



2019

CORPORATE SOCIAL
RESPONSIBILITY
REPORT



CONTENTS

Chairman's Message	03
2019 ESG Performance	04

About the Report	05
Corporate Overview-About CDF	06

01 Sustainability Strategy

1.1 Material Issues	09
1.2 Sustainability Visions and Values	17

02 Corporate Governance

2.1 Operation Overview	23
2.2 Governance Framework	25
2.3 Risk Management	34
2.4 Financial Crime Prevention	47

03 Intelligent Finance

3.1 Responsible Investment	59
3.2 Sustainable Insurance	65
3.3 ESG Financial Products	66
3.4 Customer Experience	75

04 Elite Talent Development

4.1 Workforce Diversity	93
4.2 Human Rights	94
4.3 Career Development	98
4.4 Employee Wellbeing	103

05 Low-Carbon Economy

5.1 Green Operations	110
5.2 Sustainable Supply Chain	122
5.3 Environmental Initiatives	128

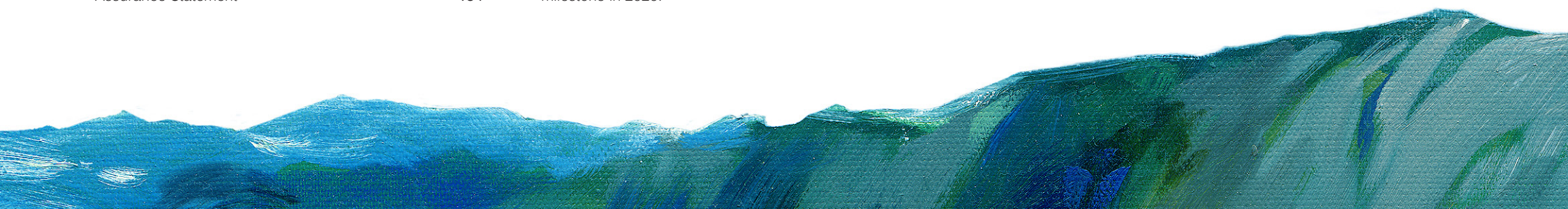
06 Co-Creation of the Society

Performance of Philanthropic Initiatives	130
6.1 Charitable Donations	134
6.2 Community Investments	135
6.3 Commercial Initiatives	139
6.4 Employee Engagement	141

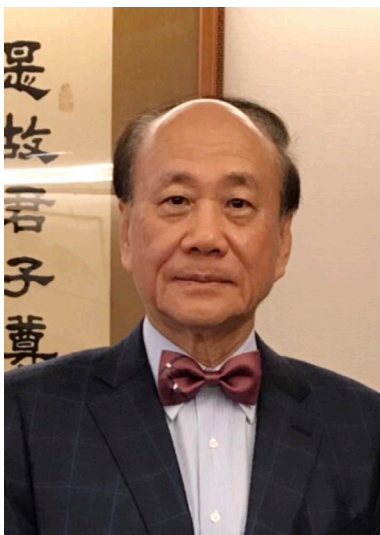
07 Appendix

GRI Standards Index	145
Assurance Statement	154

The report's cover and illustrations have been extracted from the oil painting of Wu, En-Tzu and Hsieh, Chia-Jung from the Department of Fine Arts, National Taiwan Normal University and Kang, Shan-Yen from the art class of National Feng Hsin Senior High School, who are the recipients of the CDF Foundation's "scholarship for skilled vocational high school students." Three student painters present the Taiwan's iconic flowers with oil painting to wish CDF success and achievement of a new milestone in 2020.



Chairman's Message



Chairman

A handwritten signature in black ink, appearing to be 'C. J. Chang'.

Together We will Usher in the Era of Transformation

In 2019, CDF adopted five main ESG strategies, namely, Corporate Governance, Intelligent Finance, Elite Talent Development, Low-Carbon Economy, and Co-Creation of Society. Thanks to the hard work of all its employees, CDF's four major businesses—commercial banking, securities, capital, and life insurance—delivered synergistic results, with a consolidated profit of NT\$12.850 billion after taxes, earnings per share (EPS) of NT\$0.88, and a 64% increase in profit, which is a new high over the last 13 years. At the end of 2019, the net worth per share also increased to NT\$12.86. As the coronavirus pandemic continues to rage in 2020, the government's early preparations, private enterprises' anti-epidemic efforts, and increased awareness of public health among people have gained global admiration because of Taiwan's tenacity to fight the

epidemic. CDF has devoted itself to encouraging the biomedical industry. One of its subsidiaries, CDIB Capital Group, established the CDIB Yida Biomedical Private Equity (Kunshan) Enterprise toward the end of 2019 to upgrade and transform the biomedical industry in Taiwan and China to introduce Taiwan's advanced medical technology to China, to facilitate the upgradation and transformation of Chinese pharmaceutical companies, and to advance the interests of Taiwanese and Chinese enterprises in global markets.

We have kept abreast of developments in sustainable management. In international sustainability performance, CDF was selected as a constituent of both TSE4Good Emerging Market Index and FTSE4Good TIP Taiwan ESG Index for the third year in a row. We also participated in the Dow Jones Sustainability Index (DJSI) evaluation, and both the total score and the percentage (an increase of 16%) improved in 2019. In domestic sustainability performance, CDF won the CommonWealth Magazine Corporate Citizen Award for the second year in a row. We also earned the Corporate Comprehensive Performance Award, Top 50 Corporate Sustainability Report Awards (Gold), and Best Performance of Specific Category—Social Inclusion Award, Climate Leadership Award, and Growth through Innovation Award from the 2019 Taiwan Corporate Sustainability Awards (TCSA). In addition, CDF received the 2019 Buying Power, a social innovation product and service procurement award.

In corporate governance, to strengthen ethical corporate management, CDF established the Ethical Corporate Management Committee in September 2019 to formulate and supervise its ethical corporate management policy and prevention programs. In January 2020, all our directors and executives signed the "Statement of Compliance with the Ethical Corporate Management Policy." In 2019, all our employees received online training on "Ethical Corporate Management Best Practice Principles" and signed a statement on compliance with Ethical Corporate Management Best Practice Principles online at the conclusion of training.

Regarding environment, CDF and its subsidiaries have long supported the "Earth Hour" initiated by the World Wildlife Fund for Nature by turning off lights for an hour. In 2020, we wish to expand it by inviting all our employees and partners to turn off the lights for an hour, at work or at home. CDF has supported the world's largest environmental movement for six consecutive years, calling on people to pay serious attention to climate change and global warming issues.

In social inclusion, CDF's subsidiary, KGI Bank Telecom, introduced mobile ID authentication to customers without credit records for financial inclusion. This was Taiwan's first FinTech regulatory sandbox experiment project among domestic banks. Additionally, CDF has organized the annual charity day & senior employee appreciation for ten consecutive years. In 2019, 12 social enterprises, social welfare institutions, and small farmers across Taiwan set up counters to offer their products to our employees. The purposes of this event were to appreciate the contributions made by senior employees, to retain them, and to fulfill corporate social responsibility together with all employees.

In response to the coronavirus pandemic, CDF and its subsidiaries, including KGI Bank, KGI Securities, and China Life Insurance, have provided digital wealth management services ranging from online loan applications and trade orders to policyholder care to fight the epidemic along with customers. China Life Insurance also takes the lead to pay tribute to the frontline medical staff by granting an amount of NT\$50,000 daily toward inpatient allowance, if a medical staff member is a policyholder and is diagnosed with coronavirus, while preventing the spread of the epidemic or offering treatment at a medical institution.

In the future, CDF will continue to promote corporate governance and sustainability, incorporate components of ESG into investment analysis and decision-making, and integrate our core competencies to achieve the United Nations' Sustainable Development Goals (SDGs). At the same time, global corporate expansion and globalization will be our business strategies to further drive our business growth.

2019 ESG Performance

Corporate Governance

- Both CDF and China Life Insurance were selected as a constituent of **FTSE4Good Emerging Market Index** and **FTSE4Good TIP Taiwan ESG Index** for **three consecutive years**
- In 2020, CDF ranked in **Top 5%** of TWSE/TPEX listed companies in the 6th Corporate Governance Evaluation Awards
- China Life Insurance ranked **the third** in the Best Report Award in the **Corporate Register Reporting Awards (CRRRA)**, **the only financial institution in the world** and the first Taiwanese company to win this award; ranked in the **Top 5%** of TWSE/TPEX listed companies in the Corporate Governance Evaluation Awards for five consecutive years
- Selected as a constituent of TWSE Corporate Governance 100 Index by TWSE, and of both TWSE RAFI® Taiwan High Compensation 100 Index and TWSE RA Taiwan Employment Creation 99 Index **for six consecutive years**
- Both CDF and China Life Insurance won the **Corporate Comprehensive Performance Award and Corporate Sustainability Report Award in the 2019 Taiwan Corporate Sustainability Awards**; China Life Insurance won the **Transparency and Integrity Award** additionally
- CDF won the CommonWealth Magazine **Corporate Citizen Award** for two consecutive years
- CDF established the Ethical Corporate Management Committee and subjected the Risk Management Committee to the Board of Directors

Social

- Both CDF and China Life Insurance won the **Social Inclusion Award in the 2019 Taiwan Corporate Sustainability Awards**; China Life Insurance won the **Growth through Innovation Award** additionally
- Both CDF and China Life Insurance won the 2019 **Buying Power - Social Innovation Product and Service Procurement Award**
- CDF won the first place in Best FinTech under FinTech Innovative Application Award in the **Taiwan Financial Award**; KGI Securities won the second place in both Best Securities Firm Image and Best Securities Firm Services under Consumer Finance Brand Award in the Taiwan Financial Award
- **Social Return On Investment (SROI)** for Heritage 100 & Tutelage 100: **4.9**
- Achievement rate of micro insurance policyholders: **130%**; number of small-amount life insurance policyholders: More than **23,000**
- "CDIB Capital Innovation Accelerator" - **Taiwan's largest integrated platform of entrepreneurial resources**, with 3,539 people participating in 129 events
- **First to try the "Inclusive Financial Services through Telecom Mobile ID Authentication"** initiative, aimed at financially disadvantaged people having difficulty accessing banking services, with Chunghwa Telecom upon approval of FSC
- KGI Bank entered into a **collective bargaining agreement** with its labor union on June 13, 2019, with all of its employees covered by the collective bargaining agreement
- Average training hours per employee: 73.8, a **98.4% increase** from the previous year
- Total public welfare expenditure: **NT\$98.76 million**

Environmental

- CDF won the **Climate Leadership Award** in the 2019 Taiwan Corporate Sustainability Awards
- CDIB Capital International Corporation (CCIC) won **the Most Innovative M&A Deal Award in the MAPECT Taiwan M&A Awards 2019** for CDIB Capital Asia Partners' acquisition of JINTEX Corporation Ltd. through the tender offer in 2019. JINTEX is committed to the development of non-toxic and eco-friendly products that comply with EHS regulations. As a pioneer of environmental sustainability, JINTEX boasts "smart" technologies or "green" innovations as its core competency for growth
- New building received the **gold-grade green building candidate certificate**
- KGI Bank engaged in six financing cases for renewable energy-based electricity generation projects, expected to reduce **17.98 million metric tons** CO₂e; balance of green project financing: NT\$20.4 billion
- Spending on environmental protection measures: **NT\$71.62 million**
- Amount of green procurement with **20 eco-labels** recognized by the Environmental Protection Administration: NT\$122.88 million (93.7%)
- CDF received two green procurement awards from the Environmental Protection Administration and Department of Environmental Protection, Taipei City Government, respectively, in 2019; China Life Insurance received the green-procurement award from the Department of Environmental Protection, Taipei City Government, for four consecutive years
- Awarded 31 solar power certificates for **31,000 kWh** of green power

About the Report

To improve communication with our stakeholders and the general public, China Development Financial (CDF) has been bringing out CSR reports, hereinafter the Report, annually to share the Company's sustainability activities in economic, environmental, social and governance spheres. The 2019 Report, published in June 2020, shares the Company's sustainability activities from January 1 to December 31, 2019.

Scope of the Report

The scope of this Report encompasses CDF and its affiliates, including China Life Insurance Co., Ltd. (China Life Insurance), KGI Bank, KGI Securities, CDIB Capital Group, and China Development Asset Management Corp., and the details of the operating activities in Taiwan. In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding reaching 34.82% by the end of 2019. The data and statistics of China Life Insurance was included as of 2019. Financial data is based on the information of 2019 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 2019 AGM Annual Report). Human resources data include overseas subsidiaries. Information on social philanthropy covers activities organized by China Development Financial Holding Foundation (CDF Foundation) and KGI Charity Foundation.

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

Reporting Guidelines

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

Third-Party Assurance

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

Standard	Certification authority
SRA (AA1000AS (2008) with 2018 Addendum)	BSI Pacific Ltd., Taiwan Branch
International Financial Reporting Standards (IFRS)	Deloitte & Touche
<ul style="list-style-type: none">• ISO14001 Environmental Management System• ISO14064-1 GHG Inventory Verification• ISO50001 Energy Management System• ISO27001 Information Security Management System	BSI Pacific Ltd., Taiwan Branch SGS Taiwan Ltd.

Note: The full assurance statement is provided in the appendix.

Report Publication

CDF publishes corporate social responsibility reports every year. The previous report was published in June 2019. 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 download at:
<https://www.cdibh.com/en/CSR/Overview/CSRReport>



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CSR Website	https://www.cdibh.com/en/CSR/Index



Company Website



CSR Website

Corporate Overview-About CDF

About CDF

China Development Financial (CDF) was established in 2001. Its key subsidiaries are China Life Insurance, KGI Bank, KGI Securities, and CDIB Capital Group. In addition to our endeavor to improve shareholder ROE, we are also committed to fulfilling our corporate sustainability responsibilities. While pursuing strong long-term returns, CDF also hopes to make meaningful impact on the society and investee companies and maximize positive sustainability values.

With over 500,000 shareholders, CDF has one of the largest number of shareholders among Taiex-listed companies. As of December 31, 2019, its total consolidated assets were NT\$ 3.0 tn. The consolidated equity is NT\$ 296.5 bn.

With 60 years of experience in the domestic principal investment market, CDF has been a driving force in Taiwan's industrial development. In the future, it will boost its life insurance, commercial banking, securities, and venture capital/private equity business to offer full range of services as customers' most reliable partner. CDF aspires to become a leading financial institution in the Asia-Pacific region.

2019

Company Name	China Development Financial
Stock Code	2883
Date of Establishment	December 28, 2001
Chairman	Chia-Juch Chang
Acting President	Daw-Yi Hsu
Total Number of Employees	12,659
Total Assets	NT\$ 3.0tn
Paid-in Capital	NT\$ 149.6bn
Total Number of Service Locations	327
Company Address	No. 125, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei 10504, Taiwan, R.O.C.

Operation Locations



Status of Shareholders

In accordance with the Regulations Governing Information to Be Published in Annual Reports of Financial Holding Companies, CDF discloses the shareholder structure and top ten shareholders as follows:

I. Shareholder Structure (Ordinary Shares) as of April 14, 2019

Unit: Share; %

Item \ Status	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	11	15	1,007	563,816	1,321	566,170
Shareholding (shares)	93,742	1,287,593,129	2,898,113,215	7,045,366,027	3,739,931,486	14,971,097,599
Percentage	0.00	8.60	19.35	47.07	24.98	100.00

Note 1: Information on the shareholder structure is based on the section 4.1.2 "Status of Shareholders" in CDF's 2019 Annual Report.

Note 2: Among all shareholders, government agencies had a shareholding percentage less than 5%.

II. List of Shareholders Ranking in the Top 10 in Shareholding Percentage

Bank of Taiwan	1.92%	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.38%
Government of Singapore	1.37%	Shin Wen Investment Co., Ltd.	3.21%
China Life Insurance Co., Ltd.	3.76%	Jing Kwan Investment Co., Ltd.	2.78%
Cathay Life Insurance Co., Ltd.	1.50%	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.76%
Norges Bank	1.48%	Labor Pension Fund	1.47%

Note 1: Information on major shareholders is based on the section 3.9 "Relationship among the Top Ten Shareholders" in CDF's 2019 Annual Report.

Note 2: Mr. Chin-Lung Tseng is the chairman of Shin Wen Investment Co.(3.21% of voting rights), Ltd. and as well the chairman of Jing Kwan Investment Co.(2.78% of voting rights), Ltd. At the same time, Shin Wen is the 100% holding company of Jing Hui Investment Co., Ltd(1.2% of voting rights).



1

Sustainability Strategy

2019.4

1.1 Material Issues

1.1.1 Stakeholder Engagement

Stakeholder Identification Procedures and Results

CDF exhorts stakeholders to share their views with the company to incorporate them into CDF's goal of business sustainability. The company maintains good relations with stakeholders through various channels of communication, and has gathered input from them on issues of concern to them on economy, environment, society, and governance, which have impact on company's sustainable management. The company has formulated corporate strategies, business objectives, and annual plans based on their input and presented them in the 2019 CSR Report.

Based on AA1000 Stakeholder Engagement, CDF has invited 26 CSR committee members and senior executives to identify stakeholders using five criteria: responsibility, influence, tension, diverse perspectives, and dependency. Eight stakeholder groups were identified: government and competent authorities, investees, clients, media, shareholders and investors, employees, suppliers, and community. Issues of concern to them were collected, analyzed, and identified.

Stakeholder	Importance to CDF	Issues	Method of communication	Frequency and performance in 2019
Government and competent authorities	The policies of the government have direct effect on the direction of CDF's business operation	<ol style="list-style-type: none"> 1. Compliance 2. Anti-money laundering and countering financing of terrorism 3. Corporate governance and ethical corporate management 4. Information security and personal information protection 	<ul style="list-style-type: none"> • Proactively participate in policy discussions and seminars organized by competent authorities • Comply with supervision and inspection by competent authorities • Interact with competent authorities and create opportunities for direct communication 	<ul style="list-style-type: none"> • Participated in discussions and panels held by competent authorities • Selected as component stock of TWSE Corporate Governance 100 Index and TWSE RA Taiwan Employment Creation 99 Index; selected as component stock of Taiwan High Compensation 100 Index for six consecutive years • Periodically responded to irregular inspections and offered information on real-time basis
Investees	Activities of the investees affect the profitability of CDF	<ol style="list-style-type: none"> 1. Compliance 2. Corporate governance and ethical corporate management 3. Operating performance 	<ul style="list-style-type: none"> • Participate in investees' shareholders meetings and Board meetings, and exercise voting rights • Hold roadshows to share economy and industry updates with investees • Visit and engage in various activities organized by investees 	<ul style="list-style-type: none"> • Attended 57 shareholder meetings and 128 board meetings of investees • Hosted roadshows to visit 365 companies
Clients	Premium quality of customer service experience can contribute to CDF's steady revenue growth	<ol style="list-style-type: none"> 1. Operating performance 2. Service quality and customer relationship management 3. Compliance 	<ul style="list-style-type: none"> • Advertisement and social media • 24-hour service hotline, complaint hotline, and website visitor message board • Customer Care Committee meeting for customer-care mechanism • Customer satisfaction survey • Wealth-management lectures and wealth management seminar 	<ul style="list-style-type: none"> • Advertisements and social media: published periodically • Facebook fans: KGI Bank: 96,922 (+11%)/KGI Securities: 30,218 (+9.3%) • LINE friends: KGI Securities: 150,000 (+220%) • Average customer satisfaction ratio: KGI Bank: 99.48%/KGI Securities: 97.81%/China Life Insurance: 99.9% • KGI Bank held 178 wealth management events; KGI Securities organized 645 wealth management seminars
Media	Media is the main communication channel for conveying important information to stakeholders	<ol style="list-style-type: none"> 1. Corporate governance and business integrity 2. Information security and personal information protection 3. Digital finance and innovation 	<ul style="list-style-type: none"> • News releases • Press conferences 	<ul style="list-style-type: none"> • News releases were released regularly; 8,805 news releases were released in 2019 to provide an update on company developments, products, and services • Periodically hold press conferences to announce important news to the media



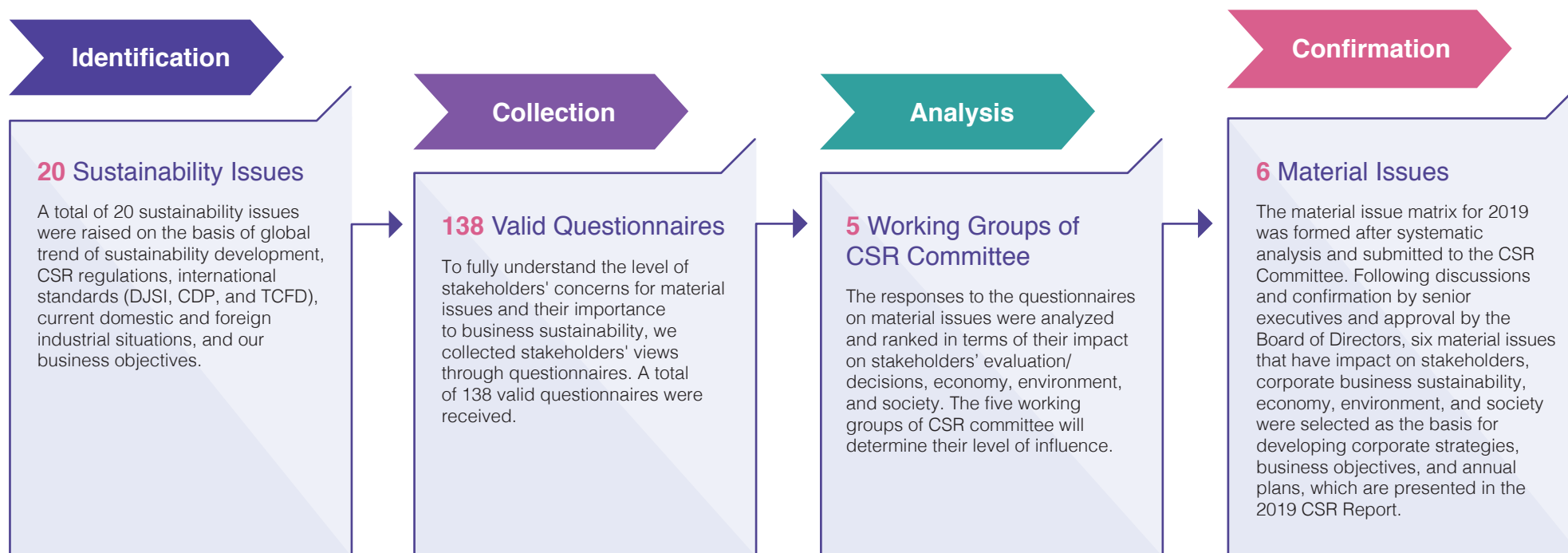
Stakeholder	Importance to CDF	Issues	Method of communication	Frequency and performance in 2019
Shareholders and investors	Trust and support from shareholders and investors are the pillars of CDF's sustainable operation	<ol style="list-style-type: none"> 1. Operating performance 2. Service quality and customer relationship management 3. Compliance 	<ul style="list-style-type: none"> • News release/material information: timely disclosure and announcement through media/Market Observation Post System, such as corporate governance, key business developments, business results, etc. • Shareholders meeting • Investor conference (Taiwan/abroad) • Establish shareholder services and investor relations contact window • Meet analysts from domestic and foreign institutions • Investor forums in Taiwan and abroad 	<ul style="list-style-type: none"> • News releases/material information: 428 Chinese/English material information and announcements • Hold one shareholders' meeting and publish annual reports • Two domestic investors conferences and two online investors conferences annually • Periodically hold overseas investor conference: 3 overseas conferences held in 2019 • Visited 28 important investors in Hong Kong, Singapore and Europe • Regular two-way communication with investors • Hosted 47 analysts (over 24 visits) from domestic and foreign institutions • Invited to participate in one international investor forum in Taiwan
Employees	Employees are the foundation of sustainable development	<ol style="list-style-type: none"> 1. Remuneration and talent development 2. Workplace health and safety 3. Operating performance 	<ul style="list-style-type: none"> • Internal websites or emails to provide information • Labor—management meetings • Labor union • Employee opinion mailbox 	<ul style="list-style-type: none"> • Employee welfare programs (physical check-ups, group insurance, etc.) were periodically introduced: Employee Welfare Committee information, Company's major business information, training courses, and annual performance management information, among others: Over 200 measures of employee welfare and training courses were made in 2019 • Labor—management meetings: CDF, KGI Securities, and CDIB Capital Group—every 3 months; KGI Bank—every 2 months. Convened total 23 labor—management meetings in 2019 • Proactively interact with labor unions to maintain good relations: A collective bargaining agreement was signed between KGI Bank and its labor union on June 13, 2019, covering all its regular employees • Gathered employees' opinions through opinion mailbox to appreciate their needs
Suppliers	Suppliers are CDF's partners in sustainable operations	<ol style="list-style-type: none"> 1. Compliance 2. Corporate governance and business integrity 3. Supplier management 	<ul style="list-style-type: none"> • Invite suppliers to agree to Supplier—CSR Commitment Letter • Pre-bidding briefing • Establish CDF procurement mailbox (procurement@cdibh.com) 	<ul style="list-style-type: none"> • Proactively invited a total of 775 suppliers to sign the Supplier—CSR Commitment Letter; major supplier sign-up ratio: 100% • Hold explanatory meetings with suppliers before opening bids • Conducted real-time two-way communication with suppliers via the procurement mail box
Community	A better society is the biggest opportunity for sustainable development	<ol style="list-style-type: none"> 1. Social participation 2. Operating performance 3. Supplier management 4. Financial inclusion 	<ul style="list-style-type: none"> • Actively participate in various forums or seminars organized by private associations and academic institutions • Through China Development Financial Holding Foundation and KGI Charity Foundation communicate with concerned community groups 	<ul style="list-style-type: none"> • 4,488 employees engaged in public-welfare activities for a total of 30,924 hours in 2019 • Organized 129 free start-up seminars at CDIB Capital Innovation Accelerator, with 3,539 attendants in 2019 • Organize 12 one-day startup board meetings (Start-up Mentor Project) and three start-up workshops

1.1.2 Material Issue Identification

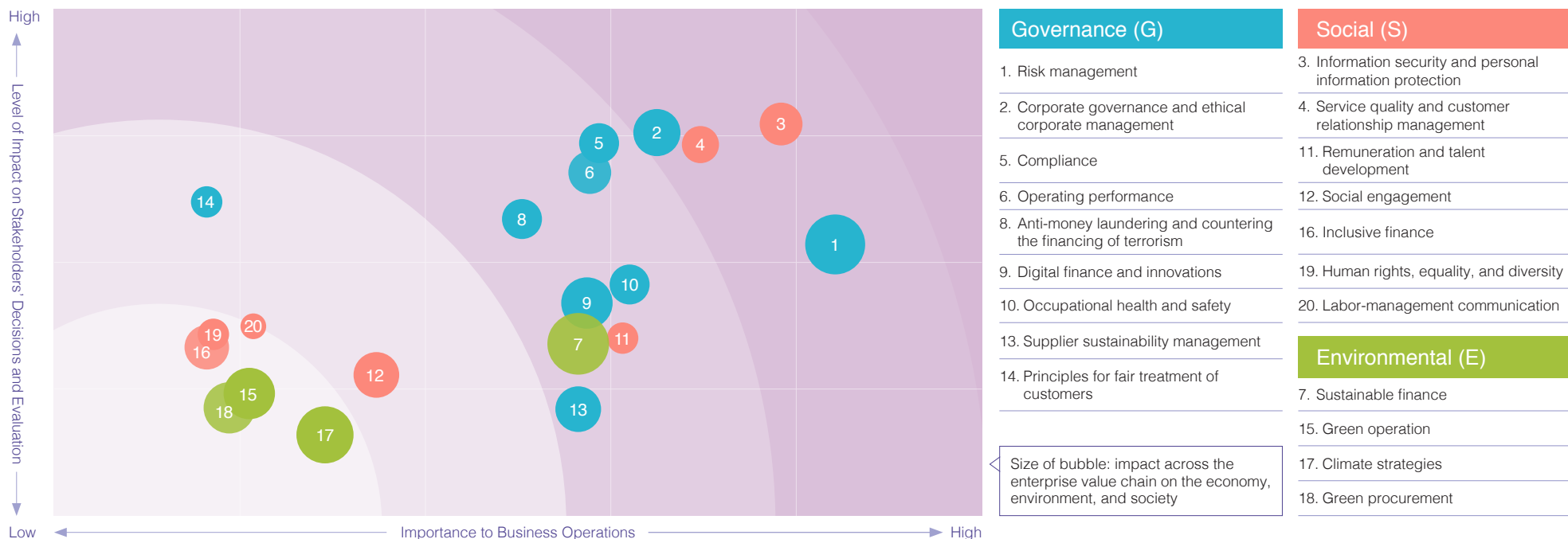
The 2019 CDF list of sustainability issues is based on various issues raised by GRI Standards and developmental issues of importance to CDF that year. There are 20 issues of all types, covering such aspects as economy, environment, and society.

To understand the views of all major stakeholders, CDF considered their proportional makeup and brought out a questionnaire on major issues that are of concern to such stakeholders, and analyzed the levels of their impact on their decisions and evaluation. At the same time, senior executives of CDF evaluated the importance of each sustainability issue to business operation; the employees and managers of CDF also identified the impact of each sustainability issue across the enterprise value chain on the economy, environment, and society. A total of 138 questionnaires were received in 2019. This year, CDF analyzed material issues and fine-tuned the matrix based on stakeholders' level of concern for sustainability issues. Compared with these issues in 2018, in 2019, CDF removed "sustainable development strategies," and elevated the importance of "risk management," "corporate governance and ethical corporate management," and "information security and personal information protection" to operations and stakeholders, and identified "remuneration and talent development" as a secondary issue under stable management. Finally, six material issues were identified this year, namely, risk management, corporate governance and ethical corporate management, information security and personal information protection, service quality and customer relationship management, compliance, and operating performance.

Procedures for Identifying Material Issues



Matrix Diagram of Material Issues



E/S/G	Material issue	Impact on CDF	Internal impact	External impact		GRI Standards	Chapter
				Direct	Indirect		
G	Risk management	Construct stringent risk control and management; use resources effectively to create new opportunities	•	A	BCD	201: Economic Performance	Risk Management
G	Corporate governance and ethical corporate management	Implement open and transparent corporate governance; construct a sound managerial mechanism to achieve sustainable operations	•	ABCD		205: Anti-corruption	Governance Framework Ethical Corporate Management Mechanism
S	Information security and personal information protection	Ensure information security and secrecy of customer information to win the trust of clients	•	BCD		418: Customer Privacy	Customer Rights and Protection
S	Service quality and customer relationship management	Elevate service quality and create excellent customer experience to increase customer loyalty	•	BC		417: Marketing and Labeling	Customer Experience
G	Compliance	Use legal compliance to create a corporate culture that's based on honesty and credibility	•	ABC		417: Marketing and Labeling 419: Socioeconomic Compliance	Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance
G	Operating performance	Boost corporate operations and financial performance to create value for shareholders and investors	•	A	BCE	201: Economic Performance	Business Performance

Internal impact: CDF, subsidiaries and employees. External impact: A: Shareholders and investors; B: Clients; C: Investees; D: Suppliers; E: Community.

Management Goals and Evaluation Mechanisms for Material Issues

E/S/G	Material issue	Goals	Policy and regulation	Action	Evaluation
G	Risk management	Shape business strategies and organizational culture that emphasize risk management; qualify and quantify risk management and use the results as the basis on which to formulate business strategies	Formulate relevant regulations such as "Risk Management Policy," "Market Risk Management Guidelines," "Credit Risk Management Guidelines," "Operational Risk Management Guidelines," and "Liquidity Risk Management Guidelines"	<ul style="list-style-type: none"> Elevate the Risk Management Committee to be under the jurisdiction of the Board Establish three lines of defense against risks; require all units to implement risk identification, risk measurement, and control mechanisms Implement the management of emerging risks such as climate change Collect and monitor major risk information from each subsidiary and report it to senior management regularly KGI Bank, KGI Securities, and China Life, are all equipped with customer hotline, webpage, and mail box via which customers can conveniently express opinions 	Quarterly Risk Management Committee meeting to review issues related to market, credit, operational and liquidity risk control reporting, and risk management in accordance with internal and hierarchical division of labor, and to supervise the implementation of overall risk management
G	Corporate governance and ethical corporate management	Develop a corporate culture based on integrity and maintain healthy corporate development	<ul style="list-style-type: none"> Formulate "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Employee Code of Conduct," "Subsidiary Guidelines for Insider Self-Discipline," and "Regulations Governing the Handling of Whistleblowing Cases on Illegal, Unethical, or Dishonest Conduct" to strictly prevent unethical conduct and corruption Sign "Stewardship Principles" 	<ul style="list-style-type: none"> Form the Ethical Corporate Management Committee New employees will undergo internal training on legal compliance and prevention of money laundering Create multiple integrity-breach report channels, including through phone calls, fax, written messages, and emails (whistle@chibh.com) 	<ul style="list-style-type: none"> Annual Board performance evaluation; external performance evaluation of the Board every three years The Human Resources Department acts as a part-time unit in charge of corporate integrity management and regularly reports to the Board of directors The auditors regularly check the status of legal compliance, and report main flaws to the Board of directors and monitor improvement
S	Information security and personal information protection	Continuously improve the protection of personal data; reduce operational risks, and create a reliable environment for personal data protection and privacy	<ul style="list-style-type: none"> Share "Customer Data Secrecy Measures" and "Privacy Declaration" to explain how the data of clients is collected and how it's properly collected, processed, and utilized Formulate the "Information Security Management Measures" to ensure the security of IT system, equipment, internet, and data 	<ul style="list-style-type: none"> Form an "Information Management Committee" to strengthen information strategy and development plans and to oversee execution Upgrade the Information Security Unit under the Information Department to become the Information Security Department to supervise information security at the highest level of authority According to the company's "Abnormal Events Notification and Processing Procedures," one should report major incidents and initiate emergency response when abnormalities are noticed, to minimize loss and their impact 	Conducting information security assessment, such as monthly project self-inspection and irregular inspection by the competent authority, etc.



E/S/G	Material issue	Goals	Policy and regulation	Action	Evaluation
S	Service-quality and customer-relationship management	Obtain customer's views, provide service of high quality, and create premium customer experience	Establish "Guidelines for Handling Consumer Complaints and Disputes" and Customer Complaint Resolution Process (CCRP)	<ul style="list-style-type: none"> Revised the format of application forms, shortened the enrollment process, and planned digitization and signing off Major customer complaint cases are regularly brought to the attention of the Board of Directors Customers can express opinions to the company over the counter, telephone, internet, mail, or email 	<ul style="list-style-type: none"> External customer satisfaction survey indicators Number of customer complaints and processing-efficiency indicators Whether the complaints are replied or signed off within the designated period of time
G	Compliance	Strengthen corporate governance and ensure the implementation of compliance-management systems	<ul style="list-style-type: none"> As per the "Compliance Policy," the Compliance Department is responsible for overall plan for compliance, supervision, and enhancement of each department's compliance management system Employees violating the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Employee Code of Conduct," or "Subsidiary Guidelines for Insider Self-Discipline," will be punished in accordance with the Company's Employee Reward and Disciplinary Policy. 	Organize on-site courses on ethical corporate management and anti-money laundering and relevant laws and regulations to raise employees' overall understanding of relevant laws and regulations	Conduct annual evaluation of compliance-management system of each department. The evaluation provides an important reference for annual performance evaluation of individual departments and Company's Statement of Internal Control.
G	Operating performance	Pursue long-term goal of steady profit and influence the market and investee companies	Dedicated to the development of four main businesses: life insurance, commercial banking, securities and venture capital/private equity; implement corporate sustainability in all subsidiaries	<ul style="list-style-type: none"> Create a customer-centric interactive digital platform to enhance the company's overall FinTech service capabilities Closely observe government financial policies and market development trends, launch new businesses and new financial products to expand business scope and strengthen product breadth, and actively pursue opportunities to improve profitability Provide customers with innovative service experience through B2C smart-banking advice and smart customer service 	<ul style="list-style-type: none"> Quarterly subsidiary evaluation Weekly credit risk review meeting Regular investment review committee meeting

1.1.3 Membership of Associations and External Initiatives

To promote social integration and help the government advance domestic financial, monetary, and business regulations, CDF has actively participated in 47 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, exchanging opinions about regulatory changes, as well as staying current on corporate governance issues to reach its goal of corporate sustainability.

From 2016 to 2019, the Group made no financial contributions to political parties, think tanks, political initiative organizations, or initiatives.

Total Expenditure incurred by CDF and Subsidiaries on Trade Associations/Organizations

Total expenditures (NT\$)	2016	2017	2018	2019
Lobbying or interest representation	0	0	0	0
Local, regional or national political campaigns, organizations, or candidates	0	0	0	0
Chambers of commerce or tax exempt organizations (e.g., think tanks)	\$8,057,384	\$9,213,038	\$10,137,097	\$10,127,247
Elections and referendums or similar	0	0	0	0
Total	\$8,057,384	\$9,213,038	\$10,137,097	\$10,127,247
Information coverage	100%	100%	100%	100%

CDF's Participation in Trade Associations/Organizations' Initiatives

Initiative	Description of engagement	Total spend (NT\$)
Assist the government in implementing financial policies and establishing regulations	<p>To assist the government in implementing financial policies and regulations, CDF and subsidiaries participated in respective trade associations and organizations to promote their common interests.</p> <p>Trade associations and organizations advise the government agencies regularly and collaborate with international organizations extensively to assist the government in implementing financial policies and to promote business development and the common interests of financial institutions. They also facilitate communication between members and government agencies.</p> <p>Consider, for example, the Bankers Association of Taipei. It assists members in financing renewable energy-based (offshore wind power) power-generation projects in line with the government's green-finance policy.</p> <p>To assist the government in implementing financial policies and regulations, CDF participated in 15 associations and organizations that supported the initiative and held positions in 12 of them. For more information, please refer to the List of CDF and Subsidiaries' Trade Associations/Organizations in 2019 ^(Note1).</p>	\$5,826,195
Protecting investors	<p>CDF actively participated in trade associations and organizations that protect investors to prevent and stop financial frauds effectively, save huge social costs, and promote a sound market development.</p> <p>Consider, for example, the Institute of Financial Law and Crime Prevention. It has the following tasks: studying and analyzing the prevention of insurance crime, establishing the insurance claim and crime database, assisting prosecutors, police officers, and the Straits Exchange Foundation with insurance crime investigations and inspections, and communicating the right concept of insurance. Its purpose is to prevent and deter insurance crimes, reduce people's property losses, and protect their insurance rights and interests.</p> <p>To protect investors, CDF participated in 5 associations and organizations that supported the initiative and held a position in 2 of them. For more information, please refer to the List of CDF and Subsidiaries' Trade Associations/Organizations in 2019 ^(Note2).</p>	\$1,585,338



CDF and Subsidiaries' Three Largest Expenditures on Trade Associations/Organizations in 2019 (Other Large Expenditures)

Name of organization	Type of organization	Total amount paid (NT\$)
Bankers Association of the ROC	Industry/trade association	\$2,410,095
Life Insurance Association of the Republic of China	Industry/trade association	\$1,140,000
Trust Association of R.O.C.	Industry/trade association	\$1,134,538

List of CDF and Subsidiaries' Trade Associations/Organizations in 2019

Name of association	Position
Bankers Association of the ROC ^(Note1)	CDF is a Supervisor
Life Insurance Association of the Republic of China ^(Note1)	China Life Insurance is an Executive Supervisor and Director
Securities Investment Trust & Consulting Association of the ROC ^(Note1)	KGI Securities Investment Trust is a Director
China Venture Capital and Private Equity Association (CVCA)	CDIB Capital Group is a Director
Taiwan Mergers & Acquisitions and Private Equity Council (MAPECT) ^(Note1)	CDIB Capital Group is a Director
Chinese National Association of Industry and Commerce ^(Note1)	CDF is a Supervisor
Monte Jade Science & Technology Association of Taiwan ^(Note1)	CDF is a Director
Taipei Leasing Association, R.O.C.	CDC Finance & Leasing Corporation is a Director
Taiwan-ASEAN Business Council	CDF is a Vice Chairman
Taiwan Private Equity Association ^(Note1)	KGI Venture Capital is a Director
Taiwan Venture Capital Association ^(Note1)	KGI Venture Capital is a Director
ROC-USA Business Council ^(Note1)	CDF is a Director
Chinese National Futures Association ^(Note2)	KGI Futures is a Chairman, Supervisor, and Alternate Director

Name of association	Position
Chinese International Economic Cooperation Association ^(Note1)	CDF is an Executive Director
Financial Planning Association of Taiwan	China Life Insurance is a Director
Life Insurance Management Institute of the Republic of China (LIMI-ROC)	China Life Insurance is an Executive Director
Taiwan Securities Association ^(Note2)	KGI Securities is an Executive Director and KGI Futures is an Alternate Director
Insurance Brokerage Association of Taiwan ^(Note1)	KGI Insurance Brokers is a Director
Shareholder Service Association	CDF is a Director
Bankers Association of Taipei ^(Note1)	CDF is a Director
ACAMS Taiwan Chapter	CDF is a Director
Financial Holding Business Committee of the Bankers Association of the ROC	CDF is a Vice Chairman, Secretary, and Business Assistant
Trust Association of R.O.C. ^(Note2) , ROC Bills Finance Association ^(Note1) , Financial Governance and Compliance Association of R.O.C., Taiwan Insurance Law Association (TILA) ^(Note1) , Taiwan Bio Industry Organization, Cross-Strait Biotechnology Industry Association, Institute of Biotechnology and Medicine Industry (IBMI), Cross-Strait CEO Summit, American Chamber of Commerce in Taipei, Truck Rental Association of Taipei ^(Note1) , Microbus Rental Association of Taipei, Taiwan Corporate Governance Association ^(Note2) , Securities Analysts Association, Chinese Taipei, Chinese Arbitration Association, Taipei, Taiwan Tourism Interchange Association, Taiwan ITRI New Venture Association, Chinese Blood Donation Association, Banking Education Association of Taiwan, Financial Executive Institute of Taiwan, Institute of Financial Law and Crime Prevention ^(Note2) , Accounting Research and Development Foundation, National Credit Card Center of R.O.C., Taiwan Depository & Clearing Corporation, Asia Pacific Loan Market Association Limited, Factors Chain International	Member


















Note 1: Initiative: Assisting the government in implementing financial policies and regulations.

Note 2: Initiative: Protecting investors.

1.2 Sustainability Vision and Values






1.2.1 Sustainability Vision and Strategies













CDF's five strategies of sustainability: Corporate Governance, Intelligent Finance, Elite Talent Development, Low-Carbon Economy, and Co-Creation of Society have solidly stood their ground to the issues that stakeholders are concerned about and have helped meet the UN's sustainable development goals. By considering risks facing the global economy and opportunities opening up, we hope to conduct our business in ways that fulfill our corporate social responsibility and provide maximum value to all stakeholders.

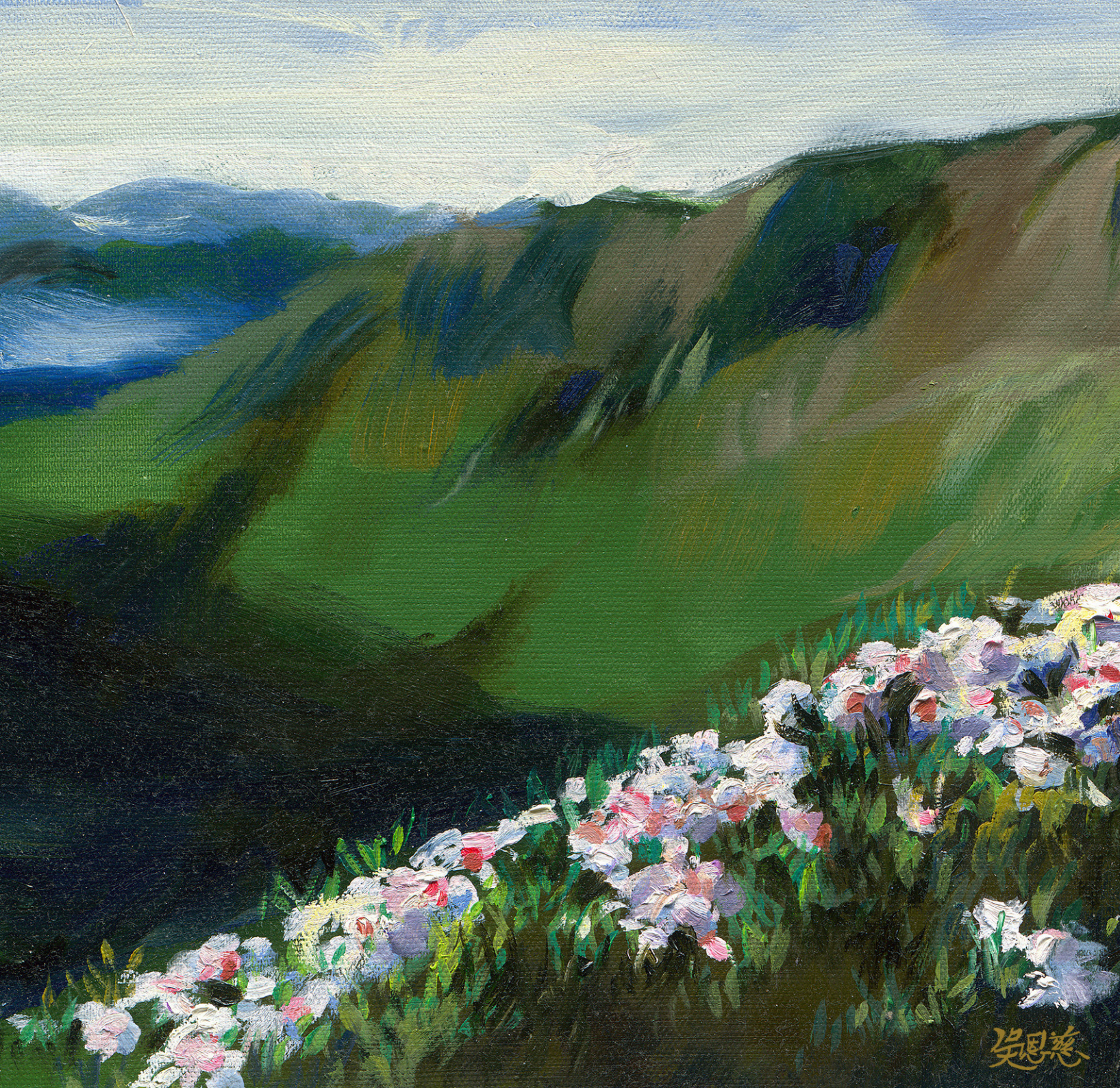
	Implication	Action plan	Capital	SDGs
Corporate Governance	Good corporate governance is an important foundation for sustainable development of enterprises. As a sustainability strategy, CDF is keen to strengthen its corporate governance culture by enhancing the Board's effectiveness, information disclosure, and compliance.	<ul style="list-style-type: none"> Strengthen the transparency of corporate governance and functions of the Board and functional committees. Set up Ethical Corporate Management Committee to imbue the employees with ethical corporate management values in corporate culture. Refine the management structure of important emerging risks such as climate change in line with international trends and strategies and assist subsidiaries in planning risk controls and mitigation measures. 	Financial capital: Continue to invest in business operations and business development to increase return on investment and shareholder interest.	  
Intelligent Finance	In the face of the ever-changing development of FinTech, it is imperative for financial institutions to accelerate reforms to serve the customers of tomorrow. To achieve the goal of "Intelligent Finance," CDF takes the opportunity to transform itself through disruptive technology and seeks to improve financial service experience and brand value in collaboration with cross-domain partners or innovative technologies.	<ul style="list-style-type: none"> "Altruism and sharing," KGI inside is aimed at promoting Open Banking by creating a user-friendly and convenient financial environment in cooperation with start-ups and digital platform service providers to improve customers' financial experience. Direct international resources and investments to "digital, mobile, and cloud-based" start-ups in Taiwan and support local start-ups' development, both domestically and internationally. 	Intellectual capital: Invest in the development of financial products and innovative financial services.	 
Elite Talent Development	The rise of the knowledge economy marks the end of the industrial age. CDF is totally convinced that "Elite Talent Development" can lead enterprises and organizations to make a breakthrough in an ever-changing environment. In view of this, we explore the talent gap between corporate vision and the need for next-generation service and develop forward-looking plans for talent development.	<ul style="list-style-type: none"> Develop forward-looking plans for talent development based on business strategies, integrate learning platforms across the Group and drive employees' performance through learning, and attract talent in response to organizational changes. Develop an employee survey program with high coverage to collect and understand employees' feedback and opinions to attract talent and retain the selected candidates. 	Human capital: Improve employees' expertise and ability to innovate and create an equal, healthy, and safe workplace.	   
Low-Carbon Economy	As the concept of Task Force on Climate-related Financial Disclosures (TCFD) has been well received by large enterprises and institutional investors worldwide, CDF undertakes to manage and disclose climate-related financial information in line with the framework of the TCFD. In the light of "Low-Carbon Economy," we discover industries/enterprises with development potential in low-carbon economy and bolster their transformation.	<ul style="list-style-type: none"> Introduce and enhance the management framework of the TCFD to implement low-carbon operation management. Use company's influence to support green procurement and promote supplier sustainability management. Support the use of renewable energy and transformation of renewable energy companies in line with international trends in climate-change management and promote green finance in collaboration with renewable energy companies. 	Natural capital: Promote green investments with core functions to reduce the environmental impact of business operations.	  
Co-Creation of Society	With the concept of "shared value" gradually changing the business model of world-renowned enterprises, CDF has adopted the strategy of "Co-Creation of Society" to create social value, which contributes to enterprise value.	<ul style="list-style-type: none"> Consolidate the connection between social engagement and CDF's core functions and engage in social issues, such as disaster relief, academic study, and care for the disadvantaged to fulfill social care in all aspects and exert CDF's influence. Establish a volunteer system across the Group and set up a CDF charity platform to encourage employees to engage in the co-creation of sustainable society. 	Social relationship capital: Expand the scope of public welfare initiatives to elevate brand identification.	    

