



中華開發金控
CHINA DEVELOPMENT FINANCIAL



2020
CORPORATE SOCIAL
RESPONSIBILITY
REPORT

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The Report's cover and illustrations are extracted from the watercolor painting of Kang, Shan-Yen, who has long been the recipient of the CDF Foundation's "scholarship for skilled vocational high school students," and her art classmates, "Animal Impressions - The Praise of Life." The animal impressions embody an idea of sustaining and cherishing the environment and resources, which echoes with the efforts made by CDF and subsidiaries to create a sustainable society by promoting sustainable finance, creating a low-carbon environment, and focusing on caring for the disadvantaged and talent cultivation.





Chairman


Chairman's Message

Sustainable Finance Aim for Net-Zero Economy

CDF has adopted five main ESG strategies, namely, Corporate Governance, Intelligent Finance, Elite Talent Development, Low-Carbon Economy, and Co-Creation of Society, in response to the Sustainable Development Goals (SDGs) released by the United Nations in 2015. In 2020, CDF's total assets reached NT\$3.4 trillion with a consolidated profit of NT\$12.55 billion and earnings per share (EPS) of NT\$0.86. To make the idea of sustainable development a reality, CDF completed the second public acquisition of China Life Insurance Company Limited (China Life Insurance) in early February 2021. Now, CDF has a majority equity interest in China Life Insurance (56%). CDF is also aware that the young generation pays much attention to sustainable development issues. In recent years, young people have been active in expressing their ideas through startups or social enterprises. With more than 60 years of investment experience, CDF is poised to provide a full range of consulting and financial services for startups and social enterprises as part of our goal to achieve sustainable development.

In recognition of CDF's excellent performance in ESG projects in 2020, CDF was selected as a constituent of both DJSI World and DJSI Emerging Markets for the first time; CDF was also selected as a constituent of FTSE4Good Emerging Index and FTSE4Good TIP Taiwan ESG Index for a fourth consecutive year, 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 a seventh consecutive year; it also ranked in the top 5% of TWSE/TPEX listed companies in the 6th Corporate Governance Evaluation Awards. In the 2020 Taiwan Corporate Sustainability Awards (TCSA), CDF was promoted to top 50 companies in the Corporate Comprehensive Performance Award and won the Growth through Innovation Awards and the Climate Leadership Awards for a second consecutive year.

According to the 2021 Global Risk Report released by the World Economic Forum (WEF) at the beginning of 2021, extreme weather and climate change remain the first and the second highest likelihood risks, respectively. Among the highest impact risks, infectious diseases are unsurprisingly in the top spot. A whirlwind of uncertainty landed on us in 2020 as the COVID-19 pandemic raged across the globe, coupled with political and economic turmoil and a worsening climate crisis. Businesses will be facing a multitude of challenges arising in the new normal after the pandemic.



To understand the impacts of climate change, it is imperative to keep track of international management trends and the accuracy of relevant analyses and to lower the threshold of risk assessment. In mid-2020, CDF worked with National Taiwan University, Chunghwa Telecom Company, Ltd., and Ernst & Young to forge the RICE (Resilience of Industries on Climate Change Enhancement), which aims to promote a four-party collaboration program using expertise and practice across the industry, finance, and academia. With Taiwan's most scientifically based and credible platform climate risk management database set up by National Taiwan University, Chunghwa Telecom Company, Ltd. is responsible for turning the platform into the cloud with state-of-the-art digital technologies; through the platform, CDF and Ernst & Young are able to share their financial and industrial experience with other companies in the industries. This can free the industries from investing resources repeatedly and also connect to the existing risk management framework more accurately and effectively. Responding to the Green Finance Action Plan 2.0 launched by the Financial Supervisory Commission, the Climate Resilience Practice Alliance is tasked to improve the financial industry's resilience and ability to manage the risks and opportunities of climate change. It also helps the industry exert its influence to push low-carbon transformation forward.

As the COVID-19 pandemic still casting a shadow over the world, it can be a catalyst for the growth of the biomedicine industry. Seeing the importance of the biomedicine industry and its potential for growth in the post-pandemic era, CDIB Capital Group launched the second NTD-denominated healthcare fund with the assets under management totaling NT\$3.11 billion in 2020. As a domestic large-scale healthcare venture capital fund, CDIB Capital Healthcare Ventures II will exert its financial influence, with a focus on biotech and pharmaceuticals (including cell and gene therapy), med-tech and digital healthcare, along with broader biomedical and healthcare service sectors. The COVID-19 pandemic has brought severe challenges for the world society and economy. Whether it can recover from the pandemic in 2021 hinges on more investments in the biomedicine industry's R&D for breakthroughs.

CDF also attended the 2020 Taipei FinExpo. At the CDF Sustainability Pavilion, CDF focused on climate change issues and explained how the financial industry should do to tackle extreme weather; it also presented the results of its subsidiaries' business such as green finance, green investment, and inclusive finance. CDF worked with Pili, an investor of CDIB Capital Creative Industries Fund, to present the ESG results. Chen-Jung Chen, the winner of the Little Flying Elephant Project and the scholarship for skilled vocational high school students under China Development Foundation (now a student at Chaoyang University of Technology), drew a large six-frame comic, "Pili-endorsed ESG," featuring Su Huan-Jen. The comic was well received by the visitors at the exhibition.

CDF acknowledges that environmental, social, and corporate governance (ESG) are three central factors in measuring sustainability. CDF's business activities, whether the Climate Resilience Practice Alliance, subsidiaries' business or social welfare events, are all centered on sustainable development. CDF will strengthen the horizontal cooperation across subsidiaries to achieve synergy in the group. It will also step up the pace of digital transformation in hopes of becoming the most admired company and the ESG leader in the industry.

2020 ESG Performance

Selected as a constituent of DJSI World and DJSI Emerging Markets in 2020

Selected as a constituent of FTSE4Good Emerging Market Index and FTSE4Good TIP Taiwan ESG Index for four consecutive years



CDF has committed to becoming the first financial holding company to reach net-zero carbon emissions for its total portfolio by 2045.

CDF's new building has been awarded the gold level of "Green Building Labels Certificate."

Environmental

- Won the Climate Leadership Award in the Taiwan Corporate Sustainability Awards for two consecutive years
- Forged RICE (Resilience of Industries on Climate Change Enhancement) with National Taiwan University, Chunghwa Telecom Company, Ltd., and EY Taiwan to help businesses strengthen their climate-related risk management
- The CDF's green sector investments stand at around NT\$115.4bn, with China Life Insurance investing a combined NT\$1.5bn in green bonds issued by TSMC and Ørsted and KGI Bank financing alternative energy generation by taking part in eight project financings to reduce carbon emissions by an estimated 14.97mn metric tons per annum.
- Achieved green procurement amounting to NT\$188.55 million, a 43.8% increase from 2019, and received recognition of "green procurement plan for private enterprises and Groups" by the Environmental Protection Administration and Taipei City Government

Social

- CDF won the Growth through Innovation Award in the Taiwan Corporate Sustainability Awards for two consecutive years.
- Received the Buying Power - Social Innovation Product and Service Procurement Award from the Ministry of Economic Affairs for two consecutive years
- KGI Bank's "Taiwan Taxi Driver's Quick Repayment" project won the "Best Business Model Innovation Gold Award," "Best Product Innovation Gold Award," and "Jury's Award" in the 2020 Future Commerce Awards.

Corporate Governance

- Ranked in the top 5% of TWSE/TPEX listed companies in the 6th Corporate Governance Evaluation Awards
- Selected as a constituent of TWSE Corporate Governance 100 Index by TWSE for six consecutive years, and of TWSE RAFI® Taiwan High Compensation 100 Index and TWSE RA Taiwan Employment Creation 99 Index for seven consecutive years
- Won the Top 50 Taiwan Corporate Sustainability Awards
- Won the CommonWealth Magazine Corporate Citizen Award for three consecutive years

About the Report

To strengthen communication with our stakeholders and the general public, China Development Financial (CDF) has been publishing CSR reports (hereafter referred to as the Report) annually through which to disclose the Company's sustainability performance on the economic, environmental, social and governance aspects. The 2020 Report, published in June 2021, shares CDF's sustainability activities from January 1 to December 31, 2020.

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(including KGI SITE and KGI Future), CDIB Capital Group, and China Development Asset Management Corp., and the details of the operating activities in Taiwan. In September 2017, CDF acquired a 25.33% equity in China Life Insurance through tender, with consolidated shareholding reaching 34.82% by the end of 2019. In February 2, 2021, CDF acquired a 21.13% equity in China Life Insurance, making the total shareholding, including KGI Securities', reach 55.95%. The data and statistics of China Life Insurance were included as of 2019. Financial data is based on the information of the 2020 AGM Annual Report and includes a 55.95% owned subsidiary, China Life Insurance, as well as overseas affiliates (The consolidated financial statements of CDF are available in the 2020 AGM Annual Report). Human resources data include overseas subsidiaries. Information regarding 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. If the data scope or calculation method is different from the previous year, explanation will be given. All Financial indicators have been audited by certified public accountants and make public. Note that all figures cited are denominated in NT Dollars.

Reporting Guidelines

Organization	Guidelines
Global Reporting Initiative (GRI)	The GRI Sustainability Reporting Standards (GRI Standards): Core Option
International Integrated Reporting Council, IIRC	Integrated Reporting Framework
Sustainability Accounting Standards Board, SASB	Guidelines for Insurance Industry
Financial Stability Board, FSB	Task Force on Climate-related Financial Disclosures, TCFD
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 disclosed in this Report are certified by the certification authority and follow the standards as follows

Standard	Certification authority
AA1000AS v3	British Standards Institution(BSI)
International Financial Reporting Standards (IFRS)	Deloitte & Touche
<ul style="list-style-type: none">• ISO 14001 EMS International Certification• ISO 14064-1 GHG Inventory Verification• ISO 50001 Energy Management System• ISO 27001 Information Security Management System• ISO 45001 Occupational Health and Safety Management System	British Standards Institution(BSI) SGS Taiwan Ltd.

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

Report Publication

CDF issues corporate social responsibility reports every year. The previous report was issued in June 2020. 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, 2020, its total consolidated assets were NT\$3.4 tn. The consolidated equity is NT\$332.6 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 company in Asia by leveraging innovative solutions and our entrepreneurial spirit.

2020

Company Name	China Development Financial Holding Corporation
Stock Code	2883
Date of Establishment	December 28, 2001
Chairman	Chia-Juch Chang
Acting President	Daw-Yi Hsu
Total Number of Employees	13,019
Total Assets	NT\$3.4 tn
Paid-in Capital	NT\$149.7 bn
Total Number of Service Locations	317
Company Address	No. 125, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei 10504, Taiwan, R.O.C.

Operation Locations

55

KGI Bank

Taipei, Kunshan

98

KGI Securities

Taipei, Hong Kong, Singapore, Bangkok, Jakarta

10

CDIB Capital Group

Taipei, Shanghai/ Kunshan, Fuzhou, Hong Kong, New York

1

China Development Asset Management Corp.

Taipei

153

China Life Insurance

Taipei

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 13, 2021:

Unit: Share; %

Item	Status	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders		13	17	1,048	592,322	1,374	594,774
Shareholding (shares)		114,125	639,271,345	3,130,009,152	7,619,963,945	3,600,496,434	14,989,855,001
Percentage		0.00	4.26	20.88	50.84	24.02	100.00

Note 1: Information on the shareholder structure is based on the section 4.1.2 "Status of Shareholders" in CDF's 2020 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	1.91%	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.21%
Norges Bank	1.53%	Labor Pension Fund	1.79%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.23%	Labor Insurance Fund	0.90%
Shin Wen Investment Co., Ltd	3.20%	Yuanta/P-shares Taiwan Dividend Plus ETF	2.02%
Jing Kwan Investment Co., Ltd.	2.78%	Jing Hui Investment Co., Ltd.	1.20%

Note 1: Information on major shareholders is based on section, 3.9 "Relationship among the Top Ten Shareholders," in CDF's 2020 Annual Report.

Note 2: Mr. Chin-Lung Tseng is the chairman of Shin Wen Investment Co., Ltd. (3.20% of voting rights) and the chairman of Jing Kwan Investment Co., Ltd. (2.78% of voting rights). At the same time, Shin Wen Investment Co., Ltd. is the 100% holding company of Jing Hui Investment Co., Ltd. (1.2% of voting rights).



01 Sustainability Strategy

1.1 Material Issues

1.1.1 Stakeholder Engagement

Material Issues Identification

CDF exhorts stakeholders to share their views with the company to incorporate them into CDF's goal of business sustainability. CDF 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. CDF has formulated corporate strategies, business objectives, and annual plans based on their input and presented them in the CSR Report.

Based on AA1000 Stakeholder Engagement Standard, CDF invited 33 CSR committee members and senior executives to identify stakeholders by five criteria: responsibilities, influence, tension, diverse perspectives and dependency. Eight stakeholder groups were identified: government and competent authorities, investees, clients, shareholders and investors, employees, media, suppliers, and community. Material issues were collected, analyzed and identified.

Stakeholder	Importance to CDF	Issue of concern	Method of communication	Frequency and performance in 2020
Government and competent authorities	Government and the competent authorities policies have direct impact on the direction of CDF's business operation	<ol style="list-style-type: none"> 1. Compliance 2. Anti-money laundering and countering the financing of terrorism 3. Corporate governance and ethical corporate management 4. Information and cyber security 5. Protection of customer privacy and personal information 	<ul style="list-style-type: none"> • Proactively participate in policy discussions and seminars organized by the competent authorities • Comply with supervision and inspections by competent authorities • Visit competent authorities and create opportunities for direct communication 	<ul style="list-style-type: none"> • 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 7 consecutive years • Periodically responded to irregular inspections and offered information on real-time basis
Investees	Performance of the investees affects the profitability of CDF	<ol style="list-style-type: none"> 1. Compliance 2. Corporate governance and ethical corporate management 3. Business 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 142 shareholder meetings and 539 board meetings of investees • Hosted roadshows to visit 344 companies
Clients	Premium quality of customer service experience can bring stable revenue growth to CDF	<ol style="list-style-type: none"> 1. Information and cyber security 2. Protection of customer privacy and personal information 3. Compliance 4. Service quality and customer relationship management 5. Principles for Fair Treatment of Customers 	<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 to establish 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: 105,111 (+9%)/KGI Securities: 33,000 (+12%) • LINE friends: KGI Securities: 247,000 (+71%) • Average customer satisfaction ratio: KGI Bank: 98.85%/KGI Securities: 97.4%/China Life Insurance: 99.16% (4 and above, out of 5) • KGI Bank held 35 wealth management events; KGI Securities organized 320 wealth management seminars

Stakeholder	Importance to CDF	Issue of concern	Method of communication	Frequency and performance in 2020
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. Business Performance 2. Service quality and customer relationship management 3. Compliance 4. Digital finance and innovations 5. Corporate governance and ethical corporate management 	<ul style="list-style-type: none"> • News release/ material information: timely disclosure and announcement via media/ Market Observation Post System, such as corporate governance, key business developments, business results, etc. • Shareholders meeting • Investor conference (Taiwan/Overseas) • 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: 222 Chinese/English material information and announcements • Hold 1 shareholders meeting and published annual reports • Hosted four domestic investors conferences and online investors conferences annually • Regular two-way communication with investors • Hosted 58 analysts (over 46 visits) from domestic and foreign institutions • In the wake of the COVID-19 pandemic, overseas investor conferences, international investor forums, and visits to important investors were replaced by online investors conferences and the publication of English annual reports.
Employees	Employees are the foundation of sustainable development	<ol style="list-style-type: none"> 1. Remuneration and talent development 2. Occupational Health and Safety 3. Business Performance 4. Human Rights, Equality, and Diversity 5. Labor-management Communication 	<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"> • Periodically announced employee welfare programs (physical check-ups, group insurance, etc.), Employee Welfare Committee information, companies' major business information, training courses, and annual performance management information, among others. In 2020, posted over 250 announcements of employee welfare and training courses information • Labor-management meetings: CDF, KGI Securities, and CDIB Capital Group-every 3 months; KGI Bank-every 2 months. Convened total 26 labor-management meetings in 2020 • 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 • Collected employee opinions via opinion mailbox to understand their needs
Media	Media is the main communication channels for delivering important information to stakeholders	<ol style="list-style-type: none"> 1. Corporate governance and ethical corporate management 2. Information and cyber security 3. Protection of customer privacy and personal information 4. Digital finance and innovations 	<ul style="list-style-type: none"> • Press releases • Press conference 	<ul style="list-style-type: none"> • Published news releases on a regular basis; 96 news release were published in 2020 to provide an update on the company developments, products and services • Periodically hold press conferences to announce important news to the media
Suppliers	Suppliers are CDF's partners for sustainable operations	<ol style="list-style-type: none"> 1. Compliance 2. Corporate governance and ethical corporate management 3. Supplier sustainability management 4. Green Procurement 	<ul style="list-style-type: none"> • Invite suppliers to sign the Supplier CSR Commitment Letter • Pre-bidding briefing • Supplier audit, supplier evaluation, supplier CSR self-evaluation, supplier training, and supplier recognition • Establish CDF procurement mailbox(procurement@cdibh.com) • Participate in the government's green procurement projects 	<ul style="list-style-type: none"> • Proactively invite a total of 975 suppliers signed the Supplier CSR Commitment Letter; major supplier signed up ratio: 100% • Hold explanatory meetings with suppliers before opening bids • Completed 103 supplier audits, 58 supplier evaluations, and 105 supplier CSR self-evaluations • Conducted real-time two-way communication with suppliers via the procurement mail box, which was used for supplier training during the pandemic • Received the green procurement awards from the Department of Environmental Protection, Taipei City Government for a third consecutive year and from the Environmental Protection Administration for a second consecutive year
Community	A better society is the biggest reason for sustainable development	<ol style="list-style-type: none"> 1. Social Engagement 2. Business Performance 3. Supplier sustainability management 4. Financial inclusion 5. Green Operation 	<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 to communicate with related community groups 	<ul style="list-style-type: none"> • 5,016 employees engaged in public-welfare activities for a total of 35,541 hours • Organized 84 free start-up seminars at CDIB Capital Innovation Accelerator, with 2,024 attendants • Number of one-day startup board meetings organized (Start-up Mentor Project): Organize 15 one-day startup board meetings (Start-up Mentor Project) and three start-up workshops 2 sessions



1.1.2 Material Issues Identification

To understand the views of all major stakeholders, CDF considered their proportional makeup and brought out a questionnaire on material issues that were of concern to such stakeholders, and analyzed the levels of their impact on their decisions and evaluation. Based on the material issues identified by leading insurance companies at home and abroad, senior executives of CDF evaluated the importance of each sustainability issue to business operation. CDF analyzed the material issues identified in 2020 and fine-tuned the materiality matrix based on the sustainability trends in 2021.

Compared with the material issues in 2019, in 2020 CDF elevated the importance of "sustainable finance," "digital finance and innovation," "climate strategies," "principles for fair treatment of customers," and "inclusive finance" to operations and stakeholders and, given the differences in the aspect and subject of disclosure, divided "information security and personal information protection" into "information and cyber security" and "protection of customer privacy and personal information." CDF also identified "adaptation to social change" as a secondary issue this year as it had a significant impact on the financial market given the characteristics of insurance business and was regarded by leading companies as a material issue. Finally, nine material issues were identified this year, namely, risk management, corporate governance and ethical corporate management, information and cyber security, protection of customer privacy and personal information, digital finance and innovation, service quality and customer relationship management, compliance, business performance, and sustainable finance.



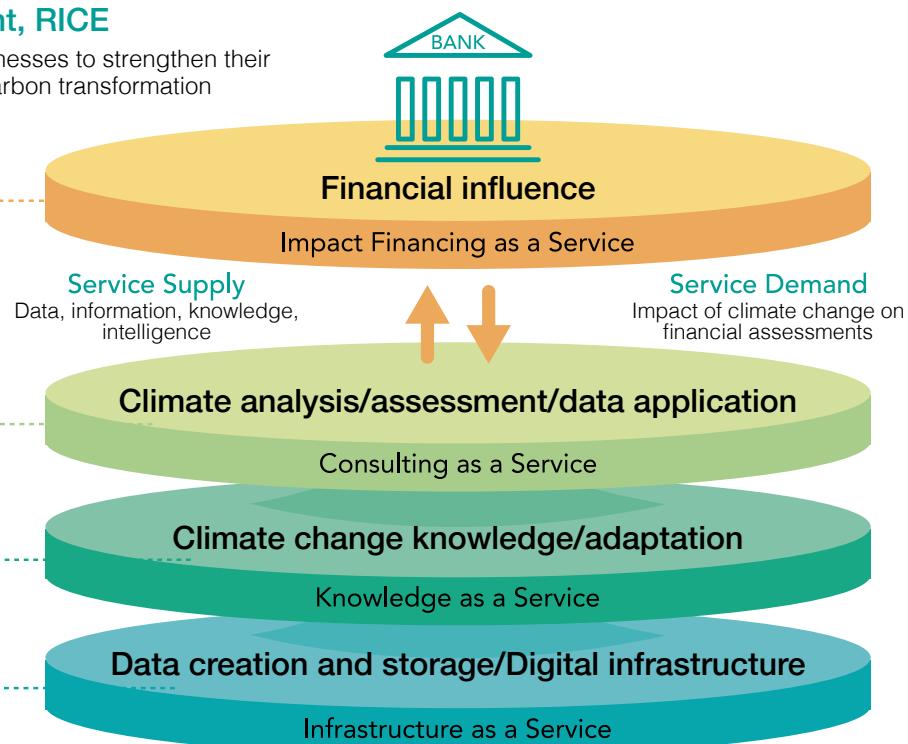
CDF Sustainability Pavilion in Taipei FinExpo

CDF promotes sustainable finance, inclusive finance, and innovations in financial technology at full strain in order to achieve environmental, social, and governance (ESG) goals. At the Taipei FinExpo held in November 2020, CDF set up the CDF Sustainability Pavilion and released the "Resilience of Industries on Climate Change Enhancement, RICE," a climate risk assessment model developed jointly with National Taiwan University, Chunghwa Telecom Company, Ltd. and EY Taiwan, for the first time. Through RICE, CDF expects to exert its influence on businesses to strengthen their climate resilience and low-carbon transformation. At the CDF Sustainability Pavilion, the latest ESG trends and sustainability issues were introduced to the public. Our employees also volunteered to explain CDF's adaptation to climate change, responsible finance practices, and a full-fledged ecosystem of financial products to the public. Small seminars on issues ranging over digital innovation, start-up incubation, climate change, and sustainable industrial development were also held to explore sustainable finance in various aspects.

Resilience of Industries on Climate Change Enhancement, RICE

Expand its influence on businesses to strengthen their climate resilience and low-carbon transformation

Advocator



Procedures for Identifying Material Issues

Identification

22 Sustainability Issues

22 material issues were raised on the basis of the global trend of sustainability development, CSR regulations, international standards (DJSI, CDP, TCFD), current domestic and foreign industrial situations and our business objectives.

Analysis

6 leading companies at home and abroad

Based on the material issues identified by leading insurance companies at home and abroad, material issues were divided into primary, secondary, and basic issues; they were further prioritized in comparison with the material issues identified by CDF in 2020 and in line with the sustainability trends in 2021.

Confirmation

9 Material Issues

The material issue matrix for 2020 was formed after systematic analysis and submitted to the CSR Committee. Following discussions and confirmation by senior executives and approval by the Board of Directors, nine material issues that have impact on stakeholders, corporate business sustainability, economy, environment and society were selected as the basis for developing corporate strategies, business objectives and annual plans, which are presented in the 2020 CSR Report.

Level of Impact on Stakeholders' Decisions and Evaluation

2020 Matrix Diagram of Material Issues

<ul style="list-style-type: none"> Enhance the information security management system Increase the employees' information security awareness 	<ul style="list-style-type: none"> Service quality and customer relationship management Compliance Business performance Sustainable finance Protection of Customer Privacy and Personal information 	<ul style="list-style-type: none"> Corporate governance and ethical corporate management Information Security and Cybersecurity
<ul style="list-style-type: none"> Green operation 	<ul style="list-style-type: none"> Occupational health and safety Climate strategies Financial Inclusion Social Change Strategies 	<ul style="list-style-type: none"> Risk management Digital finance and innovations
<ul style="list-style-type: none"> Green procurement Human rights, equality, and diversity Labor-management communication 		<ul style="list-style-type: none"> Remuneration and talent Development Social engagement Sustainable supply chain management

Importance to Business Operations

Impact of Material Issues and Response

Importance	Material issue	Impact on CDF	Boundary		Involvement with the impact			GRI Standards	Chapter	Page
			Internal	External	Direct impact	Contributed impact	Impact through business relationships			
Primary issue	Corporate governance and ethical corporate management	Corporate Governance is the cornerstones for CDF to construct a sound managerial mechanism and to achieve sustainable operations. We believe it is also a demonstration of our ethical management.	V	ABCD	V	V	V	205: Anti-corruption 415: Public Policy	2.2 Governance Framework 2.5 Ethical Corporate Management	28 59
Primary issue	Information and cyber security	Due to the trend of digitization, CDF believes that dissatisfied system performance or service disruptions can result in higher costs and reputational risk for the company. Managing the risks stem from cyberattack is crucial to ensuring business continuity.	V	BCD	V		V	418: Customer Privacy	2.4 Information Security	55
Primary issue	Risk management	Risk Management is important to CDF due to: 1. it can effectively reduce legal liability risk and improve operational stability; 2. it can help to effectively identify company strength and turn crisis into business opportunity.	V	ABCD	V		V	201: Economic Performance	2.3 Risk Management	37
Primary issue	Digital finance and innovations	Keep abreast of the trends in financial technology; introduce digital innovations to financial services and customer experience	V	BC	V		V	203: Indirect Economic Impacts	3.4.1 Digital Finance	90

Importance	Material issue	Impact on CDF	Boundary		Involvement with the impact			GRI Standards	Chapter	Page
			Internal	External	Direct impact	Contributed impact	Impact through business relationships			
Primary issue	Service quality and customer relationship management	Elevate service quality and create excellent customer experience to increase customer loyalty	V	BC	V		V	-	3.4 Customer Experience	90
Primary issue	Compliance	Use legal compliance to create a corporate culture that's based on honesty and credibility	V	ABC	V		V	417: Marketing and Labeling 419: Socioeconomic Compliance	2.5 Ethical Corporate Management	59
Primary issue	Business Performance	Boost corporate operations and financial performance to create value for shareholders and investors	V	ABC	V			201: Economic Performance	2.1.2 Business Performance	26
Primary issue	Sustainable Finance	Exert core influence in response to the international responsible finance initiative; support low-carbon transformation; fulfill corporate social responsibility for promoting environmental and social sustainability	V	AC	V	V	V	203: Indirect Economic Impacts 302: Energy source	3.Intelligent Finance	65 104
Primary issue	Protection of customer privacy and personal information	Ensure information security and the secrecy of customer information, so as to win over the trust of clients	V	BCD	V		V	418: Customer Privacy	3.4.2 Customer Privacy Rights and Protection	93

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

Management Strategies, Evaluation Mechanisms and Long-term Targets for Material Issues

Material issue	Strategy	Evaluation	Long-Term Target/Metric	Target year	Linkage to remuneration
Corporate governance and ethical corporate management	Build corporate culture that is based on integrity and maintain healthy corporate development	<ul style="list-style-type: none"> Annual Board performance evaluation; external performance evaluation of the Board is held 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 checks the status of legal compliance, and reports the main flaws to the Board of directors and tracks the improvement status 	<ul style="list-style-type: none"> Strengthen the Board performances and functions Remain in top 5% in the corporate governance evaluation Achieve a 100% completion rate of ethical corporate management training Optimize compliance procedures and operational efficiency with supplemental FinTech solutions Obtain ISO37001 certification of anti-bribery management 	2025	<ul style="list-style-type: none"> Include ethical corporate management in the year-end evaluation for executives Take disciplinary actions against unethical conduct, which will reflect on the executives' annual performance evaluation

Material issue	Strategy	Evaluation	Long-Term Target/Metric	Target year	Linkage to remuneration
Information and cyber security	<ul style="list-style-type: none"> Enhance the information security management system Increase the employees' information security awareness Improve capabilities of maintenance and in-depth protection 	Conducting information security assessment, such as monthly project self-inspection and irregular inspection by the competent authority., etc.	<ul style="list-style-type: none"> Maintain zero information security breach/leakage Expand the coverage of information security-related insurance Maintain the validity of the ISO 27001 license. Achieve >95% rate of the education and training classes for social engineering violation employees. Maintain the social engineering violation rate <4%. Evaluate the departmental and individual information security performances (KPIs) annually by CDF Evaluate the departmental information security performance (KPIs) annually and incorporate information security into individual KPIs by KGI Bank, KGI Securities, and China Life Make and implement the corrective plan based on the findings in the information security maturity assessment carried out by a third-party consultant in the previous year Score more than 90 marks (inclusive) on the external information service port security test using a third-party test platform 	2025	<ul style="list-style-type: none"> Include information security in the year-end evaluation for executives Link information security incidents to the executives' annual performance evaluation
Risk management	<ul style="list-style-type: none"> Strengthen independent risk management mechanisms Incorporate emerging risks into risk management and combine them with traditional risks Build a sound risk culture 	<ul style="list-style-type: none"> 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 Sift key emerging risks from those identified in the Global Risks Report of the World Economic Forum every year and have subsidiaries assess the impacts of such risks on the business operations or assets and propose countermeasures and potential opportunities 	<ul style="list-style-type: none"> Enhance quantitative and qualitative risk management mechanisms to formulate business strategies Enhance the assessment of impacts of emerging risks and opportunities arising therefrom, as well as mitigation mechanisms Set the concretely implementable goals for emerging risks, with carbon footprint reduction and climate risk as the priority, and include them in the evaluation mechanisms for the business activities Reduce 25% investments and financing in carbon-intensive industries without carbon neutrality plan. More actively involved to help the world achieve sustainability transitions by committing the total portfolio to net zero emissions by 2045 	2025	<ul style="list-style-type: none"> Include risk management in the year-end evaluation for executives Link risk management negligence to the executives' annual performance evaluation Link the goals for emerging risks (ESG) to the executives' annual performance evaluation

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 46 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 2020, 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\$)	2017	2018	2019	2020
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)	\$9,213,038	\$10,137,097	\$10,127,247	\$8,925,003
Elections and referendums or similar	0	0	0	0
Total	\$9,213,038	\$10,137,097	\$10,127,247	\$8,925,003
Information coverage	100%	100%	100%	100%

CDF's Participation in Trade Associations/Organizations' Initiatives:

Initiative	Description of engagement	Total amount paid (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>CDF participates and supports associations that 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 2020 ^(Note 1).</p>	\$5,510,062
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>CDF participates and supports associations that 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 2020 ^(Note 2).</p>	\$1,629,539

CDF and Subsidiaries' Three Largest Expenditures on Trade Associations/Organizations in 2020: (Other Large Expenditures)

Name of the organization	Type of organization	Total amount paid (NT\$)
Bankers Association of the ROC	Industry/trade association	\$1,962,062
Trust Association of R.O.C.	Industry/trade association	\$1,178,739
Life Insurance Association of the Republic of China	Industry/trade association	\$1,140,000

List of CDF and Subsidiaries' Trade Associations/Organizations in 2020:

Name of Association	Represent Person / Position
Bankers Association of the ROC ^(Note 1)	CDF is a Supervisor.
Life Insurance Association of the Republic of China ^(Note 1)	China Life Insurance is an Executive Supervisor and Director.
Securities Investment Trust & Consulting Association of the ROC ^(Note 1)	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 ^(Note 1)	CDIB Capital Group is a Director.
Chinese National Association of Industry and Commerce ^(Note 1)	CDF is a Supervisor.
Monte Jade Science & Technology Association of Taiwan ^(Note 1)	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 ^(Note 1)	KGI Venture Capital is a Director.
Taiwan Venture Capital Association ^(Note 1)	KGI Venture Capital is a Director.
ROC-USA Business Council ^(Note 1)	CDF is a Director.
Chinese National Futures Association ^(Note 2)	KGI Futures is a Chairman, Supervisor, and Alternate Director.

Name of Association	Represent Person / Position
Chinese International Economic Cooperation Association ^(Note 1)	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 ^(Note 2)	KGI Securities is an Executive Director and KGI Futures is an Alternate Director.
Insurance Brokerage Association of Taiwan ^(Note 1)	KGI Insurance Brokers is a Director.
Shareholder Service Association	CDF is a Director.
Bankers Association of Taipei ^(Note 1)	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.
Taiwan Depository & Clearing Corporation	KGI Securities is a Director.
Taiwan Futures Exchange	KGI Futures is a Director.
Trust Association of R.O.C. ^(Note 2) , ROC Bills Finance Association ^(Note 1) , Financial Governance and Compliance Association of R.O.C., Taiwan Insurance Law Association (TILA) ^(Note 1) , 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 ^(Note 1) , Microbus Rental Association of Taipei, Taiwan Corporate Governance Association ^(Note 2) , 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 ^(Note 2) , 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 Visions 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 responded well to the issues that stakeholders are concerned about and have actively responded to the UN's sustainable development goals. By looking at the risks and opportunities facing the global economy, we hope to conduct business in ways that fulfills our corporate social responsibility and provides maximum values to all stakeholders.



Strategy	Implication	Action plan	Capital	SDGs
Corporate Governance	Good corporate governance is an important foundation for the sustainable development of enterprises. As one of the sustainability strategies, CDF is adamant in strengthening corporate governance by enhancing the Board 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 Implement the Ethical Corporate Management Committee to embed ethical corporate management in the corporate culture and employees' DNA Refine the management structure of 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 international trends in sustainable finance and the ever-changing development of FinTech, CDF set up the Responsible Finance Working Group under the CSR Committee in August 2020 to build a responsible finance governance structure. By embracing digital innovations, CDF seeks to improve financial service experience and brand value in collaboration with cross-domain partners or innovative technologies.	<ul style="list-style-type: none"> Take ESG criteria into account in the process of selection, assessment, decision-making and management of investing/financing projects, and communicate with investors/borrowers through engagement "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 deeply convinced that "Elite Talent Development" can lead the enterprises and organizations make a breakthrough in an ever-changing environment. In view of this, we explore the talent gap between the 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 Plan for the training programs to develop executives' management skills and employees' core competencies 	Human capital: Improve employees' expertise and ability to innovate and create an equal, healthy, and safe workplace.	   
Low-Carbon Economy	As the 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 the 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 adopts the strategy of "Co-Creation of Society" to create social value, which then 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.	    













