwide Investment and Financing Seminar	100	3,200
Wealth Management Seminar	297	6,854
KGI Securities Small-Scale Nationwide Futures & Options Seminar	583	5,930
2017 Wealth Train Middle-Scale Seminar	61	1,342
Master Series Seminar	48	383
2017 Warrants Investment Seminar	3	656

More Attentive Barrier-free Financial Services

CDF 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, equal and convenient financial services.

1. Accessible Online Finance

KGI Bank launched "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. For disadvantaged groups such as the visually impaired, physically/mentally disabled, foreign spouses/children and seniors, we offer accessible and convenient financial services through simplified web interface, recorded audio instructions and procedure descriptions. The online finance services offered account overview/transaction details, designated account transfers, interest/exchange rates, and credit card activation/report of lost or stolen/credit line adjustment.

Seeking to offer active services such as simplified web pages, voice announcements, and process descriptions, we will in 2019 launched an English version of online banking and RWD mobile barrier-free web pages to provide more convenient financial services.

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

2. Barrier-free Financial Services

All branches of KGI Bank established barrier-free operation environment in accordance with the Regulation for Designing Barrier-free Facilities in Buildings developed by the Ministry of the Interior's Construction and Planning Agency. A total of 52 wheelchair-friendly ATMs were installed, including one ATM dedicated to serving users of visual disability at the Taichung Tzu Chi Hospital, in hope to provide disable people with easier access to financial services. In addition, in response to the aging society, all 53 branches in Taiwan have set up service counters with seats to provide customer-seated services and create a friendly environment for clients.

3. Barrier-free Facilities



Account Opening	Over-the-Counter Services	The client and KGI Securities can each appoint one witness to read the key points of the account opening contract to the client	Provide written communication service	If the client is unable to provide a signature due to physical handicap, personal chop can be used instead of a written signature
	Services Provided Remotely	Account opening services can be provided off-site		
Trading	Telephone Commissioned Trading Service	✓		✓
	On-site Order-placing	✓	✓	✓
	Services Provided Remotely	voice trading services	electronic trading services	electronic trading services
Other	Over-the-Counter Services	Manager on duty provides the services required accordingly		
	Services Provided Remotely	Telephone	Fax, letter or e-mail	Telephone

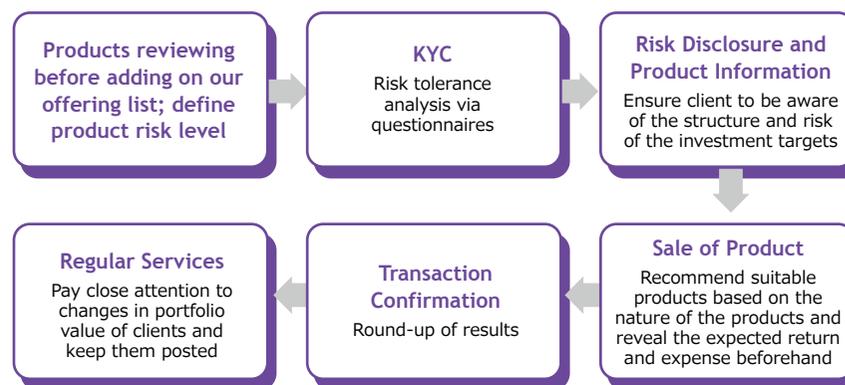
5.3.2 Customer Rights and Protection 417-1 418-1

Fair Treatment and Consumer Protection

CDF is fully aware that clients are the source of business development. To take care of our clients and protect their rights, we take a customer-centric approach to designing products based on different levels of risk tolerance; operational procedures are also fine-tuned continuously to improve service efficiency.

We use a multitude of channels to achieve full information disclosure and provide clients consultation services and respond to their needs to ensure their rights and interests are protected. The planning and promotion of fair treatment of clients at KGI Bank and KGI Securities have adopted the principles 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. KGI Bank and KGI Securities 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.

We take clients' best interests very seriously. Therefore, all financial products are handled in accordance with the Financial Consumer Protection Act and related management practices. In 2017, there was no violation of customer rights.



Information and Digital Security

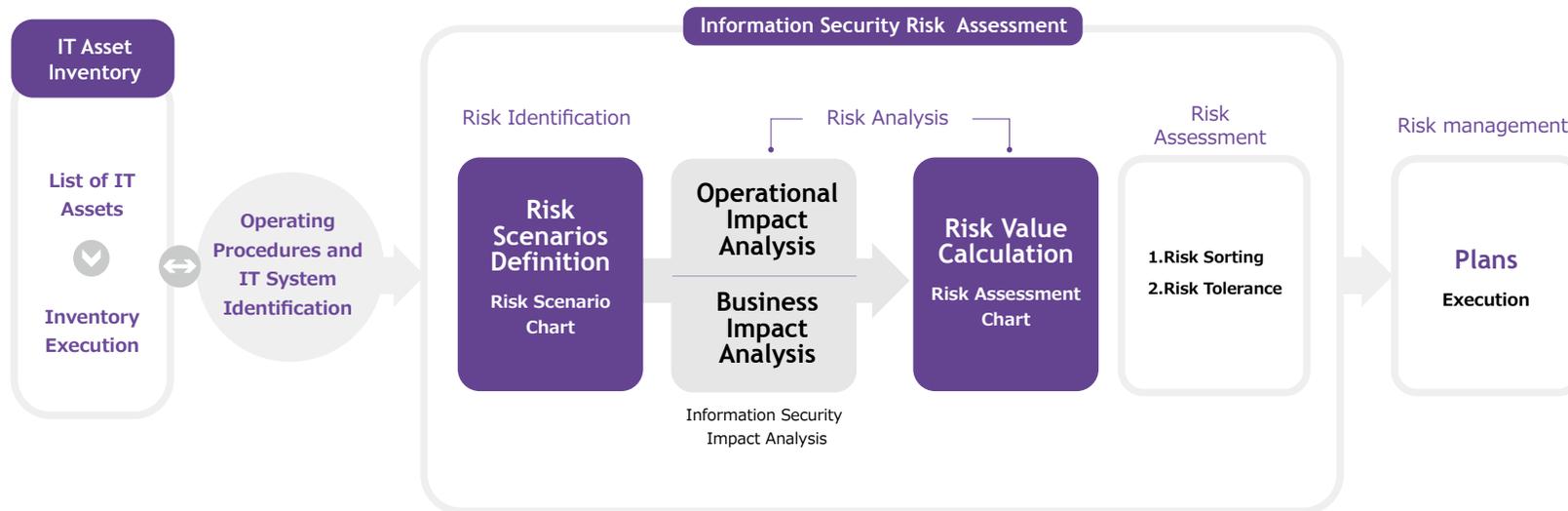
Information security's importance is also rising as digital financial services continue to evolve.

The security threats have developed diversified attack methods, such as cyber DDoS attacks, e-mail extortions, mobile security threats, and APT penetration, etc., which have created severe challenges for the financial industry to ensure the security of customer transactions.

After examining telephone and online complaint records, and letters sent from the supervisory authority, the entire CDF Group was found without any incidences of violating the information security/information leakage in 2017.

1. Information Risk Inventory and Evaluation Methodology

- Perform risk assessment annually and keep records. In the incident of changes in company's business strategy, emerging technology trends, information process or system architecture changes, risk assessment may be reassessed as needed, so as to reflect the latest risk status.
- The risk assessment method considers the potential risk events of the company, the impact of these events on the confidentiality, integrity and availability of the company's operating environment and the probability of these events happening. As much as possible, the quantitative method will be used to establish objective criteria. After completion of the risk assessment, an "Information Risk Assessment Report" will be produced.
- According to the results of the "Information Risk Assessment Report", an "Information Security Risk Management Plan" shall be produced to addresses the risks need to be dealt with. The plan will specify the measures for individual risks that need to be handled, the responsible unit, and the schedule for improvement.



2.Information Security Management : Third-party Authentication

With the establishment of an information security governance structure modeled on ISO27001, KGI Securities obtained ISO27001 certification in 2016 and completed the second review in 2017. As for KGI Bank, it has appointed security consultants to examine the information environment to create stronger defense against breach attempts and better ability to respond to information security incidents. KGI Bank is scheduled to introduce ISO27001 in 2019.

3.Internet and Information Security Management Measures

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.

Training held in 2017

1. Information security drill: 6 drills
2. Educational training:

(1) Information security educational training

Company	No. of participants	No. of completion	Passing rate
KGI Bank	2,424	2,312	95.37%
KGI Securities	3,278	3,271	99.79%

(2) Training for the prevention of Malicious Email as part of the effort to promote awareness of social engineering fraud

Company	No. of participants	No. of completion	Passing rate
CDF	172	160	93.02%
KGI Bank	2,392	2,284	95.48%
KGI Securities	3,264	3,137	96.11%
CDIB Capital Group	111	97	87.39%

3. KGI Bank's information security personnel are required to participate in a 12-hour technical training
4. CDF, KGI Securities and KGI Bank issue regular information security notices

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 the IT systems of each business units. 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.
- To ensure that employees understand the importance of clients' personal data and related operating procedures, as well as to demonstrate the level of attention given to ensure the safety of customer information. Since December 2012, CDF has introduced a mandate online course on Personal Data Protection Act for new employees and the completion rate is 100%; in addition, CDF and all subsidiaries conduct a Company-wide "Personal Data Protection Act Legal Education Course" at least once per year to strengthen all employees' awareness and execution of personal data protection.

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. In addition, we conduct security check periodically on mobile APP and websites to ensure the security and stability of electronic transactions as well as the safety of customer data.

5.3.3 Customer Recognition

CDF values the voices of our clients. 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 clients to give us their suggestions. Their valuable input is crucial to the overall improvement of the Group.

Customer Satisfaction Survey

For a better understanding of our clients' satisfaction with our products and services, which we can use as reference for improvement of services and procedures, KGI Bank had in 2017 conducted a customer satisfaction survey targeting over-the-counter foreign currency transactions, account opening, financial planning services, loan applications/credit card operations at its branch locations as well as clients who called the Customer Service Center. Clients were asked to rate our performance on aspects such as greeting, service attitude, proficiency, and professionalism. A total of 56,000 responses were collected with an average overall satisfaction rating of 99.71%, surpassing the average of 99.69% seen in 2016.

In response to customer suggestions on the bank environment, KGI Bank accelerated renovation project, completing eight bank additions/renovations/relocations in 2017 (*). As a result, the percentage of clients rating the bank environmental as "very satisfied" increased from 83.7% in 2016 to 90.4% in 2017. In addition to the customer ratings, the KGI Bank also conducted a regular visit to the branch through a mystery-shopper team composed of internal staff to inspect the service quality of the personnel, evaluate the environmental tidiness/cleanliness inside and outside of the building, and test the smoothness of the ATM/ADM operation. We keep track of how the improvements are being made afterwards, hoping to take service quality and comfort of the environment of each branch to a higher level.

(Note: branches added in 2017: Ruiguang branch, Shuanghe branch; branches renovated: Chienkang branch, Fengcheng branch, Songjiang branch, Tucheng branch; branches relocated: Yongkang branch, Banqiao branch)

In response to the trend of financial digitization, we have adopted the satisfaction survey of online banking and mobile banking users since 2016. KGI Bank added a number of online banking and mobile banking functions in 2017, while optimizing various operating interfaces to improve the integrity of the functions and improve the ease of operation/inquiries. In 2018, KGI will continue to actively plan and adjust the various functions of the digital platform, so as to more closely meet the needs of clients and make more clients want to use the convenient digital financial services of KGI.

1. KGI Bank Customer Satisfaction Survey

Item	2015	2016	2017
No. of survey	24,000	26,000	56,000*
Satisfaction rating	99.43%	99.69%	99.71%
Internet banking satisfaction	Not available	72.58%	84.13%

*Note : The increase in the number of people surveyed was mainly due to the fact that as soon as clients finished their inquiries with the call center, the calls will be immediately guided into the voice system for satisfaction survey. Also, wealth-management professionals call clients and some surveys are conducted after clients apply for loans and credit cards.

2. KGI Securities Customer Satisfaction Survey

In 2017, 31,537 clients were randomly requested by the call center to give satisfaction ratings after receiving service, and 26,127 of them (about 83%) completed the questionnaire, among which 97.7% were very satisfied/ satisfied.

Item	2014	2015	2016	2017
No. of people completing the questionnaire	32,078	28,689	23,620	31,537
No. of people expressing satisfaction	31,237	28,008	23,113	26,127
Percentage of satisfied clients	97.40%	97.60%	97.90%	97.70%

※ Score: 1-very unsatisfied, 2-unsatisfied, 3-average, 4-satisfied, 5-very satisfied



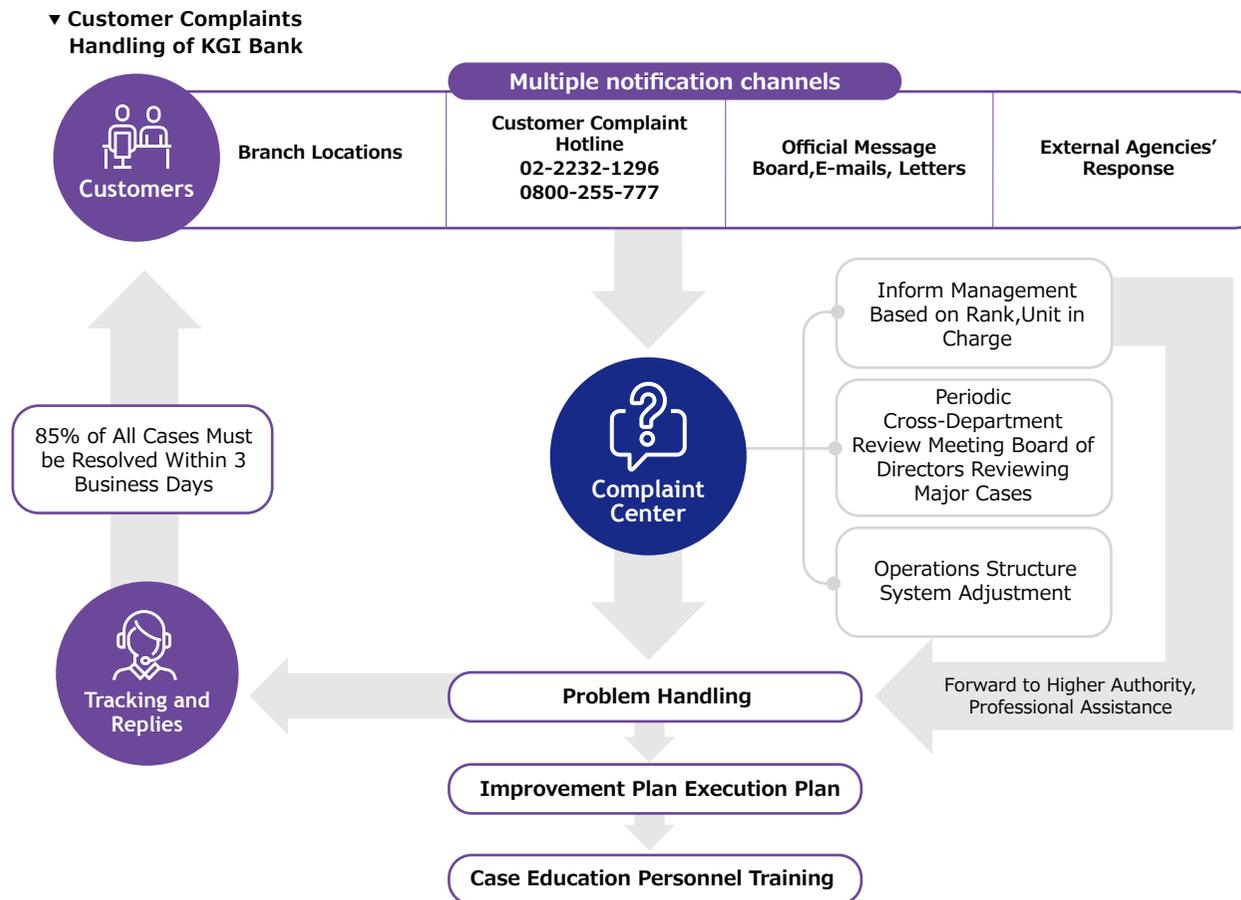
Corporate Image/ Level of Trust

KGI Securities is dedicated to corporate social responsibility, cultivating the investment and wealth management markets and continuously innovating and developing digital financial technologies. In 2017, KGI Securities was recognized by clients and financial awards in all respects, being named the winner of "Best Digital Brokerage Gold Award" by Wealth Magazine, the winner of "Best Wealth Management Securities" and "Best Salesperson Service Award" by Business Today magazine, and winner of "Best Government Bond Dealer", "Best Corporate Bond Dealer", and "Best Corporate Bond Issuance Coordinator" by The Asset Management, among other accolades.

Customer Handling Complaints

KGI Bank provides various channels which enable clients to give feedback regarding their service experience through official website, the mobile APP, the multimedia call-number machine in branches, and the account statement. This is evidence that we are cordially willing to listen to our clients and address their complaints.

KGI Bank has established the comprehensive "Guidelines for Handling Consumer Complaints and Disputes" and the Customer Complaint Resolution Process (CCRP) platform to record and analyze the category, content, cause, handling procedure, processing time, and corrective actions of all customer suggestions.



In 2017, KGI Bank had 242 complaints from clients, a 15% decrease compared to 2016, and 89% of these complaints were handled within three business days, exceeding the target value of 85%. The 82 complaints that KGI Bank was actually responsible for were mainly related to issues of the personnel service attitude and proficiency and operational processes and systems. A total of 93 improvements have been proposed and executed to ensure the effective resolution of the complaints and controversies and the continued improvement of customer service.