	2019 Input	2019 Output (Financial Value)	2019 Output (Non-financial Value)
Financial Capital	<ul style="list-style-type: none"> Total consolidated assets: NT\$3.0 trillion Operating expenses: NT\$26.5 billion 	<ul style="list-style-type: none"> Consolidated profit after tax: NT\$19.654 billion, including NT\$6.858 billion from non-controlling interests Consolidated return on equity (ROE): 7.56% 	<ul style="list-style-type: none"> Selected as a constituent stock of FTSE4Good Emerging Market Index & FTSE4Good TIP Taiwan ESG Index for three consecutive years China Life Insurance, CDIB Capital Group, KGI Bank, KGI Securities and KGI SITE have become the signatories of the "Stewardship Principles" of TWSE
Intellectual Capital	<ul style="list-style-type: none"> China Life Insurance's Fintech investment (or optimization): NT\$76.04 million China Life Insurance's i-Agent investment: NT\$65 million China Life Insurance's subsidy for license certification examinations: NT\$36.06 million KGI Bank's system development investment: NT\$355 million (including active dialing system construction, mobile wealth management system construction, mobile banking APP innovation project, credit-card core system construction, product and service digitization project, and smart process project) KGI Securities' information service and FinTech investment: NT\$41.90 million 	<ul style="list-style-type: none"> 5.35 licenses owned by every employee of KGI Bank on an average i-Agent usage: 90% 4,031 asset appraisal reports via ASA, a new wealth management system Increase of NT\$60 billion in the annual trading volume via newly established "Securities High Frequency Trading GW" 	<ul style="list-style-type: none"> Video survival analysis: 771 times Over 30,000 clients having activated mobile banking login via face recognition/fingerprint/graphics Establishment of "Mobile Trading Platform" for improved core competitiveness
Human Capital	<ul style="list-style-type: none"> Training expenses of NT\$88.12 million Employee salary expense of NT\$17.914 billion 	<ul style="list-style-type: none"> Human capital return on investment (HC ROI): 13.8 Average employee training expense of NT\$6,961, a 104% increase from 2018 Average employee salary expense of NT\$1.436 million, a 10% increase over 2018 	<ul style="list-style-type: none"> Selected as a constituent of TWSE RAFI® Taiwan High Compensation 100 Index by TWSE for six consecutive years Average employee training hours: 73.8, a 98.4% increase from 2018 Average employee satisfaction rate: 88%
Natural Capital	<ul style="list-style-type: none"> Green-procurement amount: NT\$131.11 million (a 61.8% increase from 2018) Environmental-protection expense of NT\$71.62 million Third-party certification of ISO 14001 Environmental Management System, ISO 14061-1 GHG Inventory, and ISO 50001 Energy Management System 	<ul style="list-style-type: none"> The amount of green procurement with 20 eco-labels approved by the Environmental Protection Administration was NT\$122.88 million (93.7%) The Environmental Protection Administration has selected the company as a "top firm in promotion of green procurement by private enterprises and groups in 2018." The Department of Environmental Protection, Taipei City Government has also identified it as a "top firm in promotion of green procurement by private enterprises and groups in 2018" 31 solar power certificates for 31,000 kWh of green electricity 	<ul style="list-style-type: none"> GHG emissions reduced: 1,597.10 metric tons CO₂e, or 7.2% Annual power saved: 827,200 kWh (a 7.5% decrease) Water consumption reduced by 1.5% Total waste reduced by 9.5%
Social Relationship Capital	<ul style="list-style-type: none"> Total public welfare expenditure: NT\$94.76 million Number of volunteer employees: 4,488; number of volunteer hours: 30,924 Micro-insurance and small-amount life-insurance policies 129 free start-up seminars at CDIB Capital Innovation Accelerator, 12 one-day startup board meetings (Start-up Mentor Project) and three start-up workshops Trustee for 8 charitable trusts 	<ul style="list-style-type: none"> Giving You A Hand—Revolving Personal Loan Promotion Project: 462 out of 684 applications approved (approval rate: 68%) Taxi Driver's Small Revolving Loan: 455 out of 836 applications approved (approval rate: 54%) Loan applications through mobile phone numbers/"Quick Repayment" Revolving Loan/"Taiwan Star Telecom" Revolving Loan Project: NT\$97.32 billion approved Charitable trusts: NT\$32 million 	<ul style="list-style-type: none"> Success rate in the number of micro-insurance policyholders: Nearly 130% Accumulated number of small-amount life-insurance policyholders: More than 23,000 Investment in 15 start-ups Revenue generated for social welfare organizations: NT\$2.83 million Social return on investment (SROI) of the Heritage 100 X Tutelage 100 program: 4.9

1.2.2 Sustainable Development Goals and Performance

	Sustainability issues	2019 Performance	Short-term goals	Mid-term goals	Long-term goals	SDGs
Corporate Governance	<ul style="list-style-type: none"> Corporate governance and ethical corporate management Compliance Risk management Anti-money laundering and countering the financing of terrorism Operating performance 	<ul style="list-style-type: none"> Selected as component stock of FTSE4Good Emerging Index and FTSE4Good TIP Taiwan ESG Index for three consecutive years Selected in the CommonWealth Magazine's Excellence in Corporate Social Responsibility Award for two consecutive years Established the Ethical Corporate Management Committee; directors and c-suite executives signed the "Statement of Compliance with Ethical Corporate Management Policy;" 100% of employees signed a commitment to complying with the "Ethical Corporate Management Best Practice Principles" Elevated the Risk Management Committee to a functional committee under the board of directors 	<ul style="list-style-type: none"> Increase the corporate governance evaluation ratings Complete external evaluation of the Board's performance Constitute the Ethical Corporate Management Committee Conduct a scenario analysis of the Task Force on Climate-related Financial Disclosures (TCFD) 	<ul style="list-style-type: none"> Remain in top 5% in the corporate governance evaluation Plan to introduce ISO37001 Have the product development department design financial products and services in response to business opportunities arising from emerging risks 	<ul style="list-style-type: none"> Optimize compliance procedures and operational efficiency with supplemental FinTech solutions Enhance the mechanism for assessing financial impacts of emerging risks Enhance quantitative and qualitative risk-management mechanisms to formulate business strategies 	  
Intelligent Finance	<ul style="list-style-type: none"> Information security and personal information protection Service quality and customer relationship management Digital finance and innovations Principles for fair treatment of customers 	<ul style="list-style-type: none"> China Life Insurance evaluated the ESG performance of investment targets and included ESG criteria in stock-analysis reports KGI Bank collaborated with Chunghwa Telecom in inclusive finance initiative using "Telecom Mobile ID Authentication" to process applications upon approval by the Financial Supervisory Commission Launched mobile banking login through FACE ID/fingerprint/graphical password China Life Insurance, KGI Bank, and KGI Securities passed ISO27001 (information security management) certification; China Life Insurance and KGI Securities passed BS10012 (personal information management) certification 	<ul style="list-style-type: none"> Introduce the cyberattack and automated assessment simulation system Improve customer satisfaction Expand the application of telecom ratings to help TSPs score clients Continue to work with FinTech space to seek TSP partners and develop new Open Banking services Continue to improve the quality of digital magazines for more diversified mobile device services 	<ul style="list-style-type: none"> Introduce an AI-based information security analysis system Number of telecom rating users: 4,000/year Implement precision marketing on LINE: Membership of digital magazines 	<ul style="list-style-type: none"> Maintain zero information security breach/leakage Lead the promotion of information security-related insurance Achieve a 100% completion rate in personal information protection/information security training Connect SIEM with F-ISAC SOC Become a market leader for Open Banking Encourage customers to trade via LINE Reach out to potential customers and direct them to account opening and trading through digital magazines and channels 	 

	Sustainability issues	2019 Performance	Short-term goals	Mid-term goals	Long-term goals	SDGs
Elite Talent Development	<ul style="list-style-type: none"> Remuneration and talent development Human rights, equality, and diversity Labor-management communication Occupational health and safety 	<ul style="list-style-type: none"> Number of employees attending training: 110,088; total number of training hours: 220,851 KGI Bank signed a collective agreement with the corporate labor union in 2019 Received the "Healthy Workplace" certification from the Health Promotion Administration, Ministry of Health and Welfare 	<ul style="list-style-type: none"> Increase employees' participation in 360 degree feedback Remain the constituent stock of TWSE RAFI® Taiwan High Compensation 100 Index 	<ul style="list-style-type: none"> Continue to provide more employee benefits better than statutory requirements Expand the scope of employee satisfaction surveys and improve employee satisfaction 	<ul style="list-style-type: none"> Achieved 100% scope of ISO 45001 occupational health and safety management system certification Enhance the identification of human rights risks and formulate preventive remedies and adaptation plans 	   
Low-Carbon Economy	<ul style="list-style-type: none"> Sustainable finance Climate strategies Green operation Green procurement Supplier sustainability management 	<ul style="list-style-type: none"> Achieved the balance of investments in green industry of approximately NT\$2.0 billion Participated in six green power-financing projects in 2019, with an estimated reduction of carbon emissions by 17,983,300 tons per year Balance of green-energy loans in 2019: NT\$20.4 billion Passed the ISO 14001 (environmental management) certification, ISO 14064-1 (GHG inventory) certification, and ISO50001 (energy management) certification 	<ul style="list-style-type: none"> Achieve a 2.5% reduction in GHG emissions by 2020 vs. 2016 Continue to purchase 50 renewable energy certificates Develop a renewable energy development plan for office buildings Continue to promote "Green Life" credit-card reward plan 	<ul style="list-style-type: none"> Achieve a 3% reduction in GHG emissions by 2022 vs. 2016 Renewable energy-development plan for office buildings: Build solar panels on the roofs of subsidiaries' office buildings Continue to promote "e-statements" offers to increase the usage rate of electronic credit-card statements to 35% 	<ul style="list-style-type: none"> Achieve a 4% reduction in GHG emissions by 2024 vs. 2016 Use renewable energy certificates for power generation/consumption and purchase certificates to support the application of renewable energy Roll out low-carbon credit cards Continue to implement carbon-reduction initiatives for employees to conserve energy and cultivate a healthy lifestyle 	  
Co-Creation of Society	<ul style="list-style-type: none"> Inclusive finance Social engagement 	<ul style="list-style-type: none"> Achieved 130% rate in the number of micro-insurance policyholders Attracted more than 23,000 small-amount life-insurance policyholders Qualification Seekers Loan Project: 462 applicants approved (approval rate: 68%) 15 portfolio companies of CDIB Capital Innovation Accelerator Organized 129 free start-up seminars at CDIB Capital Innovation Accelerator, with 3,539 attendants in 2019 	<ul style="list-style-type: none"> Establish a volunteer system across the Group and set up a CDF charity platform Continue to nurture talent and start-ups 	<ul style="list-style-type: none"> Each employee participates in 4 hours of volunteer activities per month and is encouraged to volunteer for longer hours Continue to expand social engagement and outreach 	<ul style="list-style-type: none"> Continue to attend and organize training courses to attract talent in mergers and acquisitions and start-ups in Asia-Pacific region and even worldwide Heritage 100 & Tutelage 100: 3,600 beneficiaries by 2024 	    



2

Corporate Governance

	2020	2021~2022	2022~2024	
Objective	Short-term Goals	Mid-term Goals	Long-term Goals	2019 Performance
Strengthen the functions of the Board of Directors	<ul style="list-style-type: none"> Complete external evaluation of Board's performance Improve corporate governance evaluation score 	<p>With the concept of "shared value" gradually changing the business model of world-renowned enterprises, CDF has adopted the strategy of "Co-Creation of Society" to create social value, which contributes to enterprise value</p>	<p>With the concept of "shared value" gradually changing the business model of world-renowned enterprises, CDF has adopted the strategy of "Co-Creation of Society" to create social value, which contributes to enterprise value</p>	<ul style="list-style-type: none"> Ranked in the top 5% of TWSE/TPEx listed companies in the 6th Corporate Governance Evaluation Awards Selected over three consecutive years as a constituent stock of FTSE4Good Emerging Market Index & FTSE4Good TIP Taiwan ESG Index
Strengthen ethical corporate management	<ul style="list-style-type: none"> Constitute Ethical Corporate Management Committee Improve coordination in compliance among departments of subsidiaries Bring integrity into the code of conduct and corporate culture through comprehensive training, publicity, and supervision Train 100% of staff in ethical corporate management 	<ul style="list-style-type: none"> Achieve 100% completion of ethical corporate management training Introduce ISO37001 Set right systematically weaknesses identified in the group through compliance risk assessment to lower the risks of compliance 	<ul style="list-style-type: none"> Achieve 100% completion rate of ethical corporate management training Obtain ISO37001 certification for anti-bribery management Optimize compliance procedures and operational efficiency using FinTech solutions 	<ul style="list-style-type: none"> Constituted the Ethical Corporate Management Committee Directors and c-suite executives signed the "Statement of Compliance with Ethical Corporate Management Policy" All employees completed ethical corporate management training and committed to comply with "Ethical Corporate Management Best Practice Principles"
Enhance risk management mechanisms	<ul style="list-style-type: none"> Make a scenario analysis of the Task Force on Climate-related Financial Disclosures (TCFD) Improve the emerging risk management framework Assist subsidiaries in enhancing risk management mechanisms 	<ul style="list-style-type: none"> Let the product development department design financial products and services to capture business opportunities arising from emerging risks Ensure that the Company's market risk, credit risk, and operational risk have appropriate management systems 	<ul style="list-style-type: none"> Improve the mechanism of assessing financial impact from emerging risks Enhance quantitative and qualitative risk management mechanisms to formulate business strategies 	<ul style="list-style-type: none"> Elevated the Risk Management Committee to a functional committee under the Board of Directors Implemented mechanisms for managing emerging risks such as climate change

2.1 Operation Overview

2.1.1 Industry Trends and Group Businesses

Global & Taiwan Economic Dynamics

A wide range of challenges are facing the global economy in 2020. In addition to disruptions caused by the China-US trade war, the rapid spread of pandemic coronavirus around the world since the beginning of 2020 has affected business sentiment. Increasing base-period earnings from financial market and financial sector may constrict business growth. Fortunately, most of the world's major central banks have followed easy monetary policy, and authorities have also put in place suitable economic measures. In addition to improving the investment environment and working conditions, the government has introduced several welfare measures, such as tax cuts or subsidies, relaxed laws and regulations as appropriate, and accelerated the development of digital finance to assist companies achieve industrial upgradation or transformation and overcome external impacts. At present, the Central Bank of Taiwan has leaned toward a moderately easing monetary policy. These measures are likely to stabilize the financial needs of individuals and companies or the overall market sentiment and might improve the development of the financial sector.

Commitment to Digital Financial Services & Deeper Domestic Market Engagement

Faced with the present global economic situation, CDF is striving to develop its four core businesses of life insurance, commercial banking, securities and venture capital/private equity while setting forth CSR guidelines in practices across all subsidiaries, and improving capital reallocation to elevate ROE. Volatile market conditions have forced KGI Bank and KGI Securities to aggressively develop digital financial services. They are expanding the operations of wealth management offering a wide range of services to customers with diversified financial products and services. To streamline internal processes with innovative FinTech, KGI Bank has introduced Open Banking to offer community-friendly banking experience. In light of these technological developments, China Life Insurance has pursued innovative policies to apply technologies, such as big data for precision marketing and artificial intelligence (AI), in different insurance scenarios. Competent authorities' advice for financial innovation has inspired China Life Insurance to explore "mobile insurance authentication process" to start using facial-recognition system to identify insurance applicants, on approval by the Financial Supervisory Commission, leading the industry to a new era of "insurance by face ID."

Decreasing birth rate and aging population in Taiwan provide opportunities for KGI Bank and KGI Securities to offer pension wealth management products jointly with medical institutions. KGI Bank has rolled out several credit programs designed to support underprivileged communities. In addition to existing products and services for retirement planning, medical insurance, long-term care, spillover insurance policies, critical illness, sickness, and disability assistance and long-term care, China Life Insurance is paying attention to the development of a full range of healthcare and medical insurance products. On environmental change issues, KGI Bank and CDIB Capital Group (CCG) have identified responsible investment strategies and ESG assessment to raise funds for the green-energy sector. KGI Bank is supporting government efforts to formulate

financing programs and develop risk-assessment and control measures for the solar, wind and biomass power-generation sectors.

While in the pursuit of solid long-term returns, CDF also aspires to create a meaningful impact on the society and investee companies by building an investment portfolio that not only is potentially highly lucrative but also offers a triple-win proposition for the good of the environment, the society, and corporate governance. In 2020, CDF will continue its commitment to optimizing asset and liability management and implement risk management and cost control to boost performance of its four core earnings drivers.

2.1.2 Business Performance

2019 Business Performance of Subsidiaries

Subsidiaries	2019 Business performance	Main services
KGI Bank	<ol style="list-style-type: none"> 1. Net income in 2019 was NT\$3.61 billion, showing an annual growth rate of 68%, as financial investments performed well 2. Streamlined internal processes with innovative FinTech; rolled out Open Banking to offer a new community-friendly banking experience 3. Solid asset quality with a non-performing loan (NPL) ratio of 0.17% and above-peer-average NPL coverage ratio of 738% 	Deposits/loans, credit cards, wealth management, consumer banking, corporate banking, global market, and foreign exchange transactions
KGI Securities	<ol style="list-style-type: none"> 1. Market share of brokerage business in 2019 remained steady at 8.2% 2. Maintained market leader position in underwriting business with 33 lead underwriting deals 3. Momentum in recovery of profitability of overseas operations continued, contributing 20% to earnings 4. Assets under management (AUM) in 2019 reached NT\$169.2 billion, a 451% increase YoY 	Brokerage, wealth management, proprietary trading, underwriting, fixed-income, and a variety of derivatives products
CDIB Capital Group	Implemented the asset management business model and successfully raised capital for RMB healthcare ventures in 2019, with a total of 10 PE funds reaching NT\$42.3 billion in AUM	Venture capital, private equity and asset management, etc.
China Development Asset Management Corp.	Disposed of investment property recovering large sums in 2019, contributing NT\$287 million to profits	Debt valuation, acquisition and management, accounts receivable acquisition and overdue accounts receivable management, among others, for financial institutions

Subsidiaries	2019 Business performance	Main services
China Life Insurance	1. Total assets exceeded NT\$2 trillion at the end of 2019, with a 95% increase in net worth; sound financial structure with a high net worth ratio of 7.4% and risk-based capital exceeding 300%; premium income totaled NT\$279.9 billion, including NT\$124.1 billion from new policies in 2019 2. High-value traditional policies and protection-oriented policies with first-year premium income from products paid in installments up by 30% YoY; initiated sales network development and digital transformation	Various insurances for individuals and investment activities in compliance with laws and regulations

Financial Performance

CDF recorded consolidated net income of NT\$12.849 billion in 2019 (including NT\$3.665 billion from non-controlling interest), a 64% increase YoY, with earnings per share (EPS) of NT\$0.88. A favorable financial environment helped KGI Securities achieve solid performance in bonds, underwriting, brokerage, and overseas operations, contributing NT\$4.506 billion to profits. KGI Bank contributed NT\$3.448 billion to profits, realized mainly from stable net interest and fee income, coupled with recovery in financial investments. The investment business of CDIB Capital Group was affected by fluctuations in valuation of some positions, and thus the contribution was limited to NT\$2.278 billion in profits. China Development Asset Management Corp. was able to recover large sums from claims in 2019, contributing NT\$287 million to profits. In 2019, CDF had received NT\$3.665 billion from China Life Insurance from its equity.

In 2019, synergy was seen in our four growth engines, KGI Bank, KGI Securities, CDIB Capital Group, and China Life Insurance. CDF will continuously increase its cross-selling, improve product R&D and salesforce, and improve its customer relations and business scale to increase revenue and return on equity. In 2020, CDF will promote corporate governance and sustainable development by assessing investments and bringing together all ESG-related issues into decision-making processes; in business strategy, CDF will accelerate overseas operations and globalize to create new growth momentum.

Financial Snapshot

Unit: NT\$'000; %

Year		Financial summary for the last five years				
		2015	2016	2017	2018	2019
Profitability ratio	Ratio of return on total assets (%)	0.96	0.68	0.75	0.50	0.68
	Ratio of return on stockholders' equity (%)	5.00	3.57	5.94	5.35	7.56
	Profit margin ratio (%)	29.00	22.07	14.48	5.08	8.18
	Basic earnings per share (in dollar)	0.58	0.40	0.80	0.54	0.88
Growth rate	Ratio of income growing	(19.83)	(24.70)	104.19	(7.42)	60.44

Note: Please refer to 2019 AGM Report for details.

Economic Value Distributed

Unit: NT\$'000

	2015	2016	2017	2018	2019
Net revenues	29,708,611	27,127,728	85,413,651	252,349,877	240,382,100
Net profit before income tax	9,442,987	7,110,829	14,519,798	13,441,879	21,565,807
Operating expenses	20,595,413	19,265,421	22,002,711	25,166,272	26,526,342
Cash dividend per share (NT\$/share)	0.5	0.5	0.6	0.3	0.6
Income tax expense	827,812	1,123,925	2,154,331	627,239	1,911,986
Employee salary & benefit expenses	12,522,077	11,414,576	13,758,724	15,293,934	16,702,862
Retained earnings	18,507,160	16,798,782	20,870,156	22,095,706	30,976,678

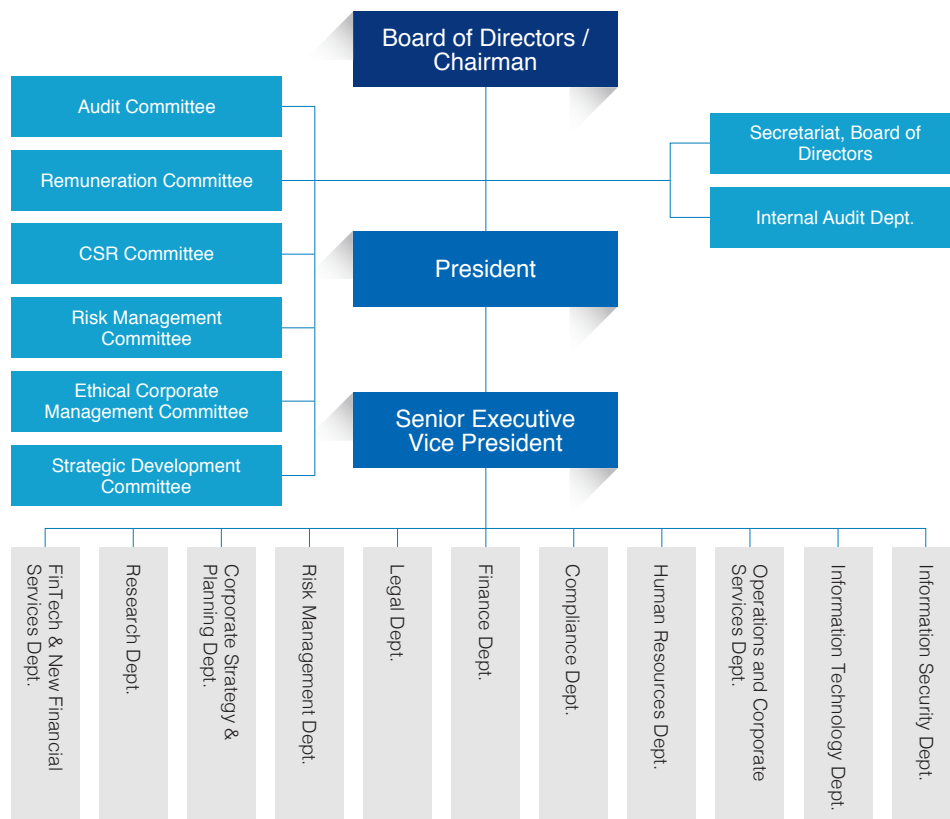
Note: Please refer to 2019 AGM Report for details.

Business Outlook

By integrating resources and strengths of China Life Insurance, KGI Securities, KGI Bank, CDIB Capital Group, and other subsidiaries and pursuing sustainable development as a core value, CDF will strengthen corporate governance, strive for green finance and social care, and promote service innovation models to provide quality and inclusive financial services.

2.2 Governance Framework

CDF Corporate Governance Structure



2.2.1 Board of Directors Structure

Board of Directors—Election Process, Diversity, and Independence

The CDF Board is created on nomination basis following recommendations made by the Board to the AGM in pursuance of Article 16 of the Articles of Incorporation. The Company has to follow a fair, just and open policy in electing directors pursuant to the Company Act and "Procedures for Election of Directors." To develop the Board structure and functions on a sound basis, CDF follows diversity policy and considers nominees' independence and interest in economy, environment, and society, along with seeking shareholders' consent for their nomination. To increase diversity in the Board, the company's Corporate Governance Best-Practice Principles have clearly set

out the guidelines for Board member selection. Besides adhering to the limitation of the proportion of executive directors appointed based on operational, business model and developmental considerations, Board members should meet the basic requirements of diversity criteria (e.g., gender, age, nationality, culture, and race), professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience. In the case of Board members concurrently serving in subsidiaries or holding other positions, CDF's "Corporate Governance Best Practice Principles" expressly state that the "Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company" and relevant laws and regulations should be complied with. No independent director can concurrently serve as an independent director of more than three other public companies (any director concurrently serving as an independent director of a wholly-owned subsidiary of CDF, this subsidiary, as also CDF, is deemed as one single company irrespective of the number of subsidiaries in which he/she concurrently serves. However, he/she may serve as an independent director in only one subsidiary.); in addition, CDF's "Guidelines for Concurrent Serving of Chairman, President, and Directors" are in place to guide directors in being on boards of other companies/subsidiaries.

The 7th Board of Directors was re-elected at the shareholders' meeting on June 14, 2019 for a three-year tenure till June 13, 2022. The Board has a total of nine members, including three independent directors, constituting 33% of the Board, one natural-person director, and only one executive director, constituting 11.1%. Non-executive directors constitute 88.9% of the Board. Board members concurrently serving subsidiaries or holding other positions are considered in accordance with relevant laws and regulations; a member of the nine-member Board should be a foreign national, and two female. The average age of the Board is 59, and the average tenure 3.4 years. Board members are drawn from diverse backgrounds, including finance, industry, and academia, and have abundant experience in operations and management at home and abroad, as well as ample professional knowledge, skills, and accomplishments. All three independent directors are independent individuals with outstanding professional background. The reelection strengthened its Board structure. The Board members have diverse functions, and their average age is also less. To improve the Board's independence, one natural-person director has been elected, and all three independent directors have not served more than three consecutive terms (9 years); in addition, the average tenure of all directors has also declined. Valuing gender equality in Board structure, women's participation in decision-making process has also been increased. At present, CDF has two female directors. Key subsidiaries such as China Life Insurance, KGI Bank, and CDIB Capital Group also have women on their respective boards. In particular, China Life Insurance has a female chairman and one female independent director, and KGI Bank also has one female independent director.

Date: April 10, 2020

Entity	CDF	China Life Insurance	KGI Bank	KGI Securities	CDIB Capital Group
Board M : F ratio	7 : 2	4 : 4	5 : 3	8 : 0	10 : 2

Board Members - Tenure, Professional Background, and Industry Experience

Reference date: April 10, 2020

Title	Name	Executive director/Non-executive director	Tenure (years)	Diversity standards							Committee						Independence of external directors (Note3)
				Metrics				Skillset ^(Note1)			Audit	Remuneration	CSR	Risk management	Ethical corporate management	Strategic development	
				Nationality	Gender	Age		Industry experience		Key areas of knowledge							
		30~60 (inclusive)	61 and above			Finance	Others										
Chairman	Chia-Juch Chang	Non-executive director	12 years and 1 month	ROC	M		●	AC	DE	FGHIJKL			●		●		●
Director	Yu-Ling Kuo	Executive Director	4 months	ROC	F		●	ABC	D	FGHIJKL			●	●	●		N/A
Director	Jeff Wang	Non-executive director	6 months	ROC	M		●	AC		FGHIJKL						●	●
Director	Shan-Jung Yu	Non-executive director	10 months	ROC	F	●		A	D	GIL						●	●
Director	Lionel de Saint-Exupery	Non-executive director	6 months	France	M	●		C	D	FGHIL						●	●
Natural-person director	Paul Yang	Non-executive director	10 years and 11 months	ROC	M	●		ABC	D	FGHIJL						●	
Independent director	Hsiou-Wei Lin	Non-executive director	3 years and 11 months	ROC	M	●		ABC	DE	FGHI	●	●		●	●		●
Independent director	Tyzz-Jiun Duh	Non-executive director	10 months	ROC	M		●		DE	FIKL	●	●		●			●
Independent director	Hsing-Cheng Tai	Non-executive director	10 months	ROC	M		●	BC		FGHIJ	●	●	●	●	●		●

Note 1: Experience – Finance (A: Financial Holding Company (FHC), B: Commercial Banking, C: Securities/ Insurance), Others (D: PE/VC Investment, E: Government & Public Sector); Key areas of knowledge - F: Execution & Strategic Planning, G: Risk Management, H: Financial Services, I: Corporate Governance, J: Marketing Leadership, K: Information Technology, L: International Experience.

Note 2: Two of our independent directors (Tyzz-Jiun Duh and Hsing-Cheng Tai) concurrently serve as the independent directors of TWSE/TPEx listed companies other than CDF (including subsidiaries) in accordance with relevant laws and regulations.

Note 3: The independence of external directors is defined as per SEC Rule 4200 Definitions below. To be considered independent, external directors have to meet at least four of the following nine criteria and two of the first three criteria (for criteria incorporated in domestic laws and regulations, please refer to the 2019 Annual Report):

(1) A director who is not or has not been employed by the Company at any time during the past five years.

(2) A director or his/her family member who did not accept any compensation from the Company or any of its subsidiaries exceeding US\$60,000 during any period of twelve consecutive months within three years unless otherwise permitted by the US SEC 4200 clause.

(3) A director who is a family member of an individual who is not, or at any time during the past three years was not, employed by the Company as an executive officer.

(4) A director who is not a consultant or the management team member of the Company and has no interest in being a consultant to the Company.

(5) A director who has no interest in the Company's major customers or suppliers.

(6) A director who does not enter into any service contract with other companies or their executives.

(7) A director who has no interest in non-profit organizations that are the main recipients of the Company's donations.

(8) A director who is not a current partner of the Company's outside auditor, or was not a partner of the Company's outside auditor who worked on the Company's audit at any time during the past three years.

(9) A director who has no conflict of interest with the independence of the Board of Directors.

Note 4: Yu-Ling Kuo is an internal director of the Company (Senior Executive Vice President); therefore, the criteria for the independence of external directors does not apply.

Skillset

Skillset	Industry experience					Key areas of knowledge						
	FHC	Commercial Banking	Securities/ Insurance	PE/VC Investment	Government & Public Sector	Execution & Strategic Planning	Risk	Financial Services	Corporate Governance	Marketing Leadership	Information Technology	International Experience
	A	B	C	D	E	F	G	H	I	J	K	L
%	67	44	78	78	33	89	89	78	100	56	44	78

2.2.2 Board Operation

Board Effectiveness

The Board of Directors meets every month and has ad-hoc meetings in emergencies. As per CDF's "Board Performance Self-evaluation Questionnaire" and "Board Member Self-evaluation Questionnaire," every board member has to have 80% attendance at Board meetings. A total of 16 meetings were convened in 2019, with an average attendance of 90% for personal attendance by directors (99% if attendance by proxy is included). Prior to the meeting, the Secretariat, Board of Directors will set the agenda and notify all directors early and provide sufficient notes for review. For Board operations, please refer to 2019 AGM Report for details.

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.

Board's supervision over company's operation

Department	Frequency	Report content
Finance Department	Monthly	Operating performance of the management team
	Annually	Tax management implementation
Risk Management Department	Quarterly	Risk management implementation and major risks reporting
Compliance Department	Semi-annually (also report to the Audit Committee)	Compliance implementation
	Annually to the Audit Committee and Board of Directors	1. Evaluations of the compliance system of each department 2. Evaluations of the compliance system of each subsidiary
Internal Auditing Department	Semi-annually (also report to the Audit Committee)	Auditing report
	Annually to the Audit Committee and Board of Directors	1. Meeting minutes of internal control system deficiencies forums 2. Auditing performance scoring of departments 3. Internal auditing scoring of subsidiaries
Legal Department	Annually	Handling of major lawsuits
Legal Department	Monthly	Meeting minutes of subsidiaries' board meetings
Information Security Department	Annually	Annual information security plan and implementation report

Effectiveness of Functional Committees

To enhance Board functions, improve corporate governance, and fulfill CSR, CDF has formed functional committees like Audit Committee, Remuneration Committee, and CSR Committee under the Board of Directors. To further strengthen corporate governance and Board functions, the 3rd meeting of the 7th Board of Directors resolved on June 24, 2019 to bring the Risk Management Committee currently under the control of the President and the CEO to a functional committee under the Board of Directors; the 6th meeting of the 7th Board of Directors resolved on October 1, 2019 to establish the Ethical Corporate Management Committee; the 10th meeting of the 7th Board of Directors resolved on December 30, 2019 to form the Strategic Development Committee. Regarding mandate for each functional committee, please refer to the 2019 AGM Report for details.

Effectiveness of Functional Committees in 2019

	Audit Committee	Remuneration Committee	CSR Committee	Risk Management Committee	Ethical Corporate Management Committee
Composition of members	All independent directors	All independent directors	Chairman, President and CEO, and independent directors, as well as the chairmen of direct subsidiaries and outside (independent) directors of direct subsidiaries (KGI Bank, KGI Securities, and CDIB Capital Group)	All three independent directors, President and CEO, and Senior Executive Vice President, as well as the presidents of direct subsidiaries	Chairman, independent directors, and outside (independent) directors of direct subsidiaries (KGI Bank, KGI Securities, and CDIB Capital Group)
Number of committee members ^(Note1)	3	3	7	9	6
Percentage of independent directors of CDF or subsidiaries (%) ^(Note1)	100	100	29	33	50
Number of meetings held in 2019	13	8	3	4	1
Attendance rate (in person) (%)	100	100	96	83	100
Attendance rate (including attendance by proxy) (%)	100	100	100	97	100

Note 1: As of April 10, 2020.

Note 2: The Strategic Development Committee has a total of five members, including four directors and President and CEO. The Strategic Development Committee held the 1st meeting on January 9, 2020.

Board Performance Evaluation

For effective corporate governance and Board functionality, CDF, at the 10th meeting of the 6th Board of Directors held on November 21, 2016, formulated "Principles for the Performance Evaluation of the Board of Directors." To further strengthen the independence and effectiveness of Board performance evaluation, the 29th meeting of the 6th Board of Directors held on January 30, 2018 and the 7th meeting of the 7th Board of Directors held on October 28, 2019, amended these Guidelines, bringing in external evaluation to Board's performance. CDF is also following "Sample Template of Self-Evaluation or Peer Evaluation of the Board of Directors of XX Co., Ltd." of the Taiwan Stock Exchange Corporation expanding Board's evaluation to Audit and Remuneration Committees modifying the self-evaluation questionnaire from "Yes/No" to a five-point scale.

As per the "Principles for the Performance Evaluation of the Board of Directors," CDF's Board of Directors should conduct at least one internal evaluation of Board's performance every year, and the scope of evaluation should include the Board as a whole, individual Board members, and functional committees; starting from 2018, CDF should enlist independent institutions or experts and scholars in conducting external evaluation at least once every three years to strengthen the independence and effectiveness of Board's performance.



Principles for the
Performance Evaluation
of the Board of
Directors



2019 AGM Report

Internal Evaluation of Board Performance

The internal evaluation of Board performance in 2019 was reported at the 11th meeting of the 7th Board of Directors on January 16, 2020 and posted on the company's website and published in the 2019 AGM Report.

(I) Self-evaluation of Board performance

The Board's performance evaluation has 42 parameters ranging over six dimensions. The evaluation shows that on 25 parameters it scored "Excellent (5)," on 16 for "Good (4)," and on one "Fair (3)" reflecting good performance by the Board of Directors in guiding and supervising business strategies, major business activities, and risk management, for establishing an appropriate internal control system, and for actively participating in environmental, social, and corporate governance (ESG) initiatives. The overall operation of the Board is considered excellent and is in line with corporate governance practices.

Evaluation results (points)	4.66	4.99	4.98	4.82	4.97	4.89
Six dimensions of self-evaluation	Involvement in the Company's business activities	Improving Board of Directors' decision-making	Composition and structure of the Board of Directors	Election of directors and their continuing education	Internal control	Participation in ESG initiatives
Number of evaluation parameters	11	11	6	5	7	2

(II) Self-evaluation of Board member performance

The performance of the Board members is evaluated on 25 parameters ranging over six dimensions. The evaluation rates 12 parameters as "Excellent (5)" and 13 "Good (4)" showing that all directors have a positive effect on efficiency and effectiveness of the Board.

Evaluation results (points)	4.93	4.97	4.81	4.85	5	4.93
Six dimensions of self-evaluation	Control over the Company's goals and tasks	Understanding of director duties and functions	Involvement in the Company's business activities	Management of internal relations and communication	Directors' professional and continuing education and training	Internal control
Number of evaluation parameters	3	4	8	3	4	3

(III) Self-evaluation of Audit Committee performance

The performance of the Audit Committee is evaluated on 26 parameters ranging over five dimensions. The evaluation rates as "Excellent (5)" on 24 parameters and "Good (4)" on two, reflecting its overall excellence in operation and in line with corporate governance, which has resulted in improved Board operations.

Evaluation results (points)	5	4.93	5	4.92	5
Five dimensions of self-evaluation	Involvement in CDF's business activities	Understanding of functional committee duties and functions	Improving the functional committee's decision-making	Composition of the functional committee, and election and appointment of committee members	Internal control
Number of evaluation parameters	5	5	7	4	5

(IV) Self-evaluation of Remuneration Committee performance

The performance of the Remuneration Committee is evaluated on 24 parameters ranging over five dimensions. The evaluation shows that on 22 parameters it was "Excellent (5)" and "Good (4)" on two. This shows that the overall operation of the Remuneration Committee is excellent and is in line with corporate governance, resulting in improved Board functions.

Evaluation results (points)	5	4.93	5	4.92	5
Five dimensions of self-evaluation	Involvement in Company's business activities	Understanding of functional committee duties and functions	Improving functional committee's decision-making	Composition of functional committee, and election and appointment of committee members	Internal control
Number of evaluation parameters	5	5	7	4	3

(V)

To enhance the Board's functionality and operation, CDF will make feasible improvement plans for parameters under "Good (4)" to enhance the Board's effectiveness. In self-evaluation of Board's performance, one parameter (a 56% attendance rate of directors at the 2019 shareholders' meeting) was considered "Fair (3)." To improve attendance rate at the following shareholders' meeting, CDF will keep the directors informed in advance of the 2020 shareholders' meeting dates for their convenience.

External Evaluation of Board Performance

In December 2019, CDF commissioned EY Business Advisory Services Inc. to conduct an external evaluation of the Board's performance in three aspects, namely, structure, people, and process and information through interviews with directors, self-evaluation questionnaires, and document review. Its scope covers the Board of Directors' structure and process flow, Board members, legal person and organizational structure, roles and responsibilities, conduct and culture, training and development, supervision of risk control, and supervision of report/disclosure and performance. The evaluation was considered "advanced" with comprehensive performance in the three aspects, i.e., structure, people, and process and information. The evaluation results were reported at the 16th meeting of the 7th-term Board on April 27, 2020 and shared on the company website. Based on its objective assessment, the Company hopes to strengthen the Board's effectiveness and corporate governance.

Improving Board Functionality

Training for Board Members

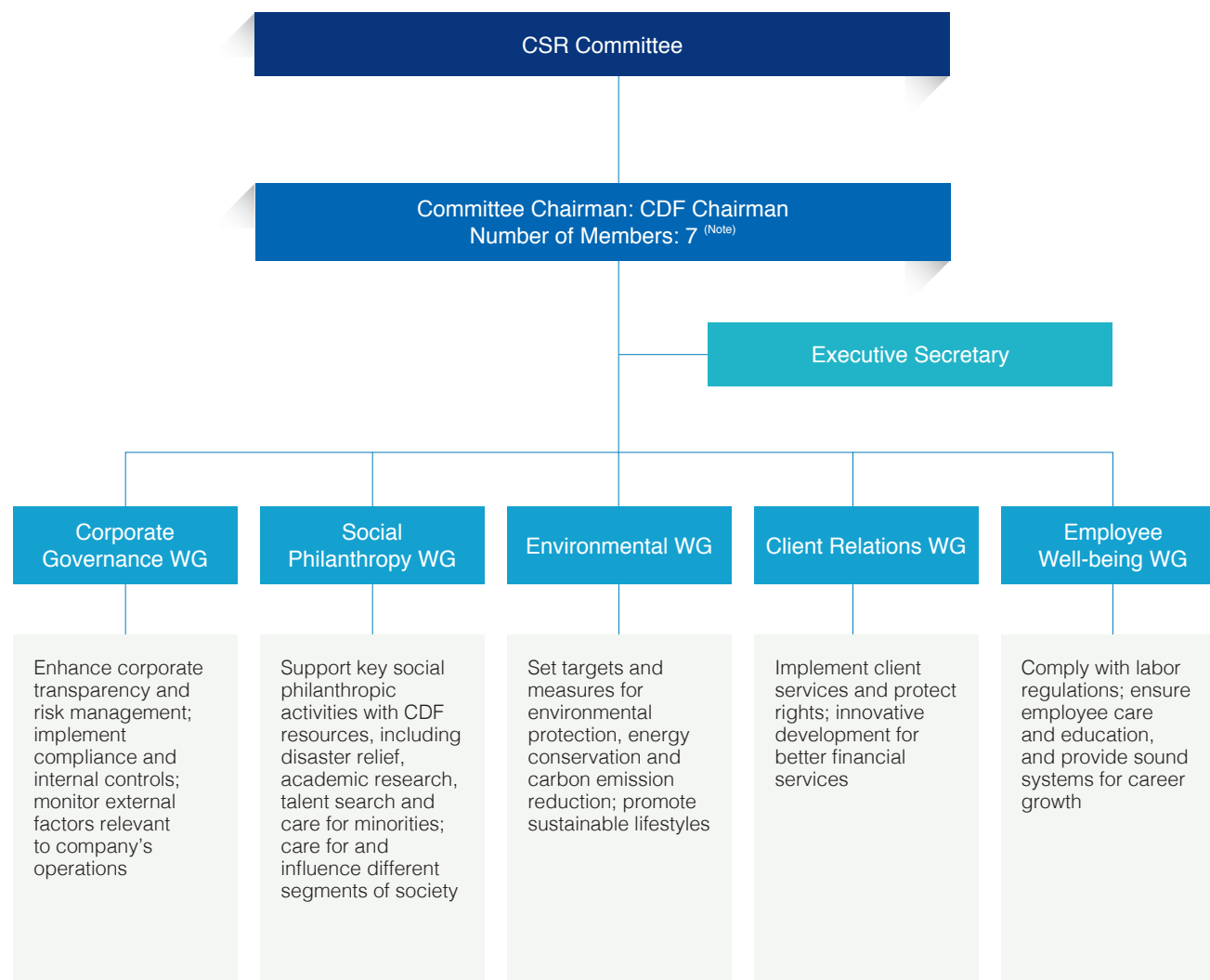
To improve the professional roles of the Board, CDF plans and organizes professional training for directors in cooperation with external accredited institutions every year incorporating industrial characteristics, amendments, and overall development direction. On November 26, 2019, the Company held an internal training course, "Corporate Governance in the Financial Sector," where Professor Lien-Yu Liu from the College of Law, National Chengchi University delivered a lecture. The Company also regularly keeps Board members posted on the latest continuing education courses and seminars offered by accredited institutions, and assist them with course registration. Topics may cover corporate governance, finance, risk management (including information security), sales, legal & compliance, anti-money laundering, counter-cyber terrorism, CSR, internal control system or financial reporting accountability. The Company provides directors access to a variety of continuing education opportunities to empower them with knowledge. In 2019, CDF's directors attended courses offered by the Taiwan Corporate Governance Association, Taiwan Academy of Banking and Finance, Taiwan Stock Exchange Corporation, KPMG Education Foundation, Securities and Futures Institute, Taipei Foundation of Finance, Accounting Research and Development Foundation, National Federation of CPA Associations of the R.O.C., and Corporate Operation Association. In 2019, CDF's directors logged a total of 125 hours in continuing education and met the annual training requirement set forth in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies." Three directors (33% of Board members) attended three risk management-related courses, including "Information Security Governance—Legal Practice," "Trends and Challenges in Information Security Governance," and "Risk-based Auditing and Application," totaling 9 hours; in addition, two directors obtained certificate of training on information security governance. To increase directors' participation in information security training, CDF plans to prioritize information security in its 2020 training program for Board members while keeping Board members posted regularly on the latest continuing education courses and assisting them with course registration.

Establishment of Corporate Governance Leadership

To maximize the effects of the Board of Directors' functionality, the Secretariat, a dedicated unit for the Board of Directors, is staffed with sufficiently qualified corporate governance professionals to oversee related matters. Pursuant to the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE-Listed Companies and the Board's Exercise of Powers," amended on December 27, 2018, the Company passed a resolution to appoint Executive VP Mr. Chih-Yu Chou as head of corporate governance, at the 42nd meeting of the 6th Board of Directors on February 25, 2019. A new SOP is also established for responding to requests from directors, stipulating procedures to help facilitate access to information required for directors to faithfully carry out duties and effectively optimize Board functions, covering issues such as personnel resources and required period for handling matters, and adequately and timely responding to requests from directors. Please refer to the AGM Report for details on the scope of responsibilities of CDF's corporate governance head and staff and business implementations in 2019.

2.2.3 Sustainability Governance Structure

Organizational Chart of the CDF CSR Committee



The Company follows business policies that have focus on "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 constituted with five working groups (WGs): Corporate Governance WG, Social Philanthropy WG, Environmental WG, Client Relations WG, and Employee Well-Being WG, each headed by a top executive of the Group. These five groups are responsible for planning and executing the Company's ESG plan. When formulating ESG-related projects, these groups will gather feedback from internal and external stakeholders through the "Stakeholder Survey Form" to identify major ESG-related issues and serve as the basis for the annual implementation plan. Institutional stakeholders may also provide input and engage in ESG topics at board meetings or CSR Committee meetings through their board representatives. The CSR Committee periodically reports to the Board of Directors on the implementation status of each WG. To provide guidelines to the CSR Committee on operations, the CDF Board of Directors has approved the "CSR Committee Charter," which outlines the Committee's composition, scope of function, tasks of WGs, method of electing WG heads and members, rules of meetings, and more.

In 2019, the CSR Committee convened three meetings to confer on recurring major items on the agenda (e.g., reporting the results of the execution of the 2018 CSR activity plans; approving the 2018 CSR report; and outlining the CSR initiatives for 2020) in accordance with the mandates set forth in the "CSR Committee Charter."

Note: As of April 10, 2020.

2.2.4 Remuneration Policy

Director Remuneration Policy

Remuneration policy for the board of directors is governed by Article 28 of the Company's Articles of Incorporation, which specifies that "The board of directors are authorized to determine the remuneration of directors in accordance with their involvement and contribution to the Company's operation by taking into account of the Company's performance and the market level." Based on the aforementioned regulation, the Remuneration Committee and the board formulated the "Guidelines for Remunerations Payment to Directors and to Functional Committee Members (hereafter referred to as the Guidelines)." The Guidelines stipulate that the scope of director remuneration includes compensation

for directors, fixed monthly salary and attendance fees, to be distributed as regulated by the Guidelines. In compliance with Article 33 of the Company's Article of Incorporation, which specifies that "The Company shall set aside no more than 1% of its profit for directors' remuneration." The percentage of directors' compensation and total amount shall be submitted to the Remuneration Committee and the board for approval prior to the annual shareholders' meeting. The percentage of total remuneration received by individual directors will be determined after the shareholders' meeting based on the distributive weightings set by the Guidelines. Upon the approval of the Remuneration

Committee and the Board, the remuneration will then be given. The independent directors of the Company are remunerated on a fixed-rate basis and do not participate in the annual distribution of directors' remuneration as provided in the Articles of Incorporation. The Company's directors' remuneration is allocated with reference to the going rate of the financial holding company industry and also taking into account each director's degree of participation in and contribution to the operation of the Company, the nature of his or her duties, future risks and other factors, as well as the results of a comprehensive assessment of the directors' individual performance.

Structure of Executive Compensation

The executive compensation at CDF includes a regular salary and a variable bonus. A variable bonus is decided in line with the performance of the Company as well as that of the individual. An executive's performance is related to both financial indicators as well as to the Company's long-term performance in sustainable development, succession planning, and other necessary indicators of Company's long-term viability. Executives' performance indicators include the following:

- Financial indicators: business performance (such as ROE), asset management (such as ROA), benefit improvement (such as Return on Invested Capital), cost control, etc.
- Management indicators: compliance, risk management, information security, ESG, succession planning, leadership, etc.
- Special indicators: Special contributions or incidents of significance are included in performance and compensation consideration.

The variable bonus package is designed with a deferral system and positively correlates with the Company's share price and EPS, keeping in mind its long-term interest and deliver a win-win outcome among the company, its employees, and shareholders. However, a violation of law, a breach of employment contract or service agreement, or a citation of a serious offense as per the Company's Employee Reward and Discipline Policy will automatically result in the forfeiture of the grantee's vesting rights and any remaining participation in the program. This measure is to discourage executives from engaging in activities beyond the risk profile of the Company and to ensure that they comply fully with corporate governance practices. CDF's President concurrently serves as the Chairman of the subsidiary. CEO's compensation is 48 times that of an average employee. The long-term bonuses include the following:

- 3-year rolling cash bonus plan or stock-ownership plan
- (1) The stock-based compensation of CDF's CEO accounted for 53% of the variable bonus in 2019.
- (2) The Company's deferred shares are issued as follows:

Position	Ratio of deferred shares to base salary
President (CEO)	3.3
Other executives	0.74

- Long-term stock-ownership trust plan
- Restricted employee stock options with a maximum of 7-year vesting period

Position	Multiple of base salary
President (CEO)	9.2
Other executives	2.9

*Shares of CDF and China Life Insurance held include those held by an executive (without being pledged), and an executive's employee stock-ownership trust and employee stock option vested but not yet exercised, all without being linked to derivatives.

2.3 Risk Management

2.3.1 Risk-Management Structure and Policy

Scope of Risk Management

The scope of the Company's risk management extends to KGI Bank, KGI Securities, CDIB Capital Group, and China Life Insurance. Risk management is by type of industry and covers market, credit, operational, asset and liability management, and insurance risks. CDF complies with international standards and its Risk Management Policy to formulate risk-management policies to manage the risk of the Company and its subsidiaries. In response to global emerging risk trends, the Risk-Management Policy has outlined the relevant mechanisms to be followed by the Company and its subsidiaries to identify, assess, and respond to main emerging risks (e.g., climate change) and should conduct scenario analysis on a regular basis to manage such risks.

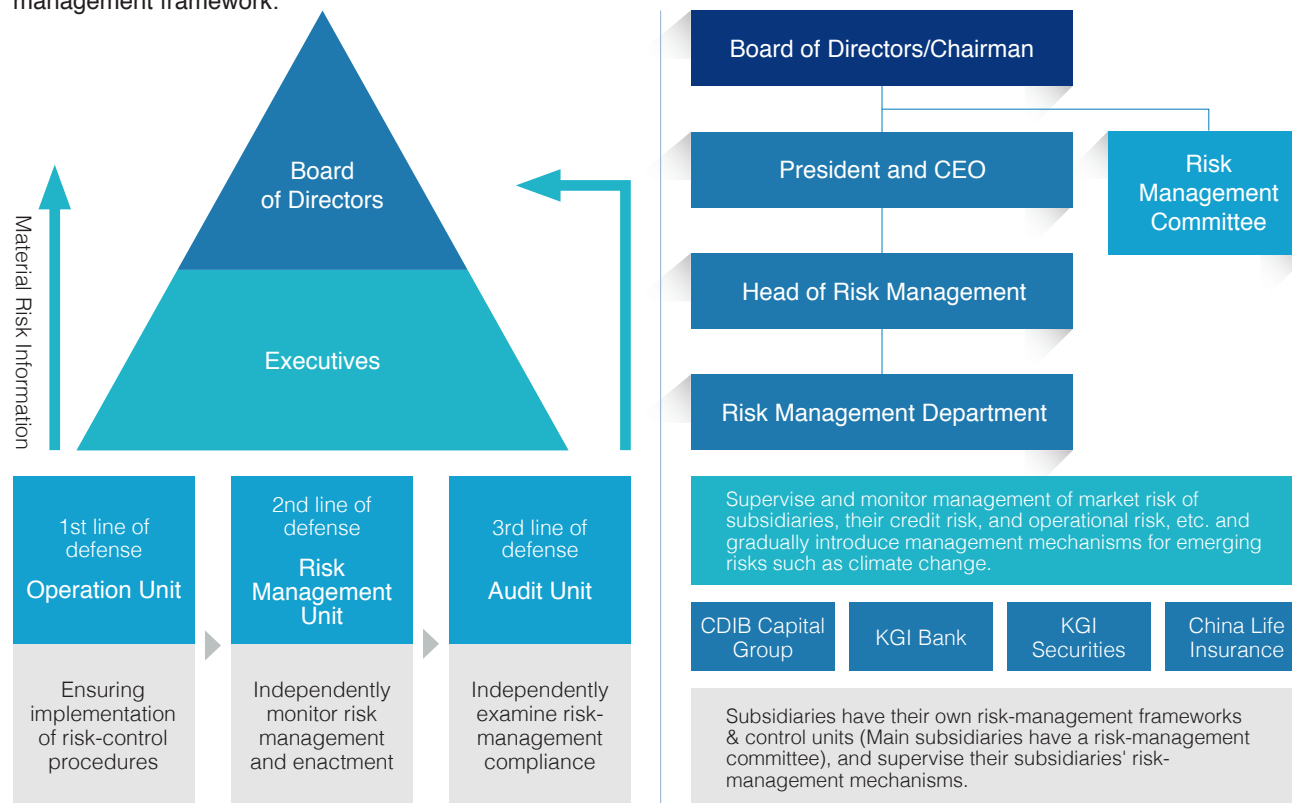
Risk-Management Structure

The Board of Directors oversees the Company's operations and builds an appropriate risk-management structure and culture, ensuring the efficacy of its practices, and reviews key risk-control information. The Board also takes ultimate responsibility for risk management.

The Risk Management Committee meets every quarter to review the internal hierarchy of reporting and handling of risks and oversee the overall execution of risk management and reports it to the Board periodically.

The head of our risk management unit (Head of Risk Management) is tasked with dedicated risk-management responsibility, including supervising the Company and its subsidiaries to establish and comply with risk-management systems, monitoring of appropriateness of risk exposure and the effect of risk controls, and reporting to the President and Risk Management Committee.

The Company adopts three lines of defense in its risk-management framework:



First line of defense:

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

Second line of defense:

An independent risk management unit has been set up to design and manage CDF's risk-management system and to supervise risk management of its subsidiaries and provide comprehensive risk-management information to top management, including the Risk Management Committee and the Board of Directors.

Third line of defense:

The audit unit is responsible for reviewing the risk-management systems, as also compliance and implementation of the systems.

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 2019. No major deficiencies have been found for CDF and its subsidiaries, and all deficiencies have been tracked to ensure improvement (Please refer to 2019 AGM Report "Plan for Improving Internal Controls" section for details).

Key performance target: Continue assisting the Board and the Management for auditing, assessing the effective operation of the internal control system, and offering timely suggestions for improvements to ensure the effectiveness of the internal control system.

Business Initiatives of the Internal Audit System in 2019

Initiatives	Times/year
Internal control system deficiencies forum, internal audit officers meeting; joint conference for audit, compliance and risk management departments	4
Regular business auditing; special project auditing	12
Audit of derivatives trading	12
Tracking and review of auditor's opinion	12

Types of Risk Management

CDF makes technical assessment of various risk sources and evaluates potential losses and provides guidance for risks to serve as reference for businesses. The Company sets risk limits for its businesses as per rules and regulations, as well as Market Risk Management Principles, Credit Risk Management Principles, and Operation Risk Management Principles. The Company has also set the frequency for monitoring depending upon risk types and nature of businesses. Major risk issues and operational risk events must be reported immediately; for credit risks, CDF monitors monthly credit and securities investment risk on the basis of country risk, high-risk industry, concentration risk of large (enterprise/conglomerate) exposures; in regard to market risks, CDF generates daily reports on the state of value at risk (VaR) and utilization of risk limits on the trading books of short-term financial instruments, such as the measurement of the impact of interest-rate-sensitive positions on investment portfolios (Delta, DV01, Vega) and stop-loss limits, as well as quarterly simulations of stress-testing scenarios to assess possible stress losses on positions in extremely abnormal stress scenarios; for sustainability and emerging risks, CDF has assigned the Research Department to regularly analyze international emerging risk trends and impacts to identify higher-risk industries and countries and to draw an emerging risk map. Moreover, we also conduct regular brainstorming meetings with business units to evaluate opportunities and commodities derived from emerging risks. We have assessed the impact of climate risk on businesses or assets and business opportunities that may arise and proposed mitigatory measures.

Risk Culture

Formation of Risk Culture

Risk culture is the cornerstone of CDF's core competitiveness and sustainable development. In addition to setting up mechanisms, such as operational risk-monitoring indicators, key risk indicators (KRI), operational risk self-assessments, operational risk-incident reporting, and internal control system self-audit systems, CDF reports the operations of risk management to the Risk Management Committee, Operational Risk Management Committee, and Board of Directors, respectively, on a regular basis. CDF also instills risk awareness among employees through training to develop a consistent risk culture through business activities.

Enhancement of Risk Culture

Financial incentives

To formulate an effective risk-management system, CDF links risk-management performance to remuneration through MBO and KPI assessments. CDF assesses executives' performance and remuneration using financial indicators, such as ROE budget achievement rate and non-financial indicators like risk management and ESG criteria. The remuneration of heads of departments is correlated to their departments' KPIs covering financial, business, and management dimensions (including internal control and compliance), as well as risk management. Employees' performance evaluation involves compliance and risk management and ESG criteria in addition to business execution, cost effectiveness, and leadership and teamwork, and promotions and performance bonuses are determined based on evaluation.

Measures encouraging employees to proactively identify and report potential risks and give feedback

The existing operational risk-reporting mechanism allows employees to proactively identify and report operational risks and propose corrective measures to prevent potential risks from occurring or recurring. To further strengthen risk management, risk management process optimization and innovation, environmental, social, and governance (ESG) criteria will be added to performance evaluations in 2020, encouraging employees to suggest solutions to potential risks (including emerging risks). Financial incentives are offered to them to strengthen risk management or identify risks.

Incorporating risk criteria in product development and approval process feedback

Prior to launching a new product, the concerned units (front-, mid-, and back-end office) are required to hold a product brief on product-related compliance, internal control, risk measurement, and information system requirements to ensure that the relevant controls are in place through thorough discussion.

Focused training

In addition to training programs (including risk management) for new recruits, various training courses (including risk management) are organized in a year for employees in the Group. In 2019, 4,856 employees of the Company and its subsidiaries attended training courses on risk management for a total of 9,356 hours, accounting for approximately 40% of all employees.

Report System

The Company complies with and monitors critical information related to risks from subsidiaries and reports every quarter to senior management, the Risk Management Committee, or the Board of Directors. In the event of any major changes in macroeconomic and financial environment, or major risk events specifications, the Company will take cognizance of the issue and respond to actual risks and effectively monitor and take suitable measures.

Major risks identified by the Company are categorized as business or operational/internal controls, including penalty or corrective measures by competent authorities. In 2019, subsidiaries reported 26 major risk events to the Risk Management Committee and the Board of Directors for review. Of these, eight related to business, which had investment, credit, or brokerage businesses with potential business losses; the relevant business units were following up. The other 18 cases concerned operational/internal control missteps; corrective measures have been taken by relevant departments. For example, KGI Bank reported imposition of fines in five cases for lapses in labor inspection between March and July 2019.

Case description

Between March and July 2019, Taipei City Government, New Taipei City Government, and Taichung City Government imposed a total fine of NT\$1.97 million on KGI Bank for extending working hours and having female employees work at night without the union's consent.

Measures for improvement

In June 2019, KGI Bank obtained the union's consent to extend working hours in accordance with Paragraph 1, Article 32 of the Labor Standards Act and to have female employees work at night in accordance with Paragraph 1, Article 49 of the same Act.

KGI Bank instructed the responsible units that given the fact that employees had worked overtime, supervisors should still approve the employees' applications for overtime even for their inefficiency or poor quality in order to comply with the Labor Standards Act. KGI Bank also asked supervisors to give guidance to employees with poor performance to improve their efficiency and quality.