Value Creation Model

	2020 Input	2020 Output (Financial Value)	2020 Output (Non-financial Value)
Financial Capital	<ul style="list-style-type: none"> Total consolidated assets: NT\$3.4 trillion Operating expense: NT\$1.327 billion 	<ul style="list-style-type: none"> Consolidated net profit NT\$20.575 billion, including NT\$8.027 billion from non-controlling equity Consolidated ROE 6.40% 	<ul style="list-style-type: none"> Selected for the first time as a constituent stock of DJSI World & DJSI Emerging Markets Selected over four consecutive years as a constituent stock of FTSE4Good Emerging Index & FTSE4Good TIP Taiwan ESG Index Ranked in the top 5% of TWSE/TPEX listed companies in the 6th Corporate Governance Evaluation Awards 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's Fintech investment (or optimization): NT\$201.57 million China Life's i-Agent investment: NT\$42.09 million China Life's subsidy for license certification examinations: NT\$3 million KGI Bank's system development investment: NT\$400 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\$27.37 million 	<ul style="list-style-type: none"> 5 licenses owned by every employee of KGI Bank on an average i-Agent usage: 92% 10,384 asset appraisal reports via ASA, a new wealth management system Increase of NT\$173.426 billion in the annual trading volume via newly established "Securities High Frequency Trading GW" 	<ul style="list-style-type: none"> Video survival analysis: 3,338 times Over 89,000 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 expense of NT\$88.817 million Employee salary expense of NT\$ 18,249 million 	<ul style="list-style-type: none"> HC ROI(Human Capital Return on Investment): 12.21 Average employee training expense of NT\$8,664 (excluding field staff), a 24.5% increase from 2019 Average employee salary expense of NT\$1,427 thousand, a 4% increase over 2019 	<ul style="list-style-type: none"> Selected as component stock of TWSE RAFI® Taiwan High Compensation 100 Index by TWSE for 7 consecutive years Average training hours per employee: 75.9, a 2.8% increase from the previous year Employee satisfaction rate: 89%
Natural Capital	<ul style="list-style-type: none"> Green-procurement amount: NT\$188.55 million (a 43.8% increase from 2019) Environmental-protection expense of NT\$56.95 million Third-party certification of ISO 14001 Environmental Management System and ISO 50001 Energy Management System and an expanded scope of ISO 14061-1 GHG Inventory 	<ul style="list-style-type: none"> The Environmental Protection Administration selected CDF for a second consecutive year and China Life for the first time as a "top firm in promotion of green procurement by private enterprises and groups in 2020" 34 solar power certificates for 34,000 kWh of green electricity 	<ul style="list-style-type: none"> GHG emissions reduced: 952.14 metric tons CO₂e, or 105.3%, from 2016 Annual power saved: 690,000 kWh (a 103% decrease) Water consumption reduced: 1.6% YOY Total waste reduced by 23.5%
Social Relationship Capital	<ul style="list-style-type: none"> Total public welfare expenditure: NT\$172,701,543 Number of volunteer employees: 5,016; number of volunteer hours: 35,541 Micro-insurance and small-amount life-insurance policies Micro insurance: 33,178 policyholders Small-amount life-insurance: 27,032 policyholders 84 free start-up seminars at CDIB Capital Innovation Accelerator, 15 one-day startup board meetings (Start-up Mentor Project) and 2 start-up workshops Trustee for 8 charitable trusts 	<ul style="list-style-type: none"> Giving You A Hand—Revolving Personal Loan Promotion Project: 485 out of 811 applications approved (approval rate: 60%) Taxi Driver's Small Revolving Loan: 217 out of 505 applications approved (approval rate: 43%) Loan applications through mobile phone numbers/"Quick Repayment" Revolving Loan/"Taiwan Star Telecom" Revolving Loan Project: NT\$250 million approved Charitable trusts: entrusted amount NT\$30mn 	<ul style="list-style-type: none"> Success rate in the number of micro-insurance policyholders: Nearly 174.6% Accumulated number of small-amount life-insurance policyholders: More than 27,000 Investment in 18 start-up Revenue generated for social welfare organizations: Nearly NT\$4 million (including eco-friendly small farmers and social enterprises) Social return on investment (SROI) of the Heritage 100 X Tutelage 100 program: 4.9

1.2.2 Sustainable Development Goals and Performance

	Material issue	page	2020 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 	28,59	<ul style="list-style-type: none"> Selected for the first time as a constituent stock of DJSI World & DJSI Emerging Markets 	<ul style="list-style-type: none"> Increase corporate governance evaluation and scores in DJSI questionnaire. 	<ul style="list-style-type: none"> Strengthen the functions and performance of Board of directors to meet the international sustainability requirements 	<ul style="list-style-type: none"> Strengthen the Board performances and functions 	  
	<ul style="list-style-type: none"> Compliance Risk Management Anti-Money Laundering and Countering the Financing of Terrorism Business Performance 	61 37 60 60	<ul style="list-style-type: none"> Selected as component stock of FTSE4Good Emerging Index and FTSE4Good TIP Taiwan ESG Index for four consecutive years Ranked in the top 5% of TWSE/TPEX listed companies in the 6th Corporate Governance Evaluation Awards Selected in the CommonWealth Magazine's Excellence in Corporate Social Responsibility Award for three consecutive years Completed the external evaluation of the Board's performance The Ethical Corporate Management Committee minimized compliance risks within the group through the ethical corporate management risk assessment system Had 100% of employees sign a commitment to complying with the Ethical Corporate Management Best Practice Principles Improved the emerging risk management framework and had subsidiaries propose response measures and potential opportunities after assessing the impacts of emerging risks on operations or assets 	<ul style="list-style-type: none"> Establish a nomination committee. Complete external evaluations of the Board performance Implement the Ethical Corporate Management Committee Implement scenario analysis of the Task Force on Climate-related Financial Disclosures (TCFD) 	<ul style="list-style-type: none"> Achieve a 100% completion rate of ethical corporate management training 	<ul style="list-style-type: none"> Remain in top 5% in the corporate governance evaluation Achieve a 100% completion rate of ethical corporate management training 	
					<ul style="list-style-type: none"> Plan to introduce ISO37001 Optimize the climate risk quantitative assessment mechanism. 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"> Obtain ISO37001 certification of anti-bribery management 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 	

	Material issue	page	2020 Performance	Short-term goals	Mid-term goals	Long-term goals	SDGs
Intelligent Finance	• Sustainable Finance	65~104	• Set up the Responsible Finance Working Group under the CSR Committee to build a responsible finance governance structure, and took the initiative in complying with the United Nations' Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI), and Principles for Responsible Banking (PRB)	• Check on green/sustainable investment projects	• Draw up the sector-specific guidelines for investment for three sensitive industries most at risk	• Complete the sector-specific guidelines for investment for all sensitive industries	 
	• Information and Cyber Security	55		• Analyze carbon risks of the investment portfolio	• Draw up the guidelines for green/sustainable investment	• Introduce external ESG evaluation tools/databases	
	• Protection of Customer Privacy and Personal Information	93		• Consolidate the practice of investment exclusions	• Hold external seminars/forums to enhance customers, intermediaries, and suppliers' understanding of ESG issues	• Develop ESG evaluation indicators for specific issues and create internal ESG evaluation tools/databases	
	• Service Quality and Customer Relationship Management	97,101	• KGI Bank won a silver in the "Best Service Provider in Taiwan - Domestic Bank" and its loan project in cooperation with Taiwan Taxi Co., Ltd. also won the Judge Panel's Selection in the 2020 Future Commerce Awards	• Check on the deviations from the principles for sustainable insurance, organize internal ESG training, and make action plans	• Start to introduce the Principles for Responsible Banking	• Maintain zero information security breach/leakage	
	• Digital Finance and Innovations	90		• Evaluate the introduction of the Principles for Responsible Banking	• Create a negative/exclusion list	• Expand the coverage of information security-related insurance	
	• Principles for Fair Treatment of Customers	97		• Check on ESG risks of loans	• Draw up ESG criteria for industries with high ESG risks, and facilitate communication with customers on related issues through ESG commitments and more	• Select key investment targets and communicate with the investors the action for climate issues	
	• Adaptation to Social Change	77	• CDF and subsidiaries obtained ISO 27001 certification	• Adopt "Net Promoter Score (NPS)" as a key measure of non-financial performance	• Continue to launch new functions on social media such as smart customer service and smart stock selection and increase the number of uses to more than 500,000	• Roll out ESG-related products/policies	
			• Instilled the principles for fair treatment of customers fairly, and rolled out the online anti-fraudulent claim program to protect policyholders' rights and enhance customer service	• Establish a Center of Excellence (COE) to facilitate the development of the group's digitization	• Launch a membership grading system for magazine articles to manage extensions to magazine articles	• Complete the introduction of the Principles for Responsible Banking	
				• Achieve the goal of using a third-party testing platform for external information service port security detection.	• Copy the successful cross-industry cooperation cases to expand the application of financial inclusion	• Plan to integrate the climate statements/goals and relevant sector-specific guidelines for investment/financing	
					• Increase >5% rate of using a third-party testing platform for external information service port security detection.	• Continue to review the ESG practices of loan applications	
						• Optimize the functionality and interaction of the official social media account to enhance customer experience	
						• Provide profound and extensive information on investment and wealth management to assist online customers in making investing and financial decisions	
						• Increase >10% rate of using a third-party testing platform for external information service port security detection.	

	Material issue	page	2020 Performance	Short-term goals	Mid-term goals	Long-term goals	SDGs			
Elite Talent Development	<ul style="list-style-type: none">Remuneration and Talent DevelopmentHuman Rights, Equality, and DiversityLabor-Management CommunicationOccupational Health and Safety	116,119	<ul style="list-style-type: none">Total number of training hours: 988,518KGI Bank signed a collective agreement with the corporate labor union in 2019Have received the "Healthy Workplace" certification from the Health Promotion Administration, Ministry of Health and Welfare	<ul style="list-style-type: none">Remain the constituent stock of TWSE RAFI® Taiwan High Compensation 100 IndexContinue to provide more employee benefits better than statutory requirements	<ul style="list-style-type: none">Continue employee satisfaction surveys and improve employee satisfactionAchieve 100% scope of ISO 45001 occupational health and safety management system certificationContinuously enhance the identification of human rights risks	<ul style="list-style-type: none">Make a long-term plan for talent attraction and retentionDraw up preventive and remedial measures and adaptation plans for human rights risks				
		108								
		121								
		110								
Low-Carbon Economy	<ul style="list-style-type: none">Sustainable FinanceClimate StrategiesGreen OperationGreen ProcurementSupplier Sustainability Management	65~104	<ul style="list-style-type: none">Achieved the balance of investments in green industry of approximately NT\$115.4 billionParticipated in 8 green power-financing projects, with an estimated reduction of carbon emissions by 14.97 million tons per yearBalance of green-energy loans: NT\$16.6 billionPassed the ISO 14001 (environmental management) certification, ISO 14064-1 (GHG inventory) certification, and ISO50001 (energy management) certificationEvaluate suppliers regularly and recognize those with an outstanding performance in CSR	<ul style="list-style-type: none">Set carbon reduction goalsAchieve a 3% reduction in GHG emissions by 2021 vs. 2016	<ul style="list-style-type: none">Achieve a 3% reduction in GHG emissions by 2023 vs. 2016	<ul style="list-style-type: none">Achieve net zero carbon emissions from business operations by 2030				
		47		<ul style="list-style-type: none">Extend the ISO14064-1 GHG Inventory to all of KGI Bank's branches	<ul style="list-style-type: none">Continue to expand the scope of ISO14064-1 GHG InventoryObtain the third-party certification of ISO 14001 Environmental Management System and ISO 50001 Energy Management System		<ul style="list-style-type: none">Continue to increase the waste recycling ratePlan to build a group procurement platform that combines a supplier management system and favors suppliers complying with green procurement practices			
		126				<ul style="list-style-type: none">Expand the coverage of waste data to 75% and aboveRecycle more than 98% of wasteContinue incorporating "human rights and environmental sustainability issues" into the supplier evaluation		<ul style="list-style-type: none">Recycle more than 98% of wasteContinue promoting supplier management across the groupContinue expanding the scope of green procurement	<ul style="list-style-type: none">Total use of renewable energy reaches 2.1%	
		146		<ul style="list-style-type: none">Develop medium- and long-term strategies for the group's renewable energy management						
		141			<ul style="list-style-type: none">Increase the utilization of green electricity year by yearRenewable energy-development plan for office buildings: Build solar panels at subsidiaries' office buildings					
		Co-Creation of Society		<ul style="list-style-type: none">Financial InclusionSocial Engagement	81,88	<ul style="list-style-type: none">Reached a 174.6% achievement rate in the number of micro insurance policyholdersAttracted more than 27,000 small-amount life-insurance policyholders"Quick Repayment" Revolving Loan to young people and micro-business owners: 4,412 out of 11,413 applications approvedCompanies of CDIB Capital Innovation Accelerator: 18 suppliers in 2020Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 84, with 2,024 participants	<ul style="list-style-type: none">Establish a volunteer system across the Group to encourage employees to volunteerContinue to nurture talent and start-ups	<ul style="list-style-type: none">Continue to expand social engagement and outreach	<ul style="list-style-type: none">Continue to attend and organize training courses to cultivate talent in mergers and acquisitions and start-ups in Asia-Pacific and even worldwide	
					149~165			<ul style="list-style-type: none">Each employee participates in 4 hours of volunteer activities per year and is encouraged to volunteer for longer hoursPromote corporate philanthropy to the media, shareholders, the general public, investors, and other stakeholders to expand CDF's influence; continue to exert CDF's influence to more parties concerned		
					<ul style="list-style-type: none">Each employee participates in 4 hours of volunteer activities per year and is encouraged to volunteer for longer hoursPromote corporate philanthropy to the media, shareholders, the general public, investors, and other stakeholders to expand CDF's influence; continue to exert CDF's influence to more parties concerned					
										
										



02 / Corporate Governance

CDF Corporate Governance Strategic Focus and Goals

Strategy	Objective	2020 Goal	2020 Performance	Short-term goals 2021	Mid-term goals 2022~ 2023	Long-term goals 2023~ 2025
Corporate Governance	Strengthen the functions of the Board of Directors	<ul style="list-style-type: none"> Complete external evaluations of the Board performance Improve corporate governance evaluation scores 	Completed the external evaluation of the Board's performance, and improved corporate governance evaluation and scores in DJSI questionnaire.	<ul style="list-style-type: none"> Increase corporate governance evaluation and scores in DJSI questionnaire. Have more than 90% of the Board members attending in person Comply with the statutory requirements for director training hours 	Promote the operation of the Board of Directors to meet the scoring standards of the corporate governance evaluation and DJSI questionnaire.	<ul style="list-style-type: none"> Strengthen the functions and performance of Board of directors Remain in top 5% in TWSE corporate governance evaluation
Compliance	Strengthen ethical corporate management.	<ul style="list-style-type: none"> Implement the Ethical Corporate Management Committee Enhance horizontal coordination between compliance departments among subsidiaries Incorporate integrity into the code of conduct and corporate culture through comprehensive training, publicity, and supervision mechanisms Achieve a 100% completion rate of ethical corporate management training 	<ul style="list-style-type: none"> Constituted Ethical Corporate Management Committee through amending the Management Best Practice Principals, and Regulations Governing the Handling of Whistleblowing Cases on Illegal, Unethical, or Dishonest Conduct. Orientated the money laundering prevention and control supervisory meeting, and implemented the notification of major compliance matters of the subsidiary. Orientated the online promotion course for ethical corporate management, and achieved 100% completion rate. 	<ul style="list-style-type: none"> Implement the Ethical Corporate Management Committee Conduct the risk assessment of financial holdings' ethical corporate management, and supervise all subsidiaries to establish an ethical corporate management risk assessment mechanism Incorporate integrity into the code of conduct and corporate culture through comprehensive training, publicity, and supervision mechanisms Achieve a 100% completion rate of ethical corporate management training 	<ul style="list-style-type: none"> Achieve a 100% completion rate of ethical corporate management training Plan to introduce ISO37001 Optimize the Group's ethical corporate management based on the results of the ethical corporate management risk assessment. Identify and strengthen the weaknesses of the Group's compliance, and comprehensively reduce the risk of compliance with the Group's regulations. 	<ul style="list-style-type: none"> Achieve a 100% completion rate of ethical corporate management training Obtain ISO37001 certification of anti-bribery management Optimize compliance procedures and operational efficiency with supplemental FinTech solutions
Risk management	Enhance risk management mechanisms.	<ul style="list-style-type: none"> Implement 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"> Completed scenario analysis to estimate the expected loss of climate change risks, and investigated the exposure risk of sensitive industries. Completed the revision of risk management policies, added emerging risk management mechanisms, and established emerging risk identification and management procedures. Assisted subsidiaries to identify industrial risks and high-risk groups, and formulated management mechanisms for new business of hedging derivatives. 	<ul style="list-style-type: none"> Establish climate goal governance, and introduce a climate risk quantitative assessment mechanism. Strengthen ESG investment and financing decisions, and assist customers in low-carbon transformation. Improve the emerging risk management structure, and incorporate important emerging risk projects into risk indicators and report regular monitoring. 	<ul style="list-style-type: none"> Have the product development department design financial products and services in response to business opportunities arising from emerging risks Strengthen ESG investment and financing decisions, and assist customers in low-carbon transformation. Draft climate-sensitive industry quotas. 	<ul style="list-style-type: none"> Enhance the mechanism for assessing financial impacts of emerging risks Enhance quantitative and qualitative risk management mechanisms to formulate business strategies Enhance the assessment of impacts of emerging risks and opportunities arising therefrom, as well as mitigation mechanisms Set the concretely implementable goals for emerging risks, with carbon footprint reduction and climate risk being the priority, and include them in the evaluation mechanisms for the business activities. Reflect the climate impairment adjustment mechanism in the financial report when performing credit ratings. Reduce 25% investments and financing in carbon-intensive industries without carbon neutrality plan. More actively involved to help the world achieve sustainability transitions by committing the total portfolio to net zero emissions by 2045

Strategy	Objective	2020 Goal	2020 Performance	Short-term goals 2021	Mid-term goals 2022~ 2023	Long-term goals 2023~ 2025
Information Security	Improve the Group's information security management system.	<ul style="list-style-type: none"> Maintain the validity of the ISO 27001 license. Achieve >95% rate of the education and training classes for social engineering violation employees. Maintain the social engineering violation rate <7%. Complete the information security maturity assessment and improvement plan. 	<ul style="list-style-type: none"> Obtained ISO 27001 certification for CDF and subsidiaries. Achieved nearly 100% rate of the education and training classes for social engineering violation employees. The rate of social engineering violation were 2%, 0.94%, 1.25% and 6% for the Holdings, Banks, Securities and China Life Insurance, respectively. Completed the annual information security maturity assessment. 	<ul style="list-style-type: none"> Maintain the validity of the ISO 27001 license. Achieve the goal of using a third-party testing platform for external information service port security detection. Increase >1% rate of the education and training classes for social engineering violation employees and reduce 1% rate of social engineering violation. Achieve an annual information security drill. 	<ul style="list-style-type: none"> Maintain the validity of the ISO 27001 license. Increase score more than 85 marks (inclusive) on the external information service port security test using a third-party test platform Increase >3% rate of the education and training classes for social engineering violation employees and reduce 2% rate of social engineering violation. Perform drill operations twice a year. 	<ul style="list-style-type: none"> Maintain a record of no violations of information security and zero information breaches Promote for information security insurance to cover insurance and banking business Maintain the validity of the ISO 27001 license. Increase score more than 90 marks (inclusive) on the external information service port security test using a third-party test platform Increase >5% rate of the education and training classes for social engineering violation employees and reduce 4% rate of social engineering violation. Achieve performing drill operation twice a year.

2.1 Operation Overview

2.1.1 Industry Trends and Group Businesses

Global & Taiwan Economic Dynamics

In 2021, the global economy is expected to gradually recover from the US-China trade war and the coronavirus pandemic. Major central banks in the world are still adopting loose monetary policies, and the authorities of various countries successively announce relevant economic stimulus plans. 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 up-gradation 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. In the face of volatile market dynamics, KGI Bank and KGI Securities are aggressively developing digital financial services and expanding the wealth management scale to provide a wider range of customer service with diversified financial products and services. With intent to streamline internal processes with innovative FinTech, KGI Bank has rolled out Open Banking to offer a new community-friendly banking experience. Amid this wave of technology trends, China Life Insurance continues to innovate and try to apply technologies such as big data for precision marketing and artificial intelligence (AI) in different insurance scenarios. In response to the competent authorities' expectations for financial innovations, China Life Insurance has also taken the lead to try the "mobile insurance authentication process," where a facial recognition system is used to identify insurance applicants, upon approval of the Financial Supervisory Commission, leading the industry into a new era of "insurance by face ID."

The decreasing birth rate and aging population in Taiwan provide opportunities for KGI Bank and KGI Securities to continue building pension wealth management systems jointly with medical institutions. KGI Bank has also rolled out various credit programs designed to lift up underprivileged communities. In addition to existing products and services ranging over retirement planning, medical insurance, long-term care, spillover insurance policies, critical illness, sickness, and disability assistance and long-term care, China Life Insurance is concentrating on the development of a full range of healthcare and medical insurance products. On environmental change issues, KGI Bank and CDIB Capital Group (CCG) are adopting responsible investment strategies and ESG assessment to assist fundraising for the green energy sector. KGI Bank is also involved in government efforts in setting up financing programs and establishing 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 2021, 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

2020 Business Performance of Subsidiaries

Corporate	2020 Business performance	Main services
KGI Bank	<ol style="list-style-type: none"> 1. Core interest and fee revenue increased by 10% compared to previous year, outperforming peers; after-tax profit of NT\$4.23 billion in 2020. 2. Optimize deposit structure; demand deposits increased by 44%, 21% higher than the industry average. 3. Lending scale grew by 9%, higher than the industry average of 6%; the over-lending ratio at the end of 2020 was 0.16% 	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. Benefited from the overall business improvement, net profit after tax of NT\$8.72 billion in 2020. 2. Overseas profits grew by 47%, contributing more than 20% of profits. 3. KGI Securities' revenue in 2020 grew by 27%, and the scale of asset management increased from NT\$172.9 billion at the end of last year to NT\$181.8 billion. 	Brokerage, wealth management, proprietary trading, underwriting, fixed income, and a variety of derivatives products
CDIB Capital Group	<ol style="list-style-type: none"> 1. The evaluation of partial international investment positions was adjusted due to the impact of the pandemic. The net loss after tax in 2020 was NT\$1.04 billion. 2. The second tranche of Biomedical Funds had a scale of NT\$3.1 billion, successfully channeling international funds to the domestic biomedical industry, and actively expanded the investment layout. 3. At the end of 2020, the total asset under management reached NT\$46.8 billion, and it is expected to continue to raise multiple new funds to drive growth in 2021. 	Venture capital, private equity and asset management, etc.
China Development Asset Management Corp.	<p>Disposed of investment real estate, contributing NT\$120 million in profit in 2020.</p>	Debt valuation, acquisition and management, accounts receivable acquisition and overdue accounts receivable management, among others, for financial institutions
China Life Insurance	<ol style="list-style-type: none"> 1. CDF completed the acquisition of 21.13% stake in China Life Insurance in February 2021, and the comprehensive shareholding ratio increased to 55.95%. 2. China Life Insurance's after-tax net profit was NT\$15.55 billion in 2020, and CDF acquired China Life Insurance's after-tax net profit of NT\$4.27 billion. 3. Net worth reached NT\$179.7 billion by the end of 2020; 4Q20 issuance of subordinated bonds NT\$10 billion to enhance capital standards. <p>Continued to optimize the product structure and increase the profit margin of new contract value to 26%.</p>	Various insurances for individuals and investment activities in compliance with laws and regulations

Financial Performance

CDF recorded consolidated net income of NT\$20.68 billion in 2020 (including NT\$8.02 billion from non-controlling interest), a 1.1% decrease YoY, with earnings per share (EPS) of NT\$0.87. A favorable financial environment helped KGI Securities achieve solid performance in bonds, underwriting, brokerage, and overseas operations, contributing NT\$8.72 billion to profits. KGI Bank contributed NT\$4.23 billion to profits, realized mainly from stable net interest and fee income. The investment business of CDIB Capital Group was affected by the impacts of coronavirus and fluctuations in valuation of some positions, resulting in a loss of \$1.04 billion for the year. AMC actively disposed of investment real estate, contributing NT\$120 million in profits. In 2020, CDF had received NT\$4.27 billion from China Life Insurance from its equity.

In terms of the acquisition of China Life Insurance, CDF completed the public acquisition of a 21.13% stake in China Life Insurance in February 2021, increasing the shareholding ratio from 34.82% to 55.95%. The proportion of shares sold by China Life Insurance's shareholders for participating in the public acquisition exceeded expectations, reaching 25.76%, indicating that most shareholders held a positive view on the long-term benefits of CDF increasing China Life Insurance's shareholding ratio. In the future, the proportion of CDF profit recognition will be more diversified and balanced,

and it can effectively increase the return on shareholders' equity. According to the self-financing profit announced by CDF in 2020, the securities industry became the subsidiary that contributed the largest proportion of the profits of the financial holdings under the long position of Taiwan stocks, followed by China Life Insurance. Among the proportions, securities and life insurance were the two major profit engines of CDF. China Life Insurance's net profit after tax in 2020 hit a record high. After the completion of the public acquisition, the profit margin was recognized in accordance with the new shareholding ratio.

Synergy of our four growth engines, KGI Bank, KGI Securities, CDIB Capital Group, and China Life Insurance had gradually rolled in. Moving forward, CDF will continuously enhance cross-selling activities, improve product R&D and salesforce, and expand customer relations and business scales to increase revenue and return on equity. Looking into 2021, CDF will actively promote corporate governance and sustainable development by incorporating all ESG-related issues into the investment analysis and decision-making process; in terms of business strategies, CDF will accelerate the establishment of overseas operations and internationalization to create new growth momentum.

Financial Snapshot

Unit: NT\$'000; %

Year		Financial summary for the last five years				
		2016	2017	2018	2019	2020
Profitability ratio	Ratio of return on total assets (%)	0.68	0.75	0.50	0.68	0.60
	Ratio of return on stockholders' Equity (%)	3.57	5.94	5.35	7.56	6.22
	Profit margin ratio (%)	22.07	14.48	5.08	8.18	9.20
	Basic Earnings per share (in dollar)	0.40	0.80	0.54	0.88	0.87
Growth rate	Ratio of income growing	(24.70)	104.19	(7.42)	60.44	(1.10)

Note: Please refer to 2020 AGM Report for detail

Economic Value Distributed

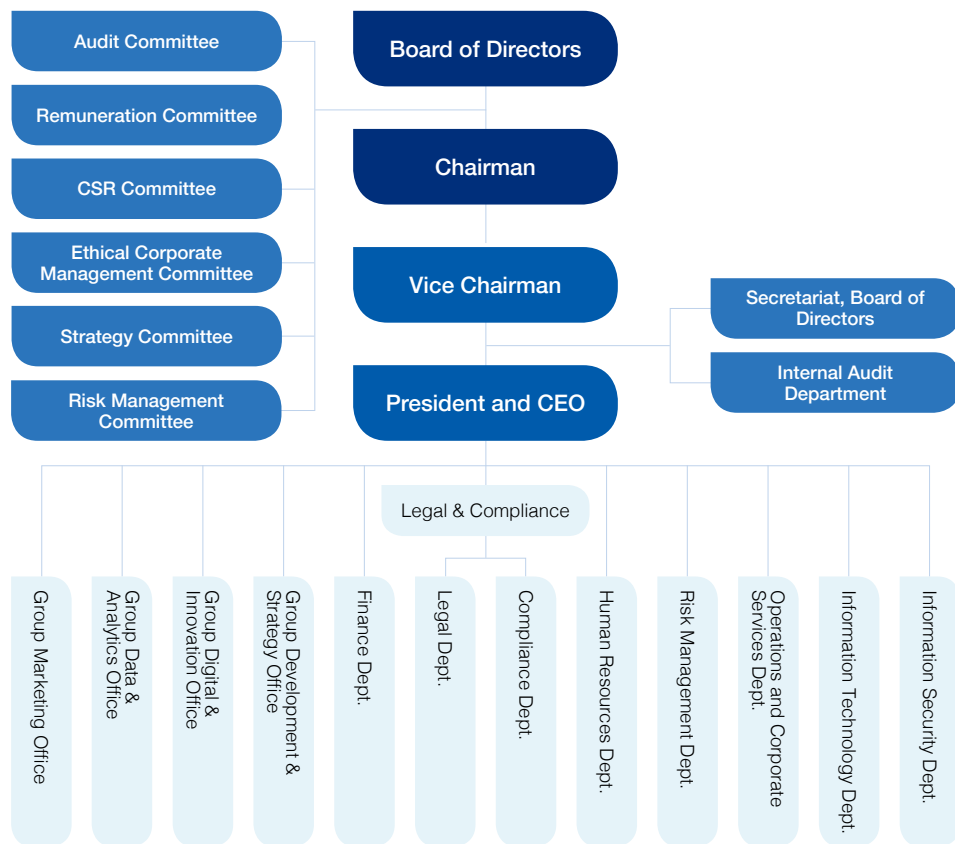
Unit: NT\$'000

	2016	2017	2018	2019	2020
Net revenues	27,127,728	85,413,651	252,349,877	240,382,100	224,790,453
Net profit before income tax	7,110,829	14,519,798	13,441,879	21,565,807	21,948,393
Operating expenses	19,265,421	22,002,711	25,166,272	26,526,342	28,013,362
Cash dividend per share (NT\$/share)	0.5	0.6	0.3	0.6	0.55
Income tax expense	1,123,925	2,154,331	627,239	1,911,986	1,272,107
Employee salary & benefit expenses	11,414,576	13,758,724	15,293,934	16,702,862	17,553,584
Retained earnings	16,798,782	20,870,156	22,095,706	30,976,678	34,190,500

Note: Please refer to 2020 AGM Report for detail

2.2 Governance Framework

CDF Corporate Governance Structure



Date: March 31, 2021

2.2.1 Board of Directors Structure

Board of Directors - Election Process, Diversity, and Independence

CDF's Board election, pursuant to Article 16 of the Articles of Incorporation, is adopting a nomination system. The Board's resolution will submit approved nominations to the AGM for election. The Company shall establish a fair, just and open procedure for the election of directors pursuant to the Company Act and "Procedures for Election of Directors." To promote the sound development of Board structure and functions, CDF actively implements the board diversity policy while taking into account nominees'

independence and engagements on economic, environmental, and social issues, along with shareholders' opinions of candidates. Moreover, in order to enhance the diversity of the Board, the company's Corporate Governance Best-Practice Principles has established clear guidelines in the selection of Board members: Besides adhering to the limitation of the proportion of executive directors appointed based on operational, business model and developmental considerations, Board members should satisfy the diversity criteria in aspects of basic requirements (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; 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 term of the Board is three years. The term of the 7th Board was from June 14, 2019 to June 13, 2022. The Board has a total of eight members, including three independent directors, constituting 37.5% of the Board, one natural-person director, and only one executive director, constituting 12.5%. Board members concurrently serving subsidiaries or holding other positions are considered in accordance with relevant laws and regulations; a member of the eight-member Board should be two foreign nationals, and one female. The average age of the Board is 58, and the average tenure 4.7 years. In order to strengthen the independence of the Board of Directors, none of the three independent directors have served for more than three consecutive terms (9 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, accomplishments and overall abilities. The members of the Board can meet the diversity composition. 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's chairman is female, and KGI Bank also has two female independent directors.

Entity	CDF	China Life Insurance	KGI Bank	KGI Securities	CDIB Capital Group
Board M:F ratio	7 : 1	6 : 3	4 : 4	8 : 0	9 : 2

Date: March 31, 2021

Board Members - Tenure, Professional Background, and Industry Experience

Date: March 31, 2021

Title	Name	Executive director/ Non-executive director	Tenure (years)	Diversity standards							Committee						Independence of external director (Note 3)
				Metrics				Skillset ^(Note 1)			Audit	Remuneration	CSR	Risk management	Ethical Corporate Management	Strategy	
				Nationality	Gender	Age		Experience		Professional Knowledge/ Skills							
						40~60 (inclusive)	61 and above	Finance	Other								
Chairman ^(Note 5)	Chia-Juch Chang	Non-executive director	13 years and 1 month	ROC	M		●	AC	DE	FGHIJKL			●		●		●
Vice Chairman	Lionel de Saint-Exupéry	Non-executive director	1 years and 6 month	France	M	●		C	D	FGHIL						●	●
Director ^(Note 4)	Stefano Paolo Bertamini	Executive Director	5 months	America	M	●		B		FGHIJKL			●	●		●	N/A
Director	Shan-Jung Yu	Non-executive director	1 years and 10 month	ROC	F	●		A	D	GIL						●	●
Natural-person director	Paul Yang	Non-executive director	11years and 11 months	ROC	M	●		ABC	D	FGHIJL						●	●
Independent Director	Hsiou-Wei Lin	Non-executive director	4 years and 11 months	ROC	M	●		ABC	DE	FGHI	●	●		●	●	●	●
Independent Director	Tyzz-Jiun Duh	Non-executive director	1 years and 10 month	ROC	M		●		DE	FGIKL	●	●		●			●
Independent Director	Hsing-Cheng Tai	Non-executive director	1 years and 10 month	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 definition in the 2020 Dow Jones Sustainability Index (DJSI) of RobecoSam. 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 2020 AGM Report):

- (1)The director must not have been employed by the company in an executive capacity within the last year.
- (2)The director must not accept or have a family member who accepts any payments from the Company or any subsidiary of the Company in excess of US\$60,000 during the current fiscal year", other than those permitted by SEC Rule 4200 Definitions.
- (3)The director must not be a family member of an individual who is employed by the Company or any subsidiary of the Company as an executive officer.
- (4)The director must not be (and must not be affiliated with a company that is) an adviser or consultant to the Company or a member of the Company's senior management.
- (5)The director must not be affiliated with a significant customer or supplier of the Company.
- (6)The director must have no personal services contract(s) with the Company or a member of the Company's senior management.
- (7)The director must not be affiliated with a not-for-profit entity that receives significant contributions from the Company.
- (8)The director must not have been a partner or employee of the Company's outside auditor during the past year.
- (9)The director must not have any other conflict of interest that the board itself determines to mean they cannot be considered independent.

The Company has seven independent directors as defined in the 2020 Dow Jones Sustainability Index (DJSI) of RobecoSam.

Note 4: Stefano Paolo Bertamini is an internal director of the Company (CEO); therefore, the criteria for the independence of external directors does not apply.

Note 5: The Chairman of the Company is a non-executive director and the independence complies with the definition in the 2020 Dow Jones Sustainability Index (DJSI) of RobecoSam.

Skillset

Skillset	Experience					Key areas of knowledge						
	FHC	Commercial Banking	Securities/ Insurance	PE/ Investment	Government & Public Sector	Execution & Strategic Planning	Risk Management	Financial Services	Corporate Governance	Marketing Leadership	Information Technology	International Experience
	A	B	C	D	E	F	G	H	I	J	K	L
%	50	50	62.5	75	37.5	87.5	100	75	100	50	37.5	75

2.2.2 Board Operation

Board Effectiveness

The Board of Directors meets at least once every quarter and has ad-hoc meetings in emergencies. A total of 19 meetings were convened in 2020, with an average attendance of 93% for personal attendance by directors (99% if attendance by proxy is included). As per standards for personal attendance and its linkage with directors' remuneration under CDF's "Board Performance Self-evaluation Questionnaire" and "Board Member Self-evaluation Questionnaire," every board member has to have at least 80% attendance at Board meetings. Prior to the meeting, the Secretariat, Board of Directors will set the agenda and notify all directors within a specified period and provide sufficient meeting materials for review. Regarding the Board operation, please refer to 2019 AGM Report for detail.

To ensure smooth operations of corporate governance, CDF has established "Rules of Procedure of the Board of Directors," stipulating items to be discussed at Board meetings. In the event of an agenda item representing a conflict of interest for a director of for the entity he or she represents, he or she shall disclose the conflict at the current meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of the Board. Please refer to 2018 AGM Report for detail.

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/ Corporate Strategy & Planning Dept. ^{Note}	Monthly	Meeting minutes of subsidiaries' board meetings
Information Security Department	Annually	Annual information security plan and implementation report

Note: In response to business needs, from May 2020, the position of supervising subsidiaries of the Legal Dept. was transferred to the Corporate Strategy & Planning Dept.

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 improve the decision-making quality of the Board, strengthen corporate governance and improve the functions of the Board, 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 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 2020 AGM Report for details.

Effectiveness of Functional Committees in 2020

Committee	Audit Committee	Remuneration Committee	CSR Committee	Risk Management Committee	Ethical Corporate Management Committee	Strategy Committee
Year of Establishment	2011	2011	2014	2019	2019	2019
Composition of members	All independent directors	All independent directors	Chairman, 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, CEO, and presidents of direct subsidiaries (China Life Insurance, KGI Bank, KGI Securities, and CDIB Capital Group)	Chairman, independent directors, and outside (independent) directors of direct subsidiaries (life insurance, KGI Bank, KGI Securities, and CDIB Capital Group)	Independent director, natural-person director, director and CEO
Committee Members ^(Note)	3	3	7	8	6	5
Percentage of independent directors of the company or subsidiaries (%)	100	100	28.6	37.5	50	20
Number of meetings held in 2020	13	12	4	4	2	5
Attendance rate (in person) (%)	100	100	96.66	82.3	91.67	91.66
Attendance rate (including attendance by proxy) (%)	100	100	100	94.1	100	91.66

Note: As of March 31, 2021

Board Performance Evaluation

In order to implement corporate governance and enhance the functions of the Board of Directors, establish performance targets to enhance the operational efficiency of the Board, the Company established the "Principles for the Performance Evaluation of the Board of Directors," to 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



2020 AGM Report

Internal Evaluation of Board Performance

The internal evaluation of Board performance in 2020 was reported at the 31st meeting of the 7th Board of Directors on January 28, 2021 and posted on the company's website and published in the 2020 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 28 parameters it scored "Excellent (5)," on 14 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)	4.95	4.97	4.96	4.87	5	4.94
Six dimensions of self-evaluation	Involvement in CDF'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 items	11	11	6	5	7	2

(II) Self-evaluation of Board member performance:

A total of 25 Board members' performance evaluation indicators range over six dimensions. According to the evaluation results, 17 indicators were rated "Excellent (5)" and 8 rated "Good (4)." This shows that all directors have a positive effect on the efficiency and effectiveness of the Board.

Evaluation results (points)	5	5	4.78	4.93	4.94	5
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 items	3	4	8	3	4	3

(III) Self-evaluation of Audit Committee performance:

A total of 26 Audit Committee performance evaluation indicators range over five dimensions. According to the evaluation results, 25 indicators were rated "Excellent (5)" and 1 rated "Good (4)." This shows that the overall operation of the Audit Committee is excellent and in line with corporate governance, which results in improved Board functions.

Evaluation results (points)	5	4.93	5	5	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 items	5	5	7	4	5

(IV) Self-evaluation of Remuneration Committee performance:

A total of 24 Remuneration Committee performance evaluation indicators range over five dimensions. According to the evaluation results, 23 indicators were rated "Excellent (5)" and 1 rated "Good (4)." This shows that the overall operation of the Remuneration Committee is excellent and in line with corporate governance, which results in improved Board functions.

Evaluation results (points)	5	4.93	5	5	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 items	5	5	7	4	3

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 and in the 2020 AGM Report. In accordance with the "Principles for the Performance Evaluation of the Board of Directors," the Company will perform an external evaluation of the Board's performance every three years, and through objective suggestions from external independent agencies, to continuously strengthen the effectiveness of the Board and improve the corporate governance mechanism.

Improve Board Functionality

Training for Board Members

To improve the professional roles of the Board, the Company considers external corporate governance practice trends, company business development needs and Board professional functions, offering continuing education courses for the Board. The topics may cover corporate governance related to finance, risk management (including information security), sales, commerce, accounting, legal & compliance, anti-money laundering, counter-cyber terrorism, CSR, internal control system or financial reporting accountability. The Company invites experts and scholars in related fields to serve as lecturers. The 2020 courses are as follows:

Date	Course	Lecturer
2020.6.30	Measures for Information Security of Directors and Supervisors	General Manager Shu-Sheng Pu of British Standards Institution in Taiwan Branch
2020.10.27	Climate Change Risks and Business Opportunity	Adjunct Prof. Kuo-Yen Wei, Department of Geological Sciences, National Taiwan University (former Director of Environmental Protection Administration, Executive Yuan) Prof. Ching-Pin Tung, Director of Office of Institutional Research and Social Responsibility, and Department of Bioenvironmental Systems Engineering, National Taiwan University Dr. Jung-Hsuan Tsao, Co-founder of Formosa Climate Smart Service (FCS) and Department of Bioenvironmental Systems Engineering, National Taiwan University

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. In 2020, CDF's directors logged a total of 93 hours in continuing education (including 78 hours logged by non-executive directors) 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." Please refer to 2020 AGM Report for training details.

Established Head of Corporate Governance

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. 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. The Company approved the resolution of the 20th meeting of the 7th-term of the Board of Directors on July 27, 2020, appointing Executive Vice President Wen-Chang Hung as a full-time director of corporate governance. Executive VP Wen-Chang Hung had three years of experience in stock management in financial institutions and publicly issued companies. Professional qualifications of more than 1 year met the qualification requirements of corporate governance supervisors. Please refer to the AGM Report for details on the scope of responsibilities of CDF's Corporate Governance director and staff and business implementations in 2020.

2.2.3 Sustainability Governance Structure

Organizational Chart of the CDF CSR Committee



Note: As of March 31, 2021

The Company follows business policies that focuses on "active participation in public affairs, balancing between economic, social and environmental development, and implementing business sustainability through corporate social responsibilities." The CSR Committee under the Board constituted six working groups (WGs): Corporate Governance WG, Social Philanthropy WG, Environmental Sustainability WG, Financial Responsibility WG, Client Relations WG, and Employee Well-Being WG, each led by a top executive of the Group and the directors and supervisors of subsidiaries. These six groups are responsible for planning and executing the Company's ESG plan.

To be in line with global trends in "sustainable finance," at the 21st meeting of the 7th-term Board of Directors resolved on August 24, 2020, to set up the "Responsible Finance" task force under the CSR Committee to build a responsible finance governance structure. In accordance with the United Nations' Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI), and Principles for Responsible Banking (PRB), the task force incorporates the impacts of the economy, the environment and society on investment and financing indicators and business activities. In addition to strengthening resilience in the face of potential climate risks, the task force is promoting green finance step by step. It keeps abreast of business developments associated with low-carbon transformation and channels funds to green or sustainable industry players to implement the sustainable finance strategy.

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 as to how the CSR Committee should operate, the CDF Board of Directors has approved of the "CSR Committee Charter," which stipulates the Committee's composition, scope of function, tasks of WGs, method to elect WG heads and members, rules of meetings, and more. In 2020, the CSR Committee convened four meetings to confer on recurring major items on the agenda (e.g., reporting the results of the execution of the 2019 CSR activity plans; approving the 2019 CSR report; reporting the 2020 overview of the sustainable project promotion; and approving the 2021 CSR initiatives) in accordance with the mandates set forth in the "CSR Committee Charter."