- Customer Complaints Handling Services of KGI Securities

KGI Securities has established various public channels, such as customer service hot lines (02-2389-0088 and 0800-085-005), online text-message customer service on the webpage (www.kgiworld.com.tw) (webchat) and an email box (service1@kgi.com) on the trading website for clients 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 complaint statistics and analysis

	2015	2016	2017
No. of complaints (KGI Bank)	306	284	242
No. of complaints (KGI Securities)	16	38	62

- Statistics and analysis of improvements of KGI Bank's customer complaints

	2015	2016	2017
Education and training / sampling /case advocacy	97	53	63
Current workflow adjustment	5	9	10
Improvement of enhancement of system functionality	4	9	5
Adjustment of official website/voice mail/text message	1	1	7
Adjustment of the operative manual/ education training materials	-	-	5
Adjustment of the form style or notification content	2	4	1
Testing or replacement of machine/ATM	2	-	1
Adjustment of manpower	-	-	1
Total improvements made	111	76	93



6 Cultivate Sustainable Talents



HC ROI **1.9**
Human Capital Return on
Investment



53%
Human Rights Courses
Participation Rate

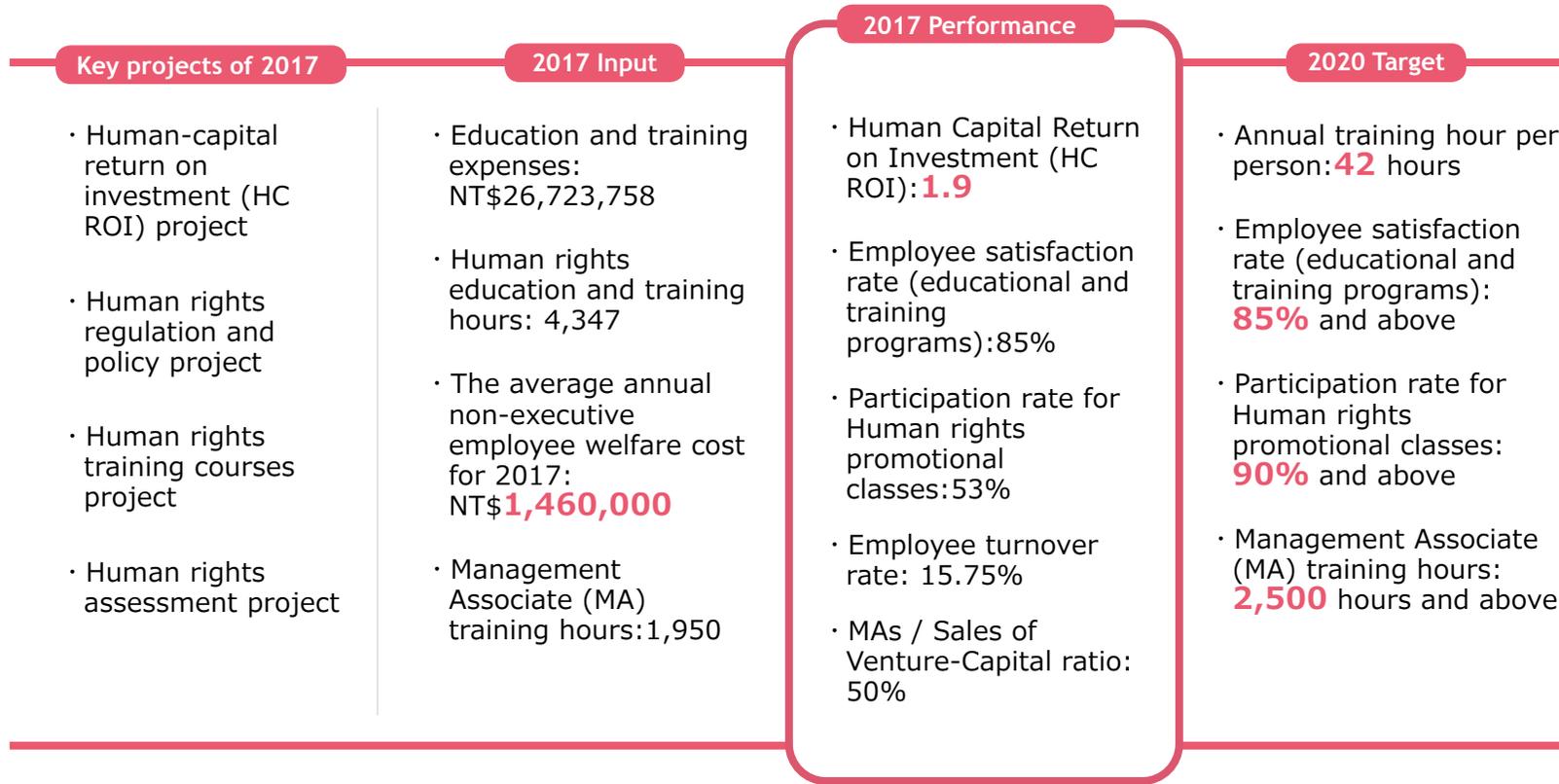


85 %
Employee Satisfaction Rate
(training programs)



50%
Venture-Capital
MAs / Sales Ratio

6 Cultivate Sustainable Talents



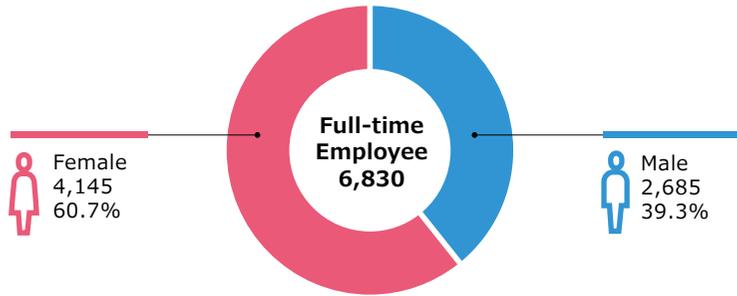
The success of financial business is driven by talents. So for us, each and every one of our employees, regardless of their gender, nationality, age, or rank, is not only a part of the company's most valuable assets, but also an important partner for sustainable development. CDF is committed to fostering an exceptional workplace. We offer competitive salaries to attract talented employees and provide diverse learning channels which enable employees to realize their potential and be a proud member of the CDF family.

6.1 Workplace Diversity



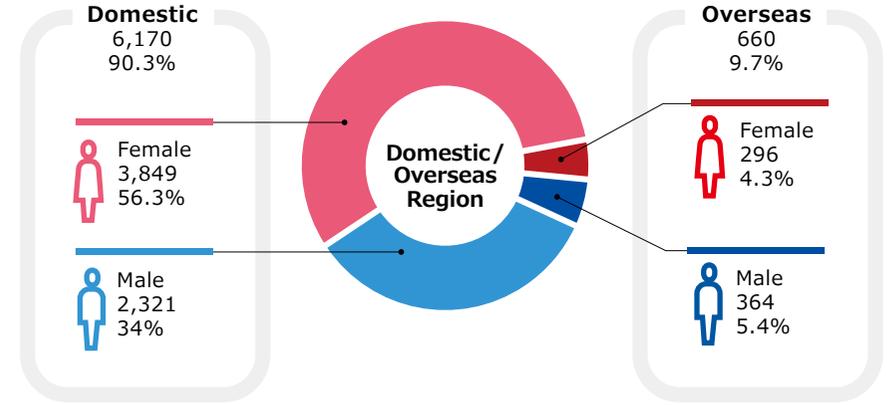
6.1.1 Gender Equality 102-8 202-2 401-1

We attach great importance to gender equality in our workplace. Regarding either employment or promotions, we are dedicated to following the gender equality goal of United Nations' Sustainable Development Goals (SDGs). As end of 2017, there are 6,830 full-time employees with average seniority of 9.13 years and average age of 41.82 years. Female employees accounted for 60.7% of total employees. The Group had 473 female managers which accounted for 49.9% of all managers. Moreover, we had 119 domestic contract employees, of which 67 (56.3%) were female.

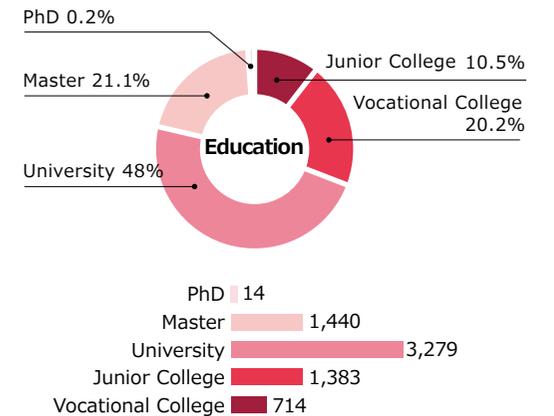
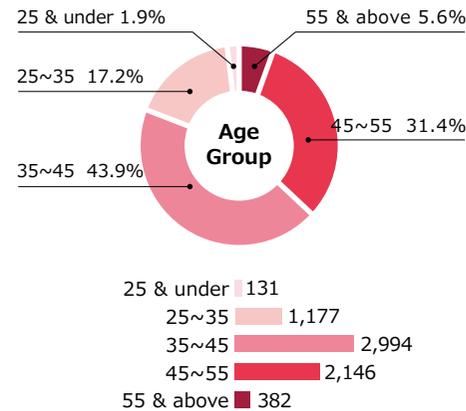


	Female		Male		Total	
	No.	Ratio (%)	No.	Ratio (%)	No.	Ratio (%)
Full-time Employee	4,145	60.7	2,685	39.3	6,830	
Managerial	473	6.9	475	7.0	948	13.9
Non-managerial	3,672	53.8	2,210	32.3	5,882	86.1

Definition of Managerial : Group executives and supervisors at all levels.



	Female		Male		Total	
	No.	Ratio (%)	No.	Ratio (%)	No.	Ratio (%)
Domestic	3,849	56.3	2,321	34.0	6,170	90.3
Managerial	467	6.8	439	6.4	906	13.2
Non-managerial	3,382	49.5	1,882	27.6	5,264	77.1
Overseas	296	4.3	364	5.4	660	9.7
Managerial	6	0.1	36	0.6	42	0.7
Non-managerial	290	4.2	328	4.8	618	9.0



6.1.2 Equal Recruitment 405-1 406-1

Talent is the most important asset and the key to our success. We attract new talents through campus recruitment programs, job search websites, internal employee referral, official corporate website, and other channels prior to screening and interviewing potential candidates. Our 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. Therefore, all forms of discrimination based on gender, race, religion, political affiliation, sexual orientation, job position, nationality, and age are strictly prohibited.

▼ Distribution of new employees in 2017

	Female		Male		Total	
	No.	Ratio (%)	No.	Ratio (%)	No.	Ratio (%)
Total new employees	491	7.19	449	6.57	940	13.76
Region						
Domestic	423	6.19	364	5.33	787	11.52
Overseas	68	1.00	85	1.24	153	2.24
Age Group						
25 & under	60	0.88	47	0.69	107	1.57
25~35	189	2.77	195	2.86	384	5.62
35~45	184	2.69	152	2.23	336	4.92
45~55	49	0.72	48	0.70	97	1.42
55 & above	9	0.13	7	0.10	16	0.23
Education						
PhD	3	0.04	3	0.04	6	0.08
Master	90	1.32	128	1.87	218	3.19
University	293	4.29	273	4.00	566	8.29
Junior College	66	0.97	24	0.35	90	1.32
Vocational College	39	0.57	21	0.31	60	0.88

*The percentage shown above had used the total number of employees in 2017 as the denominator.

▼ Employees with physical disabilities

	2016			2017		
	Female	Male	Total	Female	Male	Total
No. of physical disabled employee	11	28	39	10	28	38

Note: Subsidiaries that failed to meet the minimum numbers of recruiting disabled employees have paid for the required contribution to the fund for of hiring workers with physical or mental disabilities, managed by local authorities.

▼ Distribution of departing employees in 2017

	Female		Male		Total	
	No.	Ratio (%)	No.	Ratio (%)	No.	Ratio (%)
Total	595	8.7	481	7.04	1,076	15.75
Region						
Domestic	530	7.76	401	5.87	931	13.63
Overseas	65	0.95	80	1.17	145	2.21
Age Group						
25& under	20	0.29	16	0.23	36	0.53
25~35	200	2.93	179	2.62	379	5.55
35~45	232	3.40	171	2.50	403	5.90
45~55	108	1.58	89	1.30	197	2.88
55 & above	35	0.51	26	0.38	61	0.89

▼ Turnover Rate

	2016	2017
Turnover Rate (%)	15.5	15.75

6.1.3 Human Rights 406-1 408-1 409-1 412-2

CDF is committed to upholding and observing all the international human rights treaties and will continue to supervise and evaluate the extent to which human rights standards are being complied with. In 2017, our employees received a total of 4,347 hours of education and training on human rights related issues, with a 53% participation rate. In the future, we will continue to devise online lessons for employees to study, so as to effectively increase the ratio of participation among employees. In 2017, no incidents of human rights violations or workplace discrimination were reported.

Regulations regarding the protection of human rights

CDF Human Rights Commitment

China Development Financial Holding Company (CDF) respects human rights and strives to comply with and promote human rights in accordance with international human rights standards including UN Universal Declaration of Human Rights, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the UN International Labor Organization. CDF stands firmly in opposition to any business conduct that may infringe upon or violate human rights, and ensures strict compliance with local labor regulations. CDF has also established a Human Rights Assessment process to regularly monitor its internal compliance with the aforementioned human rights principles and to analyze related risk impacts.

- 1.Scope : The Commitment shall be applicable to all subsidiaries of CDF.
- 2.Periodic review and revisions : CDF conducts periodic assessments of its business entities with respect to human rights issues. The results of these assessments are then offered as recommendation for future management strategies and corporate targets, specifically:
 - Diversity and inclusion: To ensure non-discriminatory employment policies and fairness in employment, compensation and benefits, training, performance evaluations, and promotion opportunities, there will be no biased treatment, language, attitude, or behavior imposed upon employees due to gender, race, nationality, religion, age, marital status, family status, sexual orientation or political affiliation. CDF is committed to creating a workplace of equal opportunity employment that is free from discrimination and harassment.
 - Forced and child labor: CDF is committed to implementing, supervising and promoting zero tolerance of any practice in violation of human rights in business, such as the use of child labor (minors under 16 years of age) and engagement in any form of forced labor.

- Freedom of association: CDF fully acknowledges employees' right of association in the form of labor unions, interest groups, and so on, and encourages participation in activities organized by employee clubs.
- Safe and healthy workplace: CDF is committed to providing a workplace environment that is tailored to the basic and more progressive human needs of well-being, safety, eco-friendliness, and energy efficiency based on environmental administrative guidelines. CDF aims to avoid potential health and safety risks arising from the workplace environment and is proactive in supporting programs that promote the physical and mental well-being of its employees.
- Healthy working conditions: To ensure full compliance with applicable local regulations, CDF has set out clear guidelines for working hours and overtime. CDF also carefully monitors employee attendance with a view to helping employees maintain a good work-life balance through the proper utilization of paid leave.
- Employee-employer relationship: Smooth employee-employer communication channels are in place and employer-employee meetings are convened regularly to ensure the rights of both parties.
- Reporting channels: Secure channels and other mechanisms for employees are available to report and potentially resolve claims about human rights violations in the workplace.
- Information security and privacy protections: CDF has established a comprehensive information security management system to fully protect the privacy of all stakeholders. The system is in strict compliance with control practices and protective measures.

CDF, along with all its business partners, including suppliers and joint venture partners, is committed in perpetuity to enhancing the business community's awareness of human rights issues in the workplace and to supporting the protection of such rights.

Policies for preventing sexual harassment

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.

In 2017, no formal cases of sexual harassment complaints were found.



Corporate Social
Responsibility Guidelines

Human Right Assessment 2017

Issue	Target	Criteria & Result	Measures	Goals
 <p>Non-discriminatory employment practices</p>	Potential and existing employees	<p>Strictly comply with non-discriminatory employment laws; Overall risks of non-compliance:Low</p>	<ul style="list-style-type: none"> CDF's Corporate Social Responsibility Guidelines stipulates that "The Company shall ensure equality in its human resource policies and provide equal terms of employment, compensation, benefits, training, performance assessment and opportunities for promotion to all employees" Implement employee diversification by hiring people of different nationalities , aboriginal people, or people with physical and mental disabilities 	<p>Employment plan for employees with special needs, including special designs of job description</p>
 <p>Freedom of association</p>	All the employees	<p>Encourage club activities; Overall risks of non-compliance:Low</p>	<ul style="list-style-type: none"> CDF's Corporate Social Responsibility Guideline expressly states respect for internationally recognized labor rights such as freedom of association There is a grant regulation to encourage club activities 	<p>Continuously encourage to participate in employee clubs</p>
 <p>A healthy and safe workplace</p>	All the employees	<p>Dedicated to eradicating risk factors in the workplace; Overall risks of non-compliance:Low</p>	<ul style="list-style-type: none"> Clearly creates an operating guideline for environmental management to provide employees with a work environment that is healthy, safe, environmental-friendly, and energy-conserving, so that occupational jeopardies can be prevented and employee safety can be guaranteed Periodically implements occupational safety education and training to improve employees' awareness of workplace safety The Automated External Defibrillator (AED) is made available in the office building of CDF Offers employees all kinds of health information to increase their awareness of self health management 	<p>Continuously hold lessons that help promote a healthy lifestyle of employees</p>
 <p>Work conditions</p>	All the employees	<p>The work-hour at some subsidiaries is shorter than legal requirement; While at some subsidiaries the work-hour is longer than legal requirement; Overall risk of non-compliance: Low</p>	<ul style="list-style-type: none"> Offers work conditions that meet legal requirements and annual leave and starting salary that are better than legal requirements Provides division managers with work-hour statements of their subordinates to help them establish a better labor management concept Advertise the rules regarding overtime work and leave, so that employees' work and private lives can be balanced 	<p>Help departments that continuously see higher frequencies of overtime work to examine manpower requirements or to adjust the workflow</p>
 <p>Labor-management relations</p>	All the employees	<p>Fewer than 10 labor-management disputes a year; Overall risk of non-compliance:Low</p>	<ul style="list-style-type: none"> Stringently comply with the Labor Standards Act and related laws and regulations, and holds regular labor-management meetings to listen to employees' opinions Set up channels to accept employee complaints All cases of labor disputes are to be dealt with impartially, so that both the perspectives of the employer and the employees can be taken care of and that issues can be resolved via sound communication 	<p>Less labor-management disputes every year</p>

6.2 Employee Wellbeing

6.2.1 Employee Benefits and Retention 401-2 401-3 405-2

We have adopted a performance-based compensation system that takes market competitiveness into account to recruit and retain outstanding talent, and 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. CDF has developed a fair compensation system that offers pay in an equitable manner regardless of race, age, nationality, ancestry, sex, birthplace, or religion. We attach great importance to the compensation and benefits of all employees and strive to offer competitive remuneration packages. The starting salaries of new employees are at least 20% higher than the statutory minimum and have no different treatment due to gender.