KGI Bank also instructed branches to arrange for different employees to take on an additional shift before and after work in order to avoid being fined again for exceeding the overtime limit.

2.3.2 Management of Emerging Risks

CDF and subsidiaries closely monitor daily operational risks which include market, credit, operational, asset and liability management, and insurance risks. Guided by the "Global Risks Report" of the World Economic Forum (WEF) and other major institutional reports and articles in emerging risks, CDF has identified key emerging risks pertaining to global warming, extreme weather, environmental degradation caused by human activity, biodiversity loss and ecological collapse, as also those concerning information security, such as cyber-attacks, data breaches, and emerging technologies and applications. Environment-related emerging risks have an impact on industrial and economic activities around the world, which collectively affects the liquidity and operations of the Group's customers and even their solvency and enterprise value. To maintain stability in operation, the Group has to carefully evaluate the customers' operations as well as industry and political and economic stability in respective countries beforehand and pursue them. Management of emerging risks concerning information security is becoming increasingly important, especially for financial institutions which rely heavily on system stability. With advancements in emerging technologies, it is becoming increasingly difficult to guard against personal information, privacy, and moral hazards. In information security-related risks, the Group has established a unit with dedicated information security personnel to strengthen the information security management structure and continues to organize training to raise employees' awareness of information security breaches. Prior to the launch of new technologies and applications, their functions are carefully tested and fully reviewed. Please refer to Section 2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance and Section 3.4.2 Customer Rights and Protection of this report for more details. Risk management mechanisms and related regulations.

Emerging Risks and Opportunities

Global emerging risks are on the rise. Along with risks caused by climate change, internet-led information security issues have taken a heavy toll on the financial environment. How to effectively assess related risks and take suitable measures for sustainable development is a top priority.



Impact of Emerging Risks, Measures and Potential Opportunities

We have identified three risks by identifying emerging risks: information security, compliance, and climate change. Our subsidiaries have assessed the impact of such emerging risks on the operations or assets, and suggested measures and potential opportunities. Information security and compliance-related risks are described below. For climate-related risk, please refer to Section 2.3.3 Climate Change Risk Management.

Type of emerging risk	Impact of emerging risk	Impact on CDF	Measures	Potential opportunities
Information security	<p>Cyber-attacks and data breaches</p> <p>Financial institutions store large amounts of personal information on deposits/debt/transactions. Cyber-attacks and data breaches may lead to leakage of personal information and affect the rights of natural persons.</p>	<ul style="list-style-type: none"> KGI Bank has in its possession a large amount of customer data and information, and its business is increasingly dependent on the Internet, making it increasingly difficult to maintain systems and protect personal information. Cyber-attacks can easily cause system breakdowns or violations of privacy or data losses, leading to the infringement of customer rights or violations of relevant laws. Improper use resulting in damage to customer information and rights or major risk incidents that hinder normal business operations may be subject to penalties by competent authorities. In severe cases, it may damage the Company's goodwill or cause property losses. With the advancement of emerging technologies, information and data are widely applied, making it easy for hackers to steal or destroy data or blackmail or defraud users through information or IoT devices. 	<ul style="list-style-type: none"> The Group has formed an Information Security Department to be in charge of developing and executing information-security management policies. The Department organizes focused training on information security and conducts regular social engineering drills to increase the security awareness of all employees and IT personnel. ISO27001 ISMS has been introduced to create an information-security management system that complies with international standards to improve the overall information-security management. Our information-security monitoring and management has been certified by the British Standards Institution (BSI). BS 10012 has been adopted to introduce a personal information-management system. Anti-virus software is installed on both personal computers and servers that automatically reports to administrators after servers detect viral infections. Administrators then report the infections to supervisors. CDF engages independent security consultants to review compliance, make security assessments, conduct tests, and drills, and patch, improve, and systematically control vulnerabilities and risks to ensure that all systems are well designed and equipped with protection for resilience. KGI Bank does not reveal sensitive information based on the principles of de-identification. Firewalls are installed at all Internet interfaces and perform intrusion detection on an ongoing basis. Intrusion reports are reviewed quarterly by dedicated personnel and reported to supervisors. KGI Bank has installed multi-level encryption, control, testing, detection, anti-counterfeiting, and backup devices and mechanisms, and has established security information and event management (SIEM) to ensure that systems can operate normally and protect confidentiality, accuracy, and completeness of customer and business information. With a risk assessment mechanism set up for new types of business, service or processes to be launched, China Life Insurance conducts risk assessments for personal data protection based on APEC Privacy Principles to identify relevant risks. 	<ul style="list-style-type: none"> A solid foundation of information security is conducive to innovation and development of digital financial services. Through emerging technologies, we hope to provide the economically disadvantaged financial products and services and further ensure financial inclusion with improved availability of authentication for online transactions. Open Banking offers fragmented, modular, and API-based financial services to FinTech partners through KGI inside, allowing KGI Bank to reach more customers. A credit rating model is built using cross-industry data to facilitate personal loans and help third-party service providers screen potential customers. Reliable information security can create a trustworthy and safe brand image in the minds of securities investors to increase our market share. Using emerging technologies allows KGI Securities to reach the younger generation more easily, creating an opportunity to expand young customer base.
Compliance	<p>Anti-money laundering and countering financing of terrorism (AML/CFT)</p> <p>AML/CFT is currently a major international issue. Ineffective AML/CFT may be subject to severe penalties or substantial fines, which could affect a company's operations or brand image.</p>	<p>As online transactions are increasing considerably, it becomes increasingly difficult to guard against personal information, privacy, and moral hazards. Management negligence or acting as a medium for money laundering or financing of terrorism may be subject to penalties by competent authorities or sanctions by international organizations. In severe cases, it will destroy a company's reputation.</p>	<ul style="list-style-type: none"> Training courses on information-security and personal-data protection/anti-money laundering are organized on a regular basis to raise employees' awareness of personal data protection/anti-money laundering. Prior to the launch of new technologies, their functionality should be assured through thorough tests and total review by relevant compliance, risk management, information security, and anti-money laundering units. Before the launch of new products or services with policy value reserve or cash value or new types of business, money laundering and financing of terrorism risks should be assessed with corresponding internal control measures (e.g., know your customer (KYC), name checking, transaction monitoring, retention of records, and suspicious activity reports (SAR)) taken to mitigate identified risks. 	<p>A mix of relevant internal control measures and regulatory technologies ("RegTech") may reduce risks and accelerate the development of new business.</p>

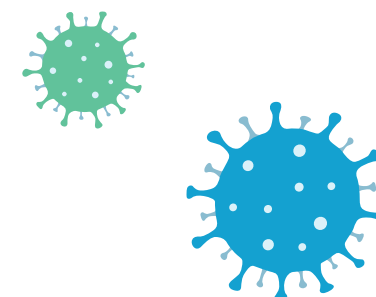
Special Report—Impact of COVID-19 and Countermeasures

COVID-19 has hit the world badly, with fatalities mounting and industries and companies struggling to keep businesses afloat. The pandemic has taken its toll in economic activity and financial markets around the world.

In the face of COVID-19 pandemic, CDF and subsidiaries have taken measures to protect employees and customers and have assessed their business impact and taken suitable countermeasures.

Measures taken by CDF and subsidiaries to combat COVID-19 are as follows:

Controls	Description
"Emergency contacts" group	An "emergency contacts" group or contingency group has been formed to share internal and external policies and monitor employees' movements.
Access control	We have implemented access control and installed body-temperature sensors or taken body temperature to detect persons suspected to be infected in a timely manner.
Working from home/remote working	To be ready to meet any contingency, we have allowed remote working in phases and permit working from home as needed.
Telephone/video conferencing	Telephone/video conferencing is used for internal and external discussions.
Business trip/travel management	Business trips may be replaced by telephone/video conference if necessary and reported to CDF's head of human resources as required; employees traveling to areas under travel notice Level 3 must obtain prior permission from CDF's head of human resources or a subsidiary's President/CEO and follow self-health management or undergo home quarantine after returning to Taiwan.
Health management reporting	We have further tracked and listed employees entering Taiwan from foreign countries or those with contact history, and have asked supervisors to pay attention to their health at all times. If an employee shows suspected symptoms of COVID-19 or has a history of contact with a confirmed or suspected case, the supervisor should immediately inform the Human Resources Department and submit a follow-up report every day.
Cafeteria	Meals are provided in lunch boxes to minimize any contact with utensils and ingredients. "Socially distant" seating arrangements are made, and seats are sterilized immediately after dining.
Sterilization	Elevators, pantries, and public areas are sterilized frequently. If any employee shows suspected symptoms, the office where he works will be sterilized immediately on the same day.



Business Impact, Measures, and Potential Opportunities

The COVID-19 pandemic has upended economic activity and caused financial losses; however, the demand for epidemic prevention not only provides opportunities for loans, investments, wealth management, and securities businesses, but also allows companies to acquire financial assets or real estate at a lower cost.

Business type	Description of impacts	Measures	Potential opportunities
Investments	Based on asset and liability management, CDF's asset allocation mainly targets long-term fixed-income commodities and domestic and foreign stocks with stable dividends in order to accumulate recurring revenue. Although market fluctuations cause unrealized losses and net value declines in the short run, unrealized gains and losses remain manageable compared to the market value of assets held by the Company.	The COVID-19 pandemic, coupled with the oil price war, has led to risk aversion and even the dumping of assets globally. Given falling prices of various assets, CDF should take a steady approach to investment strategies and re-examine stock and bond positions to ensure that industries and companies it invests in are competitive and capable of keeping the business afloat in a precarious financial situation without credit risk.	<ul style="list-style-type: none"> The COVID-19 pandemic has driven the growth of epidemic prevention industries such as healthcare, hygiene, working from home, and remote learning, creating an opportunity for investment. CDF may confer on the feasibility of establishing an epidemic prevention fund. Given falling prices of financial assets, CDF may invest in quality stocks and bonds to increase revenue. Opportunities for investment in real estate and distressed assets have increased and these assets may be acquired at lower costs, which is conducive to proceeds from future disposal.
Loans	We provide loans mainly to customers with higher market share, and our customer industries and corporate customers with relatively higher risk tolerance. At present, our manufacturing customers have gradually resumed operations; in personal loans, Taiwanese customers generally maintain good credit. There has been no breach of contract despite the COVID-19 pandemic.	<ul style="list-style-type: none"> To reduce short-term risk, collateral may be insisted upon for loans, which can be enforced depending upon changes in risk situation. Relief grants will be provided to customers as per government guidelines. In response to COVID-19, a loan project is devised for affected licensed professionals to obtain funds quickly and preferentially. 	<ul style="list-style-type: none"> The COVID-19 pandemic has fueled the growth of epidemic-prevention industries such as healthcare, which increases opportunities to extend loans. With effective epidemic prevention measures taken by the government of Taiwan, the number of customers investing in real estate in Taiwan may increase, which increases opportunities for extending loans. CDF may provide guidance for business transformation, which can increase non-interest income.
Wealth management	The COVID-19 pandemic has led to falling prices of financial assets held by customers. Our wealth management personnel have called customers and advised them that they stay calm. There has been no customer complaints.	CDF has shared the changes in global financial markets and economic relief packages and asked customers to allocate their capital appropriately. For example, customers may hold investment grade bonds and U.S. long-term bonds for both hedging and investment purposes.	<ul style="list-style-type: none"> In response to the rapid changes in the market, the Company may provide customers products and services in relation to interest rate or foreign exchange hedging. The pandemic increases people's awareness and need of health and medical insurance, which can increase relevant premium income.
Securities	<ul style="list-style-type: none"> Due to decline in stock prices, customers with insufficient margin are required to pay the margin call or liquidate their positions to protect the Company's interests. The pandemic has impacted the performance of companies planning for IPO in the first half of this year and increased operating variables. 	<ul style="list-style-type: none"> In response to the downturn in Taiwan's stocks, the Company has strengthened its control over customer concentration and collateral concentration. In individual IPO cases, the Company has continuously interacted with the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange (TPEx) to nailing down IPO applications. We have also strengthened credit risk assessments of individual financing cases. 	<ul style="list-style-type: none"> The uncertainty and increasing risk in future operations increases opportunities for mergers and acquisitions and strategic alliances in the industry, which will also increase income from financial consulting services. CDF may increase the size of financing to epidemic-prevention industry and to IPO-related securities underwriting cases. The pandemic has raised the demand for the spread of risks, creating financing opportunities for distribution of production sites or investment in other companies in the capital market.

2.3.3 Climate Change Risk Management

Climate-related risks belong to two major categories: (1) related to the physical impact of climate change, and (2) those related to transition to a lower-carbon economy. Physical risks have more direct impact on the financial performance of general businesses. However, as the core of financial capital, financial institutions are affected indirectly by market fluctuations for the most part. For example, when a company's real estate or corporate asset depreciates, the financial institution's margin value or the company's stock price will fall. Climate-related physical risks that CDF and subsidiaries have included are increased operating costs, increased capital expenditure, reduced revenue, decreased capital acquisition, decreased asset value, reduced collateral value, business interruption, and customer defaults.

Climate change risk is one of the key emerging risks identified by CDF as per the "Global Risks Report" of the WEF and other related reports. To strengthen climate-change risk management, CDF has included ESG criteria in the personal KPIs and performance evaluation forms. The ESG criteria involve solutions to emerging risks concerning climate change and other environmental issues; financial incentives are extended to employees to strengthen emerging risk management.

Our subsidiaries have assessed such emerging risks' impact on the operations or assets and proposed measures and potential opportunities (refer to Section 2.3.2 Management of Emerging Risks). Our subsidiaries have generated various climate change scenarios to assess the direct impact of climate change on their assets to propose risk-mitigation strategies or measures (e.g., reducing the number of areas with relatively higher risk return, adjusting the guarantee percentage, or shortening the duration of loans) for long-term viability.

CDF has continued to pay attention to climate change and environmental sustainability issues, and has actively participated in different initiatives. In order to effectively address climate-change issues, CDF and its three main subsidiaries formed the TCFD Climate Change Task Force in 2017. Meetings are organized on a regular basis to help the task force identify the potential risks and opportunities of climate change. An annual risk report has also been produced by the CDF Research Department since 2017 as a reference for credit/investment decisions at all operating units. In December 2018, CDF signed a letter of commitment to support the Task Force on Climate-related Financial Disclosures (TCFD), and conducted a seminar on the introduction of TCFD. Twenty participants of senior executives and department heads of subsidiaries attended 60-hour training. In that meeting, climate-related physical and transition risks and opportunities were identified. A risk matrix and an opportunity matrix were then formulated to facilitate further scenario analyses to assess the financial and operating impact of the risks and opportunities on the Company for the development of short-, medium- and long-term action plans.

Climate-Risk Management and Strategy

The Role of the Board

Supervise the establishment of a proper framework and practices for climate-risk management in CDF.

Ensure the effectiveness of risk management, review material risk-control information, and take final responsibility for risk management.

Formed a CSR Committee (CSRC) consisting of directors and independent directors of subsidiaries with the CDF Chairman serving as the chairman. The Committee has five working groups, namely, corporate governance, social philanthropy, environmental, client relations and employee well-being, which are run by top executives of subsidiaries as group heads. The five task groups are responsible for proposing and implementing ESG annual plan, and are required to report the implementation to the board of directors regularly.

The Role of the Management

The Risk Management Committee is chaired by the CDF President and an independent director. The Board selects three directors, who will in turn select committee members from executives above the rank of executive vice presidents of the Company and presidents of subsidiaries.

The Risk Management Committee supervises the implementation of risk-management plans, reviews risk-control reports, and addresses related issues.

The CDF Corporate Strategy and Planning Department consolidates all ESG-related issues and delivers them to the CSR Committee task group heads for formulating annual work plans.

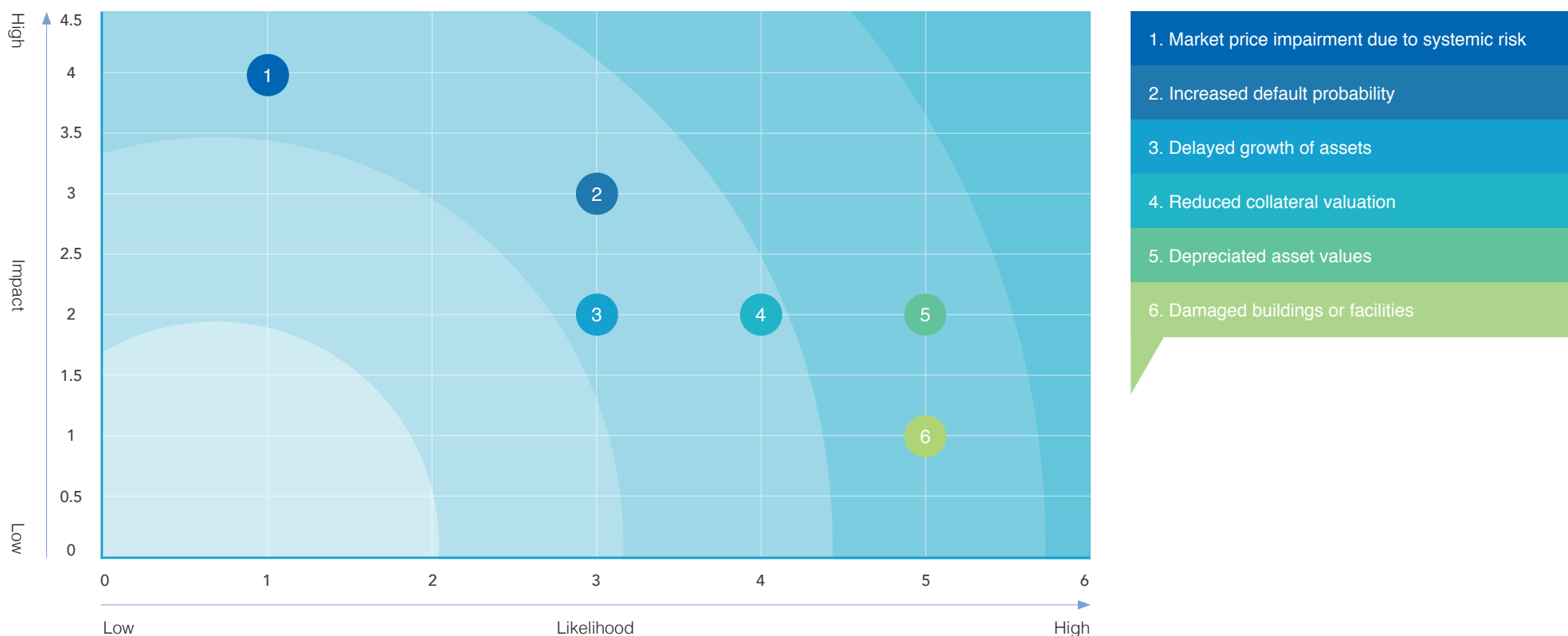
Climate Risk Management

In 2019, with the consent of stakeholders, the TCFD Climate Change Task Force has identified and prioritized risks and opportunities related to climate change based on the two dimensions of "likelihood of occurrence" and "level of impact." An in-depth scenario analysis was developed to assess the financial and operating impacts of risks and opportunities on the Company to develop short-, medium-, and long-term action plans.

Climate-related Risks

In 2019, CDF identified six high-risk factors through a risk matrix, including three physical risks—damaged premises and equipment, depreciated asset value, and reduced collateral valuation—and three transition risks—market price impairment due to systemic risk, increased default probability, and delayed growth of assets. In relevant scenarios, CDF anticipated that future changes of government policy and consumer preferences could disrupt its operations, and has thus formulated management plans in order to modify the existing risk-management strategy for investment and mitigate the negative impact of climate change.

Climate-related Risk Matrix



Risk type	Impact	Description of risk	Impact on CDF	Financial impact	Measures
Climate-related physical risks	Physical financial expenses and losses and depreciated asset values resulting from extreme weather events such as typhoons and floods.	Damaged buildings or facilities	The Group's buildings or facilities are damaged, resulting in business interruption such as power outage in maintenance sites and damage to mainframes or network equipment in the event of typhoons.	<ul style="list-style-type: none"> Reduced revenue Increased operating costs/expenses Increased premium Reduced profits 	<ul style="list-style-type: none"> Initiate and complete the establishment of backup sites in a timely manner to reduce the risk of business interruption. Formulate the "Directions for Emergency Responses" and set up a "Contingency Group" to immediately control damage to each unit and execute post-disaster rehabilitation effectively for the purpose of maintaining business continuity. Assess whether insurance is purchased to shift the impact of climate-related risks on operations (e.g., typhoons and flooding). China Life Insurance have insured investment properties and loan assets against natural disasters or extreme weather events. Consider the probability of flooding to which business premises and equipment are exposed to reduce maintenance costs and flood insurance premium. Continue obtaining green building labels for new construction projects and evaluating solar installations for renewable electricity generation. When investing in real estates, pay attention to climate-related risk of areas where real estate investment is located and include it in the real estate valuation. Classify home loans by urban communities and regularly review the developments of each area; revise downward the loan-to-value ratio for specific areas prone to damage based on the borrowers' solvency and the probability of damage. Conduct the annual greenhouse gas emissions inventory check based on the ISO14064-1 standard and, based on the results, monitor greenhouse gas emissions and take measures to reduce greenhouse gas emissions.
		Depreciated asset values	Investment properties and investee companies are located in areas prone to flooding and landslide, resulting in falling market prices.	<ul style="list-style-type: none"> Increased operating costs/expenses Decreased asset value Reduced revenue/profits 	
		Reduced collateral valuation	Collateral located in special areas (e.g., houses located in low-lying areas or on slopes) may be damaged by climate change.	Increased doubtful accounts	
Climate-related transition risks	Climate change is a threat to agriculture, food and catering industries and will change consumption patterns and needs, further affecting sectors, such as tourism, retail, e-commerce, and textile. Restrictions on CO ₂ emissions will also impact industries with high energy consumption and pollution, such as cement, tire rubber, steel, and metal products.	Market price impairment due to systemic risk	Some investment companies may suffer from price impairment due to changes in climate-related risk. In case of systemic risk, it may have a certain impact on the future operations of the investment companies.	<ul style="list-style-type: none"> Decreased asset value Reduced revenue Reduced profits 	<ul style="list-style-type: none"> If investment companies operate in areas prone to disasters, investment should be reduced to an appropriate amount and changes in investors' financial/operational situation should be monitored at all times. Factors such as extreme weather are considered in investment appraisal. The value of investment companies can be managed through diversification, which has a relatively low impact on the overall investment position. There have been regulations in place to reduce credit risk, including control over large-amount loans to industries with high water consumption and pollution and restrictions on companies that do not meet environmental regulations and have no specific improvement plans. A ceiling on loans to high-risk industries has also been set. In the future, industries with high energy consumption and pollution, such as cement, rubber, steel, and metal products may be considered as high-risk industries depending on the degree of concern, with risk tolerance assessed. Monitor the effectiveness of the rating model and analyze the trends of asset quality of each product on a regular basis to reflect risks and adjust the risk appetite in a timely manner. Include climate-related risk assessments in the credit policy; incorporate insurance portfolios to enhance risk tolerance of individuals and properties; increase loans to senior customer segments under risk control. Train sales people to become wealth management personnel that provide comprehensive wealth management services ranging over counselling, planning, and selling.
		Increased default probability	Credit customers' business downturn or interruption may subsequently increase the probability of customer defaults and result in increased costs and losses and reduced capital efficiency of the Company.	<ul style="list-style-type: none"> Reduced revenue Increased doubtful accounts Reduced profits 	
		Delayed growth of assets	The growth of loan assets is delayed as a result of lower spending power due to low wage growth or a high unemployment rate. The number of new securities accounts and the number of active accounts will grow slowly.	<ul style="list-style-type: none"> Delayed growth of assets or reduced assets Reduced revenue Reduced profits 	

Scenario Analysis for Climate Change

Considering the characteristics of assets, CDF divided assets into securities, including stocks and bonds, and real-estate assets, including self-use premises, investment properties, and mortgages, and analyzed physical risk scenarios using different approaches.

CDF looked into the financial impact of Typhoon Nari on securities over a certain period of time.

Risk type	Change in risk factor
Stock index	Taiwan's stock index fell by 8.7% ^(Note 1)
Domestic interest rate	Taiwan 10-Year bond yield dropped by 45bp Taiwan 20-Year bond yield dropped by 23bp ^(Note 2)

Note 1: A cumulative fall from the strike of Typhoon Nari (September 16~18, 2001) to October 3, 2001.

Note 2: A cumulative change from the strike of Typhoon Nari (September 16~18, 2001) to October 8, 2001.

In real-estate assets, CDF assessed the expected losses and maintenance costs in high-risk areas (Levels 4 and 5) that were heavily flooded by heavy rains under the RCP8.5 scenario. Relevant scenarios and parameters are described below.

- According to the IPCC Fifth Assessment Report (IPCC AR5), the "Representative Concentration Pathways" (RCPs) describe different climate futures. There are four climate change scenarios, namely, RCP2.6, RCP4.5, RCP6, and RCP8.5. RCP2.6 refers to the scenario with low GHG emissions and slowing global warming, and reflects a more optimistic view of GHG reduction; RCP8.5 refers to the scenario with high GHG emissions (where the CO₂ concentration greatly exceeds the current level of 410 ppm and reaches 1370 ppm) without any mitigation measures taken, and reflects a relatively pessimistic view of GHG reduction.
- The National Science and Technology Center for Disaster Reduction (NCDR) compiled the flood vulnerability index and disaster risk map in accordance with IPCC SREX (2012) and RCP8.5 scenario in IPCC AR5. The flood vulnerability index is of five levels: low, low medium, high medium, high, and extremely high (levels 1~5).
- CDF estimated future climate-related risks by referring to the district flood vulnerability index compiled by the NCDR. Risk factors and parameter settings: The likelihood of Levels 4 and 5 is based on the annual average frequency of floods from 2001 to 2015; the impairment loss rate has been adjusted as appropriate based on the annual price growth rate under stress testing conducted by banks as per the notice of the Bankers Association of the Republic of China in 2017.

Flood risk under RCP8.5	Level 4	Level 5
Likelihood	42%	53%
Impairment loss rate	-10%	-20%
Expected loss rate = Likelihood x Impairment loss rate	4.2%	10.6%

Financial impact

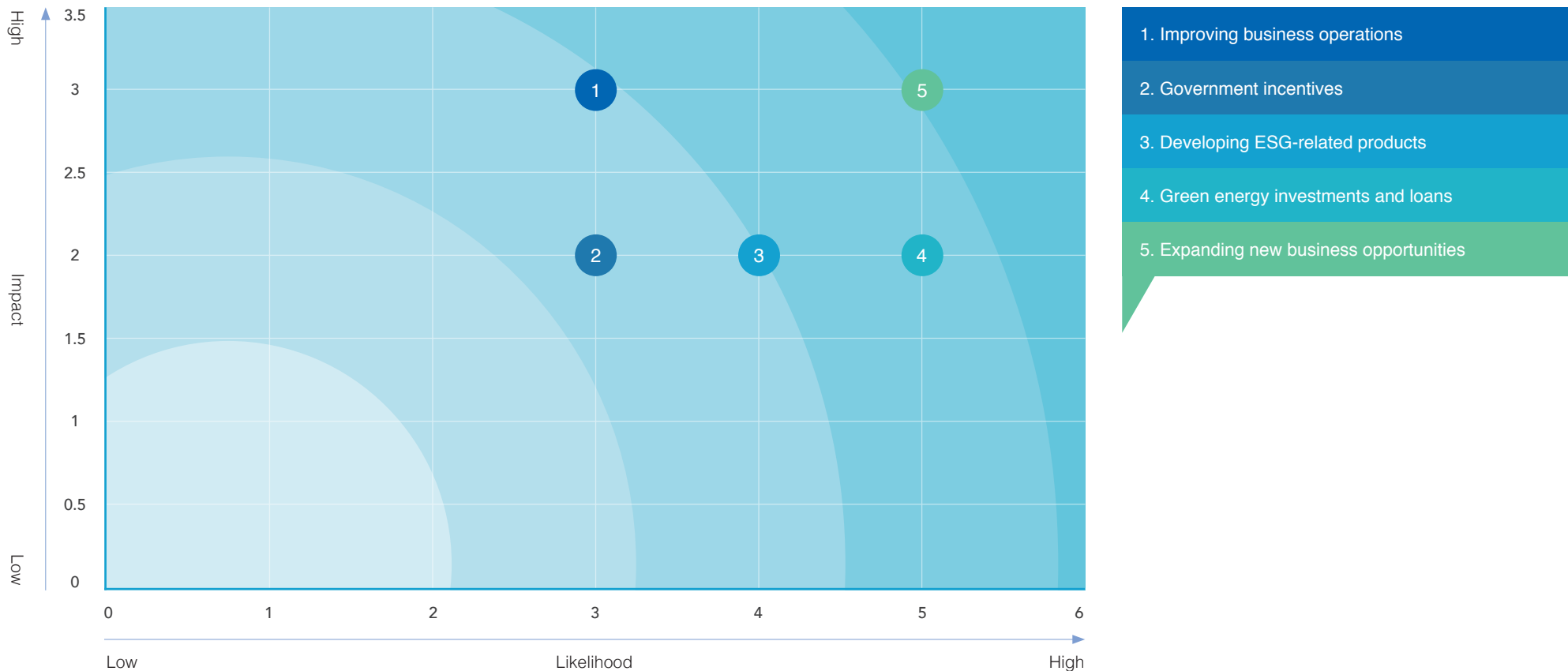
By the end of 2019, the financial impact of securities investments accounted for approximately 0.95% of CDF's net value, and the financial impact of real-estate assets accounted for 0.27% of CDF's net value, all within the acceptable range.



Climate-related Opportunities

In 2019, CDF identified five major opportunity factors through an opportunity matrix, namely, government incentives, improving business operations, green energy investments and loans, developing ESG-related products, and expanding new business opportunities. Based on the matrix analysis, we estimate more opportunities for investment and financing for environment-related projects, such as green financing and low-carbon products. The government is likely to roll out more green policies, so it is important that CDF pays attention to market and policy trends, and takes proper measures to create higher investment value for stakeholders.

Climate-related Opportunity Matrix



Opportunity type	Identification	Description of opportunity	Financial impact	Potential opportunities
Energy source	Provide products and services in line with government policies	Government incentives	Increased revenue Reduced costs Increased profits	<ul style="list-style-type: none"> Offer financing plans to construction projects with "Green Building Labels" at preferential rates to promote the establishment of energy saving/green office buildings. Develop incentive plans for financing urban renewal and renovation projects to accelerate the reconstruction, renovation, and joint construction of dangerous and old buildings. Strengthen resilience by reviewing and enhancing internal backup mechanisms to protect the rights and interests of the Company and customers, improve business operations, and elevate reputation and overall competitiveness.
	Strengthen resilience to improve business operations	Improving business operations	Reduced financial impacts	
Products and services	Follow the trends in green finance and seize opportunities	Green-energy investments and loans	Increased revenue Increased profits	<ul style="list-style-type: none"> As green-energy businesses, such as low-carbon and renewable energy, move on to a long-term growth path, the Group may continuously engage in green-energy investments and loans, and participate in green-bond underwriting cases when opportunities arise. In the future, CDF may incorporate ESG into its investment management process to consider risks and opportunities from various angles and pursue ESG-related products as appropriate, including investment industries or private equity funds.
	Respond to trends in ESG management	Developing ESG-related products	Increased revenue and asset quality	
Markets	Seize new business opportunities arising from climate change	Expanding new business opportunities	Increased sources of revenue Increased profits	Invest in the development and sale of ESG derivatives. Support and guide companies engaged in renewable energy, environmental protection, and other related businesses to become listed on the TWSE/TPEX to increase investment options in the secondary market.

Metrics and Targets

CDF has been a long-term supporter of the government's greenhouse gas reduction policy, with the ultimate goal of achieving zero emissions. CDF has proactively introduced the ISO 14001 environmental management system and the ISO 50001 energy-management system at its head office and operating branches nationwide, along with a comprehensive GHG inventory check to effectively control emission and thus construct an action plan for GHG reduction. Moreover, since 2016, CDF has voluntarily become a signatory for carbon disclosure project (CDP) to show support for climate-change project. CDF uses several metrics to manage risks and opportunities related to climate change.

1. Greenhouse gas emissions—Scope 1, 2, and 3 emissions and related risks

CDF conducts its Scope 1 and Scope 2 greenhouse gas-emissions inventory check annually using the ISO14064-1 standard. The ISO 50001 energy-management system is also in place to improve energy efficiency. Scope 3 emissions, which mainly come from employees' business trips, copy paper consumption, waste incineration, and physical mailing, are reviewed independently. CDF also sets carbon-reduction targets to evaluate its progress on improving global warming.

Target

- Increase energy-saving and carbon-reduction targets (with 2016 as the base year)
- Reduce carbon emissions by 3% by 2022
 - Reduce electricity consumption by 3% by 2022

2. Weightage in green investment and financing

CDF is fully aware of its mission as a financial service provider, and endeavors to gradually promote green finance through green credit and underwriting and green investments, to ultimately contribute to the transformation of the green energy industry in Taiwan.

Target

- CDIB Capital Group maintains the proportion of investments in the renewable energy industry at 15% and above in 2020~2021 (medium-term goal)
- KGI Bank sets the estimated compound annual growth rate of green loans at 8%~10% in the next three years

2.4 Financial Crime Prevention

2.4.1 Ethical Corporate Management Mechanism

Regulations Regarding Ethical Corporate Management

To develop a trustworthy corporate culture and robust organization, CDF formulated "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct for Employees," "Code of Conduct for Subsidiaries' Insiders," and "Guidelines for Handling Reported Illegal and Unethical or Dishonest Conduct" to discourage unethical conduct and interest. CDF urged all its employees 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 principles for ethical management to promote corporate social responsibility. In addition, all its employees and of its subsidiaries are prohibited from sharing trade secrets with others nor inquire or collect trade secrets unrelated to their positions, nor engage in insider trading in accordance with the Securities and Exchange Act or matters that may involve conflict of interest. CDF has drafted the "Human Rights Commitment" to continuously pay attention to human rights issues, including diversity and inclusion, compliance with international human-rights guidelines and regulations, freedom of association, safe and healthy workplace, healthy working conditions, employee-employer relationship, reporting channels, and information security and privacy protection. Also, according to "Ethical Corporate Management Best Practice Principles," all donations, gifts, or sponsorship provided by the Company must follow relevant laws and internal operational procedures; such items may not be exchanged for commercial/trading benefit. Information on social investment, such as charitable donations and educational aid, is shown on the company website (<https://www.cdibh.com/en/CSR/Social/SocialInvestment>). The Group did not make any financial contributions to political parties, think tanks, political advocacy groups, or advocacy movements in 2019.

Ethical Corporate Management Mechanism

In October 2019, the Company established the Ethical Corporate Management Committee to be in charge of formulating and supervising the execution of ethical corporate management policies and prevention programs. In December 2019, the Ethical Corporate Management Committee convened for the first time to adopt the "Statement of Compliance with Ethical Corporate Management Policy" for directors and c-suite executives. The relevant personnel have signed the aforesaid statement in February 2020. The Ethical Corporate Management Committee expects to report the implementation results of ethical corporate management to the Board of Directors in the first quarter of every year starting from 2020. The implementation results of ethical corporate management should cover the implementation and publicity of relevant regulations; moreover, the auditors regularly check the status of compliance and report to the Board on the main deficiencies and suggestions for improvement.

For employees of the Company and subsidiaries who violate the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct

for Employees," or "Code of Conduct for Subsidiaries' Insiders," disciplinary actions will be taken in accordance with relevant rewards and punishments regulations of the Company. Those violating relevant government laws and regulations will be handled in accordance with relevant laws and regulations.

To emphasize how the Group values ethical corporate management, CDF lists internal auditing and compliance as one of its performance review criteria. On this topic, it provides training for Board members, orientation courses for new employees, and compliance education for the salesforce, and more. CDF has fulfilled its duties of communicating with all members of the Board and employees the mandates and regulations of anti-corruption and ethical corporate management policies, with materials on ethical corporate management training now available on the online platform. All employees are required to complete ethical corporate management courses and sign a commitment complying with the "Ethical Corporate Management Best Practice Principles" at the time of completion. Through educational training, CDF instills integrity and strict discipline into all employees.

Whistleblower Program

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 2019, the Company and its subsidiaries received no claim through the whistleblowing channel. In 2019, the Company and its subsidiaries did not engage in unethical conduct (business ethics, corruption, or bribery).

Administrative Penalties Handling

Administrative penalties	Competent Authorities
Cause analysis Suggestions for improvement	<ul style="list-style-type: none">• Responsible Unit• Risk Management Department• Compliance Department
Progress tracking	Internal Audit Department
Compliance implementation reports (Semiannually)	<ul style="list-style-type: none">• Compliance Department• Report to the Board after signing off by the President and CEO

Ethical Corporate Management Training

Courses on ethical corporate management and anti-corruption organized in 2019 are as follows:

Anti-corruption courses	Course hours	Participants	
		Managerial	Non-Managerial
Insider Trading	3	9	63
Rules of Related Party Transactions by Financial Holding Companies	3	9	51
Online course	Course hours	Participants	
Rules and Practice of Corporate Insider Equity Change	2	82	
Rules of Related Party Transactions by Financial Holding Companies	2	37	
2019 Online Training on Ethical Corporate Management	0.5	12,659	
Completion rate of online training on ethical corporate management		100%	

2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance

Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT)

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.

We continue to make progress unifying the entire Group with one database and building an information sharing platform from the FHC level to ramp up the AML/CFT knowledge base. The Compliance Department also compiles negative news every month about the eight "very high-risk crimes" identified by the National Risk Assessment (NRA), with the names of individuals involved in crimes to become available to users of each subsidiary.

Client Due Diligence:



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 2019 are as follows:

Course	Course hours	Participants
AML/CFT Case Study (I)	3	57
AML/CFT Case Study (II)	3	58
AML/CFT Case Study (III)	3.5	66
Introduction to Financial Institutions' Compliance of AML & CFT Initiatives	2	52
AML/CFT Theory and Practice (I)	3	55
AML/CFT Theory and Practice (II)	2	22
Online course	Course hours	Participants
AML/CFT Case Study (I)	2	31
AML/CFT Case Study (II)	2	26
AML/CFT Case Study (III)	0.75	12
Introduction to Financial Institutions' Compliance of AML & CFT Initiatives	1.5	17

Compliance

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, staffed legal compliance executives or arranged for their management or parent companies to take charge of legal compliance affairs.

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 courses on compliance regulations.

Courses on compliance regulations organized in 2019 are as follows:

Course	Course hours	Participants
Regulations Regarding Material Information and Information Filing	2	64
The Amendment to the Company Act (2018) and Q&A	3.5	59

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.

Disclosure of Violations by Employees

For employees of the Company and subsidiaries who violate the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct for Employees," or "Code of Conduct for Subsidiaries' Insiders," disciplinary actions will be taken in accordance with relevant rewards and punishments regulations of the Company. Those violating relevant government laws and regulations will be handled in accordance with relevant laws and regulations, and properly disclosed. In 2019, no employees of the Company and subsidiaries violated the codes of conduct or anti-corruption policies; no violations of antitrust laws or competition laws were reported.

In terms of violations in the environmental, social or economic domain, the Company and its subsidiaries received no major penalty from competent authorities in 2019 (penalties as defined by Article 2 of the "Financial Supervisory Commission Public Disclosure Regulations for Penalties Regarding Violations of Major Financial Sanctions").

2.4.3 Tax Governance

Tax Governance Policies

To keep abreast with international tax governance trends and strengthen compliance with tax regulations, CDF and its subsidiaries maintain the goal of fulfilling their corporate responsibilities, achieving sustainable development by practicing tax governance herein set forth:

Comply with tax regulations	Properly handle taxation and tax reports in accordance with tax laws of countries of operation, and fulfill social responsibilities as taxpayers.
Bear the most suitable tax burden	Perform taxation assessment in consideration of company reputation, risk management, and sustainable development before conducting business in order to manage operations in the most tax-efficient manner and increase shareholder value.
Manage tax risks	Conduct tax risk and impact assessments before executing major transactions and decisions in order to effectively manage and control tax risks.
Establish communication channels	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.
Improve information transparency	Follow regulations such as financial statement guidelines and annual reporting disclosures to increase the transparency of tax information.
Strengthen knowledge in taxation	Keep up to date with new tax regulations and changes, and enhance employees' knowledge in taxation through education and training.
Comply with arm's length principles	Comply with transfer pricing requirements and arm's length principles in tax law for related party transactions.

The Board of Directors acts as the final decision-maker for the Company's tax governance management mechanisms. 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. The 2018 tax report has been submitted to the Board of Director for reviewing in 2019.

Tax Information

Effective tax rate

The Group's book effective tax rate (BETR), cash effective tax rate (CETR) and average industry effective tax rates are as follows:

Item	2018	2019	Mean	Peer average
BETR	4.67%	8.87%	7.25%	21.10%
CETR	8.05%	7.86%	9.93%	24.66%

BETR: Income tax expense divided by net profit before income tax

CETR: Income tax paid divided by net profit before income tax

The average industry BETR and CETR are cited from the 24 standard global industry sectors data published in the 2020 Sustainability Assessment Companion, a publication of RobecoSAM, a Swiss-based company focused on sustainability investments.

Relevant information concerning the Group's income taxes is as follows:

Unit: NT\$, in thousands

Item	2018	2019
Net profit before income tax	13,441,879	21,565,807
Income tax expense	627,239	1,911,986
Income tax paid	1,082,289	1,694,890

Source: 2019 CDF Consolidated Financial Statement; "income tax paid" category includes 2018 income tax to be paid in 2020.

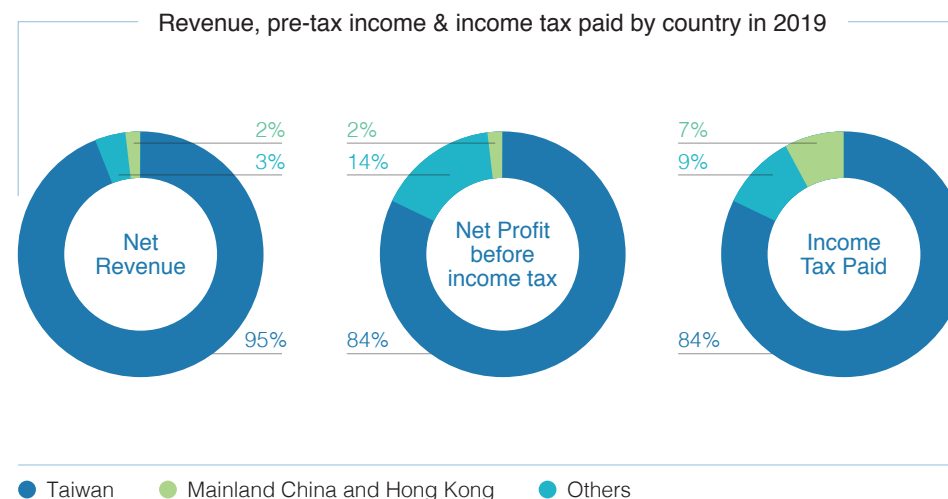
The Group is subject to lower effective tax rates compared to the insurance industry average effective tax rate under the Global Industry Classification System (GICS) for these reasons: 1. The primary region of the Group's operations is Taiwan where the corporate income tax rate is lower than the majority of countries; 2. CDF and its 90%-plus owned first tier subsidiaries filed a consolidated income tax return of which allows loss of any consolidated entity to be offset against the other entities' income; 3. A

considerable portion of the Group's profits is derived from nontaxable income or tax-exempt income (e.g., domestic dividend income and equity-method investment gains); 4. Timing differences (e.g., unrealized valuation gain/loss, limitation on allowance for bad debt); and 5. Use of loss carried forward from previous 10 years.

Relevant information concerning major effects on the Group's effective tax rates is as follows:

Unit: NT\$, in thousands

Item	2018 Tax effect	2019 Tax effect
Filing of consolidated income tax return	189,739	48,091
Tax-exempt dividend income	1,609,494	2,104,630
Tax-exempt equity-method investment gains	268,886	690,155
Increase of corporate income tax rate from 17% to 20%	697,794	-



Strengthening Compliance with Global Transfer Pricing and Information Transparency

Transfer pricing documentation and country-by-country reporting

On October 5, 2015, The Organization for Economic Co-operation and Development (OECD) released its final report on 15 focus areas in its Action Plan on Base Erosion and Profit Shifting (BEPS). OECD suggested, under Action 13, adoption of a three-tiered transfer pricing documentation framework, which consists of "Master File," "Local File," and "Country-by-Country Reporting (CbCR)." As the implementation of CbCR was then categorized as one of the BEPS minimum standards, it was becoming an important indicator of whether countries will work with one another on information exchange, more and more countries joined the cause and adopted the standardized approach to transfer pricing documentation to be implemented in domestic law.

To keep abreast with developing global transfer pricing mechanism trends and international organization standards, and to improve tax transparency to effectively prevent cross-border tax evasion while addressing the transfer pricing documentation compliance cost for multinational enterprises, Taiwan's Ministry of Finance amended the "Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's Length Transfer Pricing" on November 13, 2017, incorporating the OECD's three-tiered transfer pricing documentation recommendations and requiring qualified multinational enterprises to comply with "Master File" and CbCR reporting obligation.

In order to increase the Group's tax transparency, serve as a self-assessment on transfer pricing of related parties transactions, and strengthen compliance with global transfer pricing, in 2019, the Group prepared the Master File for the fiscal year of 2018 and completed the filing of CbCR in Taiwan, South Korea, and Indonesia respectively in accordance to the regulations of the jurisdictions.

Foreign Account Tax Compliance Act & Common Reporting Standard

CDF 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:

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

After the US rolled out "Guidelines on Compliance with Foreign Account Tax Compliance Act (FATCA)," the Organization for Economic Cooperation and Development (OECD) introduced Common Reporting Standard (CRS) as a standardized approach to facilitate the exchange of tax information among member states. On November 16, 2017, the Ministry of Finance launched the "Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions," stipulating reporting financial institutions shall conduct due diligence procedures starting from 2019 and report in June 2020. CDF formulated the "Key Points Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions" in January 2019, calling on all business arms of the Company to implement compliance to related rules.



3

**Intelligent
Finance**

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.

Initiative	Subsidiary	Action plan	2019 Performance	2020 Goal
Fulfilling Responsible Investment	China Life Insurance	Implement responsible investment	<ul style="list-style-type: none"> Evaluated the ESG performance of investment targets and included ESG criteria in stock analysis reports Attended all shareholders' meetings of TWSE/TPEX-listed investee companies and gave candid feedback on proposals as per relevant laws and regulations 	<ul style="list-style-type: none"> Attend one ESG investment forum to support the Principles for Responsible Investment (PRI) Continue evaluating the ESG performance of investment targets regularly, including ESG criteria in all stock analysis reports as an important evaluation criteria for investment decisions Attend 95% of shareholders' meetings of investee companies as per statutory requirements to fulfill the responsibility of fund application and management
	CDIB Capital Group	Promote investments in green industry	Principal investments Achieved balance in investments in green industry of approximately NT\$1.2 billion, accounting for approximately 16% of total investment balance	Maintain the percentage of investments in green industry (medium-term goal (2020–2021)) at least at 15%
		<ul style="list-style-type: none"> Nurture businesses in smart technology or environmental innovations Aging population product Support the development of cultural & creative activities Foster innovating industries 	Our funds <ul style="list-style-type: none"> CDIB Capital Growth Partners closed at NT\$4.54 billion CDIB Capital Healthcare Ventures and CDIB Yida Healthcare Private Equity Enterprise closed at NT\$1.75 billion and RMB0.76 billion, respectively CDIB Capital Creative Industries closed at NT\$1.5 billion CDIB Capital Innovation Accelerator funding scale reached NT\$1.29 billion 	<ul style="list-style-type: none"> Continue nurturing businesses in smart technology or environmental innovations Continue identifying investment targets with growth potential in medical healthcare field Continue supporting creative startups Foster innovating industries
Promoting Sustainable Insurance	China Life Insurance	Continue promoting micro insurance, small-amount life insurance, and online purchase of annuities, and develop insurance products designed for financial inclusion	<ul style="list-style-type: none"> Achieved 130% rate in the number of micro insurance policyholders Given insurance policies to more than 23,000 small-amount life insurance policyholders Worked with three third-party partners to sell annuities online for financial inclusion Developed insurance products designed for financial inclusion 	<ul style="list-style-type: none"> Continue increasing the number of micro insurance policyholders to 19,000 Sell policies to more than 25,000 small-amount life insurance policyholders Sell insurance products designed for financial inclusion to 500 people with disabilities Work with additional two third-party partners to sell annuities online



Initiative	Subsidiary	Action plan	2019 Performance	2020 Goal
Stimulating Financial Inclusion	The economically disadvantaged with low income and unstable income			
	KGI Bank	Low-income Households Loan Project	One applicant, with one approved and credit line drawn down	Proceed with loans to low-income households
		Qualification Seekers Loan Project	684 applications in 2019, with 462 approved (approval rate: 68%)	<ul style="list-style-type: none"> Approve 500 out of 700 applicants Devise loans to people affected by COVID-19 with a streamlined application process and at an affordable price
		Taxi Drivers Loan Project	836 applications in 2019, with 455 approved (approval rate: 54%)	Approve 500 out of 1,000 applicants
	Young people, micro businesses and start-ups			
	CDIB Capital Innovation Accelerator	Incubate start-ups to create a new economic ecosystem	<ul style="list-style-type: none"> 15 portfolio companies of CDIB Capital Innovation Accelerator Organized 12 one-day startup board meetings (Start-up Mentor Project) and three start-up workshops Organized 129 free start-up seminars at CDIB Capital Innovation Accelerator, with 3,539 attendants. 	<ul style="list-style-type: none"> 17 portfolio companies of CDIB Capital Innovation Accelerator Organize 12 one-day startup board meetings (Start-up Mentor Project) and three start-up workshops Organize 50 free start-up seminars at CDIB Capital Innovation Accelerator
	KGI Bank	Telecom mobile ID authentication for credit card and loan applications	Cooperated with Chunghwa Telecom to try the inclusive finance initiative using telecom mobile ID authentication to process applications on approval of the Financial Supervisory Commission; gave extra credit to "unbanked" young people or micro-business owners; increased application channels; 746 credit card applications; 477 loan applications, with NT\$9.15 million drawn down	<ul style="list-style-type: none"> Advise the Bankers Association of the Republic of China to modify relevant regulations to expand the application of telecom mobile ID authentication Advise Financial Information Service Co., Ltd. to include "telecom mobile ID authentication rating" in Open Banking API to realize information sharing Provide third-party service providers the "telecom mobile ID authentication rating" API to achieve accessibility of inclusive financial services and promote the business growth of start-ups Use cross-industry data to provide suitable digital financial services to young people and unbanked customers; share diversified cross-industry data to accelerate the establishment of scenarios and ecosystem for financial inclusion
		"Quick Repayment" Revolving Loan	<ul style="list-style-type: none"> Launched "Quick Repayment" Revolving Loan to young people and micro-business owners to obtain short-term loans and repay quickly, thus encouraging the habit of responsible borrowing 8,536 applicants in 2019, with NT\$220 million drawn down 	<ul style="list-style-type: none"> Continue promoting the right concept of wealth management Launch a loan project for young people, "Quick Repayment Loan Project," in response to COVID-19



Initiative	Subsidiary	Action plan	2019 Performance	2020 Goal
Stimulating Financial Inclusion	KGI Bank	"Taiwan Star Telecom" Revolving Loan Project	<ul style="list-style-type: none">• Worked with Taiwan Star Telecom to make small-amount loans to Taiwan Star Telecom's new customers, mainly young people who have just graduated or entered the workplace without a credit history• Started exploring the project from mid-November, with 29 applicants as of the end of December and 7 applicants approved	Approve 120 out of 400 applicants
		Mobile Point of Sale (mPOS)	<ul style="list-style-type: none">• Provided cashless transaction package for micro-business owners and start-ups without a fixed location of operation such as delivery service providers, street vendors, and cultural and creative exhibitors to realize mobile payments and paperless transactions• 892 businesses, with 1,102 mPOSs launched	Continue promoting cashless transaction package and optimize mPOS to provide convenient and highly secure cashless payment services for micro-business owners and start-ups
	People with disabilities			
	KGI Bank	Barrier-free financial services	Launched responsive online banking services in both Chinese and English	<ul style="list-style-type: none">• Optimize accessible online banking services, including non-scheduled transfers• Develop an APP to provide people with disabilities easy access to digital financial services through mobile phones
			216 times of fee exemption for cross-bank cash withdrawals for customers with disabilities in 2019	Continue optimizing fee exemption website and over-the-counter services for people with disabilities
	Nonprofit organizations			
	KGI Bank	Payroll and donation services for nonprofit organizations	Provided exclusive payroll, demand deposits, and transaction services for nonprofit organizations, such as schools and foundations; transferred salaries to 83 employees of one school and 244 employees of 19 foundations in 2019	Continue promoting and providing integrated financial services, such as payroll, demand deposits, and donation services for nonprofit organizations at a discount



Initiative	Subsidiary	Action plan	2019 Performance	2020 Goal
Promoting Social Finance	KGI Securities and KGI Bank	Long-term care funds and insurance products	<ul style="list-style-type: none"> AUM of Silver Age Fund: NT\$1,952,700; AUM of Hospital and Long-term Care Industry Fund: NT\$4,975,200 136 healthcare-related insurance products NT\$7 million funds related to silver age and long-term care 	Continue offering products related to silver age and long-term care to ensure financial stability and health condition of the elderly or those losing self-care ability
Advancing Green Finance	KGI Bank	Green project finance	Participated in six green power financing projects in 2019, with an estimated reduction of carbon emissions of 17,980,000 tons per year	Continue financing green projects, such as solar power plants and offshore wind power projects
		Increase the component of green energy loans	Balance of green energy loans in 2019: NT\$20.4 billion	Maintain compounded annual growth rate of green project finance at 8%~10% for the next three years
Improving Customer Experience	China Life Insurance	Build a corporate culture treating customers fairly	<ul style="list-style-type: none"> Ranked the second among life insurance companies by the Financial Supervisory Commission in "Evaluation on the Principles for Fair Treatment of Customers in Financial Service Industry" Formed a Committee on Fair Treatment of Customers and convened a meeting every quarter, and amended policies and strategies for fair treatment of customers Organized an internal pitch competition on "Fair Treatment of Customers," where 291 employees from 45 departments submitted 379 proposals for employee awareness and for fair treatment of customers 	<ul style="list-style-type: none"> Organize two training courses and one employee meeting to incorporate fair treatment of customers into all employees' day-to-day business operations to improve customer experience All bank partners to comply with the principles of fair treatment of customers and not to use unauthorized promotional materials, advertisements, brief introductions, product manuals, proposals, and other documents soliciting business
		Improve service quality	<ul style="list-style-type: none"> Worked with Taiwan Alzheimer Disease Association to provide dementia-friendly services to policyholders as a dementia-friendly organization Launched "Over-the-counter Quick Claims Service" to accelerate claims of customers Organized two health seminars to publicize and develop health awareness 	<ul style="list-style-type: none"> Partner with one additional healthcare-related vendor to ensure protection to policyholders Increase the usage rate of "Over-the-counter Quick Claims Service" by 50% Organize three health seminars for the general public and policyholders at customer service centers across Taiwan
		Improve customer satisfaction	<ul style="list-style-type: none"> Organized "Service Ambassador" selection once every quarter and a commendation ceremony twice a year to improve service quality and customer satisfaction "Customer Satisfaction Survey," showed satisfaction level exceeding 100%, averaging 4 out of 5 points 	<ul style="list-style-type: none"> Organize "Service Ambassador" selection twice and commendation ceremony once a year to improve service quality and customer satisfaction Build customer satisfaction survey system and achieve a satisfaction rate of 97% or more



Initiative	Subsidiary	Action plan	2019 Performance	2020 Goal
Improving Customer Experience	KGI Bank	Online loan applications	<ul style="list-style-type: none"> • Tried "Mobile ID Authentication" for loan applications • Optimized and promoted online loan applications, such as application receipt and loan payment through robotic process automation (RPA) • Reduced applications and contracts in written form by 34% YoY and expenses by 39% • Over 20,000 online loan applications, with a total amount of NT\$10.6 billion approved 	<ul style="list-style-type: none"> • Encourage online loan applications, such as all-in-one applications and small-amount loan applications • Increase by 30% the enrollment of new customers applying through online
		Online credit card applications	<ul style="list-style-type: none"> • Tried "Mobile ID Authentication" for credit card applications • Optimized the online credit card application platform • Reduced written applications by 46% YoY and expenses by 37% • 53,000 online credit card applications, 65% of them being new customers 	Continue optimizing online credit card application platform to achieve 80% of new customers applying online
		Introduce biometrics	<ul style="list-style-type: none"> • Launched mobile banking login through FACE ID/fingerprint/graphical password • Over 50% of the customers who have used mobile banking in the last three months applied for biometrics since its launch 	Launch biometric transfers
		Optimize online banking/mobile banking functions	Launched over 100 optimized/new online banking/mobile banking functions	Continue introducing new functions, such as transfers via mobile phone number and scheduled transfer account setting
		Electronic bills	Launched electronic credit card bills, with 30% of active credit cardholders applying and the number of credit card bills in written/print form reduced by 200,000 in 2019	Increase the number of credit card holders applying for electronic bills (32% of active credit cardholders applying) by 12,000
		Ease of trading	<ul style="list-style-type: none"> • Enabled interbank trading of checking deposits • Enabled payroll service on holidays • Foreign remittance exempt from written application • Enabled continuous transactions for tax payments 	Continue optimizing digital financial services, such as digital passwords, electronic account opening applications, remittances exempt from written application, and robotic process automation (RPA) for better customer experience



Initiative	Subsidiary	Action plan	2019 Performance	2020 Goal
Improving Customer Experience	KGI Bank	Digital credit card payment service	<ul style="list-style-type: none"> Worked with telecom companies to provide "Mobile Point of Sale" payment service Saved customers' credit card bills and vendors' receipts and payment requests on cloud for easy retrieval of mobile, paperless transactions 	Partner with 6,000 restaurants of iCHEF (Restaurant Mobile Point of Sale) and provide one-stop financial services, such as account opening, payroll, and credit card payment
		Introduce new concept branches	<ul style="list-style-type: none"> Transformed Zhongshan Branch and Tianmu Branch into new concept branches based on the spirit of "open banking, human touch, and community care" Provided free venues for art galleries and cultural events at branches 	<ul style="list-style-type: none"> Enlist Dunnan Branch and Xinzhuang Branch Provide free venues for art galleries and cultural events at four new concept branches
		Launch wealth assessment and management system	Launched the wealth management system on August 15, 2019 by examining 1,018 customers' assets and brought out 4,123 assessment reports	<ul style="list-style-type: none"> Continue optimizing the wealth management system (e.g., enhance the tracking function for specific customer segments) and familiarize the wealth management personnel with the system to encourage the customer to stay with the Company Launch a new insurance planning system to integrate insurance policies
	KGI Securities	Establish an online account opening platform	Bound settlement bank accounts through KGI Bank online banking and one-time passwords (OTP) to reduce the number of fields to be filled in through information sharing and optical character reader (OCR); unfinished applications can be resumed after interruption; only four steps are required to apply for Taiwan stock trading account; diversified account opening services integrated for new customers and existing customers, including multiple account opening in one application, making account opening safer and quicker for new customers	<p>After opening a Taiwan stock trading account, customers may open other accounts (e.g., credit, borrowing and lending of funds for unrestricted purposes, securities lending, sub-brokerage, and wealth management) using existing data. More flexible, diversified, and efficient account opening options are provided, allowing customers to open sub-brokerage and wealth management accounts in one application.</p> <p>"Online Account Opening" provides a full range of account opening services. Meeting the needs of mobile lifestyle, the PC and mobile versions of online account opening service are available to customers to apply any time, from anywhere, and through any device, making "Online Account Opening" a cutting-edge platform that best fits the customers' needs in modern-day living.</p>

3.1 Responsible Investment

3.1.1 Responsible Investment Principles and Policies

CDF follows responsible investment policies across the Group. Our major subsidiaries, including China Life Insurance, CDIB Capital Group, KGI Bank, KGI Securities, and KGI Securities Investment Trust are signatories to the "Stewardship Principles" of the Taiwan Stock Exchange Corporation and comply with its six main principles. In response to UN's Principles for Responsible Investment (UN PRI), we pursue its ESG protocols and Stewardship Principles to motivate and encourage enterprises to fulfill their fair obligations of CSR. Put simply, an investment portfolio built on the PRI is not only potentially beneficial, but also offers a triple-win opportunity for the good of the environment, society, and corporate governance.