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". 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 CEO/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. The financial indicators for measuring the performance of the Company's executives include net income target, return on equity (ROE), and relevant indicators such as ROA and ROIC.

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:

Indicators	Current variable compensation		Long-term variable compensation
Indicators	%	Index indicators	Index indicators
Financial indicators	45%	ROE, Net income, Cost budget Net income, ROE (return on equity) and related financial ratio such as ROA (return on assets) and ROIC (return on invested capital)	CDF will roll out restricted shares program contingent on challenging financial KPIs. The payout will vest over 3 years, depending on the achievement of 3 KPIs and their corresponding weights over a 3-year performance period. The Program contains a high performance threshold, paying out at maximum only when CDF ranks among the top 4 for all three KPIs comparing with financial holding company peers. A payout will be made if one KPI meets the minimum threshold.
Relative Financial Indicators (Industry Comparison Indicators)		Financial Industry Rankings: Total Shareholder Return (TSR), Return On Common Equity (ROCE), Earnings Per Share (EPS)	
Management Indicators	30%	Business, Customer NPS, Digital, Employee engagement, Talent development	
Materiality Indicators	25%	Risk Management, Compliance, ESG, Information Security	

CDF issues new restricted employee shares. What's most important is that shares are restricted during a vesting period of three years and will be issued based on the achievement rate of the three performance indicators. CDF issued up to 112,500 restricted stock units (RSU) at the market value of approximately NT\$1.35 billion. The bars of performance indicators are set very high. The issuance of RSUs will not reach the above upper limit unless all of the three indicators stand at top four of all financial holding companies. After thoroughly evaluating the practices of the world's leading financial service providers, CDF selected the following three performance indicators:

1. Total Shareholder Return (TSR): 34% (Average closing price in 2023 - Closing price at the end of 2020 + Dividends distributed during the period) / Closing price at the end of 2020.
2. Return On Common Equity (ROCE): 33% (Average return on common equity from 2021 to 2023)
3. Earnings Per Share (EPS): 33% (Average EPS from 2021 to 2023)

The variable bonus package for executives 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, as well as the return of shares upon disposition. This measure is to discourage the executives from engaging in activities beyond the risk profile of the Company and to ensure that they comply fully with corporate governance practices. The compensation of CDF's CEO is 25 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 66% of the variable bonus in 2020.
- (2) The Company's deferred shares are issued as follows:

Position	Ratio of deferred shares to base salary
CEO	9.9
Other executives	1.1

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

Ratio of Shares Held by Executives in Taiwan to Base Salary:

Position	Multiple of base salary
CEO	9.6
Other executives	2.1

*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 includes KGI Bank, KGI Securities, CDIB Capital Group, and China Life Insurance. Risk management by type of business nature 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 principles accordingly as the basis for risk management of the Company and subsidiaries. In response to emerging risks globally, the Risk Management Policy has stipulated that the Company and subsidiaries should establish relevant mechanisms to identify, assess, and respond to main emerging risks (e.g., climate change and information security) and should conduct scenario analysis on a regular basis to manage such risks accordingly.

Risk Management Structure

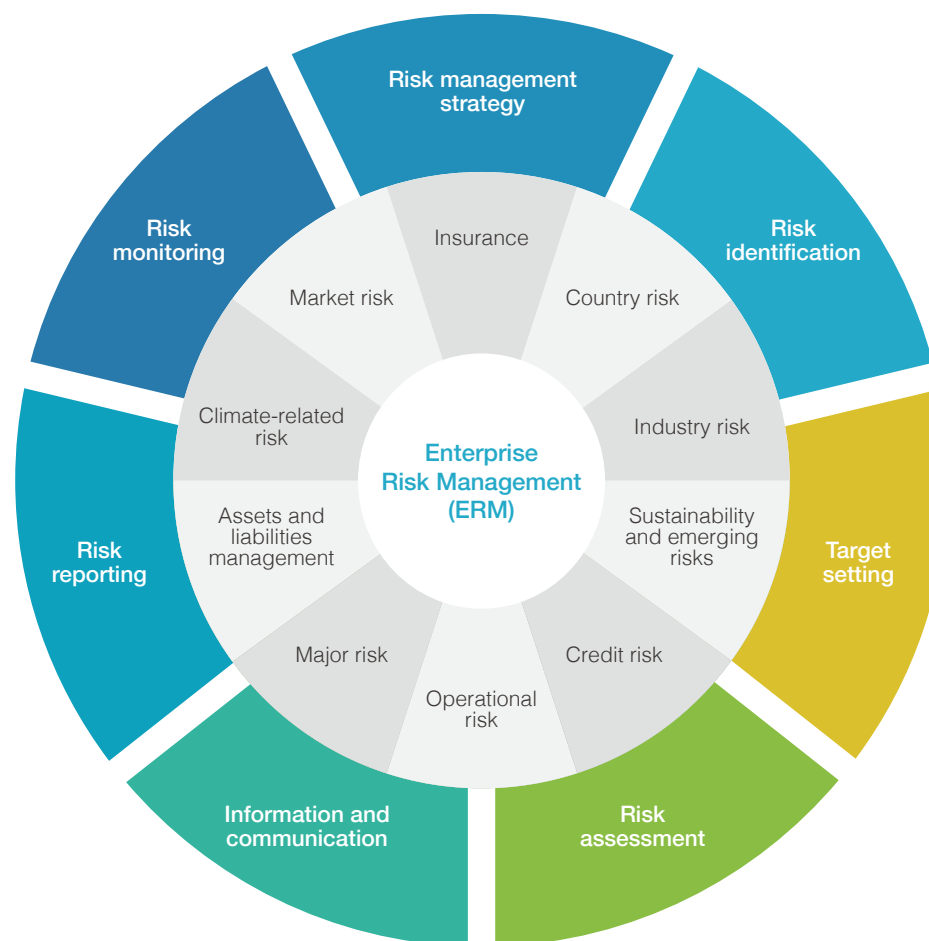
The Board of Directors is responsible for supervising the Company to establish an appropriate risk management structure and culture, ensuring the efficacy of risk management practices, and reviewing key risk control information. The Board also bears the ultimate responsibility of risk management.

The Risk Management Committee should convene every quarter to review internal hierarchy of reporting and handling risks and oversee the overall execution of risk management and should report to the Board on a regular basis. The content of the risk management report has been included in the identification, evaluation and response of emerging risk since 2021.

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.

Types of Risk Management

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



Enterprise Risk Management (ERM)

Type of risk	Description (risk monitoring/reporting/assessment)	Frequency of monitoring/ reporting
Country risk	Regarding the countries or regions where CDF's subsidiaries are investing and financing exposures, control the concentration limit, and monitor the national and regional sovereign ratings, CDS spread changes and the impact of serious regional risks, and strengthen the management of high-risk countries.	Monthly monitoring
Industry risk	Integrate high-risk industries of CDF's subsidiaries on a monthly basis, and regularly detect changes in industry risks.	Monthly monitoring
Market risk	CDF and its subsidiaries daily measure and monitor the utilization of risk limits on the positions of financial instruments held for short-term trading purpose, those include value-at-risk (VaR) limits, the position sensitivity limits (i.e., Delta, DV01, Vega etc.) and stop-loss limits, as well as regular simulations of stress-testing scenarios to assess possible stress losses on positions in extremely abnormal stress scenarios. Market risks are reported to the Risk Management Committee and the Board on a quarterly basis.	Daily assessment and monitoring
Credit risk	CDF conducts monthly credit and securities investment risk monitoring concentration risk of large (enterprise/conglomerate) exposures. Review the asset quality of subsidiaries and the suitability of allowances. Credit risks are reported to the Risk Management Committee and the Board on a regular basis.	Monthly monitoring
Operational risk	CDF monitors the frequency of operational risks and losses arising therefrom immediately. Operational risks are reported to the Risk Management Committee and the Board on a regular basis.	Immediate reporting
Major risk	CDF monitors major risk incidents and business/operational/internal control risk incidents and report them to management immediately. Major risks are reported to the Risk Management Committee and the Board on a regular basis.	Immediate reporting
Assets and liabilities management	CDF monitors its and subsidiaries' assets and liabilities management and liquidity risks.	Periodic monitoring
Insurance	We monitor compliance with the Insurance Act and relevant laws and regulations.	Periodic monitoring
Sustainability and emerging risks	CDF annually assesses emerging risks facing its main business activities to anticipate possible impacts and to further review each business entity's ability to react, internal controls adopted, and risk mitigation or response measures taken.	Regular brainstorming meetings
Climate-related risk	Regularly identify the physical risks and transition risks of climate change on the business or assets, complete the formulation of impacts and response measures, and evaluate potential business opportunities.	Regular brainstorming meetings

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

First line of defense:

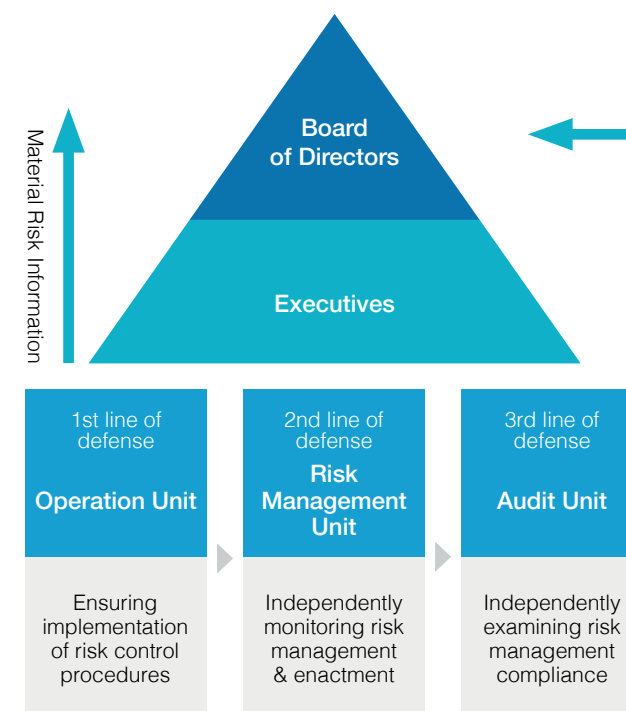
Each unit is responsible for verifying its compliance with risk management regulations and implementing daily risk management in business activities.

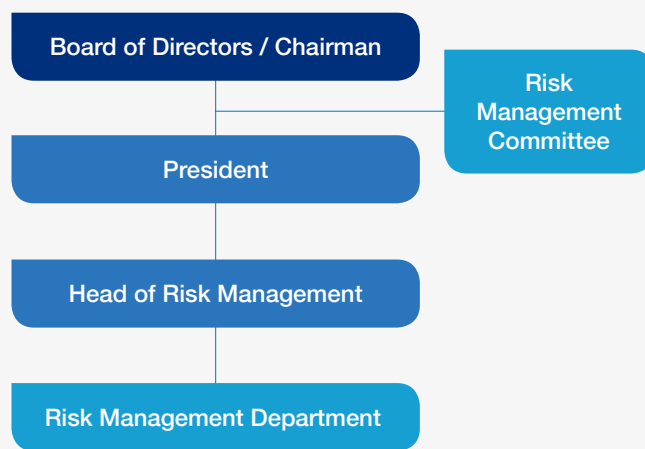
Second line of defense:

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

Third line of defense:

The audit unit shall be responsible for reviewing the establishment of risk management systems and reviewing the compliance and implementation of the systems.





Supervising & monitoring subsidiaries' management of market risk, credit risk, and operational risk, etc., and gradually introducing management mechanisms for emerging risks such as climate change.

CDIB Capital
Group

KGI Bank

KGI
Securities

China Life
Insurance

Subsidiaries establish their own risk management framework & control units (risk management committee in all major subsidiaries), supervising their subsidiaries' risk management mechanisms.

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 2020. Beside KGI Bank conducting related party credit transaction was not submitted to the Board of Directors, no major deficiencies have been found for CDF and its subsidiaries, and all deficiencies have been tracked to ensure improvement (Please refer to 2020 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 timing suggestions for improvements to ensure the effectiveness of the internal control system.

Business Initiatives of the Internal Audit System in 2020

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

Risk Culture

Risk culture is the cornerstone of CDF's core competitiveness and sustainable development. In addition to setting up mechanisms, such as business 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. In 2020, CDF and its subsidiaries reported a total of 31 major risk incidents and 1,552 operational risk incidents. To further strengthen risk management, risk management process optimization and innovation, environmental, social, and governance (ESG) criteria is 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. KGI Securities also took the lead in holding a process optimization contest, introducing the idea of PRA (Robotic Process Automation); it encouraged employees to propose digital innovation initiatives to increase productivity and prevent operational risks. Recognized initiatives will be further promoted among all subsidiaries. In 2020 Taipei FinExpo, CDF set up the Sustainable Finance Pavilion, where our employees volunteered to share with the public the importance of climate risk assessment on CDF's risk management by means of small seminars and digital innovations. By explaining climate-related risks and sustainability issues, we aim to help financial service providers improve their climate resilience and advance on low carbon emissions at a faster pace.

Incorporating risk criteria in product development and approval process

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 2020, 5,033 employees of the Company and its subsidiaries attended training courses on risk management for a total of 39,690 hours, accounting for approximately 55% of all employees.

Contingency procedures and emergency plans for sudden market fluctuations

For sudden market changes, the Company and subsidiaries have standardized emergency response procedures, that is, if there is a major change in the financial market or a major negative event impacting on the risk-taking unit, the risk-taking unit shall immediately notify relevant units including risk management and their business supervisors and CEO. The risk-taking unit or management unit may convene an ad-hoc meeting (e.g. Risk Management Committee) as necessary to review the contingency events reported by the risk-taking unit or discuss an emergency response plan, and report to the Board of Directors when necessary.

The Company and subsidiaries shall collectively perform stress tests on market risk self-defined and historical scenarios for trading positions that include securities and derivative financial products, and evaluate possible losses under extreme adverse circumstances to reflect the stressful situation. The results of the stress test should be regularly reported to the Board of Directors of the Company and subsidiaries, and their risk management committees. The results may be utilized to access the contingency measures that can be taken in capital and operations to manage potential market risks.

Risk management systems for potential risks of liquid funds and derivative financial products

Risk sources and management procedures of liquid funds:

In response to the needs of liquidity management, the Company maintains normal financial operations and reduces liquidity risks in compliance with "Liquidity Risk Management Guidelines." The indicators include: capital gap limit, net current liabilities (current liabilities minus current assets), the ratio of short-term liabilities to net value, and the balance of single-object borrowings accounted for the total available quota, etc. The Company's main liquidity risk management principle is to properly design the flow of funds, maintaining the balance and diversification of funding gaps and debt repayment sources to avoid excessive concentration. Subsidiaries also refer to the Company's "Liquidity Risk Management Guidelines" to formulate relevant mechanisms. In addition, the competent authority has separately established a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR) for commercial banks to control liquidity risks. The Company regularly reviews its own and subsidiaries' liquidity risk measurement indicators, and reports to the financial Risk Management Committee, as well as early arranges the funding needs when abnormal conditions occur.

Management procedure of the collateral value fluctuation:

For securities lending business, the borrower shall deliver the collateral in accordance with the stipulated guarantee rate, and the collateral shall be transferred to the special securities lending guarantee account opened by the Company at Taiwan Depository & Clearing Corporation; when the borrower returns the loan, the borrower must apply to the securities firm to retrieve the collateral. When the total value of the collateral is lower than the guarantee maintenance rate, the borrower shall make up the value difference.

Management procedures of derivative financial products' potential risks:

The Company and subsidiaries evaluate the financial derivative transactions covering the market value changes of the transactions as well as their underlying assets; To manage the evaluation gains and losses of the financial derivative transactions, loss caps are determined according to the purpose of business hedging or short-term trading separately. When engaged in financial derivative transactions, the counterparty goes bankrupt, or the direction of market price changes is against the counterparty, resulting in it unable or unwilling to fulfill the contract and facing the risk of breaking the contract. If the financial derivative transactions are processed through a central clearing mechanism, the fair value of the transactions between the Company (or subsidiaries) and the counterparty will be determined through daily central clearing with evaluating changes in profit and loss to collect and return margin to offset potential credit default risks. If it is a non-centrally cleared financial derivative transactions, the business unit shall apply for an authorized credit limit according to individual counterparty before engaging in transactions, and the limit is monitored by an independent management unit, carrying out daily warnings and over-limit notifications and handling, and the collection of margin. In addition, the CDF Group will comply with the new rule of ISDA's IM (Initial Margin) for providing securities collateral as initial margins after September 1, 2021. At that time, the securities collateral provided may come from the subsidiaries' own investment position inventory or obtain from the open market.

Penalties and Improvement Measures

Major risks specified by the Company are categorized as business or operational/internal controls, including penalty or corrections from competent authorities. In 2020, subsidiaries reported 31 major risk events to the Risk Management Committee and the Board of Directors for review. Of these, thirteen 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. The fined cases by the competent authority Financial Supervisory Commission are as follows:

Case Description	Violation Amount	Management and Improvement Project
KGI Banks: Due to the failure of implementing the audit report and incorrectly filling in the premiums source, the FSC mandated a correction within one month and fined NT\$600,000 on May 19th, 2020.	A penalty of NT\$600,000.	<ul style="list-style-type: none"> Strengthen the pre-, mid-, and post-sales control and inspections, and conduct inspections and send reminders through the system. Strengthen the training and publicity. The personnel involved in this ruling case (sales, compliance supervisors, direct supervisors) will all participate in the "Trial Case Seminar-Life Insurance" course.
China Life Insurance: Due to the negligence in handling underwriting and sales of investment products, the FSC rectified one correction and fined NT\$600,000 on July 27th, 2020.	A penalty of NT\$600,000.	<ul style="list-style-type: none"> Dispatched the message to the cooperative channel to reiterate that the documents with blank customer signatures shall be invalidated; also added an evaluation and notification mechanism for the blank customer signature documents. For ongoing selling investment products, a dedicated sales process recording template was designed according to each investment product, and made descriptions on the characteristics, important content and related investment risks.
KGI Futures: Due to the negligence of brokerage business, the FSC fined NT\$480,000 on September 1st, 2020.	A penalty of NT\$480,000.	<ul style="list-style-type: none"> Established a foreign exchange trading announcement section on the Company official website for traders to search relevant information. Adjusted the manual input of quotation and settlement prices, account changes, market reception, open position gains and losses, risk indicators, negative value processing of trading reports, etc. in the futures host system.
KGI Insurance Brokers: Due to the negligence in sales operations, the FSC rectified a correction and fined NT\$800,000 on September 18, 2020.	A penalty of NT\$800,000.	<ul style="list-style-type: none"> The Company system added a new filing verification operation for the applicant's resident and mailing address, and the evaluation function of transferring the change of the insured's application address. The Company listed the blank pre-signed form as the key inspection point when applying for insurance; for investment-type insurance products terminated halfway or partial withdrawal the charged fee, the Company reviewed and revised the telephone interview questions.
KGI Securities: Because the salesperson violated the securities and futures regulations, FSC fined NT\$3.36 million on December 24th, 2020 and suspended the manager to execute transactions for 6 months.	A penalty of NT\$3.36 million.	<ul style="list-style-type: none"> Strengthened the control of insider transactions, in addition to the "Operation Principals of the Internal Persons and Related Account Transactions," and formulated the "Guidelines for the Control of Insider Accounts and Related Personnel Transactions in Brokerage Units" to review employees on a monthly basis and the overall changes of the internal personnel's account, and adopt relevant control measures. Reiterated to all personnel on the operation regulations and "internal personnel shall use the internal network IP when entrusting transactions at the Company business premises"; and require all levels of supervisors to state the cause of occurrence and the result of the check when evaluating the internal transactions.

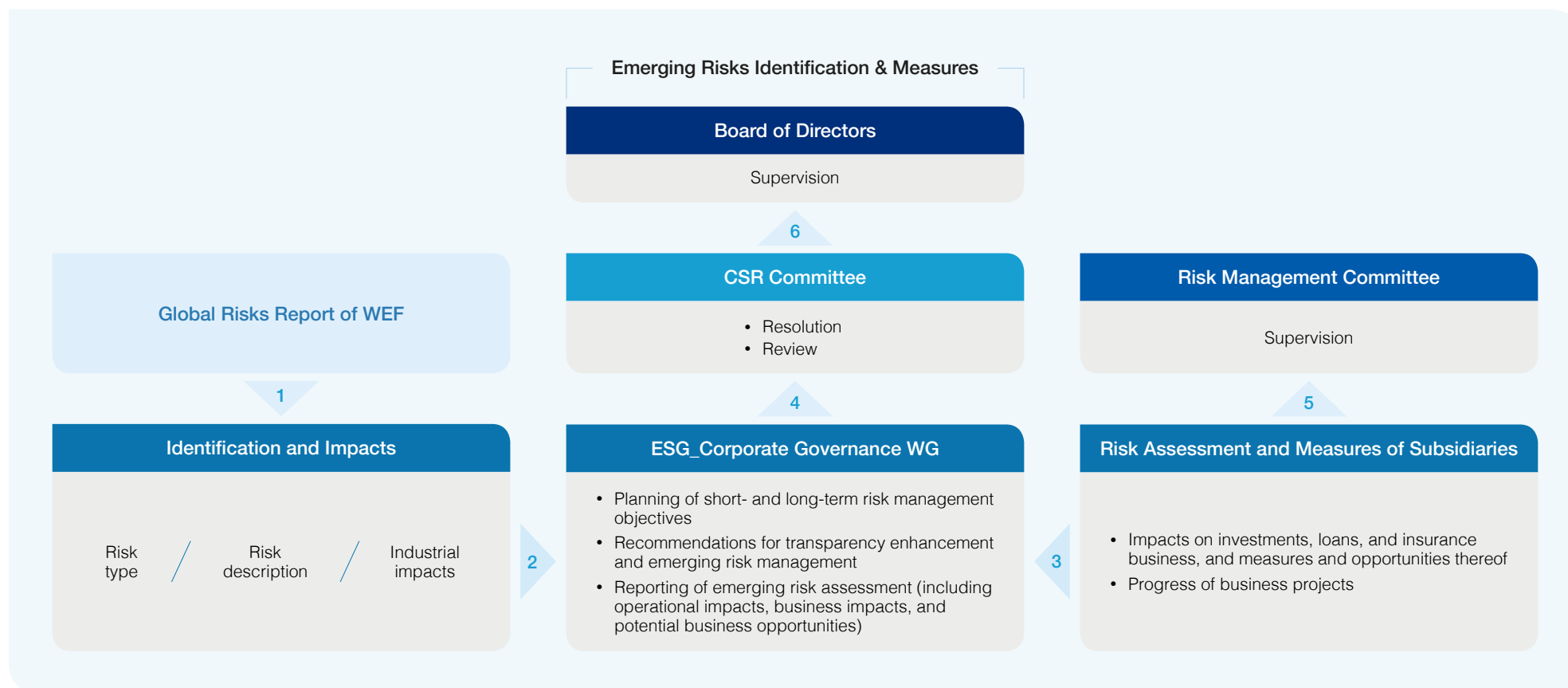
2.3.2 Emerging Risks Management

CDF and subsidiaries closely monitor daily operation risks which include market, credit, operational, asset and liability management, and insurance risks. The Company evaluates the emerging external risks of the main business every year to predict the possible impact, and further examines the processing capabilities of the organization members, internal control procedures, risk mitigation or response measures. Guided by the "Global Risks Report" of the World Economic Forum (WEF) and other major institutional reports and articles in emerging risks, the Company selected the key emerging risks projects this year include: political and social related regional risks and population aging, information security related digital inequality and information security risks, environmental-related biodiversity loss, climate change, and resource scarcity.

Emerging Risks and Opportunities

The impact of emerging risks is increasing with the passage of time, and it also affects the financial environment. How to effectively assess related risks and establish measures in response has become a top priority for sustainable development.

• Emerging Risks Identification Process



● Impact of Emerging Risks, Measures and Potential Opportunities

We have identified four types of emerging risks through the emerging risks identification process, namely, regional conflicts, population aging, information security, and climate change. Our subsidiaries have assessed the impact of such emerging risks on the operations or assets and suggested measures and potential opportunities. This chapter lists regional conflicts, population aging, information security, and continuous attention to epidemic infectious diseases as follows. Please refer to 2.3.3 for details in climate change risk management.

Category	Geopolitical
Name of emerging risk	Regional Conflicts
Description	The economic dilemma caused by the US-China trade war, including market turmoil, investment reduction and disruption of supply chains, has led to a decline in productivity, dragging down the global economy growth. Coupled with the covid-19 pandemic, various countries implemented border controls and trade barriers, leading to the global economic recession to its lowest level since the 2008-09 financial crisis. As the relationship between the two major economies in the world has not improved, geopolitical and trade risks are still two major concerns in the future with the nation's economy banking on international trade, Taiwan is significantly impacted by the China-U.S. trade war as China and the U.S. are its top individual trading partners.
Impact on CDF	<ul style="list-style-type: none"> Regional tensions such as trade wars or political and economic turmoil will increase investment risks and reduce customers' willingness to invest. The involved industries and companies may experience operational and financial deterioration, which will affect the Company's investment, credit, lease and other businesses and real estate value. Furthermore, it will increase the uncertainty and volatility of the global stock market, affecting the securities and their values. The fluctuation of the real estate collateral value will increase the credit risk. The US-China trade war and tariff barriers have reduced global economic production and increased the risk of supply chain disconnection. This will increase corporate capital expenditures, operating costs and profitability, thereby further affect the value of the Company's investment portfolio and increase the credit risk. Regional risks may also lead to an increase in insurance claims, or even a materials shortage or operations interruption. CDF's top 3 risk areas are Taiwan, USA and China, and total risk exposure is around 60%.
Mitigating actions	<ul style="list-style-type: none"> Carefully select sales targets and diversify business sources. The evaluation of each business should take into account the regional risks or chain-breaking risks that customers, securities target companies or real estate targets may face. In the sales aspect, it should avoid relying on a single production site or a single market to reduce regional risks. The securities business has a control mechanism for exposure, customer concentration and target concentration. In addition, the market has various hedging tools and channels, and dynamically adjust the position by observing the international situation in real time. The Company continues to focus on the changes on the relationships and performance of the investee's upstream and downstream supply, taking as a reference for position operation decisions. For real estate investment and mortgage business, good location, good transportation, or appropriate product planning should be prioritized to seize the market and customer trends and promptly respond. Strengthen the backup, continuous operation management and disaster recovery plan mechanism to avoid operational interruption and enable early recovery.
Potential opportunities	<ul style="list-style-type: none"> In response to the reorganization of the global supply chain, the industry shifts production sites, which can increase credit, investment and financial advisory opportunities. The investment business can be directed to high-tech, high-intellectual property, or high-quality service areas, while the returned firms from China can increase the business opportunities of redeveloping factories and old office buildings in urban areas. When the market fluctuates sharply, financial instruments may have arbitrage spreads, and real estate may be obtained at a lower cost, with easy rental compensation and capital gains. Strengthening the workplace backup mechanism can accommodate customer needs when emergencies occur, improving corporate operational fitness, enhancing reputation and overall competitiveness; on the other hand, accelerating the digital claims services development can create competitive advantages in the market.

Category	Societal
Name of emerging risk	Aging Population
Description	<p>According to international standards, if the proportion of a society's population comprised of persons aged 65 or older exceeds 7%, 14%, and 20%, it is an "aging society," an "aged society," and a "super-aged society," respectively. Taiwan had entered the stage of an "aging society" in 1993. It became an "aged society" stage in 2018 and is expected to advance on the "super-aged society" stage in 2025. The aging population has increased medical care expenditures, crowding out consumption and investment, and reducing the investment rate of production activities. The relative shortage of labor, the decline in technological innovation capabilities, and the decline in investment opportunities further reduce the willingness to invest, which affects asset quality risks such as the repayment ability of group borrowers and fluctuations in the price of investment targets.</p>
Impact on CDF	<p>CDF's risk exposure in Taiwan reaches 40% of its total risk. As Taiwan has become an aged society, the risk of Aging Population will affect CDF's business activities in credit, long-term investment, securities, and insurance.</p> <ul style="list-style-type: none"> • An aging society will lead to the gradual disappearance of demographic dividends and the high restrictions on the products purchase by senior customers. It will also reduce the demand for loans, high-interest credit and risky financial investments, and will change banks' funds due to the deposits reduction. • Aging has resulted in lower investment willingness, lower productivity, and fluctuations in the value of investment targets. • The aging population increases the settlement of life-long medical claims (as limited-duration medical insurance has a maximum age limit) and therefore the CDF's expenditures.
Mitigating actions	<ul style="list-style-type: none"> • Carefully assess the impact of aging population risks on the operations and finances of investment or credit customers in advance, and understand the extent of the customers investing in automation and smart manufacturing; strengthen follow-up management mechanisms such as regular assessment of labor-intensive industries and customers. • Carefully evaluate industrial development trends, focusing on changes in industrial structure, performance, and upstream and downstream supply chains; develop multiple businesses to diversify profit sources, and improve brand image to increase market share. In addition, investment tools and recommendations must be adopted to meet senior investor habits. • Include the borrower age and the reasonableness of the loan period into credit and policy borrowing conditions to reduce the aging risk of default arising from the weakening of repayment capacity. • Set an upper limit of life-long medical insurance claims to control risks.
Potential opportunities	<ul style="list-style-type: none"> • In response to aging and labor shortages, the medical and care industries (including pharmaceutical products, devices, care and emerging medical technology, etc.) and industrial automation-related industries will have more opportunities for credit, investment and financial advisory. • Develop aging and customized financial products and services, for instance, nursing trust, mortgage combined with life insurance, commercial reverse mortgage, overseas structured bonds, and other products that meet the needs of retirement wealth management. Also evaluate long-term investment targets, aging real estate and silver business to increase the Company's source of income. • Aging weakens the repayment ability. Based on social value practices, policy borrowers will be given interest-free or deferred care measures and other care measures as needed in the event of a major disaster to fulfill their corporate social responsibilities and enhance the Company's reputation for quality services.

Category	Technological
Name of emerging risk	Information Security
Description	<ul style="list-style-type: none"> Digital inequality is most likely to be the long-term risk that faces the world in the next two years. Groups subject to the digital divide will be excluded, aggravating inequality. Financial institutions bank much on system stability. As digital tools change how people interact, the risks of cyberattacks, misinformation, and information security fraud ramp up. Derivative issues such as breaches of personal information and privacy, moral hazards, system shutdown, and damage to customer rights will lead to penalties by the competent authority and damage to the Company's property and reputation. The rapid technological change brings general information security risks. Potential risks such as fraud, money laundering, and tax avoidance also arise from over-reliance on AI technology and databases and the use of cryptocurrency.
Impact on CDF	<ul style="list-style-type: none"> Due to the application of FinTech such as digital finance and cloud services, economic losses caused by cyberattacks are increasing day by day. If managed negligently, network services can become a channel for money laundering or financing of terrorism or foster fraud or other improper use, causing damage to customer information and rights or operations to cease in case of critical information security incidents. This will subject the Company to sanctions by the competent authority or international organizations and, in a severe case, goodwill impairment or property damage. The trading system interruption will affect customers' transactions, resulting in customer disputes, and will result in the inability to monitor the shareholding position in real time. The incidence may cause not able to perform market maker obligations and hedge transactions, and therefore causing losses.
Mitigating actions	<ul style="list-style-type: none"> To address information security risks, the Group has set up a dedicated information security unit to disseminate the knowledge of information security, organize training, and regularly conduct social engineering drills. The dedicated information security unit is tasked to increase the employees' awareness of information security, secure customers' property and transactions, and ensure the normal operation of the Company's business. 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 management system has been certified by a third-party accreditation institution. In addition to continuously improving the information security management system to maintain the validity of the ISO 27001 license, it also uses social engineering to confirm that employees have a high level of information security awareness, which is included in the departmental and personal annual assessment items. In terms of maintenance and deepening protection capabilities, the Group has completed the third-party security inspection of the external information service port and continued to insure the information security protection. Subsidiaries (securities and insurance) have adopted the BS 10012 standard, introducing a personal information management system, and have obtained the BS10012:2017 personal information management system certification in 2020. CDF engages independent security consultants to help review compliance, conduct security assessments, tests, and drills, and patch, improve, and systematically control vulnerabilities and risks, so as to ensure that each system is well-designed and equipped with protection and resilience. Sensitive information is kept confidential 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 quarterly reviewed by the dedicated personnel and then submitted to supervisors. CDF 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.
Potential opportunities	<ul style="list-style-type: none"> By reviewing and strengthening the internal information security system, CDF can strengthen the protection of customers' rights and improve its corporate structure, reputation, and overall competitiveness. It is also conducive to the innovation of FinTech services and the promotion of financial inclusion to people who are financially disadvantaged. The digitization trend and the work from home policy caused by the pandemic will increase investment, financing and financial advisory business opportunities in network security, data management tools, 5G infrastructure, encryption software, hybrid cloud, etc. These includes information management systems, content security, identity recognition, encryption and decryption etc. Following the up-to-date requirements for personal information protection at home and abroad can mitigate compliance risks and elevate the corporate image and promote business at the same time. CDF also creates a credit rating model taking advantage of a blockchain's immutability and anonymity and using cross-industry information and applies it in personal loans and the selection of potential clients for third-party business partners. Open Banking offers fragmented, modular, and API-based financial services that are provided for FinTech partners through KGI inside, allowing KGI Bank to reach more customers.

Category	Societal
Name of emerging risk	Pandemic
Description	COVID-19 has caused major epidemics and casualties, with the number of bankruptcies surging worldwide. It has taken a heavy toll on the global economy and financial markets. The World Economic Forum (WEF) estimates that 85 million jobs will be replaced by digitization within 5 years. Educational gaps and unemployment under digital inequality may put many people's livelihoods at risk, leading to a long-term recession in the global economy. In the wake of COVID-19, 79% of companies are re-planning their business models. Due to constant changes in work styles, business combinations, cyberattacks, and digital fraud are on the rise.
Impact on CDF	<p>Investment Business: 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.</p> <ul style="list-style-type: none"> Loans: the Company provides 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, crediting to the good epidemic prevention. Personal loans also have risk diversification effects, so the overall risk is limited. Wealth Management Business: 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. The position has gradually recovered as the pandemic slowed down. Securities Business: 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 increased the variations in operation, so the performance of companies that intend to apply for an IPO will be affected.
Mitigating actions	<ul style="list-style-type: none"> Investment Business: 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. Loans: to reduce short-term risk, collateral may be insisted, which can be enforced depending upon changes in risk situation. Cooperate with policies to implement government relief programs. In response to COVID-19, a loan project is devised for affected licensed professionals to obtain funds quickly and preferentially. Wealth Management Business: 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. Securities Business: in response to the downturn in Taiwan's stocks, the Company has strengthened its control over customer concentration and collateral concentration. For individual IPO cases, the Company has continuously communicated with the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange (TPEX) in hopes of nailing down IPO applications. We have also strengthened credit risk assessments of individual financing cases.
Potential opportunities	<ul style="list-style-type: none"> Investment Business: 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. Loans: the COVID-19 pandemic has fueled the growth of epidemic- prevention industries such as healthcare, which increases opportunities to extend loans. Given 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 making loans. Wealth Management Business: 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 Business: 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 for the epidemic prevention industry and the number of IPO-related securities underwriting cases.

2.3.3 Climate Change Risks Management

CDF officially signed the TCFD in December 2018. Therefore, the Company follows the disclosure structure, including four core elements of governance, strategy, risk management, indicators and objectives. Referring to the Sustainability Accounting Standard Board (SASB) in the environmental capital orientation and industry-specific guidelines, the Company will progressively complete the implementation depth of each disclosure item.

Followed by loan assets, securities investments are the Group's largest asset. To mitigate indirect losses caused by climate-related risks and to exert financial influence to achieve net zero emissions from the total portfolio by 2045, the Group has gradually linked climate-related risks and traditional risks in risk management; the outcomes of risk management at each stage are also applied in the business activities ad hoc.

CDF has continued to pay attention to climate change and environmental sustainability issues and has actively participated in different initiatives. In 2020, we took a step further by demonstrating our achievements in sustainable finance and proposing solutions to climate-related risks in Taipei FinExpo held in November 2020. As a member of RICE (Resilience of Industries on Climate Change Enhancement), CDF expected to share with other financial institutions specific and feasible solutions to climate-related risks and exert its influence on the financial services industry to achieve carbon neutrality at an early date.

The Company has followed the main actions of TCFD's climate risk management.

Governance	Strategy	Risk Management	Metrics and Targets
<ul style="list-style-type: none"> The Board of Directors regularly monitors the performance of the corporate responsibility committee implementing sustainability goals. The Enterprise Committee holds regular meetings to approve goals and major issues, and set up a dedicated working group to work on climate-related issues and plans. 	<ul style="list-style-type: none"> Develop five strategies based on targets and short-, medium- and long-term risk levels. Design the exploratory scenario and resilient strategy under 2°C scenarios. Improve energy efficiency. Expand the source of green energy. Introduce principals of internal carbon pricing system. Improve green financial products. 	<ul style="list-style-type: none"> Complete identification of significant climate risks and opportunities. Construct an overall climate management process. The consistency method of carbon calculation and the calculation of carbon exposure. Conduct situation analysis of entity risk and transformation risk. Integrated risk management platform. 	<ul style="list-style-type: none"> Set a goal of net zero carbon emissions by 2045, as well as short-term and mid-term carbon emissions reduction goals. Set low-carbon action improvement indicators to achieve short-, mid- and long-term goals, such as reducing carbon-intensive industries and designing carbon reduction mechanisms for high carbon-emission producers.

Climate Management

Board of Directors

- CDF's Board of Directors authorizes the CSR Committee to set the targets for environmental, social, and corporate governance (ESG) issues and carbon emission reduction and to monitor the achievement of such targets; subsidiaries are required to incorporate climate change into their annual budgets, business plans, and risk management policies, and the CSR Committee reports to the Board of Director every half a year the material climate issues and the achievement of the targets.
- Every quarter, the Board of Directors supervises the Risk Management Committee's monitoring of the material climate issues and decisions on the overall asset allocation.

CSR Committee

- As a supervisory unit for sustainable finance, the CSR Committee consists of directors and independent directors of subsidiaries with the CDF Chairman serving as the chairman.
- The CSR Committee is responsible for reviewing sustainability goals, guiding the action plans put forward by the six WGs, and monitoring the progress of such plans every half a year based on the TCFD recommendations and material climate issues.