The average annual non-executive employee welfare cost for 2017 was NT\$1,460,000, up 6.5% YoY. (This figure has included calculations of China Life Insurance employees, same as stated in 2017 annual report.)

Compensation for domestic employees	 Female	 Male
Managerial positions	100	108
Non-managerial positions	100	116

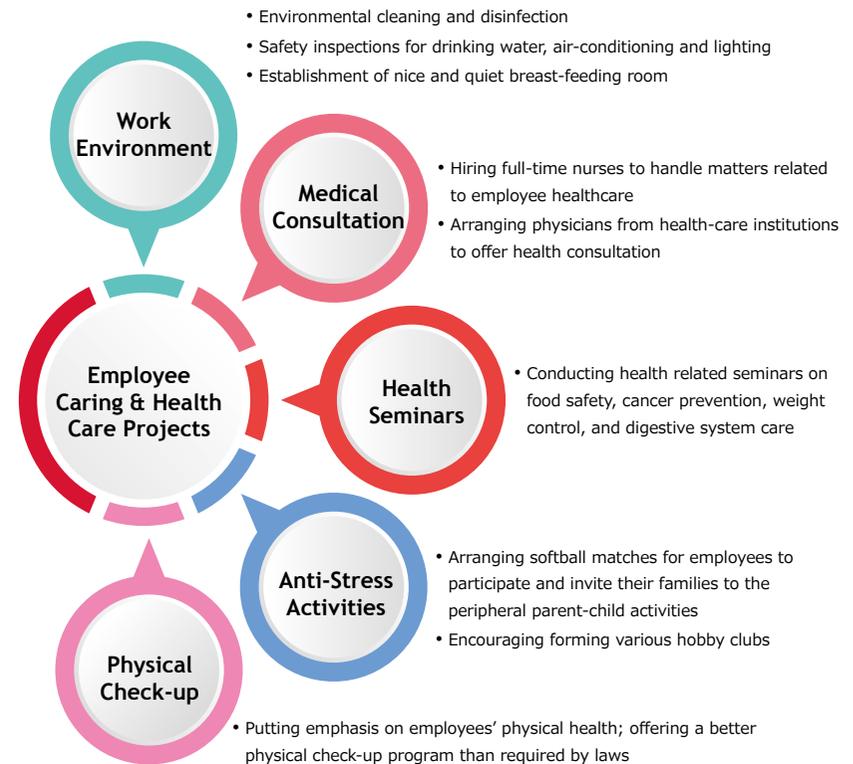
Compensation System

The compensation for CDF employees consists of salaries, allowances and variable bonuses, which are distributed annually based on overall corporate performance and individual merits. Each year, CDF will participate in the market salary survey and adjust the salary of employees according to factors such as market salary levels, economic trends, and individual performances. Through a fair and comprehensive promotion mechanism, CDF selects outstanding talents to promote to a position with greater responsibilities and better compensation, so that they will be more motivated to share a bright future with CDF.

Benefits and Retirement System

Employee Caring and Health Care Projects

Only healthy employees can create a bright future for the company. Therefore we have long held improving the health and happiness of our employees as part of our business philosophy. In order to achieve concrete assistance and care for employees, since 2017 CDF actively promoted the "Employee Caring and Health Care Projects" to care for the physical and mental health of employees from multiple dimensions such as the workplace environment, health checks, and how to release the physical and mental pressure. In the future, we will continue to deepen and enrich the plan, so that our willingness to take care of employees can be heart felt.



• Employee Benefits

We emphasize employees' benefits and hope to create a happy and harmonious life for employees by offering them the following benefits:

<p>Health and Life quality</p>	<ul style="list-style-type: none"> • Offer more annual leave than required by law • Health exam coverage is superior to legally required mandates • Organize health seminars
<p>Employee recognition and benefits</p>	<ul style="list-style-type: none"> • Recognize veteran employees : Employees with 15 years of service, as well as for each additional five years thereafter, are publicly recognized every year and presented with memorabilia. In 2017, we publicly honored 512 veteran employees and offered them commemorative souvenirs. • A diversity of benefits: we have set up an employee benefit committee to be in charge of benefits, tours, gift money, subsidies, and discounts to employees. • Staff cafeteria : provide employees with healthy, nutritious, and delicious lunch options
<p>Employee Insurance and Retirement Plan</p>	<ul style="list-style-type: none"> • In addition to labor insurance and national health insurance, we have offered employees life insurance, accident insurance, hospitalization/healthcare insurance and other group insurances that offer better protection than what is legally required. Employees' spouses, underage children, and parents can also be enrolled in accident and hospitalization policies. • Complies with the Labor Standards Act and the Labor Pension Act , which require the Group to make monthly pension contributions to employees' personal accounts maintained by the Labor Pension Supervisory Committee and the personal account for pension fund

We offer 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 are as follows :

	2016			2017		
	Female	Male	Total	Female	Male	Total
No. of Applications	48	11	59	54	4	58
No. of Expected Reinstatements	40	4	44	59	8	67
No. of Actual Reinstatements	30	2	32	36	1	37
Reinstatement Rate (%)	75.0	50.0	72.7	61.0	12.5	55.2
Retention Rate of Reinstatements (%)	76.7	100	78.1	87.1	100	87.8

Note: The retention rate is the percentage of employees who were still with the Group one year after reinstatement by the end of 2017.

6.2.2 Workplace Safety 403-2

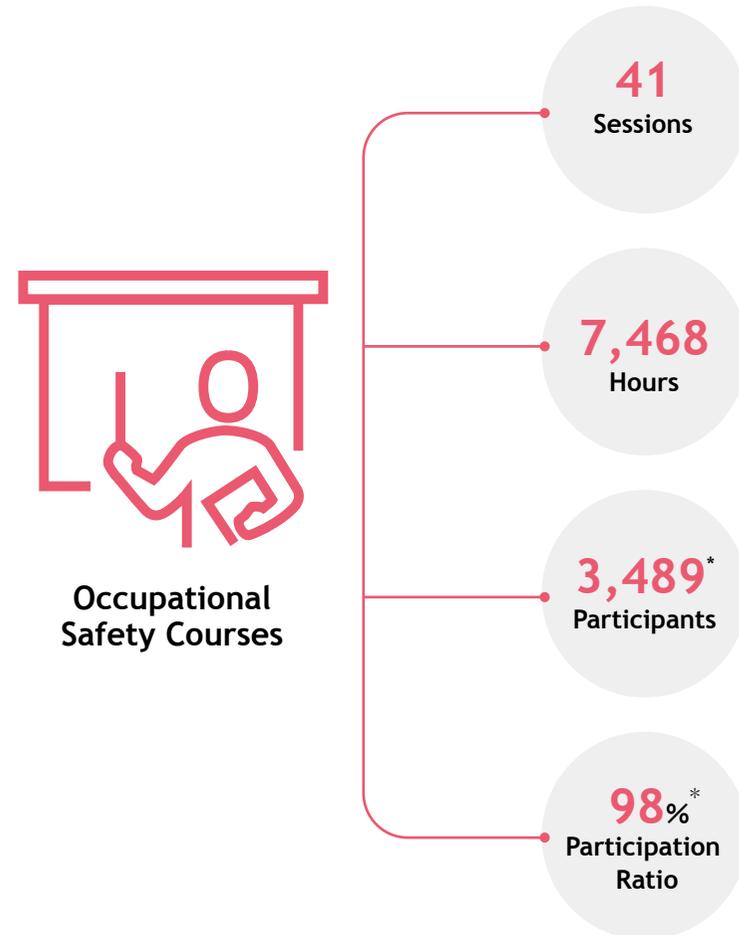
In addition to contributing to employees' national labor and health insurance plans as required by law, we arrange regular health check-ups for employees to ensure they remain healthy, both mentally and physically, and continue performing well on the job. Employees who are hospitalized due to injury or illness receive visits as a show of concern for their well-being. As workplace safety is high on our 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. In accordance with relevant government regulations, we 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.

CDF and its subsidiaries hold **two** fire alarm drills every year, as required by law. KGI Bank held a total of **105** anti-robbery drills in 2017.

To create a hazard-free working environment, we have 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 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.

Measures related to employee health and workplace safety are as follows:

1. Employ professional nurses to provide basic nursing services and promote the information of health care and stress relief through internal bulletin boards;
2. Offer in-house health care and anti-stress training courses;
3. Ensure a safe and healthy working environment (the use of ergonomic office facilitate aside, indoor lighting, air quality, drinking water quality, temperature and humidity control in the work environment are all periodically inspected by professional organizations);
4. Regular public safety and fire safety equipment maintenance, inspections and reporting;
5. Regular cleaning and sanitation;
6. Strict access control; surveillance systems are made sure to work properly to guarantee employees' safety at work daily;
7. KGI Securities has not only a staff gym but also encourage employees to set up health-promoting clubs. There are currently forty employee clubs within KGI Securities;
8. Offer healthy, nutritious and and delicious lunch and set a monthly "no-red-meat Day" campaign to support carbon reduction. Also promote right nutrition concepts through internal bulletin boards;
9. Offer work-hour flexibility to make it convenient for employees to take care of young children;
10. Establish private and quiet breastfeeding rooms in the main offices; and
11. In order to implement a smoke-free working environment, a special team has stationed in KGI Securities to dissuade employees from smoking through diet, exercise, expert referral and alternative medicines to help colleagues quit smoking.



Note: Employees are required to take 3 hours of occupational safety related courses every three year; 3,560 staff is scheduled to be trained in 2017

Occupational injury leave is granted for employees injured at work based on the relevant regulations. CDF will help employees to make claims for Labor Insurance so they can receive the compensation they need as soon as possible.

Occupational injury statistics for employees:

	2016			2017		
	Female	Male	Total	Female	Male	Total
Total occupational injuries (people)	32	11	43	17	14	31
Total lost days of occupational injuries	292	215	507	86.8	191.5	278.3
Occupational injury rate (%)	2.32	0.80	3.12	1.27	1.04	2.31
Lost day rate (%)	21.18	15.60	36.78	6.46	14.26	20.72
Total sick leave (people)	970	436	1,406	1,220	569	1,789
Total sick leave (days)	4,225.8	1,299.4	5,525.2	5,469.3	2,042.2	7,538.5
Absentee rate (%)	0.24	0.08	0.32	0.33	0.12	0.45

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

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

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

(Note: calculation based on fifty weeks a year, a forty-hour work-week, and the statistics are per 500 employees).

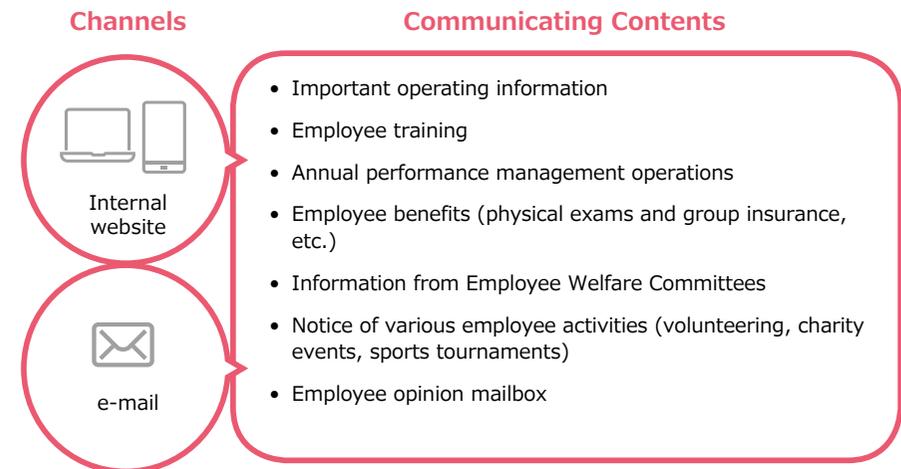
6.2.3 Labor-Management Relations 102-41 402-1

In order to enhance labor relations and strengthen collaboration between the employer and employees, we hold labor management meetings on a regular basis wherein 50% of participants are employee representatives to negotiate various matters which have an impact on employees.

We respect and communicate 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. In 2017, the topics discussed at the labor-management meetings including work-hour extension, work-hour flexibility and other issues.

The employee complaint procedure is published on our 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.

▼ In 2017, no employee complaints were reported.



In order to protect the rights and interests of employees, the minimum lead time for notification of important changes of job responsibilities is set out in the working rules in accordance with the Labor Standards Law.

6.3 Career Development

6.3.1 Education and Training 404-1 404-2

Employee development has always been a top priority for CDF. In keeping with this philosophy, we have continued to provide our employees with the best training resources and environment. Our classroom and online courses cover the following topics:

- Financial courses that meet the international trends
- Legal courses to enhance compliance
- CSR and information security courses
- Personal development courses to enhance the skills of employees

The “CDF Financial Academy” and “KGI e-Learning” continue to serve as a knowledge exchange center and experience sharing platform for all employees. Average employee satisfaction rate toward the contents and learnings environment of the training course reached 85% in 2017. 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.

Educational Training in 2017 :

	2016			2017		
	Female	Male	Total	Female	Male	Total
Total training hours	143,618	72,992	216,610	159,541	78,049	237,590
Average training hour	36.5	30.9	33.4	41.2	33.3	38.2
Average training hour: managerial	40.8	29.2	34.8	41.8	38.0	39.9
Average training hour : non-managerial	33.0	26.2	30.5	41.1	32.3	38.0
Total education and training expenses (NT\$)	17,032,060			26,723,758		

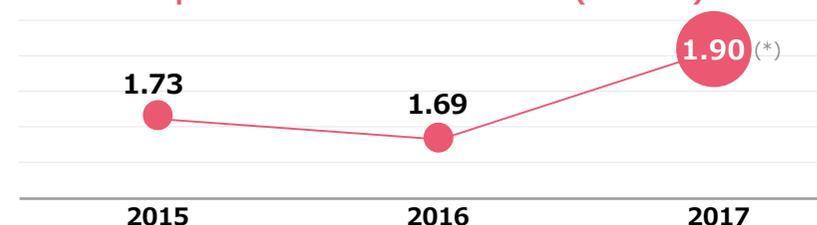
For newly-recruited employees, we offer wide variety of courses to employees. The courses focus on knowledge of our organizational structure, management team, legal compliance, money laundering prevention, risk management, code of conduct, and employee care. All employees are required to complete internal and external training according to the needs of their jobs and relevant laws and regulations. We also provide information to keep employees up to date on the latest laws and regulations.

Subjects	Total Training Hours	Average Training Hours	Participation Ratio (%)
New Employee Orientation	11,031	14.0	99.7
Management Skills	13,014	15.2	81.0
Professional Knowledge	209,669	34.9	97.4
Legal Compliance	68,548	11.5	96.4
Corporate Social Responsibility	7,994	4.9	83.2
Internet Security	9,889	1.6	99.2
Personal Information Protection	4,234	1.1	98.7

Note : The denominator is the number of employees who are required to attend the course

We have made every effort possible to cultivate talents, as we believe that the joint growth of our employees and the Company can lead to greater team competitiveness and create sustainable value. Therefore, we introduced the Human Capital ROI as an evaluative indicator in 2017, which calculates the benefit that every one dollar of human capital investment can create. The results will be used as a reference for how we can invest resources and improve the human resource retaining system.

Human Capital Return on Investment (HC ROI)



Note: The three financial figures (net income, operating expense and employee welfare expense) used for calculating HC ROI all excluded subsidiary China Life.

Employee Development Plan

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, facilitate personal development and continuously help employees to identify their competitive advantages and overall potential.

In order to adapt to the rapidly changing financial environment and customer needs, CDF has continued to accelerate the implementation of employee development programs and nurture all-round financial professionals. Through a comprehensive level-based training course and professional certification, CDF seeks to enhance the financial literacy of its wealth-management employees and provide the most professional services for customers. In addition, for financial professional heritage, CDF has long dedicated to the recruitment and training of Management Associates (MAs) in order to cultivate talents for various departments of the Company.

Employment Development Program (EDP)

Content and Benefits

Level-based Training Program

Plan for a comprehensive and solid talent development and nurturing training program for wealth-management professionals, and design and offer training courses of different levels to correspond to the ranks of wealth-management professionals.

Promote the Qualified Financial Planner (QFP) financial planning professional certification program to enhance the professionalism and service performance of wealth-management professionals, in the process helping them expand job functions.

QFP Program

Qualified Financial Planner (QFP) Certified Financial Planning Planner: The target of this training project is wealth-management professionals, sales heads and branch managers that are closest to the clients. Trainees must complete a four-day training course and pass internal professional certification (written and oral examinations) to be awarded QFP plaques.

MA Program

Since 2002, CDF has recruited 10 to 20 MAs each year and offer them a one-year comprehensive training and practicum course. In addition to the CEO and other executives of CDF are invited to share light on the business philosophy, the development strategy and future expectations of CDF, the heads or veteran colleagues of major business divisions also plan a rich and complete professional program for MAs, so that MAs can quickly absorb financial expertise and experience, which, combined their own ambitions for excellency, will make them great financial talents capable of creating a bright future with the group.

Main Output

Level-based training courses:

1. Novice wealth-management professionals: **four** rounds of the training were offered. Average per-person training time was **39** hours.
2. On-the-job wealth-management professionals: a total of **1,170** people were trained in **24** rounds of training offered.

QFP training and certification course

1. QFP training course is a **32**-hour program that lasts four days; a total of **148** people were trained.
2. QFP training course received **104** applications and **64** of them got the passing grade.

In 2017, **15** MAs were recruited and trained for **1,950** hours. The venture capital MA is CDF's unique type of MA and this program is an important source of venture capital talents.

As of 2017, venture-capital MAs accounted for **50%** of our venture capital sales staff, who are stationed in and outside of Taiwan.