UN PRI	CDF's response
Incorporate the ESG objectives into investment analysis and decision-making processes	Our major subsidiaries are signatories to the "Stewardship Principles" of the Taiwan Stock Exchange Corporation and incorporated the ESG objectives into investing principles in line with the disclosure policy of Stewardship.
Be active owners and bring ESG objectives into ownership policies and practices	CDF actively follows the shareholders' meetings of investee companies in accordance with the voting policy of the "Stewardship Principles" to vote on proposals and influence in creating a win-win situation both for CDF and the investee companies.
Seek appropriate disclosure on ESG objectives by the entities in which we invest	We review and pay attention to the material ESG issues of investee companies in accordance with local authorities' requirement for their disclosure, including but not limited to CSR reports and ethical corporate management best-practice principles.
Promote acceptance and implementation of the Principles in the investment industry	CDF communicates and interacts with investee companies in accordance with the "Stewardship Principles" and urges them to value and follow the ESG principles as responsible investment.
Work collectively to enhance our effectiveness in implementing the Principles	We participate in trade association activities and share investment practices.
Report on our activities and progress in implementing the Principles	In addition to regular disclosures on compliance with stewardship in accordance with "Stewardship Principles," CDF and China Life Insurance share in CSR reports the implementation of responsible investment.

Our responsible investment strategy is to minimize the negative impact on the environment and the society, while providing quality products and services in line with the global trend of sustainability and maximize benefits from our investments. To comply with the UN PRI, Sustainable Development Goals (SDGs) and Equator Principles (EPs), CDF has designed a series of investment and credit evaluation processes and guidelines. China Life Insurance and CDIB Capital Group have formulated the "Policy for Responsible Investment," incorporating ESG standards into evaluation processes and management.

Asset Class RI Approach	RI Guidelines	Listed Equity	Fixed Income	Private Equity	Derivatives & Alternatives	Property
ESG Integration	Incorporate ESG principles into investment decision-making processes and fulfill stewardship objectives	•	•	•	•	•
Management of Interest Conflicts	Establish mechanisms for information control, firewall design, segregation of duties, supervision and management, and reasonable remuneration to prevent conflicts of interest	•	•	•	•	•
Screening/Exclusion Policy	Conduct ESG screening on potential investment targets; conduct ESG due diligence on investment targets involving environmental pollution, social disputes, and poor corporate governance; and exclude unqualified investment targets	•	•	•		•
Sector Specific RI Guideline	Review whether improvement has been made or planned by coal-mining businesses/coal or thermal power plants that have been penalized by the regulatory authorities for environmental pollution	•		•		
Engagement Policy	Communicate and interact with investee companies to understand their risks and sustainable development strategies	•		•		
Voting Policy	Vote against proposals that could adversely affect the sustainable development of invested companies or ESG principles	•		•		



China Life Insurance - Policy for Responsible Investment



CDIB Capital Group - Policy for Responsible Investment

Assets managed by third parties: responsible investment approach

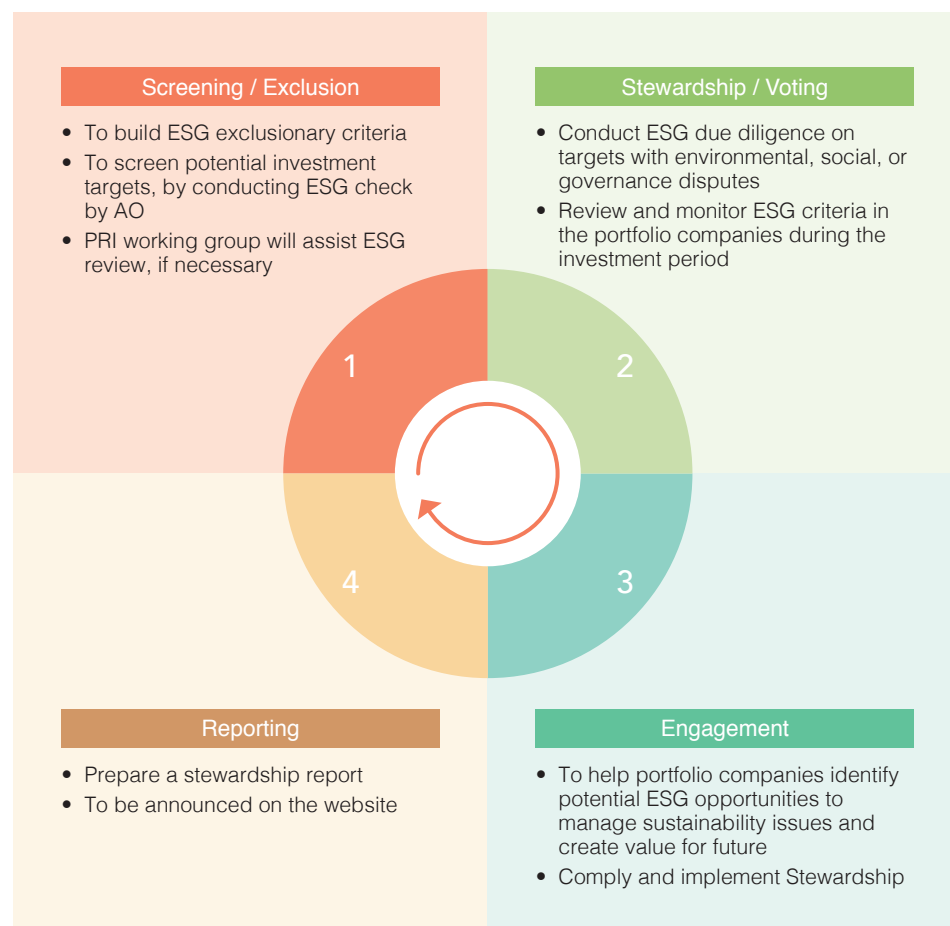
China Life Insurance asks third-party asset owners to comply with the Company's responsible investment policies and confirm if the bond funds and ETF constituents are signatories to PRI or consider ESG principles in managing assets among investment companies.

3.1.2 Responsible Investment Process and Mechanism

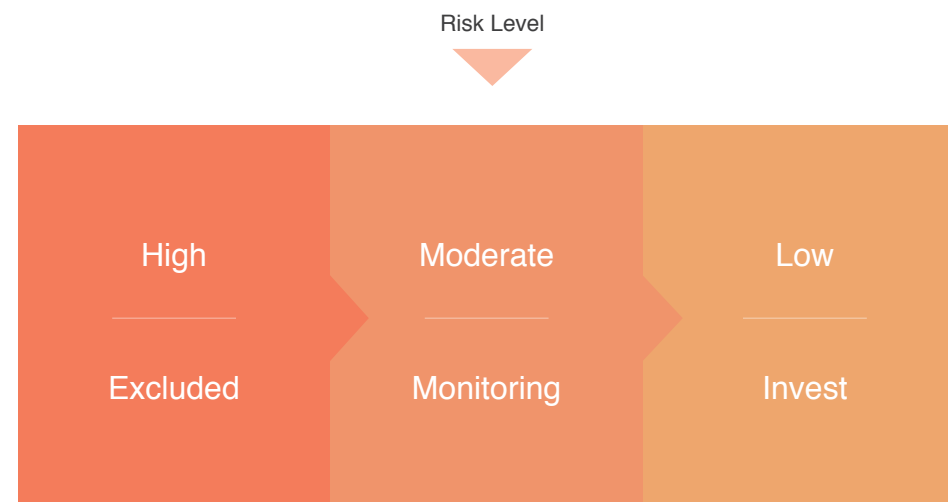
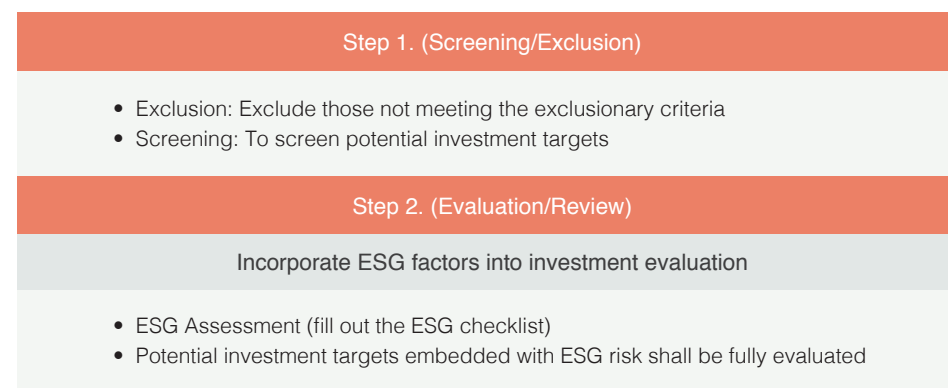
Incorporating ESG principles into investment analysis and decision-making processes

While investing, the Group takes into account ESG factors in target selection for management to make decisions and take over stewardship to improve investment value and for sound development of both the Group and investee companies. When developing investment targets, we use ESG assessment checklist to assess prospects and conduct due diligence for environmental pollution, social disputes, and corporate governance.

ESG Integration



ESG Assessment Process



Compliance with "Stewardship Principles"

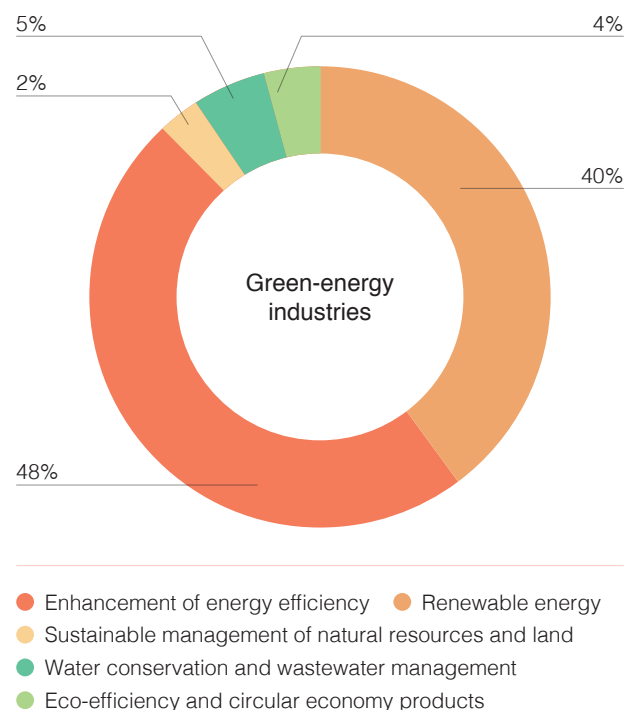
Subsidiary	Compliance with "Stewardship Principles"
China Life Insurance	Regularly publishes a "Report on the Votes at Shareholders' Meetings of Investee Companies". At least 50% of firms managing private equity funds in which China Life Insurance invests every year are signatories to the PRI.
CDIB Capital Group	In 2019, the Group attended 57 investees' shareholders meetings in person (including electronic voting) and four investees' shareholders meetings by proxy, and was absent at one investee shareholders meeting for unavoidable reasons.
KGI Bank	Of the investee companies, including seven TWSE/TPEX-listed ones, two were selected as constituents of the Dow Jones Sustainability Index 2019, of which five were public companies. KGI Bank voted on 63 proposals. Since none of the proposals were exceptional or would seriously affect the operations of the invested companies, KGI Bank voted for all proposals.
KGI Securities	In 2019, KGI Securities attended 399 investee shareholders' meetings and voted for 2,569 out of 2,667 proposals (96.30%); the objection and abstention rate were 0.30%. For stable operation of the issuers, KGI Securities had opposed the proposals of minor shareholders to change the articles of incorporation and voted out the incumbent independent directors. KGI Securities abstained from voting on the management rights of the issuers to stay neutral or in the election of directors and supervisors as it was unable to evaluate the candidates through the nomination system.
KGI Securities Investment Trust	In 2019, KGI Securities Investment Trust attended 73 investee shareholders' meetings and voted for a total of 867 proposals.

3.1.3 Responsible Investment Products and Services

Principal Investments

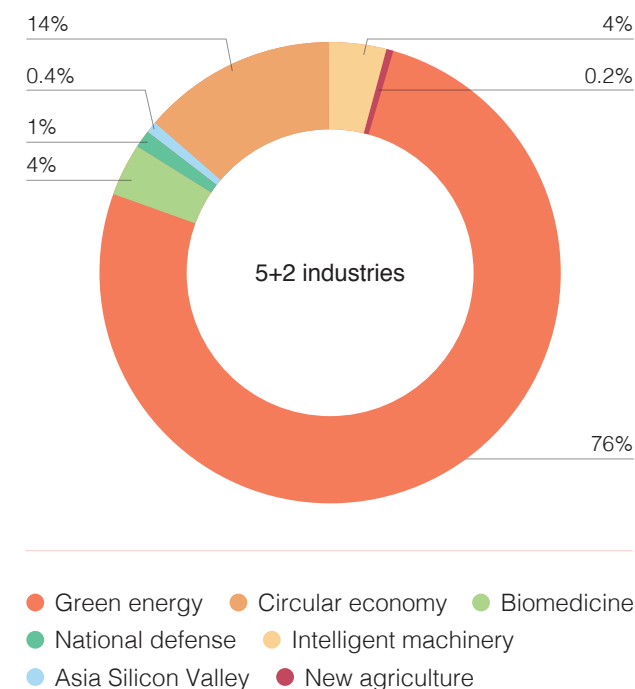
Green energy-related investments

The general public is increasingly aware of economic activities and associated risks of the environment and natural resources as global climate change intensifies, giving rise to the concept of low-carbon economy, which will play a major role in maximizing long-term economic growth. Meanwhile, green investment has also emerged as a popular theme. Hence, CDIB Capital Group is focused on green energy-related investment opportunities. CDF's green-energy investments mainly pertain to those in the CDIB Capital Group and China Life Insurance. CDIB Capital Group's green-energy investments were NT\$1.2 billion, and of China Life Insurance NT\$0.8 billion, totaling NT\$2 billion.



5+2 industries

In response to the government policy, CDF has invested a total of NT\$37.1 billion in 5+2 industries.



Other ESG-related investments

In addition to green-energy investments, the CDIB Capital Group made early investments in ESG. In biomedicine, it invested in Foresee Pharmaceuticals, Inc., a clinical-stage pharmaceutical company with drug permit license to treat cancer and chronic diseases. Asia Best Healthcare Co., Ltd. focuses on long-term care for the elderly and critically ill patients. In investment in intelligent machinery, Jochu Technology Co., Ltd. is engaged in smart manufacturing covering "medical device parts" and "cloud data center components such as metalwork for servers." In new agriculture, Dabomb

Protein Corp. is into non-polluting production processes with 100% natural raw materials in accordance with the most stringent standards of the European Union to ensure the safety of food produced. Amid the COVID-19 pandemic, Hair O'right International Corporation offers anti-epidemic products, such as dry clean sprays and a variety of personal cleaners and sanitizers.

Our Funds

Our funds include CDIB Capital Creative Industries, CDIB Capital Healthcare Ventures, CDIB Capital Innovation Accelerator, CDIB Capital Growth Partners; CDIB Private Equity (Fujian) Enterprise, CDIB Yida Private Equity (Kunshan) Enterprise, and CDIB Yida Healthcare Private Equity Enterprise in China; USD-denominated Asia Partners Fund & Global Opportunities Fund; and Alibaba Taiwan Entrepreneurs Fund. By the end of 2019, our assets under management (AUM) totaled NT\$40.3 billion, of which funds devoted to social funds accounted for NT\$7.2 billion. These came from CDIB Capital Creative Industries, CDIB Capital Innovation Accelerator and CDIB Capital Healthcare Ventures, and CDIB Capital Growth Partners. Environmental protection and smart energy accounted for NT\$4.8 billion, totaling NT\$12 billion, approximately 30% of the total AUM.

Unit: NT\$100 million

ESG funds		AUM
Social funds	CDIB Capital Creative Industries	13.1
	CDIB Capital Innovation Accelerator	8.6
	CDIB Capital Healthcare Ventures	50.3
Subtotal		72.0
Environmental protection and smart energy	CDIB Capital Growth Partners	48.0

Environment-themed products

Supporting smart technology or environmental start-ups—CDIB Capital Asia Partners and CDIB Capital Growth Partners

CCIC fulfills the Group's corporate social responsibility as part of its capital supply chain and focuses on quality and CSR-oriented targets with positive ESG accomplishment or are signatories of "Stewardship Principles." In recent years, CCIC has paid special attention to succession planning and resolution of bottlenecks faced by small and medium enterprises in Taiwan and is ready to transform them and upgrade as a trusted partner.

In 2019, the CDIB Capital Asia Partners acquired 81.2% equity in Jintex Corporation Ltd. (Jintex) through tender offer to delist and privatize it. Jintex is a leading manufacturer of textile and leather specialty chemicals. In recent years, the company has made dedicated efforts in developing non-toxic, green products that conform to EHS criteria.

CCIC has interacted with the first-generation owner of Jintex about the family business succession over a long period of time and has developed mutual trust. Its second-generation owner, professional managers, and private equity fund teamed up together to transform and upgrade its business, marking a milestone for Jintex. More importantly, this transaction can serve as a model for many other small and medium-sized enterprises in Taiwan when dealing with business succession issues in the future.

Managed by CDIB Capital Group, the CDIB Capital Growth Partners focus on competitive Taiwanese small and medium enterprises with smart technology or environmental innovation. Among the portfolio companies, Gogoro Taiwan Limited is engaged in the development of electric locomotives with Taiwan's largest battery exchange platform. Electric locomotives conserve energy and reduce carbon emissions and air pollution, and thus protect people's health.

Society-themed products

Responding to aging society—CDIB Capital Healthcare Ventures

In light of the world's aging population and prevalence of chronic diseases, there is greater pursuit for a better quality of life as income levels rise, and to capitalize on opportunities in the field, CDIB Capital Group has launched the CDIB Capital Healthcare Ventures in Taiwan. In addition, the Group has launched the RMB-denominated healthcare fund in China focused on investment in the healthcare industry in both China and Taiwan, with sub-sectors spanning biotech, precision medicine, high-end medical devices, and digital healthcare. These healthcare funds aim at assisting pharmaceutical companies, medical device manufacturing, and medical service organizations in offering quality and reasonably priced products and services. These healthcare funds' win-win proposition is to provide advanced health benefits for the society while

generating returns for the Group. Amid the COVID-19 pandemic, EirGenix Inc. has formed a Rapid Screening Alliance with related rapid screening companies to develop rapid screening reagents. It also provides cell-culture technology platform for vaccine development companies to accelerate the development of vaccines against COVID-19 in collaboration with the National Institutes of Health of the United States (NIH).

Supporting the cultural & creative industry—CDIB CME Fund





To support Taiwan's role in the cultural and creative industry, CDIB has launched the CDIB CME Fund to focus on five cultural and creative sub-sectors: digital content, fashion brands, movies/media, culinary culture, and creative tourism. It offers investors diverse added values with solid international and domestic industrial connections. Through a capitalized, commercialized, and scaled model, we seek to create a better living environment with premium-quality service and products to create value for Taiwan's creative scene to empower the society.

Nurturing innovative start-ups—CDIB Capital Innovation Accelerator

Focusing on cloud computing, Internet of Things (IoT), mobile internet, and next-generation e-commerce, the CDIB Capital Innovation Accelerator brings together the resources of CDF and industry, academia, and media to accelerate the business growth of Taiwanese start-ups in both domestic and overseas markets.

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 creating wealth for our shareholders from our portfolio investments, 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. Our Group's portfolio performances all correspond to the UN's SDGs.

SDGs	SDG theme	Total	
		Percentage of balance weight (%)	Percentage of total portfolio companies (%)
	Eliminate poverty	1%	1%
	Zero Hunger	8%	4%
	Good Health and Well-Being	17%	18%
	Quality Education	0%	1%
	Clean Water and Sanitation	1%	1%
	Affordable and Clean Energy	2%	2%
	Decent Work and Economic Growth	10%	20%
	Industry, Innovation and Infrastructure	15%	10%
	Sustainable Cities and Communities	18%	24%
	Responsible Consumption and Production	16%	6%
	Climate Action	2%	2%
	Peace, Justice and Strong Institutions	1%	1%
	Partnerships for the Goals	9%	10%
	Total	100%	100%

3.2 Sustainable Insurance

3.2.1 Sustainable Insurance Culture Sustainable Insurance Policy

China Life Insurance has long realized the importance of sustainable corporate development, and responds quickly to global sustainability trends to meet stakeholders' needs. China Life Insurance pursues a forward-looking approach to the UN's Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI) by incorporating ESG themes into strategic planning and management, which also helps pursue sustainability-related opportunities and risk control. It employs ESG practices in diverse fields ranging from product design, sales, and underwriting in investment management and after-sales service. These principles serve as the foundation for decision-making processes, helping China Life Insurance achieve the vision of "becoming the most reliable life insurance company in Taiwan."

Promotion of Sustainable Insurance

China Life Insurance operates several programs that help employees understand CSR and internalize corporate sustainability concepts. It communicates new information via electronic direct mail. It also offers classroom-based courses that strengthen the knowledge of ESG and related trends. The material includes general education and training for new employees as well as special topics by external consultants. In 2019, China Life Insurance organized 33 training courses on ESG for a total of 938 hours.

Communication with Stakeholders

China Life Insurance shares ESG issues with shareholders, policyholders, and stakeholders through press releases, newsletters, company websites, and annual CSR reports.

Collaboration with government agencies: China Life Insurance participates in various government-led associations/organizations, including Taiwan Insurance Institute, The Life Insurance Association of the Republic of China, Institute of Financial Law and Crime Prevention, and Financial Information Sharing and Analysis Center (F-ISAC) to promote insurance companies' ESG management.

Advising government agencies on sustainable development through risk management: China Life Insurance interacts with competent authorities on its initiatives, such as anti-money laundering risk assessment, financial inclusion (micro insurance, small-amount life insurance, spillover health insurance, and benefits-in-kind insurance), and the Principles for Fair Treatment of Customers in Financial Service Industry.

Increasing the awareness of ESG risks in cooperation with trade associations: China Life Insurance partners with The Life Insurance Association of the Republic of China to study trends and issues in the insurance industry and launch the "Insurance Blockchain Alliance Technology Application Sharing Platform," using blockchain's two characteristics, namely, decentralized storage and non-repudiation, to verify if electronic policies across companies can be integrated and documented.

Industry-academia Collaboration

Industry associations
Life Insurance Association of the Republic of China
The Insurance Blockchain Alliance Technology Application Sharing Platform uses blockchain technology featuring decentralized and irrefutable properties to verify the feasibility of integration and certification of cross-company electronic insurance policies.
Academic institutions
FinTech Research Center, National Chengchi University
Bio identification: China Life Insurance has integrated i-Easy with a facial recognition system to provide policyholders a new option to verify their identity. Once the customers register their faces, i-Easy will recognize them quickly when they purchase insurance products in the future.

3.2.2 Sustainable Insurance Practices

Sustainable Insurance Mechanisms and Procedures

Risk management and underwriting are conducted in accordance with the "Underwriting Management Mechanisms and Procedures" and "Offshore Insurance Units (OIU) Underwriting Mechanisms and Procedures." Underwriters weigh the company's risk-undertaking capacity and consider issues, such as risks of money laundering and financing of terrorism, protection of customers' personal information, etc., for fair treatment of customers.

China Life Insurance regularly checks sales documents (e.g., recommendations and DMs) to ensure that customers receive comprehensive, accurate information the Company provides and discloses.

Underwriting procedures include AML/CFT risk assessments. China Life Insurance sets up controls based on individual policyholder's risk level and takes a risk-based approach to identify potential money laundering or terrorist financing indicators. Auxiliary monitoring systems use this information to help us quickly identify suspicious transactions and take related risk management measures.

Through the lifecycle of insurance products, the collection, processing, and use of customers' personal information are carried out in accordance with the latest BS 10012 standards. China Life Insurance incorporates best personal data protection practices into all units and branches in order to build comprehensive personal data protection management mechanisms.

China Life Insurance has set up the "fund misappropriation prevention model" by creating a control list based on data analysis to control the insurance agents as deemed appropriate. It organizes training to insurance agents on compliance and fair treatment of customers, urging them to conduct business in line with social morality, in good faith, and in the best interests of financial consumers.

Product Development & Design Procedures

Besides studying trends in domestic and foreign markets, China Life Insurance regularly assesses actuarial assumptions, including investment return rates, mortality rates, morbidity rates, lapse rates, expense rates, exchange rates, and tax rates in order to develop innovative and diverse products that meet the customers' needs. In accordance with "Regulations Governing Pre-sale Procedures for Insurance Products," China Life Insurance holds at least one policy management task force meeting every six months to ensure sustainable operations and uphold consumer rights.

China Life Insurance designs products that conform to financial inclusion. Main products include microinsurance, small-amount life insurance, and dementia-prevention insurance that has health spillover effects, as well as policies with a social added value such as comprehensive life insurance for people with disabilities. These products provide basic guarantee to disadvantaged groups and the general public at different stages of life, strengthening the social safety net.

Transparent Claim Settlement Procedures

China Life Insurance handles claims settlement, a key promise to its policyholders, transparently by sending them text messages informing of the status and conclusion of their cases and notifications listing payments and the amounts and important matters. It has also launched "expedited claims at service counters" to enable policyholders to receive claim payments within 30 seconds and overcome anxieties.

3.3 ESG Financial Products

3.3.1 Inclusive Finance

We aspire to become a provider of inclusive financial services, and look forward to solving many problems that consumers have faced in traditional financial services. We orient our product development and innovation to meet the diverse needs of our customers. China Life Insurance considers market dynamics and the government's inclusive finance policies while reorganizing its product strategies. In response to aging

population, lower birth rates, and other demographic changes, as well as care for the disadvantaged and other special groups, China Life Insurance promotes traditional products, such as multi-currency single and regular premium life insurance, annuity products suited to retirement planning, health insurance that can improve medical treatment quality, disability insurance suited to long-term care, microinsurance, small-amount life insurance, "Go Health" life insurance (dementia-related spillover policy), and "Protect You" comprehensive life insurance for people with disabilities. These choices will hopefully meet the various needs of policyholders. Early planning will enable the policyholders to maintain a quality lifestyle, provide for their medical treatment, and care for their future, and help China Life Insurance fulfill its corporate social responsibilities.

To invest in early-stage start-ups, CDIB Capital Group has set up the "CDIB Capital Innovation Accelerator" in 2017 with NT\$1.29 billion in assets under management. In 2019, the CDIB Capital Innovation Accelerator was established to provide funds to Taiwanese start-ups, contacts, and resources required for growth, including mentorship, corporate-matching events, and professional courses.

With diverse, innovative financial products, KGI Bank provides a full range of financial services, including the Giving You A Hand—Revolving Personal Loan Promotion Project for socially disadvantaged groups and Taxi Driver's Small Revolving Loan to enable those rejected by conventional banks or do not have access to financial services receive financial support to develop. In addition, in 2018, KGI Bank and Chunghwa Telecom together created the first financial innovation project, which was approved by the Financial Supervisory Commission, the first of its kind in Taiwan, to use "Telecom Mobile ID Authentication" during the application and processing of financial services. In 2019, KGI Bank became the Taiwan's first bank to be approved for processing "loan or credit card applications through mobile phone numbers" after the promulgation of the "Directions for Application for Pilot Banking Services," making banking more accessible to the younger generation and micro-business owners with no prior banking experience. This will help them build a credit record and access financial services in the future at more reasonable charges, giving credence to "inclusive finance."

Subject: Low-income Customers

• Micro-insurance

To support disadvantaged groups receive basic accident insurance to cover death and disability, China Life Insurance has introduced microinsurance products. Microinsurance has lower premiums, lower insured amount, and easy-to-understand terms. It is offered in three forms: accident microinsurance, collective accident microinsurance, and group accident microinsurance. The goal is to make basic accident insurance covering death and disability affordable for people with low incomes. With the protection of microinsurance, families can avoid the debilitating financial effects of a major accident. At the same time, China Life Insurance is collaborating with banking channels, government agencies, and private organizations to jointly promote microinsurance. This enables China Life Insurance to spread insurance guarantee to all corners where care is needed, thus providing strong support to disadvantaged households. When a microinsurance beneficiary meets accidental death, China Life Insurance supports his or her family in preparing all needed documents to quickly release insurance compensation. Families appreciate the care and assistance in overcoming the difficult time they face, thus fulfilling its role as a stabilizing force. Microinsurance has provided coverage for more than 20,000 eligible disadvantaged groups across Taiwan. In 2019, premium income from microinsurance reached NT\$4,573,366.

Product name	2017	2018	2019
Microinsurance (number of beneficiaries)	16,306	21,505	21,959

• Low-income Household Loan Project

In the past, low-income households were denied access to financial services as they were unable to provide proof of steady income. To meet inclusive finance needs and responsibility as a corporate citizen, KGI Bank has launched the Low-income Households Loan Project to provide funds to low-income households at lower cost, encouraging them to receive funds through legal financial channels, thereby establishing long-term credit record with financial institutions.

Subject: Financially Disadvantaged Groups with Unstable Income

• “Giving You A Hand” Revolving Personal Loan Promotion Project

In 2018, KGI Bank launched “Giving You A Hand,” a micro personal loan project, to support young or skilled people to start their own businesses. The project targets proprietors with professional licenses, low-income households, and sponsors of crowdfunding platforms and grants loans at preferential rates to help them manage their business stably. The offer rate of “Giving You A Hand” is lower than the going rates of mortgages to encourage young people and start-ups to receive credit through legal financial channels. In 2019, about 684 people applied for the project, and about 462 were approved with a 68% approval rate.

• Taxi Driver's Small Revolving Loan Project

Most taxi drivers cannot provide proof of steady income, and hence are rejected by banks when they seek traditional financial services. They turn to the shadow banking system in need. Given its belief in inclusive finance, KGI Bank has worked with Taiwan Taxi, a leading taxi company in Taiwan, to grant microloans to taxi drivers since July 2017. Small loans are granted to taxi drivers who are denied access to credit as they cannot provide proof of steady income sought by credit bodies, and therefore are unable to build their credit records. In 2018, we planned to help taxi drivers establish credit record in many ways to enable them to access financial services, such as loans and credit cards, at reasonable cost.

KGI Bank entered the second stage of collaboration with Taiwan Taxi in 2019 by leveraging the database created, and long maintained by Taiwan Taxi to build a customized “taxi driver credit rating model.” Those taxi drivers that received positive ratings for their services, and are constant service award winners, or have a stable customer base, will be favored in credit assessment. The project received 836 applications in 2019, of which 455 were approved, an approval rate of 54%.

Product name	2017	2018	2019
“Giving You A Hand” Revolving Personal Loan Promotion Project	-	418 applications approved	462 applications approved
Taxi Driver's Small Revolving Loan Project	437 applications approved	421 applications approved	455 applications approved

Note: The “Giving You A Hand” Revolving Personal Loan Promotion Project was launched in 2018.

Subject: Young People

• Nurturing young entrepreneurs and start-ups—CDIB Capital Innovation Accelerator

The “CDIB Capital Innovation Accelerator” is committed to nurturing young entrepreneurs and start-ups. Founded by graduates from National Taiwan University,

Greenvines Biotech Co. Ltd. (Greenvines) has evolved from a cultivator of live sprouts into an advocate of organic skincare products in global markets with the support of “CDIB Capital Innovation Accelerator.” Living up to expectations, Greenvines became Taiwan's third company to be certified as a “Benefit Corporation,” the highest standard of corporate social responsibility, for the fulfillment of its environmental commitment. Investment is not only a process for enterprises to nurture students, but also offer the best return to the society.

• Credit card and loan applications through mobile phones

KGI Bank responded to the policy objective of the FSC to promote inclusive finance with real action. In 2018, it worked with Chunghwa Telecom to pioneer the first FinTech sandbox experiment project in Taiwan, using “Telecom Mobile ID Authentication” to process loan/credit card applications based on integrated personal information and telecom payment ratings. The project aims at providing consumers a more convenient user experience and help young people and micro-business owners who have never had any dealings with banks and have no credit record to get access to credit and other financial services at a more reasonable charge.

In 2019, KGI Bank was Taiwan's first bank that had been approved to process “loan or credit card applications through mobile phone numbers” after the promulgation of the “Directions for Application for Pilot Banking Services,” making it the winner of the “Growth through Innovation Award: FinTech Regulatory Sandbox” in the 2019 Taiwan Corporate Sustainability Awards (TCSA) and of the “Fintech Innovations Award” in the Taiwan Financial Award 2019.

• “Quick Repayment” Revolving Loan

Given a low-base salary, young people do not always have enough cash in hand. Therefore, the age at which the customers need small-amount loans is mainly between 25 and 39 years. The biggest difference between KGI Bank's “Quick Repayment” Revolving Loan and other loans in the market is that it can be borrowed and repaid anytime, with interest accruing on a daily basis, and repaid early without punitive charges to meet young people's need for funds in the short run at a relatively lower rate.

• “Taiwan Star Telecom” Revolving Loan Project

As per the internal data of KGI Bank, young customers who need small-amount loans mainly use the funds to purchase supplies for work, such as computers, mobile phones, and motorcycles, followed by temporary household supplies, such as household appliances, children's supplies, and for house repairs. The amount of such consumer spending is small, but shortages will cause a lot of inconvenience in work and life. As an advocate of positive wealth management, KGI Bank worked with Taiwan Star Telecom to offer concessional loans to new mobile phone applicants. With an annual interest rate of only NT\$8 per NT\$80,000 borrowed, young customers who have just graduated or entered the workplace without a credit history can obtain funds easily and save up to NT\$13,000 on interest and related bank fees.



Product name	2018	2019
Credit card applications through mobile phone numbers	-	746 applications approved
Loan applications through mobile phone numbers	76 applications/NT\$1.73 million approved	477 applications/NT\$9.15 million approved
"Quick Repayment" Revolving Loan	7,830 applications/NT\$210 million approved	8,536 applications/NT\$220 million approved
"Taiwan Star Telecom" Revolving Loan Project	-	36 applications/NT\$0.56 million approved

Note: "Credit card applications through mobile phone numbers" and "Taiwan Star Telecom" Revolving Loan Project were launched in 2019.

Subject: Micro-businesses and Start-ups

CDF fulfills its corporate social responsibility by actively promoting the development of micro-businesses and start-ups. CDIB Capital Group has set up the "CDIB Capital Innovation Accelerator" in 2017 to invest in early-stage start-ups. KGI Bank has also launched the "Mobile Point of Sale" (mPOS) to help micro-businesses and start-ups to introduce mobile payments while granting loans to key emerging industries based on government policy.

• Investing in early-stage startups—CDIB Capital Innovation Accelerator

To invest in early-stage start-ups, CDIB Capital Group has set up the "CDIB Capital Innovation Accelerator" in 2017 with NT\$1.29 billion in assets under management. In 2019, the CDIB Capital Innovation Accelerator was established to provide Taiwanese start-ups all resources required for growth, including mentorship, corporate-matching events, and professional studies. Focusing on the Internet of Things (IoT), mobile internet, cloud computing, and e-commerce, our investment strategy aims to foster start-ups' growth and economic development.

Product name	2017	2018	2019
CDIB Capital Innovation Accelerator	1. Number of portfolio companies: 5	1. Number of portfolio companies: 11	1. Number of portfolio companies: 1
	2. Number of one-day startup board meetings organized (Start-up Mentor Projects): 2	2. Number of one-day start-up board meetings organized (Start-up Mentor Projects): 7; number of start-up workshops organized: 3	2. Number of one-day start-up board meetings organized (Start-up Mentor Projects): 12; number of start-up workshops organized: 3
	3. Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 47	3. Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 128	3. Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 129

• Helping micro-businesses and start-ups introduce mobile payments—Mobile Point-of-Sale (mPOS)

To instantly meet all payment needs in an era of mobile payments, mPOS can provide customers credit-card payment service anytime and anywhere with Internet connections. It is best suited to micro-business owners and start-ups without a fixed location of operation, such as delivery service providers, street vendors, and cultural and creative exhibitors. Customers' credit-card bills and vendor receipts and payment requests are all saved on cloud to retrieve mobile, paperless transactions.

KGI Bank collaborates with the telecommunications company to install its mPOS system with IoT chip module and SIM management platform to instantly detect and control the mPOS system operation, check transactions, save receipts on cloud, and automate payment requests through the platform with a rental of less than NT\$10 per day. mPOS supports payment by VISA, MasterCard, JCB, and UnionPay and by three mobile payment applications (Apple Pay, Samsung Pay, Google Pay) to assure consumers of safe transactions that are free from information security issues. Since the launch of mPOS in 2019, we have partnered with 892 businesses, mostly delivery service providers, street vendors, and exhibitors, and activated 1,102 mPOS card readers.

• Loans to start-ups in key industries

To ensure stable economic development in Taiwan and to comply with government policies, KGI Bank is committed to fostering the development of start-ups in key industries. In conjunction with government resources, KGI Bank has continued to target start-ups in green energy, Asia Silicon Valley, biomedicine, national defense, intelligent machinery, new agriculture and circular economy sectors to provide a full range of financial services, and has assisted them in innovating by undergoing industrial transformation through the Small & Medium Enterprise Credit Guarantee Fund of Taiwan.

• Micro loans

For micro-businesses with smaller revenue, KGI Bank screens target customers systematically and grants micro loans quickly based on their credit ratings and standard operating procedures.

Unit: NT\$ million

Product name	2017	2018	2019
Loans to start-ups in key industries	90,500	90,228	82,890
Micro loans	484	412	359

Subject: People with Disabilities

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. KGI Bank completed the system upgrades in September 2019, and expects to receive the Accessible Net Banking 2.0 certification in March 2020. In addition, KGI Bank plans to launch an accessible mobile banking application so that visually/mentally/physically challenged customers can enjoy a better user experience. The online finance services offer account overview/transaction details, designated account transfers, user name/password renewals, interest/exchange rates, and credit-card activation/report of lost or stolen/credit line adjustment and special discounts on service fees for mentally/physically challenged customers. Non-designated account transfers will be made available in 2020. Our simplified webpage design and proactive voice instructions are in place to ensure a hassle-free user experience.

KGI Bank has offered conditional fee exemptions to disadvantaged customers accessing services via an ATM since January 2017. All customers can enjoy up to three cross-bank cash withdrawals free of charge per month. Starting July 2018, customers can seek exemption via the "public information and simple functionality website" (accessible service website). During 2018, KGI Bank granted 206 fee exemptions and 216 during 2019.

Product name	Description
"Protect You" comprehensive life insurance for people with disabilities	Given that people with disabilities face more difficulties in applying for insurance such as health examination, additional charges, and limited amount and coverage of insurance, at the end of 2019, China Life Insurance launched the "Protect You" comprehensive life insurance for people with mild to moderate disabilities way ahead of other insurance companies in the industry. This product offers diversified benefits, including death benefit or funeral insurance, total permanent disability insurance, birthday party insurance, refund of insurance premium (plus interest), accident-driven death benefit or funeral insurance, traffic accident-driven death benefit or funeral insurance, death benefit due to fires in public buildings or funeral insurance, daily cash benefit in case of hospitalization due to accidents, advance on elderly hospitalization, and advance on terminal care, for people with mild to moderate disabilities to enjoy life insurance coverage like ordinary people, thereby meeting financial inclusion criteria, extending fair treatment to customers.

Visually impaired (blind or impaired vision)

KGI Bank

• Account Opening

Visually challenged customers may open an account over the counter with a witness who must be legally and visually capable endorsing. In case no friend or relative accompanying is present to act as witness, another bank clerk not enrolling the applicant may serve as a witness and reads out key points of the account-opening contract to the customer. Account-opening services can be provided off-site as needed as permitted by law.

• Trading Services

Telephone trading services and a 24-hour hotline are offered remotely. On-site order placing or telephone-commissioned trading services are provided over the counter by managers on duty as needed.

• Other Services

Over-the-counter services are provided by managers on duty as needed; services can be provided remotely by telephone.

China Life Insurance

Improved Website Accessibility for Better Financial Services

China Life Insurance's website includes a section specially designed for greater accessibility to people with disabilities. It is a valuable source of information on environmental issues, communication and services, products, corporate news and announcements, and various statistics. Special accessibility modifications are made to help people with difficulties using a mouse, as it also helps general users. For example, converting graphic content as text allows visually impaired users to use speech-recognition software, while providing general users a reference when graphics do not load properly.

Hearing/Speech-impaired

KGI Bank

- **Account Opening**

Hearing or speech-impaired customers may make an appointment online to open an account. An application form containing the terms and conditions must be read and signed by the customers. Account opening services can be provided off-site as needed and in line with the legal requirements.

- **Trading Services**

Trading services are provided remotely through e-banking or mobile banking. On-site order placing services can be provided over the counter by managers on duty as needed.

- **Other Services**

Services can be provided remotely by e-mail.

Physically challenged

KGI Bank

- **Account Opening**

Visually/physically challenged or illiterate customers unable to sign the account opening application form may use a personal seal to substitute for signature with the endorsement of a witness. In case customers choose to use fingerprint, cross or other signs as substitute for signature, endorsement by two witnesses is required. Witnesses can be friends or relatives of the customer, social welfare staff or bank clerks other than those opening the account.

- **Trading Services**

Trading services are provided remotely through telephone banking, e-banking or mobile banking. On-site order placing or telephone-commissioned trading services are provided over the counter by managers on duty as needed.

- **Other Services**

Over-the-counter services are provided by managers on duty as needed; services can be provided remotely by e-mail or telephone.

- **Barrier-free Facilities**

All branches of KGI Bank have formed a barrier-free work environment in accordance with the "Regulation for Designing Barrier-free Facilities in Buildings" of the Ministry of the Interior's Construction and Planning Agency. A total of 95 wheelchair-friendly ATMs have been installed, including one dedicated to serving visually impaired users at the Taichung Tzu Chi Hospital to provide disabled people easier access to financial services. In addition, to meet the needs of the aging society, all 54 branches in Taiwan have set up service counters with seats to provide customer-seated services creating a friendly environment for clients.

China Life Insurance

- **Care Counters**

China Life Insurance has set up care counters at service centers to provide priority services for the elderly and people with mobility issues. Specially trained counter staff provide caring services covering a broad range of insurance needs for policyholders in a more friendly, unimpeded work environment.

- **House Visits**

China Life Insurance offers caring services to disadvantaged groups (visually-impaired, hearing/speech-impaired, physically challenged or people with mobility issues) and the elderly, including house visits for claims applications and the delivery and collection of documentation. While applying for claims, customers can choose to get their money transferred into their bank accounts or have checks delivered to their homes.

KGI Securities

KGI Securities provides user-friendly financial services for people with disabilities to ensure full access to basic, equal and reasonable financial services. In addition to providing necessary assistance in account opening and trading services, KGI Securities has barrier-free facilities at its operations across Taiwan as follows:

Number of operations (%)	Built by KGI Securities	Provided by lessor	Total
Barrier-free ramps	2 (3%)	34 (47%)	36 (50%)
Barrier-free toilets	6 (8%)	22 (31%)	28 (39%)
Barrier-free parking spaces	3 (4%)	9 (13%)	12 (17%)
Barrier-free elevators	5 (7%)	28 (39%)	33 (46%)
Lower service counters (below 120 cm)	59 (82%)	--	59 (82%)

Subject: Customers of All Ages and Non-profit Organizations

• Small-amount life insurance

Product name	Description
Small-amount life insurance	In 2018, China Life Insurance launched an e-commerce product, "e-Citizen Small-Amount Life Insurance," with internet as a promotional channel to expand our reach and thus build a stronger basic social safety net. More than 19,000 applicants have signed up using this method and premia surpassed NT\$273 million. In 2019, the number of applicants increased by 21% to 23,000, with premia surpassing NT\$337 million. At the same time, China Life Insurance continued to promote small-amount life insurance in more traditional offline channels to reach people of all ages. People aged 55 and above accounted for 46% of all policyholders and 70% of all premia.

• Payroll transfer service for non-profit organizations

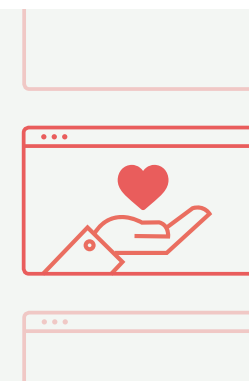
To fulfill social responsibility as a financial institution, KGI Bank provides schools and foundations an exclusive platform with integrated financial services, including payroll transfers, demand deposits, and fundraising. This platform gives non-profit organizations an opportunity to serve the general public and increase their income.

Product name	Description	2019 performance
Payroll transfer service for schools	<ul style="list-style-type: none"> • Provide faculty and staff better payroll transfer conditions than the market (e.g., free transfers and demand deposit rates) • Streamline the tuition payment process (e.g., printing payment slips, fee exemptions at convenience stores, and making tuition payment by credit card) • Increase demand deposit rates up to 6.3 times the market rate to increase schools' income 	81 employees from one school
Payroll transfer service for foundations	<ul style="list-style-type: none"> • Provide staff better payroll transfer conditions than the market (e.g., free transfers and demand deposit rates) • Provide a donation platform and charge a fixed fee per donation (up to NT\$5; lower than 2% of a donation previously) to reduce foundations' fee expenses • Increase demand deposit rates up to 6.3 times the market rate to increase the foundations' income 	1,244 employees of 19 foundations

Charity donation platform

Considering that many small- and medium-sized charities have no funds or manpower to set up an online donation platform, KGI Bank was Taiwan's first bank to launch a charity donation platform on the company website in 2017, which provided an online modular fundraising platform free of charge for social-welfare groups to raise funds safely. The amount of donations has reached nearly NT\$1 million as of today.

Twenty-eight social welfare groups participated in the charity donation platform, including national social-welfare groups, such as Eden Social Welfare Foundation, Syin-Lu Social Welfare Foundation, Child Welfare League Foundation, Children Are Us Foundation, Genesis Social Welfare Foundation, Huashan Social Welfare Foundation, Red Cross Society of the Republic of China (Taiwan), Cardiac Children's Foundation Taiwan, Double Bliss Welfare and Charity Foundation, Raising Children Medical Foundation, and Yu-Cheng Social Welfare Foundation, and those at regional level, such as the Taiwan Association of Child Development and Early Intervention in Hualien County, St. Francis Xavier Children and Juvenile Center in Miaoli County, Ray Of Hope in Tainan City, and Sisters of Our Lady of China Catholic Charity Social Welfare Foundation in Chiayi County/City, and animal care groups like Taiwan Guide Dog Association.



3.3.2 Social Finance

We have long cared for the needs of disadvantaged groups and the cultural and creative industry's development. Through the core business of subsidiaries, we devote ourselves to providing sustainable financial assistance, and have continued to develop various products and services related to social welfare to create maximum social benefits and give back to the society.

Responding to Population Aging

Product name	Description
"Go Health" life insurance (dementia-related spillover policy)	Taiwan is turning into an aged society, along with an increasing number of people with dementia. Medical studies have indicated that adequate sleep and proper exercise can reduce the risk of dementia. Seeking to promote healthy habits in our policyholders, China Life Insurance has launched the "Go Health Life Insurance (2020)" with spillover effect and prevention mechanisms. After downloading the "Keep Going" application and completing registration, policyholders can upload exercise and sleep data to the database regularly to check if they meet the monthly approved conditions for additional coverage. This product helps policyholders develop good exercise habits, reduces the insurance company's loss, and lowers the social risk of high medical care expenditure in the aging society, leading to a winning situation for all. In addition, China Life Insurance has undertaken a "dementia prevention network" to look after people with dementia before, during and after illness.
Silver Age Fund, KGI Hospital, and Long-term Care Industry Fund	<p>Given the aging society in Taiwan, KGI SITE has launched products that invest in the senior service sector, including asset management (for pension planning), surveillance (for monitoring personal health), leisure and consumer staples targeting the senior population, as well as fitness and health/beauty care.</p> <p>In addition, KGI SITE has rolled out products that mainly invest in hospitals, medical equipment, consumables and long-term nursing sectors, to help related industries develop, consequently improve the living and health-care quality for senior people in light of population aging and increasing numbers of chronic disease patients worldwide.</p> <p>In 2019, assets under the management of Silver Age Fund and KGI Hospital, and Long-term Care Industry Fund reached NT\$1,952,700 and NT\$4,975,200, respectively, and KGI Bank's sales of these two funds amounted to NT\$7 million.</p>
Protection-type insurance products, including Disability Support Insurance, Long-term Care Insurance, and Lifetime Medical Insurance	In response to population aging and the government's long-term care policy, KGI Bank offers protection-type insurance products, including Disability Support Insurance and Long-term Care Insurance which provide long-term nursing care and Lifetime Medical Insurance which provides medical care through its insurance platform to ensure economic security and optimal health care for senior or people unable to take care of their daily needs independently. In 2019, 136 insurance policies were signed.

Bolstering the Cultural and Creative Industry

In the light of government's policy, KGI Bank continues to foster the development of cultural and creative enterprises by granting funds needed at each stage of development through the Small & Medium Enterprise Credit Guarantee Fund of Taiwan.

Product name	2017	2018	2019
Balance of loans to cultural and creative enterprises (NT\$ million)	3,464	4,993	5,640
Loans to cultural and creative enterprises (number of applications)	184	144	105

3.3.3 Green Finance

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 of China Development Capital, the other subsidiaries also actively promote green project financing and 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.

Green Financing Approval Guidelines

While reviewing corporate loan applications, KGI Bank ensures compliance with the Corporate Credit and Assessment Guidelines (Green Financing Review Principles included) and incorporates the Equator Principle, and examines if the borrowers fulfilled 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 post-lending management mechanism:

1. While considering large credit applications of over US\$10 million in water-intensive and highly polluting industries, credit analysis has to consider various aspects of technology, market, finance and environmental protection. Depending upon individual cases, additional conditions will be laid for loan sanction.
2. Incorporating Equator Principle into "Credit Rating Checklist." If there is any dispute on environmental and labor-management issues, etc., points will be deducted under operations/management categories, such as risk management, corporate governance, etc., in the Credit Rating Checklist, reflecting the operating risks involved.
3. Loans will not be granted to applicants who do not comply with environmental protection guidelines and have no concrete plans for remedial measures. Existing clients also need to undertake corrective measures. To help and encourage enterprises to strengthen environmental measures and fulfill their corporate social responsibility, non-compliant companies with serious impact on their operations and KGI Bank's obligations will have credit capped or progressively reduced.