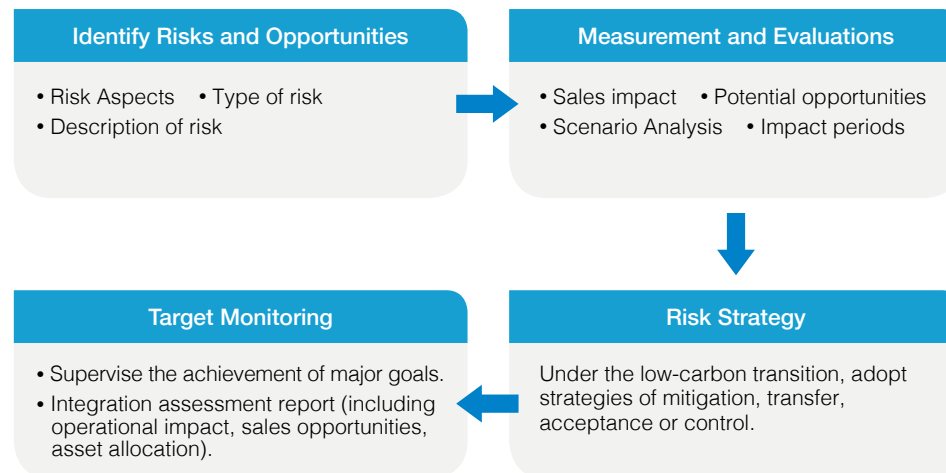
Climate-related WGs

- Climate-related WGs such as Corporate Governance WG, Environmental WG, and Responsible Finance WG are run by top executives of subsidiaries as group heads. These WGs are responsible for implementing improvement plans and corresponding SDGs for Scopes 1~3 and collecting and setting the indicators and goals in relation to climate risks and opportunities.
- The WGs meet frequently and ad hoc to keep track of material climate issues, and help and urge subsidiaries to design measures for mitigation and adaptation to climate change and apply them in their day-to-day business activities and management.

Climate Strategies

1. Adhere to the regulations stipulated by the U.N.-Convened Net Zero Banking Alliance and the U.N.-Convened Net Zero Asset Owner Alliance to present within 18 months a comprehensive low-carbon transition roadmap for 2045 net zero carbon emissions;
2. Establish engagement targets. CDF will discuss with specific customers annually to set engagement targets and coverage ratios, thereby aggressively directing them to march toward sustainability and net zero carbon emissions and providing sustainability-linked financial services to lift Taiwan's overall sustainable competitiveness;
3. Establish sector targets. Having understood the volume of a sector's carbon emissions and its impact on the environment, CDF will establish investment and financing strategies and carbon intensity objectives for the sector based on the premise of a sustainable future;
4. Establish investment portfolio targets. CDF will align all investment portfolios with the Paris Agreement and maximize the contribution of the investment portfolios to the sustainable development objectives; and
5. Establish transition targets. CDF's operations will achieve net zero carbon emissions by 2030 and significantly increase the weightings of green lending and green investment by aggressively engaging in sustainability-linked loan (SLL) development.

Climate Risk Management



Assessment of Identified Climate-related Risks

Risk Aspects	Type of Risk	Major Risk Descriptions	Impact and Influences	Adaptation or Opportunities
Physical Risk	Immediate risk of extreme climate incidents	<ul style="list-style-type: none"> • The value of the self-owned real estate and business continuity of the premises are affected. 	<ul style="list-style-type: none"> • The Group's premises or facilities are damaged, resulting in the impairment of assets and 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"> • The price of self-owned real estate is susceptible to extreme weather. As most of our real estates are located in metropolitan areas, they are less affected by extreme climate incidents in particular areas. • 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
Physical Risk	Immediate risk of extreme climate incidents	<ul style="list-style-type: none"> • Decrease in value of collateral provided by lending accounts 	<ul style="list-style-type: none"> • Collateral located in special areas (e.g., houses located in low-lying areas or on slopes) may be damaged. 	<ul style="list-style-type: none"> • Take the risk of extreme weather into account when accepting collateral and comprehensively assess the risk premium of collateral when granting loans
Physical Risk	The long-term risks of rising sea levels caused by continuous warming	<ul style="list-style-type: none"> • Establishment and management of operating locations 	<ul style="list-style-type: none"> • When the operating base or collateral locate in a heavily flooded area, it will impact the productivity and the real estate value, resulting in losses in cases of long investment and credit periods. 	<ul style="list-style-type: none"> • List the locations with a high flooding probability as warning areas for determining investment and credit • Improve digital efficiency and optimize customer experience, and focus on promoting digital outlets and increasing the proportion of online transactions to mitigate the impacts of natural disasters on operating locations • Continue refining the model with data collected and multiple factors to improve the ability to calculate the probability of flooding

Risk Aspects	Type of Risk	Major Risk Descriptions	Impact and Influences	Adaptation or Opportunities
Physical Risk	The long-term risks of rising sea levels caused by continuous warming	<ul style="list-style-type: none"> Establish operating locations 	<ul style="list-style-type: none"> Flooded areas may cause operating locations unable to operate. 	<ul style="list-style-type: none"> List the locations with a high flooding probability as warning areas for determining business locations Conduct an operating site inventory and review the risk level of existing business sites for determining whether to purchase an insurance or move to a new location Review the protection of claims to collateral in response to extreme weather and adjust the credit policy and regulations in a timely manner
Transition Risk	Regulations	<ul style="list-style-type: none"> Total greenhouse gas control, such as the implementation of greenhouse gas reduction management regulations or carbon pricing 	<ul style="list-style-type: none"> In the medium and long terms, the rising financial pressure on large carbon emission industries and companies affects the Company's willingness to communicate or increases costs. 	<ul style="list-style-type: none"> 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 Self-built green power equipment at business locations
Transition Risk	Technology	<ul style="list-style-type: none"> Invest a considerable amount in the advanced renewable energy technologies development or carbon capture technology, but the effect is limited or unsuccessful 	<ul style="list-style-type: none"> In the medium and long terms, companies that use traditional equipment for power generation or large carbon-emission companies have difficulty in raising funds or have significantly increased debt costs. 	<ul style="list-style-type: none"> Disperse the risk of transforming enterprises to reduce the risk of failure Strengthen credit investigation and research on renewable energy technologies
Transition Risk	Market	<ul style="list-style-type: none"> The rapid growth of electric vehicles seizes the market of fuel vehicles and changes the demand for energy types. Changes in consumer behavior and preference for green products 	<ul style="list-style-type: none"> Decrease in fossil fuel demands in the medium and long terms The value of polluting power generation assets no longer exists, and the liquidity in the market reduces, even becoming a shelved asset. Increase in the cost of purchasing green electricity 	<ul style="list-style-type: none"> Reduce fossil-burning products and related investment credit transactions Provide green financial products
Transition Risk	Reputation	<ul style="list-style-type: none"> Investors and consumers focus on large carbon-emission companies. 	<ul style="list-style-type: none"> Reduced enterprise production capacity or disrupted supply chain in the short and medium terms. Risk exposure amount of large carbon-emission industries and companies will make impression on the market as to whether CDF is committed to low-carbon transformation. 	<ul style="list-style-type: none"> Limitations for large carbon-emission industry Take inventory in corporate carbon emission intensity and re-adjust assets Negotiate and sign a commitment with customers, or provide green investment and financing quotas to assist enterprises in their transformation

Scenario Description for Climate Risk

Physical risk refers to any loss that a company may suffer directly when facing slow changes in climate change and extreme weather events, including damage to operating locations arising from flooding, damage to factories, and an increase in costs caused by drought and lack of water. Transition risk refers to an increase in costs and a decrease in revenue of a company arising from low-carbon transformation promoted by the government policies and markets, including the cost of paying carbon taxes and the carbon reduction requirements from the downstream portion of the supply chain.

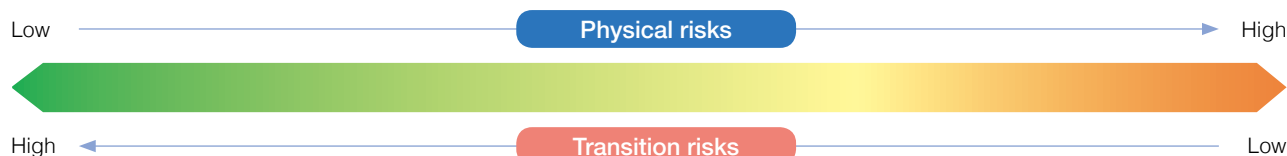
CDF adopts the worldwide ambitious actions for carbon reduction under the RCP 2.6 scenario (Disorderly and Orderly, equivalent to IEA 2DS and IEA SDS) and limited actions under the RCP 8.5 scenario (Hot house world, equivalent to IEA CPS) to assess physical risks and transition risks.

The scope of assessment includes the Company's business operations, upstream portion of the supply chain, and downstream portion of the supply chain (investment/lending accounts). Assets (operating locations) and business activities (collateral) are assessed through scenario analysis, taking into account a 20-year mortgage term. At present, the period of the climate change assessment scenario is set from 2021 to 2040, so the life cycle of the mortgage business and that of operations are the same. This year, CDF will soon move into an environmental-friendly new building constructed based on the concept of sustainable development. The new building is also included in the assessment.

According to the TCFD recommendations, CDF selects scenarios that cover a reasonable variety of future outcomes, both favorable and unfavorable (e.g., a 2°C or lower scenario). Climate-related risks are divided into physical risks and transition risks. There is usually a trade-off relationship between these two risks; that is, high physical risks correspond to low transition risks, and high transition risks usually correspond to and reduce physical risks. As shown in the figure below, the former scenario (high physical risks and low transition risks) corresponds to the physical risk scenario partial to RCP 8.5 and the transition risk scenario under NGFS Hot house world; that is, only the existing policies are preserved, and neither ambitious actions nor climate policies are implemented to reduce carbon emissions. Greenhouse gas emissions will continue to increase, resulting in a significant rise in global temperature. Under this scenario, there will be severe physical risks; transition risks remain low since no climate policies are implemented.

As shown in the figure below, the latter scenario (low physical risks and high transition risks) corresponds to the physical risk scenario partial to RCP 2.6 and the transition risk scenarios under NGFS Disorder and NGFS Order. To avert global warming, governments and non-governmental organizations take ambitious energy conservation and carbon reduction measures such as installing renewable energy sources and imposing carbon taxes, which will create huge transition risks arising from transition costs and adaptation expenses; physical risks are low because the rise in the global temperature is controlled more effectively.

Scenarios



IPCC RCP 2.6

Scenario for physical risks

Global warming slows down, leading to a radiative forcing level of 2.6W/m² by 2100, a temperature rise between 0.9°C and 2.3°C, and negative GHG emissions.

IPCC RCP 8.5

Scenario for physical risks

Emissions continue to rise. Countries around the world have not made any reductions, resulting in an increase in GHG emissions, a radiative forcing level of 8.5W/m², and a temperature rise between 3.2°C and 5.4°C.

NGFS Disorderly

Scenario for transition risks

Ambitious action is taken with a non-linear effect, leading to a sharp fall in annual carbon emissions and a rapid rise in carbon prices starting after 2030 and negative carbon emissions by 2050.

NGFS Orderly

Scenario for transition risks

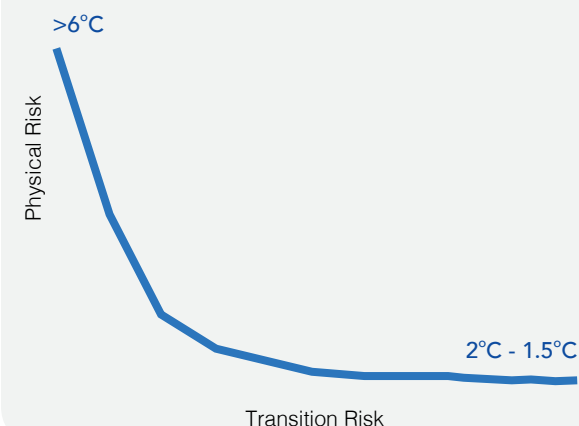
Ambitious action is taken with a linear effect, leading to a steady decline in annual carbon emissions and steady growth of carbon prices starting from 2020 and negative carbon emissions by 2050.

NGFS Hot house world

Scenario for transition risks

Limited action is taken, meaning that only currently implemented policies are preserved, and no carbon reduction actions have been taken. There is no rise in the carbon price. The global temperature is estimated to rise by more than 2°C by 2050 and close to 4°C by 2100.

Transition-Physical Risk Conceptual Trade-Offs



Task Force on Climate-Related Financial Disclosures(2017b)

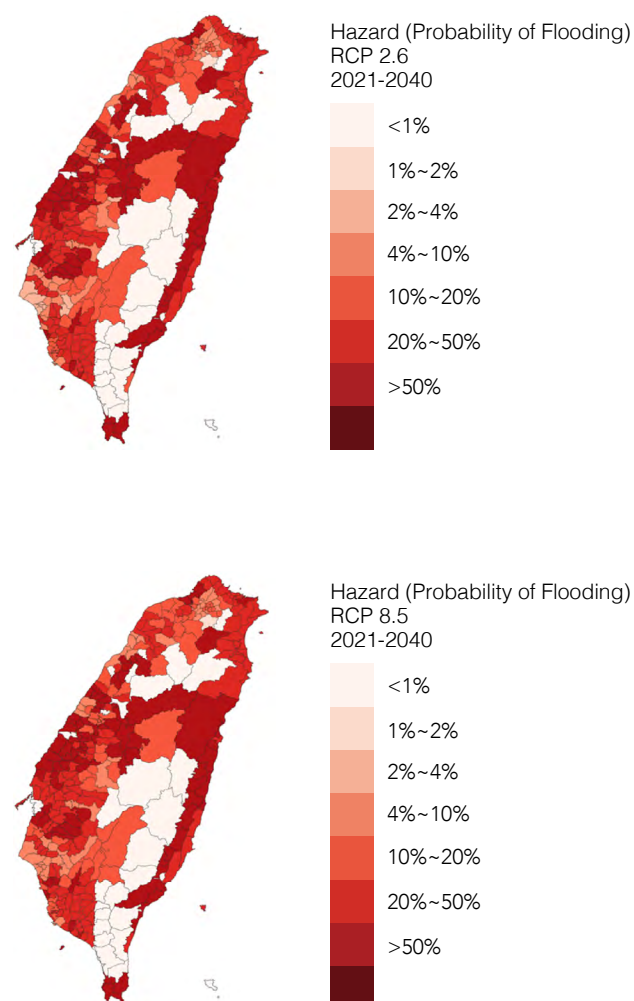
Quantitative Results of Scenario Analysis – Physical Risks

Scenario	RCP2.6 and RCP8.5
Physical Risks	Upstream supply chain
Result of identification	The upstream supply chain mainly consists of suppliers of three resources: electricity, information and electric equipment, and printing paper. In the context of RCP8.5 and RCP2.6, CDF assesses the probability of flooding at suppliers' factories, power plants, and head offices by comparing the "precipitation projection using a CMIP5 GCM ensemble model" to the "regional drainage design standards announced by the Ministry of the Interior." If the future precipitation is greater than the designed drainage standard, there is a risk of flooding in the region. According to the result of the projection, the probability of flooding is roughly the same in the two scenarios during 2021~2040. Of the six major power plants, the probability of flooding averages 13%~25%; of the key suppliers of information and electric equipment, the probability of flooding is about 4%~10%, and that of the main printing paper suppliers is also 4%~10%. To sum up, the physical risks of suppliers of "information and electric equipment" and "printing paper" are within the controllable range; power plants are more vulnerable to flooding, which may cause shortages of equipment or increases in costs.
Financial impact	<p>Loss ratio of physical risks of key suppliers x Operating revenue</p> <p>The amount of purchase from key suppliers of information, electrical equipment, and printing paper; taking into account the probability of flooding, the total estimated financial impact is approximately NT\$61~152 million.</p>
Adaptation strategy	Take precautionary measures by increasing or diversifying suppliers in order to offset the decrease in supply and improve the group's resilience to shortages of resources or equipment; Introduce electronic services online to increase the proportion of paperless services
Scenario	RCP2.6 and RCP8.5
Physical Risks	Operating locations
Result of identification	Among all of KGI Bank's branches, two branches are located in areas with the highest level of hazard (flooding probability>50%) and 10 branches are located at areas with the probability of flooding between 20% and 50%.
Financial impact	The operating revenue of the 12 branches with a high probability of flooding (>50% and 20%~50%) totaled NT\$393 million, representing only 3.5% of the total operating revenue; the impact of flooding should be unlikely to affect the business operations of the branches throughout the year, so the physical risk would be even lower.
Adaptation strategy	<ol style="list-style-type: none"> 1. To ensure business continuity, KGI Bank has formulated the "Directions for Emergency Response and Countermeasures," including the "Instructions on Prevention and Relief of Natural Disasters" for flooding, stipulating preventive measures and actions, countermeasures in the event of disasters, and post-disaster investigation, notification, and rehabilitation; the said instructions cover drills and alternatives for operating locations, services, system operations, and more. The purpose of the directions is to improve KGI Bank's flood resilience and exposure to physical risks caused by related disasters. 2. Improve digital efficiency and optimize customer experience, and focus on promoting digital outlets and increasing the proportion of online transactions to mitigate the impacts of natural disasters on operating locations 3. Continue refining the model with multiple factors to improve the ability to calculate the probability of flooding 4. Include the future establishment and relocation of operating locations in nationwide flood modeling and make proper plans in response 5. CDF's new headquarters building is constructed based on the concept of sustainable development. Its extensive retention reservoir system will regulate the microclimate, recycle rainwater and establish a rain-sewage diversion system in order to reduce water pollution. In addition, the building is equipped with an automatic lighting control system, double-skin electric blinds, and many other devices to achieve the purposes of daily energy savings. The building has achieved 7 guiding principles (i.e., greenery, soil water retention, daily energy savings, CO₂ reduction, indoor environment, water resources, and sewage and garbage improvement) and has been awarded the gold level of "Green Building Labels Certificate."

Scenario	RCP2.6 and RCP8.5
Physical Risks	Downstream customers (mainly in aspects of loans and mortgages)
Result of identification	Loans and mortgages are granted based on the impacts of flooding on house prices over the past years. CDF calculates the flooding probability of the areas where operations locate by comparing the drainage design standards of the administrative districts in Taiwan with precipitation caused by climate change, and estimates the expected loss of real estate guaranteed in the area. CDF also checks on the distribution of possible losses of all mortgage collaterals.
Financial impact	<ol style="list-style-type: none"> 1. The loss ratio of collateral provided for KGI Bank in each area (i.e., the loss ratio of the housing price affected by flooding under the RCP 8.5 scenario and Risk Neutral pricing) is much lower than the buffer ratio (100% minus average loan to value ratio). 2. The average loss ratio of collateral is about 4%, far lower than the overall mortgage buffer ratio (50%). In each area, the smallest gap between the buffer ratio (22.37%) and the loss ratio (14.25%) is 8.12%.
Adaptation strategy	<p>For the identified physical climate-related risks, CDF will devise the mortgage evaluation process, adaptation measures or internal regulations in response to areas with higher flooding risks, as well as subsequent plans.</p> <ol style="list-style-type: none"> 1. In the process of valuating real estate, CDF will refer to comparative transactions in the same area as the transaction prices have reflected the positive or negative factors in the area. 2. The credit policy will classify the flood loss ratio as "high, medium, and low." In the future, CDF will also devise the adaptation plan for newly accepted mortgages.

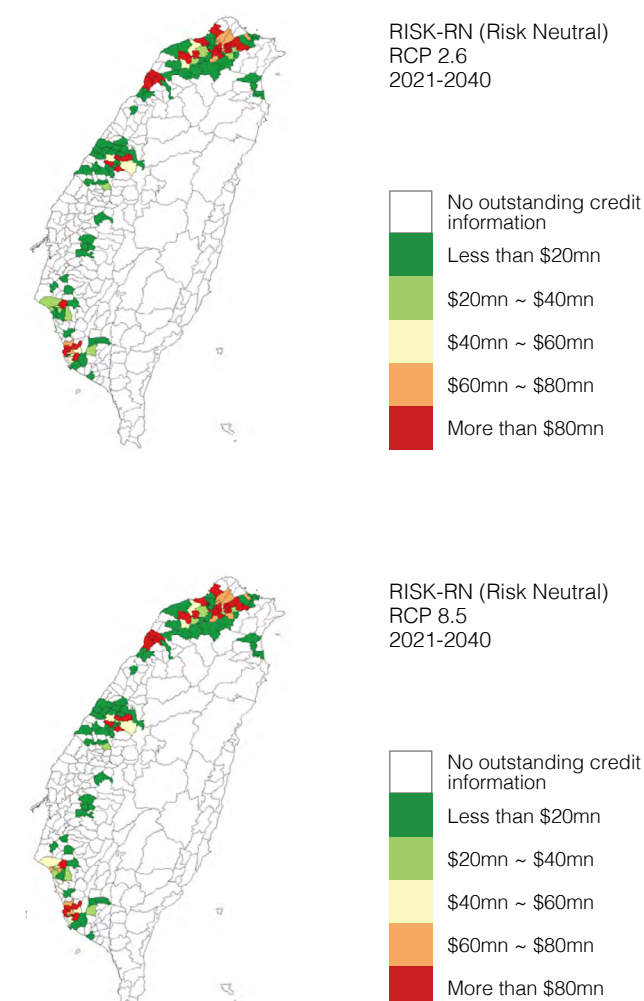
Self-operations:

CDF calculates the flooding probability of the areas where operations locate by comparing the drainage design standards of the administrative districts in Taiwan with precipitation caused by climate change.



Loans and Mortgages

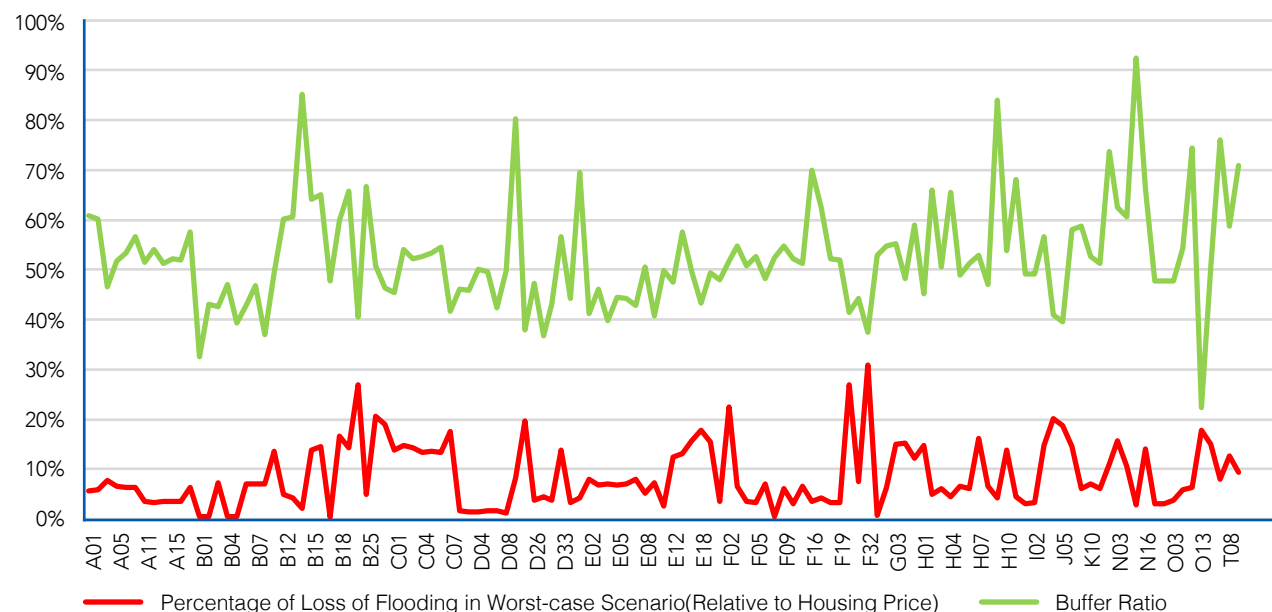
The amount of loss of real estate mortgaged in each area is calculated based on the impact of the past flooding records on housing prices and the future probability of flooding in an area. All possible losses of collateral provided for KGI Bank are distributed in the figure on the left below.



According to the further assessment of the lending risk of this physical risk, even in the worst-case scenario (RCP 8.5 and housing prices susceptible to flooding), the maximum loss ratio is less than the buffer ratio of house prices (i.e., 100% minus average loan-to-value ratio in the area). This indicates that KGI Bank's valuation of real estate and loan to value are considered safe, as shown in the figure on the right below.

Quantitative Results of Scenario Analysis - Transition Risks

The Company has developed a roadmap for carbon risks and carried out carbon assessments on its own operations and the upstream and downstream portions of the supply chain. Action plans for carbon reduction targets will be further made.

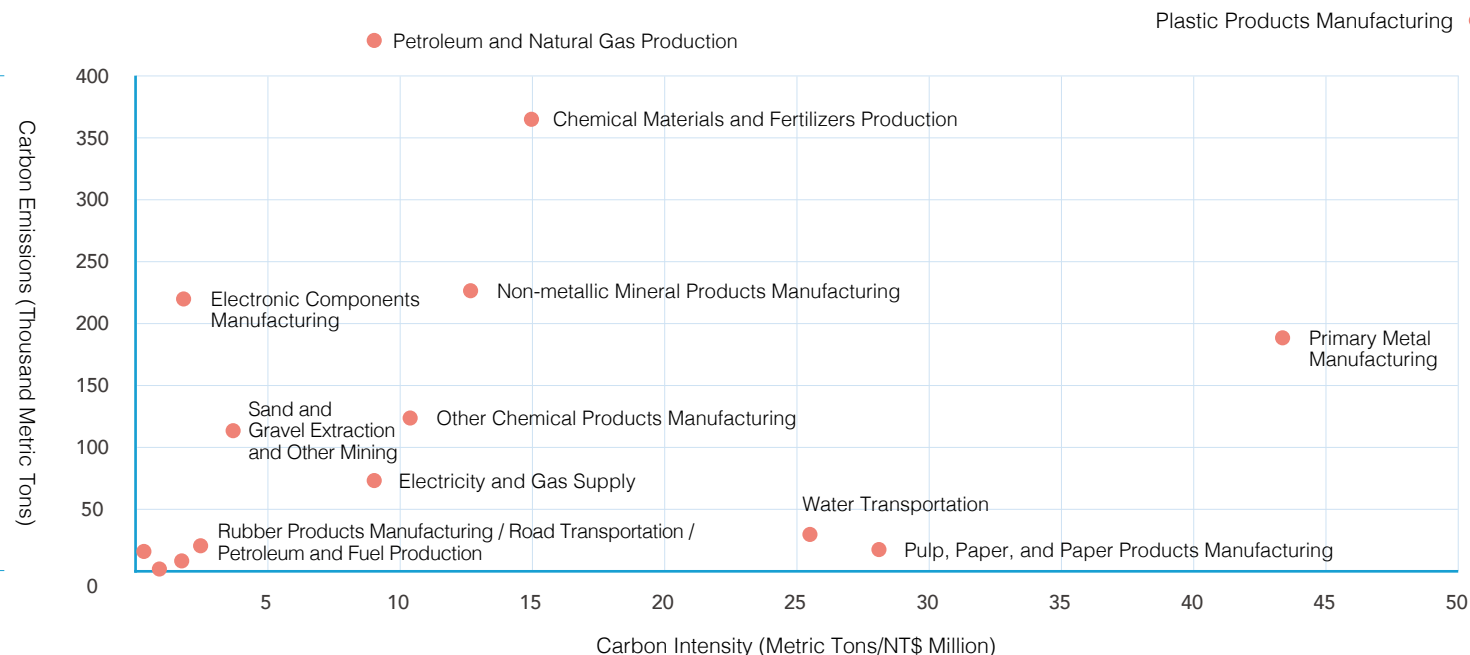


Scenario	RCP2.6 and RCP8.5
Transition Risk	Upstream supply chain
Result of identification	<p>Loss or carbon emissions of key suppliers: In response to relevant policies and regulations, suppliers are faced with the increased costs caused by low-carbon transformation, resulting in a rise in resource prices.</p> <p>Possible impacts in the context of low-carbon transformation: In terms of "information and electric equipment" and "printing paper," the percentage of green procurement reaches 7.06% and 6.51%, respectively. With the government's promotion of net zero emissions by 2050, CDF will face the development of low-carbon technology or an increase in carbon costs of the remaining general purchases between 2021 and 2050, indirectly resulting in an increase in costs of equipment. To support low-carbon transformation and to achieve net zero emissions from the total portfolio by 2045, CDF will gradually increase the proportion of green procurement year by year. As to electricity, renewable energy technologies are expected to develop rapidly within 30 years. To achieve net zero emissions by 2050, electricity rates will rise gradually. To respond to such an impact, CDF will purchase green energy certificates and increase the utilization of renewable energy by purchasing renewable energy-based power and installing solar panels.</p>
Financial impact	<p>Of "information and electric equipment," "printing paper," and "electricity," general purchases (i.e., all purchases net of green purchases) amount to NT\$143 million, NT\$1,272 million, and NT\$142 million, respectively.</p> <p>As mentioned in Bill Gates' book, "How to Avoid a Climate Disaster," green premium refers to the difference in technological costs between the current carbon emission and the zero carbon emission of the same material. Based on the ratio of the green premium, if non-green procurement suppliers are required to go through the transition to zero carbon emissions, the increase in technological costs will be passed on to equipment prices. It is used to calculate the possible financial impact.</p> <p>At present, CDF's premium ratios between general products and green products (the percentage of additional costs arising from low-carbon transformation) are 15%, 9%~15%, and 9%~15%, respectively, and the estimated financial impacts (amount x green premium ratio) are NT\$21 million, NT\$115~191million., and NT\$13~21 million, respectively, with the total financial impact of NT\$149~234 million.</p>
Adaptation strategy	<ul style="list-style-type: none"> Decentralize suppliers and increase the proportion of electronic services Have suppliers comply with the policy on sustainable supply chain management and Supplier Corporate Social Responsibility Guidelines: Conduct regular supplier ESG surveys to identify high-risk suppliers, and conduct audits and give guidance to mitigate the risk of supply chain disruption

Scenario	NGFS Orderly and NGFS Disorderly
Transition Risk	Self-operation
Result of identification	Emissions from operating locations Emissions from commuting
Financial impact	<p>CDF set carbon prices for Scope 1 and Scope 2 emissions from operations and Scope 3 emissions from commuting. The cost of carbon emissions from commuting was estimated using the shadow price. Pricing was based on the price of the purchased green energy certificate, with the cost of one ton of carbon amounting to NT\$5,570.</p> <p>Scope 1 and Scope 2 emissions from operations totaled 22,021.09 metric tons, with the implied carbon cost of NT\$122,652 thousand; Scope 3 emissions from commuting reached 194.42 metric tons per year, with the implied carbon cost of approximately NT\$1,083 thousand. The total carbon cost was NT\$123,735 thousand.</p>
Adaptation strategy	In the face of global warming and climate change, CDF took the initiative in setting the GHG reduction plan. As business banked on the sustainable development of the operations, customers, and the environment and closely tied in with corporate social responsibility, CDF started to introduce the Task Force on Climate-related Financial Disclosures (TCFD) and the internal carbon pricing (ICP) model in order to set the science-based targets (SBT) for GHG emissions.

Scenario	Unspecified (per common practice of banks in France)
Transition Risk	Downstream customers
Result of identification	The Company has checked 70% of its portfolio, including stocks, bonds, and loans. The Company's carbon emissions reached 3.93 million tons, mainly from carbon-intensive industries, exclusive of government bonds and investments in power companies.
Financial impact	Investments in Scope 3 carbon-intensive industries account for about 13% of the accrued carbon risk, which needs to be gradually reduced by 2045. According to the "A first assessment of financial risks stemming from climate change: The main results of the 2020 climate pilot exercise" released by the French Prudential Supervision and Resolution Authority (ACPR) recently, CDF has conducted PD (Probability of Default) analysis. The annual financial impact of the Group's investment portfolio in the medium and long terms is NT\$15~412 million, with an average of NT\$149 million.
Adaptation strategy	Develop an adaptation strategy for carbon-intensive industries, increase the proportion of the investment portfolio in the renewable energy industry or companies, and reduce the investments in high-carbon industries by 25% by 2025.

Distribution of Carbon Emissions and Intensity in Carbon Intensive Industries





Indicators and Targets

CDF has been a long-term supporter of the government's greenhouse gas reduction policy, with an 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 the climate change project.

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 by adopting the ISO14064-1 standard. The ISO 50001 energy management system is also in place to improve energy efficiency. The 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

Continue energy conservation and carbon reduction, increase the proportion of green power, and achieve net-zero emissions by 2030 (with 2020 as the base year).

- Commit 25 branches to net zero emissions by 2022

2.Greenhouse gas emissions from the investment/lending portfolio: Scope 3 emissions and related risks

Fully aware of its mission as a financial service provider, CDF endeavors to gradually promote green finance through green credit and underwriting and green investments, ultimately furthering the development of the green energy industry in Taiwan. In particular, CDF focuses on supporting the transformation of carbon-intensive industries

Target

Increase the amount of green investments/loans, lower the proportion of carbon-intensive industries to the portfolio, and commit the total portfolio to net-zero emissions by 2045 (with 2020 as the base year)

- Reduce carbon emissions by 25% by 2025
- Reduce carbon emissions by 50% by 2030

2.4 Information Security

CDF and subsidiaries have formulated the "Information Security Management Policy"/"Information Security Policy" to maintain overall information security and strengthen the security and ensure confidentiality, integrity and availability of all information assets, so as to achieve long-term viability. These policies, which are 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 the 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 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.

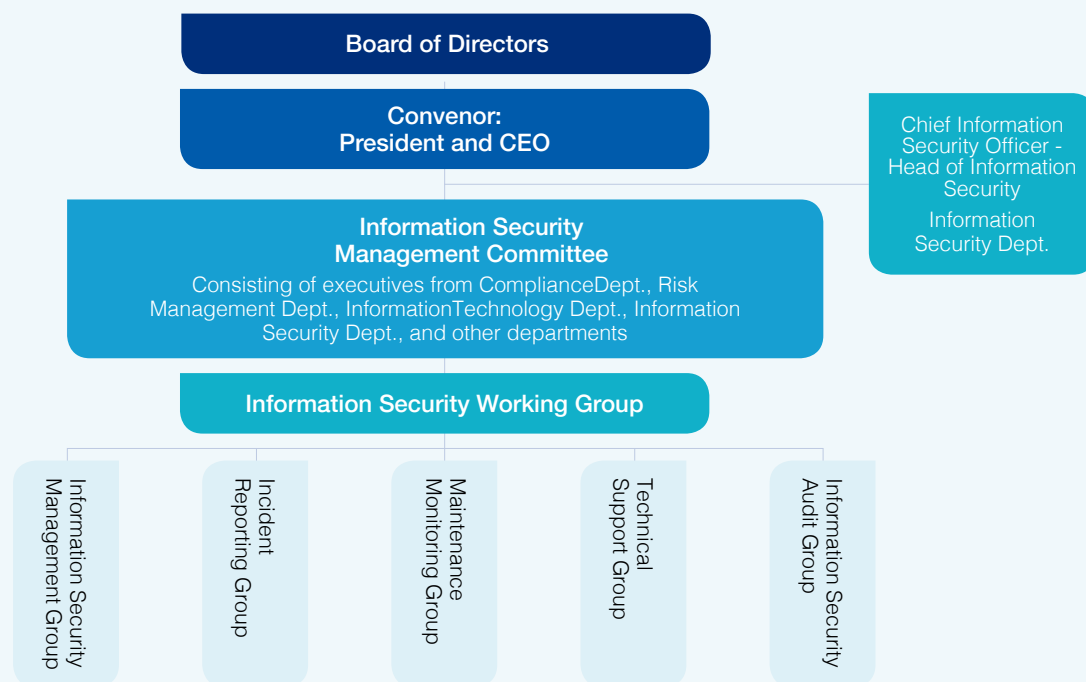
CDF, KGI Bank, and China Life Insurance have set up the dedicated information security units to be in charge of information security governance and implementation of information security strategies. To achieve sounder business operations, manage information security risks appropriately, and improve the overall information security capacity, CDF and subsidiaries regularly convene information security management review meetings every year to review information security management systems, internal/external security issues, and stakeholders' requirements; responsible departments are also tasked to assess and control internal/external threat issues at any time using a risk-based approach in hopes of building 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, all declare their commitments 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 ey.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. 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 promoted information security in domestic government agencies. He is currently on the Risk Management Committee of CDF.

The Board members of CDF and its subsidiaries are also responsible for overseeing the implementation of information security. Every year, information security officers, chairmen, presidents, and chief auditors of our subsidiaries will jointly sign an information security statement on the previous year's information security performance and report to CDF's Risk Management Committee before submitting the statement to the Board of Directors for review and approval.

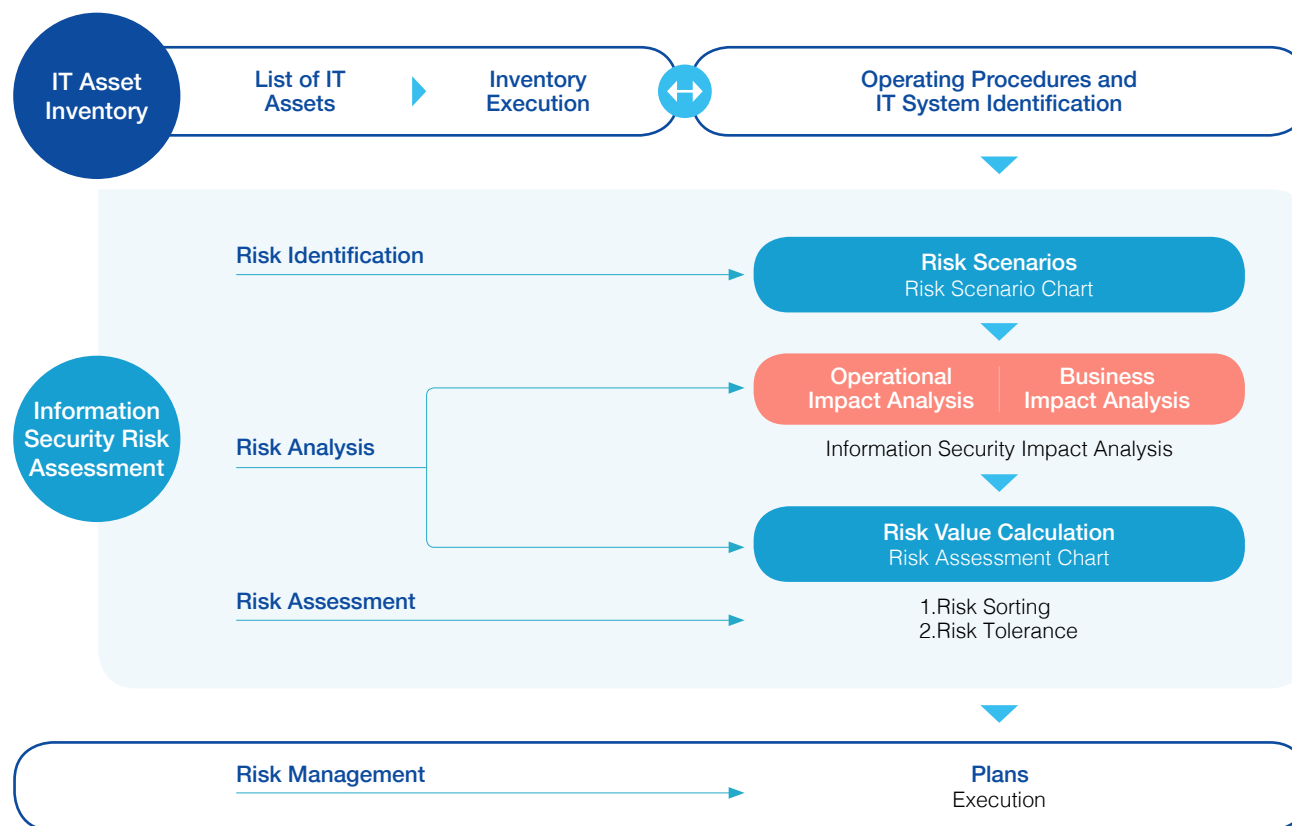
Sound information security management

CDF, KGI Bank, KGI Securities, and China Life Insurance have set up the guidelines for information service continuity management in accordance with the "Guidelines for Business Continuity Management." The guidelines for information service continuity management define the business continuity plan (BCP) and the frequency of drills (at least once every year). In 2020, KGI Securities and China Life Insurance conducted the drills once every half a year. CDF expects to change the frequency of drills to once every half a year according to the current implementation within the group.