Workforce Coverage Ratio

- The level-based training course is taken by 17.1% of all the CDF employees or 48% of KGI Bank employees

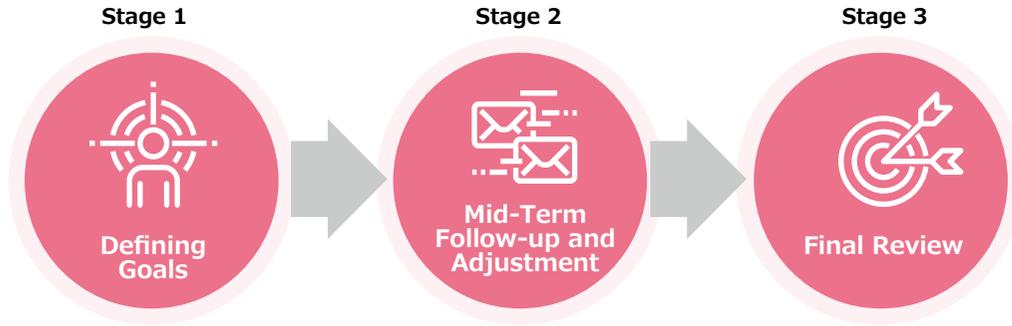
- QFP training and certification course is taken by 2.2% of all the CDF employees or 6% of KGI Bank employees.
- QFP course applicants featured a 62% passing ratio

MAs accounted for 0.22% of all CDF workforces; or

1.6% of all new employees in 2017

6.3.2 Performance Evaluation 404-3

3 Stages



5 Dimensions

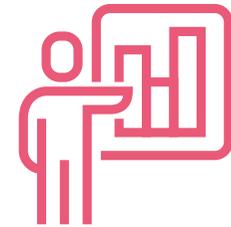


The purpose of performance evaluation is to integrate corporate strategies with employee work goals and review accomplishments during the evaluation period. A three-stage performance evaluation process consisting of defining goals, mid-term follow-up and adjustment, and final review of results provides 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. There are five dimensions of CDF's performance evaluations: core operations, cost-effectiveness, legal compliance/risk management, ESG (Environmental, Social and Corporate Governance) and leadership/teamwork. Each department has its own specialized indicators for core operations to fully reflect the efforts and accomplishments of employees.

In 2017, 100% of employees underwent routine performance and career development reviews regardless of their region, sex, or job role.

2017 employees underwent routine performance and career development reviews

100%



To encourage the circulation of talent throughout the Group and promote greater diversity in the career development for our employees, we leverage resources to give employees priority on applications for internal job openings. Employees are also transferred between subsidiaries, including overseas assignments, based on operational needs.

Internal Job Transferred	2016	2017
No. of people were internally transferred between the subsidiaries of CDF	155	55



7

Foster Sustainable Environment

CO₂

92%
Coverage Ratio
Scope 3 GHG Emission



100%
Main Suppliers Signed
CSR Commitment Letter



189% ↑
Energy-Saving initiatives



NT\$250mn
Environmental/
Energy-Saving Input

7 Foster Sustainable Environment

2017 Total Input NT\$250 mn

GHG Management

ISO 14001: NT\$**525,000**
ISO 14064: NT\$**200,000**

Energy Management

Externally purchased electricity:
NT\$**131.65** mn
Other types of energy:
NT\$**4.82** mn
Energy-saving initiatives:
NT\$**4.76** mn

Water Resource Management

NT\$**3.97** mn

Waste Reduction and Management

Environmental protection measures: NT\$**57.27** mn

Green Purchasing

Green purchasing:
NT\$**51.19** mn

Environmental Advocacy

Purchase of green electricity:
NT\$**212,000**

2017 Performance

- Introduced ISO 14001 environmental management system and ISO 14064 inventory standard to conduct accurate inventory and GHG emissions control.
- Total Scope 1 and Scope 2 CO₂e down 297,051 kg from 2016, covering 96.1% of employees
- With five more new buildings verified for ISO 14064 in 1Q18; covering 44.8% of all employees
- Coverage of Scope 3 carbon emissions for CDF and subsidiaries business travels expanded to **92%** of all employees

- Average electricity consumption per person reduced 2% compared to 2015
- Key energy-saving initiatives in 2017 achieved an estimated reduction of 463,000 kWh, an impressive **189%** improvement from 2016
- KGI Securities is selected as a demonstration user of energy management system by Bureau of Energy, Ministry of Economic Affairs in 2018

- 2017 water consumption down 1% YoY
- Planning for developing rain water harvesting system commenced

- Achieved 335 metric tons of waste recycling
- The practice of paperless services saved approximately 150 mn sheets of A4 paper, a 24.2% YoY improvement in reduction (Reduction achieved by electronic proxy form systems not included)

- Percentage of major suppliers that signed the CSR Commitment Letter: **100%**
- Green purchasing amount increased to 51.19 mn, up 22.6% YoY
- Percentage of local suppliers increased to 98.7%, up 40.1% YoY

- Three consecutive years on use of green electricity
- 1,500 employees participated in low-carbon diet initiative
- Rolled out environmental protection courses on CDF's e-learning platform, achieving 90% course completion rate

2020 Target

- **Reduce GHG emissions by 2.5% vs. 2016**
- Expand employee coverage of GHG inventory
- Expand scope of GHG inventory

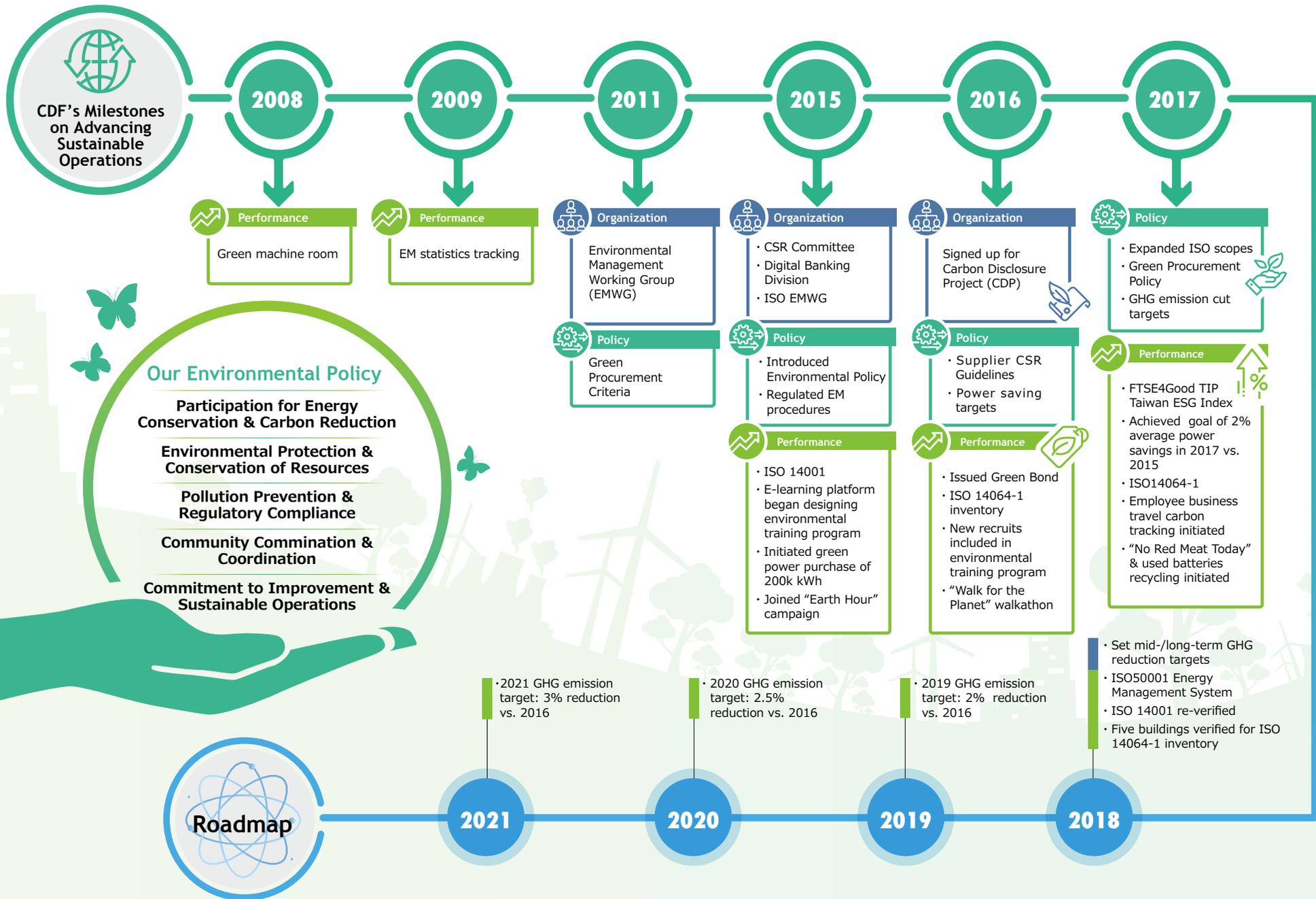
- **Reduce electricity consumption by 2.5% vs. 2016**
- Continue to obtain relevant energy conservation certification at home and abroad

- **Reduce water consumption by 2% vs. 2016**
- Complete installation of rain water harvesting infrastructure in five years

- Continue waste recycling
- Continue advocating paperless practice policy

- Expand scope of green procurement items
- **Maintain local suppliers ratio at above 80%**
- Maintain active participation in government environmental certification programs

- Commitment to support for government agenda on energy conservation and carbon footprint issues
- Set temperature control for AC chiller unit at 26°C and above



In support of the Paris Agreement and to take early action to address carbon risks, the Environmental Sustainability working group was established in 2015 under the CSR Committee to oversee CDF's agenda covering environmental protection, energy conservation, and carbon reduction tasks. Moreover, the operational unit of each affiliate is responsible not only to supervise office environment and equipment management, but also implement various energy conservation and carbon reduction initiatives.

For the future, we will continue to promote GHG related action plans, setting longer-term objectives of 2% reduction in three years and 3% reduction in five years from the 2016 comparison base. The Group's ultimate goal is to achieve 10% GHG emissions reduction by 2050 vs. 2015.

7.1 Greenhouse Gases & Energy Management

7.1.1 GHG Management 305-1 305-2 305-4 305-5

CDF is committed to global warming and climate change issues, and takes energy and GHG emissions management seriously. Since 2009, we have been disclosing internal consumption data of major energy sources. By 2015, the Group declared the fundamentals of its environmental policies. In 2015, the ISO 14001 environmental management system and ISO 14064-1 International Standard for GHG Emissions (Scope 1 and Scope 2) were introduced to implement workplace environment management and GHG inventory method. Using 2016 as the base year, CDF sets targets to reduce GHG emissions by 2% by 2019 and 3% by 2021. The ISO project team regularly conducts performance reviews of energy conservation and carbon reduction measures and formulates recommendations for improvement. 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. Due to the expanded scope of GHG inventory in 2016, CDF's total emissions increased over the previous year. In 2017, CDF's total emissions decreased 297,051 kg CO₂e from 2016, indicating that our energy conservation and carbon reduction policy is having a positive impact. Meanwhile, CDF expanded the scope of ISO 14064 inventories and verification.

2017 Target

Expansion of scope of ISO 14064 GHG inventories and verification

Project

Ongoing ISO 14064 inventory and verification tracking at CDF building, while adding four more sites to the statistical scope: Dazhi, Taikai, Zhonghe, and Hongqi buildings

Performance

As of 1Q18, five buildings have obtained verification for GHG inventory

Achievement rate: 100%

Scope 3 GHG inventory tracking

Project

Unaudited inventorying and reporting of Scope 3 GHG emissions as a result of employees utilizing public transportations during business trips

Performance

In 2017, aggregate mileage of all business trips taken reached 9,238,283 km, for an estimated CO₂e of 491,141 kg

Achievement rate: 100%

▼ GHG emissions from 2015 to 2017 (Scope 1 and Scope 2)

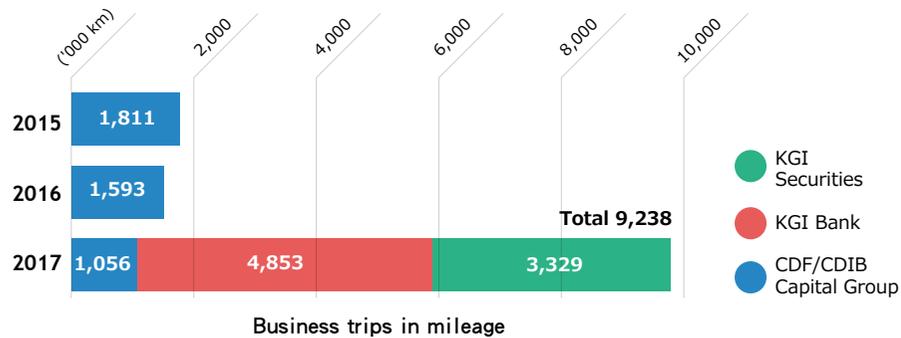
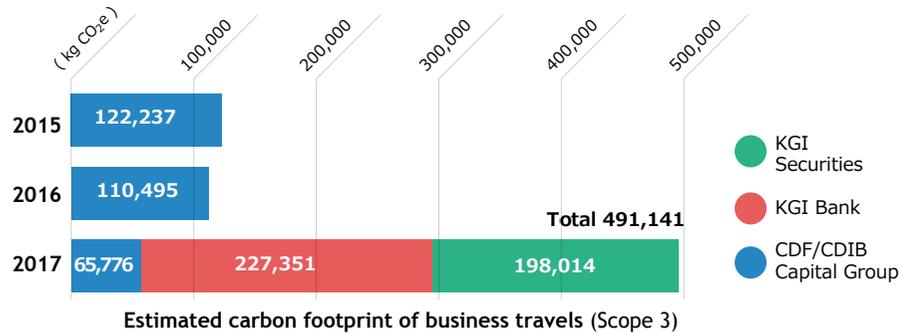
Unit: kg CO₂e

	2015	2016	2017	YoY change (%)
Direct greenhouse gas (GHG) emissions (Scope 1)	1,592,311	903,093	822,836	-8.9
Indirect greenhouse gas (GHG) emissions (Scope 2)	11,173,095	18,826,706	18,609,912	-1.2
Total greenhouse gas (GHG) emissions (Scope 1 and Scope 2)	12,765,406	19,729,799	19,432,748	-1.5
Average emissions per person (Scope 1 and Scope 2)	4,069	3,262	3,260	-0.1
Total coverage of employees (%)	50.8	95.5	96.1	+0.6

*Note 1: GHG emissions for 2015 is internal estimate 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 and 2017 GHG emissions were calculated using the EPA GHG Inventory Registration Form.

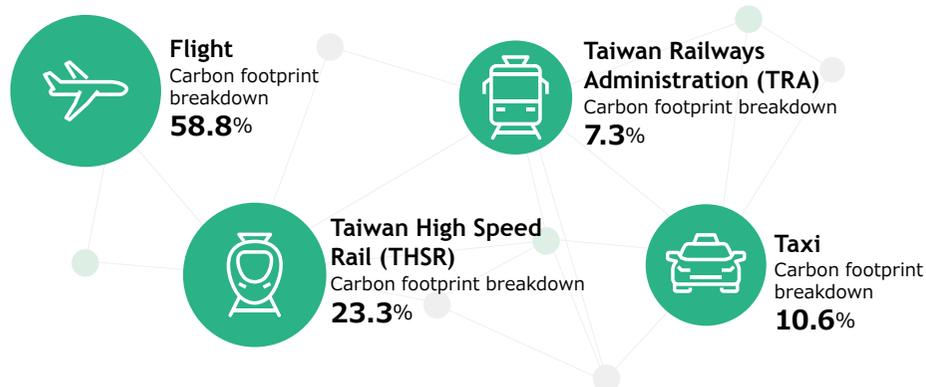
*Note 2: The scope of GHG emission statistics initially included the Group's CDF building, Dazhi building, Zhonghe building, and KGI Bank branches in 2015. In 2016, the Nangang Park office, Taikai building and KGI Securities branches obtained verification for tracking. In 2017, the Hongqi building, along with other leased subsidiary offices were incorporated into the inventories.

*Note 3: The scope of certified buildings for ISO 14064 GHG Inventory in 2017 include the CDF building, Dazhi building, Taikai Building, Zhonghe building, and Hongqi building, representing 44.8% coverage.



Note: The transportation used by employees for business travel includes aircraft, Taiwan High Speed Rail, Taiwan Railways Administration, and taxis. Estimated carbon emissions from business travel are calculated based on the amount of carbon emissions generated by each transportation and the number of miles traveled. For 2015 and 2016, the scope only include employees of CDF and CDIB Capital Group. In 2017, the scope further expanded to include employees of KGI Bank and KGI Securities, with total employee coverage of 92%.

▼ Breakdown of CDF personnel business travel carbon footprint in 2017



7.1.2 Energy Management 302-1 302-3 302-4

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.

2017 Target

To reduce 2% of average electricity consumption per person by 2017, using the average electricity consumption per person in 2015 as comparison base

Project

To replace old AC and lighting equipment at headquarters and branches with eco-friendly, power-saving and energy-efficient equipment; moderate duration of signage lighting usage

Performance

Key energy-saving initiatives in 2017 achieved estimated savings of 463,000 kWh, equivalent to CO₂e reduction of 245,065 kg; reduction of average per-person electricity consumption exceeds 2% target

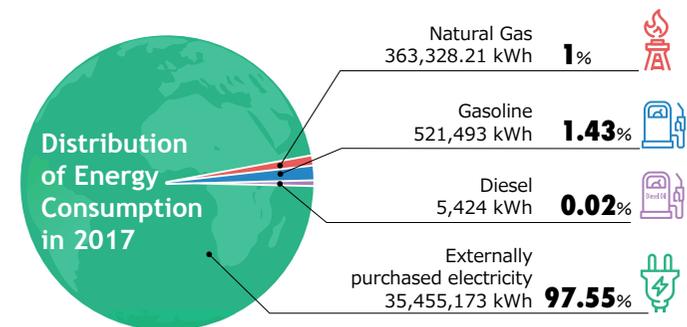
Planning to introduce the ISO 50001 energy management system

Project

To optimize energy efficiency with ISO 50001 EMS

Performance

Installation of ISO 50001 EMS is underway in 2018



Note: The Group's energy consumption statistics for 2017 were calculated using the energy unit conversion table issued by Academia Sinica and are denominated in kWh.