Green Credit

In line with the government's policy, we promote energy transition covering energy conservation, energy development, energy storage, and intelligent system integration. To encourage independent energy development and accelerate the development of renewable energy enterprises, the government aims at building a renewable energy ecosystem based on strong research and development capacity prompted by industrial needs. The research and development of next-generation renewable energy

technologies will drive the development of renewable energy enterprises specializing in solar and wind power, and smart meters to further create job opportunities.

We continue to promote renewable energy upgrades and raise funds for renewable energy enterprises in line with government's green-energy initiatives. The balance of loans granted by KGI Bank to renewable energy enterprises increased gradually from NT\$14.540 billion to NT\$20.425 billion over the past three years. The weighting is expected to grow at an 8%~10% CAGR over the next three years.

Unit: NT\$ million

Balance of green credit		
2017	2018	2019
14,560	17,606	20,425

Note: "Balance of green credit" refers to the balance of loans granted to renewable energy enterprises defined by the Banking Bureau in key emerging industry statistics.



Green project financing

Taiwan is not an energy producer, and in fact, 98% of the energy consumed in Taiwan is imported, with the island highly dependent on fossil fuels. To comply voluntarily with the Paris Agreement of the United Nations on the reduction of greenhouse gas emissions, the Taiwan government promulgated the Renewable Energy Development Act and Offshore Wind Power System Demonstration Incentive Regulations in 2009 and 2012, respectively, followed by an amendment to The Electricity Act in 2017 to encourage private-sector investment in renewable energy. The government has also set a target to have renewable energy representing 20% of total installed power capacity in Taiwan by 2025.

Given the government's policies of energy conservation and emission reduction, KGI Bank has sought to fulfill its corporate social responsibility by focusing on urgent issues like climate change and environmental protection, in its belief in sustainable development, while pursuing business development. In order to reduce the impact of economic activities on the environment, KGI Bank has taken the initiative in financing the development of renewable energy, such as solar and offshore wind power. The green financing projects in which KGI Bank participated in 2019 are as follows:

Project name	Estimated installed capacity	Estimated reduction of carbon emissions per year
Formosa Solar Renewable Power Co., Ltd.	54MW	3.7 million tons
Zhao Young Co., Ltd.	8MW	30,000 tons
Shin Kuang Electric Energy Co., Ltd.	5MW	50,000 tons
Formosa 2 Wind Power Co., Ltd.	376MW	68.5 million tons
Fertasia International Development Corporation	17.5MW	9,000 tons
Changfang Wind Power Co., Ltd./Xidao Wind Power Co., Ltd.	589MW	105.9 million tons
Total	1,049.5MW	179.8 million tons

Note 1: CO₂ emissions from electricity generation are calculated based on the 2018 CO₂ Emission Factors from Electricity Generation in Taiwan published by the Bureau of Energy (0.533 kg CO₂/kWh).

Note 2: Formosa 2 Wind Power Co., Ltd. and Changfang Wind Power Co., Ltd./Xidao Wind Power Co., Ltd. are offshore wind-power projects and others are solar-based. The generation of power is dependent on factors, such as project design, plant location, weather, and equipment efficiency.

Note 3: In 2019, interest income from financing renewable energy-based power generation projects accounted for 0.14% of the overall corporate finance's interest income.

Other green loans

In addition to green-financing projects focused on the development of solar power, offshore wind power, biomass energy, geothermal energy, and marine energy, other green loans extended are:

1. Energy Conservation: Develop high-efficiency inverter duty motors and optimized systems, waste heat-based power generation, process improvement, and green-building materials to enhance energy-saving technologies and energy efficiency.
2. Energy Storage: Develop household/enterprise/grid-level energy storage systems, improve key components and management models, and support power transmission and supply systems to enhance the reliability of power supply.
3. System Integration: Promote cross-domain system integration and introduce IoT, big data, ICT modular technologies and power generation management to promote circular economy, such as renewable energy, smart grids, and carbon/coal reduction.

Upholding the core of our energy policy and meeting the ESG criteria, we address ourselves to building a safe, stable, and efficient renewable energy supply-and-demand system, creating sustainable value.

Green Bonds

In 2019, KGI Securities participated in the underwriting of a domestic offshore wind-power company bond, which raised a total of NT\$12 billion. The underwriting amount reached NT\$1 billion, which accounted for approximately 2.6% of the total underwriting income in 2019.

Green Financing

In 2019, KGI Securities managed 33 equity financing cases, raising over NT\$17.5 billion, of which nine were for environmental protection and green-energy companies, representing 27% of the total cases. The amount of equity fundraising for environmental protection and green-energy companies surpassed NT\$4.3 billion or 25.5% of the total finance managed by KGI Securities; underwriting income from green-energy cases surpassed NT\$56 million, accounting for approximately 25.45% of total underwriting income in 2019.

3.3.4 Other ESG Financial Products

Charitable Trusts

To fulfill its responsibility as a corporate citizen, KGI Bank provides professional financial services to ease the financial management burden of individuals or charities. As of 2019, KGI Bank was entrusted with the management of eight charitable trust funds, with assets under management surpassing NT\$32 million.

3.4 Customer Experience

3.4.1 Digital Finance

Digital Finance Strategies

China Life Insurance

- **Bio identification—Industry's first ID authentication through facial recognition**

China Life Insurance keeps innovating and embraces the trend in InsurTech by applying facial recognition to insurance application process. With technical feasibility and controllable risks, China Life Insurance was the first in the industry to build a facial recognition-based authentication mechanism supported by the most-stringent information-security and personal information-protection measures, allowing policyholders enjoy safe and efficient financial services.

Bio identification has many advantages, including that it cannot be forgotten, is difficult to forge or steal, and can be used anytime and anywhere. Customers who purchase policies on mobile devices can confirm their identity with one simple facial scan. After the approval of the pilot, customers using facial recognition will be exempt from written contract signing to enjoy a streamlined paperless user experience. Combined with facial recognition, e-signatures and SelfieSign will further strengthen their identity and willingness to be insured to effectively overcome issues of false signature or forgery and fraud, and minimize complaints. FinTech enables policyholders to enjoy safer financial services. In the future, China Life Insurance will gradually employ facial recognition technology in mobile policy services, claims, and assistance. This technology will utilize both the mobile device's camera and photo databases to automatically identify users, making risk management more intelligent.

- **Video survival analysis to save time and cost for policyholders and sales agents**

Using communication apps on mobile devices, China Life Insurance will conduct a video-based survival analysis. Policyholders only need to reserve a time to complete the analysis in conjunction with a survival analyst. Besides significantly reducing interview and waiting times, this service eliminates travel costs for customers and frees time for bank clerks and sales agents to pursue more business leads. It also facilitates the recording of interviews, which protects the rights and interests of both policyholders and China Life Insurance and raises the overall quality of service.

- **Qbao—Sales agents' tool to pursue more business**

"Qbao," a smart assistant that combines natural language processing and life-insurance expertise, tailors on-the-job counseling and business consulting services for sales agents. Through continuous training in communication and business experience, Qbao

will be optimized and upgraded in the future and further applied to intelligent customer service platforms, thereby improving customer experience and satisfaction.

- **AI coach—Precise counseling for newly recruited sales agents**

To attract new recruits to marketing, China Life Insurance uses artificial intelligence to tailor-make AI coaching to newly recruited sales agents. AI coaches use role-playing creating simulated business scenarios and practice sales pitches with sales agents. In addition, it analyzes the sales agents' attitude and weaknesses through big data and provide the right counseling to improve their sales activity and conversion rate, and thus their income.

- **Sales tag library based on big data and AI**

China Life Insurance has built a big-data analytics platform and worked with external consultants to automate data compilation and links and establish a sales tag library through "big data" and "AI-based tagging technology." A consistent data structure provides descriptions of customer types, behavior, intentions, and interests to produce tags and customer labels. Based on the sales environment and target customers, different tags are selected and embedded into the account management system. This enables a precise and optimal dual sales approach: using customer segments to select products and products to select customer segments. In the future, China Life Insurance will integrate external information to provide more comprehensive customer information, thus connecting sales agents with customers more precisely and closely.

- **Precision marketing list—Finding the right customer in the right market**

Through big-data analytics, customers with high repurchase rates are identified from the list of existing customers for sales agents to prioritize their marketing activities, offering much higher benefits than manual analysis. The customer repurchase rate is as high as 33%, which has increased insurance premia by NT\$2.6 billion last year.

- **Coverage Radar Chart—Visual policy analysis**

Traditional policy analyses often show coverage in the form of reports. China Life Insurance has developed a "Coverage Radar Chart" to visually and clearly present each aspect of coverage, allowing policyholders to better understand their coverage. In the course of insurance planning, the Chart uses advanced customer grouping to sort the guarantee coverage level by big data, which helps sales agents plan insurance coverage and find protection gaps, and further recommend products suited to customers based on shortage in their protection. The chart is a useful tool for sales agents to get started on policy analysis.

• Insurance Fraud Detection Model—Systematic risk identification and assessment

Based on big-data analytics and past claims settlement data and experiences, China Life Insurance has built an "Insurance Fraud Detection Model" in 2019 to build a composite profile covering a policyholder's medical history, insurance records, time of claim, and claim history. The model uses identification models to differentiate the risk of claims settlement. Cases that are determined to be high risk are investigated, and low-risk claims receive faster payment approval. Systematic risk assessment and prediction models lower human errors in judgment. In the future, this model will significantly raise the efficiency of the claims process and lead to greater customer satisfaction.

KGI Bank**KGI Inside: Realizing Open Banking & Financial Inclusion**

1. FinTech is penetrating consumers' lives swiftly and has transformed consumers' access to financial services. In November 2017, KGI Bank adopted the "KGI inside" strategy, a new idea of digital transformation, ahead of other 36 banks in Taiwan to provide fragmented, modular, and API-based financial services in cooperation with FinTech companies. Based on the idea of Open Banking, KGI Bank was Taiwan's first financial institution to provide scenario-based financial services with plug-and-play Open API.
2. In December 2018, KGI Bank worked with Chunghwa Telecom to pioneer the first FinTech sandbox experiment project in Taiwan using "Telecom Mobile ID Authentication" to process loan/credit card applications based on integrated personal information and telecom payment ratings. The project aims at providing young people access to financial services at a more reasonable cost to achieve financial inclusion.
3. As of December 2019, financial services elements provided by "KGI inside" include collections and payments, ID authentication, risk management, big data, and online loan/credit card applications, and are applicable to nearly 30 start-ups, including Pi mobile wallet (PChome), Everyday Payment (LINE), Hami Pay, CWmoney (bookkeeping application), Localbond (Sinyi Realty), GTPay (Asia Pacific Telecom), iCHEF (POS system developer), Alpha Loan, MoneyBook, INVOS, and Check Chick. Through "KGI inside," more than one million payments, three billion payment amounts, and ten billion digital loan grants were achieved, generating more business opportunities, lowering developmental costs, and greatly enhancing customer experience and adhesion.
4. Moving forward, KGI Bank will adopt an innovative strategy for data transformation based on the concept of "KGI inside" to deliver personalized customer experience. First, KGI Bank will explore the possibility of applying new data analytics (e.g., AI) to predictive modeling to resolve the existing business problems or service gaps with new technologies, offering actual business benefits. In challenges in "Open Banking," KGI Bank's goal is to use new technologies to improve the quality of management decisions across the customer value chain. Secondly, KGI Bank has collaborated with several industries in testing and analysis, collection of behavioral data across the customer value chain, and end-to-end analysis and decision-making management. KGI Bank has created value both internally and externally through data transformation and will continue improvement and optimization by leveraging the industry-leading advantage.
5. KGI Bank took the lead in response to the government's call for Open Banking by rolling out innovative financial services through the public-sector's Open API. KGI Bank worked with FinTech partners to provide a diversity of value-added financial services in various scenarios, creating a win-win situation for consumers, the bank, and third-party service providers. KGI Bank was Taiwan's first financial institution to roll out the financial API on API-M at the FSC's FinTech Space, and has successfully helped start-ups begin commercial operations, embedding financial services in consumers' digital life. KGI Bank also worked with MoneyBook and CWMoney to provide members of the Open API, set up by Financial Information Service Co., Ltd. access to information on interest rates, forex rates, credit cards, and personal loans in the first stage of Open Banking initiative. By allowing credit-card/loan applications online, KGI Bank offers platform members the best one-stop financial services.
6. To provide better financial experience for customers across the Group, KGI Bank and KGI Securities worked together to pioneer two-way digital authentication, allowing e-banking customers to verify their identity and open an account with KGI Securities online for trading on Taiwan Stock Exchange. KGI Securities' customers can authenticate in a streamlined process and apply for credit cards using the settlement data inventory as proof of financial resources. This two-way digital authentication significantly shortened the application process, creating a holistic financial experience for customers across the Group.

KGI Securities

KGI Securities maintains a leading position in the development of digital finance. Being the first to allow securities accounts to bind LINE accounts in 2017, KGI Securities has strived to promote precision marketing through LINE and Facebook to create a brand image as a digital securities firm. In addition to online and mobile ordering, KGI Securities has begun since 2020 AI-based services, such as smart customer service, strategic stock selection, smart investment portfolios. With big-data analytics, machine learning, or massive data compilation supporting customers' purchase decisions, KGI Securities expects to provide a full range of financial services that meet customers' needs.

Innovative Digital Financial Products and Services

KGI Bank		
Product/Service	Partner	Content
Regulatory sandbox—Telecom Mobile ID Authentication	Chunghwa Telecom	In 2018, KGI Bank worked with Chunghwa Telecom pioneering the first FinTech sandbox experiment in Taiwan, using "Telecom Mobile ID Authentication" to process loan/credit card applications based on integrated personal information and telecom payment ratings. The project aims at providing young people access to financial services at a more reasonable cost. In 2019, KGI Bank was Taiwan's first bank that had been approved to process "loan or credit card applications through mobile phone numbers" after the promulgation of the "Directions for Application for Pilot Banking Services," and help KGI Bank win the "Growth through Innovation Award: FinTech Regulatory Sandbox" in the 2019 Taiwan Corporate Sustainability Awards (TCSA) and of the "Fintech Innovations Award" in the Taiwan Financial Award 2019.
KGI Inside—Everyday Payment	LINE	KGI Bank launched the new official account of "Everyday Payment" in cooperation with LINE, the most popular messaging app in Taiwan. Through LINE, users can pay with credit cards of 29 banks, and charities may partner with various scenarios of KGI inside to raise funds with lower bank fees. Without downloading the KGI banking app, customers can sign into "Everyday Payment" via LINE to access everyday payment services. Customers can make payments for all kinds of regular bills and set/receive payment reminders, allowing them to easily manage all types of day-to-day expenses through chat.
	Pi Mobile Wallet	Pi Mobile Wallet is the most widely used mobile payment application for parking fees in Taiwan. By linking to KGI inside, customers can now make payments for credit cards, telecom fees, and fuel taxes with just one click.
	CWMoney	Customers can pay credit card bills, utilities, and other fees via CWMoney, a bookkeeping app. Once a payment is completed, the amount will be recorded in the app to avoid late payments, conducting both digital bookkeeping and day-to-day payments at the same time. CWMoney accounts in urgent need of funds may also apply for loans via KGI inside.
	Yowoo Technology	Yowoo Technology worked with Sinyi Realty's Localbond to pioneer a fixed credit card fee for community maintenance fee payments. Through Localbond, around 1,000 community residents are able to pay monthly maintenance fees by mobile phone with credit cards of 29 banks.
	Asia Pacific Telecom	KGI Bank worked with Asia Pacific Telecom to make telecom payments in batches, saving internal costs by 50%~60%; in addition, customers were granted access to making everyday payments via GTPay in necessary and commonly used scenarios.
KGI Inside—Digital Loans & Credit Cards	Alphaloan	KGI Bank worked with Alphaloan, Taiwan's biggest loan comparison platform, to pioneer cross-bank loan payment management, allowing the younger generation to enjoy one-stop financial services ranging over loan comparison, application, and repayment on one mobile service interface.
	CWMoney	
KGI inside—Big Data Analytics	iCHEF	Assisted iCHEF in building a model to predict restaurant survival with professional knowhow like modular big-data analytics and risk management, strengthening iCHEF's control over variables of restaurant operations. Restaurant owners can apply for online loans via iCHEF, helping them receive funding in a more efficient and convenient way.
Biometric Login	Outsourced/Self-developed	In response to mobile financial services applied in various scenarios, KGI Bank's mobile banking combines biometrics such as FACE ID/fingerprint/graphic verification to enable quick login, reducing the time required for customers to enter or reset passwords, thus improving the ease of use.
E-Banking Optimization	Outsourced/Self-developed	Based on customers' usage, KGI Bank rolled out more than 100 optimized/new functions in 2019, such as adding notes to transfers for reconciliation and online trust account opening for online investment and wealth-management services.

Product/Service	Partner	Content
mPOS	Taiwan Mobile (TWM)	To instantly meet all kinds of payment needs in an era of mobile payments, KGI Bank worked with TWM to install its mPOS system with the IoT chip module and SIM management platform. mPOS can provide customers credit-card payment service anytime, anywhere with Internet connections, allowing users to instantly detect and control the mPOS system operation, check transactions, save receipts on cloud, and automate payment requests, thereby providing mobile, paperless transactions.
KGI Securities		
Product/Service	Partner	Content
K-LOHAS—Digital Investment Magazine	LINE and Facebook	In 2019, KGI Securities published K-LOHAS, a digital investment magazine, through LINE and Facebook to share knowledge of lean investment and wealth management and address investors' pain points, greatly shortening the distance between the securities broker and investors. It also had an audio/video unit to build a friendly, professional, and reliable channel of communication with customers. Designed with various interaction mechanisms, K-LOHAS exerted its influence on social media to help the younger generation learn investment and wealth management in an effective way, thereby increasing their willingness to invest in Taiwan stocks. Since publication in 2019, the number of fans on LINE increased from 47,000 at the end of 2018 to more than 150,000 at the end of 2019, and the number of fans on Facebook increased from 27,000 and odd at the end of 2018 to more than 30,000 at the end of 2019; the number of reads also surpassed 500,000, ahead of other securities firms in the industry.

3.4.2 Customer Rights and Protection

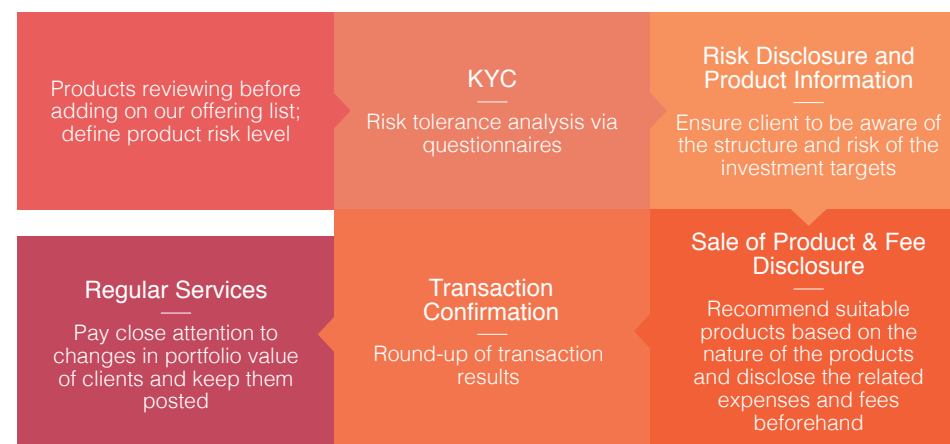
Fair Treatment of Customers and Consumer Protection

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. To build a corporate culture that values consumer protection, KGI Bank formulated the "Policy

for Fair Treatment of Customers" in accordance with the "Principles for Fair Treatment of Customers in Financial Service Industry" established by the Financial Supervisory Commission on December 31, 2015 (hereinafter "Principles for Fair Treatment of Customers"). The "Policy for Fair Treatment of Customers" expressly stipulates that all employees should comply with the Policy, "Strategies for Fair Treatment of Customers" established in line with the "Principles for Fair Treatment of Customers," and internal regulations or codes of conduct to fulfill the corporate culture of fair treatment of customers. KGI Bank also incorporates the "Principles for Fair Treatment of Customers" into internal control and audit systems, conducts reviews on management meetings, and periodically reports to the Board of Directors. These measures serve to enhance employees' understanding of consumer protection and compliance with related laws and regulations. KGI Bank and KGI Securities incorporate the establishment and implementation of all "Principles for Fair Treatment of Customers" into internal control and audit systems, conduct reviews on management meetings, and periodically report to the Board of Directors. These measures serve to enhance employees' understanding of consumer protection and compliance with related laws and regulations.

In 2015, CDF established the "Client Relations WG" in accordance with Article 5 of the "CSR Committee Charter." According to "Evaluation on the Principles for Fair Treatment of Customers in Financial Service Industry" implemented by the FSC since 2019, CDF evaluates the implementation of policies and strategies for fair treatment of customers and regularly reports in Client Relations WG's work plan to maintain service quality and ensure customers' rights.

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. The Principles for Fair Treatment of Customers are described below.



Methods of implementation

1. Through compliance reporting mechanism, KGI Bank controls and follows regulations to be amended in line with legal requirements and incorporates the Principles of Fair Treatment of Customers into regular compliance self-evaluation.
2. KGI Bank has set up the "Customer Request KRI (Key Risk Indicator)" to monitor applications not executed as per customers' instructions: "KYC KRI" to monitor applications not in accordance with customers' investment attributes or mistakenly registered, "Customer Service Quality KRI" to monitor the number and percentage of customer complaints handled, "Consumer Protection KRI" to monitor the number of lawsuits or reviews, and other indicators based on the Principles of Fair Treatment of Customers. Monitoring thresholds and warning thresholds are set quarterly, and concerned units meeting or surpassing the threshold are required to improve practices or propose corrective measures and be included in follow-ups. In issues involving consumer protection, concerned units are to suggest corrective measures and include them in follow-up based on customer feedback; based on materiality, operational issues are reported to the Business Risk Committee for review every month, and consumer protection is incorporated into operational risk self-evaluation.
3. KGI Bank has incorporated the Principles for Fair Treatment of Customers into internal audit and conducts internal audit periodically.
4. KGI Securities has incorporated the policies and strategies of the Principles for Fair Treatment of Customers into the internal control and internal audit systems and formulated 18 internal regulations, nine of which were approved by the Board of Directors, including the Principles for Fair Treatment of Customers, Guidelines for Handling Consumer Complaints and Disputes, Guidelines for Derivatives Trading at Business Operations, Brokerage Fees and Discounts Policy, and Derivatives Department Derivatives Pricing Principles.
5. To protect consumers' rights and interests, KGI Securities requests all business units to implement and comply with the Principles for Fair Treatment of Customers, the compliance unit to review regulations and advertisements and organize awareness programs, and the audit unit to conduct audits and follow-up on a regular basis. The highest staff unit (President's Office) is responsible to plan, promote, and supervise the implementation of the aforesaid tasks, regularly organize the review meetings every year, and report to the Board of Directors. Important customer complaints or disputes should be handled based on exception-reporting mechanism, and contingency meetings may be convened whenever necessary to take immediate action. The evaluation of the Principles for Fair Treatment of Customers is conducted every two years. In 2018, KGI Securities was ranked among the top 20% in evaluation on the Principles for Fair Treatment of Customers.

Educational Training

1. In 2019, all employees of KGI Bank underwent three hours of training on consumer protection, including 1.5 hours of online training in the first half of the year (2,661 attendants) and 1.5 hours of online training (2,428 attendants), and 3 hours of on-site training (76 attendants) in the second half of the year.

2. KGI Bank organizes training and seminars on laws and regulations in relation to consumer protection from time to time or in a timely manner, and incorporates the Consumer Protection Act into orientation for new recruits.
3. KGI Bank has shared with all employees the punishment meted out by the FSC to other banks and requested the concerned departments to check on operating procedures for any similar situations or formulate control measures.
4. To increase employees' awareness of consumer protection, KGI Securities has incorporated the Principles for Fair Treatment of Customers into its training programs. In 2019, it organized five on-site training courses on consumer protection for the Board of Directors and employees, with a total of 15 training hours and 2,587 attendants. In addition, it has shared with all employees the punishments meted out by the FSC and advised them to check for similar situations and take immediate remedial measures.
5. China Life Insurance organizes education and awareness training courses for directors, executives, department compliance officers, sales agents, new employees, and others. The courses cover confidentiality obligations, fair treatment of customers, financial consumer protection, personal information protection, Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS) implementation by financial institutions, insurance penalty case studies, and anti-money laundering and countering financing of terrorism. In 2019, a total of 34 sessions were conducted.

Violations

KGI Bank was not punished or suggested any corrective measures by the competent authorities in charge of consumer protection for misappropriation of customers' funds by bank clerks in the given time limit in 2019.

Competent authorities did not punish KGI Securities nor suggest any improvements for any violation of the Principles for Fair Treatment of Customers in 2019. Competent authorities penalized China Life Insurance on two counts. China Life Insurance has reviewed the violations and taken concrete corrective measures to strengthen controls, and has shared the relevant information in "Other Disclosures" on the company website.

Information Security

CDF and subsidiaries have formulated the "Information Security Management Policy"/"Information Security Policy" to maintain overall information security and strengthen security and ensure confidentiality, integrity and availability of all information assets for long-term viability. These policies, applicable to all information operations, information assets, and information users, including employees, temporary employees, visitors, and vendors (including employees and temporary employees) having business dealings with the Company, stipulate that all of the aforesaid users should maintain, retain, use, and manage the Company's information assets in line with policies in relation to information security.

Information Security Governing Body

CDF has formulated the "Information Security Management Policy," "Directions for the Management of Information Security Organization," and "Directions for the Implementation of Information Security Systems" as the highest standards for information security management. CDF has followed the Plan-Do-Check-Act (PDCA) cycle according to ISO 27001 standards to establish the information security management systems, and has set up the "Information Security Management Committee," consisting of the President and CEO of CDF and executives from the Compliance Dept., Risk Management Dept., Information Technology Dept., Information Security Dept., and other departments. The Information Security Management Committee meets every year to discuss information security issues and suggest corrective measures to ensure its effective operation and for continuous improvement.

CDF, KGI Bank, and China Life Insurance have set up dedicated information security units to manage information security governance and implementation of information security strategies. For sounder business operations, to manage information security risks appropriately, and improve the overall information security capacity, CDF and subsidiaries convene information security management review meetings every year to review the related systems, internal/external security issues, and stakeholders' requirements; concerned departments are also asked to assess and control internal/external threats at any time using a risk-based approach to build mature information security systems in the light of FinTech developments. To strengthen the Board's oversight of corporate governance and protect customers' rights and interest, the c-suite executives of KGI Bank, China Life Insurance, and KGI Securities, including information security officers, chairmen, presidents, and chief auditors, declare their commitment to information security by signing an information security statement and summary of information security performance and reporting to the Board of Directors for review and approval every year.

The chief information security/cybersecurity officers of CDF, KGI Bank, KGI Securities, and China Life Insurance have IT background. On January 1, 2019, CDF set up the Information Security Department and appointed Executive Vice President Richard Sun as chief information security officer.

Executive Vice President Sun has a master's degree in industrial engineering from Stanford University and has more than 25 years of work experience in IT planning/installation/implementation and information security/cybersecurity management.

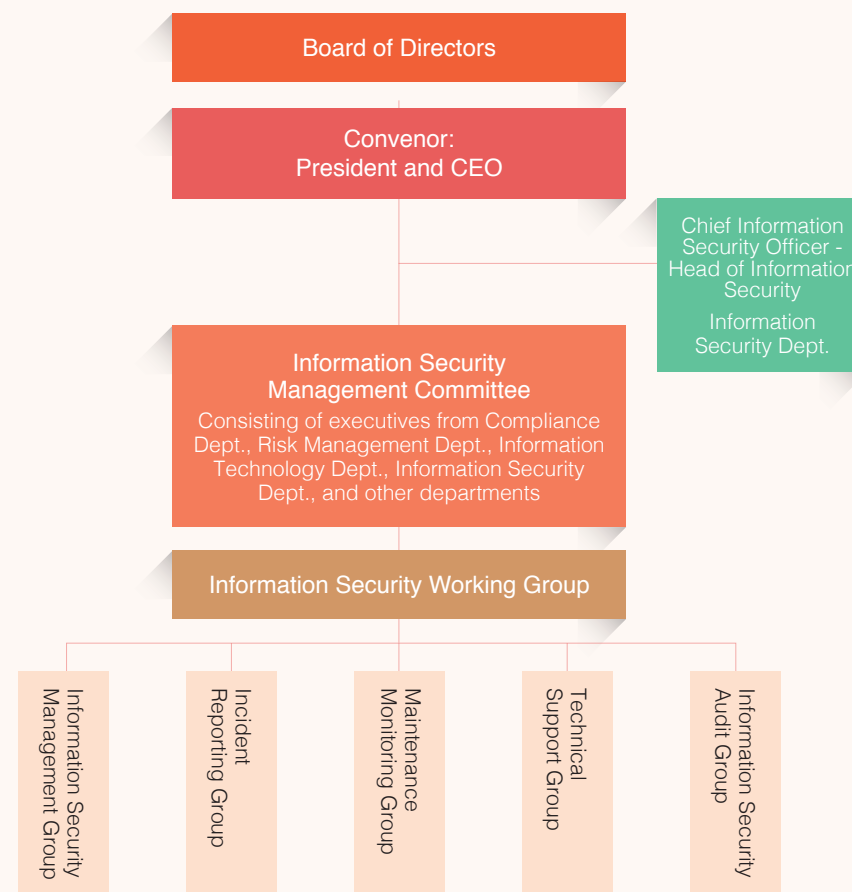
Independent Director Tyzz-Jiun Duh served as Vice Premier of Executive Yuan and Convener of National Information & Communication Security Taskforce (NICST) and promoted information security in domestic government agencies. He has a solid background in information security.

NICST is the top government agency in charge of information security in Taiwan. In 2016, Independent Director Tyzz-Jiun Duh served as its chief with the following roles:

<https://nicst.gov.tw/en/>

As an independent director of the Company, he attends courses on IT/information security governance to remain current in his knowledge of information security governance.

Information Security Management Organization Chart



The Board of Directors formulates the "Information Security Management Policy" and deliberates on the information security planning and execution report, and supervises the appropriateness of relevant mechanisms and reviews the strategies, controls, and implementation status of information security-related issues. The following Board members have experience in IT/information security management:

1. Chairman Chia-Juch Chang previously served as the Minister of Economic Affairs of Taiwan. During his tenure, the department promoted the CNS 27001 Information Security Management System.
2. Director Yu-Ling Kuo is the Chairman of China Life Insurance and served earlier as its Vice Chairman and President. During her tenure, China Life Insurance passed the certification of both ISO 27001:2013 Information Security Management System (ISMS) and BS10012 Personal Information Management System (PIMS). China Life Insurance's security capability has been highly acclaimed, making it the only life insurance company to win the exclusive golden trophy in "Information Security Promotion Award" at the 8th Taiwan Insurance Excellent Performance held by Taiwan Insurance Institute. In addition to continuously strengthening the information security framework and information security management system, China Life Insurance joins the Financial Information Sharing and Analysis Center (F-ISAC) for real-time security threat identification, defense, and response to ensure the security of the information environment required in the performance of business activities.
3. Director Jeff Wang served as the Chairman of SysJust Co., Ltd. and has experience in financial information technology company management.
4. With a solid background in information security, Independent Director Tyzz-Jiun Duh served as Vice Premier of the Executive Yuan and Convener of National Information & Communication Security Taskforce (NICST) and promotes information security in domestic government agencies.

The directors of CDF's subsidiaries also supervise information security operations. Every year, the subsidiaries share the implementation of information security in the previous year in the "Statement on Information Security Implementation Status" jointly prepared by the head of information security, Chairman, President, and Chief Auditor. From 2020, the statement will be reported to the CDF's Audit Committee and Board of Directors.

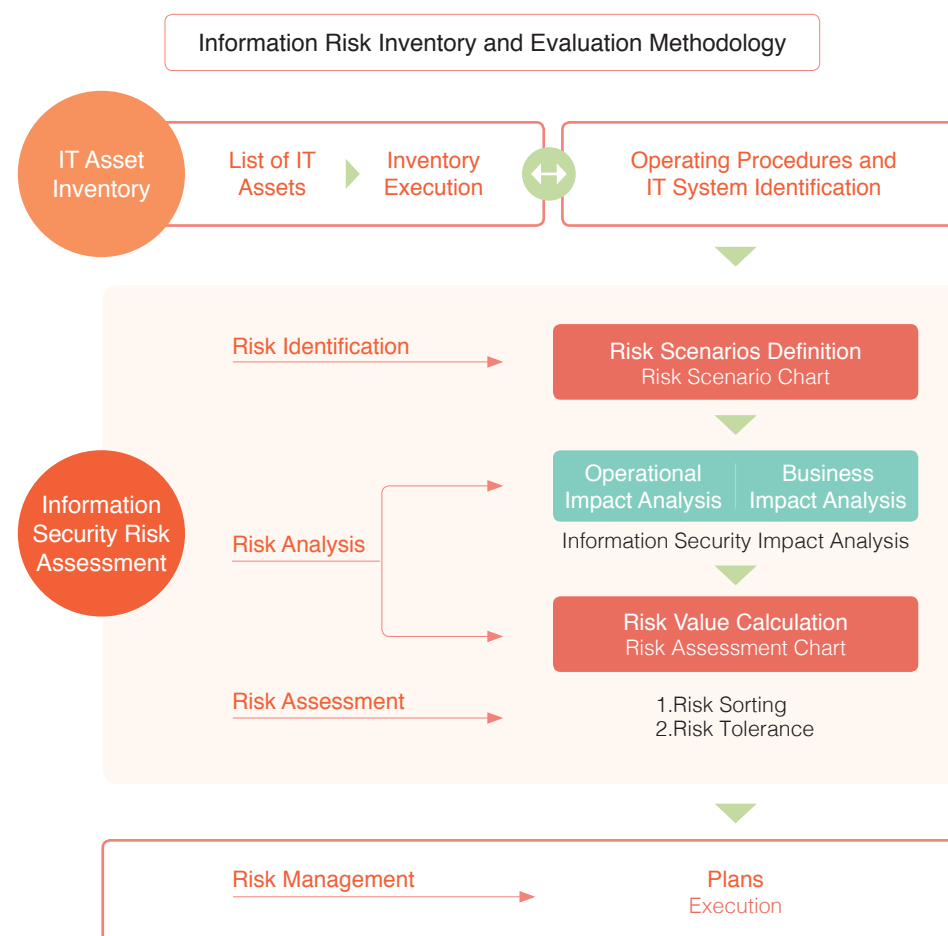
Sound information security management

CDF, KGI Bank, KGI Securities, and China Life Insurance have set up Business Continuity Plan (BCP) and follow the frequency of drills (once every year) in accordance with the "Guidelines for Business Continuity Management."

CDF, KGI Bank, KGI Securities, and China Life Insurance have been certified with ISO27001 for their information security management systems, along with BS10012 for personal information management simultaneously; in addition, China Life Insurance has

purchased e-commerce and information security protection insurance since 2018 to reduce financial losses and impacts on its goodwill in the event of information security/cybersecurity incidents, and budgets for insurance renewals on a yearly basis.

CDF and subsidiaries, including KGI Bank, KGI Securities, China Life Insurance, etc. regularly conduct penetration testing every year to simulate cyberattacks and analyze vulnerabilities.



Building a corporate culture of information security

CDF regularly shares relevant information security policies by sending notices on them every month. In case of any information security events, employees should report and handle them in accordance with CDF's "Directions for the Management of Information Security Incidents." According to the BSP, CDF and subsidiaries also have a business continuity group in place to prevent information security incidents immediately and take contingency measures in case of threats.

Every year CDF organizes a 3-hour information security awareness training course for general staff. CDF and subsidiaries organize information security awareness training and social engineering drills on a regular basis to increase employees' information security awareness and assure the operation of information systems and information security.

In 2019, information security training courses were conducted by CDF and subsidiaries as per regulations. For example, the personnel of dedicated information security units should attend at least 15 hours of professional courses or on-the-job training on information security every year. The personnel of the head office, domestic and overseas business units, information units, asset safekeeping units, and other management units should attend at least 3 hours of information security training every year. In 2019, CDF and its subsidiaries organized a total of 23,079 hours of training on information security to increase employees' information security awareness. In 2019, all 7,693 employees attending information security awareness training have passed; CDF and subsidiaries also conducted social engineering drills by sending 65,363 e-mails to enhance phishing awareness among employees.

Company/Subsidiary	Number of attendants	Number of training hours
CDF	138	414
KGI Bank	2,428	7,284
KGI Securities	2,775	8,325
CDIB Capital Group	113	339
China Life Insurance	2,239	6,717
Total	7,693	23,079

To ensure that every employee is aware of the importance of information security/cybersecurity, CDF and its subsidiaries link information security management to employee performance evaluation. Employees violating relevant information security policies, for example, will see deduction in their annual performance scores.

Information security incidents in 2019

In 2019, there was no security breach in CDF and subsidiaries.

In 2019, there was no security breach involving customers' personally identifiable information in CDF and subsidiaries.

In 2019, no customer was affected by CDF and its subsidiaries by data breach or any fines were imposed arising therefrom.

In 2019, no fines were levied or penalties imposed on CDF and its subsidiaries in relation to information security breaches or other cybersecurity events.

Privacy Protection

• Privacy policy

To protect our customers' privacy, CDF and its subsidiaries have regulations governing personal information protection in place, which expressly stipulate that personal information should be collected, processed, and used in accordance with laws and regulations and that all employees and suppliers are subject to regulations.

CDF has compiled and disclosed the "Privacy Policy" and "Statement of Customer Information Confidentiality" on the corporate website to explain how CDF and subsidiaries use and protect customers' personal information.



Privacy Policy



Confidentiality Statement

• Privacy protection management

CDF and its subsidiaries have set up dedicated personal information protection units, which have personnel from risk management, compliance, and audit departments. The dedicated personal information protection units evaluate and design personal information management systems and supervise their implementation.

When any suspicious personal information breach is found, all employees of CDF and its subsidiaries have to report to dedicated personal information protection units, which determine if the reported cases are real breaches. If found to be true, the dedicated personal information protection units will immediately swing into action with appropriate remedial measures. After identifying breaches, the personal information protection units will notify the persons of the breach and suitable measures are taken, along with providing a consulting hotline. When personal information gets breached, it is handled as per relevant reporting, response, and handling mechanisms for exceptions.

CDF and subsidiaries incorporate personal information into internal control and internal audit systems. "Audit Guidelines" outline the procedures, methods, and frequency of internal audits. Employees violating these regulations will be punished as per "Employee Reward and Discipline Policy" and other relevant reward and punishment regulations.

• Privacy-protection practices

When collecting personal information, CDF and its subsidiaries inform customers of the following in accordance with the Personal Data Protection Act:

Use of collected personal data

Categories of collected personal data

Time period, territory, recipients, and methods by which personal data is used

Rights of persons involved and the methods for exercising such rights under Article 3 of the Personal Data Protection Act

Rights and interests of persons involved that will be affected if they choose not to provide their personal data

CDF discloses the following in the "Statement of Customer Information Confidentiality" on its corporate website:

How customer information is collected

How customer information is retained and protected

Methods of securing and protecting customer information

Classification, scope and items for use of customer information

Purpose of collected customer information

Third-party disclosure of customer information

Methods for changing and updating customer information

Methods to opt-out

Names and telephone numbers of subsidiaries sharing customer information

To continuously protect personal information, KGI Securities and China Life Insurance conduct third-party verification of BS10012 every year, and KGI Bank conducted third-party verification of ISO 27001 information security management in 2019. In the "2019 Taiwan Insurance Excellent Performance," China Life Insurance won the gold for "Excellent Information Security Promotion" for its commitment to providing safe insurance products and services and for protecting customer information.

As of the end of 2019, each subsidiary did not use customer information for purposes outside collection.

There was no complaint about breaches of customer privacy in 2019.

3.4.3 Quality Services Tailored to Customer Needs

More Convenient Products and Services

Your Vision Our Mission: In response to the rise of financial technology, the traditional financial industry is gradually changing its operating model, that is, full use of financial technology to eliminate distance and time constraints. CDF is no exception, and we hope that the use of technology will make financial services more convenient and will significantly increase the availability of services to serve large 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 their professional financial planning team and advanced digital finance technologies.

Service ambassadors

In order to instill a sense of fulfillment among staff on the front lines of serving customers, China Life Insurance has selected service ambassadors for two consecutive years. We urged the staff to create a high-quality service environment and set an example to improve the corporate image and raise customer satisfaction. To show admiration, China Life Insurance held a commendation ceremony for the top 21 of 49 service ambassadors selected in 2019.

Service courses

In 2019, the call center organized four training courses for the personnel of customer service centers and call centers to help them appreciate customers' voice and emotions more accurately and develop proper approaches for offering delicate customer service to enhance customer experience.




Quantitative investing is the new trend in future investment. In 2019, KGI Securities started to build "Select Investment Platform," which is likely to be available for investors in 2020. The platform is aimed at assisting investors in selecting and checking on stocks in a scientific manner. In particular, "after-hour selection" allows investors to build an exclusive investment strategy and have access to past stock performance data so that they can understand the performance of their investment strategy in different market situations. The cloud strategy center supports "intraday mark-to-market prices." After continuous trading system is implemented, the platform will provide investors the most immediate stock selection signals to help them select stocks in a timely manner.

Product/Service	Content	2019 Performance
KGI Bank		
Credit cards	Credit card payments can be made through installment programs online via PC or mobile device	Transaction volume grew 61% YoY
Online loan applications	Provides clients with 24-hour online loan application service	<ul style="list-style-type: none"> Annual loan applications amounted to NT\$10.6 billion, up 2.1 times YoY The revenue reached 79.5% of the year's total amount, and is estimated to reduce CO₂ emissions by 0.2881mt of CO₂.^(Note)
Trading	<ul style="list-style-type: none"> Mutual fund: Launched several mutual fund trading functions to online/mobile banking clients, including Regular Saving Plan (RSP) Daily Deduction, Subscription, Non Regular Saving Plan, Mutual Fund Switching with different fund houses, Intelligent Fund Portfolio Plan, Fund NAV Trigger Notice Forex: Regular FX plan, Regular FX Rate Trigger Notice Interbank trading of checking deposits Payroll transfers on holidays Foreign remittance exempt from written application Continuous transactions for tax payments 	<ul style="list-style-type: none"> Transaction volume grew by 61% YoY as a result of a fixed-income asset allocation plan Forex income grew by 6%
Credit-card statement services	E-statements: "Pay Now," "Installment," "Past Statements," and "Online Application" were added. "Pay Now" allows credit-card holders pay bills through e-banking or "e-Bill" website or by mobile phone via a QR code at a branch or a convenience store.	E-statement accounts grew by 32% YoY, accounting for 30% of active credit-card holders
Automatic message notification	Provides corporate clients with digitalized receipts of foreign currency transactions (deposits, remittances, imports, exports, loans) and TWD loan transactions	160 new applicants

Note: Each digital loan application is estimated to have saved four sheets of A4 paper in 2017 and 2018, and each digital contract six sheets of A4 paper in 2019. Five hundred (500) sheets per ream of A4 paper of 70g (210 x 297mm) would have generated approximately 3.6 kg CO₂e. In 2019, 4,385 digital applications were made and 3,496 digital contracts signed, equaling 40,112 sheets of A4 paper. These would have reduced carbon emissions by 0.28881mt of CO₂e.

More Aggressive Social Media Marketing Management

KGI Bank and KGI Securities have launched Facebook Fan Pages and LINE's Official Account. Through social media exposure to younger generations of the internet, we hope to expand communication channels with clients at all levels of society, to endow young people with correct concepts and diversified information of wealth management.

Social media	2019 Status of operations	2020 Goal
 KGI Bank "We Care" Facebook	Number of fans: 96,922 (+11%) Number of articles posted in 2019: 271 Reach of posts: around 2.71 million Number of interactions on posts: around 270,000 Number of posts shared: around 56,000 Number of private messages to clients: about 130	Introduce in-depth audio/video content to increase reach; form cross-industry alliances to increase the number of fans; regularly organize events to deepen interactions; create valuable content to strike a sympathetic chord in echo chambers and attract more new fans to join the page. With positive energy like love and sharing, KGI Bank strives to get closer to fans.
 KGI Securities LINE Official Account	Number of friends: 150,000 (+220%) Number of bound accounts: 21,000 (+90%) Number of reads: over 500,000	In 2019, KGI Securities published K-LOHAS, a digital investment magazine, through LINE and Facebook to share knowledge of lean investment and wealth management and address investors' concerns, shortening the distance between the securities broker and investors. It also had an audio/video unit to build a friendly, professional, and reliable channel of communication with customers. Designed with various interaction mechanisms, K-LOHAS exerted its influence on social media to help the younger generation learn about investment and wealth management in an effective way, thereby increasing their interest to invest in Taiwan stocks.
 KGI Securities Facebook	Number of fans: 30,218 (+9.3%) Number of articles posted in 2019: 259 Reach of posts: around 1.5 million Number of interactions on posts: around 60,000 Number of posts shared: around 20,000 Number of private messages to clients: about 4,000	

New concept branches

KGI Bank believes that the essence of financial services is a "safe and user-friendly experience." In 2019, KGI Bank set up two new concept branches based on the spirit of "open banking, human touch, community care" to provide groundbreaking financial services in cooperation with local cultural and creative brands and emerging artists. From hardware to software, new concept branches combine local cultural characteristics.

Based on the spirit of "open banking, human touch, community care," each new concept branch will serve as a free venue for art galleries and cultural events to support emerging artists. As a combination of old and new cultural characteristics, new concept branches will unfold to community residents new financial experience of "Open Banking."

The first new concept branch, Zhongshan Branch, invited Chia-Nuoh Lu, an emerging painter from "Common Good Zhongshan Art Festival," to call on customers at Zhongshan Branch and Tianmu Branch to appreciate art. A 3D painting event was also held for customers to share with family and friends on social media.

The second new concept branch, Tianmu Branch, continues to hold community activities on special festivals such as "Trick or Treat" on Halloween to facilitate parent-child interaction. As a combination of old and new cultural characteristics from hardware to software, Tianmu Branch unfolds to community residents new financial experience of "Open Banking."

More Popularized Financial Education Seminars

To improve the general public's understanding of financial markets and products as part of community services, KGI Bank organizes various financial and investment seminars that provide the latest market updates and investment trends across Taiwan. Through interaction with clients, KGI Bank hopes to satisfy investors' needs for wealth-management services. KGI Bank periodically invites clients to participate in investment presentations covering mutual funds, insurance, and diversified wealth management, where it shares the latest domestic and global investment trends and counter strategies to help clients find the most suitable methods of wealth management at different stages of life. In 2019, 178 events were hosted nationwide as KGI Bank was focused on community services to closely meet the needs of local clients.

KGI Securities holds on-the-job training for managers to enlarge their knowledge of the latest financial products and thereby improve the quality of financial services; in addition, it organizes seminars for customers on various themes. Through interaction with securities brokers and other attendants, participants can better understand the financial markets and products to meet their need for future wealth-management services.

Subsidiary	Target	Description	Sessions	Attendants
KGI Bank	Community residents	Nationwide VIP events	112 sessions	1,476 attendants
	KGI Bank's clients	Presentations on insurance offering in North, Central, and South Taiwan	53 sessions	1,756 attendants
		Presentations on mutual fund investment in North, Central, and South Taiwan	13 sessions	1,250 attendants
KGI Securities	Entry-level managers and employees	Introduction to insurance products: 1. Types of insurance products and their functions 2. Features, advantages, and benefits of key products 3. Topics and products tailored to different needs	5 sessions	24 attendants
	Mid-level managers	1. Market factors in bonds 2. How to select bond subjects suitable for customers 3. How to teach customers not to trade in bonds as stocks	6 sessions	79 attendants
	Top-level managers	1. Common inheritance issues 2. Asset planning strategies and case studies 3. Repatriation of offshore funds	2 sessions	98 attendants
	Entry-level managers	Introduction to funds: connection between market and funds, how to pitch funds 1. How to direct market interaction to sale of funds 2. How to recommend funds for customers to understand easily	1 sessions	25 attendants
	Clients	Wealth-management seminar on investment-linked insurance	14 sessions	2,093 attendants
	Clients	Wealth-management seminars	510 sessions	11,249 attendants
	Clients	Nationwide investment and financing seminar (Taiwan stocks)	104 sessions	3,640 attendants
	Clients	Wealth-management seminar co-organized by Economic Daily News	2 sessions	200 attendants
	Clients	Wealth management seminar co-organized by Wealth Magazine	1 sessions	150 attendants
Total			823 sessions	22,040 attendants

New wealth-management system

KGI Bank actively promotes innovations in digital financial services. In 2019, it launched an end-to-end wealth-management system equipped with big-data analytics and an intuitive user interface. Test results show that the new system saved at least 40% of the time wealth-management personnel spent in serving customers.

Through data integration, the system is aimed at accelerating the wealth-management personnel's service of customers and reviewing the process to strengthen the protection of customers' assets.

The new wealth-management system has the following features:

1. Purchase multiple products in one order: For example, when customers purchase three funds (two with front-end fees and one with back-end fees), two bonds, and two ETFs, the new system will automatically review the customers' risk attribute and referral consent first and then pack different products in one order at the same time like a shopping cart on any e-commerce platform. Test results showed that it only took 14 minutes to complete a purchase from order placing to risk declaration, saving customers 13 minutes in total.
2. Enhance customer information management: The new system allows wealth-management personnel to record customers' habits of accessing financial services, investments, and preferences; the calendar reminds customers of their birthdays, due days of applying for time deposits or credit card or insurance premium payments, or advises them to reorganize investment portfolios in a timely manner.
3. Strengthen internal controls over trading: When wealth-management personnel place orders for customers, the new system will first review whether the personnel holds a license to sell wealth-management products, remind the personnel of any declaration to be made to customers, and examine whether the products to be sold conform to the customers' risk level. On confirmation, the system will seek managers' review online rather than in writing to strengthen internal controls over trading, which can effectively prevent human errors in the course of trading and manage customers' assets in an appropriate manner.

In addition to providing existing customers' professional financial planning, the new system takes better control of service processes and customers' assets. With the upgraded wealth-management system, KGI Bank is able to expand the scope of customer relationship management from "family accounts" to "related accounts" and integrate products held by customers with wealth-management planning for big-data analysis; therefore, recommended portfolios come with more complete risk assessments to enable the wealth-management personnel to provide sounder financial planning based on a high-standard gatekeeping mechanism set up in the new system.

3.4.4 Customer Recognition

CDF values the voices of our clients. To enforce a "We Care" customer-centric corporate culture, we take advantage of opportunities to conduct customer satisfaction surveys at various channels where KGI Bank interacts with clients, such as over-the-counter services, customer service calls, e-banking, mobile banking, and application channels to encourage clients to give their suggestions. Their valuable input is crucial to service optimization and future development strategies.

In addition to the customer ratings, KGI Bank has also conducted regular visits to branches in recent years through a mystery-shopper team composed of internal staff to keep track of and enhance the service quality of our personnel.

KGI Bank was awarded a bronze medal in the "Best Service in Taiwan 2019" under the category, "Domestic Banking," for its commitment to the "We Care" corporate culture." By arranging international mystery shoppers trained and certified by SGS to visit branches in 2019, Commercial Times evaluated the banks of 18 financial holding companies using dozens of indicators and cross-referencing, and KGI Bank's customer service quality came out top among domestic banks.

In the "Best Service in Taiwan 2019," Assistant Manager Micky Huang at Daan-Branch also won the "Best Service Provider in Domestic Banks," which selected 30 winners from 32 sectors. This indicated the KGI Bank's effective implementation of its customer service policy and employee training.

Customer Satisfaction Survey

For a better understanding of clients' satisfaction with products and services, which we can use as a reference to improve services and procedures, in 2019, KGI Bank conducted a customer satisfaction survey targeting over-the-counter foreign currency transactions, account opening, financial planning services, loan applications and credit-card operations at its branches 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 50,000 responses were received with an average overall satisfaction rating of 99.48%.

Survey by phone				
Year	2016	2017	2018	2019
Number of respondents	24,000	54,000	57,000	45,000
Satisfaction ratio (%)	99.69%	99.77%	99.79%	99.87%

Survey by email

Year	2016	2017	2018	2019
Number of respondents	1,600	2,300	5,800	5,200
Satisfaction ratio (%)	72.58%	93.14%	93.67%	96.13%

Survey (combined)

Year	2016	2017	2018	2019	2019 Target
Number of respondents	26,000	56,000	63,000	50,000	-
Satisfaction ratio (%)	97.95%	99.50%	99.22%	99.48%	96%

Note 1: The increase in the number of people surveyed (by phone) since 2017 was mainly due to the fact that as soon as clients finished their inquiries to the call center, the calls were immediately guided to the voice system for satisfaction survey.

Note 2: The survey covered all customer segments of KGI Bank, with a 100% coverage rate.

- Counter-service satisfaction survey

China Life Insurance conducts customer satisfaction survey to understand customers' satisfaction with counter services, which can be used as a reference to improve services. After handling customers' requests, the counter staff will ask the customers to score the service from 1 to 5 (out of 5) based on their level of satisfaction. In 2019, customer satisfaction rates were at least 4 out of 5 in 99.9% of cases at general service counters and 100% in cases at care counters.

- Phone-service satisfaction survey

China Life Insurance continues to conduct customer-satisfaction survey to understand customers' satisfaction with phone services, including online problem-solving and overall performance, which can be used as a reference to improve services. In 2019, the customer-satisfaction rate averaged at least 4 out of 5 in 100% of phone service cases.

Year	2016	2017	2018	2019
Counter- service satisfaction survey— General service counters	99.5%	99.9%	99.9%	99.9%
Counter- service satisfaction survey—Care counters	- (since 2017)	100%	100%	100%
Phone- service satisfaction survey	- (since 2017)	96%	100%	100%

Note: An average score above 4 points is deemed "satisfied."

Other service-satisfaction surveys

- Customer-service satisfaction survey

In 2019, 28,562 clients were randomly requested by the call center to give satisfaction ratings from 1 to 5 (out of 5) after receiving service. A total of 22,533 (about 78.89%) completed the questionnaire, of which 97.8% were satisfied (4 out of 5) and very satisfied (5 out of 5).

The satisfaction ratio in 2019 (97.8%) surpassed the set goal (95%).

Year	2015	2016	2017	2018	2019
Number of clients requested	36,699	29,244	31,538	25,768	28,562
Number of respondents	28,689	23,620	26,127	19,871	22,533
Questionnaire-completion rate	78.17%	80.77%	82.84%	77.12%	78.89%
Number of respondents satisfied and very satisfied	28,008	23,113	25,524	19,423	22,039
Satisfaction ratio (%)	97.60%	97.90%	97.70%	97.75%	97.81%

Score: 1: very unsatisfied, 2: unsatisfied, 3: average, 4: satisfied, and 5: very satisfied.