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/cyber security 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.

Information Risk Inventory and Evaluation Methodology



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 plans in case of threats.

Each 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 2020, information security training courses were conducted by CDF and subsidiaries in accordance with 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 2020, CDF and subsidiaries organized a total of 25,892.5 hours of training on information security to increase employees' information security awareness. In 2020, all 8,297 employees attending information security awareness training have passed; CDF and subsidiaries also conducted social engineering drills by sending 72,776 e-mails, to enhance phishing awareness among employees.

Company	Attendance	Number of training hours
CDF	168	839
KGI Bank	2,492	7,626
KGI Securities	3,214	9,762
China Life Insurance	2,423	7,665.5
Total	8,297	25,892.5

Company	1st social engineering drill				2nd social engineering drill			
	Attendance	Number of e-mails	Number of failures	Failure rate	Attendance	Number of e-mails	Number of failures	Failure rate
CDF	142	426	2	1.40%	164	492	4	2.44%
KGI Bank	2,457	7,371	58	2.35%	2,461	7,383	65	2.64%
KGI Securities	3,214	9,642	157	1.66%	3,162	9,486	89	0.94%
China Life Insurance	2,328	18,624	131	5.63%	2,419	19,352	88	3.60%
Total	8,141	36,063	348	4.27%	8,206	36,713	246	3.00%

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 (e.g., failing the social engineering drill by activating the phishing URL link or clicking on the attached files, failing to complete training on time, etc.) will see deduction in their annual performance scores.

Information security incidents in 2020

In 2020, there was no security breach in CDF and subsidiaries.

In 2020, there was no security breach involving customers' personally identifiable information in CDF and subsidiaries.

In 2020, no customer was affected by CDF and its subsidiaries by data breach or any fines were imposed arising therefrom.

In 2020, no fines were levied or penalties imposed on CDF and its subsidiaries in relation to information security breaches or other cybersecurity events.

2.5 Business Integrity

2.5.1 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 employees of the Company and subsidiaries should neither disclose known trade secrets to others nor inquire or collect trade secrets not related to their positions, and should not engage in insider trading in accordance with the Securities and Exchange Act or matters that may involve conflicts 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 the "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 benefits or trading advantages. For social investments such as charitable donations and educational aids, refer to Chapter 6 of this report, Co-Creation of the Society. The Group did not make any financial contributions to political parties, think tanks, political advocacy groups, or advocacy movements in 2020.

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 newly appointed directors and senior managers afterwards must also sign "Statement of Compliance with Ethical Corporate Management Policy" when they take office. The Ethical Corporate Management Committee expects to report the implementation results of ethical corporate management to the Board of Directors 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.

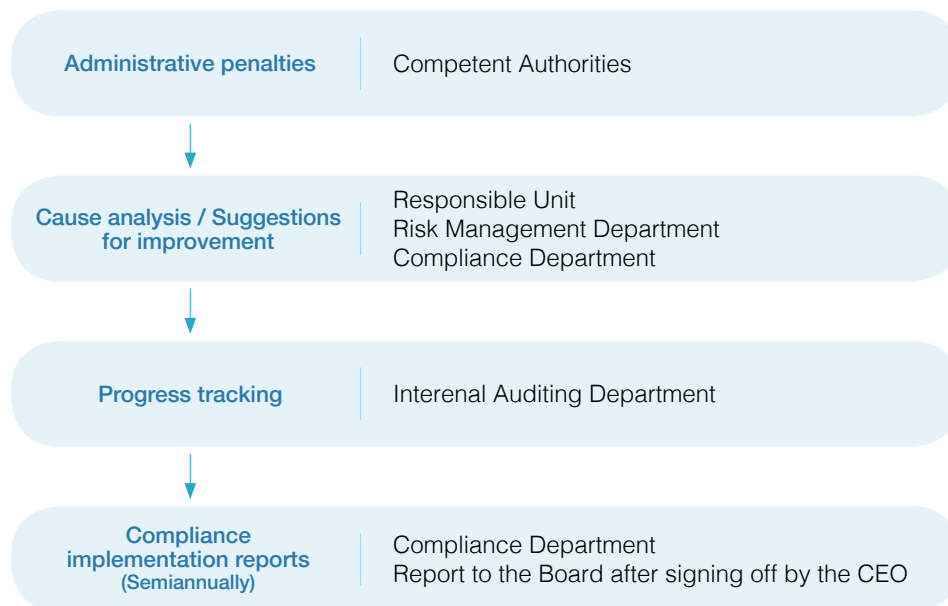
For employees of the Company and subsidiaries who violate the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct for Employees," or "Code of Conduct for Subsidiaries' Insiders," disciplinary actions will be taken in accordance with relevant rewards and 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 the 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 across the Group 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 2020, the Company and its subsidiaries received one claim through the whistleblowing channel. The claim has been investigated.

Administrative Penalties Handling



Ethical Corporate Management Training

In 2020, due to the impact of the new coronavirus, physical education and training courses was suspended, instead, we conducted online education and anti-corruption courses in Taiwan.

Online course	Course hours	Participants
2020 Online Training on Ethical Corporate Management	1	17,190 ^(Note 1)
Completion rate of online training on ethical corporate management		100%

Note 1: Participants covered all trainees in 2020 (including those who left office during the year).

Note 2: All of CDF's primary and new suppliers have signed the "Supplier CSR Commitment Letter," agreeing 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. CDF also organize annual supplier training to create a balance in the sustainable development of the economy, society, and the environment.

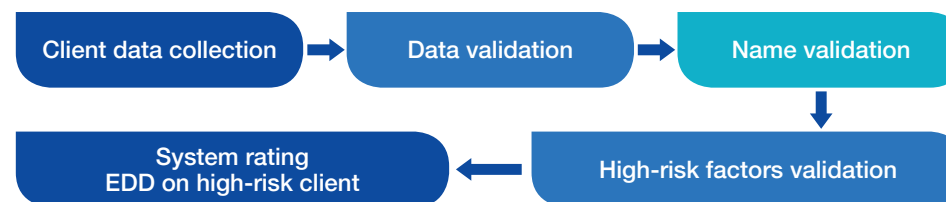
2.5.2 Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Compliance

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 2020 are as follows:

Online course	Course hours	Participants
2020 AML/CFT Case Study (I)-1	1	78
2020 AML/CFT Case Study (I)-2	2	70
2020 AML/CFT Case Study (III)-1	1.5	37
2020 AML/CFT Case Study (III)-2	1.5	23

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 2020 are as follows:

Course	Course hours	Participants
Analysis on Restricted Company and Limited Partnership	2.5	70
Relevant specifications for the database establishment in CDF	1	16

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 for violation of ethical corporate governance

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 2020, the Company and subsidiaries did not have any violation of the prohibition on insider trading, antitrust or anticompetitive practices, or monopolization. There were two ethical corporate management violations that were punished by the competent authority. The relevant units have already reviewed and improved the situations and strengthened relevant internal control measures; employees or executives concerned were suspended or removed from office according to the internal regulations on rewards and punishments and the competent authority's decree. Our business partners had no concern with the said violations, and the violations involved no public interest litigation.

Types		Description	Improvement Project
Case 1	Corruption Case	Financial specialists deceive and misappropriate client funds. Rectified by the competent authority.	Specify the standard operating procedures and related internal control points for customers to the counter having foreign exchange deposits, and discuss strengthening monitoring measures for systems and procedures.
Case 2	Corruption Case	Sales operate on behalf of customers, exchange funds with customers, and defraud customers. The competent authority issued a warning to the Company, ordered a fine of NT\$3.36 million, and suspended the involved manager to execute business for 6 months, as well as requested the relevant supervisors and negligent personnel (including internal auditors) to be disciplined.	Reiterate the code of conduct for sale, and strengthen the "Interviews to Care Customers." Strengthen the supervision of employee transactions or abnormal behaviors. Strengthen the insider transactions monitoring. Relevant negligent personnel shall be disciplined.

2.6 Tax Governance

Tax Governance Policies

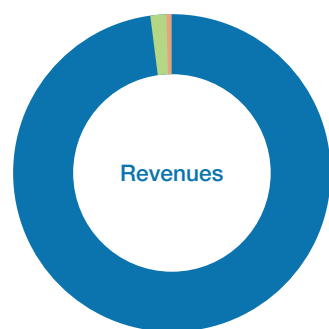
To keep abreast with international tax governance trends and strengthen compliance with tax regulations, CDF and its subsidiaries maintain the goal of fulfilling their corporate responsibilities, achieving sustainable development by practicing tax governance herein set forth:

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.

Management Mechanisms

CDF's tax governance practice in 2019 was reported to the Board of Directors for review and approval in 2020.

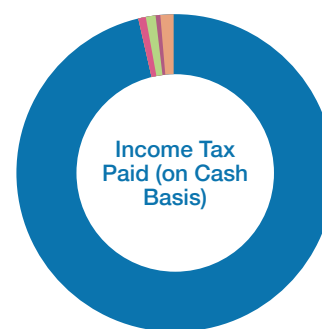
CDF's Revenue and Tax Information in 2020



Taiwan 96.99 %
 China 0.05 %
 Hong Kong 2.14 %
 Indonesia 0.04 %
 U.S.A. 0.02 %
 Others 0.76 %



Taiwan 95.07 %
 China 0.36 %
 Hong Kong 7.20 %
 Indonesia 0.13 %
 U.S.A. 0.06 %
 Others -2.82 %



Taiwan 96.18 %
 China 0.89 %
 Hong Kong 1.14 %
 Indonesia 0.60 %
 U.S.A. 0.13 %
 Others 1.06 %



Taiwan 95.39 %
 China 0.32 %
 Hong Kong 4.09 %
 Indonesia 0.15 %
 U.S.A. 0.05 %

Income Tax Information in 2019 and 2020

Unit: NT\$ million

Online	2019	2020
Net profit before income tax	21,566	21,948
Income tax expense	1,912	1,272
Income tax paid	975	1,992

Source: CDF's consolidated financial statements for 2020.

Effective tax rate

CDF's effective tax rate, cash tax rate, and peer average are as follows:

Item	2019	2020	Mean	Average after Adjustment	Peer average
Effective tax rate (%)	8.87	5.80	7.32	23.67	21.10
Cash tax rate (%)	4.52	9.08	6.82	22.56	24.66

Effective tax rate = Income tax expense/Net profit before income tax.

Cash tax rate: Income tax paid/Net profit before income tax.

The average effective tax rate and cash tax rate in the industry 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.

Analysis of Tax Rate Differences in 2019 and 2020

CDF is subject to lower effective tax rates and cash tax rates compared to the insurance industry averages under the GICS for the following reasons:

1. A difference in effective tax rates is because that the primary region of CDF's operations is Taiwan, where the corporate income tax rate is lower than the majority of countries, and that the considerable portion of CDF's profits is derived from nontaxable income or tax-exempt income (e.g., OBU income, OSU income, and domestic securities investment gain/loss).
2. A difference in cash tax rates is because that, in addition to timing differences (e.g., valuation gain/loss and unrealized exchange gain/loss) and the use of loss carried forward from previous years, the primary region of CDF's operations is Taiwan, where income tax payable for the current year calculated based on taxable income of the year of declaration is declared and paid at the end of May of the following year according to the Income Tax Act in Taiwan.

Strengthening compliance with global transfer pricing and information transparency

Transfer pricing documentation and country-by-country reporting

On 5 October 2015, The Organization for Economic Co-operation and Development (OECD) released its final report on 15 focus area 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 2020, the Group prepared the Master File for the fiscal year of 2019 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:

Customers or recipients who do not comply with identification review procedures;
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. In January 2019, CDF formulated the "Key Points Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions" as follows:

1. For subsidiaries located within the Republic of China and falling into the category of reporting financial institutions under the "Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions," they shall perform due diligence on the exchange of financial account information for tax purposes; after completing the due diligence, they shall declare with revenue service offices the residents of reportable jurisdiction regarding their financial account information for tax purposes.
2. For subsidiaries located outside the Republic of China and falling into the category of financial institutions under the common standards on reporting of the countries where they operate, they shall comply with such standards.



03 / 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.

Strategy	Action plan	2020 performance	Short-term goals 2021	Mid-term goals 2022~2023	Long-term goals 2023~2025
Sustainability-themed Investment	<ul style="list-style-type: none"> Promote investments in the green industry Nurture businesses in smart technology or environmental innovations Aging population problem Support the development of the cultural & creative industry Foster innovating industries 	<ul style="list-style-type: none"> Principal Investments Achieved the balance of investments in green industry of approximately NT\$115.4 billion Our Funds <ul style="list-style-type: none"> CDIB Capital Growth Partners closed at NT\$4.54 billion CDIB Capital Healthcare Ventures raised two health care funds in Taiwan with a total amount of NT\$4.86 billion and CDIB Yida Healthcare Private Equity Enterprise with a total amount of RMB730 million 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"> Develop strategies and policies in response to climate change Continue to explore investment projects in AI technology, environmental innovation, potential medicine, cultural and creative industries. 	<ul style="list-style-type: none"> Establish investment guidelines for green industry. Increase the green investment portfolio by 15% Continue to explore investment projects in AI technology, environmental innovation, potential medicine, cultural and creative industries. 	<ul style="list-style-type: none"> Select key investment targets and communicate with investee companies on climate issues. Reduce carbon emissions from the investment/lending portfolio by 25% Continue to explore investment projects in AI technology, environmental innovation, potential medicine, cultural and creative industries.
Start-up Investment	Focusing on cloud computing, Internet of Things (IoT), mobile internet, and next-generation e-commerce, the CDIB Capital Innovation Accelerator (CCIA) brings together the resources of CDF and industry, academia, and media to incubate Taiwanese start-ups in both domestic and overseas markets.	<ol style="list-style-type: none"> Invested in 15 start-ups. Held a total of 84 online and offline seminars on innovation and entrepreneurship, with an accumulated total of 2,024 participants. <p>To expand the social influence in both the domestic market and overseas, the Group collaborated with the Epoch in the Garage+ Incubation Program to promote the development of the Internet of Things, mobile Internet, cloud computing, and next-generation e-commerce industries in Taiwan. During the collaboration, four co-creation seminars were held, including one CCIA match-making session attended by 23 start-ups at home and abroad and three CEO roundtable meetings attended by 25 start-ups covering different themes.</p>	<ol style="list-style-type: none"> Support new businesses expand in CDIB Capital Innovation Accelerator and invest in potential new ventures. Expect to hold over 80 events. Joint fund for shareholders and corporate partners to provide more opportunities for ventures in-depth cooperation with large companies 	<ol style="list-style-type: none"> Support new businesses expand in CDIB Capital Innovation Accelerator and invest in potential new ventures. Expect to hold 80-100 events. Provide new opportunities for more in-depth cooperation with large companies 	<ol style="list-style-type: none"> Continue to support new business expansion in CDIB Capital Innovation Accelerator and invest in potential new ventures. Expect to hold 80-100 events. Provide new opportunities for more in-depth cooperation with large companies <p>Plan to restart new overseas visits and take investors to visit overseas enterprises and companies to expand overseas business opportunities when the pandemic subsides.</p>

Strategy	Action plan	2020 performance	Short-term goals 2021	Mid-term goals 2022-2023	Long-term goals 2023-2025
Integrating ESG considerations into the investment decision/assessment process	<ul style="list-style-type: none"> Implement responsible investment and green finance, and incorporate ESG into investment decision actions. 	<ul style="list-style-type: none"> Participated in one ESG investment forum. Investment research reports included in CSR evaluation reached 100%, an important evaluation milestone in investment decisions. Actively participated in the shareholders' meetings of listed investee companies, with a participation rate of over 100%. 	<ul style="list-style-type: none"> The evaluation rate of research reports reached 100%, an important evaluation criterion for investment decisions. Organize ESG investment education training for investment analysts. Expect to have 80% of the foreign funds and ETF-issuing group companies sign with PRI. Attend 95% of shareholders' meetings of investee companies as per statutory requirements. Continue to participate in ESG investment forums to understand the topics and trends of responsible investment. Continue to invest in 5+2 industries and increase the amount by 5% in 2021, including a 50% increase in solar power plants Add linkable ESG targets in investment insurance products to provide policyholders with more choices. 	<ul style="list-style-type: none"> Draw up sector-specific guidelines for investing in three sensitive sectors at higher risks. Draw up the guidelines for green/sustainable investment Prepare climate-change statement and fix carbon-reduction targets. Negotiate strategies for investment targets, identify key communication targets, and propose future communication plans. 	<ul style="list-style-type: none"> Complete the sector-specific guidelines for investment for all sensitive industries Introduce external ESG evaluation tools/databases Develop ESG evaluation indicators for specific issues and create internal ESG evaluation tools/databases Select key investment targets and communicate with the investors the action for climate issues
	<ul style="list-style-type: none"> Include ESG mechanism into investment evaluation process. 	<ul style="list-style-type: none"> Included the constituent stocks of Taiwan Corporate Governance 100 Index into domestic stock pool. ESG scores were incorporated into the factor pool evaluation process, and targets pooled under the factor model were reviewed quarterly, including stewardship scores provided by professional organizations to assess the risk of ESG violations or adverse sustainability in the investee's business operations. 	<ul style="list-style-type: none"> Prepare ESG watch lists for investee companies involved in environmental pollution, social controversies and corporate governance concerns, and assess related risks before investing in the targets of the watch lists. 	<ul style="list-style-type: none"> Refer to the ESG investment process of overseas investment consultants, for example, KGI Global ESG Sustainable High Yield Bond Fund, which excludes issuers from investment targets that do not meet certain sustainability criteria to optimize the Company's ESG investment process. 	<ul style="list-style-type: none"> Timely evaluation of the adoption of ESG database and continuous optimization of related mechanisms.
	<ul style="list-style-type: none"> Issue ESG products-KGI Sustainability Series Fund. 	<ul style="list-style-type: none"> KGI Global ESG Sustainable High Yield Bond Fund and KGI Emerging Asia Sustain Selected Bonds were launched in August and September, 2020, respectively. The AUM of KGI Global ESG Sustainable High Yield Bond Fund was NT\$3.177 billion and of KGI Emerging Asia Sustain Selected Bonds NT\$1.828 billion by the end of 2020. 	<ul style="list-style-type: none"> Continue to issue Sustainability Series Funds. Strengthen ESG promotion and sustainable development-related products to investors. 	<ul style="list-style-type: none"> Continue to issue Sustainability Series Funds. Strengthen ESG promotion and sustainable development-related products to investors. 	<ul style="list-style-type: none"> Continue to issue Sustainability Series Funds. Strengthen ESG promotion and sustainable development-related products to investors.
	<ul style="list-style-type: none"> Exert influence over investee companies through participation in shareholders' meetings and meetings with investee companies. 	<ul style="list-style-type: none"> participated in 100% of shareholders' meetings of listed investee companies. A total of 566 active visits to the investee company in 2020. 	<ul style="list-style-type: none"> Actively participate in shareholders' meetings. Managers holding investment positions on the ESG watch list should negotiate with the company on related disputes and monitor timely follow up. 	<ul style="list-style-type: none"> Participate in ESG-related advocacy organizations in a timely manner. 	<ul style="list-style-type: none"> Participate in ESG-related advocacy organizations in a timely manner.

Strategy	Action plan	2020 performance	Short-term goals 2021	Mid-term goals 2022~2023	Long-term goals 2023~2025
Sustainable Insurance	<ul style="list-style-type: none"> Implement the principles of sustainable insurance and deeply plant the concept of corporate sustainability. 	<ul style="list-style-type: none"> Continued to conduct online training on sustainability concepts and reached 100% completion rate for our internal staff. 	<ul style="list-style-type: none"> To improve the management team's grasp of sustainability trends and implement sustainability strategies, the Company invites external professional speakers to conduct a physical education training for department-level (and above) executives. 	<ul style="list-style-type: none"> Hold external seminars/forums to enhance customers, intermediaries, and suppliers' understanding of ESG issues Continue to publish relevant research reports and seek collaboration opportunities. 	<ul style="list-style-type: none"> Launch ESG-related products/policies.
Responsible Banking	<ul style="list-style-type: none"> Promote green-energy upgrades and help raise funds for the green-energy-technology industry with compounded annual growth rate of 8%~10% for the next three years. 	<ul style="list-style-type: none"> 2020 green credit balance was NT\$16.578 billion. 	<ul style="list-style-type: none"> Complete the assessment of responsible banking principles. Inventory ESG risks in credit areas deepen the introduction of the Equator Principles, revise the green financing review principle to the principle of responsible credit, and evaluate the establishment of excluded industries. 	<ul style="list-style-type: none"> Introduce principles for responsible banking. Create a negative/exclusion list Draw up ESG criteria for industries with high ESG risks, and facilitate communication with customers on related issues through ESG commitments and more 	<ul style="list-style-type: none"> Complete introducing principles for responsible banking. Plan to integrate the climate statements/goals and relevant sector-specific guidelines for investment/financing Continue to review the ESG practices of loan applications
Customer Service	<ul style="list-style-type: none"> Expand the influence of the securities digital community. 	<ul style="list-style-type: none"> LINE friends counted at 240,000 by the end of 2020. 	<ul style="list-style-type: none"> LINE friends count to be 300,000. 	<ul style="list-style-type: none"> Continue to increase the number of LINE friends to over 500,000. 	<ul style="list-style-type: none"> Guide customers to place orders through the LINE link to trade Taiwan stocks, funds and other commodities
	<ul style="list-style-type: none"> Satisfaction rate of securities customers 	<ul style="list-style-type: none"> 97.4% 	<ul style="list-style-type: none"> Over 95% 	<ul style="list-style-type: none"> Over 95% 	<ul style="list-style-type: none"> Over 95%
	<ul style="list-style-type: none"> Improve life insurance policyholders' satisfaction. 	<ul style="list-style-type: none"> All of the bank's partner channels were contractually obliged to adhere to the principle of fair treatment of customers Increased the usage rate of "Over-the-counter Quick Claims Service" by 50%. Built customer satisfaction survey system and achieved a satisfaction rate of 97% or more. 	<ul style="list-style-type: none"> Organize two fair hospitality education training and one employee participation activity. Complete introducing the Net Promoter Score (NPS) mechanism to optimize the customer experience. Improve the accuracy of claims issuance, and reach accuracy growth rate of 15%, compared to that without model assistance. 	<ul style="list-style-type: none"> Adhering to the core spirit of "fair hospitality, love and care," the goal is to build customer protection at all levels and provide complete services to promote sustainable development. 	

Strategy	Action plan	2020 performance	Short-term goals 2021	Mid-term goals 2022-2023	Long-term goals 2023-2025
Financial Inclusion	<ul style="list-style-type: none"> Promote cooperation between startups and digital platform operators to enhance customer financial experience solutions. 	<ul style="list-style-type: none"> The KGI Bank's Taiwan Taxi project won the 2020 Future Commerce Awards, "Best Business Model Innovation Gold Award," "Best Product Innovation Gold Award" and "Jury's Award." Approved 1,929 cases in cross-industry innovation cooperation quick repayment project. Donation Platform: Coordinated with 15 charity organizations to help them reduce processing costs by about 2.06 million, 78% of saving. 	<ul style="list-style-type: none"> To guide customers from different industries, provide online pre-check quotas and use APIs to concatenate field revenues to avoid providing income proofs. In the development of scenario finance, API platform operators from different industries jointly discuss the cooperation model for cross-selling products. The target number of applications in 2021 is 15,570, and 7,119 have successfully applied. 	<ul style="list-style-type: none"> Copy the successful cross-industry cooperation cases to expand the application of financial inclusion 	<ul style="list-style-type: none"> Become an innovative and cross-industry partner to improve customer financial experience.
	<ul style="list-style-type: none"> 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"> Number of micro insurance policyholders: 33,178 Accumulated number of small-amount life-insurance policies: more than 27,000 Number of people with disabilities insured: 8,983 Worked with a new bank to sell insurance products online 	<ul style="list-style-type: none"> The number of applicants for micro-insurance services increases by 15% from previous year's target For small-value end-of-life insurance policies, the accumulated total insurance policies increases by 20% from previous year's target The number of disabilities insured increases by 20% from the previous year's target 	<ul style="list-style-type: none"> For vulnerable groups and specific groups, promote group insurance and accidental injury products, provide individual, collective and group insured micro accident insurance, to meet the diverse basic protection needs of customers, and to fulfill social responsibilities 	
Digital Finance	<ul style="list-style-type: none"> Use innovative identity authentication and cross-industry information to reduce customer online application thresholds. 	<ul style="list-style-type: none"> Completed the Financial Regulatory Sandbox Project with Chunghwa Telecom, and assisted in applying telecom mobile ID authentication to new financial industry users online, reaching 99.4% of recognition out of 5,205 usage people. China Life Insurance was the first insurance company in Taiwan to try a pilot scheme to accept insurance applications via face recognition in February 2020 and has served 3,600 policyholders 	<ul style="list-style-type: none"> Establish a Center of Excellence (COE) to facilitate the development of the group's digitization 	<ul style="list-style-type: none"> Implement cross-subsidiaries and cross-industries data sharing and digital identity recognition applications through the Open Banking framework and under regulatory compliance conditions. Build a Group's financial ecosystem. 	<ul style="list-style-type: none"> Continue to expand the professional skills projects of the Group's COE and optimize development efficiency Become a market leader for Open Banking

3.1 Responsible Investment

3.1.1 Responsible Investment Principles and Policies

CDF aligns with the UN Principals for Responsible Investment (UN PRI). Our major subsidiaries, including China Life Insurance, CDIB Capital Group, KGI Bank, KGI Securities, and KGI SITE are signatories to the "Stewardship Principles" of the Taiwan Stock Exchange Corporation and comply with its six main principles. We pursue 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. In the meantime, to deepen the internal ESG core values, a new "Responsible Finance" working group was established in August 2020, responsible for planning the Group's sustainable financial blueprint and overseeing the implementation of responsible investment strategies and policy directions.

In order to implement the United Nations Sustainable Development Goals (SDGs), China Life Insurance, CDIB Capital Group, KGI Bank and KGI Securities, all subsidiaries of CDF, have formulated a "Policy for Responsible Investment," which includes ESG as an important consideration in investment evaluation and management.



China Life
Insurance responsible
investment policy



CDIB Capital
Group responsible
investment policy

UN PRI	CDF's Implementation
Incorporate ESG issues into investment analysis and decision-making processes	All major subsidiaries of CDF have established responsible investment policies, and ESG review conditions and standards (including Exclusion and Sector-Specific Standards), and ESG issues are taken into consideration in investment decisions.
Be active owners and incorporate ESG issues into our ownership policies and practices	All the major subsidiaries of CDF have signed the "Stewardship Principles" issued by the Taiwan Stock Exchange Corporation, and have formulated relevant protocols and voting policies to actively engage in ESG-themed conversations with investee companies, guiding them to reduce negative environmental and social impacts and explore opportunities for sustainable development.
Seek appropriate disclosure on ESG issues 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' requirements for the disclosure on ESG issues, including but not limited to CSR reports and ethical corporate management best practice principles.
Promote acceptance and implementation of the Principles within the investment industry	For private equity funds yet to be the signatories of the Principles for Responsible Investment (PRI), investment teams shall indicate in the side letter that they are advised to refer to the PRI when evaluating potential deals.
Work together to enhance our effectiveness in implementing the Principles	In order to assist the financial industry to strengthen the risks brought about by climate change, CDF has organized the "Climate Resilience Financial Industry-University Alliance," which is a cross-industry and finance alliance, in line with the "Green Finance Action Plan 2.0" proposed by the FSC, and is committed to exerting financial influence.
Each report on our activities and progress towards 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.

CDF's Responsible Investment Policies

We have integrated ESG issues with the Group's investment stewardship governance framework to form a responsible investment risk management framework at CDF. It establishes the six principals of responsible investment, "ESG Integration Principles," "Conflict of Interest Management," "Sector Specific RI Guidelines," "Exclusion Policy," "Engagement Policy" and "Voting Policy." Further, the principals are launched for responsible investment in four subsidiaries, namely CDIB Capital Group, China Life Insurance, KGI Bank and KGI Securities. In accordance with the asset attributes and investment process of the four subsidiaries, each of them has formulated its own responsible investment policy to directly guide risk management and asset allocation. For different types of assets such as equity, fixed income, and private equity within the Group, shaping the overall process risk control before, during and after investment that suits its business characteristics.

		Listed Equity	Fixed income	Private equity	Derivative & Alternatives	Property
ESG Integration Principles	Subsidiaries all formulate responsible investment policies, incorporating ESG principles into investment decision-making processes and fulfill stewardship objectives	•	•	•	•	•
Conflict of Interest Management	Establish mechanisms for information control, firewall design, segregation of duties, supervision and management, and reasonable remuneration to prevent conflicts of interest	•	•	•	•	•
Sector Specific RI Guidelines	Coal-mining or coal/thermal power plants that have been punished by competent authorities in the previous year for environmental pollution penalties should propose plans or improvement proofs	•		•		
Exclusion Policy	1. There are specific evidence to prove that industries involving pornography, drugs, money laundering, financing of terrorist activities, slave labor, child labor, or human rights violations 2. Specific evidence to prove that the Board of Directors has violated laws, articles of association, resolutions of the shareholders' meeting and those who have a significant influence on the rights and interests of shareholders or investors.	•	•	•		•
Engagement Policy	1. Target companies/projects with better performance in the ESG appraisal are included in the "Encouragement List" and can be given priority for investment under the same financial evaluation. 2. Actively engage in ESG dialogues with investee companies, and through communication with them, guide them to reduce their negative environmental and social impacts and identify opportunities for sustainable development. Investment teams shall ask the portfolio companies or deals for the cause, development and handling of incidents, if any, where they breach laws, undermine the Company's ESG policy, or damage the Company's long-term investment value.	•		•		
Voting Policy	In-principle disapproval for the proposals that impede the portfolio companies' sustainable development or corporate governance or violate ESG standards.	•		•		

Assets managed by third parties: responsible investment approach

CDF requires outsourcing institutions to follow the guidelines framework of each subsidiary's responsible investment policy, and to provide a complete description on the principles and implementation status of important ESG items such as environmental, social and corporate governance, and to regularly disclose the fulfillment of stewardship governance. In the meantime, confirm whether the companies of the invested bond funds and ETFs in which the subsidiaries invest are PRI signatories, or confirm their execution in ESG.

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.

Facing the increasing environmental pollution, climate change, energy supply and demand, and other ecological crises, as well as the malignant industrial economy, the Company has incorporated social responsibility into its investment policy in order to fulfill the corporate social responsibility and achieve sustainable management. Refer to the following principles on selecting the target:

- (I) According to the three major aspects of society, environment, and corporate governance, evaluate the investment target's product, business project, or its positive behavior, and select an investment target with corporate social responsibility;
 1. Social: a leading company that considers labor rights, human rights, social service investment and social contribution of a company, or its products are related to social safety, efficiency improvement, and various industries.
 2. Environment: considers the company's implementation of environmental protection, including products, materials, manufacturing processes, energy saving and waste treatment, etc.
 3. Governance: considers the company's integrity management, regulatory compliance, information transparency, independence of directors and supervisors, CSR report formulation, etc.
- (II) Match with domestic and foreign well-known or credible legal entities, or outstanding social responsibility lists and indexes selected by government agencies.

KGI Bank asked outsourcing accreditation institutions to follow its responsible investment policy, to provide a complete description on the principles and implementation status of important ESG items, and to regularly disclose the fulfillment of stewardship governance.

3.1.2 Investment Composition and Risk Analysis

CDF's subsidiaries including China Life Insurance, CDIB Capital Group, KGI Bank, KGI Securities, and KGI SITE exert their influence in responsible investment. In addition to complying with various financial regulatory agencies and regulatory laws in Taiwan, they strengthen environmental, social, and corporate governance (ESG) factor, taking as a reference for the responsible investment management process to reduce the risk of its investment portfolio. The following explains that the laws and regulations required by the competent authorities for CDF's subsidiaries including insurance law, banking law, principals of securities firm management, to ensure the management of investment portfolio risk exposure:

Subsidiary	Category	Relevant Regulations	
China Life Insurance	Purchase financial bonds, negotiable time deposit certificates, bank acceptance drafts, commercial promissory notes guaranteed by financial institutions.	The total amount must not exceed 35% of the insurance industry's funds.	Insurance Law Article 146-1 Capital Investment Limit
	Investment in publicly traded company stocks and guaranteed corporate bonds or investment grade bonds.	The total amount must not exceed 35% of the insurance industry's fund.	
	Overseas Investment	Must not exceed 45% of the insurance industry's funds.	Insurance Law Article 146-4 Overseas Investment
	Bond investment issued by agencies affiliated to the government.	1. The institution of the foreign central government shall have a rating of at least medium or its equivalent in terms of the level of support from the central government as determined by a foreign credit rating agency. In addition, the credit rating of the issuance of the bond shall have a rating of AA- or its equivalent from a foreign credit rating agency. 2. An insurer's investment in bonds issued by an institution of a foreign central government shall not exceed 5% of the insurer's funds.	Regulations Governing Foreign Investments by Insurance Companies

Subsidiary	Category	Relevant Regulations	
China Life Insurance	Invest financial bonds issued or guaranteed by foreign banks.	1. The bond shall have an issue rating equivalent to A- or above from a foreign credit rating agency, and the country the local government belongs to shall have a sovereign rating equivalent to AA- or above from a foreign credit rating agency. 2. The total amount of investment in bonds issued or guaranteed by a single foreign local government shall not exceed 5% of the insurer's approved foreign investment limit.	Regulations Governing Foreign Investments by Insurance Companies
KGI Bank	Invest in various securities like bonds and stocks.	The total balance of the original cost must not exceed 30% of the bank's accounting base. Among them, the total balance of various original acquisition costs invested in store market transactions must not exceed 5% of the bank's accounting base.	The Banking Act Article 177-1
	Invest in debt securities with long-term credit ratings of higher than BBB- (or twBBB-).	Must not exceed 10% of the bank's accounting base.	
KGI Securities	Total number of shares held in a company.	Must not exceed 10% of the total issued shares of the company.	Regulations of Governing Securities Firms Article 19
	The total cost of holding securities issued by any domestic company.	Must not exceed 20% of the securities firm's net worth.	
	Total amount of shares held by any foreign company.	Must not exceed 5% of the total issued shares of the company.	
	The total cost of holding securities issued by any foreign company	Must not exceed 20% of the securities firm's net worth, but the total cost of equity securities involved shall not exceed 10% of the securities firm's net worth.	Financial Supervisory Commission No. 10703249552 Order
	The total amount of foreign securities holdings is added to the balance of foreign bonds with repurchase transactions, and subtracted from the balance of foreign bonds with repurchase transactions.	The total amount must not exceed 30% of the net value.	
	Holding overseas-related bonds and structured bonds linked to derivative financial products with fixed-income products.	Beside the securities approved by the FSC to issue overseas by domestic enterprises, if the credit rating of the securities does not meet the BBB- (or twBBB-) or above, the total amount must not exceed 10% of the net value.	

Unit: NT\$ million

Considering the balance of asset-liability allocation and the stable long-term return on funds, the Group mainly invests in bonds with market liquidity, and bond investment accounts for 84.71% of the total investment risk.

	Stock	Bonds	Derivatives & Alternatives	Real Estate Mortgage	Real Estate
Short-term Investment	3,027	43,376	0 (No Investment)	0	0
Long-term Ventures	285,161	1,861,910	0	0	55,825
Total	288,188	1,905,286	0	0	55,825

Industry Division:

According to the latest North American Industry Classification System (NAICS) top three classification, the Group's top ten investment risk exposure accounts for approximately 88.03% of the overall investment portfolio. Taking into account the credit risk and liquidity of the investment targets, the banking, government, funds and other industries are the top three industries accounted for 61.39% of the overall investment portfolio.

Unit: NT\$ million

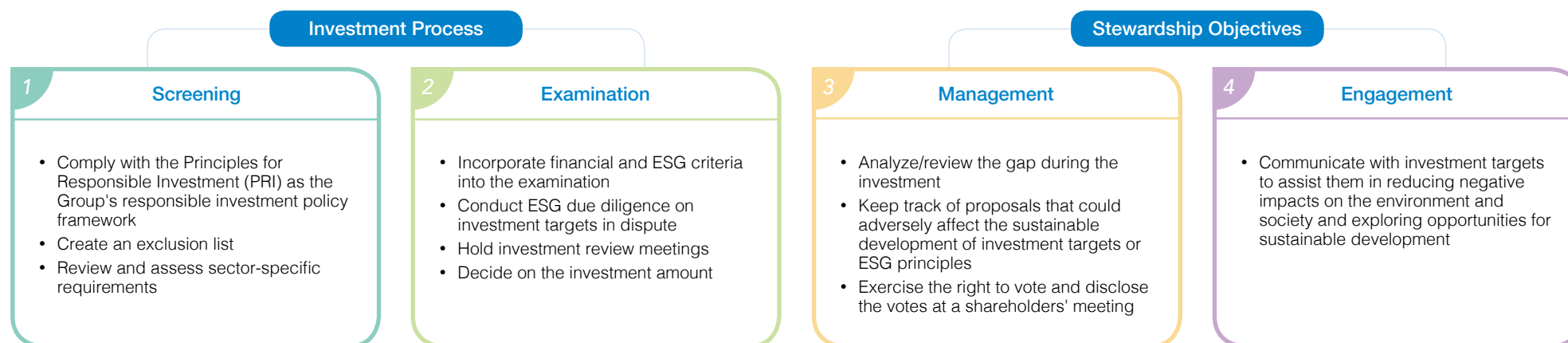
Industry		Stock	Bonds	Derivatives & Alternatives
Top Ten Investment Amount by Industries	Short-term Investment	4	29,720	0
	Long-term Ventures	235,955	1,564,489	0
	Total	235,959	1,594,209	0

Sequence	Names of the Top 10 Industries	Balance	Percentage
1	Banking	731,389	35.18%
2	Government Agencies	359,069	17.27%
3	Fund	185,830	8.94%
4	Telecommunications	108,196	5.20%
5	Securities and Financial Investment	96,579	4.65%
6	Insurance	87,587	4.21%
7	Public Business	78,543	3.78%
8	Central Bank	65,031	3.13%
9	Metal Manufacturing	59,470	2.86%
10	Petroleum and Fuel Production	58,474	2.81%

3.1.3 Reviewing Process

Incorporating ESG criteria 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 takes over stewardship to improve investment value and for sound development of both the Group and investee companies.