▼ Energy Consumption 2015-2017

		2015	2016	2017
 Externally purchased electricity	Total consumption (kWh)	21,161,165	35,938,625	35,455,173
	Average consumption per person (kWh)	6,745	5,942	5,949
 Natural Gas	Total consumption (cubic meters)	96,885	97,541	94,010
 Gasoline	Total consumption (liters)	623,156	184,800	138,391
 Diesel	Total consumption (liters)	N.A.	2,370	1,337
Coverage of total employees (%)		50.8	95.5	96.1

*Note 1: The scope of the 2015 statistics for externally purchased electricity, natural gas, and gasoline included the Group's CDF building, Dazhi building, Zhonghe building, and KGI Bank branches. In 2016, the Nangang Park building, Taikai building and KGI Securities branches were also included. In 2017, the Hongqi building and other leased subsidiary offices were incorporated into the scope of inventories.

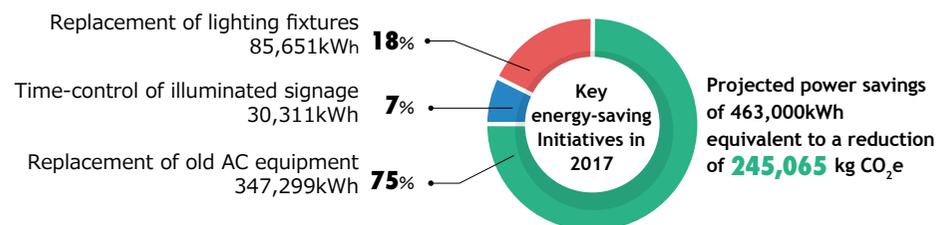
*Note 2: Externally purchased electricity accounts for 97.6% of CDF and subsidiaries' energy demand. Reduction of per-capita power consumption in 2017 exceeds 2% vs. 2015. Used in corporate vehicles, gasoline is the second largest source of energy consumption.

*Note 3: In 2017, externally purchased electricity cost a total NT\$131,866,434, including NT\$212,000 for green electricity, and NT\$4,821,786 for other energy types.

*Note 4: Data of gasoline consumption for employees' own private vehicles was consolidated in 2015, and has been stripped out of calculation from 2016.

Key annual energy-saving initiatives

As externally purchased power is our main source of energy consumption, we prioritized replacing the more power-demanding equipment in the 2017 key energy-saving initiatives. We have achieved estimated savings of 463,000 kWh, equivalent to a reduction of 245,065 kg CO₂e.



Execution

(NT\$'000)
Investment Cost

<p>Project Replacement of old AC equipment</p> <p>1. In 2017, KGI Bank replaced the old AC equipment at the Taitung branch, Tianmu branch, Taoyuan branch, Tungmen branch, Hualien branch, Dali branch, Zhongli branch and Luodong branch with new eco-friendly refrigerant or inverter AC equipment, total 18 items.</p> <p>2. KGI Securities replaced two units of old AC equipment in Dazhi building with inverter AC equipment, and replaced the mainframe of Taikai building's AC machine room.</p> <p>2017 Performance Total savings of 347,299 kWh (projected annual savings of 993,660 kWh)</p>	2,288
<p>Project Replacement of lighting fixtures</p> <p>1. In 2017, KGI Bank began progressively upgrading ceiling lights in bank lobbies and offices to new LED energy-saving lighting at the Zhongli branch, Chienkang branch, Chengtung branch, Songjiang branch, Fengcheng branch, North Kaohsiung branch and Lending business support department-Kaohsiung region. Total 951 LED energy-saving lighting fixtures.</p> <p>2. KGI Securities replaced meeting room lamps with new LED energy-saving lighting and T5 high-power lighting equipment in Dazhi building, with total replacement of 267 LED energy-saving lighting fixtures and 297 T5 lamps.</p> <p>3. At the CDF building, a total 38 lamps have been replaced, including changing the PL lighting at the entrance canopy and metal halide lamps with power-saving LED fixtures.</p> <p>2017 Performance Total savings of 85,651 kWh (projected annual savings of 102,064 kWh)</p>	2,476
<p>Project Time-control of illuminated signage</p> <p>In 2017, KGI Bank reduced the duration of illuminated outdoor vertical and horizontal signage by 2 hours daily at 38 branch locations.</p> <p>2017 Performance Annual savings of 30,311 kWh</p>	

*Note 1: The above energy-saving initiatives offer projected power savings of up to 1,126,000 kWh per year. With an average electricity charge of NT\$3.6/kWh, this translates into savings of NT\$4,054,000 per year. The total investment of NT\$4,764,000 is estimated to be recouped within 1.2 years

*Note 2: Reduction achieved by aforementioned initiatives represents approximately 1.3% of the Group's power consumption.

7.2 Resource Management

7.2.1 Water Resource Management 303-3

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 a water-saving eco-label are used. To more effectively utilize water resources, planning is underway for the headquarter building to be fitted with rain water harvesting facilities for gardening and sanitation purposes.

2017 Target

-1% YoY Reduction	<p>Project</p> <p>Buildings and branches have implemented sensor-embedded equipment; use products with water conservation eco-label for replacement and new installation; provide information on water conservation measures to employees</p>	<p>Performance</p> <p>2017 water consumption reduced more than 1% YoY (2,253 cubic meters)</p> <p>100% completed</p>
Rain water harvesting facilities	<p>Project</p> <p>Planning for the headquarter building to be fitted with rain water harvesting facilities</p>	<p>Performance</p> <p>A system will be implemented and launched in five years</p>

▼ Water Resource Consumption from 2015 to 2017

	2015	2016	2017
Total consumption (cubic meters)	117,349	199,724	197,471
Average consumption per person (cubic meters)	37	33	33
Carbon emissions (kg CO ₂ e)	18,072	30,358	30,016
Coverage of total employees (%)	50.8	95.5	96.1

Note: Calculation of carbon emissions based on equivalent unit tap-water CO₂e data published annually by Taiwan Water Corporation.

7.2.2 Waste Reduction & Management 306-2

As a member of the financial services industry, the Company's operations create a milder environmental impact compared to the manufacturing industry. The waste produced is mostly general trash, not industrial waste containing toxic materials that require special treatment.

2017 Target

Recycling Observation	<p>Project</p> <ul style="list-style-type: none"> Collect statistics on recyclable and non-recyclable waste Statistics on recycling of waste light tubes and light bulbs at main buildings commenced in July, 2017 	<p>Performance</p> <p>A total 335 metric tons of waste was recycled</p>
Digital Paperless Services	<p>Project</p> <ul style="list-style-type: none"> KGI Securities and KGI Bank offer paperless services such as online account opening, electronic trading and wealth management business KGI Securities and KGI Bank raise the shares of customers utilizing e-statements and eDM 	<p>Performance</p> <p>These practices have saved an estimated 150,000,000 sheets of A4 paper, equivalent to 1,097 mt CO₂e</p>
Paperless Internal Operations	<p>Project</p> <ul style="list-style-type: none"> CDF and CDIB Capital Group have introduced an ID authorization mechanism to control access to multi-function printer (MFP) to minimize misprint incidents KGI Bank has established an electronic corporate procurement system CDIB Capital Group has digitalized visitor parking application service 	<p>Performance</p> <p>These practices have saved an estimated 668,000 sheets of A4 paper, equivalent to 4.8 metric tons in CO₂e</p>

CDF sorts its trash and waste into what's recyclable and non-recyclable, since it generally does not generate hazardous waste. Below is the treatment data compiled from 2015 to 2017:

		2015	2016	2017
Recyclables	Paper	90,762	67,938	60,576
	PET bottles	2,255	2,012	2,308
	Tin/aluminum cans	1,667	1,297	1,309
	Kitchen scraps	-	107,030	104,876
	Light tubes, light bulbs	-	-	1,450
Non-recyclables	General trash	-	169,650	165,186
Total		94,684	347,927	335,705

(unit: kg)

*Note 1: Statistics commenced for kitchen scraps and general trash started in 2016; tracking of light tubes and light bulbs recycling commenced in 2017 (within main headquarter buildings, covering 37.7% of employees)

*Note 2: Empty toner cartridges are recycled and professionally treated by our MFP suppliers.

*Note 3: In 2017, total waste produced within the statistical scope was down 3.9% YoY in volume (light tubes and light bulbs not included)

*Note 4: In compliance with the Personal Information Protection Act and relevant regulations, classified documents are shredded and destroyed under employee supervision. Data storage devices to be disposed of must be first destroyed by IT personnel before recycling in order to prevent leaking of personal and classified information.

Resource Management and 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. We give preference local suppliers when making purchases.
- Business cards and annual reports are printed on eco-friendly FCS-certified paper.
- Arrange periodic inventory for, and prop up management of, IT equipment, office furniture, among other corporate fixed asset. Reallocate and resume utility of idle asset to prevent wasteful handling of resources.
- Email, bulletin board system (BBS), and the electronic official document systems are used to replace hard-copy documents and streamline the approval process.
- Give preference to MFP rental services with Green Mark eco-label. Rationalize utilization by specifying 2-sided print or merging multiple pages etc. as default. Use recycled paper to reduce consumption. Use eco-friendly recyclable consumables.
- 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 2017, the Group used around 205 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, online account opening and other paperless services.

Achievements as a result of our commitment to paperless policy and services:

Business unit	Project	Projected reductions				
		Saving of A4 paper (1,000 sheets)		Equivalent carbon emission (Note 1) (kg CO ₂ e)		Change YoY (%)
		2016	2017	2016	2017	
KGI Bank	Internet banking and mobile banking	863	1,277	6,212	9,196	48
	Online account opening, electronic billing, eDM	5,530	7,280	39,816	52,418	31.7
KGI Securities	Online account opening, e-statement	5,107	5,719	36,774	41,179	12
	Electronic consignment order system (Note 2)	-	138,133	-	994,559	-
Total		11,500	152,409	82,802	1,097,352	-

*Note 1: 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 3.6 kg CO₂e.

*Note 2: KGI Securities expanded the statistical scope of paperless practice in 2017 with the coverage of utilization data of securities and futures electronic trading orders services.

Below are our achievements in advancing the digitalization of internal administrative processes:

Business unit	Project	Projected reductions	
		Saving of A4 paper (1,000 sheets)	Equivalent carbon emission (Note 1) (kg CO ₂ e)
CDF	Digitalized procurement procedures	1	4
KGI Bank		7	53
KGI Securities		20	141
CDIB Capital Group		6	43
CDF	Digitalization of visitor parking application service	4	28
CDF CDIB Capital Group	ID authorization mechanism for employee access to MFP	630	4,539
Total		668	4,808

Note: Based on the data provided by the Taiwan Product Carbon Footprint website of the EPA: Each box of A4 paper containing 500 x70g (210mm x 297mm) sheets generate 3.6 kg CO₂e.

The Group's office buildings and business premises are regularly cleaned and disinfected (including waste removal, carpet cleaning, and exterior wall cleaning, etc.). 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. In 2017, the Group spent a total of NT\$57.27 mn on environmental protection measures.

Total of NT\$
57.27 mn
on environmental
protection measures.



7.3 Responsible Procurement

102-9 204-1 308-1 308-2 414-1 414-2

In 2017, the Group relies on nearly thousands of suppliers for the provision of miscellaneous services, equipment, and engineering support ranging from IT services, security services, electronic equipment, telecommunications, and furniture to construction and maintenance projects. The Group has raised the percentage of local suppliers to 98.7%. In terms of responsible procurement targets setting, our short term goals are to make pledge to suppliers to sign our Supplier CSR Commitment Letter to shore up participation in CSR on their part, and strengthen the management of supply chain performance. Our mid-term and long-term goals are to expand the scope of green contracts and stay active on participation in government-led environmental certification programs.

2017 Target

<p>Percentage of suppliers that signed the CSR Commitment Letter</p>	<p>Project As of end-2016, 47.7% of all key suppliers solicited for their services on a single contract value worth NT\$1 mn or more have signed the "Supplier CSR Commitment Letter." To shore up execution of CSR policy that ensure commitment of suppliers to CSR, we strive to raise the percentage of CSR Commitment Letter-signing key suppliers to 80%</p>	<p>Performance Percentage of suppliers that signed the Supplier CSR Commitment Letter in 2017: 100% 100% Completed</p>
<p>Responsible procurement</p>	<p>Project Green Procurement in 2016 amounted to NT\$41.77 mn. The target increase of green purchasing is set at 3%</p>	<p>Performance Green Procurement increased 22.6% YoY to NT\$51.19 mn in 2017 100% Completed</p>
<p>Local suppliers</p>	<p>Project In 2016, the percentage of the Group's locally-sourced suppliers was 70.4%. To fulfill our low-carbon environment commitment, we strive to raise the percentage of local suppliers to 80%</p>	<p>Performance Local suppliers percentage increased 40.1% YoY to 98.7% 100% Completed</p>

Supplier Management

To expand our CSR influence, the Group ensures compliance with the code of responsible procurement when soliciting services from suppliers. In 2016, we introduced the "Supplier CSR Fulfillment Guidelines" to call on suppliers to jointly commit to protection of labor rights and of the environment, and adhere to Ethical Management and Code of Ethics. The Group continues to call on all suppliers to join the rest in signing its Supplier CSR Commitment Letter to advance the cause for finding a balance between economic and environmental sustainability.

In 2017, CDF's CSR Commitment Letter was signed by a total of 304 suppliers, up 162% YoY from 116 suppliers in 2016. 100% of our Key Suppliers have signed the CSR Commitment Letter in 2017, up from 47.7% in 2016. A total 91 suppliers have undergone 93 onsite audits throughout 2017, and 100% of the audits indicate sufficient compliance with CDF's policy.

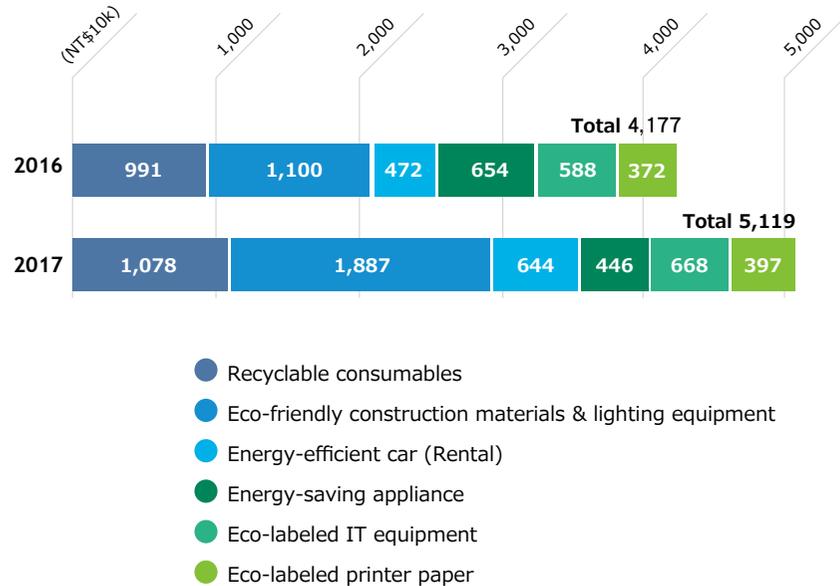
Responsible Procurement (green purchasing) Policy

- Assess the actual needs:
A thorough needs analysis involving the relevant stakeholders will help define the scope for greening the contract as well as avoiding unnecessary purchases.
- Apply selection criteria based on energy saving capacity:
Set awarding criteria which encourages equipment and products that emit less pollutant, are more energy efficiency, and are eco-label certified or verified by relevant manufacturing directives.
- Reduce purchases of single-use disposable items:
Consider alternatives which offer reusability and durability to minimize environmental impact.

Our supplier management measures include selection, supervision of contract execution, on-site inspection, and independent enquiry. Quality suppliers are identified based on selection criteria including professionalism and experience, technical certifications, business track record and environmental track record. Upon selection, suppliers are offered to sign the Company's Supplier CSR Commitment Letter, and are supervised as per the contract to comply with guidelines involving labor human rights policy, occupational safety and health code, fire and construction regulations, environmental policy and consumer protection to prevent serious environmental or social impact and fulfill CSR. In case of failure to deliver sufficient improvement within given timeframe upon violations of CSR commitment which result in

significant environmental or social impact, CDF may terminate, suspend and revoke the contract, impose penalties, and possibly disqualify the entity's supplier status under exceptional circumstance. Therefore, responsible procurement saw a 22.6% increase from 2016 to NT\$51.19 mn in 2017. The Group will continue advancing its responsible procurement policy, and join hands with suppliers in implementing CSR and environment protection.

Green procurement value in 2016 and 2017



7.4 Environmental Advocacy & Promotion

As a corporate citizen, CDF continues to advocate environmental protection and encourage employees to take actions in reducing carbon emissions and thus contributing to environmental sustainability.

- We 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 accumulated to 600,000 kWh for three years.
- Actively supporting the “Earth Hour” campaign. In 2015, we began actively supporting the “Earth Hour” campaign for three consecutive years, joining hands with the world to offer our corporate platform for positive impact.
- Low carbon footprint diet – No Red Meat Today monthly initiative. The Company sources fresh in-season ingredients produced locally to minimize necessary processing and shipping. Our meals are prepared with energy-saving measures and proportional to the cafeteria size to avoid excessive leftover and waste. In 2017, about 1,500 employees took part in the No Red Meat Today monthly initiative, equivalent to 12,395 kg of CO₂e cut.
- In support of Taipei City Government Department of Environmental Protection’s Earth Day Fair, the Group recycled about 8 kg of used batteries collected across main operating buildings at the Yanhui Book Warehouse on Cloud project in exchange for free used children books to endorse KGI Charity Foundation to help underprivileged children catch up on reading.
- We rolled out environmental protection educational training program on the Group’s e-learning platform, achieving 90% course completion rate in 2017 with about 5,500 employees (including new recruits) finishing the course.
- To promote the cause for carbon reductions, CDF periodically forwards promotional materials through internal email to all employees advocating practicing the principles in everyday activities, such as taking public transportations, taking the stairs instead of the lift, increasing the portions of fruit and vegetables and in-season ingredients in our diet, setting temperature control for AC chiller unit at 26°C and above, electronic paperless services, reduction of plastic consumption, and garbage sorting and recycling, etc.



7.5 Environmental Profit & Loss (EP&L) 305-3

The wear of economic activities on ecosystems has disrupted the ecological balance of natural resources, causing greater volatility in commodities and forcing enterprises to deal with greater risks of increasing input cost as a result of climate change. We recognized the value in developing a considerate approach to how we utilize natural capital as we offer our quality services and innovate our financial products. We officially begin undertaking a 'Environmental Profit and Loss' (EP&L) account as part of our sustainability model through applying a subset of the 'Social Cost of Carbon' estimates published by the US EPA to place a monetary value on externalities as a result of our business activities that impact the ecosystem and environment. This helps us as a corporation to develop a broader supply chain-wide perspective to account for our practice, and empower all parties involved to take action towards our collective sustainability goals.