• Financial Digitization Satisfaction Survey

KGI Bank optimized or added 100 online banking and mobile banking functions in 2019, including most-used functions like deposits/remittances and account information/e-statement inquiry and upgrades to automated banking-channel functions. Meanwhile, to enhance our service efficiency and reduce the waiting time for our clients, internal operating systems were optimized on a large scale, including functions like inquiries, customer material information record, and document digitization, improving the integrity of the functions and the ease of operation/inquiries.

Online & mobile customer satisfaction survey results				
Year	2016	2017	2018	2019
Number of respondents	1,656	756	1,053	1,026
Satisfaction ratio (%)	72.58%	84.13%	90.60%	92.20%

• Digital magazine satisfaction survey

In 2019, KGI Securities conducted the semiannual customer satisfaction survey of K-LOHAS, a digital investment magazine, and received 1,185 valid questionnaires online (85% of the respondents were existing customers of KGI Securities), with 77% of the readers satisfied (4 out of 5) and very satisfied (5 out of 5) at columnists invited by KGI Securities.

Service Quality Improvement

KGI Bank conducts mystery visits every half year. In 2019, KGI Bank conducted mystery visit twice (in 1H and 2H), visiting 54 branches each time. Evaluation items included customer guidance and greeting, waiting time, procedural instructions, banking service representatives' etiquette and professionalism, tidiness/cleanliness inside and outside of the building, and the smoothness of ATM/ADM operations. 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.

In 2019, 83% of the incoming calls were connected within 20 seconds. Customers' requests were handled quickly and accurately. In addition to timely training, we also regularly updated and optimized the rules of various operating procedures, including 17 for credit cards, 3 for loans, 5 for the Cash Card, 25 for deposit/wealth management, and 9 for general procedures, and a total of 59 rules have been amended. In exceptional situations, KGI Bank also has an open reporting mechanism in place to instantly respond to various situations at the service scene. In 2019, KGI Bank invested in a large-scale update of core operating systems. In the future, it will continue to optimize internal procedures and the digital platform designed to meet clients' needs more closely, enhance our customer service efficiency, and make more clients satisfied and want to use and recommend KGI Bank.

Customer Service Platform

Multiple notification channels

In addition to 54 branch locations nationwide and the customer complaint hotline, KGI Bank also has several channels that enable clients to give feedback on their service experience: official website, mobile app, multimedia call-number machine in branches, and account statement. With penetration of digital services and popularization of social media, clients can also interact with KGI Bank through various social media such as LINE and Facebook fan pages while instantly reporting issues. This is evidence that we are open to receiving complaints from our clients and addressing them.

With the advantage of rolling out diversified products, KGI Securities serves as a professional wealth manager to offer wealth-management services different from banks, allowing customers to enjoy integrated account services ranging over Taiwan stocks, futures, sub-brokerage, wealth management trust, and international securities. KGI Securities addresses itself to meeting customers' various needs of wealth-management services while attaching great importance to customers' views on products and services. Customers may make suggestions on KGI Securities' products, services or operating procedures at a service counter, online, or by phone, mail, or e-mail. KGI Securities also provides various channels for customers to contact us and give feedback.

Customer-service operations

KGI Bank has formulated 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 taken of all customer suggestions. KGI Securities has various channels in place for customers to make inquiries and give feedback at any time, including customer service hotlines 02-2389-0088 and 0800-085-005 (toll-free), online text-based customer service (webchat), and an electronic mailbox (service1@kgi.com). While receiving customers' views, our employees follow a sincere approach and fully understand the disputes or causes of complaints. We strive to handle customers' issues immediately and may retrieve related data or vouchers as needed. After internal communication and discussions about solutions, we will explain to customers how their issues are handled. If customers still harbor doubts or refuse to accept the explanation, we will reexamine the cases to see if they are handled appropriately and make every effort to offer reasonable solutions, so that the disputes can be resolved harmoniously.

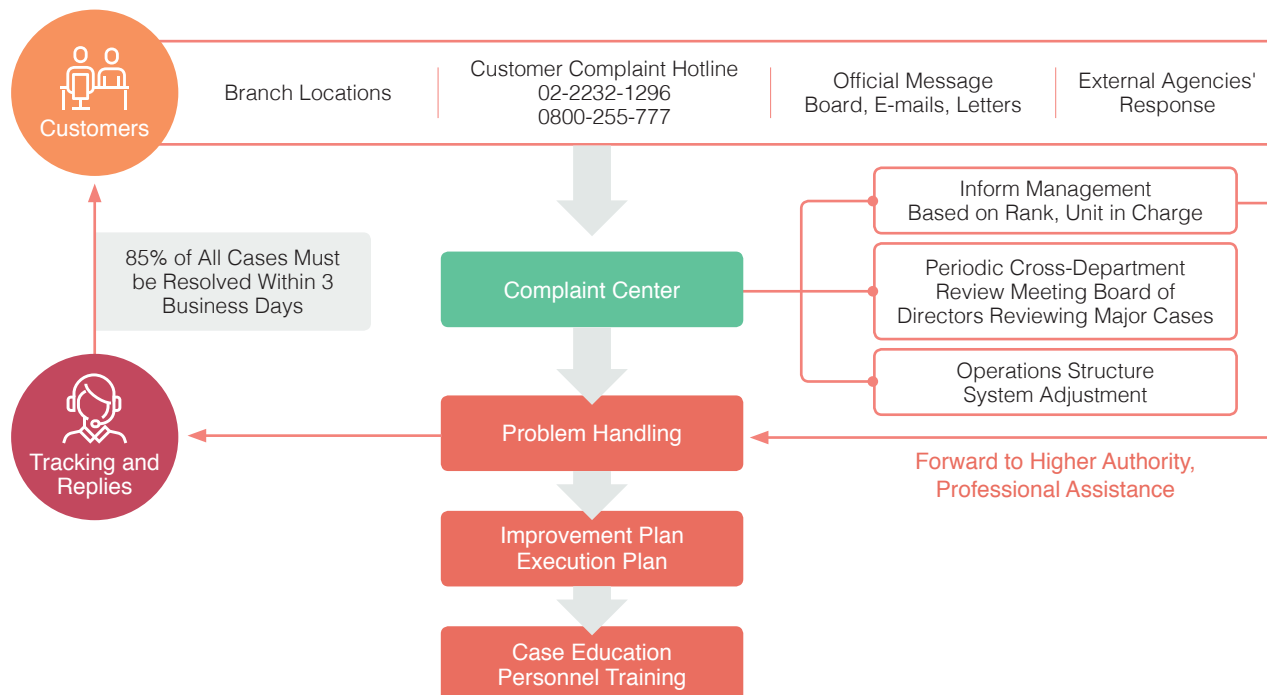
KGI Securities has a button, "Customer Service Center," set up on the company's website, providing customers access to information such as account opening and trading procedures, trading platform introduction/teaching/component downloading, frequently asked questions, and customer service contact information. Our customer service personnel and sales agents across Taiwan will also approach customers from time to time to understand their satisfaction with and need for our products and services and address their problems in an efficient way.

Customer complaint handling

In 2019, KGI Bank received 209 complaints from clients, a 4% and 14% decrease compared to 2018 and 2017, respectively, 91% of which were handled within three business days, exceeding the set target of 85%. The other 59 complaints were mainly related to issues of service attitude and proficiency, and operational processes and systems. A total of 67 improvements have been made to effectively resolve the issues and thus improved customer service.

KGI Securities has formulated "Guidelines for Handling Customer Complaints and Disputes" and established a customer service center to improve the efficiency and quality of handling of customer complaints and disputes to protect their rights and interests. After considering customers' views and customer service center records, the complaints are analyzed in detail and immediately reported to the manager on the same day, and the customers are informed of the decisions in three to five days. If the complaints are about service attitude, operating procedures, and systems, the concerned units have to make amends to ensure the problems are effectively resolved. After customers receive phone service, the customer service center will randomly request them for their satisfaction ratings, which can be used as a reference to improve services. The customer service center also holds awareness training on a regular basis to optimize customer service. In 2019, KGI Securities received 46 complaints, a 11% decrease from 52 cases in 2018. All the complaints have been handled appropriately and closed.

Multiple notification channels and high standards of handling efficiency



Customer complaint statistics and analysis

Customer complaint statistics and analysis	2017	2018	2019
Number of complaints (KGI Bank)	242	218	209
Percentage of cases resolved within 3 days	89%	90%	91%

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

Type of improvements made	2017	2018	2019
Education and training/sampling/case advocacy	63	42	39
Current workflow adjustment	10	9	9
Improvement of enhancement of system functionality	5	3	12
Adjustment of official website/voice mail/text message	7	5	2
Adjustment of the operative manual/education training materials	5	1	2
Adjustment of the form style or notification content	1	2	2
Testing or replacement of machine/ATM	1	2	1
Adjustment of manpower	1	-	-
Total number of improvements made	93	64	67

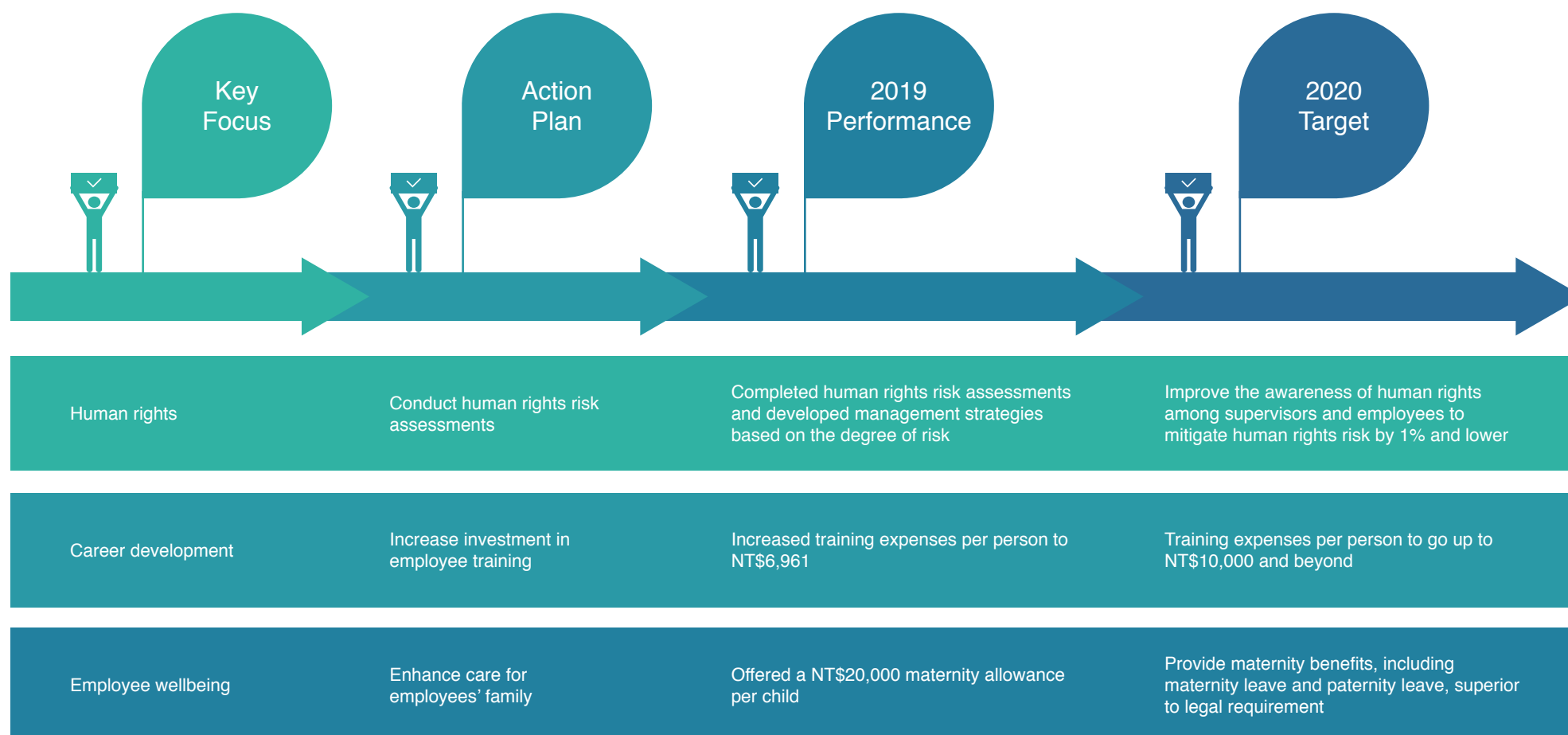


4

**Elite Talent
Development**

Talent is a company's most important asset and is the key to excellence in business operations. So, each and every one of our employees, regardless of gender, nationality, age, or rank, is an important partner in sustainable development.

CDF fosters an exceptional workplace and offers competitive salaries to attract talented people and provides them diverse channels of development, which enable them to realize their full potential and be a proud member of the CDF family.

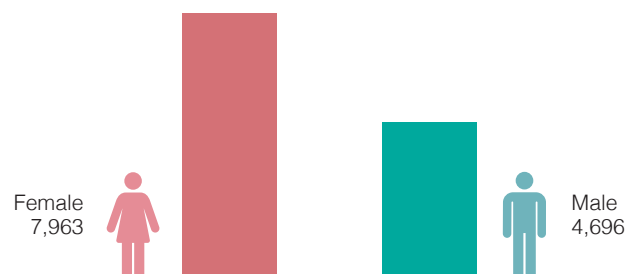


4.1 Workforce Diversity

As end of 2019, there were 12,659 full-time employees and 8,424 part-time employees and contract employees. CDF mainly operates in Taiwan, with a local employment rate of 99.7%. In each location where we operate, we hire local employees first. The local employment rate outside Taiwan is 96.0%.

We attach great importance to gender equality in our workplace. As end of 2019, female employees accounted for 62.9% of total employees. Among managers in CDF, females constituted 38.4%, and among business executives, 63%. Of the 68 indigenous employees, 49 were female, and of 97 physically or mentally challenged employees, 48 were female.

Type/Region of Employment		Female		Male		Total	
		No. of employees	Percentage (%)	No. of employees	Percentage (%)	No. of employees	Percentage (%)
Full-time employees	Taiwan	7,660	60.5	4,351	34.4	12,011	94.9
	Overseas	303	2.4	345	2.7	648	5.1
	Subtotal	7,963	62.9	4,696	37.1	12,659	100
Part-time and contract employees	Taiwan	5,095	60.5	2,686	31.9	7,781	92.4
	Overseas	183	2.2	460	5.4	643	7.6
	Subtotal	5,278	62.7	3,146	37.3	8,424	100



Type of Full-time employees		Non-managerial positions	Managerial positions		Total
			General managers	Senior managers	
30 years old & under	Female	926	0	0	926
	Male	789	0	0	789
	Subtotal	1,715	0	0	1,715
31~49 years old	Female	5,295	59	17	5,371
	Male	2,838	73	27	2,938
	Subtotal	8,133	132	44	8,309
50 years old & above	Female	1,606	23	37	1,666
	Male	851	36	82	969
	Subtotal	2,457	59	119	2,635
Total	Female	7,827	82	54	7,963
	Male	4,478	109	109	4,696
	Subtotal	12,305	191	163	12,659

Definition of executives: Executive Vice Presidents and first-level managers (inclusive) and above.
Definition of general managers: managers other than senior managers.

4.2 Human Rights

4.2.1 Human Rights Commitment and Assessment

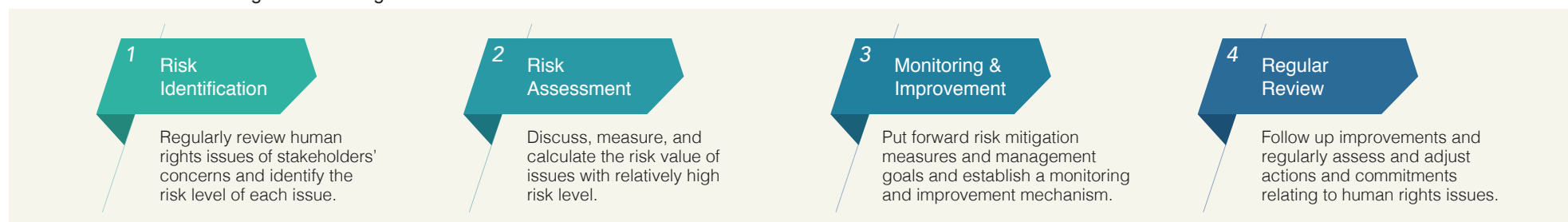
CDF is committed to upholding and observing all the international human rights treaties. The scope of the CDF Human Rights Commitment includes all of our employees. We will continue to review and execute the aforesaid commitment thoroughly. As per the human-rights risk-assessment management process, the "Employee Well-Being WG" under the CSR Committee assesses the human rights risk to all employees across the Group. Over 200 questionnaires were circulated and retrieved to determine risk level relating to potential human rights abuses in CDF's workplace. Human-rights issues with medium to low risk and extremely low risk were identified, which included extended working hours, labor disputes, grievance channels, and workplace sexual harassment. Attaching great importance to this human rights issue, we have taken measures immediately to mitigate the risk of this issue so that our employees can achieve a work-life balance. In 2019, our employees received a total of 24,300 hours of education and training on human rights related issues, with a 72% 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. The Company does not employ any child labor, and no human rights violations were reported in 2019. For information on labor inspections and punishments in relation to our subsidiaries, please refer to the Annual Report.

CDF Human Rights Commitment

CDF respects human rights and strives to comply with and promote human rights in accordance with international human rights standards including the UN Universal Declaration of Human Rights, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and 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. The full version of the Commitment is available at the following QR code:



Assessment of Risks Relating to Human Rights



2019 Risk assessment results relating to Human rights

The results of the assessment indicates CDF employees show relative significance in work-life balance. Necessary measures have already been implemented to reduce such risks.

Target	Issue	Group of Potential Risk	Method	Criteria & Result	Measures
All full-time employees	Work-life balance	Employees extending working hours regularly	Number of employees with extended working hours > 45 hours per month / Total number of employees	2.69% Low risk	1. Promote the work-life balance and set the limit of total extended working hours per day/month 2. Urge departments with higher extended working hours to implement improvement plans 3. Offer a health examination plan that is better than legal requirements and engage professional nurses to provide nursing services

For other issues, we will continue to elevate relevant management measures to minimize risks.

Issue	Measures
Labor-management relations	1. Analyze causes of labor disputes and put forward improvement plans 2. Strengthen internal communication and facilitate mutual understanding and trust between management and labor
Grievance mechanisms	1. Provide diverse, unimpeded, and confidential complaint channels for employees 2. Handle employee complaints and address issues of employees' concerns according to law and impartially
Prevention of workplace sexual harassment	1. Set up a sexual harassment complaint hotline and a dedicated e-mail address to handle complaints according to law 2. Organize training courses on the prevention of workplace sexual harassment on a regular basis

Category	A % of Total Assessed in Last Three Years in Terms of Human Rights	B % of Total Assessed (Column A) where Risks Have Been Identified	C % of Risk (Column B) with Mitigation Measures Taken	Unit
Employees	100%	2.69%	100%	Number of employees

4.2.2 Workplace Health and Safety

We care about the health of our employees. As workplace safety is high on our agenda, we provide a quality work environment in all its aspects to ensure the physical and mental wellbeing of our employees. Based on the results of health examinations, our professional nurses review and screen high-risk employees for follow-up. Physicians are also engaged to make diagnoses, conduct interviews, or provide information on health education depending on the case in order to raise employee awareness and enhance their physical and mental wellbeing.

Prevention and Mitigation Measures for Occupational Safety and Health Risks

Type of risk	Prevention and mitigation measures
Employee health and occupational disasters	<ul style="list-style-type: none"> Provide labor insurance and health insurance, regular health examinations, and on-site physician services Console and express sympathy to employees suffering from accidental injuries or hospitalized due to illness Organize regular seminars on workplace safety, fire drills, and disaster control and prevention Implement emergency response plans and reporting systems Employ or contract professional nurses to provide basic nursing services and promote the latest medical and health knowledge from time to time
Workplace safety and health	<ul style="list-style-type: none"> China Life Insurance has the "Occupational Health and Safety Committee," "Occupational Health and Safety Department," and "Workplace Violence Prevention and Handling Task Force" in place, which consist of occupational health and safety line managers, occupational health and safety administrators, physicians, nurses, and first-aid personnel who are responsible for the planning, supervision, execution, evaluation, and remediation of occupational health and safety affairs. Set up occupational health and safety line managers, occupational health and safety administrators, and first-aid personnel to organize regular training sessions on workplace safety to keep employees up to date on the latest safety practices in order to reach the goal of zero-accident workplace. Organize health-care workshops and seminars as part of our employee health promotion and occupational disease prevention activities.
Organize health-care workshops and seminars as part of our employee health promotion and occupational disease prevention activities	<ul style="list-style-type: none"> Organize internal/external training courses for new recruits, existing employees, occupational health and safety line managers, first-aid personnel, fire safety administrators, and nurses as needed Declare the safety inspections of fire protection equipment and buildings in the workplace on a regular basis and implement the spontaneous health and safety inspections of workplace equipment and environmental monitoring (including CO₂ concentration and illumination) once every half year to ensure the soundness of the work environment

Note 1: China Life Insurance has a permanent Occupational Safety and Health Committee in place, which has a chairperson and six regular members. Of these, three are labor representatives, accounting for 42.9% of total membership. The Committee meets quarterly to review safety and health policies and make suitable recommendations and proposals.

Measures for Employee Health and Workplace Safety

Organization Chart of China Life Insurance's Occupational Safety and Health Committee

President

Occupational Safety and Health Committee

Headquarters

Safety and Health Section,
Workplace Services Department
(with dedicated safety and health
personnel set up as per law)



Employee wellbeing

- Offer health examinations that are better than legal requirements in terms of examination items and frequency
- Employ or contract professional nurses to promote employee wellbeing and health education, prevent occupational disasters or injuries, and give first aid in case of emergencies
- Promote the information on infectious disease prevention and health-care through internal e-mails or bulletin boards

Occupational safety facilities

- Install automated external defibrillators (AED), blood pressure meters, wheelchairs, and first aid kits
- Arrange AED and cardiopulmonary resuscitation (CPR) training classes to provide medical care in a timely manner
- China Life Insurance has received the AED certification issued by Ministry of Health and Welfare; KGI Bank has an infirmary in place.

Response to occupational disasters

- Declare the safety inspections of fire protection equipment and buildings in the workplace on a regular basis and set up fire safety administrators and self-defense groups to hold two fire alarm drills and evacuation drills every year as required by law
- Cooperate and participate in joint fire drills or emergency evacuation drills held by building management committees to strengthen employees' resilience against contingencies
- KGI Bank held a total of 109 anti-robbery drills in 2019.

Health management

- Contract physicians better than legal requirements to provide health consultation services on a regular basis; organize seminars (12 sessions in 2019) to help our employees release stress
- Arrange professional counseling institutions to help our employees release stress
- Organize quit smoking courses to implement a smoke-free work environment
- Hold cancer screening and blood donation activities; provide flu vaccines for employees (136 employees vaccinated in 2019)

Assessment of workplace hazards

- Implement prevention plans for overwork-related diseases, human-caused harm, and workplace violence and promote maternity health

Environmental monitoring

- Use ergonomic office furniture better than legal requirements; indoor lighting, air quality, drinking water quality, temperature and humidity control in the work environment are all periodically inspected by professional organizations
- Employees of China Life Insurance and KGI Bank have been certified as indoor air quality maintenance and management specialists, respectively, to ensure a safe and healthy workplace.
- Conduct regular office cleaning and sanitation and regular maintenance of elevators, air conditioners, water dispensers, power distribution facilities, and fire protection equipment
- Impose strict access control; surveillance systems are made sure to work properly to guarantee employees' safety at work daily

Measures for Employee Health
and Workplace Safety

Response to COVID-19

- Facing the worldwide spread of COVID-19 that has caused damage to business revenue and employee wellbeing, CDF has developed a contingency plan and worked with the government to protect employee wellbeing and business continuity.

Social care

- KGI Bank fulfills its corporate social responsibility by employing four visually-disabled masseurs as full-time employees since September 2018, who work four hours every day on weekdays to help other CDF employees relax. A 15-minute massage is free of charge and available in the afternoon. The service has been well-received, with about 3,697 employees receiving massage services in 2019.

Workplace facilities and activities

- Organize company activities such as racewalking, mountain cleanup, softball competitions, and family day
- Have a staff gym better than legal requirements, sign contracts with fitness centers to increase employees' willingness to exercise, and encourage employees to set up health-promoting clubs (currently 43 in total)
- Operate an employee cafeteria better than legal requirements to offer healthy, nutritious and delicious lunches and set a monthly "no-red-meat day" campaign to support carbon reduction
- Establish private and quiet breastfeeding rooms better than legal requirements, which have been accredited as "Excellent" by the Taipei City Government
- Have received the "Healthy Workplace" certification issued by the Health Promotion Administration, Ministry of Health and Welfare

We provide employees practical training courses on workplace health and safety, including proper computer postures and habits, to help employees who use computers for daily work manage their health.

Occupational Safety Courses

	2017	2018	2019
Total sessions	41	45	162
Total training hours	7,468	5,706	39,825
Participants	3,489	4,707	12,468
Participation ratio	98%	98%	99%

Note 1: Employees are required to take 3 hours of occupational safety related courses every three years; 3,560 employees were scheduled to be trained in 2017, 4,809 employees in 2018, and 12,594 employees in 2019.

Note 2: Data of China Life Insurance were included only in 2019, and hence the figures prior to 2018 (inclusive) do not include its data.

Absence Rate

	2016	2017	2018	2019
Total days of absence	5,525.2	7,538.5	10,571	19,690
Total work days	1,735,530	1,690,864	1,683,738	3,152,091
Absentee rate	0.32%	0.45%	0.63%	0.62%

Note 1: Absent days in 2016 and 2017 only included days of absence for sickness and occupation-related injuries.

Note 2: Data of China Life Insurance were included in 2019; therefore, the figures before 2018 (inclusive) did not contain data of China Life Insurance.

Note 3: Absent days in 2018 and 2019 included days of absence owing to sickness, for personal reasons, due to occupation-related injuries, menstrual period, and family care.

Occupational Injury Rate

	Female	Male	Total
Total occupational injuries (people)	26	10	36
Total number of days lost due to occupational injuries	194	101	295
Occupational injury rate (%)	1.47	0.57	2.04
Lost day rate (%)	10.99	5.72	16.71
Number of absentees	4,066	1,697	5,763
Days of absence	14,507	5,183	19,690
Absence rate (%)	0.73	0.44	0.62

Occupational injury rate (IR): (Total number of occupational injuries/Scheduled annual working hours) × 1,000,000* (*based on fifty weeks a year, forty hours a week, and per 500 employees)

Lost day rate (LDR): (Total number of days lost/Scheduled annual working hours) × 1,000,000* (*The absence rate of male and female employees is calculated based on the scheduled annual working hours of male and female employees.)

4.3 Career Development

4.3.1 Talent Recruitment and Retention

The success of financial business is driven by talents. In response to fast turnovers, competition at home and abroad, and the trend of Fintech, we attract new talents through campus recruitment programs, internal employee referral, official corporate website, job search websites, 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.

Talent Recruitment

Talent Recruitment Programs

Category	Program Name	Percentage of New Recruits
Freshmen	CDF - MA Program Since 2002, CDF has recruited 10 to 20 MAs each year and planned a rich and complete professional program for MAs, so that MAs can quickly absorb financial expertise and experience, which, combined with their own ambitions for excellency, will make them great financial talents.	19.6%
	China Life Insurance - Business-academia Collaboration China Life Insurance enters into business-academia collaboration with universities and colleges to promote its brand value, prime students for the workplace, and cultivate insurance professionals.	
	KGI Securities - Elite Incubation Program KGI Securities helps students gain practical experience and become ready for work through participation in financial product development, risk management project execution, TWSE/TPEX-listing consultancy and evaluation, customer service, and business development.	
Outstanding talents	CDF attracts outstanding talents in various fields through internal employee referral, official corporate website, job search websites, and other channels and offers competitive salaries and benefits.	80.4%

In 2019, CDF had 3,718 new recruits. For graduates who seek to enter the workplace and professionals at home and abroad, CDF proves the best partner to get started or make a career. The percentage of new recruits was 10.4% in 2019 (excluding 2,392 field employees of China Life Insurance).

		Female	Male	Total
30 years old & under	Taiwan	854	717	1,571
	Overseas	29	38	67
31~49 years old	Taiwan	1,114	677	1,791
	Overseas	24	38	62
50 years old & above	Taiwan	152	71	223
	Overseas	0	3	3

Percentage of Workplace Diversity

Category	Number of Employees	Percentage among Full-time Employees
Employees with physical disabilities	97	0.8%
Indigenous employees	68	0.5%



Percentage of Departing Employees (excluding field staff of China Life Insurance)

		Female	Male	Total
30 years old & under	Taiwan	165	116	281
	Overseas	15	29	44
31~49 years old	Taiwan	442	316	758
	Overseas	30	53	83
50 years old & above	Taiwan	72	66	138
	Overseas	4	10	14

The turnover rate of employees (excluding field staff of China Life Insurance) was 10.4% in 2019.

Business-academia Collaboration

Organizer	Program Name	Description	Recipients	2019 Performance
CDF	2019 Greater China (Asia-Pacific) Mock Contest on Mergers and Acquisitions - Mentor	The mock contest was collectively initiated by the College of Law and College of Commerce, National Cheng Chi University (NCCU) and is now open to the participation of college students in the Greater China area (Asia-Pacific). Since 2013, business executives have been invited to serve as mentors and judges and walk students through the process of actual M&As and negotiations and share their first-hand experience. The contest is an extension of the "Case Study on Merger and Acquisition" course conducted by the College of Law and College of Commerce, NCCU. The course brings together students from law, accounting, and business management and holds mock contests on mergers and acquisitions at the end of each year, where students from different fields team up and simulate the M&A process through virtual cases. By participating in this course activity, CDF shares expertise and practical experience in mergers and acquisitions and direct investments with students, opening up opportunities for business-academia collaboration in the fields of law and commerce.	Students of College of Law and College of Commerce, National Chengchi University	50 students participated
CDF	NCCU Summer School: Case Study on Merger and Acquisition - Mentor	This is an extension of the "Case Study on Merger and Acquisition" course conducted by the College of Law and College of Commerce, NCCU. Each year, three students from China, Hong Kong, and Macau participate in the one-month internship at CDF. Apart from sharing the practical experience of M&As, CDF also facilitates cross-regional academic exchanges by giving students an opportunity to experience the work environment of Taiwan's large financial holding companies and customs in Taiwan.	<ul style="list-style-type: none"> Students of School of Law, Xiamen University Students of Faculty of Law, Macau University of Science and Technology Students of Institute of Economic Law, Shanghai Jiao Tong University 	3 students participated
CDF	NCCU College of Law: Public Service Training Programs - Honorary Mentor	Since 2013, CDF has served as an honorary mentor of the "NCCU College of Law: Public Service Training Programs," assisting students in using their legal expertise for public service and giving advice on career planning to increase students' participation in public affairs, passion for public service, and ability to deal with practical cases. In 2019, the trainees visited the Financial Ombudsman Institution, Legal Aid Foundation, and Environmental Jurists Association to serve and learn.	Students of National Chengchi University	20 students participated

Talent Retention

Performance Evaluation

We value the long-term performance of our employees. With a fair performance management system, we review accomplishments during the evaluation period through a three-stage performance evaluation process consisting of defining goals, mid-term follow-up and adjustment, and final review of results. In addition to individual performance evaluations, we also include employees' accomplishments in legal compliance, information security, risk management, and ESG in their performance evaluation. The results of the performance evaluations are used as a benchmark for determining performance bonuses, promotions, salary raises, and career development.

Type of Performance Evaluation	Percentage of Full-time Employees
Management by objectives	100%
360 degree feedback/multidimensional performance evaluation	6.6%
Formal comparative ranking	100%

Note: CDF conducts a 360 degree view of an employee's performance every two years, and the recipients are employees at the management level. This table represents the ratio of employees who received a 360 degree view of their performance last time to full-time employees. CDF's subsidiary CDIB Capital Group also conducted a 360 degree performance review of all employees with a 95.4% completion rate.

Long-term Incentive Programs

To retain outstanding talents, CDF offers deferred bonuses, employee stock ownership trust, employee stock options, and other medium-term/long-term incentives. The "stock-ownership trust plan" and "employee stock options" correlate with the movement of the Company's share price and are designed with a deferral system to encourage employees to bear in mind the Company's long-term interests.

Employee Satisfaction/Engagement Survey

As the Group scales up its operations, we pay more attention to our employees' voices. In 2019, KGI Bank commissioned a third-party consulting company to conduct a survey among employees to understand their identification with the organization and the level of their engagement. KGI Bank hopes that such efforts will help it to maintain better labor-management relations that would increase their identification with the organization.

Target	A total of 2,471 KGI Bank employees, accounting for 19.5% of the Group's full-time employees	
Number and percentage of valid responses	Male: 827 (39.4%)	<ul style="list-style-type: none">• Number of valid responses: 2,099• Percentage of valid responses: 85%
	Female: 1,272 (60.6%)	
Overall engagement rate	Male: 95%	Total: 95%
	Female: 95%	
Main aspects	<ul style="list-style-type: none">• Organizational culture and employee engagement• Work mastery and balance• Teamwork and development	

Note: The 6-point scale is used in the survey, with 1 to 6 point(s) representing "strongly disagree," "disagree," "slightly disagree," "slightly agree," "agree," and "strongly agree" respectively. The defined standard is 4 points (inclusive) and above.

Recognition of Veteran Employees

To recognize our veteran employees who have worked for CDF for many years, we hold a charity event & employee appreciation at the end of each year. Employees who have served for 15, 20, 25, 30, and 35 years are invited to attend the event and receive applause and blessings from everyone, along with memorabilia. In 2019, 464 veteran employees attended the event and received applause.

4.3.2 Human Capital Development

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. The “CDF Financial Academy,” “KGI e-Learning,” and “China Life Insurance Academy” continue to serve as a knowledge exchange center and experience sharing platform for all employees. Average employee satisfaction rate toward the contents and learning environment of the training course reached 88% in 2019. In order to adapt to the rapidly changing financial environment and customer needs, CDF has continued to implement employee development programs and nurture all-round financial professionals.

Employee Training in 2019

	2018			2019		
	Female	Male	Total	Female	Male	Total
Total training hours	149,573	78,257	227,830	600,707	333,986	934,693
Average training hours	39.2	34.0	37.2	75.4	71.1	73.8
Average training hours: managerial	37.1	30.9	33.7	71.4	66.4	69.5
Average training hours: non-managerial	39.4	34.9	37.9	77.1	73.0	75.6
Total education and training expenses (NT\$)	23,099,091			88,120,275		

Note 1: Data of China Life Insurance were included in 2019; therefore, the figures in 2018 did not contain data of China Life Insurance.

Note 2: Managerial positions include CDF's managers and China Life Insurance's field business executives.

In 2019, CDF launched online training courses on ethical corporate management (including anti-corruption) to promote Ethical Corporate Management Best Practice Principles. A total of 8,094 employees (100%) received this training with good learning outcome and signed a statement of compliance with the Ethical Corporate Management Best Practice Principles online at the end of training. We offer a variety of courses to employees, which focus on knowledge of corporate governance, compliance, money-laundering prevention, corporate social responsibility, ethical corporate management, and occupational health and safety. All employees are required to complete internal and external training as per the needs of their job and relevant laws and regulations. We also update our employees on the latest laws and regulations.

Training Hours and Participation Ratio in 2019

	Total Training Hours	Average Training Hours per Person	Participation Ratio (%)
New employee orientation	447,450	6.6	98.9
Management skills	38,762	2.3	72.3
Professional knowledge	524,614	4.4	96.2
Legal compliance	281,244	2.8	96.9
Corporate social responsibility	116,752	9.1	88.2
Information security	33,253	1.2	99.2
Ethical corporate management	14,855	1.1	100

Employee Development System

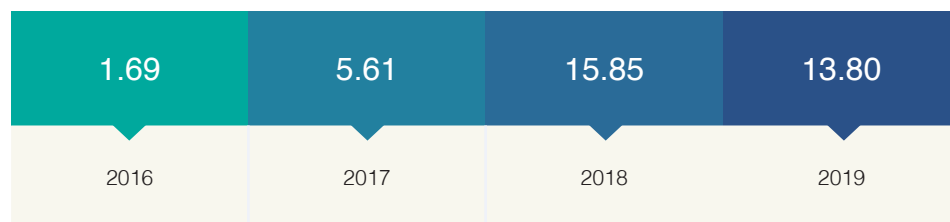


Employee Development Programs

Program name	Description of program	Quantitative impact of business benefits (monetary or non-monetary)	Percentage of employees participating in the program
Digital Transformation Training Program	<p>China Life Insurance plans to train executives and employees in digital strategy & leadership, and digital capacity, respectively:</p> <ul style="list-style-type: none"> Digital strategy & leadership: Senior managers are scheduled to attend a 16-week artificial intelligence workshop. Digital capacity: An expert in the industry is invited to teach employees Python to enhance their digital capacity. 	<p>Digital strategy & leadership: The President and other ten executives attended training held by Taiwan AI Academy to learn the operation, limitations, and future development of artificial intelligence.</p> <p>Digital capacity: "Python Language Foundations and Web Crawlers" has been organized for two consecutive years, with a total of 93 trainees attending for 2,790 hours. Trainees included IT personnel and support staff.</p>	<p>Trained managers accounted for 12.4% of all department heads and above.</p> <p>Trained employees accounted for 4.3% of all section heads and below.</p>
Key Talent Development Plan	A four-month training program allows key talent to learn cross-departmental knowledge, industry trends, service innovation, execution, and presentation skills, enhance management skills and teamwork, and build cohesion among employees within the organization.	41.6% of the trainees in 2019 were promoted within one year.	Trainees accounted for 7.9% of all section heads and below.
MA Program	CDF recruits 10–20 MAs every year and offers them a one-year comprehensive training and practicum course. In addition to the CEO and other executives of CDF who are invited to share light on the business philosophy, the development strategy and future expectations of CDF, the heads of major business divisions also plan a rich and complete professional program for them, so that they can quickly absorb financial expertise and experience, which, combined with their own ambitions for excellence, will make them great financial talent capable of creating a bright future for them with the Group.	<p>In 2019, 18 MAs were recruited and trained for 3,802 hours.</p> <p>The program is an important source of digital finance and FinTech talent.</p>	MAs accounted for 1.4% of all new employees in 2019.

Evaluation of Employee Training Results	Evaluation Level			
	Evaluation Criterion		Evaluation Method	
	Evaluation Criterion		Evaluation Method	
	Evaluation Criterion		Evaluation Method	
	Evaluation Criterion		Evaluation Method	
<p>In 2019, we started to introduce the Kirk Patrick Model step by step to evaluate the results of employee development programs and disclose the human capital return on investment.</p>	L4 Result	Employees' substantial contribution to CDF	Actual training results	Human capital return on investment: 13.8
	L3 Behavior	Employees' change of behavior at work	Hands-on practice/performance evaluation/360 degree feedback	The 360 degree feedback score increased from 4.07 to 4.23 on average.
	L2 Learning	Employees' skill/knowledge/attitude performance	Test/evaluation results	Passing rate of required courses: 100% The compliance test score averaged 86.
	L1 Reaction	Employees' satisfaction with training	Satisfaction surveys	Average satisfaction rate: 88%

We have made every effort possible to nurture talent, as we believe that the collective growth of the employees and the Company can lead to greater team competitiveness and create sustainable value. Therefore, we have introduced the Human Capital ROI as an evaluative indicator, 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.



Note: Data of China Life Insurance have been included from 2018.

Percentage of Job Openings Filled by Internal Candidates in 2019

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 business needs.

Number of internal job openings in 2019	693
Number of job openings filled by internal candidates in 2019 (internal mobility)	223
Percentage of job openings filled by internal candidates	32.2%

4.4 Employee Wellbeing

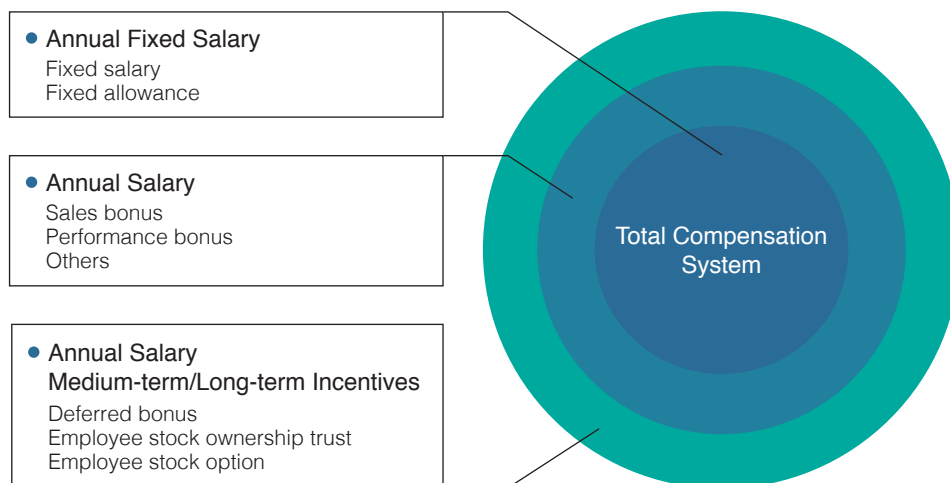


4.4.1 Employee Benefits

Compensation System

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 just out of colleges/universities are at least 2.7 times the statutory minimum and gender plays no role in compensation offered.

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. In 2019, the Company increased salaries by about 3% on an average and of employees with outstanding performance by 10% or more.



In 2019, we had 7,032 non-managerial full-time employees, an increase of 10.5% YoY, with their salaries averaging NT\$1,118 thousand, a 14.4% increase YoY, the median amounting to NT\$917 thousand.

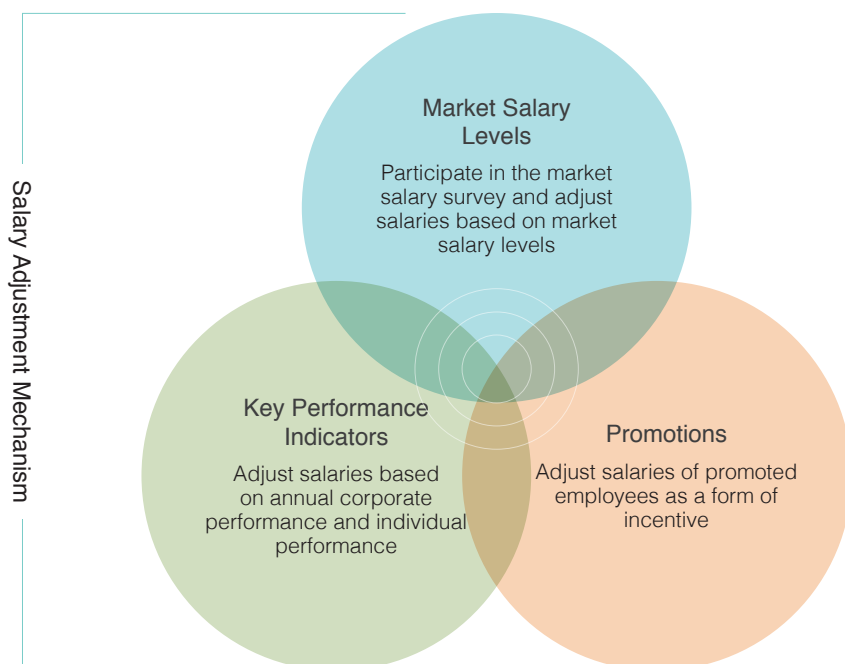
Domestic Employee Salary	Female	Male
Senior managers	102	100
General managers	97	100
Non-managerial positions	84	100

Benefits and Retirement System

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. Since 2017, CDF has implemented the “Employee Caring and Health Care Projects” to provide a better work environment, medical consultations, and health examinations. In addition to more annual leave than required by the Labor Standards Act, we offer 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. All of these are the concrete actions we take to take care of our employees and their family members. In 2019, we continued to improve maternity benefits, including substantial maternity allowances, more flexible work arrangements, and childcare service rendered by third-party partners to help improve the declining birth rate.

Employee Caring and Health Care Projects

- **Flexible working hours:** CDF provides flexible working hours so that employees can take care of their young children. Moreover, employees can choose to start their lunch break early or late by 15-30 minutes to best fit their work schedule to achieve work-life balance.
- **Working from home arrangements:** In the face of the COVID-19 pandemic, CDF has developed a contingency plan and made working from home arrangements. Supported by an effective information system, employees may work from home in turn based on their health conditions and the company’s overall arrangements in order to maintain business continuity and employee wellbeing at the same time.
- **Childcare service:** CDF has contracted with external childcare centers to provide preferential childcare service for employees.



Childcare Benefits: We offer a maternity allowance amounting to NT\$20,000 per child to increase employees' willingness to bear children, so as to resolve the declining birth rate.

Parental leave

	2018			2019		
	Female	Male	Total	Female	Male	Total
Number of eligible applicants in 2019	NA	NA	NA	133	113	246
Number of actual applicants in 2019	48	6	54	48	13	61
Number of expected reinstatements in 2019	55	9	64	64	14	78
Number of actual reinstatements in 2019	33	4	37	47	11	58
2019 Reinstatement rate (%)	60.0	44.4	57.8	73.4	78.6	74.4
Reinstatement rate of the previous year (%)	93.9	-	93.9	77.1	37.5	71.4

Note 1: Eligible applicants in 2019 included employees asking for maternity leave and male employees applying for a maternity allowance.

Note 2: Reinstatement rate = Number of actual reinstatements/Number of expected reinstatements.

Note 3: Reinstatement rate of the previous year = Number of employees who had been reinstated and had worked for more than one year at the end of the previous year/Number of employees reinstated in the previous year (Employees who had worked for less than one year after reinstatement either resigned voluntarily or applied for unpaid leave again). In 2017, no employee was reinstated.

Note 4: Data of China Life Insurance were included in 2019, therefore, the figures in 2018 did not contain its data.

Employee Networking

To encourage employees to participate in sporting events actively, CDF organizes softball games in every spring and autumn. Employees of CDF and its subsidiaries are encouraged to team up to participate in the spring and autumn games. In 2019, 13 softball teams, with a total of 600 players, participated in the spring games, and the autumn games attracted 500 players from 12 softball teams. A children's playground and catering services were also arranged for employees and their family members to have a good time.

Employee Insurance and Pension Plan

We offer employees life insurance, accident insurance, hospitalization/healthcare insurance, cancer 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, hospitalization/healthcare, cancer, and other policies. In accordance with the Labor Standards Act and the Labor Pension Act, we make monthly pension contributions to employees' personal accounts maintained by the Labor Pension Supervisory Committee and the personal account for pension fund.

Defined Contribution Plans	Defined Benefit Plans		
<ul style="list-style-type: none"> CDF and its subsidiaries in Taiwan contribute 6% of monthly salary to employees' personal pension accounts as required by the Labor Pension Act. In 2019 and 2018, total pension reserves amounted to NT\$ 615,933 thousand and NT\$ 614,054 thousand, respectively. Overseas subsidiaries make contributions according to local regulations. In 2019 and 2018, total pension reserves were NT\$ 8,064 thousand and NT\$ 7,528 thousand, respectively. 	<ul style="list-style-type: none"> CDF and its subsidiaries in Taiwan distribute pensions to retired full-time employees based on their years of service and base salary upon retirement, as required by the Labor Standards Act. 		
		2018	2019
	Present value of defined benefit obligation	3,001,474	3,169,236
	Fair value of employee benefit plan assets	(2,013,124)	(2,126,435)
	Net defined benefit liabilities	988,350	1,042,801



4.4.2 Labor-Management Relations

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. In 2019, there were labor-management meetings held, with the topics discussed including work-hour extension, work-hour flexibility, and other issues.

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. On June 13, 2019, KGI Bank entered into a collective bargaining agreement with its labor union, and 100% of its full-time employees were covered by the collective bargaining agreement. In 2019, employees participating in the labor union or covered by the collective bargaining agreement accounted for 25.3% of all regular employees in Taiwan.

The employee complaint procedure is published on our internal website to fully reflect our employees' opinions. 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 2019, there were three employee-related complaints, including speaking in an inappropriate manner on the phone, adjusting seats without prior communication, and new recruits failing the probationary evaluation. These complaints have been handled in an appropriate manner.



To safeguard the rights and interests of our employees, CDF may terminate the labor contract after giving a prior notice if any of the conditions stipulated in Article 11 of the Labor Standards Act are met.

The periods of prior notice are as follows

10-day notice: For an employee who has worked continuously for more than three months but less than one year.

20-day notice: For an employee who has worked continuously for more than one year but less than three years.

30-day notice: For an employee who has worked continuously for more than three years.



5

**Low-Carbon
Economy**

While pursuing growth in business operations and revenue, CDF pays attention to a sustainable and stable development of the environment. The escalating impact of global warming has prompted us to take energy conservation initiatives among our employees and stakeholders seriously. We also follow a low-carbon approach to business operations, such as reducing greenhouse gas emissions and waste, and recycling and reuse of water resources. In 2019, CDF and China Life Insurance joined forces to build a low-carbon economy to fulfill our corporate social responsibilities.

Category	Action plan	2019 Performance	2020 Target
GHG management	<ul style="list-style-type: none"> Promote energy conservation and carbon-reduction programs at the workplace Continue expanding the certification of ISO 14064-1 (greenhouse gas inventory) Continue participating in the annual certification of ISO 14001 (environmental management system) 	<ul style="list-style-type: none"> In ISO 14064-1 greenhouse gas inventory, our unaudited coverage inventory has reached 97.8% ^(Note 1), while it is 62.1% on verification with certification; CO₂e decreased by 1,597.10 metric tons, or 7.2% ^(Note 2), per capita by 8.0% in relation to 2016 Passed the third-party annual certification of ISO 14001 (environmental management system) 	<ul style="list-style-type: none"> Maintain CO₂e at the same level as of 2019 Continue improving the coverage of ISO 14064-1 (greenhouse gas inventory) Continue obtaining the certification of ISO 14001 (environmental management system)
Energy management	<ul style="list-style-type: none"> Promote energy conservation initiatives Purchase energy-saving equipment Use green electricity Evaluate photovoltaic (PV) systems for the development of renewable energy Continue participating in the annual certification of ISO 50001 (energy management system) 	<ul style="list-style-type: none"> Energy conservation initiatives in 2019 achieved a reduction of 827,200 kWh, or 7.5% ^(Note 2), a per-capita reduction of 8.3% in relation to 2016 Awarded 31 solar power certificates and 31,000 kWh of green electricity Passed the third-party certification of ISO 50001 (energy management system) The new headquarters met the criteria to receive golden medal-grade "Green Building Candidate Certificate" 	<ul style="list-style-type: none"> Reduce electricity consumption or maintain it at the same level as of 2019 Implement energy conservation programs at the workplace Complete PV systems at the new headquarters for the development of renewable energy Continue passing the certification of ISO 50001 (energy management system) Install PV systems in CDF's buildings for the development of renewable energy
Water-Resource management	<ul style="list-style-type: none"> Promote water conservation measures among employees Preferential purchase policy for water-conservation eco-label certified equipment Plan a rainwater-harvesting system 	<ul style="list-style-type: none"> Reduced water consumption by 1.5% or by 4.8% in relation to 2016 The new headquarters was planned with a rainwater-harvesting system 	<ul style="list-style-type: none"> Reduce water consumption by 2% in relation to 2016 Launch a rainwater-harvesting system by the end of 2020
Waste management	<ul style="list-style-type: none"> Reduce or maintain the total waste produced in 2018 Enhance waste recycling Continue promoting paperless operations for business and internal management 	<ul style="list-style-type: none"> Totaled to 526.78 metric tons of waste, showing a reduction of 2.6% from the 541.02 metric tons in 2018 and a reduction of 9.5% or per capita—11%, in relation to 2016 Achieved 521.01 metric tons of waste recycling or 98.9% Paperless operations saved approximately 421 million sheets of A4 paper, a 60% improvement in YoY reduction Digitization of internal management procedures saved 9,767,300 sheets of A4 paper, equivalent to 70.21 metric tons CO₂e, or 34.3% 	<ul style="list-style-type: none"> Reduce or maintain the total waste produced in 2019 Continue waste recycling Continue expanding the coverage of waste data Continue advocating paperless practice policy

Category	Action plan	2019 Performance	2020 Target
Supplier management	<ul style="list-style-type: none"> Continue promoting supplier management and green procurement Invite suppliers to sign the Supplier CSR Commitment Letter Establish an annual supplier evaluation system by the end of 2019, grading suppliers (A (best), B (second best) to E (worst)) based on the average scores given by the requesting or the purchasing personnel and assigned to supplier training and corporate social responsibility awareness training from time to time 	<ul style="list-style-type: none"> Continued promoting supplier management and green procurement. In 2019, major suppliers with a single contractual value over NT\$1 million and new suppliers with over NT\$200,000 value signed the "Supplier CSR Commitment Letter," with a 100% achievement rate CDF, CDIB Capital Group, KGI Bank, and KGI Securities organized annual supplier evaluation for 56 suppliers, with 6 graded A, 37 B, 13 C, and 0 D or E Suppliers trained periodically to improve their understanding of human rights, climate change, and green procurement 	<ul style="list-style-type: none"> Use CDF's influence over suppliers to sign the Supplier CSR Commitment Letter and organize awareness training to them Incorporate "records of environmental hazards or penalties for labor violations" into the supplier evaluation and evaluate them regularly for outstanding performance in CSR Continue with supplier training
Responsible procurement	<ul style="list-style-type: none"> Check the records of suppliers for environmental hazards or penalties for labor violations with a contractual value of and exceeding NT\$200,000 and major suppliers with a contractual value of and exceeding NT\$1 million, in addition to their professionalism and achievement, and verify if locals have environment labels and ISO certification Support the green procurement policy and participate in government-led green procurement initiatives Maintain the percentage of local suppliers at and above 80% 	<ul style="list-style-type: none"> The Group had a total of 483 new and major suppliers in 2019, four of whom were punished for environmental hazards; all the suppliers have undergone risk assessment for three years (2017–2019). Green procurement totaled NT\$131.11 million in 2019, of which NT\$102.76 million of goods (78.4%) received 20 environmental approvals from the Environmental Protection Administration Selected by the Environmental Protection Administration as a "top firm in promotion of green procurement by private enterprises and groups in 2018" and by the Department of Environmental Protection, Taipei City Government as a "top firm in promotion of green procurement by private enterprises and groups in 2018" in 2019 The percentage of local suppliers was 97.8% in 2019 	<ul style="list-style-type: none"> Support green procurement and participate in government-led green procurement projects Maintain the percentage of local suppliers at and above 80%

Note 1: Based on the number of employees (including overseas employees and excluding field staff of China Life Insurance), coverage is the number of employees included in the inventory divided by the annual average number of employees provided by the Human Resources Department every month. Domestic coverage was 100%.

Note 2: The scope of data is similar to that of 2016, excluding that of the Nangang Park office. In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019.



5.1 Green Operations

5.1.1 Environmental Policy and Strategy

To uphold the business philosophy of environmental protection, resources management, and sustainable management, CDF formed the Environmental Management Working Group (EMWG) to develop the green procurement criteria in 2011, formed a CSR Committee and ISO EMWG on environmental policy and regulate environmental management procedures in 2015, signed up for the Carbon Disclosure Project (CDP) and set the Supplier CSR Guidelines and power-saving targets in 2016, expanded the ISO scope in 2017, and set the mid- and long-term GHG reduction targets in 2018. In 2019, CDF continued to implement the GHG reduction plan in line with the government's environmental policy. With a focus on environmental sustainability, we further brought in China Life Insurance into the overall scope of CSR to fulfill the Group's environmental commitment.