ESG Assessment Process

When developing investment targets, we conduct due diligence for environmental pollution, social disputes, and corporate governance. If potential investment targets are found to involve coal mining, pornography, drugs, money laundering, financing of terrorist activities, slave labor, child labor, industries that violate human rights, or corporate governance issues, the targets shall be excluded.

ESG Rating of Securities Investment

Scope of investment

The Group mainly invests in liquid targets with publicly traded information, mostly bonds and TWSE/TPEX listed company stocks for medium- and long-term purposes. The positions within this scope account for about 87% of the total investment balance. The definition of ESG assessment and the overall ESG rating are as follows:

- Definition of ESG assessment

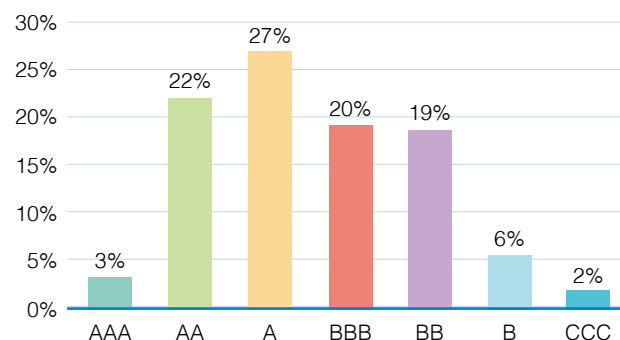
Considering the investment markets and the integrity of rating information, CDF adopts the MSCI ESG Rating to sift the information. The MSCI ESG Rating is divided into seven levels: AAA, AA, A, BBB, BB, B, and CCC, and seven levels are further broken down into three groups, namely leader (AAA~AA), average (A~BB), and laggard (B~CCC).

- Good ESG rating of investment portfolio

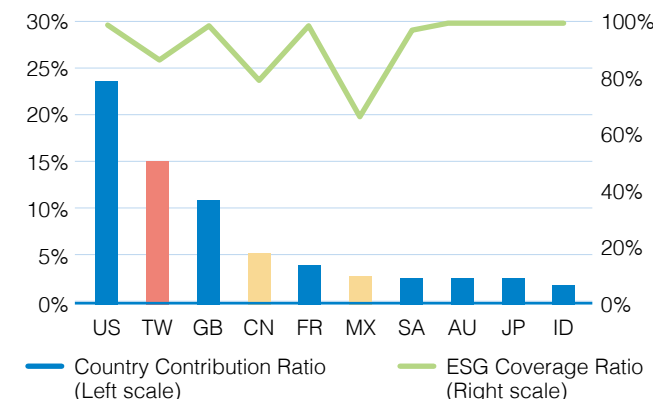
The Group makes investment decisions after reviewing every aspect prudently. The ESG Rating coverage of the overall investment portfolio is 94.1%, and the performance is above average to reach 92%. This shows that our investment behavior has effectively integrated with ESG ratings. The following are ESG ratings by type of assets:

The coverage rate of bonds with ESG ratings is 94.77%, and the performance is above average to reach 92%. In terms of investment target countries, the United States has the highest investment ratio of 24.26%, and the top ten countries account for 76.41% of investment. Among them, Taiwan, China and Mexico have lower ESG coverage.

ESG Rating Distribution_Bond

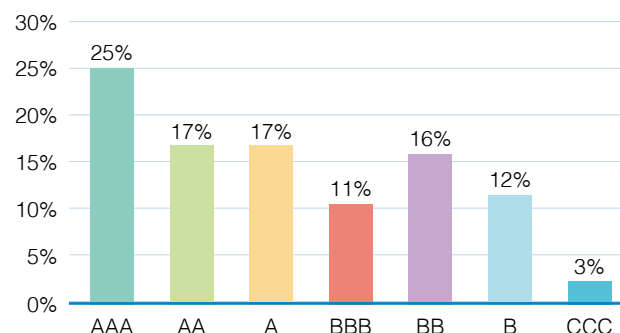


The proportion of TOP10 bond risk exposure countries and the coverage of ESG ratings

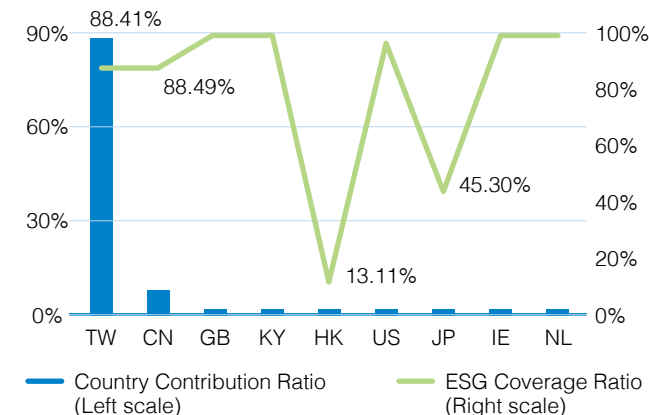


The coverage rate of stocks with ESG ratings reaches 88%, and the performance reaches 85%. In terms of investment target countries, the main investment positions in Taiwan and China accounted for 97.88%.

ESG Rating Distribution_Listed equity



The proportion of stocks listed on the stock market in risk exposure countries and the coverage rate of ESG rating



ESG Due Diligence

In terms of investment follow-up management, continue to focus on the relevant information and risks of the invested enterprise, and take ESG factors into consideration. In addition, by interacting and visiting the management of the investee company, participating in shareholders' meetings, and voting, etc., strengthen communication with the investee company. By expressing concerns about ESG issues to influence the investee company, promote its development, fulfill social responsibilities and create future value.

CDF firmly believes that there is a benign and positive relationship between ESG conceptual investment and 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.

CDIB Capital Group has signed the Stewardship Principles with the Taiwan Stock Exchange Corporation and publishes a stewardship report on the company website (<https://www.cdibh.com>) on a regular basis. The report discloses the policies in relation to stewardship, conflicts of interest, and voting, as well as the implementation status of stewardship that covers the votes in shareholders' meetings, communication, engagement, and major conflicts of interest with investee companies, internal resources used to further stewardship, etc.

Compliance with the "Stewardship Principles"

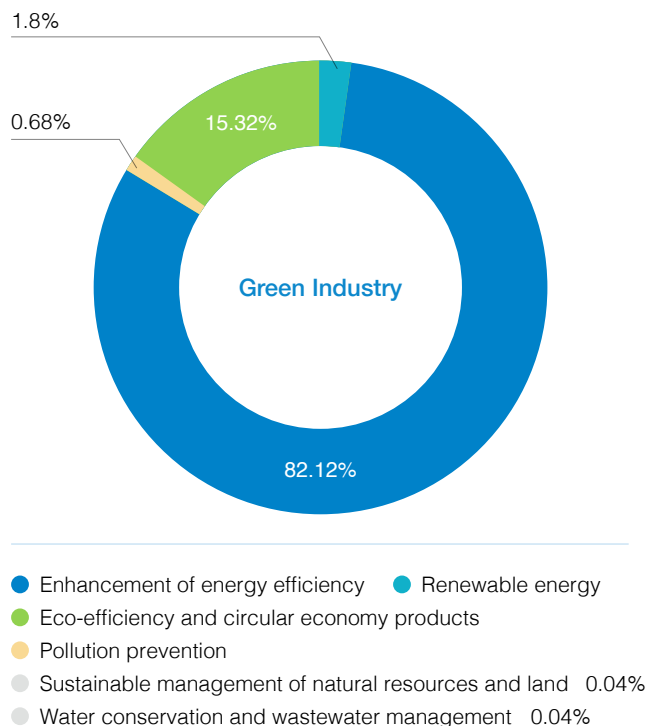
Subsidiary	Compliance with the "Stewardship Principles"
China Life Insurance	China Life Insurance publishes the "Report on the Votes at Shareholders' Meetings of Investee Companies" on a regular basis. At least 50% of the firms managing private equity funds which China Life Insurance invests in every year are the signatories of the PRI.
CDIB Capital Group	In 2020, CDIB Capital Group attended 142 investees' shareholders meetings in person (including electronic voting) and four investees' shareholders meetings by proxy, and was absent at four investees' shareholders meeting for some reason.
KGI Bank	Participated in the voting of the shareholders' meeting of the two investee companies in 2020. Both companies are listed companies, and are selected as constituent companies of the 2020 Dow Jones Sustainability Index. The participation rate of the shareholders' meeting of the listed companies was 100%. KGI Bank voted on 9 proposals. Since none of the proposals were exceptional or would seriously affect the operations of the invested companies, KGI Bank voted for all proposals, accounted for 100% of the total participating proposals. KGI Bank stewardship principals and compliance disclosure: https://www.kgibank.com/about_us/L02/L0206/L020604/
KGI Securities	In 2020, a total of 391 (93%) voters participated in the shareholders' meeting of the investee company, of which 357 (91.3%) voted electronically, 34 (8.7%) attended in person, 29 not allowed to designate personnel to vote. A total of 1,937 motions were voted, accounting for 99.5% of the total motions, and the abstention rate was 0.5%. The reason for abstention was due to disputes over the issuing company's operating rights or the proposal of a minority shareholder to dismiss its current director. KGI Securities maintained a neutral position or waived the right based on the consideration of stable operation. Among them, the proportion of investing Taiwan Stock Exchange Corporation's Taiwan Corporate Governance 100 Index and the Dow Jones Sustainability Index were 89% and 96%, respectively.
KGI Securities Investment Trust	Attended a total of 80 shareholders' meetings in 2020. The participation rate of the shareholders' meetings of the listed investee companies was 100%. Voted yes to 637 proposals (including the number of directors and supervisors' elections). As the operations of the investee companies were stable and as the motions in the investee shareholders' meetings attended in 2020 dealt with the distribution of earnings or amendments to internal regulations according to law caused no material damage to the sustainable development of the investee companies or the interests of the investors, KGI Securities Investment Trust voted in favor of all the motions. In addition, in 2020, the number of active visits to investee companies accounted to 566 times, we actively interacted and negotiated with investee companies.

3.1.4 Responsible Investment Performance

Principal Investments

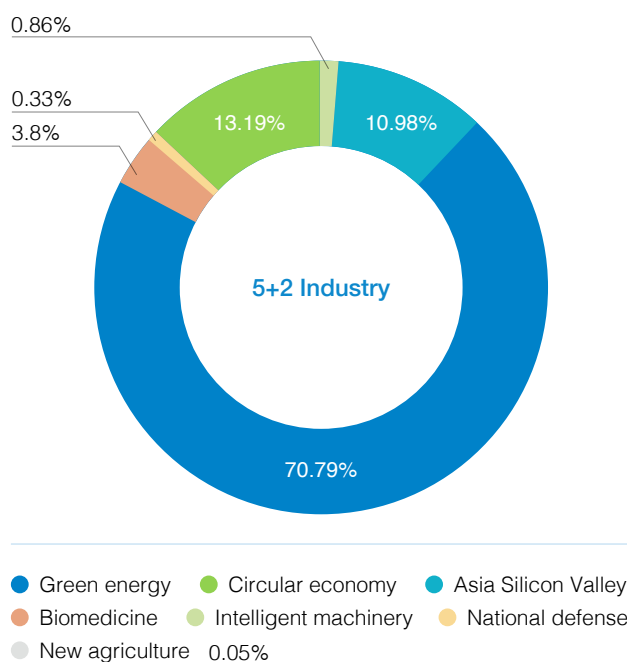
• Green energy-related investments

The general public is increasingly concerned with economic activities and the associated risks on the environment and natural resources as global climate change intensifies, giving rise to the concept of a low-carbon economy, which is considered to play a key role in maximizing long-term economic growth. Meanwhile, green investment has also emerged as a popular theme. Therefore, CDIB Capital Group has been focused on green energy-related investment opportunities. 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 with a total of NT\$115.4 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 investment, CDIB Capital Group also deploys ESG-related industries. The investment themes are as follows:

Medical Biotechnology and Long-term Care Investment

Foresee Pharmaceuticals Co., Ltd. received a notice from the U.S. Food and Drug Administration (FDA) in 2021, granting the new chemical entity for a clinical trial. If unblinding becomes a success, it will help alleviate the symptoms of COVID-19 and promote medical progress.

The investee company Excelsior Medical Co., Ltd. focuses on long-term care services, strengthening the care of the elderly and the care of critically ill patients.

KGI Silver Age Fund, KGI Hospital and Long-term Care Fund respond to the aging population and aging society trends. 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.

In addition, KGI SITE has rolled out products that mainly invest in hospitals, and 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.

Smart Manufacturing Investment

The investee company Jochu Technology Co., Ltd. promotes intelligent manufacturing, including "medical devices" and "cloud computing," to promote technological innovation.

Agriculture Investment

The investee company Dabomb Protein Corp. develops 100% natural raw materials in accordance with the most stringent standards of the European Union to ensure the safety of food produced.

Social Investment

The investee company Weave Group specializes in the rental and property management of shared apartments in Hong Kong, providing hotel-style suites to young people who cannot afford a house with shared public spaces at reasonable prices to enjoy a quality living environment.

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 2020, our assets under management (Assets under Management; AUM) totaled NT\$35.8 billion, of which funds devoted to social funds accounted for NT\$92.7 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\$43.3 billion, totaling NT\$13.6 billion, approximately 38% of the total AUM.

Unit: NT\$100 million

ESG funds		AUM
Social funds	CDIB Capital Creative Industries	9.5
	CDIB Capital Innovation Accelerator	7.3
	CDIB Capital Healthcare Venture	75.9
Subtotal		92.7
Environmental protection and smart energy	CDIB Capital Growth Partners	43.3
Total		136.0

Environment-themed products

- **Nurture businesses in smart technology or environmental innovations - CDIB Capital Growth Partners**

The Advantage Fund raised by CDIB Capital Group is to discover companies with core competitiveness in which smart technology or environmental innovation is a growth element. Among them, companies that invest in the electric vehicle industry have also played the role of energy saving and carbon reduction, which can reduce air pollution and thus protect people's health.

Continuing its emphasis on ESG sustainable investment, KGI SITE re-raised the KGI Emerging Asia Sustainable Selection Bond Fund on September 9, 2020. The fund takes "sustainable investment" and "value investment" as the core of fund investment. Incorporate ESG aspects into the investment process and decision-making, and construct a golden ratio and value-first investment portfolio through active and extensive deployment strategies to pursue the total return of the fund. As of the end of December 2020, the scale of KGI Emerging Asia Sustainable Selection Bond Fund reached NT\$1.828 billion.

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 seek advanced benefits for society while creating returns. The investee company TaiRx Co., Ltd. aims to develop a new generation of oral anticancer drugs that inhibit cancer cells, which can effectively kill cancer cells and inhibit malignant tumor metastasis.

- **Supporting the cultural & creative industry - CDIB CME Fund**

To foster Taiwan's influence in the cultural and creative industry, CDIB launched the CDIB CME Fund with a strategy focusing 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 are seeking to create a better living and better environment with premium quality service and products, for the value of Taiwan's creative essence to empower the society.

- **Nurturing innovative start-ups - CDIB Capital Innovation Accelerator**

In 2017, CDIB Capital Group has set up the "CDIB Capital Innovation Accelerator Fund" amount to the scale at NT\$1.25 billion to invest in early-stage start-ups focusing on four major areas of network cloud, Internet of Things, mobile Internet and next-generation e-commerce. Moreover, 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, to help Taiwanese companies to enter overseas markets.

Investment results and performance

2018

1. Companies of CDIB Capital Innovation Accelerator: 11
2. Number of one-day startup board meetings organized (Start-up Mentor Project): 7; number of start-up workshops organized: 3
3. Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 128.

2019

1. Companies of CDIB Capital Innovation Accelerator: 14
2. Number of one-day startup board meetings organized (Start-up Mentor Project): 12; number of start-up workshops organized: 3
3. Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 129

2020

1. Companies of CDIB Capital Innovation Accelerator: 18
2. Number of one-day startup board meetings organized (Start-up Mentor Project): 15; number of start-up workshops organized: 2
3. Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 84
4. In 2020, we strengthened the Corporate Day matchmaking meeting to assist new ventures and enterprises with innovative resources to match up. A total of 10 matchmaking meetings were held in 2020.


ESG/Sustainability-themed products

With the breakthrough of the COVID-19 vaccine in mid-2020, consumer confidence has rebounded, boosting the scale of sustainability-themed fixed-income funds. This shows that increasing emphasis is being placed on the integration of ESG considerations into investment portfolios, so as to select high-yield bond issuers with better finances, disclosures, and corporate governance. The robust portfolio optimization approach helps investors ensure the quality of bond investments while receiving returns.

KGI Securities Investment Trust Co. Ltd. was the first in 2020 to issue a high-yield bond fund that incorporates ESG criteria, in an attempt to promote sustainable investment by investing in high-yield bond issuers all over the world that value ESG. As of the end of December 2020, the scale of KGI Global ESG Sustainable High Yield Bond Fund reached NT\$3,177 million. In September 9, 2020, KGI Securities Investment Trust Co. Ltd. set up the KGI Emerging Asia Sustainable Selection Bond Fund. With sustainable investing and value investing as its core, the KGI Emerging Asia Sustainable Selection Bond Fund integrates ESG criteria into the investment decision process and builds a perfect, value-first investment portfolio using a proactive and extensive approach to pursue the total returns. As of the end of December 2020, the scale of the KGI Emerging Asia Sustainable Selection Bond Fund reached NT\$1,828 million. As of the end of December 2020, the scale of ESG and sustainability-themed bond funds issued by KGI Securities Investment Trust Co. Ltd. totaled NT\$5,005 million.

UN SDG-based Portfolio Performance

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	2.83%	0.94%
	Zero Hunger	3.9%	3.29%
	Good Health and Well-Being	18.62%	18.78%
	Quality Education	0.08%	0.47%
	Clean Water and Sanitation	0.77%	0.94%
	Affordable and Clean Energy	2.14%	2.35%
	Decent Work and Economic Growth	9.56%	17.37%
	Industry, Innovation and Infrastructure	16.96%	12.2%
	Sustainable Cities and Communities	19.14%	24.88%
	Responsible Consumption and Production	14.99%	6.10%
	Climate Action	2.55%	1.88%
	Peace, Justice and Strong Institutions	0.79%	0.47%
	Partnerships for the Goals	7.67%	10.33%
Total		100%	100%

Financial Advisory Services

In order to implement the principles for responsible investment and sustainable development goals, promote the balance of environmental, social, and corporate governance, and follow the stewardship principals, KGI Securities plans to formulate a "responsible investment policy" as a guideline for the promotion and implementation of responsible investment. KGI Securities plans to consider ESG and other sustainable operation factors in evaluating investment targets, decision-making and management to enhance the value, and continue to provide professional guidance from securities underwriters to assist companies in issuing green bonds and assist green corporate financing and provision of related services to those developing green industries.

Green Bonds

KGI Securities participated in the underwriting or counseling sales of five New Taiwan dollar-denominated green bonds in 2020, with a total issuance amount of NT\$ 31.6 billion and a total fee income of approximately NT\$ 3.09 million. China Life Insurance responded to the government's Green Finance Action Plan 2.0 to promote the development of green financial products. It invested in green bonds issued by TSMC and Ørsted A/S to support the development of clean energy in Taiwan. The investment amount reached NT\$1.5 billion to implement ESG's investment spirit.

Green Financing

In 2020, KGI Securities managed 29 equity financing cases, raising over NT\$ 22 billion, of which 12 were for environmental protection and green-energy companies, representing 41% of the total cases. The amount of equity fundraising for environmental protection and green-energy companies surpassed NT\$ 9.8 billion or 45% of the total finance managed by KGI Securities; underwriting income from green-energy cases surpassed NT\$ 80 million, accounting for approximately 31% of total underwriting income in 2020.

3.2 Sustainable Insurance

Corporate Operation Index - Number of Effective Insurance Policies

Currently, CDF does not operate the property insurance business. In 2020, China Life Insurance had 23,333,828 valid life insurance policies, with reinsurance expenses amounting to NT\$1,436,951,000.

3.2.1 Sustainable Insurance Policy

Sustainable Insurance Policy

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

3.2.2 Sustainable Insurance Risk Management

In response to the Sustainability Accounting Standards Board (SASB), which incorporates environmental risks into company-level risk and capital adequacy management, China Life Insurance has implemented relevant regulations and measures as follows:

- **Incorporating environmental risks into company-level risks:**

China Life Insurance has incorporated environmental risks such as climate change and emerging ESG risks into its ESG targets for 2021, as well as incorporating climate change risks and emerging ESG risks into its risk management procedures. Further, continue to add or revise business continuity management (BCM) related regulations and measures to include emerging ESG risk related content. In addition, the Board of Directors and senior management will be provided with climate change-related risk management courses, which will be included in the education and training in 2021 to promote the company-wide risk management culture from top to bottom.

• **Incorporate environmental risks into capital adequacy ratio management:**

In 2021, China Life Insurance intends to strengthen the assessment results of climate change-related risks in the Own Risk and Solvency Assessment (ORSA) report, and plans to conduct climate change scenario analysis and stress testing through climate change scenario analysis to assess the impact of the risk on the company and financial influence, presenting in ORSA report or related documents.

Please elaborate the process of identifying and evaluating climate-related risks in insurance and reinsurance investment portfolios based on different geographic locations, businesses or product types.

Please elaborate how to integrate climate-related risks in disaster simulations, and elaborate how the simulation results affect underwriting decisions.

Please elaborate how to encourage customers to reduce the climate risk associated with insurance assets through the pricing structure clauses of the insurance policy.

China Life Insurance currently has the potential total risk exposure of non-centrally cleared derivative financial products, and does not have centrally cleared derivative financial products and the position of acceptable collateral issued to the central clearing position. Please refer to "China Life Insurance Co., Ltd. Financial Statements For The Years Ended 31 December 2020 and 2019 With Independent Auditors' Report " p.47 & p.62.

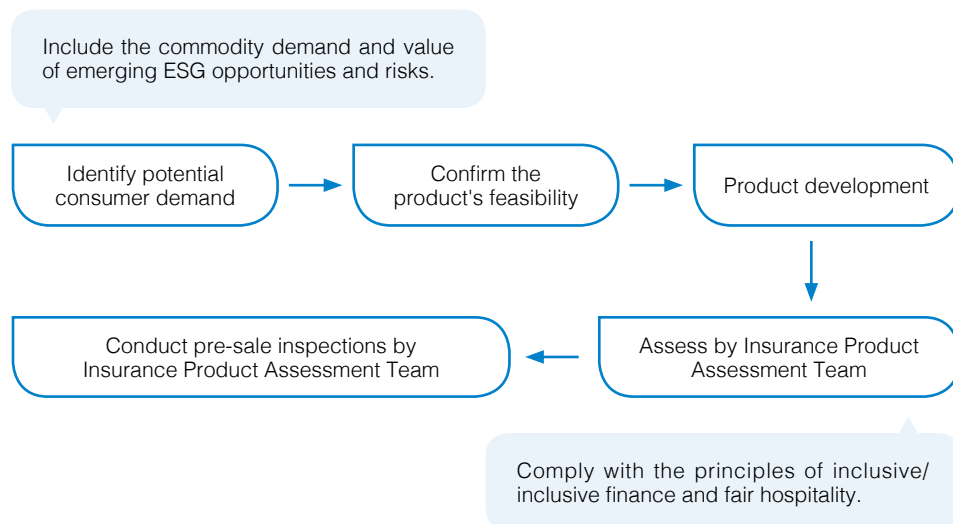


Total fair value of securities lending collateral assets

Unit: NTD '000

Item	2020.12.31
Total fair value of securities lending collateral assets	0

3.2.3 Sustainable Insurance Products



China Life Insurance mainly operates in Taiwan. In response to the Taiwanese government's inclusive finance policy, China Life Insurance continues to communicate with the Financial Supervisory Commission, Life Insurance Association of the Republic of China, and other institutions and rolls out microinsurance products. It also works with city/county governments in Hualien, Tainan, and Taitung, NGOs, and other outlets to promote the inclusive finance policy and relevant products and knowledge, so as to offer basic protection to the disadvantaged.

We also offer various friendly insurance services, including care counters, house visits, accessible website, voice service for Financial Products, and introduction via Braille signs, to improve access of insurance products to disadvantaged groups. China Life Insurance considers market dynamics and the government's inclusive finance policies when adjusting product strategies. In response to population ageing, lower birth rates, and other demographic changes, as well as care for the disadvantaged and other special groups, China Life Insurance continues to promote 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 many choices meet the various needs of policyholders. Early planning enables them to maintain a high-quality lifestyle, medical treatment, and care into the future, and helps China Life Insurance to fulfill corporate social responsibility goals.

Product Development & Design Procedures

- 1 China Life Insurance Besides studying trends in domestic and foreign markets, China Life Insurance regularly assesses actuarial assumptions, including the investment return rates, mortality rates, morbidity rates, lapse rates, expense rates, exchange rates, and tax rates in order to develop innovative, diverse products that meet customer needs. In accordance with the "Regulations Governing Pre-sale Procedures for Insurance Products," China Life Insurance holds at least one policy management task force meeting every half-year to ensure sustainable operations and uphold consumer rights.
- 2 China Life Insurance designs products that conform to financial inclusion. Main products include microinsurance, small-amount life insurance, and dementia prevention insurance that produce 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 guarantees for disadvantaged groups and the general public at different stages of life and contribute to a reinforced social safety net.
In addition, China Life Insurance has undertaken a "dementia prevention network" to look after people with dementia before, during, and after the illness. China Life Insurance hopes to awake the public's concept of "prevention and health management" and launches the first USD-denominated premium insurance policy and [Medical Card Lifetime Health Insurance and Additional Clause]. Encourage the insured to exercise, reduce the risk of illness, maintain a healthy body condition, in order to achieve the benefits of prevention, and can also obtain an additional amount of coverage.
- 3 In addition, the Company leading the industry, launched the first spillover policy that appeals to dementia issues "Smart Care Life Insurance." A single policy can simultaneously provide three functions including prevention, response during the event, and compensation after the event, helping the public create a dementia protection network.
- 4 In order to carry forward the corporate philosophy of China Life Insurance "fairness, empathy, and equality," we respond to the dementia-friendly community of the Ministry of Health and Welfare, and create a dementia-friendly environment in Taiwan. In addition to sponsoring the Taiwan Alzheimer's Disease Association to invest in dementia care, in 2019 and 2020, our service centers and communication offices across Taiwan jointly joined "Dementia-Friendly Organization," leading the industry to become the first "dementia-friendly insurance company." We also introduced dementia with free of ambiguity comic books, dementia prevention webpages (in the policyholders section) and offline dementia information, etc., for the public to further understand dementia and its prevention, and to advocate a dementia-friendly society.

Achievements in Financial Inclusion

• Micro-insurance

To provide disadvantaged groups with basic accident insurance to cover death and disability, China Life Insurance began introducing microinsurance products. Microinsurance has lower premiums, lower insured amount, and easy to understand terms. It comes in four types: accident microinsurance, collective accident microinsurance, group accident microinsurance, and group accident microinsurance for the disadvantaged. 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 cooperating with banking channels, government agencies, and private organizations to jointly promote microinsurance. Its efforts to develop new sales outlets

and diversify insurance products have been recognized by the competent authority for six consecutive years. This enables China Life Insurance to spread insurance guarantees to all corners where care is needed, thus providing strong support for disadvantaged households. When a microinsurance beneficiary suffers an 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. In this way, insurance fulfills its role as a stabilizing force. Microinsurance has provided coverage for more than 34,000 eligible disadvantaged groups across Taiwan. In 2020, premium income from microinsurance reached NT\$ 8.35 million.

Microinsurance	2018	2019	2020
Number of Beneficiaries	21,505	21,959	33,178
Premium Income	NT\$ 3.13 million	NT\$ 4.57 million	NT\$ 8.35 million

• Disadvantaged Insurance:

"Protect You" comprehensive life insurance for people with disabilities

Given that people with disabilities face more difficulties in applying for insurance such as health examinations, 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 ahead of other insurance companies in the industry, which does not require a health examination and is applicable to all people with a disability card. They need to answer only a few questions and additional fees will also not be charged (some insurance companies will charge additional fees depending upon the physical status of the disabled), and disability prior to coverage. This product covers diversified benefits, including death benefits or funeral insurance, total permanent disability insurance, birthday party insurance, refund of insurance premiums (plus interest), accident-driven death benefits or funeral insurance, traffic accident-driven death benefits or funeral insurance, public building fire-driven death benefits or funeral insurance, daily cash benefits in case of accident-driven hospitalization, advance on elderly hospitalization, and advance on terminal care, allowing people with mild to moderate disabilities to enjoy life insurance coverage as easily as ordinary people and thereby fulfilling financial inclusion and fair treatment of customers.

In order to accurately promote the "Protect You" to people with disabilities, in 2020, the advertisement was showed on the appearance of 32 barrier-free taxis of Taiwan Taxi in the Taipei area. The estimated number of incoming ride-hailing vehicles within 3 months of the advertising period was approximately 34,000 times, about 4.67 million people were exposed to advertisements, and about 121,000 people were exposed to in-vehicle advertisements. In addition to conveying China Life Insurance's corporate image of being friendly and fair in treating customers with disabilities, it also provides insurance information for people with disabilities.

• Small-amount life insurance

Small-amount life insurance

As entering an aging society in Taiwan, according to the estimation of the National Development Council, it will enter a super-aged society in 2026. In view of this, China Life Insurance has grasped social trends and cooperated with government policies to successively launch "Public Small-amount Life Insurance," "Government Staff Small-amount Life Insurance" and "Nationals Small-amount Life Insurance" on physical channels and e-commerce channels, aiming to enable more people to insure small-amount life insurance, and to implement the construction of a basic social protection net. In 2020, we continued to promote small-amount life insurance. By 2020, there were a total of 27,000 policies, and the accumulated new contract premiums was approximately NT\$400 million.

• Dementia Spillover-effect products

"Go Health" life insurance (dementia-related spillover policy)

Taiwan is moving towards an aged society, along with an increasing number of people with dementia. Seeking to promote healthy habits in our policyholders, China Life Insurance launched the "Go Health Life Insurance (2020)" with spillover effects 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 whether they meet the monthly agreed conditions for additional coverage. This product helps policyholders grow good exercise habits, reduces the insurance company's loss, and lowers the social risk of high medical care expenditures in this ageing society, leading to a winning situation for all parties. In addition, China Life Insurance has undertaken a "dementia prevention network" to look after people with dementia before, during, and after illness. The premium for the new contract in 2020 was NT\$288.4 million.

3.2.4 Implementation of Sustainable Insurance

• Promotion of Sustainable Insurance Internal Awareness

China Life Insurance operates several programs that help employees understand CSR and internalize corporate sustainability concepts. It sends new information via electronic direct mail. It also offers classroom-based courses that strengthen knowledge of ESG and related trends. Lessons include general education and training for new employees as well as special topics taught by external consultants. In 2020, China Life Insurance organized 38 training courses on ESG with a total of 2,665.5 hours.

• Sustainable Insurance External Communication

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

- Collaborating 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 support better management of ESG issues within the insurance industry.
- Lobbying governments agencies to promote sustainable development by providing risk management expertise: China Life Insurance engages 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.
- Working with industry associations to better understand ESG risks in different industries: China Life Insurance partners with The Life Insurance Association of the Republic of China to study trends and issues in different industries and launch the "Insurance Blockchain Alliance Technology Application Sharing Platform," using blockchain's two characteristics, namely, decentralized storage and non-repudiation, to verify whether electronic policies across companies can be integrated and documented.
- Working with the academia to promote bio identification: Partnering with the FinTech Research Center of National Chengchi University, 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.

• 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-underwriting 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 China Life Insurance provides and discloses.
- Underwriting procedures include AML/CFT risk assessments. China Life Insurance sets up controls based on each policyholder's risk level and takes a risk-based approach to identifying 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.
- Throughout the life cycle 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 sets up the "fund misappropriation prevention model" and create a control list based on the data analysis to control insurance agents as appropriate. It continues to organize training on compliance and fair treatment of customers for insurance agents, urging them to conduct business in line with the social morality, in good faith, and in the best interest of financial consumers.

• Transparent Claim Settlement Procedures

- China Life Insurance continues to handle claims settlement, a key promise that it makes to policyholders, more transparently by sending policyholders text messages informing them of the status and conclusion of their cases and notifications listing payment items and amounts and important matters. China Life Insurance has also launched "expedited claims at service counters" to help policyholders receive claim payments within 30 seconds and overcome their problems.

● Product Design

- Besides studying trends in domestic and foreign markets, China Life Insurance regularly assesses actuarial assumptions taking into account ESG criteria, 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 the "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 spillover-effect products such as micro insurance, small-amount life insurance, and dementia-prevention insurance, comprehensive life insurance for people with disabilities, and anti-pandemic insurance, as well as policies with the ESG premium. These products provide basic guarantees for the disadvantaged groups and the general public at different stages of life, strengthening the social safety net.
- In Taiwan, people are faced with the risks of aging as longer lifespans, insufficient savings, early retirement, and spending fast have become the norm. In view of this, China Life Insurance rolls out variable life insurance with a low threshold. It offers discretionary investment-oriented policies covering various investment strategies, areas of investment, and domestic and foreign investment targets in industries of different risk capacities, allowing policyholders to enjoy benefits and plan for their assets over a long period of time.

● Sales and Underwriting

- In the sales process, sales representatives should follow the principles of integrity and fair hospitality and provide comprehensive sales documents regularly reviewed and approved by the company (e.g., recommendations and product DMs). After knowing customers' needs, risk tolerance, and investment attributes, sales representatives offer suitable financial products to customers in a fair, reasonable, equal, and reciprocal manner, making sure that there is no falsification, fraud, concealment, or misguidance otherwise.
- Underwriting is handled in accordance with the "Underwriting Management Mechanisms and Procedures" and "Offshore Insurance Units (Offshore Insurance Unit, OIU) Underwriting Mechanisms and Procedures." Underwriters weigh the company's risk undertaking capacity and consider the basic information of applicants as well as general information relating to the insured persons, including the motivation for taking out insurance, the insurance benefits and need, plan suitability, and financial and health conditions, based on the principles for fair treatment of customers.
- Underwriting procedures include AML/CFT risk assessments. China Life Insurance sets up controls based on each policyholder's risk level and takes a risk-based approach to identifying 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.
- As sales representatives collect, process, and use a large number of customers' personal information, the personal information protection best practice principles are introduced to sales outlets according to the latest BS10012 Personal Information Management System (PIMS). Starting from 2020, all business activities company-wide are subject to third-party accreditation to ensure that the collection, processing, and use of personal information fall within the necessary scope for a specific purpose.
- Digital financial services are introduced to add value to inclusive insurance. Policyholders are able to apply for insurance, receive notices, and upload additional documents via mobile devices. This greatly saves time to deliver documents and improves the efficiency of underwriting.

● Investment Management

- In 2020, China Life Insurance drew up the Policy for Responsible Investment and updated the "Compliance Statement of Stewardship Principles," integrating ESG criteria into the investment policies and decision-making processes on the basis of legal compliance. In the said policy, the Criteria for Exclusion are set to screen investment targets with high ESG risks. China Life Insurance also reviews the industry, profitability, and sustainability practices of investment targets to increase the value of the investment portfolio.
- China Life Insurance reviews the overall operations, ESG performances, and CSR results of portfolio companies every year on a regular basis. By attending the shareholders' meetings and exercising the voting rights, China Life Insurance communicates with the Board or management of the portfolio companies in an appropriate manner to fulfill stewardship as a responsible institutional investor. By following the Stewardship Principles, China Life Insurance expects to continuously enhance the interests of the company, customers, shareholders, and other interested parties.

● After-Sales Service

- Putting the customer first, China Life Insurance cares much for policyholders and responds to their needs in a timely manner to build a solid, long-term customer relationship. It strives to create value for every policyholder with comprehensive service planning, optimized processes, complete hardware, and front-end services.
- China Life Insurance joins the Policy/Claim Union to provide policyholders one-stop claim application service and speed up claim applications.

China Life Insurance continues to improve the transparency of information on the progress of claim applications. Policyholders can check their policies and progress of claim applications online at any time and receive SMS when applications are accepted and closed. China Life Insurance has also launched "expedited claims at service counters" to help policyholders receive claim payments within 30 seconds and overcome their problems.

3.3 Principles of Responsible Bank

3.3.1 Management Mechanism of Responsible Bank











To ensure that the organizational goals and key decisions in terms of environmental, social, and governance (ESG) practices are consistent with the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement, CDF adopts a top-down corporate governance structure. With effective policies, management systems, and controls in place, CDF integrates SDGs into the decision-making process to create a responsible banking business model in line with the Principles for Responsible Banking (PRB). CDF is also committed to promoting green finance through green project financing, green lending, and green bond underwriting in hopes of speeding up the transformation and sustainable development of the renewable energy industry in Taiwan.






















When reviewing corporate loan applications, KGI Bank complies with the Corporate Credit and Assessment Guidelines (Green Financing Review Principles are included) and incorporates the Equator Principle, and indeed examines whether the borrowers did fulfill their corporate responsibility on environmental protection, social responsibility and corporate ethical management. ESG-related issues are also considered in credit decision-making, credit evaluation, and the post-lending management mechanism:

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 the Equator Principle into "Credit Rating Checklist." If there is any dispute regarding environmental and labor-management issues, etc., the applicants will be deducted points under the operations/management categories, such as risk management, corporate governance, etc., in the Credit Rating Checklist, so as to reflect 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 making improvements. For existing clients, corrective actions are required to undertake. To help and encourage enterprises to strengthen environmental initiatives and fulfill their corporate social responsibilities, non-compliant companies deemed to have a serious impact on company operations and KGI Bank's obligations will have their credit capped or progressively reduced.

With the increased awareness of climate change, resource sustainability, health, and environmental safety, banks are under obligation to come at the sustainability of products and services and create transparent, fair, and sustainable value for customers, shareholders, investors, and society, further fulfilling responsible finance. The Principles for Responsible Banking (PRB) provide a consistent framework. Combining elements of sustainable development at the business level, the PRB ensures that the bank's strategy and practice align with the vision society has set out for its future in the United Nations SDGs and the Paris Agreement. In fact, CDF has many actions taken in line with the PRB.