Initiative		GHG emissions (kg CO ₂ e)	Source of quantification	EP&L (NT\$)
GHG emissions	Scope 1	822,836	Using conversion data published by Executive Yuan EPA's GHG Emissions Coefficient Management Table and Inventory Registration Form	(275,509)
	Scope 2	18,609,912		(6,231,138)
	Scope 3 (Business travel)	491,141	Based on emission levels of chosen transport modes and mileage occurred during itinerary of employees	(164,448)
Key energy-saving initiatives		(245,065)	Based on 2016 electricity emissions factor data of 0.529 kg. CO ₂ e/kWh as published by Bureau of Energy, MOEA	82,055
Purchase of green electricity		(105,800)		35,425

Initiative	GHG emissions (kg CO ₂ e)	Source of quantification	EP&L (NT\$)
Paperless policy & services	(1,102,160)	Estimate that 500 sheets of A4 paper generate 3.6 kg CO ₂ e, according to EPA statistics accessible on https://cfp.epa.gov.tw/	369,035
Water conservation	(342)	Based on tap water emissions factor data of 0.152kg/cubic meter published by Taiwan Water Corporation	115
Total	18,470,522		(6,184,465)

Note 1: Quantification of social cost of carbon (SCC) based on US EPA Technical Support Document estimates of US\$11 per CO₂e on a 5% discount rate, according to its August 2016 revision.

Note 2: Based on 2017 interbank spot market closing rates of NT Dollar against the US Dollar of 30.4390 (<https://www.cbc.gov.tw> and Taipei Foreign Exchange Market Development Foundation)

Note 3: The statistical scopes of initiatives are consistent with those previously discussed.





8 Share Sustainable Value



16,231 Students
691 Schools
Donations & Aid Beneficiary



3 Collaborated Universities
291 Participated Students
600 People Benefited
Art Cultivation & Commercial
Initiatives



351 Underprivileged Students
Invited for Art Performance
Community Investments



SROI 4.26
Heritage 100 & Tutelage 100
Social Return On Investment

8 Share Sustainable Value 203-1



CDF Financial Education Lectures



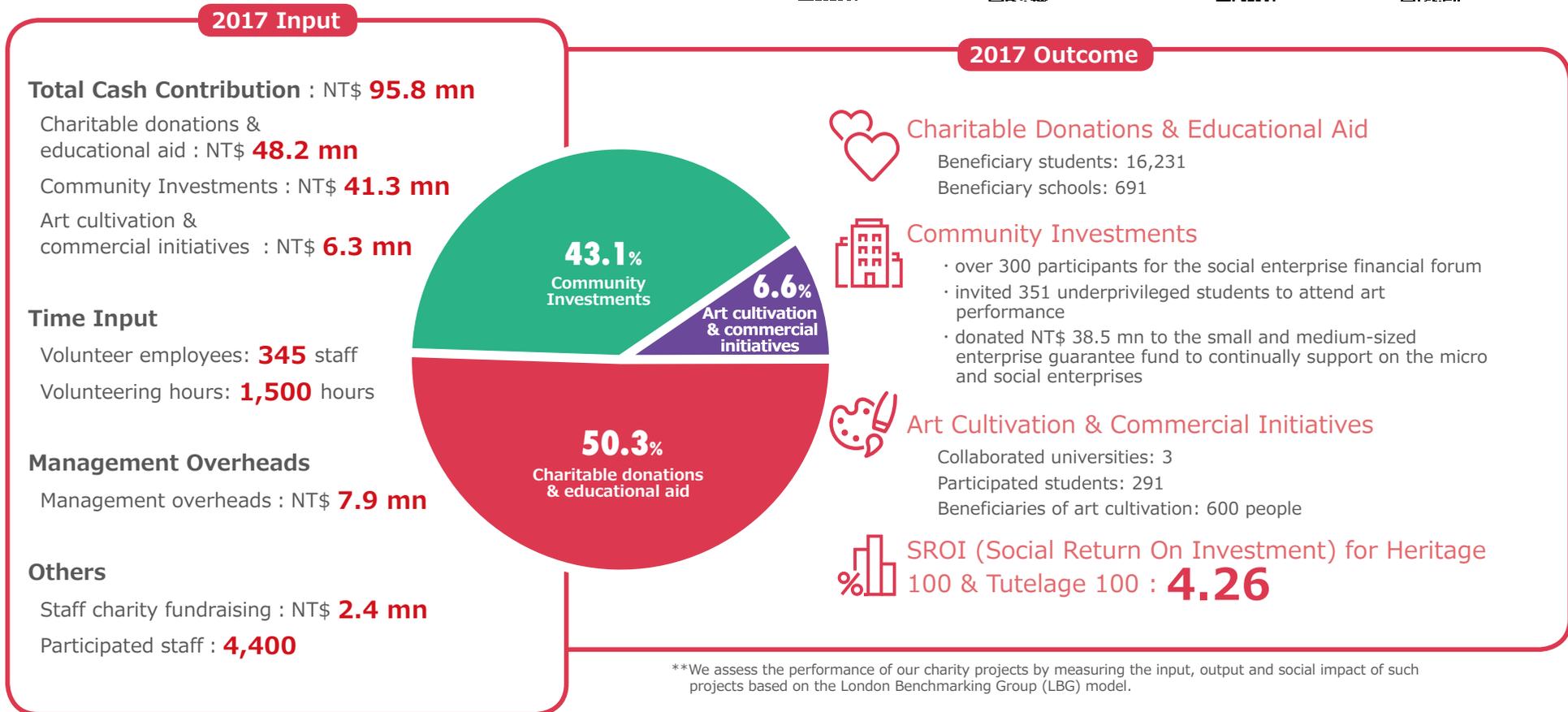
CDIB Education and Cultural Affairs Foundation



KGI Bank Community Care



KGI Charity Foundation



Giving back to the society isn't just what we do; it's what we truly believe in. When choosing charity partners, we not only focus on long-term projects (at least three years), but also look into the size of population that could potentially benefit from the projects in order to maximize the social impact of our efforts. Given our firm belief in education, CDF and its subsidiaries have engaged in a variety of charity and emergency aid programs that center on education. We also put great emphasis on industry-academia collaboration as well as the training and cultivation of new talent for the financial industry. We hope to create a positive influence on the society through our long-term and systemic participation in corporate giving programs.

Our charity projects can be divided into four major categories: charitable donations & educational aid, community investment & industry-academia collaboration, art cultivation & commercial initiatives, and employee engagement.

Main projects and performance of 2017:

Project	Description	Business Benefit	Social Benefit
 Donations  	<p>A long term subsidy project to cover the cost of school fees for student victims of the Formosa Fun Coast explosion incident</p>	<ul style="list-style-type: none"> Improve our brand image and awareness through direct contact with over 400 students, parents and the general public 	<ul style="list-style-type: none"> In 2017, CDF provided a total subsidy of NT\$ 8.18 mn to 6 graduate and 226 undergraduate students
 Educational Aid  	<p>Heritage 100 X Tutelage 100 To help bridge the education gap between urban and rural areas, this program utilizes an annual budget of NT\$ 5 mn to provide 100 scholarships to economically disadvantaged undergraduate students with outstanding potential. The recipients are encouraged to work as volunteers for 100 hours as tutors to underprivileged children in a synergy effect of not only providing academic support but also serving as positive role models to children</p>	<ul style="list-style-type: none"> 100 students opened new accounts at CDF subsidiaries Improve our brand image and awareness through direct contact with over 400 people, including 100 undergraduate students, 100 beneficiary pupils, 100 tutors and 100 parents of the beneficiary pupils 	<ul style="list-style-type: none"> In 2017, CDF sponsored scholarships totaling NT\$ 4.9 mn for 98 undergraduate students. Undergraduate students served as tutors of 100 pupils
 Community Investments 	<p>Sponsorship for a Social Enterprise Hub, which provides free space for business owners to meet up and exchange ideas; CDF also offers financial advisory services at the hub space to help social enterprises thrive</p> <p>In 2017, CDF brought together the industry, government and academia by organizing the first Social Enterprise Financial Forum in Taiwan, with participation of many social groups and startup companies</p>	<ul style="list-style-type: none"> Enhance brand image and awareness: advertisement benefits worth NT\$ 210,000 Connection with social enterprises and other business opportunities (corporate and personal loans, salary account, and other new products) 	<ul style="list-style-type: none"> 175 live events; attracted 219,569 clicks on the official website A total of 300 people participated in the forum, alongside over 50 social groups and startups Facilitate industry-business-government networking
 Art Cultivation 	<p>A continuation of our support for local art and cultural groups and cultivation of art talent; in 2017, CDIB Education and Cultural Affairs Foundation sponsored the Lan Yang International Double Bass Summer Camp, Lan Yang Double Bass Flashmob Concert and a double bass concert at the National Concert Hall to make art more accessible to the public</p>	<ol style="list-style-type: none"> Enhance brand image and awareness: <ul style="list-style-type: none"> Direct contact with sixty summer camp students and five globally recognized double bass masters; 500 participants at the National Concert Hall event; Over 4,000 views of our flashmob concert video on Youtube; and Client relationship maintenance: CDF gave 434 concert tickets to corporate clients 	<p>The sponsorship for the 2017 Lan Yang International Double Bass Summer Camp and the National Concert Hall event cost us NT\$ 2 mn in total, with beneficiaries including 60 summer camp students, 5 foreign mentors and 500 concert audiences</p>
 Commercial Initiatives  	<p>Organize financial lectures and workshops with local universities, like NTU and NCCU, with senior managers of CDF serving as lecturers to pass down professional financial knowledge</p>	<ul style="list-style-type: none"> Enhance brand image: KGI Financial Forum received a 96.2% satisfaction rating among NCCU students Attract future talent: students who have developed a better understanding of our company are more likely to pursue a career at CDF 	<ul style="list-style-type: none"> Collaborated Universities: NTU, Chengchi and Soochow Universities Participated students: 291

8.1 Charitable Donations & Educational Aid

Believing education is the most valuable investment, CDF's social welfare activities have centered on the theme of "care for the next generation, invest in children's future" to support and cultivate programs related to culture, art education, and social welfare. Regardless of a sponsorship program or an emergency aid, education is our focus: donations and support are provided to students from primary school children to graduate students. We continue to support and cultivate various culture, art education and social welfare programs.

Heritage 100 & Tutelage 100 is an over 10-year scholarship project established by CDIB Education and Cultural Affairs Foundation in 2007. It utilizes an annual budget of NT\$5 mn and benefits 200 disadvantaged college students and underprivileged children. The total amount of investment for this project is expected to reach NT\$70 mn by 2020, with 2,800 cumulative beneficiaries.

	Donor	Project	Beneficiary	Description	2017 Performance
 <p>Charitable Donations Emergency Aid</p>	CDF	Donation for Tainan Earthquake	Orphaned children	CDF donated NT\$ 10 mn for home reconstruction and child education right after the Tainan earthquake happened in February, 2016. To ensure effective utilization of donations, NT\$ 6 mn was deposited as emergency funding and the remaining \$ 4 mn was put in an education trust for the orphaned children by the earthquake.	
	CDIB Education and Cultural Affairs Foundation	Financial Assistance to student victims of Formosa Fun Coast explosion	Student Victims	A subsidy project to cover the cost of school fees for student victims of the incident.	beneficiary : 232 students subsidy amount: NT\$ 8.18 mn accumulative subsidy amount & beneficiary since 2016: NT\$ 14 mn & 421 people
 <p>Educational Aid</p>	CDIB Education and Cultural Affairs Foundation	Perfect Nutrition	Elementary and junior high schools in rural areas	Subsidies: NT\$ 7 mn	Beneficiary: 285 schools total 15,562 students
		Love, Starting From Elementary School	Low-income students	Subsidies: NT\$ 2.9 mn Support low-income students to secure their right to life and education	Beneficiary: 53 schools total 149 students
	KGI Charity Foundation	Let Love Flower	Economically disadvantaged students living in rural areas	Subsidies: NT\$ 4 mn Assist students from economically disadvantaged backgrounds to have fair opportunity for quality education	Beneficiary: 20 schools
		Emergent Aid Program	Low-income students	Subsidies: NT\$ 1.43 mn Financial aid and emergency funds for student's family that experience sudden upheavals	Beneficiary: 43 students, 36 schools
 <p>4 QUALITY EDUCATION</p>	KGI Securities Thailand	Dream Come True Bicycle Donation Drive III	Children aged 8-15 who have commuting difficulties to school	Subsidies: NT\$ 1.34 mn Ensure students won't have to interrupt their education due to commuting difficulties	Beneficiary: 9 provinces, 114 schools, 1,150 bicycles





Donor	Project	Beneficiary	Description	2017 Performance
	Country 100 Mobile Reading	Disadvantaged families in rural areas	Subsidies: NT\$ 200,000 Sponsor the Community Care & Service Program of the Huayuan Child Service Center, which aims to provide after-school tutoring and day care services to teenagers and children with a disadvantaged background (from a single-parent, grand parenting, low-income, new immigrant, cultural minority or malfunctioning family) in the Aozidi, Qianfeng and Jiuru communities in the Kaohsiung City	Beneficiary: 102 students, 19 schools
CDIB Education and Cultural Affairs	Our Class Has Got Talent	Individuals or groups with potential	Subsidies: NT\$ 1.6 mn Talent reward program	Beneficiary: 88 students, 16 schools
	Scholarship for skilled vocational high school students	High school students with potential	Subsidies: NT\$ 510,000 Talent reward program	Beneficiary: 36 students, 21 schools
Heritage 100 X Tutelage 100		Low-income college students	Subsidies: NT\$ 4.9 mn 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	Beneficiary: 98 college students, 100 underprivileged children, 10,000 tutorial hours, 100 schools



SROI Social Return on Investment

Heritage 100 X Tutelage 100 is a long-term program that the CDIB Education and Cultural Affairs Foundation have engaged in for more than ten years. The foundation puts in NT\$5mn each year to keep the program running, with beneficiaries including 100 college students and 100 elementary school children. In order to find out the social impact of the program, in 2017, we introduced the SROI system to assess the changes to the major stakeholders and the social impacts the program had brought about in 2016. The social impact is calculated and presented in monetary terms. The denominator is the cost, or the NT\$5mn we allocate for the program each year, while the numerator is the value of the social impacts, including the livelihood of college students, academic progress of school children, improved family relationships and reduced workload for primary school teachers, etc. We find out that the SROI of the Heritage 100 X Tutelage 100 program was 4.26 in 2016, meaning for every NT\$1 we invested in, we created positive social impacts worth NT\$ **4.26**

Note: we have not yet interviewed or conducted a questionnaire survey on the stakeholders of the 2017 program, and thus the SROI we present here is only the preliminary result without sensitivity analysis



Online Donation Platform

We have worked with twenty philanthropic organizations in Taiwan by launching an online donation platform on the KGI Bank website, allowing the organizations to increase their exposure to the general public for free. The donation platform we provide is safe and easy to use. Customers of KGI Bank can show substantive support by making donations online with a credit or debit card. In 2017, the platform received 341 donations with a total value of NT\$274,000.

8.2 Community Investments 203-1

In the process of making donations to social philanthropy, CDF strives to integrate charity work with business to create win-win situations. Through the cooperation with the Social Enterprise Hub, CDF could utilize its core strength in venture capital and private equity business to provide consultation and financial planning to social enterprises. This does not only ensure us to understand the needs of social entrepreneurs, but also creates business opportunity of providing financial services to them.

Cooperated with the Social Enterprise Hub, CDF had held a Social Enterprise Financial Forum in 2017. , With the participation of more than 50 social groups and startup companies, 300 people from the industry, academia and public service sectors turned up at the forum. The Social Enterprise Hub hosted at least 175 events in 2016-17 and has attracted 219,569 visits to its official website.

Organizer	Project Name	Target participants	Description	Achievements in 2017
CDF	Social Enterprise Hub	Social groups and startup company owners	An integration program sponsored by CDF for social enterprises with both both online (social network build-out) and offline (brick-and-mortar space design) approaches.	At least 175 face-to-face events hosted since 2016, with 219,569 visits to the official website
	Social Enterprise Financial Forum	Social groups and startup company owners	Organized the first Social Enterprise Financial Forum at the Social Enterprise Hub, with participation of several social groups and startup companies, as well as scholars and government representatives	300 people attended the forum with the participation of over 50 social groups and startup companies
	Education Charity Fund		A supportive program of the Taiwan Financial Services Roundtable to help underprivileged students complete their study	Donation:NT\$ 2.5 mn
	Financial Literacy for Youth Program	Underprivileged students	CDF actively participated in the financial literacy program launched by the Financial Supervisory Commission (FSC) to help underprivileged college students to strengthen the competitiveness of financial employment	Total 500 people attending the courses island wide
KGI Bank	Small and Medium-sized Enterprise Guarantee Fund	Micro and social enterprises	Long support to SMEG Fund and helped micro and social enterprise to be qualified for credit guarantees and loans.	Donation:NT\$ 38.48 mn
CDIB Education and Cultural Affairs Foundation	National Theater&Concert Hall "Zero Distance in Art" program	Disadvantaged students and families in rural areas	Donation: NT\$200,000 in total	Beneficiary: 351 students, 7 schools
	National Taichung Theater "Dream Come True" program	Primary and secondary school teachers and students in remote areas	Invited students from disadvantaged areas to attend art performance event	



Community Investments





8.3 Art Cultivation & Commercial Initiatives

In addition to continued support for art talent cultivation and event sponsorship, we have also engaged in long-term cooperation with colleges and universities to pass down our first-hand experiences in venture capital and finance to students. We do this to fulfill our corporate social responsibilities, and we believe this will help young students develop a better understanding of our group. In other words, these are good opportunities to strengthen our brand image and awareness among the younger generation, and could ultimately attract young people to join us in the future. We also respond proactively to international initiatives and we care about the risks and opportunities that come along with climate change issues. Since 2016, we have voluntarily participated in a NGO-initiated Carbon Disclosure Project (CDP) and signed petitions to show support for CDP-related programs.