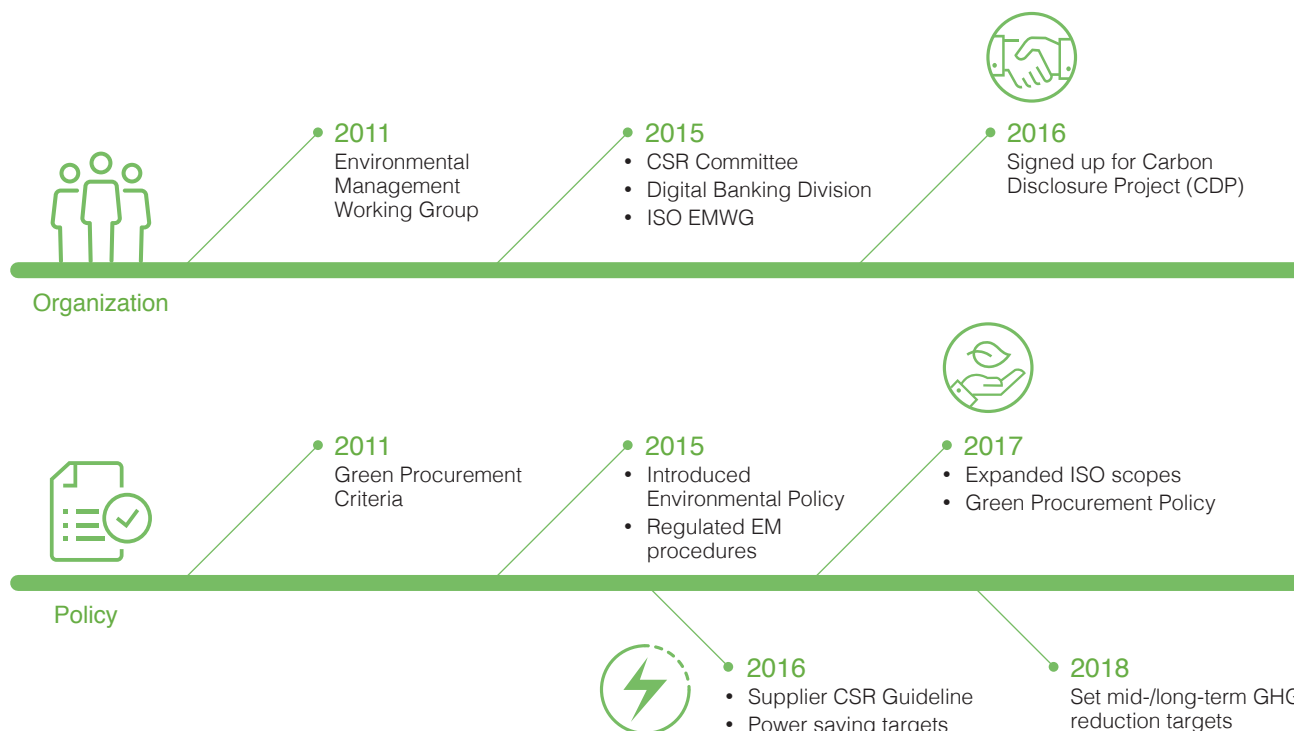
- Set the goal of reduction in GHG emissions at 2.5% by 2020 vs. 2016
- Implement ISO 14001 (environmental management system) and continue to pass its third-party certification
- Implement ISO 14061-1 (greenhouse gas inventory), and pass its third-party certification and expand the scope of GHG inventory as the basis for subsequent GHG management and improvement
- Implement ISO 50001 (energy management system) and continue to pass its third-party certification
- Incorporate the mandatory "Articles Governing CSR and Ethical Management" into general procurement contracts, including environmental protection, labor conditions, occupational health and safety, and labor rights, seeking all suppliers to reduce or eliminate waste of resources, reduce emission of pollutants, toxic substances, and waste, and proper disposal of waste.

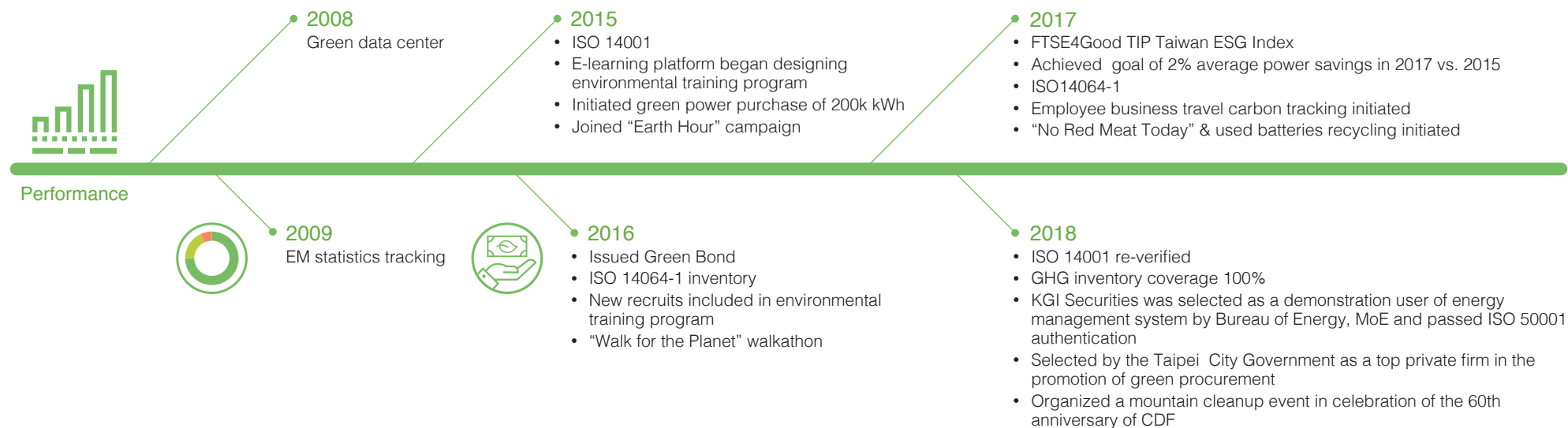
Our Environmental Commitment and Policy

We continue to promote GHG-related action plans, setting a medium-term objective of 2% reduction in three years and a medium-to long-term objective of 3% reduction in five years from the 2016 comparison base. As of 2019, we achieved the medium-term objective, and set the goal of 10% GHG emission reduction by 2030 vs. 2016.

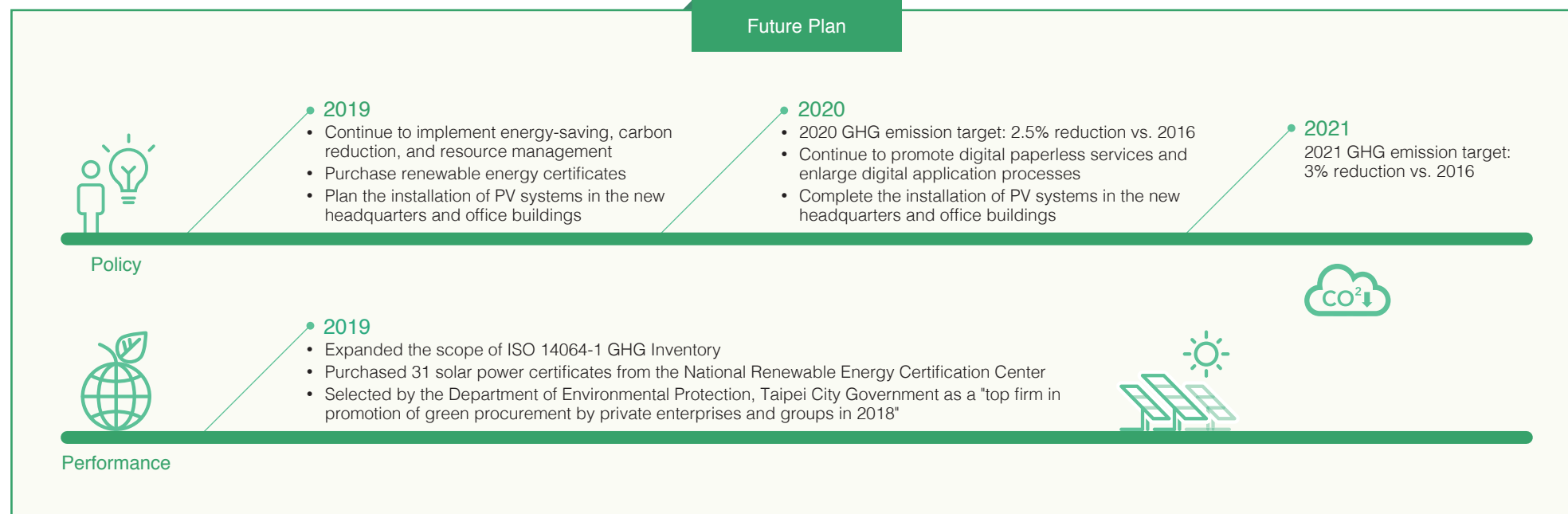
Our Environmental Policy

- Participation for Energy Conservation & Carbon Reduction
- Environmental Protection & Conservation of Resources
- Pollution Prevention & Regulatory Compliance
- Community Communication & Coordination
- Commitment to Improvement & Sustainable Operations





Future Plan



CDF's Environmental Governance Mechanisms

1	Form a CSR Committee to ensure the execution of the annual CSR policy; set up working groups (WG) under the CSR Committee based on the nature of tasks, among which the Environmental WG is responsible to supervise and evaluate environmental policies and initiatives and promote energy conservation and carbon-reduction initiatives	2	The Environmental WG's main tasks are: <ul style="list-style-type: none"> • Draft the annual work plan • Develop annual energy-conservation and carbon-reduction programs • Promote green procurement and urge suppliers to sign the "Supplier CSR Commitment Letter" • Report developments of the annual work plan to the CSR Committee/ CDF's Board 	3	Set up the CSR section on the corporate website to share CDF's environmental management policies in response to related environmental issues, as well as energy-conservation and carbon-reduction programs and their implementation
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5.1.2 GHG Management

As a financial service provider, CDF has the bulk of GHG emissions resulting from externally purchased electricity as well as gasoline and natural gas consumed by facilities and vehicle fleet. In 2016, CDF kicked off the ISO 14064-1 GHG inventory and verification (Scope 1 and Scope 2). Since 2017, CDF has expanded the scope of GHG inventory and verification, and in 2019 covered major buildings, or 62.1% of employees. To effectively control GHG emissions, we have not only expanded the scope of coverage but also expanded the scale for indirect emissions (Scope 3). In 2019, GHG inventory covered all domestic facilities, with total emissions (Scope 1 and Scope 2) down 1,597.10 metric tons CO₂e from 2016 or by 7.2% (meeting the medium-term objective of 2% reduction), and per-capita emissions were down by 8.0%.

2019 Target	Initiatives	Performance
<ul style="list-style-type: none"> • Expand the scope of ISO 14064-1 GHG inventory and verification (Scope 1 and Scope 2) • Pass the third-party annual certification of ISO 14001 (environmental management system) 	<ul style="list-style-type: none"> • Promote energy-conservation and carbon-reduction programs in the workplace • Continue expanding the certification of ISO 14064-1 (greenhouse gas inventory) • Continue participating in the annual certification of ISO 14001 (environmental management system) 	<ul style="list-style-type: none"> • Achieved the unaudited coverage of ISO 14064-1 GHG inventory at 97.8% ^(Note 1) and 62.1% with verification • Passed the ISO 14064-1 GHG inventory and verification • Passed the third-party certification of ISO 14001 (environmental management system)
		Achievement rate: 100%
Implementation of other indirect GHG emission (Scope 3) inventory tracking	Scale of Scope 3 GHG inventory: <ol style="list-style-type: none"> 1. Employees' business trips 2. Consumption of printer paper 3. Incineration of general waste 4. Mailing 	Emission for Scope 3: 864.46 metric tons CO ₂ e
		Achievement rate: 100%

Note 1: Based on the number of employees (including overseas employees and excluding field staff of China Life Insurance), coverage is the number of employees included in the inventory divided by the annual average number of employees provided by the Human Resources Department every month. Domestic coverage was 100%.

Note 2: Per-capita emissions = Total emissions within the scope of inventory/Number of employees included in the inventory.

GHG Inventory: Scope 1 and Scope 2

Unit: mt CO₂e

Year	2016	2017	2018	2019	YoY change (%)	Change vs. 2016 (%)
Direct greenhouse gas (GHG) emissions (Scope 1)	1,063.43	997.95	819.80	873.94	6.6%	-17.8%
Indirect greenhouse gas (GHG) emissions (Scope 2)	21,909.80	21,811.22	23,879.07	22,024.98	-7.8%	0.5%
Total greenhouse gas (GHG) emissions (Scope 1 and Scope 2)	22,973.23	22,809.17	24,698.87	22,898.92	-7.3%	-0.3%
Average emissions per person (Scope 1 and Scope 2)	2.94	2.93	3.05	2.83	-7.0%	-3.7%
Total coverage of employees (%)	94.2%	95.0%	97.8%	97.8%	0.0%	3.9%
Audited coverage	31.7%	56.0%	59.7%	62.1%	4.0%	95.6%

Note 1: Coverage included overseas employees. Per-capita emissions = Total emissions within the scope of inventory/Number of employees included in the inventory.

Note 2: Based on the number of employees (including overseas employees and excluding field staff of China Life Insurance), coverage is the number of employees included in the inventory divided by the annual average number of employees provided by the Human Resources Department every month. Domestic coverage was 100%.

Note 3: In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019.

The data included the Group's CDF building, Dazhi building, Zhonghe building, and other locations (including the Nangang Park office, Taikai building and KGI Bank and KGI Securities branches) in 2016. In 2017, the Hongqi building and CDIB International Leasing office were added to the inventory. In 2018, the coverage expanded to KGI Futures' head office and branches, and in 2019 to China Life Insurance's head office and five branches.

The process continued in 2019. KGI Bank brought its externally leased computer facilities back to the Nangang Park office under its own management at the end of 2016, and outsourced manpower increased due to the establishment of a "new core system project." Using the same statistics as of 2016 and excluding the Nangang Park office, GHG emissions in 2019 (Scope 1 and Scope 2) decreased by 7.2% from 2016, reaching the medium-term goal of reducing emissions by 2% and beyond. (With the same pattern, the emission was 22,331.91 metric tons CO₂e in 2016 vs. 20,734.82 metric tons CO₂e in 2019.)

Annual GHG Emissions from Gasoline Consumption:

Unit: mt CO₂e

Year	2016	2017	2018	2019	YoY change (%)	Change vs. 2016 (%)
Direct greenhouse gas (GHG) emissions (mt CO ₂ e)	472.28	369.48	344.48	312.6	-9.3%	-33.8%
Scope of statistics	94.2%	95.0%	97.8%	97.8%	0.00%	3.9%

Percentage of GHG Emissions by Type:

Unit: mt CO₂e

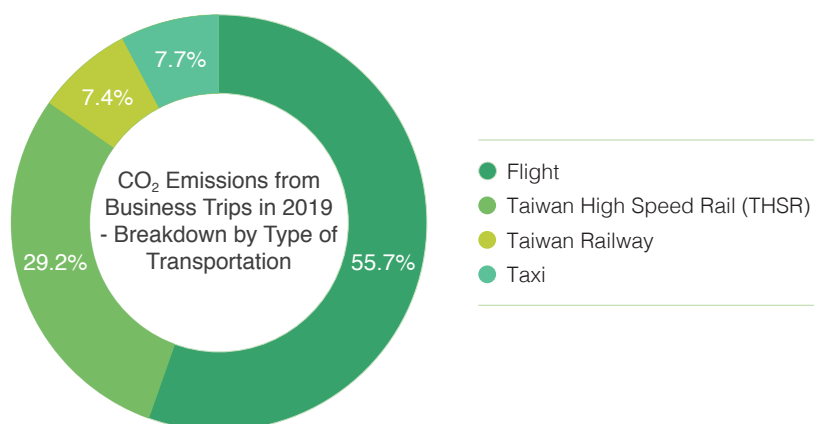
Type	CO2	CH4	N2O	HFCs	PFCs	SF6	NF3	Total
Emissions	22,474.37	246.49	9.21	168.84	0.00	0.00	0.00	22,898.92
Percentage (%)	98.1%	1.1%	0.0%	0.7%	0.0%	0.0%	0.0%	100.0%

GHG Inventory (Scope 3)

Increasing sources of other indirect emissions (Scope 3) for identification:

Total emissions: 864.46 metric tons CO₂e/Total coverage of domestic employees: 96.3%Business trips/8,799,371 km/478.10 metric tons CO₂e

CDF began unaudited inventorying and reporting of carbon emissions from employees' business travel by public transportation in 2015, including air, Taiwan High Speed Rail (THSR), Taiwan Railways, and taxis. Estimated carbon emissions from business travel are calculated based on the amount of carbon emissions generated by the type of transportation used (carbon emissions from aircraft were calculated based on the United Nations International Civil Aviation Organization's Carbon Emissions Calculator with data from the same year provided on its website, those from high-speed rail were calculated based on 2017 carbon footprint data provided on THSR's website, and those from railway and taxi were calculated based on the Industrial Technology Research Institute's carbon footprint calculation platform with 2014 and 2015 data) and the number of miles traveled. In 2015 and 2016, the scope included only employees of CDF and CDIB Capital Group, expanded in 2017 to include those of KGI Bank and KGI Securities, and in 2019, to China Life Insurance, with total employee coverage of 96.3%.

Printer paper consumed/82,306 packs of A4, A3, and B4 paper/297.47 metric tons of CO₂e

Using the data from the Cabinet-level Environmental Protection Administration (EPA), one pack or 500 sheets of 70 g (210 × 297 mm) A4 paper translates to 3.6 kg CO₂e, one pack or 500 sheets of 80 g (210 × 297 mm) A4 paper to 4.0 kg CO₂e, one pack or 500 sheets of 70 g (297 × 420 mm) A3 paper to 7.5 kg CO₂e, and one pack or 500 sheets of 80 g (297 × 420 mm) A3 paper to 8.5 kg CO₂e, one pack or 500 sheets of 70 g (257 × 364 mm) of B4 paper to 5.5 kg CO₂e.

Incineration of general waste/253,417 kg/86.16 metric tons of CO₂e

CO₂ emissions were calculated based on the emission factors in incineration of general waste (Jhunan Incineration Plant) on the Industrial Technology Research Institute's carbon footprint calculation platform. The incineration of waste per metric ton emitted 0.34 metric tons of CO₂e.

Mailing/430,283 mails/2.72 metric tons of CO₂e

As per the Environmental Quality Protection Foundation's report (May 2008), each bill shipped emitted 6.32 grams of CO₂e.

CO₂ Emissions from Scope 3

Item	Emissions (mt CO ₂ e)	Percentage
Business trips	478.1	55.3%
Printer paper consumed	297.47	34.4%
Incineration of general waste	86.16	10.0%
Mailing	2.72	0.3%
Total	9864.45	100%

Note: In September 2017, the Company acquired a 25.33% stake in China Life Insurance through tender, with the consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data (Scope 3) included China Life Insurance's data from 2019.

Greenhouse Gas-Reduction Initiatives

As our main source of energy consumption is eternally purchased power, we decided to replace the power-guzzling equipment as part of our 2019 key energy-saving initiatives, and achieved estimated savings of 827,200 kWh, equivalent to a reduction of 442.10 metric tons CO₂e (Scope 2).

Item	Initiatives in 2019	2019 Performance	Investment cost (NT\$'000)
Replacement of old AC equipment	1. KGI Bank has replaced 11 sets of outdated AC equipment at branch offices with modern eco-friendly refrigerant or inverter AC equipment 2. The Nangang Park office has replaced four chiller units 3. China Life Insurance has initiated regular cleaning and maintenance of air-conditioning equipment in each operation and replaced old air-conditioning systems and facilities at its own properties	Total savings of 701,232.23 kWh/reduction of 373.76 metric tons of CO ₂ e (projected annual savings of 846,697.94 kWh)	42,817.76
Replacement of lighting fixtures	1. KGI Bank has replaced 117 LED energy-saving lighting fixtures 2. KGI Securities has replaced 594 LED energy-saving lighting fixtures 3. At CDF building, chandeliers in the lobby were replaced with LED energy-saving lighting fixtures	Total savings of 16,123.32 kWh/reduction of 8.59 metric tons CO ₂ e (projected annual savings of 44,325.91 kWh)	549.94
Lighting duration management	1. KGI Bank has reduced the duration of illuminated outdoor signage by 2 hours daily at 39 branch locations 2. The lighting at the KGI Securities Dazhi headquarters basement parking area was reduced by 12 hours	Annual savings of 109,800.75 kWh/59.75 metric tons CO ₂ e	0
Discontinuance of shuttle bus service	Shuttle bus service between KGI Bank Zhonghe building and CDF building was discontinued in October 2019 to reduce gasoline consumption by two months	Savings of 255 l/0.61 metric ton CO ₂ e within two months	0

Note 1: The above energy-saving initiatives offer projected power savings of up to 1,000,800 kWh per year, equivalent to 3,602.88 gigajoules (GJ). With an average electricity charge of NT\$3.217/kWh in 2019, this translates into savings of NT\$3,219,700 per year. The total investment of NT\$43,367,700 is estimated to be recouped in 13.47 years.

Note 2: Carbon emissions were calculated based on the 2018 electricity emission factor of 0.553 (kg CO₂e/kWh) as published by the Bureau of Energy, M.O.E.A.

5.1.3 Energy Management

Apart from continuing to expand the scope of GHG inventory, CDF is also actively developing and promoting feasible low-carbon solutions to reduce environmental impact as much as possible to strike a balance between environmental sustainability and company growth. The following are the main accomplishments in this direction in 2019:

2019 Target	Initiatives	Performance
Reduce electricity consumption by 2% vs. 2016	1. Replace old AC and lighting equipment at the headquarters and branches with eco-friendly, power-saving and energy-efficient equipment 2. Moderate the duration of signage lighting usage	<ul style="list-style-type: none"> Achieved estimated savings of 827,200 kWh, equivalent to a reduction of 442.10 metric tons CO₂e with more than 7.5% reduction in electricity consumption ^(Note 1) and per-capita reduction of 8.3% in relation to 2016
		Achievement rate: 100%
Support the government's renewable energy policy	Purchase renewable energy certificates	Awarded 31 solar power certificates and 31,000 kWh of green electricity through the "National Renewable Energy Certification Center" on December 9, 2019
		Achievement rate: 100%

Note 1: The same pattern of data as of 2016 is followed, excluding the Nangang Park office.

Use of Energy

CDF's energy consumption is mainly externally purchased, accounting for 97.8% of the Group's energy consumption, for the operations of office buildings and business units across the Group. Mainly used for corporate vehicles, gasoline is the second largest source of CDF's energy consumption. In 2019, externally purchased electricity cost a total of NT\$151,597,747, and other energy costs amounted to NT\$5,259,602 totaling NT\$158,857,349.

Annual Energy Expenditures

Unit: NT\$

Annual expenditures	2016	2017	2018	2019	Change vs. 2018	Change vs. 2016
Electricity	162,976,083.00	154,917,434.00	159,935,443.00	153,597,747.00	-4.0%	-5.8%
Natural gas	1,142,469.00	1,197,197.00	1,374,160.00	1,378,589.00	0.3%	20.7%
Gasoline	4,762,224.00	4,122,421.00	4,342,978.00	3,819,597.00	-12.1%	-19.8%
Diesel	46,682.65	29,604.85	49,840.44	61,415.50	23.2%	31.6%
Total	168,927,458.65	160,266,656.85	165,702,421.44	158,857,348.50	-4.1%	-6.0%
Coverage	94.2%	95.0%	97.8%	97.8%	0.0%	3.9%

Note 1: In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019.

Note 2: Based on the number of employees (including overseas employees and excluding field staff of China Life Insurance), coverage is the number of employees included in the inventory divided by the annual average number of employees provided by the Human Resources Department every month. Domestic coverage was 100%.

Externally purchased electricity is our main source of energy consumption. To improve the effect of energy conservation and carbon reduction, we continue to develop and promote energy-saving initiatives. In 2019, we consumed 155,986.65 GJ of energy, a 2.9% decrease from 160,690.58 GJ in 2016, with energy intensity down by 6.5% vs. 2016.

Energy consumption		2016	2017	2018	2019
Externally purchased electricity	Total consumption (kWh)	41,777,815.00	41,506,794.00	43,297,140.00	41,116,888.10
	Average consumption per person (kWh)	5,345.85	5,324.81	5,338.13	5,084.95
Natural gas	Total consumption (kWh)	97,541.00	94,010.00	98,665.00	94,777.00
Gasoline	Total consumption (liters)	200,006.76	156,461.06	145,880.01	132,377.61
Diesel	Total consumption (liters)	2,370.00	1,337.00	1,912.27	2,448.65

Energy consumption	2016	2017	2018	2019
Total number of employees (b)	7,815.00	7,794.98	8,110.92	8,086.00
Energy intensity (a/b)	20.56	20.29	20.27	19.29
Converted into GJ (a)	160,690.58	158,123.43	164,418.78	155,986.65
Converted into kWh	44,636,630.24	43,923,526.43	45,672,249.22	43,329,971.21
Total coverage of employees (%)	94.2%	95.0%	97.8%	97.8%

Note 1: The data of 2016 for externally purchased electricity, natural gas, and gasoline included the Group's CDF building, Dazhi building, Zhonghe building, and other sites, including the Nangang Park office, Taikai building, KGI Bank branches and KGI Securities branches. In 2017, the Hongqi building and office of CDC Finance & Leasing were included in the scope of inventories. In 2018, KGI Futures' headquarters and branches were added to the inventories. In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019. The scope of inventories for diesel includes the main office buildings—CDF, Dazhi, Zhonghe, Taikai and Cheng Tung buildings, as well as China Life Insurance's headquarters and branches in Taoyuan and Hsinchu, Taichung, Chiayi, Tainan, and Kaohsiung.

Note 2: Externally purchased electricity is the only metric used for calculating 'average consumption per person', and only entails electricity consumed by CDF's subsidiaries.

The scope of data continued to expand in 2019. KGI Bank relocated its externally leased computer facilities back to the Nangang Park office under its own management at the end of 2016; using the same pattern of data as in 2016 and excluding the Nangang Park office, electricity consumption in 2019 fell by 7.5% compared to 2016. (With the same pattern, electricity consumption was 40,563,203 kWh in 2016 vs. 37,520,362 kWh in 2019)

Note 4: Sources of data include payment receipts, property cost allocation spreadsheet, procurement or utility records.

Note 5: Our accounting of emission heating value is based on the GHG Emission Coefficient Management Chart version 6.0.4 of the Bureau of Energy.

Note 6: Based on the number of employees (including overseas employees and excluding field staff of China Life Insurance), coverage is the number of employees included in the inventory divided by the annual average number of employees provided by the Human Resources Department every month. Domestic coverage was 100%.

Note 7: Per-capita emissions = Total emissions within the scope of inventory/Number of employees included in the inventory.

To support the government's renewable energy policy, CDF purchased renewable energy-based electricity in 2016 and 2017 and acquired solar power certificates in 2019.

Internal energy consumption	2016		2017		2018		2019	
Unit	GJ	MWh	GJ	MWh	GJ	MWh	GJ	MWh
Non-renewable energy	160,690.58	44,636.63	158,123.43	43,923.53	164,418.78	45,672.25	155,986.65	43,329.97
Renewable energy	720.00	200.00	720.00	200.00	0.00	0.00	111.60	31.00

Note 1: Heeding to government's energy-saving policy in 2016 and 2017, we purchased 200,000 kWh of green electricity each year from Taiwan Power Company.

Note 2: We obtained 31 solar power certificates through the National Renewable Energy Certification Center in 2019, equivalent to 31,000 kWh of green electricity.

5.1.4 Water-Resource Management

CDF addresses itself to saving and protecting water resources by replacing old air-conditioning equipment with eco-label-certified water-saving and sensor-embedded equipment to improve the efficacy of water use; in addition, CDF shares water-saving measures with the employees. Total tap-water consumption in 2019 fell by 1.5% and per-capita consumption by around 4.8% in comparison to 2016.

2019 Target	Initiatives	Performance
Reduce water consumption by 1.5% vs. 2016	1. Sensor-embedded equipment 2. Preferential purchase policy for water-conservation eco-label-certified equipment 3. Promote water-conservation measures among employees	Reduced water consumption by 1.5% and per-capita use by 4.8% in 2019 Achievement rate: 100%
Plan rainwater-harvesting facilities	CDF's new headquarters harvests rainwater, waters the lawn and has no need for tap water	Hope to launch a rainwater-harvesting system by the end of 2020

Most of CDF's water consumption is for daily need and for air-conditioning. All water is sourced from the local water plants without the use of groundwater or waterways. Wastewater from building kitchens and pantry rooms is processed prior to discharge into the underground sewers laid by the government. Oil- and water-separation equipment is installed in kitchens to prevent water pollution. In 2019, no sewage spills occurred. To utilize water resources more efficiently, automatic flush sensors are installed on urinals in CDF restrooms. In addition, faucets in restrooms and pantry rooms have been equipped with water-saving devices to moderate water usage. While replacing equipment and facilities, priority is given to products certified with a water-saving eco-label. To optimize utilization of water resources, a rain water-harvesting facility is added to the planning of CDF's new headquarters.

Water-Resource Consumption—2016-2019

Year		2016	2017	2018	2019
Water	Total consumption (kWh)	235,904.96	232,003.24	237,582.00	232,442.65
	Average consumption per person (kWh)	30.19	29.76	29.29	28.75
	Total consumption (million cubic meters)	0.24	0.23	0.24	0.23
	Carbon emissions (kg CO ₂ e)	38,216.60	37,584.52	38,488.28	37,655.71
Total coverage of employees (%)		94.2%	95.0%	97.8%	97.8%

Note 1: Carbon emissions were calculated based on equivalent unit tap-water CO₂e data published annually by the Taiwan Water Corporation.

Note 2: Sources of data included payment receipts and property cost allocation spreadsheet.

Note 3: In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019.

Note 4: Based on the number of employees (including overseas employees and excluding field staff of China Life Insurance), coverage is the number of employees included in the inventory divided by the annual average number of employees provided by the Human Resources Department every month. Domestic coverage was 100%.

Note 5: Per-capita emissions = Total emissions within the scope of inventory/Number of employees included in the inventory.

5.1.5 Waste Management

As a financial services provider, CDF has minimal impact on the environment from its operations compared to the manufacturing industry. The waste produced is mostly general trash, and not industrial waste containing toxic materials that requires special treatment. To maximize contribution to the environment, we encourage our employees to recycle waste. In 2019, we recycled 521.01 metric tons of waste, accounting for 98.9% of total waste, the same level as of 2018. Total waste reached 526.78 metric tons of waste, showing a reduction of 2.6% from the 541.02 metric tons in 2018 and a reduction of 9.5% or per capita, 11% in comparison to 2016. In digital paperless services, we reduced 3,031.61 metric tons of CO₂e, or 60% in comparison to 2016. The use of internal paperless operations reduced by 70.21 metric tons CO₂e or 34.3% as compared to 2016.

2019 Target	Initiatives	Performance
Recycling operations	<ul style="list-style-type: none"> Collect data on recyclable and non-recyclable waste Start tracking the weight of recyclables in aggregate waste volume 	Recycled a total 521.01 metric tons of waste, constituting 98.9% of total waste
Digital paperless services	<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 provide the shares of customers in e-statements and eDM 	Saved an estimated 421 million sheets of A4 paper, equivalent to a reduction of 3,031.61 metric tons CO ₂ e
Internal paperless operations	<ul style="list-style-type: none"> KGI Bank streamlines application processes for more services (e.g., create new legal review operations) Parking and procurement system, etc. 	Saved an estimated 9,767,300 sheets of A4 paper, a reduction of 70.21 metric tons CO ₂ e

CDF sorts its trash and waste into recyclable and non-recyclable since it generally does not generate hazardous waste. Below is the treatment data compiled for 2016–2019:

Unit: kg

Category	Item	Treatment method	2016	2017	2018	2019
Recyclables	Paper	Recycled by outsourced contractors	146,433.84	133,831.00	139,472.70	128,752.20
	PET bottles		4,138.90	4,196.90	3,701.80	4,096.20
	Tin/aluminum cans		5,226.20	6,459.40	7,315.30	6,919.60
	Kitchen scraps		114,290.80	116,708.80	110,314.90	112,039.00
	Light tubes, light bulbs		302.10	460.00	713.30	574.00
	General trash	Transported to incinerator by contractors	304,844.94	272,428.29	273,631.48	268,632.71
	Total		575,236.78	534,084.39	535,149.48	521,013.71
Non-recyclable			6,539.06	5,843.71	5,869.52	5,762.30
Total			581,775.84	539,928.10	541,019.00	526,776.00
Recycling ratio			98.9%	98.9%	98.9%	98.9%
Coverage ratio			50.7%	50.9%	51.3%	51.9%

Note 1: Data collection commenced for paper, PET bottle, tin cans, kitchen scrap and general trash in 2016, encompassing inventories from CDF building, Dazhi building and Zhonghe building, covering 51.9% of employees.

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

Note 3: Data collection commenced for light tubes and light bulbs in 2016. Waste PLL and T5 light tubes form bulk of light tube recycling. The scope of inventories includes CDF building, Zhonghe building, and Nangang Park office.

Note 4: In compliance with Personal Data Protection Act and relevant regulations, classified documents are disposed of under monitoring by work colleagues by turning into pulp before converting to recycled paper. Data-storage devices to be discarded is first cleaned by IT personnel before recycling to prevent leakage of personal and classified information.

Note 5: In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019.

Note 6: Within the country, general waste is mainly disposed of through incineration for power generation (approximately 97.9%) and later sent to landfill.

Note 7: Based on the number of employees (including overseas employees and excluding field staff of China Life Insurance), coverage is the number of employees included in the inventory divided by the annual average number of employees provided by the Human Resources Department every month.

Note 8: Recycling ratio = Total weight of recyclable waste/Total weight of waste.

Resource-Management and Waste-Reduction Measures

- A principle of standardization and uniformity has been followed in procurement to share and exchange resources, allowing for reuse after organizational restructuring to reduce waste.
- Business cards and annual reports are printed on eco-friendly FSC-certified paper. Purchase FSC- or PEFC-certified printing paper only.
- Arrange periodic inventory for, and support management of, IT equipment, office furniture, among other corporate fixed assets. Reallocate and resume utility of idle assets to reduce wastage of resources.
- Email, bulletin board system (BBS) and electronic official document systems will replace hard-copy documents and the approval process will be streamlined. Tablets will be used as interface for regular meeting handouts instead of photocopies.
- Give preference to MFP rental services with Green Mark eco-label. Rationalize utilization by printing on two sides of the paper or merging multiple pages, etc. as default. Use recycled paper to reduce consumption. Use eco-friendly recyclable consumables.
- Glass or ceramic cups have replaced paper cups. No disposable tableware is provided at employee cafeterias, and employees are encouraged to use eco-friendly chopsticks. Instead of providing bottled water at corporate events, encourage colleagues to get their own bottles.
- Ensure use of legally required minimum of green materials during renovation to reduce burden on the environment.



Achievements of Paperless Policy and Services

Business unit	Item	Projected reductions				
		Saving of A4 paper (1,000 sheets)		Equivalent reduction of carbon emissions ^(Note 1) (kg CO ₂ e)		Change vs. 2018 (%)
		2018	2019	2018	2019	
KGI Bank	Internet banking and mobile banking	1,850.82	2,502.80	13,325.87	18,020.12	35.20%
	Online account opening, electronic billing, eDM	29,577.35	44,371.24	212,956.94	319,472.95	50.00%
KGI Securities	Online account opening, e-statement	6,027.70	6,543.06	43,399.44	47,110.05	8.50%
	Electronic consignment-order system	221,294.83	363,339.41	1,593,322.79	2,616,043.73	64.20%
China Life Insurance	Digital application processes, including E-notices, E-service, E-policies, and mobile insurance	4,350.00	4,300.00	31,320.00	30,960.00	-1.10%
Total		263,100.70	421,056.51	1,894,325.04	3,031,606.85	60.00%

Note 1: Based on the data of the EPA on the Taiwan Product Carbon Footprint website, each box of A4 paper containing 500 × 70g (210 × 297 mm) sheets generates 3.6 kg of CO₂e emissions.

Note 2: In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019.

Achievements of Internal Paperless Operations

Item	Business unit	Projected reductions			
		Saving of A4 paper (1,000 sheets)		Equivalent reduction of carbon emissions ^(Note) (kg CO ₂ e)	
		2018	2019	2018	2019
Digitalized procurement procedures	CDF	1.00	0.50	4.00	1.80
	KGI Bank	9.00	8.38	47.00	30.18
	KGI Securities	18.00	17.62	67.00	63.42
	CDIB Capital Group	6.00	6.20	127.00	22.33
Digitalization of visitor parking application service	CDF	8.00	7.97	57.00	57.00
Streamlined procedures	KGI Bank	7,220.53	9,726.59	51,987.81	70,031.44
Total		7,262.53	9,767.26	52,289.81	70,206.18

Note: Based on the data of the EPA on the Taiwan Product Carbon Footprint website, each box of A4 paper containing 500 × 70g (210 × 297 mm) sheets generates 3.6 kg of CO₂e emissions.

Environmental Protection

The Group is committed to protecting the environment in the vicinity of office buildings and business premises. 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 of 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 2019, the Group spent NT\$71.62 million on environment-protection measures.

5.2 Sustainable Supply Chain

5.2.1 Supplier Management

We attach great importance to internal controls in procurement operations and supplier management, have the Supplier CSR Guidelines in place, and continue to enhance measures for supplier management. Through pre-screening, performance management, on-site inspections, annual supplier evaluation and self-evaluation, and annual supplier commendation, we have selected and classified suppliers based on their professionalism, technical certifications, track record of performance and environmental friendliness, and awareness of human rights and climate-related issues. On selection, suppliers have to agree to comply with the statutory requirements for labor rights and human rights (including prohibition of using child labor), labor health and workplace safety and health, environmental protection, and ethical corporate management to create a balance in sustainable development of the economy, environment, and society by signing the "Supplier CSR Commitment Letter."

Suppliers are supervised and managed as per contract to prevent material adverse impacts, environmentally and socially, and to fulfill CSR. In case of failure to make suitable improvement in the given time frame on violations of CSR commitment which have significant impact on the environment, society, or labor rights, CDF may terminate, suspend and revoke the contract, impose penalties, and possibly disqualify under exceptional circumstance. In 2019, no supplier was penalized or disqualified by CDF.

1. When selecting suppliers, the Group upholds the principle of responsible procurement and requests suppliers to comply with regulations in regard to labor rights, prohibition of using child labor, environmental protection, and ethical corporate management. In 2019, major suppliers accounted for 84.6% of total procurement value (including China Life Insurance).

2. As of 2019, 775 suppliers had signed the Supplier CSR Commitment Letter (including those of China Life Insurance), representing an annual increase of 30.5%. In 2018 and 2019, 100% of our major suppliers ^(Note) signed the Supplier CSR Commitment Letter. In 2019, new suppliers and suppliers with a contractual amount of NT\$200,000 and above signed the Letter.

3. As of 2019, the Group had a total of 483 new and major suppliers signing the Supplier CSR Commitment Letter, and no record of material environmental hazards was found on screening; four suppliers were penalized for environmental violations (about 0.8%). Among the Group's 172 new and major suppliers (excluding those of China Life Insurance) in 2019, nine were penalized for labor violations, representing 5.2% of the labor rights affected.

Note: Major suppliers refer to those having business dealings with the Group amounting to over NT\$1 million for the year.

Main Accomplishments in 2019

2019 Target	Initiatives	Performance
Supplier screening (excluding China Life Insurance)	Check on the records of environmental hazards or penalties for labor violations of new suppliers in addition to their professionalism and achievements	In 2019, the Group had 60 new suppliers, and no record of environmental hazards was found on verification; one supplier had a record of penalties for minor violation of Paragraph 1, Article 32 of Labor Standards Act.
On-site inspection	Conduct on-site inspections depending on the case and according to internal/external regulations	Conducted on-site inspections of 96 suppliers as per relevant regulations in 2019
Signing of the Supplier CSR Commitment Letter	Suppliers with procurement value exceeding NT\$200,000 are required to sign the Supplier CSR Commitment Letter	All of 483 new and major suppliers signed the Supplier CSR Commitment Letter in 2019
Annual supplier evaluation (excluding China Life Insurance)	As per relevant regulations, the Company conducts an annual supplier evaluation at the end of the year, where suppliers are graded (A (best) to E (worst)) based on the quality, authenticity, accuracy, and integrity of service rendered for future procurement decision-making.	Conducted the annual supplier evaluation of 56 suppliers in 2019
		Grade A (best): Six suppliers (10.7%) Grade D (bad): None
		Grade B (second best): 37 suppliers (66.1%) Grade E (worst): None
		Grade C (average): 13 suppliers (23.2%)

2019 Target			Initiatives		Performance	
Supplier self-evaluation (excluding China Life Insurance)	Invited 172 suppliers for self-evaluation as follows:		A total of 93 suppliers (54.1%) completed the self-evaluation:			
	1. Does the company take eco-friendly and energy-saving measures and purchase eco-label certified products?		1. The achievement rate averaged 66.7%.			
	2. Are the company's products or services eco-label or ISO certified?		2. The achievement rate averaged 45.2%.			
	3. Does the company have a record of environmental hazards in the year?		3. The achievement rate averaged 98.9%.			
	4. Does the company comply with occupational safety and health regulations and value labor rights?		4. The achievement rate averaged 100%.			
	5. Does the company organize seminars or training courses on occupational safety and health?		5. The achievement rate averaged 98.9%.			
	6. Does the company purchase group insurance for employees?		6. The achievement rate averaged 98.9%.			
	7. Does the company have a record of penalties for labor violations in the year?		7. The achievement rate averaged 90.3%.			
	8. Does the company follow a discrimination-free employment policy with an equal opportunity for promotion?		8. The achievement rate averaged 100%.			
	9. Does the company identify risks and opportunities arising from climate change?		9. The achievement rate averaged 63.4%.			
	10. Does the company take measures to reduce greenhouse gas emissions?		10. The achievement rate averaged 68.8%.			
Supplier incentives (excluding China Life Insurance)	<ul style="list-style-type: none"> Screen suppliers based on ten supplier evaluation and self-evaluation indicators, and select outstanding suppliers out of Grade A suppliers and suppliers with a 100% achievement rate in each indicator based on their performance in relation to CSR, ESG, and CDP Grant medals and hold commendation ceremonies for outstanding suppliers, and give extra points (up to one) to outstanding suppliers apart from overall rating and price criteria in the event of the Company's procurement projects 		Based on annual supplier evaluation in 2019, the Company selected three outstanding suppliers and granted each of them a medal in supplier commendation: IBM Taiwan Corporation SYSTEX Corporation Acer e-Enabling Service Business Inc.			
Increase in the amount of green procurement	3% increase in green procurement		Increased the amount of green procurement to NT\$131.11 million in 2019 In 2019, CDF received two green procurement awards from the Environmental Protection Administration and Department of Environmental Protection, Taipei City Government, respectively; China Life Insurance received the green-procurement award from the Department of Environmental Protection, Taipei City Government, for four consecutive years.			
Use of local suppliers	We have begun calculating the percentage of Group's locally sourced suppliers since 2016 and have set a target in 2017 of reaching 80% or higher procurement from local suppliers.		The percentage of local suppliers was 97.8% (including those of China Life Insurance) in 2019.			

Note 1: Local suppliers here refer to suppliers registered in Taiwan.

Note 2: In September 2017, the Company acquired 25.33% equity in China Life Insurance through tender, with the consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data in 2019 included that of China Life Insurance since 2016.

Sustainable Supply-Chain Management

The Company has interest in the financial services industry. Our suppliers are mainly engaged in information services, engineering, and general services.

Type of suppliers	Labor intensity	Quantity	Percentage
Paper and prints	High	37	7.66%
Restaurants and food ingredients	High	9	1.86%
Information services	High	109	22.57%
Engineering (including office furniture)	High	47	9.73%
Other services	High	187	38.72%
Information equipment	Middle	30	6.21%
Office supplies	Middle	26	5.38%
Transportation (including communications)	Low	21	4.35%
Electrical appliances and equipment	Low	17	3.52%
Total		483	100.00%

Evaluation for new suppliers (excluding China Life Insurance)

The Group had 60 new suppliers, excluding those of China Life Insurance. In addition to considering professionalism and performance, the Group examines if suppliers have any record of environmental hazard or imposition of penalties for labor violations. The results of evaluation are as follows:

Evaluation for new suppliers	Evaluation criteria	Number of suppliers evaluated	Percentage of new suppliers selected under this sustainability criterion
Environmental	Does the company have a record of environmental hazards?	60	100%
Social and human rights	Was the company penalized for labor violations?	60	100%
Others	Has the company signed the Supplier CSR Commitment Letter? Does the company source locally? Does the company have ISO or eco-label certifications?	60	100%
Statement of ethical corporate management	Acknowledge and state that the company neither has a record of material breaches of contracts nor is involved in any legal actions that jeopardize its goodwill.	9	100%

Evaluation of external service provider performance

To effectively control the qualifications, quality, processing period, and the extent of cooperation extended by external service providers, China Life Insurance conducts internal audit/control and satisfaction survey for existing external service providers at least once every year. The results of the evaluation serve as the basis for selection and continuation of collaboration. In May 2019, China Life Insurance organized outsourcing training. All external service providers completed performance evaluation in August 2019, and 14 of them averaged 89.6 points (out of 100) and were qualified for continuation of business association.

Signing of the Supplier CSR Commitment Letter

Year	2016	2017	2018	2019
Item				
Percentage of signatories	54.3%	100.0%	100.0%	100.0%

Note: In September 2017, the Company acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data includes that of China Life Insurance from 2016 to 2019.

Human Rights Assessment for existing suppliers

The Company assessed the environmental hazards of major suppliers and suppliers with procurement value exceeding NT\$200,000 for three consecutive years from 2017 to 2019; only one supplier had a record of environmental penalties (NT\$6,000) in 2018, and none in 2017 and 2019.

The Company also conducted Human Rights assessment of all of the above 172 suppliers for three consecutive years from 2017 to 2019. The results below suggest that nine suppliers were penalized in 2019 (about 5.23%) in relation to working hours accounting for the highest percentage of human rights-related risks. The Group reminds suppliers from time to time that they should pay attention to labor rights and provisions in relation to penalties for violating laws and regulations, and initiates mitigation measures such as supplier training. The human rights-related risks showed a slight decrease from 2017 to 2019. The Company will continue to monitor and check on suppliers' protection for labor rights.

Year \ Item	Human rights-related risks	Category 1	Category 2	Category 3	Number (percentage) of suppliers
	Number of suppliers	Working hours	Workplace safety and health	Equality and non-discrimination in the workplace	
2019	172	8	1	0	9
	Percentage of suppliers penalized	4.65%	0.58%	0.00%	5.23%
2018	138	10	1	0	10 ^(Note 1)
	Percentage of suppliers penalized	7.25%	0.72%	0.00%	7.25%
2017	122	8	0	0	8
	Percentage of suppliers penalized	6.56%	0.00%	0.00%	6.56%
Summary of penalties for labor violations		1. Records of attendance were not kept on a minute basis. 2. Legal rest/days-off were not granted or overtime hours were beyond statutory requirement. 3. Overtime pay or double pay for overtime hours on holidays was not granted in accordance with laws.	1. Environmental inspections in the workplace were not conducted every six months or air quality did not meet standards. 2. Safety measures in the workplace did not meet statutory requirements.	Discrimination against the disabled	
Legal basis for penalties		Articles 22, 24, 30, 32, 35, 36, and 39 of the Labor Standards Act	Article 7 of the Regulations Governing the Implementation of Workplace Monitoring; Articles 6, 12, and 27 of the Occupational Safety and Health Act	Article 5 of the Employment Service Act	

Note 1: In 2018, one supplier was penalized for Category 1 and Category 2 violations at the same time.

Note 2: This assessment excluding those of China Life Insurance.

Supplier engagement

The Company provides suppliers with CSR along with orders for the procurement system and tender instructions, and organizes supplier training periodically. In response to the government's epidemic control policy, the Company has decided to organize supplier training in the form of electronic files as follows in a scheduled time frame:

1. The Company's human rights commitment, requesting suppliers to pay attention to human rights-related issues and risk management
2. Subject of the Supplier CSR Commitment Letter and differences between the new and older versions of the Supplier CSR Commitment Letter
3. Supplier management policy
4. Impact of global warming

5. Green procurement policy
6. Protection of labor rights
7. Epidemic control policy
8. The Company's achievements in CSR and environmental sustainability
9. List of outstanding suppliers in 2019
10. Constant communication with suppliers through various channels, including investor solicitation conferences, factory surveys, price inquiries, quotations, bargaining, contract signing, progress in discussions, and acceptance checks, and a supplier CSR section on China Life Insurance's company website

5.2.2 Responsible Procurement

In 2019, CDF, CDIB Capital Group, KGI Securities, and KGI Bank did not have suppliers with deliveries of poor-quality products or major environmental hazards, and no supplier had any record of environmental hazards. We will continue to promote responsible procurement policies and join hands with suppliers in implementing environment protection and CSR practices.

Responsible Procurement Policy

1 Assess the actual needs A thorough needs analysis involving relevant stakeholders will help define the scope for greening the contract as well as avoiding unnecessary purchases.	2 Apply selection criteria based on energy-saving capacity Set awarding criteria which encourages equipment and products that emit less pollutant, are more energy efficient, and are eco-label certified or verified by relevant manufacturing directives.	3 Reduce purchases of single-use disposable items Consider alternatives which are reusable and durable to minimize environmental impact.
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2019 Target	Initiatives		Performance
3% increase in total green procurement (NT\$81.05 million) in comparison to 2018	Prerequisites	Priorities	
	1. Purchase Energy Star or eco-label certified servers, PCs, NBs and monitors	1. Rent eco-label certified corporate vehicles and prioritize low-carbon-labeled products	1. In 2019, the Group received the green procurement award from the Environmental Protection Administration for achievements in 2018 and the green procurement award from the Department of Environmental Protection, Taipei City Government, for achievements in 2019. 2. The Group increased the amount of green procurement to NT\$131.11 million in 2019, a 61.8% increase in comparison to 2018. Of the total green procurement, NT\$102.76 million (78.4%) received 20 environmental labels from the Environmental Protection Administration.
	2. Purchase FSC and PEFC-certified photocopy paper only	2. Prioritize eco-friendly and water-saving building materials for construction projects	
	3. Use eco-label-certified leased printers and toner cartridges, drum units; purchased printers and toner cartridges only	3. Prioritize energy-saving or eco-label or Energy Star-certified equipment and electrical equipment	

Note: In September 2017, the Company acquired 25.33% equity in China Life Insurance through tender, with the consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data in 2019 included that of China Life Insurance since 2016. Of the total green procurement in 2018, NT\$27.11 million was from China Life Insurance, and NT\$53.94 million from CDF, CDIB Capital Group, KGI Bank, and KGI Securities.

Performance of Responsible Procurement

1 The Group has implemented green procurement policy since 2016. The scope of green procurement includes information equipment, information equipment consumables, electrical equipment, building materials and lighting/construction projects, paper/office supplies/others, and transportation.	2 In 2019, the Group received the green procurement awards from the Environmental Protection Administration for the first time for achievements in 2018 and from the Department of Environmental Protection, Taipei City Government, consecutively for achievements in 2019. We will continue to promote green procurement and environmental sustainability.	3 The amount of green procurement increased to NT\$131.11 million in 2019 (NT\$71.73 million was from China Life Insurance and NT\$59.38 million from CDF, CDIB Capital Group, KGI Bank, and KGI Securities) from NT\$41.77 million in 2016.
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Unit: NT\$10,000

Item \ Year	2016	2017	2018	2019 (including China Life Insurance)		
	CDF	CDF	CDF	CDF	China Life Insurance	Total
Information equipment	588	667	1,195	1,463	1,168	2,631
Information equipment consumables	991	1,078	1,391	1,341	124	1,465
Electrical equipment	654	446	301	220	3	223
Building materials and lighting/ construction projects	1,100	1,887	773	1,299	5,071	6,370
Paper/office supplies/others	372	397	473	421	676	1,097
Transportation/rental of hybrid vehicles (eco-label)	472	644	518	621	131	752
Transportation/high speed rail (low carbon-label)	0	0	743	573		573
Total	4,177	5,119	5,394	5,938	7,173	13,111
Awards	China Life Insurance received the green procurement award from the Department of Environmental Protection, Taipei City Government, for the first time.	China Life Insurance received the green procurement award from the Department of Environmental Protection, Taipei City Government, for two consecutive years.	<ul style="list-style-type: none"> CDF received the green procurement awards from the Department of Environmental Protection, Taipei City Government, and Environmental Protection Administration for the first time. China Life Insurance received the green procurement award from the Department of Environmental Protection, Taipei City Government, for three consecutive years. 	<ul style="list-style-type: none"> CDF received the green procurement award from the Department of Environmental Protection, Taipei City Government, for two consecutive years. China Life Insurance received the green procurement award from the Department of Environmental Protection, Taipei City Government, for four consecutive years. 		

Note: In September 2017, the Company acquired 25.33% equity in China Life Insurance through tender, with the consolidated shareholding ratio reaching 34.82% by the end 2019. The above data in 2019 included the data of China Life Insurance since 2016.

Performance of Local Procurement over the Past Four Years (including China Life Insurance)

Item\Year	2016	2017	2018	2019
Percentage of local suppliers	76.3%	99.0%	99.1%	97.8%

Note: In September 2017, the Company acquired 25.33% equity in China Life Insurance through tender, with the consolidated shareholding ratio reaching 34.82% by the end of 2019. The above data in 2019 included that of China Life Insurance since 2016.

5.3 Environmental Initiatives

As a corporate citizen, CDF continues to advocate environmental protection and encourages employees to follow the following actions to reduce carbon emissions and thus contribute to environmental sustainability:

1

CDF was awarded 31 solar power certificates and 31,000 kWh of green electricity through the "National Renewable Energy Certification Center" on December 9, 2019, to promote the development of renewable energy in Taiwan.

2

Since 2015 we have actively supported the "Earth Hour" campaign organized by Hair O'right International Corporation for five consecutive years, joining hands with the world to offer our corporate platform for positive impact. In 2020, CDF and subsidiaries further produced ten promotional videos calling upon 708 employees and their family members and friends, as well as CDIB Capital Group's investees, such as Pili International Multimedia Co., Ltd., Bryton Inc., and Jollywiz Digital Technology Co., Ltd., to turn off lights for one hour.

3

Since 2017 CDF has implemented No Red Meat Today monthly initiative to promote low-carbon footprint diet. We source 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 2019, 15,294 employees took part in the No Red Meat Today monthly initiative, equivalent to 19 metric tons CO₂e cut.

4



5

To celebrate the Company's 60th anniversary, CDF and subsidiaries held a mountain-cleaning activity, "Cross Mountain 60, Move Forward to Excellence," from the fourth quarter of 2018 to the first quarter of 2019. A total of 3,171 employees walked 8,376 kilometers to clean up 60 hiking trails, equivalent to a reduction of 1.98 metric tons of CO₂e.