3.3.2 Implementation and Promotion of Responsible Bank

	Action	Description	Climate risk factor	SDGs
Green Operation	Green Procurement	Responding to the government's green procurement policy and purchasing environmentally-labeled products to reduce greenhouse gas emissions through a reduction in carbon footprint of individuals.	<ul style="list-style-type: none"> Reducing corporate transition risk Reducing global physical risks 	  
	Offsite Backup	Establishing a remote backup center to reduce the impact of operational interruptions that may be caused by extreme weather conditions.	<ul style="list-style-type: none"> Reducing corporate physical risks 	 
	Green Buildings	The new headquarter have met the criteria to receive the golden medal-grade, "Green Building Candidate Certificate", and have reduced their interior carbon emissions and energy usage.	<ul style="list-style-type: none"> Reducing corporate transition risk Reducing global physical risks 	  
	Paperless Policy	Continuing the promotion of paperless operations in sales and internal management and reducing carbon emissions through paperless behavior, which as a result can reduce indirect greenhouse gas emissions of individuals.	<ul style="list-style-type: none"> Reducing corporate transition risk Reducing global physical risks 	 

	Action	Description	Climate risk factor	SDGs
Green Financial Products	Green Financing	Analyzing the ESG performance of existing industries and incorporating credit decision-making can reduce high-climate risk targets and guide market behavior to find opportunities under climate change.	<ul style="list-style-type: none"> Reducing corporate transition risk Reducing global physical risks Increasing Individual and Global Opportunities 	  
	Green Credit	Promoting green energy industries and energy transformation industries such as energy conservation and energy creation, which as a result can indirectly reduce overall carbon emissions.	<ul style="list-style-type: none"> Increasing Individual and Global Opportunities 	  
	Green Bonds	With the Banks' high-quality ratings and financing channels, we help customers obtain sufficient low-cost funds to complete green projects, and indirectly reduce overall carbon emissions.	<ul style="list-style-type: none"> Reducing corporate transition risk Reducing global physical risks Increasing Individual and Global Opportunities 	  
	ESG Fund	Issuing the KGI Global ESG Sustainable High Yield Bond Fund to increase financing and investment opportunities for high-quality ESG companies.	<ul style="list-style-type: none"> Increasing Individual and Global Opportunities 	 
Responsible Investment	Responsible Investment	Evaluating the performance of investor companies on climate-related issues, defining risk levels to reduce targets with high climate risks, and guiding market behavior to find opportunities under climate change.	<ul style="list-style-type: none"> Reducing corporate transition risk Increasing Individual and Global Opportunities 	  
	Green Energy-related Investments	Promoting a low-carbon economy. Investing in green and low-carbon industries with self-owned assets to reduce indirect greenhouse gas emissions of individuals in the entire company including self-owned companies.	<ul style="list-style-type: none"> Reducing corporate transition risk Reducing global physical risks Increasing Individual and Global Opportunities 	  
Other Services	Emergency and Disaster Relief	Promoting insurance policy loan discounts, providing emergency needs under extreme weather conditions, accelerating the ability of protected objects to recover from disasters, and improving climate resilience.	<ul style="list-style-type: none"> Reducing customers' physical risks 	 
	Digital Finance Services	Reducing carbon emissions with e-services and online platforms, and reducing indirect greenhouse gas emissions of individuals.	<ul style="list-style-type: none"> Reducing corporate transition risk Reducing global physical risks Increasing global opportunities 	  

Green Credit

Aligned with Green Industry Policy

In line with the government policy, we promote the energy transition covering energy conservation, energy development, energy storage, and intelligent system integration. To fulfill independent energy development and accelerate the development of renewable energy enterprises, the government aims to build a renewable energy ecosystem based on a 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 power, and wind power, and smart meters and further create job opportunities.

KGI Bank continues to promote renewable energy upgrades and raise funds for renewable energy enterprises in line with government's green-energy initiatives. The estimated compound annual growth rate of the overall green credit amount in the next three years is about 3%-5%.

Unit: NT\$ million

Product name	2018	2019	2020
Balance of green credit	17,606	20,425	16,578

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

Achieve the 20% goal of the total installed capacity in renewable energy power generation in 2025. KGI Bank actively invests in financing projects related to renewable energy power generation (e.g. solar power and offshore wind power). The green financing projects in which KGI Bank participated in 2020 are as follows:

Project name	Estimated installed capacity	Estimated reduction of carbon emissions per year	Credit Balance in 2020
Tianchong Energy Co., Ltd.	99MW	720,000 tons	\$2,215,985,772
Chenya Energy Co., Ltd./Holdgood Energy Co., Ltd.	180MW	1.18 million tons	
Sin Jhong Solar Power Co., Ltd.	76MW	510,000 tons	
Whole Sun No.1 Co., Ltd.	75MW	500,000 tons	
Vena Energy Co., Ltd.	70MW	480,000 tons	
Changfang Wind Power Co., Ltd./Xidao Wind Power Co., Ltd.	589MW	10.3 million tons	
City-development Co., Ltd.	86MW	560,000 tons	
Fuyi Energy Co., Ltd./Dali Energy Co., Ltd.	100MW	720,000 tons	
Total	1,275MW	14.97 million tons	

Note 1: CO₂ emissions from electricity generation are calculated based on the 2019 CO₂ Emission Factors from Electricity Generation in Taiwan published by the Bureau of Energy (0.509 kg CO₂/kWh).

Note 2: 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.

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.

Financial inclusion

• "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 2020, in response to COVID-19, a loan project is devised for affected licensed professionals to obtain funds quickly and preferentially. In 2020, about 811 people applied for the project, and about 485 applications were approved with a 60% approval rate.

Product name	2018	2019	2020
"Giving You A Hand" Revolving Personal Loan Promotion Project	418 applications approved	462 applications approved	485 applications approved

Note: The "Giving You A Hand" Revolving Personal Loan Promotion Project was launched since 2018.

• Taxi Driver's Quick Repayment Project

Most taxi drivers can't provide a proof of stable income, and are thus rejected by banks when they seek to obtain traditional financial services. They can only turn to the shadow banking system when they are in need of financing. 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 a proof of stable income required for credit investigations, and therefore unable to accumulate credit records. KGI Bank leveraged 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. In 2020, about 505 people applied for the project, and about 217 applications were approved with a 43% approval rate. In 2020, the "Future Commerce Award," also known as the "Digital Innovation Oscar," awarded three major awards of "Best Business Model Innovation Gold Award," "Best Product Innovation Gold Award" and "Jury Award." This is also the affirmation of experts and scholars on KGI Bank's specific practice of stimulating financial inclusion.

Product name	2018	2019	2020
Taxi Driver's Small Revolving Loan Project	421 applications approved	455 applications approved	217 applications approved

• Credit card and loan applications through mobile phone numbers

In 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 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 KGI Bank 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. The mobile ID authentication was ended on March 19, 2020 and will continue to use this experience to propose optimized products for various financial services that align with stimulating financial inclusion.

Product name	2018	2019	2020
Credit card applications through mobile phone numbers	--	746 applications approved	74 applications approved
Loan applications through mobile phone numbers	76 applications/ NT\$1.73 million approved	477 applications/ NT\$9.15 million approved	The trial period was ended on March 19, 2020. 236 applications were approved with the amount of NT\$ 4.18 million.

• "Quick Repayment" Limited Amount Loan

Given a low base salary, young people do not always have enough cash in hand. Therefore, the age of customers who need small-amount loans is mainly between 25~39 years old. 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 damage to meet young people's need of funds in the short run at a relatively economic rate.

Product name	2018	2019	2020
"Quick Repayment" Limited Amount Loan	7,830 applications/ NT\$210 million approved	8,536 applications/ NT\$220 million approved	11,413 applications/ NT\$ 235 million approved

• Low-income Households Loan Project

In the past, low-income households were denied access to financial services as they were unable to provide a proof of stable income. To fulfill inclusive finance and responsibility as a corporate citizen, KGI Bank launched the Low-income Households Loan Project to provide funds for low-income households at lower costs, encouraging them to obtain funds through legal financial channels and thereby establish long-term credit records with financial institutions.

• "Taiwan Star Telecom" Revolving Loan Project and Far EasTone Telecommunications Project

According to 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 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	2020
"Taiwan Star Telecom" Revolving Loan Project and Far EasTone Telecommunications Project	--	36 applications/ NT\$0.56 million approved	166 applications/ approved 71 applications/NT\$ 5.29 million approved

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

• Loans to start-ups in key industries and micro-business

In order to promote the stable development of the domestic economy, KGI Bank cooperates with government policies to provide loans for key start-up industries and loans for micro-enterprises. 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. 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.

Product name	2018	2019	2020
Loans to startups in key industries	90,228	82,890	87,225
Micro loans	412	359	484

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 2020, KGI Bank was entrusted with the management of eight charitable trust funds, with assets under management surpassing NT\$ 30.03 million.

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	2020 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 6.25 times the market rate to increase schools' income 	599 employees of two 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\$6; lower than 2% of a donation previously) to reduce foundations' fee expenses. Increase demand deposit rates up to 6.25 times the market rate to increase foundations' income 	831 employees of 31 foundations

Bolstering the Cultural and Creative Industry

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

Product name	2018	2019	2020
Balance of loans to cultural and creative enterprises (NT\$ million)	4,993	5,640	8,273
Loans to cultural and creative enterprises (Net number of cases)	144	105	149

3.4 Customer Experience

3.4.1 Digital Finance

Digital Finance Strategies

In response to the post-pandemic era and the drastic changes on investment environment, in addition to the professional wealth management team, CDF also focuses on digital financial service tools for investment and financial management meeting with the trend needs of life. In the future, we aim to use "One Website, One APP" with FinTech to rapidly penetrate and flip consumers' financial life.

KGI Bank adopted the "KGI inside" strategy, a new idea of digital transformation, ahead of other 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. Continue to introduce new data analysis technologies (e.g. AI), and use new technologies to solve existing business problems or service gaps with predictive modeling. Respond to the challenges brought by Open Banking in the future with the generated benefits. Secondly, for breaking down the barriers between different industries, 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.

KGI Securities was the first to allow securities accounts to bind LINE accounts in 2017. We have strived to promote precision marketing through LINE and Facebook to create a brand image as a digital securities firm. In addition to continuously improve the functions such as electronic and mobile ordering, AI smart customer service will be launched in 2021, providing multi-situational dialogue and emotion detection mechanisms. Incorporating machine learning to improve the accuracy of customer questions and answers, and 24-hour service, it can timely respond to customer's questions.

In order to provide a better financial experience for the CDF customers, we establish a digital bridge between KGI Bank and KGI Securities, pioneering the two-way digital identity authentication of banks and securities, and link up the Group's synergy. 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.

CDF's Digital Finance Performance

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 the insurance application process. Given the technical feasibility and controllable risks, China Life Insurance was 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 to 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 identities with one simple facial scan. After the pilot scheme is approved, 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 Selfie Sign will further strengthen every customer's identity and willingness to be insured to effectively prevent false signatures and frauds and reduce customer complaints. Through FinTech, policyholders can enjoy safer financial services. In the future, China Life Insurance will gradually adopt more facial recognition technology for use with mobile policy services, claims, and assistance. This technology will utilize both the mobile device's camera and photo databases to automatically identify users and make risk management more intelligent.

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

Using the communications apps on mobile devices, China Life Insurance conducts 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 transit costs for customers and frees time for bank clerks and sales agents to pursue more business leads. Video survival analysis 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 dialogue training and business experience, Qbao will be optimized and upgraded and further applied to intelligent customer service platforms in the future, thereby improving customer experience and satisfaction.

- **AI coach - precise counseling for newly recruited sales agents**

To cultivate new recruits' capacity for marketing, China Life Insurance adopts artificial intelligence to tailor-made AI coaches for newly recruited sales agents. AI coaches use role-playing to create simulated business scenarios and practice sales pitches with sales agents. In addition, AI coaches analyze sales agents' behavior and weaknesses through big data and provide precise counseling to increase newcomers' sales activity and conversion rate, thereby increasing their income.

KGI inside: Realizing Open Banking & Financial Inclusion

As of December 2020, 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 over 30 start-ups, including Pi mobile wallet (PChome), Everyday Payment (LINE), PX pay (PX Mart), momoshop.com, Shopee, Hami Pay, CWmoney (bookkeeping application), Localbond (Sinyi Realty), GTPay (Asia Pacific Telecom), iCHEF (POS system developer), Alpha Loan, MoneyBook and INVOS. 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.

- **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, thereby 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 pinpointed from the list of existing customers for sales agents to prioritize marketing activities. The benefits of this list are much higher than the results of manual analysis. The customers' repurchase rate is as high as 33%, which has driven insurance premiums to grow by NT\$2.6 billion in the past year.

- **Coverage Radar Chart - visual policy analysis**

Traditional policy analyses often show coverage in the form of reports. China Life Insurance has developed the "Coverage Radar Chart" to visually and clearly present each aspect of coverage, allowing policyholders to better understanding their coverage. In the course of insurance planning, the Coverage Radar 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 the protection gaps. The chart is a useful tool for sales agents to get started on the 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 built an "Insurance Fraud Detection Model" in 2019 to create 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; low-risk claims receive fast 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.

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

To instantly meet all kinds of payment needs in an era of mobile payments, mPOS can provide customers credit card payment service anytime, 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 vendors' receipts and payment requests are all saved on cloud to realize 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 869 businesses, mostly delivery service providers, home appliance repairers, street vendors, and exhibitors, and activated 1,182 mPOS card readers.

Innovative Digital Financial Products and Services - KGI Bank

Product / Service	Partner	Content
Online loan applications	Provides clients with 24-hour online loan application service	<ul style="list-style-type: none"> Continue to optimize and promote online loan applications, such as application receipt and loan payment through robotic process automation (RPA). The number of online loan applications reached 22,000 (growth of 10%), the annual loan application amount reached NT\$ 19.3 billion (growth of 31%); the loan amount reached NT\$. 11.3 billion (growth of 6%), and the online utilization ratio reached 85%.
KGI inside – Digital Credit	Alphaloan	KGI Bank worked with Alphaloan, Taiwan's biggest loan comparison platform, to pioneer cross-bank loan payment management, allowing the young generation to enjoy one-stop financial services ranging over loan comparison, application, and repayment on one mobile service interface.
	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.
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.
	Pi mobile wallet	Pi mobile wallet is the most 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.
	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 enable 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 - 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 acquire funding in a more efficient and convenient way.
Biometric login	Outsourced/self-developed	Since the launch of biometric identification functions such as FACE ID/fingerprint/graphic verification, customers have greatly used fast login services. The total number of bound devices in 2020 was 47,000, and 89,000 are actually achieved. The 2020 target achievement rate was 189.3%, and more biometric transfer function will be launched to provide customers with a more convenient transfer method.
E-Banking Optimization	Outsourced/self-developed	<ul style="list-style-type: none"> Launched over 150 optimized/new online banking/mobile banking functions to offer better and faster digital transaction for the customers. Introduced the online banking password project, and set nearly 80,000 passwords online throughout the year, reducing the production of 32,000 paper password letters. Added a new mobile phone number transfer service. There were 2,316 households completed their mobile phone number binding deposit account since the launch in September. Total number of transactions 1,929
mPOS	Taiwan Mobile (TWM)	<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 to realize mobile, paperless transactions Tried the "Mobile ID Authentication" for credit card applications Optimized the online credit card application platform to reduce written applications by 54% YoY and expenses by 54%; the number of online credit card applications totaled 35,000, of which 85% were made by new accounts.
Electronic bills	Outsourcing/self-development	Launched electronic credit card bills, with 36.8% of active credit cardholders applying and the number of credit card bills in written/print form reduced by 116,000.
Ease of trading	Outsourcing/self-development	<ul style="list-style-type: none"> Enabled interbank trading of checking deposits Enabled payroll service on holidays Foreign remittance exempt from written application Continuous transactions for tax payments

3.4.2 Customer Privacy Rights and Protection

Privacy Protection

Privacy Protection Regulations

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. We aim to hold strict position to protect the customers' privacy and personal data security.

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, as well as providing smooth and effective communication channel for the customers.



Privacy protection
policy



Statement of Customer
Information Confidentiality

Privacy Protection and Risk Management Mechanism

CDF attaches great importance to the customers' privacy and the personal data security. In order to effectively control the operation risks of the customers privacy protection and the personal data usage, the Group has set up a "Personal Data Protection Management Policy" as a group-wide privacy protection guidelines, the Company and subsidiaries will build the most appropriate privacy protection risk management mechanism, and set up a dedicated personal data protection unit, responsible for evaluating and planning the personal data protection risk management structure, and supervising related implementation. Optimize the resources allocation required for privacy protection risk management, improve the operational efficiency of the management mechanism, and fully protect the rights and interests of customers.

Privacy Protection Security incident handling and verification mechanism

The Company has announced the names and contact numbers of subsidiaries on the website that interactively use customer information, as well as a customer service hotline (02-2763-8800). If customers have concerns in privacy or other personal data rights, they can notify us at any time. The Company will assist in contacting subsidiaries that interactively use customer data for subsequent processing operations. The personnel of the Company and subsidiaries will immediately report to the unit responsible for personal data protection. If they find a suspected personal data security incident, appropriate contingency measures will be taken immediately. The litigant will be notified with the fact of leaking the personal information and the corresponding measures taken the Company. If the personal data security incident is significant, the receiving unit will also carry out notification procedures and initiate emergency response plans in accordance with the major incident response procedures.

The Company incorporates the personal data management into its internal control and audit system. When conducting regular self-checks, all units strictly review their business handling situations involving the collection, processing and utilization of personal data. Regulations and external standards are implemented and checked. Employees violating these regulations will be punished as per "Employee Reward and Discipline Policy" and other relevant reward and punishment regulations. The Company incorporates personal data protection into the compliance self-evaluation, and conducts regular evaluations to ensure compliance with relevant laws and regulations.

1

Report to the dedicated

- Notify the member of the personal information protection task force of any suspected information security incidents for identification
- Confirm the incident and notify Compliance Dept.
- Convene a task force meeting to clarify the responsible unit

2

Take response measures

- Take appropriate response measures according to the nature of the incident
- Retain the handling process and records
- Notify the person of the breach and response measures taken, along with providing a consulting hotline.

3

Review incident elimination

- Report incident elimination and follow up the handling process
- Convene a review meeting as needed to analyze the cause of the incident and discuss relevant corrective and preventive measures

4

Implement audit mechanisms

- Incorporate personal information management into internal control and audit systems
- Regularly review business activities involving the collection, processing, and use of personal information
- Take disciplinary actions against employees violating these regulations as per "Employee Reward and Discipline Policy"

Privacy Protection Practices

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

- Use of the collected personal data;
- Categories of the collected personal data;
- Time period, territory, recipients, and methods of which the personal data is used;
- Rights of the persons involved and the methods for exercising such rights under Article 3 of the Personal Data Protection Act; and
- Rights and interests of the persons involved that will be affected if they elect not to provide their personal data.

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

- How customer information is collected
- How customer information is retained and protected
- Methods for 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 for opt-out
- Names and telephone numbers of subsidiaries sharing customer information

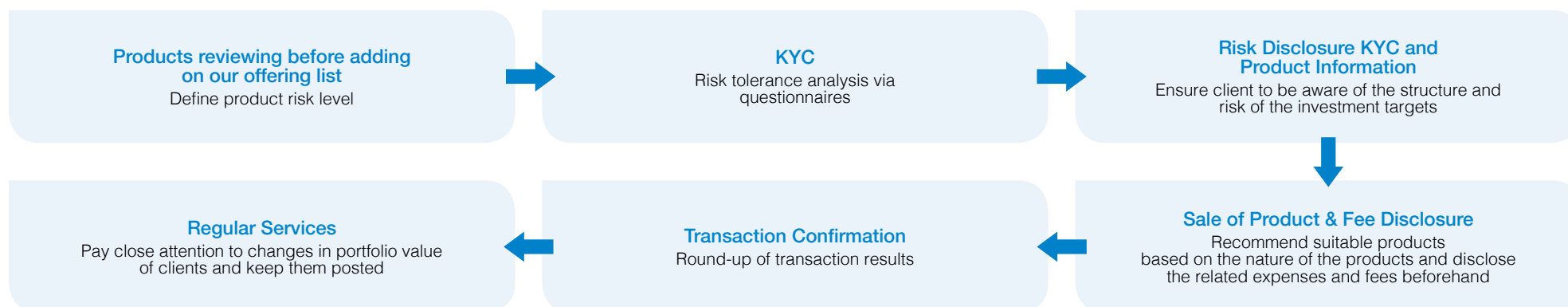
The Company and subsidiaries are striving to implement customer privacy protection, and take appropriate personal data protection and management actions based on the business type, risk level and resource integration utilization of each subsidiary. The Company and subsidiaries of KGI Securities, China Life Insurance and KGI Bank has passed the ISO 27001 information security management system verification, in order to continuously improve the personal data protection and management capabilities. KGI Securities and China Life Insurance also appoint a credible external verification agency to handle the BS 10012:2017 Personal Information Management System standard third-party verification review. China Life Insurance has taken the initiative to expand the scope of verification and was the first insurance company in Taiwan to be approved that expanded from the original personal insurance-related business to the head office and all branches of the company. China Life Insurance also won the Information Security Award in the 2020 Taiwan Corporate Sustainability Awards. Various verifications and awards affirmed the determination of the Company and subsidiaries to provide secure financial services and their commitment to protect customer data security.

There was no complaint about breaches of customer privacy in 2020.

There was no secondary use of any data in 2020.

Integrity and transparent communication: Principles of Fair Treatment of Customers and consumer protection

We are fully aware that customers are the source of business development. In order to care and protect the customers' rights and interests, we have established a corporate culture that emphasizes the financial consumer protection. Since 2015, the development of financial control has been based on the "Organizational Rules of the CSR Committee" Article 5 that stipulates the establishment of a "Client Relations WR." At the same time, KGI Bank and KGI Securities also formulated the "Principles of Fair Treatment of Customers" to enhance employees' awareness of financial consumer protection, such as when customer complaints or financial consumption disputes in various businesses, take measures in a timely and appropriate manner in accordance with relevant regulations. Check whether there is any violation of the Principles of Fair Treatment of Customers or Financial Consumer Protection Act, and report to the Board of Directors at the senior executive meeting. In addition, the "Client Relations WG" also regularly collect and report the implementation of the Principles of Fair Treatment of Customers by subsidiaries to solid customer service and protection of rights and interests.



Methods of implementation

	Policies and Procedures	Communication Method and Mechanism	Communication Frequency
KGI Bank	KGI Bank is jointly supervised by the Board of Directors and senior executives to formulate the "Consumer Protection Policy," and in accordance with the "Principles of Fair Treatment of Customers in Financial Services Industry" issued by FSC to formulate the Bank's "Principles of Fair Treatment of Customers." For each business or product, from design, advertising, sales, contract fulfillment, service consultation to customer complaint handling, etc., internal regulations and implementation principals are established and timely formulated that comply with the Principles of Fair Treatment of Customers. Carry out the top-down response and emphasize on fair hospitality, shaping and implementing the protection of customer rights and interests as the core corporate culture of the Bank.	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.	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, "Out-of-bank Pickup Control KRI" to monitor the number of out-of-bank pickups that are transacted without a phone call, "Order on Behalf of Customers and Control KRI" to monitor the number of transactions on behalf of the customers and the e-mails kept by customers, 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. KGI Bank has incorporated the customers protection into self-audit item and the Principles for Fair Treatment of Customers into internal audit and conducts internal audit periodically.
China Life Insurance	<ul style="list-style-type: none"> Establish a Fair Hospitality Committee, formulate the "Fair Hospitality Principles and Implementation Standards," and regularly summarize and report to the Board of Directors of measures related to fair hospitality. In the self-evaluation of directors, the assessment items of "Importance to ESG Issues" and "Proactively Promoting the Principles for Fair Treatment of Customers" are added. China Life Insurance regularly checks sales documents (e.g., recommendations and DMs) to ensure that customers receive comprehensive, accurate information it provides and discloses on its own initiative. 	Taking the comprehensive insurance "Friendly Protection" service package for the disabled as an example, China Life Insurance has established a financial-friendly product zone in the website, so that the visually impaired can be no different from ordinary people to fully understand the coverage through mobile phones or computers. In addition, the hotline service is simultaneously provided. Furthermore, we not only provide voice guidance of the product content, but a dedicated service option is also established to assist in the explanation and insuring of the product.	<ul style="list-style-type: none"> As of December 2020, a total of 1,500+ calls have been made to listen to the product introduction, and a total of 188 inquiries have been made. Won the "Fair Hospitality Principle Evaluation" by the Financial Supervisory Commission for 2 consecutive years.
KGI Securities	<ul style="list-style-type: none"> KGI Securities has set a total of 18 internal regulations related to the Principles of Fair Treatment of Customers, of which 9 regulations have been approved by the Board of Directors. The three lines of defense are used to implement the principle of fair hospitality, and the strategic planning department of the top staff unit will plan, promote and supervise. Business units summarize the self-evaluation results, hold a review meeting on the implementation of the principle of fair hospitality, and report the implementation to the Board of Directors. 	In case of major customer complaints or controversial incidents, they shall be handled in accordance with the notification mechanism of abnormal matters, and if necessary, a major incident response meeting shall be held to respond immediately.	The evaluation of fair hospitality is evaluated every 2 year. 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 (Corporate Strategy and Planning Dept.) 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. In 2018, KGI Securities was ranked among the top 20% in the evaluation on the Principles for Fair Treatment of Customers. The competent authorities will announce the 2020 evaluation results by the end of June.

Educational Training Procedure

Subsidiary	Number of Educational Training	Hours of Educational Training
KGI Bank	5,130	<ol style="list-style-type: none"> 1. In 2020, all employees of KGI Bank underwent three hours of training on consumer protection, including 3 hours of online training in the first half of the year (2,616 attendants) and 1.5 hours of online training (2,514 attendants) in the second half. 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 communicated other banks' punishments announced by the FSC with all employees and requested relevant departments to check on operating procedures for any similarities or establish controls.
China Life Insurance	15,071 office workers, supervisors, and field staff	<ol style="list-style-type: none"> 1. More than 2,200 office workers completed the online training on the Principles of Fair Hospitality, which covered friendly financial services for people with disabilities and dementia. 2. A total of 240 Board members, senior executives, and department heads and representatives completed two offline training courses on the Principles of Fair Hospitality; office workers completed more than 10,620 training hours. 3. The field service "2020 Principles of Fair Hospitality in Financial Industry" training was 3 hours, 12,631 people completed the training, the total number of training hours was 37,893, and the completion rate was 100%. 4. The number of the above training hours totaled 48,513.
KGI Securities	2,446	In 2020, KGI Securities held 4 internal fair and hospitality physical courses with a total of 12 hours, and provide relevant online courses for 3 hours with 2,432 participants. Plus 14 participants of relevant courses held by external units, the total number of participants in relevant training (including directors and responsible persons) was 2,446 in 2020.

Violations

Subsidiary	Number of Violation	Nature of Violation	Background	Total Loss	Improvement Project
KGI Bank	1	Violation of provisions of the Insurance Act	When engaging in insurance brokerage, KGI Bank failed to fill in the salesperson report with the correct sources of premiums for policyholders who applied to purchase policies through policy loans, which violated Paragraphs 4 and 8, Article 163 of the Insurance Act and Subparagraph 23, Article 49 of the Regulations Governing Insurance Brokers.	The FSC imposed a fine of NT\$600,000 under the Financial Supervisory Commission Letter Jin-Guan-Bao-Shou-Zi No. 1090491902D dated May 19, 2020.	KGI Bank has improved its monitoring of operating procedures for selling insurance policies, including setting up a system for audits.
China Life Insurance*	2	Violation of provisions of the Insurance Act	<ol style="list-style-type: none"> 1. When handling applications solicited by insurance brokers, China Life neither asked said insurance brokers to verify the applicants' documents before submission nor was there a process for insurance brokers to confirm whether they verified applicants' documents. It is inconsistent with the provisions of Article 7, Paragraph 1, Paragraph 3, 4 and Article 17 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" authorized by Article 148-3, Paragraph 2 of the Insurance Law. 2. When selling investment-linked insurance policies to customers aged 70 and above, China Life only explained the policies to customers verbatim, based on the template; China Life also failed to explain relevant investment risks according to the characteristics of the linked investments. It is inconsistent with the provisions of point 6 and items 2 and 3 of the "Note for the Sale of Investment Insurance Products." 	China Life Insurance was fined NT\$600,000 on July 27, 2020.	<ol style="list-style-type: none"> 1. Set up a process for insurance brokers to verify applications before submission. 2. Adjusted the sales script template used for selling investment-linked insurance policies, in accordance with the characteristics of the investments.

	Number of Violation	Nature of Violation	Background	Total Loss	Improvement Project
KGI Securities	There was no punishment by the competent authorities, nor did they require improvements for any violation of the Principles for Fair Treatment of Customers.	--	--	--	--

Note: China Life Insurance closed litigation cases (including judgments and settlements) in 2020, and there were no losses caused by litigation arising from customer marketing and communication of insurance products.



China Life Insurance Reveal Information
on Punishments

3.4.3 Quality Services Tailored to Customer Needs

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

China Life Insurance

Service ambassadors:

In order to raise the sense of fulfillment among staff on the front lines of serving customers, China Life Insurance has held a selection of service ambassadors for two consecutive years. We urged staff to create a high-quality service environment and set an example to improve the corporate image and raise customer satisfaction. In 2020, there were 26 service ambassadors, 10 of whom were honored in a “Top 5” competition that showed the company’s appreciation for their contributions.

Service courses:

In 2020, the call center organized two 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.

KGI Securities

To improve the digital customers experience, fully digitize the customer services, including account opening, application review, transaction, service process, complete online and automated accounting, so that customers can enjoy all services at home. In addition, using digital behavior trajectories and marketing automation services, establish an instant interactive social marketing platform, and use event automatic triggering functions to gradually guide customers to download the system and learn recommended products. And use the data collected by the automation process to understand the preferences of individual customers, optimize the customer experience, and increase the probability of potential customers turning into active customers.




KGI Bank

Product/Service	Content	2020 performance
Credit cards	Credit card payments can choose installment programs online via PC or mobile device	Transaction volume grew 11% YoY
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, Regularly FX Rate Trigger Notice Enabled interbank trading of checking deposits Enabled payroll service on holidays Foreign remittance exempt from written application Continuous transactions for tax payments 	<ul style="list-style-type: none"> Transaction volume grew by 50% YoY as a result of a fixed-income asset allocation plan Forex income grew by 5%
Credit card statement services	E-statements: "Pay Now," "Installment," "Past Statements," and "Online Application" were added for customers to seize consumer information and financial management. Through digital interactive bills, customers can pay online or generate payment barcodes with mobile phones to pay in branches or convenient store, to apply for the current account installment or single consumption installment, to query the latest 6 installments, or to apply for credit online and credit cards etc.	E-statement accounts grew by 26% YoY, accounting for 38% of active credit-card holders
Credit-card consumer services	Stimulus Check: in order to support the government to revitalize the economy and promote consumption, KGI Bank cooperated with the government's "Stimulus Project" and launched a Happiness Program. Customers spend every NT\$ 3,000 can receive returns up to NT\$ 1,100, one of the few banks with no quota limit. In particular, bound KGI credit cards to designated mobile payment can enjoy the highest 20% return, and it is the highest return in the market.	Stimulus Check: attracted up to 5% of cardholders to participate, and drive new card application growth by 84%.
Credit Card/Product Use	In response to the expiration of the co-branded card contract with Living Mall, to provide products that align with the consumer preferences of Living Mall cardholders, launched a "Magic BUY Card" featuring "mobile payment" and "cross-border online shopping." The utilization rate was 80% or more. This product was carried out in stages. It was first provided to the Living Mall cardholders to transfer seamlessly. And later officially issued in mid-2020 to become the highest issued card in KGI Bank in the second half of 2020.	Won the "Best Product Marketing Award" from Mastercard.
Automatic notification of corporate online banking messages	Provides corporate clients with digitalized receipts of foreign currency transactions (deposits, remittances, imports, exports, loans) and TWD loan transactions	From November 2017 to December 2020, 586 users subscribed to "automatic notification of corporate online banking messages." As of the end of 2020, 53,603 messages were sent.

Note: Each digital loan application was estimated to save four sheets of A4 paper in Each digital contract was estimated to save six sheets of A4 paper. 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. In 2020, 17,959 digital applications were made and 9,809 digital contracts signed, equaling 130,690 sheets of A4 paper. These would have reduced carbon emissions by 0.940968 of mtCO₂e

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 young generations of the internet, we hope to expand communication channels with clients at all levels of society, to endow young people the correct concept and diversified information of wealth management.

Social media	2020 Status of operations	2021 Goal
 KGI Bank Facebook	Facebook fans: 105,111 (+9%) Number of articles posted in 2019: 273 Reach of posts: around 2.34 million Number of interactions on posts: 320,000 Number of posts shared: around 56,000 Number of private messages to clients: about 204	Improve the participation and interaction of young people, use soft topics to promote financial knowledge, and simultaneously deepen the connection with the business. Through diversified content and scene extension, strengthen fans' familiarity with financial products and brand impression. And continue to deepen the relationship between opinion leaders and different industries, attract more new fans to join, and create an interesting and influential financial life circle.
 KGI Securities Line Official Account	Number of friends: 247,000 (+71%) Number of bound accounts: 33,000 (+58%) Number of reads: over 600,000	Continue to use diverse themes, interactive interviews, and professional reports to exert the community influence. Through the community, the distance between brokers and investors will be shortened, so that LINE and FB will become a communication bridge for rapid interaction with young people, and improve the young people's willingness to invest, injecting new blood into the aging stock market. In the future, the community will launch a new "Smart Customer Service" function to give consumers better suggestions and reminders, guiding customers to the answers, automate marketing the products to target customers.
 KGI Securities Facebook	Number of fans: 33,000 (+12%) Annual articles posted: 210 Reach of posts: around 1.8 million Number of interactions on posts: around 50,000 Number of posts shared: around 25,000 Number of private messages to clients: about 4,000	

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 2020, 35 events were hosted nationwide as KGI Bank was focused on community services so as to closely meet the needs of local clients.

KGI Securities holds on-the-job training for managers to enlarge their know-how about the latest financial products and thereby improve the quality of financial services; in addition, KGI Securities organizes seminars for customers on various themes. Through the interaction of securities brokers and attendants, attendants can better understand the financial markets and products, so as to satisfy their needs for future wealth management services.

	Recipients	Description	Sessions	Attendants
KGI Bank	Community residents	Nationwide VIP events	35 sessions	611
KGI Securities	Clients	Small guest talks	171	4,059
	Clients	Small guest talks	10	389
	Clients	Online guest talks	67	3,535
	Clients	Nationwide investment and financing seminar (Taiwan stocks)	72	2,160
Total			355	10,754

Disability-friendly service mechanism

Group	Inclusive facilities and policies
Visually-impaired (blind or impaired vision)	<p>KGI Bank</p> <p>KGI Bank's public information and simple functionality website (accessibility section) was upgraded in March 2020 and granted the Web Accessibility 2.0 mark. In June, an accessibility section became available on the mobile banking APP for users to check their deposit accounts and make wire transfers to designated/non-designated accounts. Within the APP, a built-in audio guide is also designed for people with visual impairments, making digital financial services more accessible to them. Since its launch in September, it was used 1,212 times until the end of the year.</p> <ul style="list-style-type: none"> • [Deposit Account] 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. • [Transaction Services] Telephone, online and mobile app 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. <p>China Life Insurance</p> <p>[Accessible Webpages in the Financial Friendly Zone] China Life Insurance's website includes various 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.</p>
Hearing / Speech-impairedc	<p>KGI Bank</p> <ul style="list-style-type: none"> • [Deposit Account] 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. • [Transaction 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.
Physical handicap	<p>KGI Bank</p> <ul style="list-style-type: none"> • [Account Opening] Visually or physically challenged or illiterate customers that are unable to sign the account opening application form may use a personal seal to substitute for signature with the endorsement of a witness. In the case that customers choose to use a fingerprint, cross or other signs as the substitute for signature, the endorsement of two witnesses are required. Witnesses can be friends or relatives of the customer, social welfare staffers or different bank clerks. • [Transaction 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. • [Accessible Environment] 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, in response to the aging society, all 54 branches in Taiwan have set up service counters with seats to provide customer-seated services and create a friendly environment for clients.

Group	Inclusive facilities and policies																							
Physical handicap	China Life Insurance																							
	<ul style="list-style-type: none">• [Special Service Counter] 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.• [On-site Service] 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. When applying for claims, customers can choose to have money transferred to 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 that they have 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 set up or in place at its operations across Taiwan as follows:																							
	<table><tr><th>Number of operations (%)</th><th>Built by KGI Securities</th><th>Provided by lessor</th><th>Total</th></tr><tr><td>Barrier-free ramps</td><td>2 (3%)</td><td>34 (47%)</td><td>36 (50%)</td></tr><tr><td>Barrier-free toilets</td><td>6 (8%)</td><td>22 (31%)</td><td>28 (39%)</td></tr><tr><td>Barrier-free parking spaces</td><td>3 (4%)</td><td>9 (13%)</td><td>12 (17%)</td></tr><tr><td>Barrier-free elevators</td><td>5 (7%)</td><td>28 (39%)</td><td>33 (46%)</td></tr><tr><td>Lower service counters</td><td>59 (82%)</td><td>--</td><td>59 (82%)</td></tr></table>	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	59 (82%)	--
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Lower service counters	59 (82%)	--	59 (82%)																					

3.4.4 Customer Recognition

To implement the corporate culture of caring customers "Just For You," CDF values the feedbacks from the customers. 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 silver medal, an improvement from bronze medal in 2019, in the "Best Service in Taiwan 2020" 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, as well as calling the hotlines and feedbacks, Commercial Times evaluated the banks of 18 financial holding companies using dozens of indicators, cross-referencing, and KGI Bank's customer service quality came out top among domestic banks.

Customer satisfaction survey

KGI Bank

For a better understanding of clients' satisfaction with products and services, which we can use as a reference to improve services and procedures, in 2020, 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 24,000 responses were received with an average overall satisfaction rating of 98.85%.

Survey by phone

Year	2017	2018	2019	2020
No. of survey	54,000	57,000	45,000	9,000
Satisfaction ratio (%)	99.77%	99.79%	99.87%	99.79%

Survey by email

Year	2017	2018	2019	2020
No. of survey	2,300	5,800	5,200	15,000
Satisfaction ratio (%)	93.14%	93.67%	96.13%	98.29%

Survey (Total)

Year	2017	2018	2019	2020	2020 Goal
No. of survey	56,000	63,000	50,000	24,000	-
Satisfaction ratio (%)	99.50%	99.22%	99.48%	98.85%	95%

Note 1: Reasons for the decrease in the number of completed questionnaires in 2020:

- (1) Changed part of the customer groups from calls to the email questionnaire
- (2) The original phone calling customers changed from rating in voice system to email questionnaire.