	Organizer	Project	Recipients	Description	2017 Performance
 Art Cultivation 4 QUALITY EDUCATION	CDIB Education and Cultural Affairs Foundation	Art Cultivation	Art and culture groups and schools	Donation: NT\$ 2.1 mn Sponsored a variety of performance events, including the 2017 Lan Yang Double Bass Summer Camp, a double bass concert at the National Theater & Concert Hall, Kuandu Art Festival of the National University of the Arts in Taipei and other events of Fountain Wisdom Theater	Beneficiary: 600 people
	 Commercial Initiatives 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH	CDF	CDF Lectures	National Taiwan University (NTU) students	Cost: NT\$ 700,000 Collaborate with the faculty of NTU MBA program to fulfill our corporate social responsibility and strengthen school-industry collaboration
DBA Financial Seminar			Soochow University students	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	Five seminars were held during 2016-17, each registered about 110 participants, attracting a total 550 attendees
KGI Bank		Social Services Program of the College of Law	Chengchi University students	Helped students engage in public services using their legal expertise and provided career planning recommendations	Fifteen enrolled and one auditing students
		KGI Workshop on Financial Innovation cohosted with NCCU Department of Money and Banking	Chengchi University students	Our senior management talked about the latest trends in internet banking, block chain, big data application and smart financing in topic-based lectures	Participated students: 55 Overall satisfaction of 96.2% in post-class surveys
		KGI Financial Seminar for NCCU College of Commerce	Chengchi University students	KGI Securities and KGI Bank jointly offered financial courses to introduce market practices for the NCCU College of Commerce. This program not only facilitates exchanges between the industry and academia, but also helps foster financial professionals that are good at both theory and real practices	Participated students: 70
 International Initiatives 17 PARTNERSHIPS FOR THE GOALS	KGI Securities	A 2-year sponsorship program for Rong-shing Cultural Foundation	Rong-shing Cultural Foundation	Total donation: NT\$200,000 Title sponsorship with company logo on the peripheral product, such as posters and brochures	<ul style="list-style-type: none"> Enhance our brand awareness and media exposure Musical events attract around 1,400 people each year
		CDP Worldwide	CDP carbon disclosure program		Signed petitions to show support for CDP-related programs.

8.4 Employee Engagement

Employees are not only our biggest asset, but also the most important partners for sustainable development. We call on employees to spontaneously spread love to more corners and jointly create a harmonious and sustainable social value.



	Organizer	Project	Recipients	Description	2017 Performance
	KGI Securities	Gift Box of Love	Students in rural areas in Chiayi	KGI Securities staff collected shoebox presents in winter time, sending their loving thoughts to children in rural areas.	Over 400 shoebox presents were collected and sent to rural areas in Chiayi.
	CDIB Education and Cultural Affairs Foundation	Lunch Dates	Students and Teachers at rural areas	<p>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.</p> <ul style="list-style-type: none"> KGI Bank President and staff of the department of administrative management visited Ju-an Elementary School in Yilan County to serve 149 students and teachers KGI Securities directors and staff of the legal and HR departments and other president office employees visited Nei-won Primary School in Chiayi County to serve 58 students and teachers 	Beneficiary: Total 207 students and teachers
	CDIB Education and Cultural Affairs Foundation	Bread Love	Physical and mental disabilities students of the Catholic Hua-Kuang Center and Qi Zi Vocational Training Center	Regular purchased pastries and steamed buns made by handicapped people sheltered by the Huakuang Social Welfare Foundation (Hsinchu) and Qi Zhi Vocational Training Center (Taoyuan). Some employees donate the purchased food to orphanages. KGI Securities employees and their families also visited some of the orphanages before Thanksgiving to celebrate the holiday with the orphans	272 employees participated Raised NT\$ 480,000 30 students benefited
	KGI Securities				Raised NT\$ 900,000 Beneficiary: 645 students of the shelter factories 240 orphans
	KGI Bank	KGI Volunteer Day	Elders from Senior Care Centers	In cooperation with the United Way of Taiwan, KGI Volunteer Day cares for the elderly from various Elder Centers. 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 in 2013, more than 800 employees have participated in this program 200 employees participated and served for 800 hours in 2017
	KGI Bank	Birthday Giveaway by Employees	Children with developmental delay	Purchased gift boxes of walnut sweets made by the St. Raphael Opportunity Center	Purchase value was NT\$ 0.5 mn About 350 children benefited from the program
	KGI Securities	Second-hand Book Donation	Children with intellectual disability	Invited employees to donate second-hand books in collaboration with the Children Are Us Foundation (Kaohsiung) and Mollie Used Books	16 employees donated 172 books
		Second-hand Tablet Donation	Teachers and students in remote rural areas	Invited employees to donate second-hand tablets to facilitate the mobile learning program of the Nei-won Primary School in Chiayi	4 employees donated 6 tablets
	CDIB Education and Cultural Affairs Foundation	Annual Charity Day Event	Social enterprises and Social groups	The annual charity day event was held on December 14 and 15 in the form of a market fair, with eleven social enterprises and charity groups selling products to raise money for donation	About 1000 employees attended the market fair, sales totaling NT\$ 1 mn in two days

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Opinion Statements & Certificates




By Royal Charter

Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015

This is to certify that:

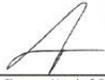
China Development Financial Holding Corporation No. 125, Sec. 5, Nanjing E. Rd. Songshan Dist. Taipei City 10504 Taiwan	中華開發金融控股股份有限公司 臺灣 台北市 松山區 南京東路五段125號 10504	
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Holds Certificate No: **EMS 642283**

and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope:

The overall management of banking, securities and venture capital business.
銀行、證券及創投等金融業務管理

For and on behalf of BSI:



Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 23/12/2015

Effective Date: 23/12/2015

Latest Revision Date: 23/12/2015

Expiry Date: 22/12/2018





Page: 1 of 2

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Taiwan Headquarters: 5th Floor, No.39, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C. A Member of the BSI Group of Companies.




By Royal Charter

Opinion Statement

Greenhouse Gas Emissions Verification Opinion Statement

This is to verify that:

China Development Financial Holding Corporation No. 125 & 127, Sec. 5, Nanjing E. Rd. Songshan Dist. Taipei City Taiwan 10504	中華開發金融控股股份有限公司 臺灣 台北市 松山區 南京東路五段125號、127號 10504	
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Holds Statement No: GHGEV 1337

Verification opinion statement

As a result of carrying out verification procedures in accordance with ISO 14064-3:2006, it is the opinion of BSI with reasonable assurance that:

- The Greenhouse Gas Emissions with China Development Financial Holding Corporation for the period from 2017-01-01 to 2017-12-31 is 2,146.158 tonnes of CO₂ equivalent, including scope 1 emissions 296.3031 tonnes of CO₂ equivalent and scope 2 emissions 1,849.8553 tonnes of CO₂ equivalent.
- No material misstatements for the period from 2017-01-01 to 2017-12-31 Greenhouse Gas Emissions calculation were revealed.
- Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2006.
- The emission factor for electricity for the year 2017 is not published by Taiwan government so far, the emission factor used for electricity is 0.529 kilograms of Carbon Dioxide equivalent per kWh instead which may potentially result in different Greenhouse Gas Emission estimates.

For and on behalf of BSI:



Managing Director BSI Taiwan, Peter Pu

Originally Issue: 2018-04-09

Latest Issue: 2018-04-09



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The British Standards Institution is independent to the above named client and has no financial interest in the above named client. This Opinion Statement has been prepared for the above named client only for the purposes of verifying its statements relating to its carbon emissions more particularly described in the scope. It was not prepared for any other purpose. The British Standards Institution will not, in providing this Opinion Statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used or to any person by whom the Opinion Statement may be read. This Opinion Statement is prepared on the basis of review by The British Standards Institution of information presented to it by the above named client. The review does not extend beyond such information and is solely based on it. In performing such review, The British Standards Institution has assumed that all such information is complete and accurate. Any queries that may arise by virtue of this Opinion Statement or matters relating to it should be addressed to the above named client only.

SGS

聲明書編號 TW18/00063GG

溫室氣體查驗聲明書

2017 年溫室氣體排放資訊

凱基商業銀行股份有限公司

台北市松山區南京東路五段 125 號

經本公司依據 ISO 14064-3:2006 完成查驗並符合下列標準要求

ISO 14064-1:2006

直接溫室氣體排放量
39.2221 公噸二氧化碳當量
 能源間接溫室氣體排放量
1099.8932 公噸二氧化碳當量
 直接與能源間接溫室氣體排放量
1,139.115 公噸二氧化碳當量

簽署人



黃世忠
副總裁
日期: 2018年04月24日
版次:1

TGP 5615A-1 1801
台灣檢驗科技股份有限公司
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SGS

聲明書編號 TW18/00064GG

溫室氣體查驗聲明書

2017 年溫室氣體排放資訊

凱基證券股份有限公司

台北市中山區明水路 700 號 (大直大樓)
 台北市中正區重慶南路一段 2 號 4、5、14、15 樓 (台開大樓)

經本公司依據 ISO 14064-3:2006 完成查驗並符合下列標準要求

ISO 14064-1:2006

直接溫室氣體排放量
197.4721 公噸二氧化碳當量
 能源間接溫室氣體排放量
3,876.7691 公噸二氧化碳當量
 直接與能源間接溫室氣體排放量
4,074.241 公噸二氧化碳當量

簽署人



黃世忠
副總裁
日期: 2018年04月22日
版次:1

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Certificate of Registration

INFORMATION SECURITY MANAGEMENT SYSTEM - ISO/IEC 27001:2013

This is to certify that: KGI Securities Co. Ltd.
No. 700, Mingshui Rd.
Zhongshan Dist.
Taipei City
104
Taiwan

Holds Certificate No: **IS 655142**

and operates an Information Security Management System which complies with the requirements of ISO/IEC 27001:2013 (CNS 27001) for the following scope:

The provision of the design, development, operation and maintenance of information systems, network management, server room activities of Chungghwa Xinyi Internet Data Center, Chungghwa Renai Internet Data Center, Chungghwa Banqiao Internet Data Center, and the headquarter, and related supporting information processing activities for KGI Securities Co. Ltd., KGI Futures Co. Ltd., KGI Securities Investment Trust Co. Ltd., KGI Securities Investment Advisory Co. Ltd., KGI Insurance Brokers Co. Ltd., and KGI Venture Capital Co. Ltd. within Information Technology Department.
This is in accordance with the Statement of Applicability, dated 03 Nov. 2016.

For and on behalf of BSI Taiwan: 
Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 15/12/2016 Effective Date: 15/12/2016
Latest Revision Date: 15/12/2016 Expiry Date: 14/12/2019

Page: 1 of 2





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This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract.
An electronic certificate can be authenticated www.bsi-global.com/ClientDirectory
Printed copies can be validated at www.bsi-global.com/ClientDirectory or telephone +886 (02)2656-0333.



綠色電力購買證書

Green Power Purchase Certificate

(106) 北市字第00046號
Serial No.(106) Taipei 00046

用戶 中華開發金融控股股份有限公司 (電號00256970119)於中華民國106年參與「經濟部自願性綠色電價制度計畫」,總計自願購買綠色電力200000度。此綠色電力為100%再生能源電力,主要來自風力及太陽能,其發電設備設置依經濟部公告之「再生能源發電設備設置管理辦法」,並經能源局核可認定。
綠色電力生產期間碳排放係數趨近於0,用戶購買綠色電力將有助於降低二氧化碳排放量。台灣電力公司依據「經濟部自願性綠色電價制度計畫」規定,特頒綠色電力購買證書,證書可被用於自願性宣告用途(如碳足跡計算)。

Customer 中華開發金融控股股份有限公司 (No. 00256970119) participating in the "Green Power Program", voluntarily purchased and consumed 200000 kWh of green electricity during 2017. The electricity purchased and consumed is 100% renewable energy which is primarily from wind and solar energy. Furthermore, its generation systems are accredited by the Bureau of Energy in accordance with "Regulations on the Installation of Renewable Energy Systems" published by the Ministry of Economic Affairs.
The coefficient of carbon emission of green electricity approaches zero during generation. By purchasing and consuming green electricity, customers could contribute to the reduction of CO₂ emission. Based on the regulations of the "Green Power Program", Taiwan Power Company is authorized to issue this certificate. This certificate can be used to voluntarily declare, for instance, carbon footprint calculation.



台灣電力公司 台北市區營業處
處長 **顏錦義**
The Director of Taipei City Branch,
Taiwan Power Company
中華民國 107年1月1日
1/1/2018



Independent Limited Assurance Report



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

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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, 2017.

Reporting Criteria

CDF shall prepare the selected information 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 Standards (“GRI Standards”) issued by Global Sustainability Standards Board as set forth in Appendix I.

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

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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 with 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.
- Perform analytical procedures on the report and if necessary, select samples to acquire sufficient and appropriate evidence.

The work described above are based on our 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.

Taipei, Taiwan (Republic of China)

Jun 11, 2018

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

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Appendix I: Summary of the Selected Information :

No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
1	Responsible Investment	37	<p>CDF comply with the UN's Principles for Responsible Investment (PRI), Sustainable Development Goals (SDGs) and Equator Principles (EPs), we design a series of investment and credit evaluation processes and guidelines, and follow through on ESG protocols as well as Stewardship Principles to influence and encourage enterprises to fulfill their fair share of CSR. Put simply, an investment portfolio built on PRI is not only potentially highly lucrative but also creates a triple-win situation for the good of the environment, the society, and corporate governance.</p> <p>Exclusion List for Industries :</p> <p>1. CDIB Capital Group's investments steer clear of cases involving disputed or sensitive issues such as genetic modification, munitions, and animal experimentation. Additionally, to uphold responsible investment, CDIB Capital has drafted 11 assessment criteria based on 3 ESG dimensions, to thoroughly evaluate the investment target's sustainable industry development (steer clear of arms, sex, gambling and narcotics industries), human rights record (forced labor, child labor and labor dispute are flagged as key issues), environmental record (water pollution and carbon intensiveness) and corporate governance, among other key areas.</p> <p>2. In the underwriting business, KGI Securities now fully operates in compliance with PRI, steering clear of projects flagged with sustainable industry development, human rights, environmental violation or governance dispute issues. In the rare events where KGI Securities had come in contact with a company at a time when the above deal-breaker issues had not yet been observed, a total of 4 submissions</p>	<p>■ "The Guidelines on Direct Investments" set by CDIB Capital Group</p>	<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> <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 Standards
			were eventually declined following preliminary review. (Including 3 submissions of sustainable industry development and 1 submission of governance)		
2	Responsible Investment	38	<p>ESG Assessment</p> <p>In principle, KGI Bank will not grant loans to companies that do not comply with environmental protection guidelines, are undergoing employer-labor disputes, or are plagued with governance issues 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 will encourage and assist companies to strengthen their environmental protection measures and fulfill CSR responsibilities.</p>	<p>■ "Key Review Matters on Corporate Credit Finance" as set by KGI Bank</p> <p>■ "The Guidelines on Direct Investments" set by CDIB Capital Group</p>	
3	Responsible Investment	39	<p>CDIB Capital Group's performance on Responsible Investment in 2017 in reference to three ESG dimensions:</p> <p>I. Environment</p> <p>The green energy related investment outstanding balance of CDIB Capital Group's Venture Capital Department was NT\$4 bn, which accounted 19% of total investment outstanding balance NT\$21.2 bn as Dec. 31, 2017.</p> <p>II. Society</p> <p>1. In response to aging society: CDIB Capital Group established CDIB Capital Healthcare Fund, focusing on fundraising for pharmaceutical companies and long-term care centers.</p> <p>2. Assist startups : Fundraising for innovative ventures and revving up the accelerator platform. As of 2017, CDIB Capital Innovation Fund has invested in 5 new startups.</p>	<p>■ "Ratio of Green Investments against Total Investments"</p> <p>■ "The Guidelines on Direct Investments" set by CDIB Capital Group</p> <p>■ "Stewardship Principles for Institutional Investors" as agreed between CDIB Capital Group and KGI Bank</p> <p>■ "Investor Management Guidelines" set by CDIB Capital Group</p>	



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
			<p>III. Governance</p> <p>1. Establish PRI working groups : All PE funds managed by CDIB Capital Group will establish respective PRI working groups in 2018 to conduct regular portfolio assessments on PRI compliance. The working groups will evaluate investment profiles based on the ESG checklist, and provide portfolio policy revisions on PRI-related topics.</p> <p>2. Stewardship Principles : The Company's subsidiaries CDIB Capital Group and KGI SITE have both signed the "Stewardship Principles for Institutional Investors" to follow its six principles, and periodically disclose compliance report on TWSE's and the Company's websites.</p> <p>3. Long-term ventures : As of end-2017, there were 239 portfolio companies with average outstanding investment periods of 5 years and 9 months.</p> <p>4. Regularly monitor investee companies : We adhere to the "2-Year Follow-Up Plan" of Guidelines for Investee Management, by conducting a follow-up every 6 months. A follow-up form should also be filled out and submitted to the head of the investment unit. There were no ESG violations found among investees in 2017.</p>		
4	Financial Inclusion : Products Related to Social Issues	41-42	<p>KGI Bank :</p> <p>1. Protection-type insurance and micro insurance products: Since 2017, KGI Bank offers Disability Support Insurance and Long-term Care Insurance which provide long-term nursing care, and Lifetime Medical Insurance which provides medical care, are offered through its insurance platform.</p> <p>2. Charitable Trusts : As of the end of 2017, KGI Bank had acted as the trustee for 8 public-benefit trusts, totaling an entrusted amount of NT\$30mn.</p>	<p>■ "Policies on Products and Services for Social Contribution"</p>	



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
			<p>3. Financial Inclusion Projects :</p> <p>a. "Giving You A Hand " Revolving Personal Loan Promotion Project : This project targets low-income households, creative individuals who participating in the crowdfunding platforms, and individuals who own technical licenses issued by the Workforce Development Agency. By offering promotion loans to them, we live up to our promise to care for socially disadvantaged and assist promising young people to realize their dreams.</p> <p>b. Taxi Driver's Small Revolving Loan Project : This dedicated small-scale revolving loan project is specially designed for taxi drivers who usually find difficult to apply for loans due to professional characteristics. In 2017, nearly 900 people applied and 442 were successful.</p> <p>4. Optimized loan reviewing process : Cooperated with the Small and Medium Enterprise Guarantee Fund and through optimized reviewing process, we could greatly shorten the reviewing period and provided timely working capital to SMEs.</p> <p>KGI Securities :</p> <p>In 2016, KGI Securities' subsidiary KGI SITE had launched the KGI Silver Age Fund, which focused on investment opportunities related to our aging society. In 2017, it launched the Hospital and Long-term Care Industry Fund which aims to stimulate the development of related industries and then enhance the quality of life and medical care for seniors. It's to echo the elevation of per-capita income in emerging economies as well as the long-term growth trend of medical bills worldwide.</p>		