5

As an advocate of eco-friendly daily necessities, KGI Bank continues to promote the "Green Life" credit-card reward plan and expand the scope of offers to support the development of environmental businesses and also entice customers into embracing an eco-friendly lifestyle.

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 using public transportation, use of stairs instead of lift, increasing the portion of fruits and vegetables and in-season ingredients in our diet, setting temperature control for AC chiller unit at 26 °C and above, promoting electronic paperless services, reducing plastic consumption, and conducting garbage sorting and recycling, etc.



6

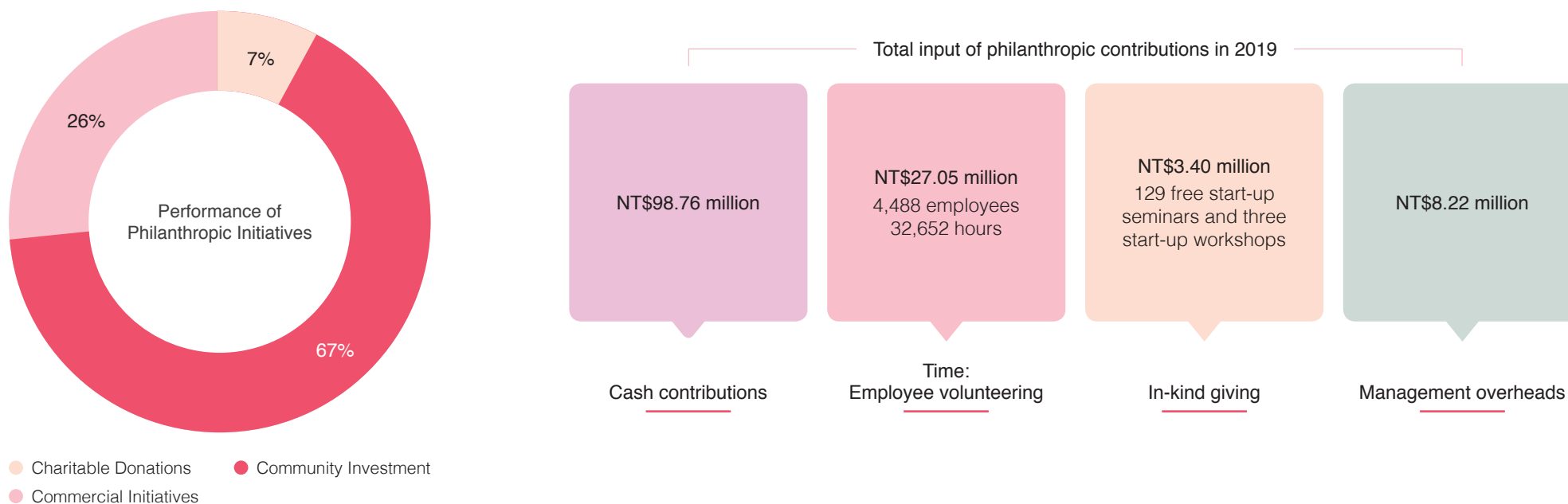
**Co-Creation of
the Society**









Its expertise in investment has helped CDF realize that education is the most valuable investment. Hence, it started providing educational resources and assisted students from rural areas and disadvantaged groups in overcoming poverty showing them opportunities to move up and become socially competitive. CDF has integrated charity with business while making donations to social philanthropy. With its long commitment to venture capital/private equity business and core competence, CDF has set up an international resource platform, creating a win-win situation for start-ups, strategic investors, and asset managers; through FinTech, we also set up an online charity donation platform free of charge for social-welfare groups to raise funds in a safe and reliable manner. CDF has a medium/long-term plan strategy over a span of three-five years to promote commercial initiatives while paying attention to equality in education. For over a decade, we have extended support to students from rural areas and disadvantaged groups by providing a wealth of educational resources and opportunities through community investment. By increasing the depth and breadth of care, we hope to create a positive and long-term effect, further maximizing social return on investment.






Our philanthropic activities are divided into four major categories: charitable donations, community investment, commercial initiatives, and employee engagement. CDF, CDF Foundation, KGI Charity Foundation, and subsidiaries jointly work to achieve eight of the United Nations' Sustainable Development Goals (SDGs), namely, no poverty, zero hunger, good health and well-being, quality education, decent work and economic growth, reduced inequalities, peace, justice, and strong institutions, and partnerships for the goals, with SDG4: Quality Education, SDG8: Decent Work and Economic Growth, and SDG17: Partnerships for the Goals as our priorities.





CDF has set up a charity platform to encourage its own employees to volunteer, and those of subsidiaries to participate in various philanthropic activities. In 2019, a total of 4,488 employees volunteered for 32,652 hours, contributing NT\$2.83 million to social welfare organizations.

Performance of Philanthropic Initiatives



Type of philanthropic activity	SDGs	Action plan	Organizer	2019 Input	2019 Outcomes			2020 Goals
				Amount/Hour/ Number of people	Beneficiary (people/school/ group)	Business benefit	Social benefit	
Charitable donations	 	A subsidy project to cover the cost of school fees for students who are victims of the Formosa Fun Coast explosion	CDF Foundation	<ul style="list-style-type: none"> NT\$1.75 million 54 people 	Students who are victims	Elevated brand image and brand favorability	Covered the cost of school fees for students who are victims of the Formosa Fun Coast explosion in 2015 to revert to school and regain their confidence	Support the students who have suffered in the explosion complete their studies and follow up on their health
	 	"Heritage 100 X Tutelage 100" scholarship program	CDF Foundation	NT\$5.07 million	100 low-income college students and 100 underprivileged children	<ul style="list-style-type: none"> Increase in KGI Bank's new accounts Elevated brand favorability and image Talent development and attraction 	<ul style="list-style-type: none"> Benefited 100 underprivileged children, increasing students' learning ability and interest Benefited 100 low-income college students, improving their economic status Promoted the merit of helping people 	Add 100 college students and 100 underprivileged children
	 	"Our Class Has Got Talent" scholarship program	CDF Foundation	NT\$1.38 million	<ul style="list-style-type: none"> 20 schools 70 students 	<ul style="list-style-type: none"> Elevated brand favorability and brand differentiation Development of outstanding talent 	<ul style="list-style-type: none"> Increased students' learning quality and interest Narrowed the gap in the students' learning resources 	<ul style="list-style-type: none"> Add ten beneficiaries Organize 1~2 performance presentations
Community investment	 	Banking and insurance awareness training for elementary schools in remote areas, along with other philanthropic activities	China Life Insurance	<ul style="list-style-type: none"> Cash contributions: NT\$230,000 In-kind contribution: NT\$240,000 47 volunteers 608 hours 	17 sessions	<ul style="list-style-type: none"> Increased visibility and favorability in terms of media coverage Awarded Buying Power by Small and Medium Enterprise Administration, M.O.E.A. Awarded "Social Inclusion Award" by the Taiwan Corporate Sustainability Awards 	<p>[Education]</p> <ul style="list-style-type: none"> Corporate volunteers worked with professional storytellers to hold DIY activities with practical themes to arouse interest in learning among students Provided funds for schools to purchase extracurricular reading materials as needed to improve their reading ability and art skills <p>[Local identity]</p> <ul style="list-style-type: none"> Worked with art-based social enterprises and upcoming artists to tailor-make a series of art training courses for elementary schools in remote areas, where children were encouraged to use their imagination and creativity to redefine their hometowns, further enriching children's vision and build their confidence Made promotional videos and short versions of instructions for schools in remote areas and shared them on the social media to project the local characteristics and beauty of remote areas to be seen by more people and improve children's visibility and self-identity <p>[Circular economy]</p> <ul style="list-style-type: none"> Introduced the concept of circular economy in line with international trends to improve the resource utilization of off-grades and reduce environmental costs, and worked with suppliers to change the industry chain and exert positive influence on more stakeholders, further creating social value 	Increase the number of banking and insurance awareness training sessions for disadvantaged students, such as children in remote areas and orphans by 20%

Type of philanthropic activity	SDGs	Action plan	Organizer	2019 Input	2019 Outcomes			2020 Goals
				Amount/Hour/ Number of people	Beneficiary (people/ school/group)	Business benefit	Social benefit	
Community investment		Let Love Flower	KGI Charity Foundation	NT\$5.07 million	31 schools	Improved corporate image, favorability, and visibility	<ul style="list-style-type: none"> Ensured that the disadvantaged students in remote areas had food prior to attending class, so that they could concentrate on their learning Supported 473 students from 31 schools in remote areas to learn English and broaden their horizon 	Continue to support 35 schools in remote areas
		Love, Starting from Elementary School	KGI Charity Foundation	NT\$3.97 million	287 students	Improved corporate image, favorability, and visibility	Helped economically disadvantaged students continue their studies and be unaffected by family circumstances and provided them opportunity to transform their lives through education	Continue providing assistance to 320 economically disadvantaged students
		Donation to Small & Medium Enterprise Credit Guarantee Fund of Taiwan	KGI Bank	Donation: NT\$32,571,761; total credit guarantee in 2019: NT\$2,750,199	969 Applications for credit guarantee	Helped SMEs or start-ups improve their credibility with insufficient collateral to secure loans	Helped SMEs develop strongly and for economic growth and social stability in Taiwan in line with government policies	Continue making donations to Small & Medium Enterprise Credit Guarantee Fund of Taiwan to help SMEs operate soundly
		Online Charity Donation Platform	KGI Bank	A charity donation platform was set up on the company website through FinTech to provide a modular fundraising platform free of charge for social-welfare groups.	28 non-profit organizations in Taiwan	<ul style="list-style-type: none"> Made NGOs prospects for payroll transfer service Improved brand visibility and brand favorability and new accounts 	<ul style="list-style-type: none"> More than 1,000 donations made at nearly NT\$1 million as of today Number of participating customers A 65% increase in donation amount A 33% increase in beneficiaries Increased popularity and exposure of non-profit organizations More beneficiaries 	Continue to partner with more social-welfare organizations or hospitals to becoming a tool for happiness
Commercial initiatives		CDIB Capital Innovation Accelerator's start-up mentoring program	CDIB Capital Innovation Accelerator	<ul style="list-style-type: none"> NT\$1.29 billion 12 One-day start-up board meetings organized (Start-up Mentor Projects) 129 Free start-up seminars and 3 start-up workshops 	<ul style="list-style-type: none"> 15 Investee start-ups 3,539 People 	<ul style="list-style-type: none"> 15 Investee start-ups of CDIB Capital Group Increase in start-up investments Opportunities for cooperation between subsidiaries and start-ups Opportunities for collaboration among investors, large enterprises and customers, and start-ups CDIB Capital Innovation Accelerator's differentiation from other venture capital firms in terms of service and social influence 	<ul style="list-style-type: none"> 15 Start-ups received funds required for business development Young people and start-ups received professional guidance to overcome difficulties through free seminars, workshops, and courses Corporate-matching opportunities for start-ups Increase in employees' participating, self-satisfaction, and social recognition 	<ul style="list-style-type: none"> Continue investing in promising start-ups Explore new start-ups and provide resources required for their business development Organize start-up mentor projects and free start-up seminars in public spaces

Type of philanthropic activity	SDGs	Action plan	Organizer	2019 Input	2019 Outcomes			2020 Goals
				Amount/Hour/ Number of people	Beneficiary (people/school/ group)	Business benefit	Social benefit	
Employee engagement		Annual Charity and Employee Recognition Event	CDF	<ul style="list-style-type: none"> NT\$623,400 1,000 volunteers 	12 vendors	<ul style="list-style-type: none"> Elevated brand favorability and brand preference Made social enterprises prosperous 	<ul style="list-style-type: none"> Increased public awareness of public welfare Expanded employee participation in philanthropic activities Increased the revenue of social enterprises and shelter workshops 	Continue organizing the annual charity event to support more charities and help them become self-sustaining
		KGI Volunteer Day	KGI Bank	222 Volunteers; 888 hours	350 Seniors from senior care centers	Built a good brand image and visibility among the senior care centers' employees, senior citizens, and their family members and created opportunities for providing financial services	<ul style="list-style-type: none"> Improved brand value: Social welfare groups, senior citizens, and their family members experienced KGI Bank's corporate citizenship Improved employees' self-worth and comradeship 	Continue to enlarge philanthropic activities and volunteers
		Bread Love	KGI Securities	NT\$619,200	<ul style="list-style-type: none"> 412 Employees 222 Beneficiaries 	Improved corporate favorability and employees' identification	<ul style="list-style-type: none"> Provided job opportunities to shelter workshops to enable them to become self-sustaining Gifted the purchased products to orphanages, disadvantaged communities, and schools in remote areas to support other disadvantaged groups 	Continue to promote subscriptions and engage employees
		Love to Go Volunteer Team	China Life Insurance	2,988 People; 18,965 hours	68 Social welfare organizations; 30,738 Beneficiaries	Improved corporate image, cohesion among employees, opportunities for developing new customers	<ul style="list-style-type: none"> Increased opportunities for children in remote areas to stay connected through volunteers' company and care Taking advantage of corporate resources connected with social-welfare groups, eco-friendly small farmers, and social enterprises with employees to support social-welfare groups through consumption Over 70% of employees subscribed to coupons for common good Employees increased environmental awareness by purchasing products from eco-friendly small farmers and disadvantaged groups on weekdays to help maintain their income and for business operations 	Continue encouraging employees to participate in philanthropic activities

Social Return on Investment (SROI)

"Heritage 100 X Tutelage 100" is a long-term program in which the CDF Foundation has been engaged in for over ten years. The Foundation contributes NT\$5 million every year to it, with beneficiaries constituting 100 college students and 100 elementary school children. To ascertain the social impact of the program, in 2017, we introduced the SROI system to assess the changes brought about in the lives of major stakeholders and its social impact. The social impact has been calculated and presented in monetary terms. The denominator is the cost, or the NT\$ 5mn we allocate for the program every year, while the numerator is the value of the social impact, including improvements in the livelihood of college students, academic progress of school children, improved family relationships and reduced workload for primary school teachers, etc. We found that the SROI of the Heritage 100 X Tutelage 100 program was **4.9** in 2019, meaning that for every NT\$1 we invested, we created positive social impact of NT \$4.9. In the future, we plan to hold courses to teach college students from poor families the right attitude to teaching, empathy, and cooperation, so that they can help kids from poor families improve their learning and build confidence. It's our hope that these efforts will have a greater social impact and create more social benefits.

Note: We are yet to interview our stakeholders nor asked them to complete a questionnaire about this program for 2019; thus, SROI we present here is only the preliminary outcome without sensitivity analysis.

6.1 Charitable Donations

CDF through its charitable acts has consistently provided care and assistance for people who are victims of emergencies, such as students affected by Formosa Fun Coast explosion and children orphaned by Tainan Earthquake. The KGI Charity Foundation also provides financial assistance to families that often face sudden upheavals in their life.

Social emergency aid

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDF	Trust Fund for Children Orphaned by Tainan Earthquake	CDF has set up a trust fund of NT\$4 million for children orphaned by the Tainan earthquake of 2016 to protect their lives and their future. The fund is managed by KGI Bank.	Orphaned children	Education fund of NT\$4 million, supporting orphaned children's study, livelihood, and talent nurturing
CDIB Education and Cultural Affairs Foundation	Financial Assistance to Student Victims of Formosa Fun Coast Explosion	A long-term aid program since 2015 covering the cost of fees of students victimized by the incident through graduation.	Student victims of trauma	<ul style="list-style-type: none"> Grants totaling NT\$1.75mn, to benefit 54 students The grants distributed since 2015 total NT\$19.12mn, benefiting 562 students
KGI Charity Foundation	Emergency Aid for Affected Students & Families	Financial aid and emergency funds for students whose families experience sudden upheavals	Low-income students	Grants totaling NT\$1.76mn, to benefit 48 students

Remote communities & special needs organizations

Sponsor	Project	Description	Beneficiary	Highlights of 2019
China Life Insurance	Yu-Cheng Social Welfare Foundation's art contest for children with special needs	Sponsoring a painting contest organized by the Yu-Cheng Social Welfare Foundation for children with mental disabilities, promote the Foundation's sheltered workshop merchandise by amazing talent and hard work of our youth with special needs to touch more people through their art.	Children with mental and developmental challenges	Beneficiaries: Over 5,000 individuals with special needs and their families as of 2009.

6.2 Community Investments

Our community investment centers on the following four categories: educational support, rural and disadvantaged students, low-income and economically disadvantaged families, and social enterprises and start-ups. Most of the first three categories pertain to investment in education. In 2019, our community investment amounted to about NT\$21 million and benefited 14,000 students of over 400 schools across Taiwan. In addition to investment in education, KGI Bank also donated NT\$32,571,761 to the Small & Medium Enterprise Credit Guarantee Fund of Taiwan in 2019 to create a more borrower-friendly environment for quality SMEs and start-ups.

Educational aid

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDIB Education and Cultural Affairs Foundation	Heritage 100 X Tutelage 100	Set up in 2006, the CDF's Heritage 100 X Tutelage 100 program is unlike most scholarships as it requires that 100 low-income college students receiving the NT\$50,000 grants put in 100 hours to help underprivileged students in their school work. Since the environments in which these volunteers grew up are similar to those they helped, they were more empathetic, making it easier for them to offer eye-opening experiences to guide them to discover new opportunities in life. In addition to increasing underprivileged students' learning interest and confidence, this program helps develop the recipients' empathy and sense of mutual help, enhance their self-confidence expressing ability, and develop a positive attitude.	College students in poverty	In 2019, grants of NT\$ 5mn in total were provided to 100 college students, who offered 10,000 tutorial hours to 100 underprivileged children, benefiting 100 schools. Since 2006, the program has given out NT\$65mn and helped 2,600 students.
CDIB Education and Cultural Affairs Foundation	The Flying Elephant in Our Class: Little Talents with Big Futures	The decade-long project is aimed at nurturing young talent in music, sports, and the arts living in poverty through elementary and junior high school. It helps them explore and live to their full potential. Over the year, the Foundation has fostered outstanding young talent like NCAA player Oscar Gao and choreographer Jya-ming Li.	Young talent as individuals and in ensemble	NT\$1.37mn was granted to sponsor 20 schools, benefiting 109 students
CDIB Education and Cultural Affairs Foundation	Little Flying Elephant Basketball Summer Camp Performance	CDF created a platform for participants of the Little Flying Elephant Project to exhibit their talent. The 2019 CDF Little Flying Elephant Summer Camp encouraged the project's young talent to be in charge as junior coaches and invited family members of CDF employees to enroll for a training session. The event ended with a goodwill match between the project's members and CDF employees.	Underprivileged students, CDF employees and their family members	NT\$55,000 was budgeted; 32 employees participated in the event with their families
CDIB Education and Cultural Affairs Foundation	Scholarship for skilled vocational high school students	In the spirit of the Flying Elephant Project, the Foundation set up a Vocational Skills Scholarship program in 2017 to offer long-term support to high school, college and graduate school students living below poverty line to stay focused on their aspirations and technical training, and to help them succeed in their future profession.	High school and higher education students living in poverty pursuing formal technical training	NT\$1.84mn was granted to benefit 102 students
CDIB Education and Cultural Affairs Foundation	Charitable educational grants	Extend the Vocational Skills Scholarship program of the Foundation, invite the program's long-term beneficiaries who have graduated to offer courses at CDF to support employees' activities and gain experience as class instructors by applying their knowledge and skills. Since 2018, they have been offering courses in dance and watercolor painting.	Underprivileged students, CDF employees and their family members	70 employees signed up for courses in 2019



Sponsor	Project	Description	Beneficiary	Highlights of 2019
China Life Insurance	Societal-Minded Young CEO initiative	For over 13 years China Life has been exhorting university students to be involved in charitable activities and widen their horizon to serve the community. It offers to sponsor student's initiatives supporting the company's causes to protect the environment, promote education, uplift underprivileged communities, or personal financial and insurance planning advocacy. With involvement in charitable causes, they contribute to a positive approach in resolving societal problems. Holding charity relays around the country, the initiative will widen the spread of love and affection in the society.	Higher education students, rural school-age children and local residents	Sponsored 10 colleges and universities, benefiting 1,634 rural students and residents
China Life Insurance	Read Across 319 Townships	The program covers all elementary schools across Taiwan's 319 townships to foster reading, and follows a diverse classroom approach. It incorporates DIY lessons, storytelling and interactive games, etc., in a context-based curriculum, and fosters a culture of independent reading and learning for kids in rural areas. It will help them build an integral values system, encompassing fundamental concepts like money management and insurance, green living, food safety, and ethics, etc., and spark their interest in learning and discover their full potential.	School children and teachers from rural areas	Of the 11 schools we visited, we helped two schools organize reading events, and three schools curate their own edition of illustrated guide for visitors, and produced a rural-community-themed short series in collaboration with four schools. 451 school children from rural areas and 75 teachers participated.
China Life Insurance	Aesthetic Education Plan	In the name of charity, we also bring together art-based social enterprises along with cutting-edge emerging artists to introduce aesthetics education to schools in rural areas that encourages incorporating unique elements of the local culture and the campus into their artwork to inspire connection to their hometown and raise self-awareness. The Aesthetic Education Plan has won the Buying Power—Social Innovation Product and Service Procurement Award for the third consecutive year, and is a winner of TCSCA's Social Inclusion Award in 2019. We also helped a wider audience to discover the students' artistic talent by converting their artwork into merchandise and souvenirs, such as e-cards and key visuals for China Life's 56th anniversary campaign, and packaging for the annual Chinese New Year PR gift boxes for stakeholders, creating a virtuous cycle.	Rural elementary schools	Since inception, we have contributed NT\$2.5 mn to the Plan and acquired 227 pieces of artworks from participating schools, two of which have been used for packaging for goodwill farm food gift boxes (as China Life's 56th anniversary celebration and Chinese New Year souvenirs)

Remote communities & special needs organizations

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDIB Education and Cultural Affairs Foundation	Perfect Nutrition	Subsidies to food budgets	Elementary and junior high schools in rural areas	NT\$4.83 mn was granted to 215 schools, benefiting 11,186 students
CDIB Education and Cultural Affairs Foundation	Taipei National Theater and Concert Hall "Zero Distance in Art"	A sponsor of the National Theater and Concert Hall's "Zero Distance in Art" program since 2009, the Foundation has been sponsoring rural and underprivileged school children and "Heritage 100" volunteers to art performances at the National Theater and Concert Hall to bridge the city-rural disparity in art education. In 2019, the program selected 64 students to attend art performances, and received positive feedback from them.	Underprivileged families and rural school children	Total sponsorship of NT\$200,000 helped 64 students attend the show



Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDIB Education and Cultural Affairs Foundation	National Taichung Theater "Open House project" and NTT Academy	<p>To make art events more accessible to the public, the Foundation joined the Open House project initiative of the National Taichung Theater in 2017, and has since invited nearly a thousand students and teachers from remote areas in central and southern Taiwan to visit the opera house for high-quality productions on an international stage. In 2019, 300 students and teachers from eight schools gathered here to see "Düsseldorf Duisburg 7" by Germany's Ballett am Rhein, and "Blak Whyte Gray" by Britain's Boy Blue.</p> <p>To foster professionals specialized in performing arts administrative work in central Taiwan, NTT Academy was officially launched in 2019 to offer training courses for high-school students interested in performing arts seeking to pursue a career in performing arts administration.</p>	Rural elementary and junior high-school students; high-school students	Total sponsorship of NT\$500,000, benefited 300 students and teachers from eight schools
KGI Charity Foundation	Let Love Flower	The "Let Love Flower" program began in 2016 and has been supporting students from economically disadvantaged backgrounds and rural areas for quality nutrition and quality education.	Rural students in poverty	Grants to 31 rural schools totaled NT\$5.07 mn
China Life Insurance	Green Academy Program for Food Safety	Periodically purchasing seasonal fruits from eco-friendly small-scale local farmers to gift to rural students and students experiencing poverty. As the children benefit from a healthy diet, it's also important that they acknowledge the value of local farmers. Green Academy takes social enterprises deeper into rural schools. Through food education and sponsoring campus farming, rural children, already in close proximity to nature, are also able to appreciate the idea of eating well and living in harmony with nature.	Rural elementary schools, social enterprises	Buying and sending local farm goods to four rural elementary schools and one social welfare organization, benefiting over 310 school children
China Life Insurance	Yu-Cheng Social Welfare Foundation's Art Contest for Children with Special Needs	Supporting Yu-Cheng Foundation's painting contest for children with mental disabilities for 11 years in a row, China Life is also committed to promoting the Foundation's sheltered workshop merchandise to enable more people see the amazing talent and hard work of our children with special needs through their art.	Children with mental and developmental challenges	Beneficiaries: Over 5,000 individuals with special needs and their families as of 2009

Low income & underprivileged households

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDF	Education Charity Fund	A supportive program of the Taiwan Financial Services Roundtable to help underprivileged students complete their study	Underprivileged students	A NT\$2.5 mn donation was made
CDIB Capital Group	Sponsorship & assistance to Chung Yi Social Welfare Foundation & the children of Chung Yi Orphanage	<ul style="list-style-type: none"> Participation in the 2020 education fundraising project To spearhead the "2020 Symphony" journal and notebook charity sale 	The orphans	NT\$58,000 was raised for the education project; NT\$21,241 was raised from charity sale



Sponsor	Project	Description	Beneficiary	Highlights of 2019
KGI Charity Foundation	Love, Starting From Elementary School	Since 2012, the "Love, Starting From Elementary School" scholarship program has been implemented to support low-income students with financial aid to ensure their basic human rights for survival and education.	Students in poverty	NT\$3.97 mn was granted to 287 students from 93 schools. Since 2012, the Foundation has provided over NT\$30 mn in scholarship to over 1,000 students of underprivileged families to protect their rights to education.
KGI Securities Thailand	Dream Come True Bicycle Donation Drive III	Ensure that students are free from abruptly disrupting their studies because of commuting challenges	Children in the age group 8–15 with difficulties in commuting to school	NT\$1.49 mn was contributed to sponsor 213 schools, benefiting 1,140 school children

Social & micro enterprises

Sponsor	Project	Description	Beneficiary	Highlights of 2019
KGI Bank	Donation to SME Credit Guarantee Trust Fund	Long-standing support for SMEG Fund, and for micro and social enterprises to be qualified for credit guarantees and access to loans	Micro & social enterprises	Donation: NT\$32,571,761

Other categories

Sponsor	Project	Description	Beneficiary	Highlights of 2019
China Life Insurance	Charity Fairs	<p>This joint has evolved from simply a vending platform for eco-friendly small local farmers and welfare organizations to display their merchandise to doubling as a stage of talent show for these groups and underprivileged children to express themselves live, which is an excellent way to engage people, receive their appreciation, thus boost their confidence.</p> <p>In 2019, China Life issued Charity Fairs coupons, which have been ordered by over 70% of employees around the country in support for underserved groups and eco-friendly local farmers.</p>	Social welfare organizations; eco-friendly small local farmers	<p>China Life has held one Charity Fair event and three charity gift box briefings, engaging 13 social welfare organizations and local farmers.</p> <p>Merchandise sales proceeds surpassed NT\$1.0 mn, up over 350% YoY.</p>

6.3 Commercial Initiatives

As a leader in Taiwan's venture capital industry, CDIB Capital Group has nearly 40% market share, and has facilitated every stage of industrial transformation taking place in Taiwan for 60 years with comprehensive and solid industrial association built over years of experience in investment. As the start-up ecosystem drives the new economy, the CDIB Capital Group established the CDIB Capital Innovation Accelerator in addition to setting up the CDIB Capital Innovation Accelerator Fund. As a start-up platform, the CDIB Capital Innovation Accelerator makes use of its years of experience in venture capital to provide start-ups with online/offline integrated resources ranging over physical space, professional courses, mentorship, corporate-matching events, association, social media management, and media exposure. It aims to match Taiwanese start-ups with international funds and markets to help them add value and grow.



KGI Bank was Taiwan's first bank to launch a charity platform through FinTech on the company website in 2017. It helps raise funds online in a modular way free of charge for social-welfare groups for business development in a safe and reliable manner, in addition to enabling non-profit organizations get higher exposure and customers make donations through credit and ATM cards.

Educational grants

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDIB Education and Cultural Affairs Foundation	Artist Nurturing	Sponsored a variety of performance events, including the TIFA Taiwan International Art Festival, the Lanyang International Double Bass Summer Camp (along with its master classes). Russia's Kuban Cossack Chorus was invited to perform at the CDF-sponsored 2019 Kuandu Arts Festival and participate in PR events in celebration of CDF's diamond jubilee, along with other academic engagements to raise CDF's brand image.	Art and culture groups; schools and employees	Sponsorship: NT\$16.56 mn Attendance: 69,679
CDIB Capital Management Corporation/CDIB Capital International Corporation (CCIC)	Working with MIT and Wharton to help Taiwanese start-ups enter overseas markets	In collaboration with globally renowned MIT and Wharton facilitate exchange between Taiwan and US elite, explore opportunities for entrepreneurs to work together, generate opportunities for start-ups in Taiwan to get connected overseas, and drive the VC business to penetrate globally, which in the long run bodes well for the company's international presence and the group's global footprint. <ul style="list-style-type: none"> Sponsor the "Wharton Partnerships for Recruiters and Corporations" program Sponsor the "MIT Entrepreneurship and Maker Skills Integrator (MEMSI)" project and "Demo Day" organized by MIT Hong Kong Innovation Node 	<ul style="list-style-type: none"> Wharton students, Taiwan & US enterprises Students of MIT & HKU, etc. 	<ul style="list-style-type: none"> Sponsorship for Wharton Partnerships for Recruiters and Corporations: US\$100,000 Sponsorship for MEMSI : US\$100,000; organized MEMSI Demo Day on January 19, 2019, where 34 teams of students from Hong Kong and MIT were selected to make presentations



Art cultivation

Sponsor	Project	Description	Beneficiary	Highlights of 2019
KGI Securities	Sponsorship program for Rong-shing Cultural Foundation	Title sponsorship with company logo on peripherals, such as posters and brochures	Rong-shing Cultural Foundation	<ul style="list-style-type: none"> Enhance brand awareness and media exposure Total donation: NT\$200,000 Musical events attract around 1,800 people every year

Social & micro enterprises

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDF	Strategic partnership with AAMA Taipei Cradle Program	By building long-term strategic partnership with the AAMA Taipei Cradle Program, support promising start-ups and create in-depth mentorship with each season's shortlisted entrepreneurs. CDF will not only gain a solid footing in the incubation center's ecosystem, but will also serve as an opportunistic alliance with the start-up network for potentially mutually beneficial long-term relationship.	Entrepreneurs shortlisted by the AAMA Taipei Cradle Program	<p>Coordinating with AAMA to set up incubation, the Accelerator hosted AAMA's season 8 final elimination on May 25, and a meet and greet for mentors and finalists on July 5. Team members from the CDIB Capital Innovation Advisors were appointed as AAMA start-up mentors to help with problem-solving.</p> <p>Start-ups continue to benefit from group resources and generate cross-selling synergies. AAMA start-ups having completed cross-selling transactions (and the service or product involved) in 2019 include: PicSee (wage transfer); Unicorn (travel insurance); Mr. Living (travel insurance); Jollywiz (credit loan authorization); KooData (wage transfer).</p>
CDIB Capital Group	CDIB Capital Innovation Accelerator	The CDIB Capital Innovation Accelerator Fund has built the largest innovation and start-up platform in Taiwan. Eyeing both roles as a principal investor and incubator, the Fund offers top-of-the-line professional investment services, in addition to corporate matching, physical networking space, mentorship, start-up courses, and more, providing start-ups and investors the resources they need for growth, making the Accelerator a springboard for competing on the world stage. The platform also provides CDF access to start-ups with huge potential to add to its portfolio.	Social enterprise/start-ups	<ul style="list-style-type: none"> Invested in 15 start-ups Held 12 one-day start-up board of directors meetings under the exclusive investee mentorship program; organized 3 start-up afternoon tea sessions 129 innovation and startup forums in the Accelerator's free networking space in 2019, attended by 3,593 participants
KGI Bank	Online charity donation platform	Considering that many small- and medium-sized charities have no funds or manpower to set up an online donation platform, KGI Bank was Taiwan's first bank to launch a charity donation platform through FinTech on the company website in 2017. Collaborating with 28 non-profit organizations in Taiwan, KGI Bank provides an online modular fundraising platform free of charge for social-welfare groups to raise funds required for business development in a safe and reliable manner; in addition, the platform enables non-profit organizations to gain exposure and might help customers turn their concern into action by making donations through credit/ATM cards.	Charitable organizations	Over 1,000 donations have been made since launch, of nearly NT\$1.0 mn value

6.4 Employee Engagement

CDF has set up a charity platform to encourage employees to volunteer, and employees of subsidiaries also take the initiative to participate in various philanthropic activities. Currently, we offer four-day voluntary leave to every employee per year, hoping that he/she will volunteer for two hours per month on an average. China Life Insurance established the “Love to Go Volunteer Team” in 2012 to provide care for socially disadvantaged groups. In 2019, employees volunteered in nearly 3,000 philanthropic activities.

In addition to volunteer service, CDF also encourages employees to respond to significant social events. In the wake of COVID-19 break-out in 2020, the Yuan-Ai Fabric Workshop, a CDF Foundation's beneficiary in Taitung, had difficulty in selling handmade cloth bags owing to lower tourist footfall. Therefore, the CDF Foundation conceived of utilizing the facility to make mask covers and created “Mask Cover Pre-ordering” system to develop mask covers and suggested to the Workshop to sell them to employees across the Group. A total of 364 orders were received within three hours of its announcement. It not only helped the Workshop overcome the crisis, but also kept masks in sufficient quantity to meet employees' needs at the beginning of the outbreak.



Educational grants; disabilities; low income and underprivileged households; care for underserved seniors

Sponsor	Project	Description	Beneficiary	Highlights of 2019
China Life Insurance	Love to Go Volunteer Team	Approaching its 10th anniversary, the Love to Go Volunteer Team operates on China Life Insurance's 'we share, we link' core value in its liaison with close to 10 social welfare organizations offering services like helping the disabled adapt to new environments, keeping orphanage kids and underserved seniors company, beach clean-up, and goodwill products packaging, etc. To encourage employee participation, the company began offering one day of volunteer leave each year since 2014. Teams and team leaders with strong participation are honored and rewarded every quarter to shore up volunteer participation.	Individuals with disabilities; orphanage children; underprivileged seniors	In 2019, back-office employees received information on nearly 3,000 volunteer events, for a total 7,096 volunteer hours.



Remote communities and special needs organizations

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDIB Education and Cultural Affairs Foundation	Lunch Dates	CDF staff visited schools in rural areas with insufficient funding to serve as one-day volunteers during lunch time, providing extra food for students and teachers.	Elementary students and teachers from rural areas	11 participating employees served 100 teachers and students
KGI Securities	Gift Shoebox of Love	KGI Securities staff collected shoebox presents during winter, sending their loving thoughts to children in rural areas.	Students in rural areas in Chiayi	400 employees collected and delivered over 500 shoebox presents

Low income and underprivileged households

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDIB Education and Cultural Affairs Foundation	Bread Love	Ever since the charity bakery launched in 2014, CDF employees have made a commitment to place monthly orders of bakery on sheltered workshops like Hsinchu's Huakuang Social Welfare Foundation at the start of the year. Each month they receive a bag of products from these workshops. A reliable volume and steady stream of orders are key for these workshops to sustain operations. These orders not only provide the sheltered staff their salary, but they also get more opportunities to gain hands-on experience.	Students with physical or mental disabilities	About NT\$260,000 was raised from 200 employees, benefiting 200 sheltered bakery chefs
KGI Securities	Bread Love	Purchasing baked goods from two sheltered workshops every month, and donating some of the items to orphanages and food banks to maximize love and affection.	<ul style="list-style-type: none"> Bakery chefs with disabilities living in sheltered homes Solitary senior folks living in solitude Orphanage kids School children living in poverty or rural areas Children with mental and developmental challenges 	<ul style="list-style-type: none"> NT\$620,000 was raised 27 bakery chefs at shelter workshops had income 50 orphans received bakery products 145 elderly living alone received bakery products 412 employees took part
China Life Insurance	Charitable Group Buying	Using the term payment model common to the insurance industry, China Life encourages employees to participate in charitable group buying activities and provide long-term support and steady income to underprivileged groups and eco-friendly micro-farmers, making charitable deeds more affordable and easier to turn into action. After an order is placed, the employee can either keep them for self-use or donate to charities to bring happiness to oneself and bring hearts closer.	<ul style="list-style-type: none"> Underprivileged groups Eco-friendly micro-farmers Social welfare organizations 	In 2019, orders exceeded NT\$1.13mn, yielding nearly NT\$600,000's worth of resources to benefit almost 400 individuals being cared for



Social and micro enterprises

Sponsor	Project	Description	Beneficiary	Highlights of 2019
CDIB Education and Cultural Affairs Foundation	Annual Charity Day Event	Employees participated enthusiastically in performances at the annual social enterprise charity fair event held on January 14, 2020. A total of 12 shelter workshops, social enterprises, local farmers, and charity group partners were invited as merchandise booth vendors. To boost purchases, the Foundation made a promotional pre-sale of subsidized coupons in limited quantity. At the end of the day, the fair fetched a whopping NT\$820,000 from sales.	Social enterprise & social welfare organizations	A decent turnout with about 1,000 employees. The charity fair grossed NT\$820,000 in sales

Care for underserved seniors

Sponsor	Project	Description	Beneficiary	Highlights of 2019
KGI Bank	KGI Volunteer Day	In collaboration with the United Way of Taiwan, KGI Bank created Volunteer Day which offers participants a compensatory one-day volunteer leave to encourage them to spend half a day a month during the weekend to provide companionship to the elderly at senior care centers in Taipei, Taichung and Kaohsiung.	About 350 elderly residents at senior care facilities	<ul style="list-style-type: none"> 1,360 employees participated since KGI Volunteer Day kicked off in 2013 222 volunteer trips were made, putting in a total of 888 services hours in 2019
CDF	"Cross Mountain 60, Move Forward to Excellence" (mountain-cleaning activity)	In celebration of CDF's 60th anniversary, we have organized the "Cross Mountain 60, Move Forward to Excellence," a mountain-cleaning activity, since 2018 and have invited employees and their family members to join. Employees of overseas branches of KGI Securities in Thailand and Hong Kong have also participated. As a way to fulfill our corporate citizenship and social responsibility, this activity not only enhances cordiality among employees across the Group, but also improves their health.	60 hiking trails, including 41 in the north, two in Taoyuan and Hsinchu, seven in Central Taiwan, nine in the south, and one in the east	3,171 employees and family members



7

Appendix



GRI Standards Index

GRI Standards	Disclosure	Page	
General Disclosures			
GRI 102:General Disclosures 2016	102-1 Names of the organization	About the Report	5
	102-2 Activities, brands, products, and services	Corporate Overview-About CDF	6
	102-3 Location of headquarters	Corporate Overview-About CDF	6
	102-4 Location of operations	Corporate Overview-About CDF	6
	102-5 Ownership and legal form	Corporate Overview-About CDF	6
	102-6 Markets served	Corporate Overview-About CDF	6
	102-7 Scale of the organization	Corporate Overview-About CDF	6
	102-8 Information on employees and other workers	4.1 Workforce Diversity	93
	102-9 Supply Chain	5.2.1 Supplier Management	122
	102-10 Significant changes to the organization and its supply chain	About the Report	5
	102-11 Precautionary principles or approaches	2.3.1 Risk-Management Structure and Policy	34
	102-12 External Initiatives	1.1.3 Membership of Associations and External Initiatives	15
	102-13 Membership of associations	1.1.3 Membership of Associations and External Initiatives	15
	102-14 Statement from senior decision-maker	Chairman's Message	3
	102-16 Values, principles, standards, and norms of behavior	2.4.1 Ethical Corporate Management Mechanism	47
	102-17 Mechanisms for advice and concerns about ethics	2.4.1 Ethical Corporate Management Mechanism	47
	102-18 Governance structure	2.2.1 Board of Directors Structure	25
	102-19 Delegating authority	2.2.1 Board of Directors Structure	25
	102-20 Executive-level responsibility for economic, environmental, and social topics	2.2.3 Sustainability Governance Structure	32



GRI Standards	Disclosure	Page	
GRI 102:General Disclosures 2016	102-22 Composition of the highest governance body and its committees	2.2.1 Board of Directors Structure	25
	102-23 Chair of the highest governance body	2.2.1 Board of Directors Structure	25
	102-26 Role of highest governance body in setting purpose, values, and strategy	2.2.1 Board of Directors Structure	25
	102-27 Collective knowledge of highest governance body	2.2.2 Board Operation	27
	102-28 Evaluating the highest governance body's performance	2.2.2 Board Operation	27
	102-29 Identifying and managing economic, environmental, and social impacts	1.1.1 Stakeholder Engagement	9
	102-30 Effectiveness of risk management processes	2.3.1 Risk-Management Structure and Policy	34
	102-31 Review of economic, environmental, and social topics	2.2.3 Sustainability Governance Structure	32
	102-32 Highest governance body's role in sustainability reporting	2.2.3 Sustainability Governance Structure	32
	102-33 Communicating critical concerns	2.3.1 Risk-Management Structure and Policy	34
	102-34 Nature and total number of critical concerns	2.3.1 Risk-Management Structure and Policy	34
	102-35 Remuneration policies	2.2.4 Remuneration Policy	33
	102-40 List of stakeholder groups	1.1.1 Stakeholder Engagement	9
		1.1.2 Material Issue Identification	11
	102-41 Collective bargaining agreements	4.4.2 Labor-Management Relations	106
	102-42 Identifying and selecting stakeholders	1.1.1 Stakeholder Engagement	9
		1.1.2 Material Issue Identification	11
	102-43 Approach to stakeholder engagement	1.1.1 Stakeholder Engagement	9
		1.1.2 Material Issue Identification	11
	102-44 Key topics and concerns raised	1.1.1 Stakeholder Engagement	9
		1.1.2 Material Issue Identification	11
	102-45 Entities included in the consolidated financial statements	About the Report	5



GRI Standards	Disclosure	Page	
GRI 102:General Disclosures 2016	102-46 Defining report content and topic boundaries	1.1.1 Stakeholder Engagement	9
		1.1.2 Material Issue Identification	11
	102-47 List of material topics	1.1.1 Stakeholder Engagement	9
		1.1.2 Material Issue Identification	11
	102-48 Restatements of information	About the Report	5
	102-49 Changes in reporting	About the Report	5
	102-50 Reporting period	About the Report	5
	102-51 Date of most recent report	About the Report	5
	102-52 Reporting cycle	About the Report	5
	102-53 Contact point for questions regarding the report	About the Report	5
	102-54 Claims of reporting in accordance with the GRI Standards	About the Report	5
	102-55 GRI content index	GRI Standards Index	145
	102-56 External assurance	About the Report	5
Material Topics			
Risk Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	2.3 Risk Management	34
	103-3 Evaluation of the management approach	2.3 Risk Management	34
GRI 201:Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	2.3.3 Climate Change Risk Management	41



GRI Standards	Disclosure	Page
Corporate Governance and Ethical Corporate Management		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification 11
	103-2 The management approach and its components	2.2.1 Board of Directors Structure 25
		2.2.2 Board Operation 27
		2.4.1 Ethical Corporate Management Mechanism 47
	103-3 Evaluation of the management approach	2.2.1 Board of Directors Structure 25
		2.2.2 Board Operation 27
		2.4.1 Ethical Corporate Management Mechanism 47
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	2.3.1 Risk-Management Structure and Policy 34 2.4.1 Ethical Corporate Management Mechanism 47
	205-3 Confirmed incidents of corruption and actions taken	2.4.1 Ethical Corporate Management Mechanism 47
Service Quality and Customer Relationship Management		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification 11
	103-2 The management approach and its components	3.4 Customer Experience 75
	103-3 Evaluation of the management approach	3.4 Customer Experience 75
Information Security and Personal Information Protection		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification 11
	103-2 The management approach and its components	3.4.2 Customer Rights and Protection 78
	103-3 Evaluation of the management approach	3.4.2 Customer Rights and Protection 78
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	3.4.2 Customer Rights and Protection 78



GRI Standards	Disclosure	Page	
Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
	103-3 Evaluation of the management approach	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
	417-3 Incidents of non-compliance concerning marketing communications	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
Operating Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	2.1.1 Business Performance	23
	103-3 Evaluation of the management approach	2.1.1 Business Performance	23
GRI 201:Economic Performance 2016	201-1 Direct economic value generated and distributed	2.1.1 Business Performance	23
Secondary Topics			
Sustainable Finance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	3.1 Responsible Investment 3.2 Sustainable Insurance	59 65
	103-3 Evaluation of the management approach	3.1 Responsible Investment 3.2 Sustainable Insurance	59 65
GRI 203:Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	3.1 Responsible Investment	59
		3.3.3 Green Finance	73



GRI Standards	Disclosure	Page	
Anti-money Laundering and Countering the Financing of Terrorism			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
	103-3 Evaluation of the management approach	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	2.4.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance	48
Digital Finance and Innovations			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	3.4.1 Digital Finance	75
	103-3 Evaluation of the management approach	3.4.1 Digital Finance	75
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	3.4.1 Digital Finance	75
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	4.2.2 Workplace Health and Safety	95
	103-3 Evaluation of the management approach	4.2.2 Workplace Health and Safety	95
GRI 403: Occupational Health and Safety 2016	403-1 Worker representatives of the formal worker health and safety committee jointly formed by employers and employees	4.2.2 Workplace Health and Safety	95
Remuneration and Talent Development			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	4.3.1 Talent Recruitment and Retention	98
		4.3.2 Human Capital Development	101
		4.4.1 Employee Benefits	103



GRI Standards	Disclosure	Page	
GRI 103: Management Approach 2016	103-3 Evaluation of the management approach	4.3.1 Talent Recruitment and Retention	98
		4.3.2 Human Capital Development	101
		4.4.1 Employee Benefits	103
GRI 201: Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	4.4.1 Employee Benefits	103
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	4.4.1 Employee Benefits	103
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	4.3.1 Talent Recruitment and Retention	98
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.4.1 Employee Benefits	103
	401-3 Parental leave	4.4.1 Employee Benefits	103
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	4.3.2 Human Capital Development	101
	404-3 Percentage of employees receiving regular performance and career development reviews	4.3.1 Talent Recruitment and Retention 4.3.2 Human Capital Development	98 101
Social Engagement			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	6. Co-Creation of Society	130
	103-3 Evaluation of the management approach	6. Co-Creation of Society	130
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	6. Co-Creation of Society	130
Supplier Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Material Issue Identification	11
	103-2 The management approach and its components	5.2.1 Supplier Management	122
	103-3 Evaluation of the management approach	5.2.1 Supplier Management	122

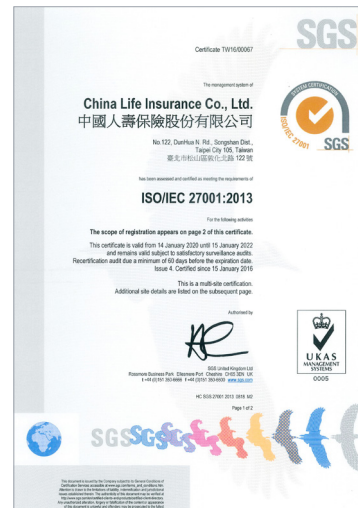
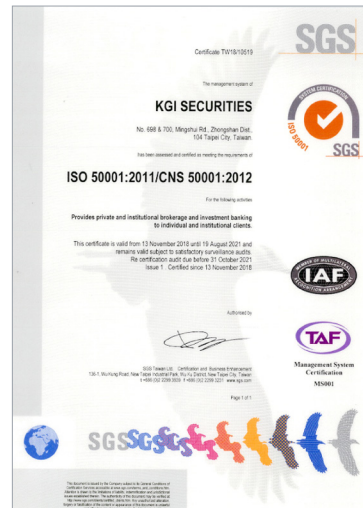
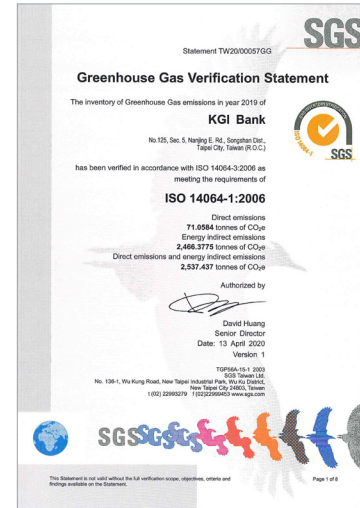
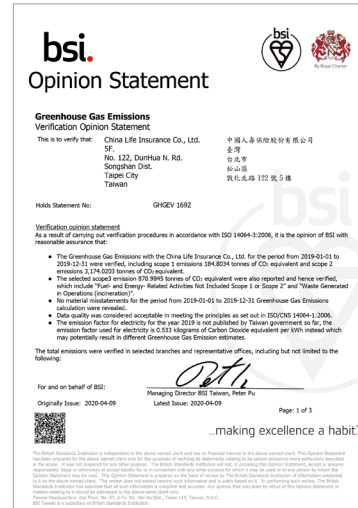
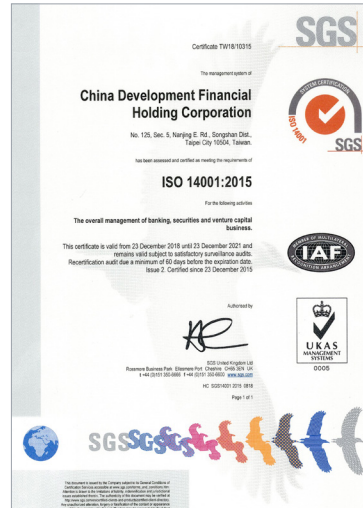


GRI Standards	Disclosure	Page	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	5.2.1 Supplier Management	122
	308-2 Negative environmental impacts in the supply chain and actions taken	5.2.1 Supplier Management	122
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	5.2.1 Supplier Management	122
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	5.2.1 Supplier Management	122
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	5.2.1 Supplier Management	122
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	5.2.1 Supplier Management	122
	414-2 Negative social impacts in the supply chain and actions taken	5.2.1 Supplier Management	122
Other Topics			
Principles for Fair Treatment of Customers			
N/A			
Green Operation			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	5.1.3 Energy Management	115
	302-1 Energy consumption outside of the organization	5.1.3 Energy Management	115
	302-3 Energy intensity	5.1.3 Energy Management	115
	302-4 Reduction of energy consumption	5.1.3 Energy Management	115
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	5.1.2 GHG Management	112
	305-2 Energy indirect (Scope 2) GHG emissions	5.1.2 GHG Management	112
	305-3 Other indirect (Scope 3) GHG emissions	5.1.2 GHG Management	112
	305-4 GHG emissions intensity	5.1.2 GHG Management	112
	305-5 Reduction of GHG emissions	5.1.2 GHG Management	112



GRI Standards	Disclosure	Page	
GRI 303: Water 2016	303-1 Water withdrawal by source	5.1.4 Water-Resource Management	118
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	5.1.5 Waste Management	119
Inclusive Finance			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	3.3.1 Inclusive Finance	66
Climate Strategies			
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	2.3.3 Climate Change Risk Management	41
Green Procurement			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	5.2.2 Responsible Procurement	126
Human Rights, Equality, and Diversity			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	2.2.1 Board of Directors Structure	25
		4.1 Workforce Diversity	93
	405-2 Ratio of basic salary and remuneration of women to men	4.4.1 Employee Benefits	103
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	4.2.1 Human Rights Commitment and Assessment	94
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	4.2.1 Human Rights Commitment and Assessment	94
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.2.1 Human Rights Commitment and Assessment	94
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	4.2.1 Human Rights Commitment and Assessment	94
	412-2 Employee training on human rights policies or procedures	4.2.1 Human Rights Commitment and Assessment	94
Labor-management Communication			
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	4.4.2 Labor-Management Relations	106
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4.4.2 Labor-Management Relations	106

Assurance Statement





INDEPENDENT ASSURANCE OPINION STATEMENT

China Development Financial Holding Corporation 2019 Corporate Social Responsibility Report

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

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

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by CDF. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate. Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to CDF only.

Scope

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

1. The assurance scope is consistent with the description of China Development Financial Holding Corporation 2019 Corporate Social Responsibility Report with the following exceptions:
2. The evaluation of the nature and extent of the CDF's adherence to AA1000 AccountAbility Principles (2018) and the reliability of specified sustainability performance information in this report as conducted in accordance with type 2 of AA1000 Assurance Standard (2008) with 2018 Addendum sustainability assurance engagement.

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

Opinion Statement

We conclude that the CDF 2019 Corporate Social Responsibility Report provides a fair view of the CDF CSR programmes and performances during 2019. The CSR report subject to assurance is materially correct without voluntary omissions based upon testing within the limitations of the scope of the assurance, the information and data provided by the CDF and the sample taken. We believe that the 2019 economic, social and environmental performance information are correctly represented. The CSR performance information disclosed in the report demonstrate CDF's efforts recognized by its stakeholders.

Our work was carried out by a team of (CSR) report assurers in accordance with the AA1000AS (2008) with 2018 Addendum. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that CDF's description of their approach to AA1000AS (2008) with 2018 Addendum and their self-declaration in accordance with GRI Standards: Core option were fairly stated.

Methodology

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

- a top level review of issues raised by external parties that could be relevant to CDF's policies to provide a check on the appropriateness of statements made in the report
- discussion with managers on CDF's approach to stakeholder engagement. Moreover, we had sampled two external stakeholders to conduct interview
- interview with 35 staffs involved in sustainability management, report preparation and provision of report information were carried out
- review of key organizational developments
- review of the extent and maturity of the relevant accounting systems for financial and non-financial reports
- review of the findings of internal audits
- the verification of performance data and claims made in the report through meeting with managers responsible for gathering data
- review of the processes for gathering and ensuring the accuracy of data, followed data trails to initial aggregated source and checked sample data to greater depth during site visits
- the consolidated financial data are based on audited financial data, we checked that this data was consistently reproduced
- review of supporting evidence for claims made in the reports
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018)

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and sustainability performance information as well as GRI Standards is set out below:

Inclusivity

In this report, it reflects that CDF has sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the CDF's inclusivity issues and has demonstrated social responsible conduct supported by top management and implemented in all levels among organization.

Materiality

The CDF publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of CDF and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the CDF's management and performance. In our professional opinion the report covers the CDF's material issues.

Responsiveness

CDF has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for the CDF is developed and continually provides the opportunity to further enhance CDF's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the CDF's responsiveness issues.

Impact

CDF has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. CDF has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within an organization. In our professional opinion the report covers the CDF's impact issues.

Performance information

Based on our work described in this statement, specified sustainability performance information such as GRI Standards disclosures disclosed in this report, CDF and BSI have agreed upon to include in the scope. In our view, the data and information contained within CDF 2019 CSR Report are reliable based on procedures undertaken by means of vouching, re-tracking, re-computing and confirmation.

GRI Sustainability Reporting Standards (GRI Standards)

CDF provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the CDF's social responsibility and sustainability topics.

Assurance level

The moderate level assurance provided is in accordance with AA1000AS (2008) with 2018 Addendum in our review, as defined by the scope and methodology described in this statement.

Responsibility

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

Competency and Independence

The assurance team was composed of Lead auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:

Peter Pu, Managing Director BSI Taiwan



Statement No: SRA-TW-2019056
2020-06-08

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