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
5	Environmental Protection Related Products	42-43	<p>KGI Bank :</p> <p>1. In 2017, KGI Bank received the eligibility from Taipei Exchange (TPEX) to issue green bonds and became one of the first few financial institution issuers. With this being one of many highlights in its green credit-granting efforts, KGI Bank has won international recognition. An internationally renowned information media, namely mtn-I, has recently announced that KGI Bank was awarded the Editor's Award this year for the issuance of green bonds, which shows that the international media affirmed the Bank's forward-looking and rapid development in its involvement of green bonds.</p> <p>2. KGI Bank Green Financing Approval Guidelines : KGI Bank applies "KGI Bank Green Financing Review Principles" when reviewing corporate loan applications, and indeed examines whether the borrowers did fulfill their corporate responsibility on environmental protection, social responsibility and corporate ethical management. ESG-related issues are also considered in credit decision-making, credit evaluation, and the post-lending management mechanism.</p> <p>3. Green Bonds : Issued on May 19, 2017 in the amount of NT\$1bn, featuring nominal interest rate of 0.9% and a duration of three years.</p> <p>4. Green Credit : Active promotion of (syndicated) loan projects regarding renewable energy and green energy-related industries. As of the end of 2017, credit was granted to a total of 53 such corporate applicants, with a balance of NT\$8.3 bn.</p> <p>KGI Securities :</p> <p>Green Underwriting :</p> <p>1. KGI Securities acted as lead-underwriter for all three domestic green corporate bond</p>	<ul style="list-style-type: none"> ■ "Key Review Matters on Corporate Credit Finance" as set by KGI Bank" and the "Review Principles of Green Financing" ■ The conditions set by Taipei Exchange (TPEX) on "Green Bond Eligibility" and "Approval of Green Bond Issuance" ■ "Ratio of Green Bonds underwritten by KGI Securities against total bonds underwritten in 2017" ■ "Ratio of Number of Environmental and Green Energy Companies supported by KGI Securities for Initial Public Offering ("IPO") on the Primary and Secondary Market against the total number of IPOs supported by KGI Securities in 2017" ■ "Ratio of Monetary Value of Environmental and Green Energy Companies supported by KGI Securities for Initial Public Offering 	



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
			<p>cases in 2017, total issued NT\$14.1bn. Green underwriting cases accounted for 6.4% of the total underwriting value of bonds in 2017.</p> <p>2. KGI Securities assisted in 2 cases of environmental protection and green energy companies raising capital in the IPO market and 3 cases in SPO market. These accounted for 18% of KGI Securities' combined IPO and SPO cases the entire year. It raised NT\$2.76bn, or 12.3% of KGI Securities' combined IPO and SPO market capital raised.</p>	<p>("IPO") on the Primary and Secondary Market against the total number of IPOs supported by KGI Securities in 2017"</p>	
6	Gender Equality	55	<p>CDF attaches great importance to gender equality in our workplace. Regarding either employment or promotions, we are dedicated to following the gender equality goal of United Nations' Sustainable Development Goals (SDGs). As end of 2017, there are 6,830 full-time employees with average seniority of 9.13 years and average age of 41.82 years. The employee demographics of CDF are as follows :</p> <ul style="list-style-type: none"> - Managerial position : 948 managerial employees (for 13.9% of all employees) - Non-managerial position : 5,882 non-managerial employees (for 86.1% of all employees) 	<ul style="list-style-type: none"> ■ "Statistical Data of Human Resource" of the Group ■ "Definition of the Managerial Role: Executives and Supervisors in the Group" 	<p>Article 4-3.B</p> <p>Number of employees in non-supervisory positions, annual employee benefit expenses and difference comparing to those of the preceding year</p>
7	Employee Benefits and Retention	59	<p>1. CDF has adopted a performance-based compensation system that takes market competitiveness into account to recruit and retain outstanding talent, and link the Group's overall business results with individual performance. Employee wages comply with local labor laws and regulations, and starting wages are based on professional competencies and the requirements of each position.</p> <p>2. The average annual non-executive employee welfare cost for 2017 was NT\$1,460,000, up 6.5% YoY.</p>	<ul style="list-style-type: none"> ■ "Statistical Data of Human Resource" of the Group 	

No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
8	Workplace Safety	60-61	<p>1. As workplace safety is high on our 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.</p> <p>2. CDF and its subsidiaries hold two fire alarm drills every year, as required by law. KGI Bank held a total of 105 anti-robbery drills in 2017.</p> <p>3. To create a hazard-free working environment, we have 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 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 (Including 41 sessions of occupational safety course · 7,468 hours · 3,489 participants · participation ratio 98%).</p>	<ul style="list-style-type: none"> ■ “Disaster and Emergency Response Procedures” set by KGI Bank ■ “Disaster Recovery Plan” set by KGI Securities ■ “Procedures on Natural Disasters or Emergency Accidents” set by CDIB Capital Group and China Development Financial Holding Corporation (“CDF”) 	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
9	Workplace Safety	62	<p>Occupational injury leave is granted for employees injured at work based on the relevant regulations. CDF will help employees to make claims for Labor Insurance so they can receive the compensation they need as soon as possible. Occupational injury statistics for employees :</p> <ul style="list-style-type: none"> - Occupational injury rate : 2.31% (Male : 1.04% ; Female : 1.27%) - Lost day rate : 20.72% (Male : 14.26% ; Female : 6.46%) - Absentee rate : 0.45% (Male : 0.12% ; Female : 0.33%) 	<ul style="list-style-type: none"> ■ “Occupational Injury Rate : (Total number of occupational injuries/Total work hours in a year) x 1,000,000” ■ “Occupational Loss Day Rate : (Total number of days lost/Total work hours in a year) x 1,000,000” ■ “Absentee Rate : Absentee days as a 	

No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
				percentage of total work days in a year”	
10	Energy Management	70-71	<p>1. 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.</p> <p>2. Energy Consumption and Distribution of Energy Consumption in 2017 :</p> <ul style="list-style-type: none"> a. Externally purchased electricity : <ul style="list-style-type: none"> - Total consumption : 35,455,173 kWh (97.55%) - Average consumption per person : 5,949 kWh b. Natural Gas : <ul style="list-style-type: none"> - Total consumption : 94,010 cubic meters (1%) c. Gasoline : <ul style="list-style-type: none"> - Total consumption : 138,391 liters (1.43%) d. Diesel : <ul style="list-style-type: none"> - Total consumption : 1,337 liters (0.02%) e. Coverage of total employees : 96.1% 	■ “Details on Energy Consumption and Ratio of Energy Consumption by the Group”	GRI 302-1 Energy consumption within the organization
11	Water Resource Management	72	<p>1. 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</p>	■ “Details on Water Consumption by the Group”	



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
			<p>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.</p> <p>2. 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 a water-saving eco-label are used. To more effectively utilize water resources, planning is underway for the headquarter building to be fitted with rain water harvesting facilities for gardening and sanitation purposes.</p> <p>3. Water Resource Consumption in 2017 :</p> <p>a. Water :</p> <ul style="list-style-type: none"> - Total consumption : 197,471 cubic meters - Average consumption per person : 33 cubic meters - Carbon emissions : 30,016 kg CO₂e - Coverage of total employees : 96.1% 		
12	Waste Reduction and Management	72-73	<p>1. As a member of the financial services industry, the Company's operations create a milder environmental impact compared to the manufacturing industry. The waste produced is mostly general trash, not industrial waste containing toxic materials that require special treatment.</p> <p>2. CDF sorts its trash and waste into what's recyclable and non-recyclable, since it</p>	<p>■ "Details on Waste Disposal and Waste Produced by the Group"</p>	<p>GRI 306-2 Waste by type and disposal method</p>



No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
			<p>generally does not generate hazardous waste.</p> <p>3. Below is the treatment data compiled in 2017 :</p> <p>a. Recyclables (Recycled by professional contractors) :</p> <ul style="list-style-type: none"> - Paper : 60,576 kg - PET bottles : 2,308 kg - Tin/aluminum cans : 1,309 kg - Kitchen scraps : 104,876 kg - Light tubes / light bulbs : 1,450 kg <p>b. Non-recyclables (Transported to incinerator by a licensed contractor) :</p> <ul style="list-style-type: none"> - General trash : 165,186 kg 		
13	Compliance	33	<p>To ensure the full implementation of the compliance system, CDF conducts annual evaluations on the compliance system of each department. The evaluation results provide an important reference for the annual performance evaluation of each department and the Company's Statement of Internal Control. Such efforts show how the Company's promotion on compliance operations has taken effect. In 2017, none of the Company's units were penalized by the competent authorities.</p>	<p>■ "Total Monetary Amount of Penalties" and "Total Number of Instances of Non-Compliance with Laws and Regulations"</p>	<p>GRI 419-1 Non-compliance with laws and regulations in the social and economic area</p>
14	Ethical Corporate Management	28	<p>1. CDF established the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct", which urge all employees of the Company and subsidiaries to conduct business in a fair and transparent manner and prohibit them from directly or indirectly offering, accepting, promising, or requesting any improper benefit, or engaging in unethical acts including breach of ethics, illegal acts or breach of fiduciary duties.</p> <p>2. There were no breaches of trust (business ethics, corruption, bribery) at the Company or its subsidiaries in 2017.</p> <p>3. CDF has established the "Code of Conduct for Employees" and "Code of Conduct for</p>	<p>■ "Anti-Corruption Policies and Standards" set by CDF</p>	<p>GRI 205-2 Communication and training about anti-corruption policies and procedures</p>

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			Subsidiaries' Insiders" to specifically prohibit unethical conduct and interests. The Human Resources Department is in charge of ethical corporate management and together with the five CSR Committee working groups, periodically reports the implementation to the Board of Directors. Moreover, the auditors regularly check the status of compliance and make report to the Board on the main missing and suggestions for improvement.		
15	Ethical Corporate Management	28-29	<p>1. CDF lists internal auditing and compliance as one of its performance review criteria. Through educational training, CDF instill integrity and strict discipline too all employees, not only regularly educates new employees about the company's disciplinary regulations but also requires all employees to complete ethical management courses.</p> <p>2. Course including :</p> <p>a. 2016 Corporate Integrity Management Online Course and 2017 Supplemental Material to Ethical Corporate Management Best Practice Principles : 6,054 participants - Completion rate 100%</p> <p>b. The Red Line of Insider Trading : 137 participants</p> <p>c. Analysis of False Corporate Financial Statements and the Criminal Legal Risks of Supervisor and Managers : 28 participants</p> <p>d. Unconventional Transactions and Special Breaches of Trust : 25 participants</p> <p>e. Insider Trading : 26 participants</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</p>	<ul style="list-style-type: none"> ■ Summary of Employee Training Hours ■ "Performance Evaluation Indicators" set by CDF ■ "Legal Compliance Report" as submitted to the Board of Directors ■ Number of Violations Raised by Relevant Authorities 	

No.	Corresponding Section	Reference Page	Selected Information	Reporting Criteria	The Regulation / GRI Standards
			<p>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. The company and its subsidiaries received no major penalties from competent authorities in 2017 (penalties as defined by Article 2 of the Financial Supervisory Commission Public Disclosure Regulations for Penalties Regarding Violations of Major Financial Sanctions).</p>		
16	Customer Rights and Protection - Information and Digital Security	48	<p>Information and Digital Security</p> <p>Information security's importance is also rising as digital financial services continue to evolve. The security threats have developed diversified attack methods, such as cyber DDoS attacks, e-mail extortions, mobile security threats, and APT penetration, etc., which have created severe challenges for the financial industry to ensure the security of customer transactions.</p> <p>After examining telephone and online complaint records, and letters sent from the supervisory authority, the entire CDF Group was found without any incidences of violating the information security/information leakage in 2017.</p>	<ul style="list-style-type: none"> ■ "Total Monetary Amount of Penalties" and "Total Number of Instances of Non-Compliance with Laws and Regulations" 	Materiality Issues: Information and Digital Security
17	Customer Rights and Protection - Information and Digital Security	48	<p>Information Risk Inventory and Evaluation Methodology :</p> <ol style="list-style-type: none"> 1. Perform risk assessment annually and keep records. 2. The risk assessment method considers the potential risk events of the company, the impact of these events on the confidentiality, integrity and availability of the company's operating environment and the probability of these events happening. As much as possible, the 	<ul style="list-style-type: none"> ■ "Evaluation Plan for Information Security of Computer Systems" and "Regulations for the Operational Risk Assessment" set by KGI Bank ■ "ISO 27001 Standards" as complied by KGI 	



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			quantitative method will be used to establish objective criteria. After completion of the risk assessment, an "Information Risk Assessment Report" will be produced. 3. According to the results of the "Information Risk Assessment Report", an "Information Security Risk Management Plan" shall be produced to address the risks need to be dealt with. The plan will specify the measures for individual risks that need to be handled, the responsible unit, and the schedule for improvement.	Securities annually.	
18	Customer Rights and Protection _ Information and Digital Security	49	Information Security Management : Third-party Authentication With the establishment of an information security governance structure modeled on ISO27001, KGI Securities obtained ISO27001 certification in 2016 and completed the second review in 2017. As for KGI Bank, it has appointed security consultants to examine the information environment to create stronger defense against breach attempts and better ability to respond to information security incidents. KGI Bank is scheduled to introduce ISO27001 in 2019.	■ ISO27001 : 2013 certification	
19	Customer Rights and Protection _ Information and Digital Security	49	Internet and Information Security Management Measures A. 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. Training held in 2017 : I. Information security drill : 6 drills	■ "Information Security Management Policy" set by KGI Bank ■ "Information Security Policy" set by KGI Securities ■ "Information Security Management Policy" set by CDF ■ "Number of Employees Trained",	



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			II. Educational training : 1. Information security educational training : - KGI Bank : 2,424 participants · 2,312 completion · Passing rate 95.37% - KGI Securities : 3,278 participants · 3,271 completion · Passing rate 99.79% 2. Training for the prevention of Malicious Email as part of the effort to promote awareness of social engineering fraud : - CDF : 172 participants · 160 completion · Passing rate 93.02% - KGI Bank : 2,392 participants · 2,284 completion · Passing rate 95.48% - KGI Securities : 3,264 participants · 3,137 completion · Passing rate 96.11% - CDIB Capital Group : 111 participants · 97 completion · Passing rate 87.39% 3. KGI Bank's information security personnel are required to participate in a 12-hour technical training. 4. CDF, KGI Securities and KGI Bank issue regular information security notices.	"Number of Employees with Training Completion", "Employee Training Passing Rate"	
20	Customer Rights and Protection _ Information and Digital Security	49	B. Personal Information Protection Measures 1. 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. 2. Inventories of personal data and risk assessments are evaluated regularly for the IT systems of each business units. 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. 3. To ensure that employees understand the importance of clients' personal data and related operating procedures, as well as to demonstrate the level of attention given to ensure the safety of customer information.	■ "Personal Data Protection Policy" and "Regulations on Using Personal Data" set by CDF	

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			Since December 2012, CDF has introduced a mandate online course on Personal Data Protection Act for new employees and the completion rate is 100%; in addition, CDF and all subsidiaries conduct a Company-wide "Personal Data Protection Act Legal Education Course" at least once per year to strengthen all employees' awareness and execution of personal data protection.		
21	Customer Rights and Protection – Information and Digital Security	49	C. 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. In addition, we conduct security check periodically on mobile APP and websites to ensure the security and stability of electronic transactions as well as the safety of customer data.	■ "Overall Assessment of Digital Security" based on periodical tests against Client-end Applications	
22	Charitable Donations & Educational Aid	81-82	A. Charitable Donations Emergency Aid : 1. CDF : CDF donated NTS 10 mn for home reconstruction and child education right after the Tainan earthquake happened in February, 2016. To ensure effective utilization of donations, NTS 6 mn was deposited as emergency funding and the remaining \$ 4 mn was put in an education trust for the orphaned children by the earthquake. 2. CDIB Education and Cultural Affairs Foundation : - Financial Assistance to student victims of Formosa Fun Coast explosion : • Beneficiary : 232 students, Subsidy amount: NTS 8.18 mn	■ "Details on Charitable Donations & Educational Aid by the Group"	Materiality Issues: Charitable Donations & Educational Aid

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			<ul style="list-style-type: none"> • accumulative subsidy amount & beneficiary since 2016 : NTS 14 mn & 421 people B. Educational Aid : 1. CDIB Education and Cultural Affairs Foundation : <ul style="list-style-type: none"> - Perfect Nutrition : Subsidies: NTS 7 mn - Beneficiary: 285 schools - total 15,562 students - Country 100 Mobile Reading : Subsidies: NTS 200,000 - Beneficiary: 102 students, 19 schools - Our Class Has Got Talent : Subsidies: NTS 1.6 mn - Beneficiary: 88 students, 16 schools - Scholarship for skilled vocational high school students : Subsidies: NTS 510,000 - Beneficiary: 36 students, 21 schools - 100Heritage 100 X Tutelage 100 : Subsidies: NTS 4.9 mn - Beneficiary: 98 college students, 100 underprivileged children, 10,000 tutorial hours, 100 schools 2. KGI Charity Foundation : <ul style="list-style-type: none"> - Love, Starting From Elementary School : Subsidies: NTS 2.9 mn - Beneficiary: 53 schools, total 149 students - Let Love Flower : Subsidies: NTS 4 mn - Beneficiary: 20 schools - Emergent Aid Program : Subsidies: NTS 1.43 mn - Beneficiary: 43 students, 36 schools 3. KGI Securities Thailand : <ul style="list-style-type: none"> - Dream Come True Bicycle Donation Drive III : Subsidies: NTS 1.34 mn - Beneficiary: 9 provinces, 114 schools, 1,150 bicycles C. Online Donation Platform : In 2017, the platform received 341 donations with a total value of NTS 274,000.		



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