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

In 2020, KGI Bank optimized/added more than 150 online/mobile banking functions, including accessible mobile banking services, wire transfers to non-designated accounts on accessible online/mobile banking, wire transfers using phone numbers, online wealth management services, and exchange of cash reward points. These functions can satisfy customers' convenience and experience in all functions of inquiry, transaction, and reconciliation. Results of financial digitization satisfaction survey as follows:

Online & mobile customer satisfaction survey result

Year	2017	2018	2019	2020
No. of survey	756	1,053	1,026	1,189
Satisfaction ratio (%)	84.13%	90.60%	92.20%	93.36%

China Life Insurance

Counter service satisfaction survey:

China Life Insurance conducts the customer satisfaction survey to understand customers' satisfaction with counter services, which can be used as a reference for the improvement of 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% of cases at care counters.

Phone service satisfaction survey:

China Life Insurance continues to conduct the customer satisfaction survey to understand customers' satisfaction with phone services, including online problem-solving and overall performance, which can be used as a reference for the improvement of services. In 2020, the customer satisfaction rate averaged at least 4 out of 5 in 99.16% of phone service cases.

	2017	2018	2019	2020
Counter service satisfaction survey - general service counters	99.9%	99.9%	99.9%	99.9%
Counter service satisfaction survey - care counters	100%	100%	100%	100%
Phone service satisfaction survey	96%	100%	100%	99.16%

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

KGI Securities

Customer Satisfaction

In 2020, 29,387 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 23,674 (about 79.3%) completed the questionnaire, among which 97.4% were satisfied (4 out of 5) and very satisfied (5 out of 5).

In 2020, the completion rate of the questionnaire should be 75% or more (the average number of incoming calls per day for the 080 was 300 to 400, and the completion rate was more than 75%). In 2020, the average number of incoming calls per day for the 080 was 316 with the rate of 79.3%, meeting with the annual goal.

Year	2017	2018	2019	2020
Number of clients requested	31,538	25,768	28,562	29,837
No. of survey	26,127	19,871	22,533	23,674
Questionnaire completion rate	82.84%	77.12%	78.89%	79.3%
Number of respondents satisfied and very satisfied	25,524	19,423	22,039	23,058
Satisfaction ratio (%)	97.70%	97.75%	97.81%	97.4%

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

Digital magazine satisfaction survey

In 2020, KGI Securities conducted the semiannual customer satisfaction survey of K-LOHAS, a digital investment magazine, and received 824 valid questionnaires online, with 77% of the readers satisfied (4 out of 5) and very satisfied (5 out of 5). Among them, the advanced stock market practice (18.6%) was the most popular among readers, financial concepts and practices (16.8%), stock selection techniques (16.6%), ETF & fund introduction (16.0%), industry and technology trends (15.4%), financial current affairs (11.8%) and general observations (4.8%), diversified financial themes had entered the reading preferences of different needs.

Persistency Ratio and Claims Appeal Rate

	2020	Business unit
Persistency ratio	13 months: 98.8% 25 months: 97.8%	%
Claims appeal rate (Number of claims appeals/Total number of claims)	0.2108 ‰	‰

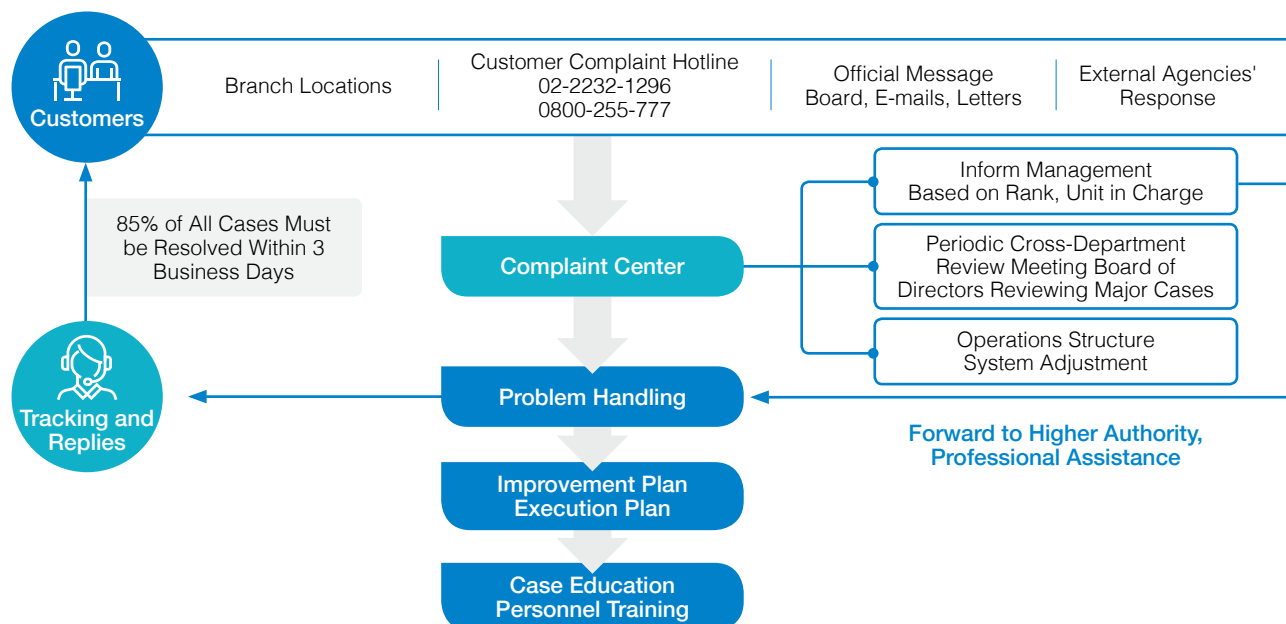
Customer complaint handling and operation

Multiple notification channels and handling procedures

KGI Bank has established the comprehensive "Guidelines for Handling Consumer Complaints and Disputes" and the Customer Complaint Resolution Process (CCRP) platform to record and analyze the category, content, cause, handling procedure, processing time, and corrective actions of all customer suggestions. In addition to 53 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.

Customers can express opinions to the company over the counter, telephone, internet, mail, or email.

Multiple notification channels and high standards of handling efficiency



KGI Securities established "Guidelines for Handling Consumer Complaints and Disputes" and Customer Complaint Resolution Process. After accepting customers' opinions, the customer service center records and analyzes the complaints in detail and immediately reports to the manager on the same day, and informs the customers of the handling results within three to five days. If the complaints are about service attitudes, operating procedures, and systems, the responsible units are required to propose corrective measures to ensure that the problems are effectively solved. After customers receive phone service, the customer service center will randomly request the customers to give satisfaction ratings, which can be used as a reference for the improvement of services. The customer service center also holds awareness training on a regular basis to optimize customer service. 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 have doubts or refuse to accept, we will reexamine the cases to see if they are handled appropriately and make every effort to seek reasonable solutions, so that the disputes can be closed in harmony.

KGI Securities has a button, "Customer Service Center," set up on the company 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 needs of our products and services and address their problems in an efficient manner.

Results of Customer Complaint Handling

In 2020, KGI Bank received 235 complaints from clients, 92% of which were handled within three business days, exceeding the set target of 85%. The other 44 complaints were mainly related to issues of service attitude and proficiency, and operational processes and systems. A total of 45 improvements have been made to effectively resolve the issues and thus improved customer service.

Customer complaint statistics and analysis

Customer complaint statistics and analysis	2018	2019	2020
No. of complaints (KGI Bank)	218	209	235
Percentage of cases resolved within 3 days	90%	91%	92%

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

Type of improvements made	2018	2019	2020
Education and training / sampling / case advocacy	42	39	28
Current workflow adjustment	9	9	9
Improvement of enhancement of system functionality	3	12	5
Adjustment of official website / voice mail / text message	5	2	2
Adjustment of the operative manual / education training materials	1	2	1
Adjustment of the form style or notification content	2	2	-
Testing or replacement of machine / ATM	2	1	-
Adjustment of manpower	-	-	-
Total improvements made	64	67	45

In order to improve the efficiency and quality of handling customer complaints and disputes, and protect the rights and interests of customers, KGI Securities has collected 111 customer complaints and disputes received in 2020. Most of the cases was closed and properly handled. The remaining cases got no further requests from customers after receiving the reply from the Company.

Service Quality Improvement

KGI Bank conducts mystery visits every half year. In 2020, KGI Bank conducted mystery visit twice (in 1H and 2H), visiting 53 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 2020, 81% in-coming 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 12 for credit card, 3 for loan, 5 for the Flexible Card, 2 for deposit/ wealth management, and 8 for general procedures, for a total of 30 rules have been amended. In response to exceptions, KGI Bank also planned to unblock the return mechanism to respond to various service site conditions immediately.



04 / Elite Talent Development



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

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

Key Focus and Target

Strategy	2020 Goal	2020 Performance	Short-term goals 2021	Mid-term goals 2022~ 2023	Long-term goals 2023~ 2025
Promote talent recruitment and retention	<ul style="list-style-type: none"> Conduct an employee satisfaction survey Increase employees' participation in 360 degree feedback by 10% Enhance employee development and training Make a long-term incentive plan for employees Provide more employee benefits better than statutory requirements Introduce ISO 45001 occupational health and safety management system certification Remain the constituent stock of TWSE RAFI® Taiwan High Compensation 100 Index 	<ul style="list-style-type: none"> KGI Bank achieved 95% in the employee engagement survey; CDF achieved 69% participation in the organizational assessment questionnaire (OAQ) China Life Insurance arranged actuarial managers and employees to attend a 16-week artificial intelligence workshop to learn about AI China Life Insurance organized English training courses for middle to senior managers to improve their business communication skills China Life Insurance designed Sales and After-sales Service MA programs to cultivate sales representatives More than 30% of the employees participated in multidimensional performance evaluations Offered a up to NT\$20,000 maternity allowance per child KGI Securities introduced ISO 45001 occupational health and safety management system certification Remain the constituent stock of TWSE RAFI® Taiwan High Compensation 100 Index 	<ul style="list-style-type: none"> Remain the constituent stock of TWSE RAFI® Taiwan High Compensation 100 Index Continue to provide more employee benefits better than statutory requirements 	<ul style="list-style-type: none"> Continue employee satisfaction surveys and improve employee satisfaction Achieve 100% scope of ISO 45001 occupational health and safety management system certification 	Make a long-term plan for talent attraction and retention
Optimize human rights management	<ul style="list-style-type: none"> Establish a thorough process for human rights risk assessment and management Increase employees' participation in education and training on human rights issues by 70% 	<ul style="list-style-type: none"> Increased the coverage of human rights risk assessment survey by 10% Achieved 92% participation in education and training on human rights issues 	Increase the coverage of human rights risks identification survey by 20% or more	<ul style="list-style-type: none"> Continuously enhance the identification of human rights risks Increase the coverage of human rights risks identification survey by 10% 	Draw up preventive and remedial measures and adaptation plans for human rights risks

4.1 Workforce Diversity

As end of 2020, there were 13,019 full-time employees and 8,991 part-time employees and contract employees. CDF mainly operates in Taiwan, with a local employment rate of 99.8%. In each location where we operate, we hire local employees first. The local employment rate outside Taiwan is 94.8%. We attach great importance to diversity and equality in our workplace. As end of 2020, female employees accounted for 63.1% of total employees. Among managers in CDF, females constituted 39.8%, and among business executives, 64%; 78 indigenous employees accounted for 0.6% of total employees, and 115 physically or mentally challenged employees accounted for 0.9% of total employees.

Type/Region of employment		Female		Male		Total	
		Employees	Percentage (%)	Employees	Percentage (%)	Employees	Percentage (%)
Full-time employee	Taiwan	7,939	61.0	4,504	34.6	12,443	95.6
	Overseas	272	2.1	304	2.3	576	4.4
	Total	8,211	63.1	4,808	36.9	13,019	100.0
Part-time and contract employees	Taiwan	5,430	60.4	3,010	33.5	8,440	93.9
	Overseas	158	1.8	393	4.3	551	6.1
	Overseas	5,588	62.2	3,403	37.8	8,991	100.0

Indicator of diversity	Percentage	Target percentage of female employees
Ratio of female employees to all employees	63.1%	60%
Ratio of female managers to all managers	39.8%	40%
Ratio of female grassroots managers to all managers	43.3%	50%
Ratio of female senior managers to all managers	33.3%	35%
Ratio of female business executives to all managers (excluding administrative functions such as HR, IT, and legal)	64%	60%
Ratio of female employees in STEM positions to all employees	33.2%	33.4%(1/3)

Type of race/ethnicity	Ratio of employees of this ethnicity to all employees	Ratio of managers of this ethnicity to all managers
Indigenous peoples	0.6%	0.0%
Asians: Taiwanese nationality	99.3%	99.7%
Whites	0.1%	0.3%

Type of full-time employees		Non-managerial positions	Managerial positions		Total	Ratio to all employees
			General managers	Senior managers		
30 & under	Female	945	0	0	945	13.1%
	Male	766	0	0	766	
	Total	1,711	0	0	1,711	
31~49 years old	Female	5,221	60	4	5,285	63.3%
	Male	2,865	81	11	2,957	
	Total	8,086	141	15	8,242	
50 years old & above	Female	1,904	48	29	1,981	23.6%
	Male	964	62	59	1,085	
	Total	2,868	110	88	3,066	
Total	Female	8,070	108	33	8,211	100%
	Male	4,595	143	70	4,808	
	Total	12,665	251	103	13,019	

Definition of senior managers: 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 2,000 questionnaires were circulated and retrieved to determine risk level relating to potential human rights abuses in CDF's workplace. Human-rights issues included ban on child labor and forced labor, freedom of association, non-discrimination in employment, and inclusiveness and equality in the workplace. The questionnaire was distributed to employees, female employees, indigenous employees, and temporary workers to assess risk level relating to potential human rights abuses in CDF's workplace. The coverage of the questionnaire was 16.3%. Human-rights issues with medium to low risk and extremely low risk were identified, which included extended working hours, labor disputes, grievance channels, and inclusive workplace. Attaching great importance to these human rights issues, we have taken measures immediately to mitigate the risk of this issue so that our employees can achieve a work-life balance. In 2020, our employees received a total of 64,497 hours of education and training on human rights related issues, with a 92% participation rate. Among them, the total number of hours of courses on the prevention of workplace harassment and discrimination reached 24,367.5 hours, and the participation rate even reached 95%. 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 2020. For information on labor inspections and punishments in relation to our subsidiaries, please refer to the Annual Report.

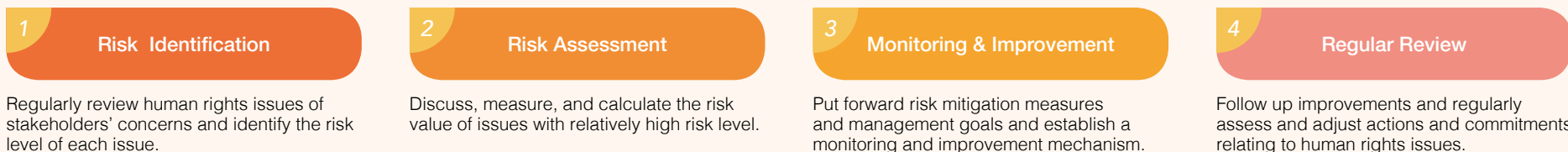
CDF Human Rights Commitment

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:



Human Rights Commitment

Assessment of Risks Relating to Human Rights



Assessment Result of Risks Relating to Human Rights in 2020

According to the 2020 risk assessment results relating to human rights, there was a clear risk of employees' work-life balance. CDF has taken necessary measures to mitigate this risk, including communicating the importance of work-life balance to all employees, reviewing the workload of departments working overtime, and adjusting the workload or adding manpower or hardware efficiency; the aforesaid mitigative measures were taken in 12 business premises (with the headquarters and a branch or subsidiary being one premise separately).

Recipients	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	2.65% Low risk	<ol style="list-style-type: none"> Promote the work-life balance and set the limit of total extended working hours per day/month Urge departments with higher extended working hours to implement improvement plans Offer a health examination plan that is better than legal requirements and engage or contract professional nurses to provide healthcare consulting services

CDF assesses risks using a 5-point scale, with 1 being low risk, 2, slightly lower risk, 3, medium risk, 4, slightly higher risk, and 5, high risk.

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

Issue	Measures	Category	A	B	C	
			% of total assessed in last three years in terms of human rights	(A)% of total assessed (Column A) where risks have been identified	(B) % of risk (Column B) with mitigation measures taken	Business unit
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	Employees				
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					
Inclusiveness and equality in the workplace	1. Continue to increase the employment of people with disabilities 2. Continue to perfect the employee-friendly workplace		100%	2.65%	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. To keep the workplace safe and healthy and away from occupational injuries and diseases, we have introduced ISO 45001:2018 Occupational Safety and Health Management System. KGI Securities passed the ISO 45001:2018 certification this year.

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 	
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 	
Occupational disaster prevention and environmental monitoring	<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: China Life Insurance has a permanent Occupational Safety and Health Committee in place, which has 1 chairperson and 7 regular members. Of these, 4 are labor representatives, accounting for 50% of total membership. The Committee meets quarterly to review safety and health policies and make suitable recommendations and proposals.

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)



Measures for Employee Health and Workplace Safety

1

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

2

Health Management

- Contract physicians better than legal requirements to provide health consultation services on a regular basis; organize seminars (45 sessions in 2020) to help our employees release stress
- Arrange professional counseling institutions to help our employees release stress
- Publicize tobacco hazards prevention periodically to implement a smoke-free work environment
- Hold cancer screening and blood donation activities; provide flu vaccines for employees (110 employees vaccinated in 2020)

3

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; both KGI Bank and KGI Securities have an infirmary in place.

4

Assessment of Workplace Hazards

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

5

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 2 fire alarm drills and evacuation drills every year as required by law
- Actively 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 107 anti-robbery drills in 2020.

6

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 3,097 employees receiving massage services in 2020.

Measures for Employee Health and Workplace Safety

7

Workplace Facilities and Activities

- Organize company activities such as racewalking and competitions
- 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 52 in total)
- Operate an employee canteen 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
- CDIB Capital Group, KGI Securities, and China Life Insurance receive the "Healthy Workplace" certification from 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	2018	2019	2020
Total sessions	45	162	117
Total training hours	5,706	39,825	16,288
Participants	4,707	12,468	14,598
Participation ratio	98%	99%	99%

Note 1: Employees are required to take 3 hours of occupational safety related courses every three years; 4,809 employees were scheduled to be trained in 2018, 12,594 employees in 2019, and 14,408 employees in 2020.

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.

Absentee rate

	2017	2018	2019	2020
Total days of absence	7,538.5	10,571	19,690	17,607
Total work days	1,690,864	1,683,738	3,152,091	3,254,750
Absence rate	0.45%	0.63%	0.62%	0.54%
Coverage (percentage of employees)	100%	100%	100%	100%

Note 1: Absent days in 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 since 2018 have included days of absence owing to sickness, for personal reasons, due to occupation-related injuries, menstrual period, and family care.

8

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.

Occupational Injury Rate

	Female	Male	Total
Total occupational injuries (people)	30	15	45
Total lost days of occupational injuries	397	141	538
Occupational injury rate (%)	1.66%	0.83%	2.49%
Lost day rate (%)	21.95%	10.97%	32.92%
Number of absentees	3,576	1,380	4,956
Days of absence	12,571	5,036	17,607
Absentee rate (%)	0.61%	0.42%	0.54%

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.	15%
	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.	85%

In 2020, CDF had 3,592 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% in 2020.

		Female	Male	Total	%
30 & under	Taiwan	804	746	1,550	43.7%
	Overseas	11	9	20	
31~49 years old	Taiwan	1,059	691	1,750	49.9%
	Overseas	15	28	43	
50 years old & above	Taiwan	149	77	226	6.4%
	Overseas	0	3	3	
Total		2,038	1,554	3,592	100%
%		56.7%	43.3%	100%	100%

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

	2017	2018	2019	2020
Number of new employees hired	1,020	1,036	2,717	3,592
Number of internal job openings	-	261	693	904
Number of job openings filled by internal candidates (internal mobility)	-	61	223	322
Percentage of job openings filled by internal candidates	-	23.4%	32.2%	35.6%
Average hiring cost of new employees	5,690	4,200	7,533	9,231

Description Data of China Life Insurance were included in 2019; therefore, the figures before 2018 (inclusive) did not contain data of China Life Insurance. No information on internal job openings was available in 2017.

Data Breakdown of total employee turnover rate

		Female	Male	Total	%
30 & under	Taiwan	134	119	253	24.7%
	Overseas	21	15	36	
31~49 years old	Taiwan	381	279	660	62.6%
	Overseas	30	44	74	
50 years old & above	Taiwan	67	63	130	12.7%
	Overseas	4	15	19	
Total		637	535	1,172	100%
%		54.4%	45.6%	100%	100%

The turnover rate of employees was 9% in 2020. The turnover rate of voluntarily separated employees was 7.8% in 2020.

Business-academia Collaboration

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF	NCCU : Course on Mergers and Acquisitions - Mentor	<ol style="list-style-type: none"> 1. CDF served as a mentor of the "NCCU: Course on Mergers and Acquisitions," assisting students in formulating reports and proposals and sharing the process of actual M&As and negotiations. 2. CDF served as a judge in the final presentation, providing analyses and opinions on the plans of M&As proposed by each group. 	Students of College of Law and College of Commerce, National Chengchi University	50 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	48.3%
Formal comparative ranking	100%

Note: CDF and subsidiaries carry out multidimensional performance evaluations, including 270 degree and 360 degree review.

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.

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 2020, 428 veteran employees attended the event and received applause.

Employee Satisfaction/Engagement Survey

As the Group scales up its operations, we pay more attention to our employees' voices. In 2019, KGI Bank carried out the employee engagement survey for the first time. The survey covered three main aspects: organizational culture and employee engagement, mastery and balance of work, and teamwork and collaboration. A 6-point scale was used in the survey, and the defined standard was 4 points and above. KGI Bank scored 95% on the survey. In 2020, CDF expanded the scale of the survey and carried out the organizational assessment questionnaire (OAQ). About 69% of the employees participated in the OAQ, with the valid response rate of 93%. A 5-point scale was used in the survey (with 1 to 5 point(s) representing "strongly disagree," "disagree," "no comment," "agree," and "strongly agree," respectively). CDF scored 53% on the questionnaire; among the respondents, female and male employees scored 53% and 54% (rounded up), respectively, and managerial and non-managerial employees scored 51% and 54%, respectively. The survey helped CDF understand how employees recognized the company in terms of business objectives, process efficiency, teamwork, talent cultivation, and creative thinking, thus improving labor-management relations and employees' identification with the organization.

Respondent	CDF: 8,964 Percentage of the total regular employees: 69%	
Number (percentage) of valid responses	Male: 2,939 (35.2%), female: 5,407 (64.8%)	Number of valid responses: 8,346
	Managerial employees: 974 (11.7%), non-managerial employees: 7,372 (88.3%)	Percentage of valid responses: 93%
Result of employee engagement survey (percentage)	Male: 54%, female: 53%	Total: 53%
	Managerial employees: 51%, non-managerial employees: 54%	

Note: A 5-point scale was used in the survey, with 1 to 5 point(s) representing "strongly disagree," "disagree," "no comment," "agree," and "strongly agree," respectively. The survey result is presented by percentage, calculated by the sum of agree (4 points) and strongly agree (5 points) minus the sum of disagree (2 points) and strongly disagree (1 point).

	2017	2018	2019	2020
Result of employee engagement survey (%)	85	87	95	53
Coverage (% of employees)	73.1	73.1	19.5	69

Note: Figures in 2017 and 2018 indicated employee satisfaction with training.

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 89% in 2020. 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 2020

Average hours per employee of training and development	Required training	55.0	Average hours per employee of training and development		Male	Female	30 & under	31~49 years old	50 years old & above	Non-managerial positions	Managerial positions
	Optional training	20.9		Required training	53.3	56.0	109.3	48.7	41.9	50.1	89.7
	Total	75.9		Optional training	20.8	21.0	49.9	18.5	11.3	11.3	88.7
Average amount spent per employee on training and development	Required training	3,650	Average amount spent per employee on training and development	Total	74.1	77.0	159.2	67.2	53.2	61.4	178.4
	Optional training	5,014		Required training	1,788	1,862	577	1,813	1,260	1,565	2,085
	Total	8,664		Optional training	2,456	2,558	793	2,491	1,730	2,012	3,002
Coverage (percentage of employees)		100%		Total	4,244	4,420	1,370	4,304	2,990	3,577	5,087

Employee Development System



Employee Development Programs

Name	Description of Program Objective/Business Benefit	Quantitative Impact of Business Benefits (Monetary or Non-monetary)	Percentage of Employees Participating in the Program
Digital Transformation Training Program	<p>A. Program Description</p> <p>To strengthen talent transformation, we incorporated three-topic lessons designed by a famed international consultancy and that linked to our district offices. In 2020, we took the program further by drawing up five key initiatives (i.e., refining digital tools, rolling out creative incentives, upgrading training systems, consolidating supervisor guidance, and promoting sales account managers to sales assistant managers); in addition to making business operations digital and mobile, we aimed to achieve effective data management and customer service communication, augment the niche for recruitment, and improve the strength of our sales team. The program was carried out in line with the four business strategies, namely, product transformation, competition, digital tools, and after-sales service, to achieve the organizational development and transformation.</p> <p>B. Program Objective/Business Benefit</p> <p>Digital strategy & leadership: Actuarial managers and employees attended training held by Taiwan AI Academy to learn the operation, limitations, and future development of artificial intelligence in the actuarial practices.</p> <ul style="list-style-type: none"> Management Ambassador: Development of crucial management knowledge and skills for improved training and supervisory skills, reduced labor cost, and increased productivity, which will propel business performance; Employee Recruitment Expert: Familiarity with employee recruitment systems and key practical techniques will save on recruitment cost, bringing new vitality to the organization; Marketing Soldiers: Robust sales and marketing as well as product knowledge and capacity will strengthen the product marketing skill and improve sales performance. 	<p>Since the launch in 2018, the program has yielded fruitfully in the following aspects as of the end of 2020:</p> <ol style="list-style-type: none"> 1. Expansion of sales team: The number of newly registered sales representatives has increased for three consecutive years. As of December 2020, our sales team was the fifth largest by number in the industry. 2. Corporate rejuvenation: Digital transformation energizes younger staff. The average age of new sales representatives was down by 1 year to around 32 in 2020. 3. Average salary: The monthly salary of newcomers from the elite project was up to NT\$50,000. 4. Retention rate of new sales representatives: The 13th month retention rate was nearly 80%, the highest in the industry. 5. Promotion rate: In the past two years, 63% of the newcomers in the MA program were promoted to supervisors. 6. Digitization: Various digital tools were introduced and optimized, with the utilization rate of i-Agent reaching 90%. 	<p>The program continued to improve and extend to more employees, with 80% of business executives partaking in 2020.</p>
English Training Program	<p>A. Program Description</p> <p>In 2020, English training courses were organized with full subsidies and rewards. CDF organized training courses for middle to senior managers to improve their oral business communication skills and general employees to learn English independently and improve their English proficiency. Managers and employees also took TOEIC exams before and after training to examine whether they achieved their learning objectives.</p> <p>94 hours of different types of courses were arranged for different levels of participants, including live online courses, Facebook social media courses, workshops and subsidization for TOEIC exams.</p> <p>B. Program Objective/Business Benefit</p> <p>Train middle to senior managers and employees to learn English independently and improve their English proficiency; encourage employees to set the goals to learn English so that they can speak English with confidence and better communicate with customers about their needs.</p> <ul style="list-style-type: none"> Improve the ability to innovate and render services Keep abreast of international trends and industrial developments and introduce products that meet customer needs Improve expertise and customer service communication 	<ul style="list-style-type: none"> TOEIC exams: 68% of the employees improved in the second exam, and 33% improved by more than 50 points. Performance of middle to senior managers Oral business communication: 30% of the managers improved after training. The overall satisfaction score of the English training courses participants was 4.45 (on a 5-point scale), and the total cost was NT\$677,100. 	<ul style="list-style-type: none"> Trained managers accounted for 10% of all department heads and above. Trained employees accounted for 5% of all section heads and below.

Name	Description of Program Objective/Business Benefit	Quantitative Impact of Business Benefits (Monetary or Non-monetary)	Percentage of Employees Participating in the Program
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.	<ul style="list-style-type: none"> In 2020, 22 MAs were recruited and trained for 3,168 hours. This program is an important source of digital finance and FinTech talents 	1.7% of all new employees in 2020
Sales MA Program	In 2020, the Sales MA Program was launched to recruit outstanding freshmen with potential. Through lectures, hands-on practices, and job rotations, admitted freshmen were trained to quickly familiarize themselves with the characteristics and operations of the insurance industry and become top sales representatives. The 4.5 month program guided the freshmen through sales planning and life insurance operations. After 4.5-month training, they were assigned to one of the departments for advanced development.	A total of 8 graduates of risk management, insurance, business administration, and STEM from national universities or private universities with high rankings or freshmen with less than 2 years of work experience were admitted.	8 MAs were employed. (8/439=1.82%)
Freshman Recruitment Program for After-sales Service	In 2020, the Freshman Recruitment Program was jointly held to recruit outstanding freshmen with potential for after-sales service. A total of 10~15 freshmen were admitted to various functions ranging over insurance policies, insurance service, premiums, claims, and customer service centers. Based on their educational background and willingness, admitted freshmen were assigned to appropriate functions. Upon arriving at their posts, they were arranged to attend orientation training on after-sales service; after they were assigned to departments for advanced development, senior employees or managers were tasked to give personal guidance to them.	In 2020, 15 freshmen were admitted, and 13 of them passed the probation and were retained.	15 MAs were employed. (15/439=3.42%)

Evaluation of Employee Training Results

In 2020, we started to introduce the Kirkpatrick Model step by step to evaluate the results of employee development programs and disclose the human capital return on investment.

Evaluation Level	Evaluation Criterion	Evaluation Method	2020 Evaluation Result
L4 Result (L4)	Employees' substantial contribution to CDF	Actual training results	Human capital return on investment: 12.21
L3 Behavior (L3)	Employees' change of behavior at work	Hands-on practice/performance evaluation/360 degree feedback	The 360 degree feedback score increased from 4.23 to 4.29 on average.
L2 Learning (L2)	Employees' skill/knowledge/attitude performance	Test/evaluation results	Passing rate of required courses: 100% The compliance test score averaged 90.
L1 Reaction (L1)	Employees' satisfaction with training	Satisfaction surveys	Average satisfaction rate: 89%

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

	2016	2017	2018	2019	2020
Human capital ROI	1.69	5.61	15.85	13.80	12.21

HC ROI: (Net income - (Operating expenses - Employee benefits expenses)) / Employee benefits expenses.
Note: Data of China Life Insurance have been included from 2018.

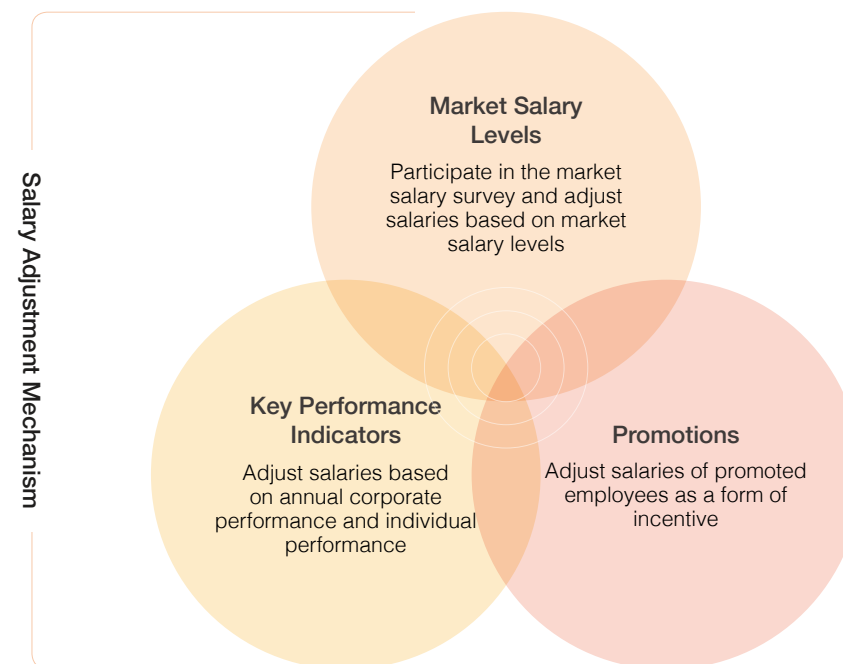
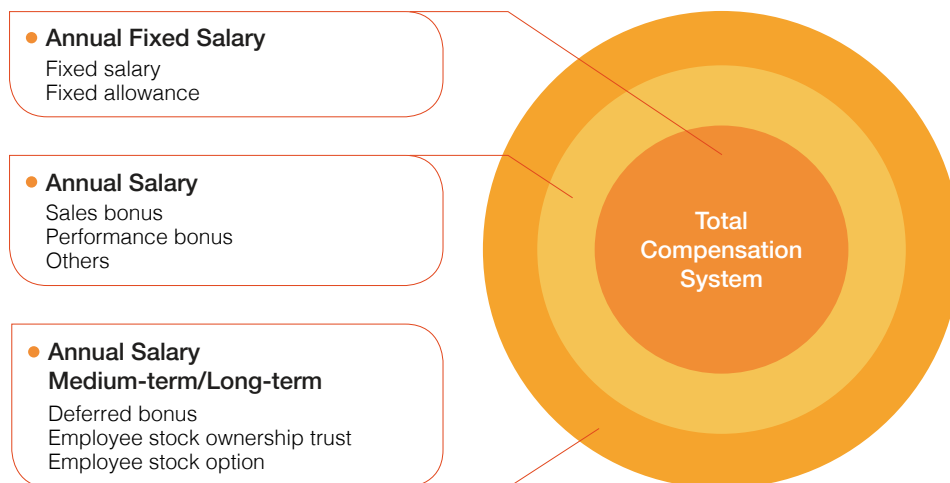
4.4 Employee Wellbeing

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 2020, the wage adjustment at CDF averaged 3%, and that for employees with outstanding performances could range between 5% and 10% or more.



In 2020, we had 7,194 non-managerial full-time employees, an increase of 2.3% YoY, with their salaries averaging NT\$1,268 thousand, a 13.4% increase YoY, the median amounting to NT\$1,026 thousand, a 11.9% increase YoY. The coverage of equal pay for equal work was 100%.

Employee Level (Domestic)	Female (average salary)	Male (average salary)	Ratio (%)
Senior Manager (base salary)	4,444,435	3,900,501	113.9
Senior Manager (base salary + cash bonuses)	15,226,657	10,734,763	141.8
General Manager (base salary)	1,505,619	1,555,853	96.8
General Manager (base salary + cash bonuses)	3,645,327	3,763,616	96.9
Non-management level	1,319,189	1,578,871	83.6

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. Since 2019, we have offered substantial maternity allowances, more flexible work arrangements, and childcare service rendered by third-party partners. From 2020 onwards, we will continue extending more maternity benefits, including maternity leave and paternity leave better than the statutory requirements, to help improve the declining birth rate.

Employee Caring and Health Care Projects

Flexible working hours: CDF provides flexible working hours (a 30-minute grace period after/before the scheduled clock-in/clock-out time) 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.

Allowances for COVID-19 vaccinations: In response to the COVID-19 pandemic, allowances are granted to employees who have been vaccinated at their own expense with the COVID-19 vaccine provided by the government.

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	2019			2020		
	Female	Male	Total	Female	Male	Total
Number of eligible applicants in 2020	133	113	246	111	46	157
Number of actual applicants in 2020	48	13	61	103	16	119
Number of expected reinstatements in 2020	64	14	78	86	24	110
Number of actual reinstatements in 2020	47	11	58	65	17	82
2020 Reinstatement rate (%)	73.4	78.6	74.4	75.6	70.8	74.5
Reinstatement rate of the previous year (%)	77.1	37.5	71.4	93.3	75.0	89.9

Note 1: Eligible applicants in 2020 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 = 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).

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 Plan

- CDF and its subsidiaries in Taiwan contribute 6% of monthly salary to employees' personal pension accounts as required by the Labor Pension Act. In 2020 and 2019, total pension reserves amounted to NT\$635,366 thousand and NT\$615,934 thousand, respectively.
- Overseas subsidiaries make contributions according to local regulations. In 2020 and 2019, total pension reserves were NT\$2,716 thousand and NT\$8,064 thousand, respectively.

Defined Benefit Plan

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.

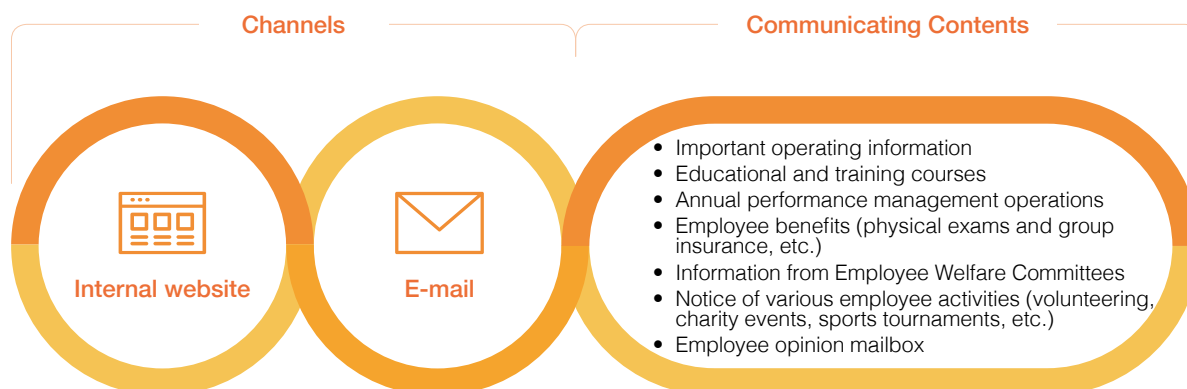
	2019	2020
Present value of defined benefit obligation	3,169,236	3,379,741
Fair value of employee benefit plan assets	(2,126,435)	(2,168,700)
Net defined benefit liabilities	1,042,801	1,211,041

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 2020, there were 26 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 2020, employees participating in the labor union or covered by the collective bargaining agreement accounted for 30.8% 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 2020, no employee complaints were lodged, and there were no complaints about discrimination or harassment within the organization.



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 continually for more than three months but less than one year.

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

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



05 / Low-Carbon Economy



CDF strains after a sustainable 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. Since 2019, CDF and China Life Insurance have joined forces to build a low-carbon economy to fulfill our corporate social responsibilities.

Low-Carbon Economy Strategies and Goals

Implement low-carbon operations management

2020 Goal	2020 Performance		
<ul style="list-style-type: none">Continue improving energy efficiency, with 2016 as the base year<ol style="list-style-type: none">Reduce greenhouse gas (GHG) emissions by 2.5%Save electricity by 2.5%Cut water use by 2%Expand the ISO scope to 65% and aboveContinue expanding the coverage of waste data	<ul style="list-style-type: none">Results of energy efficiency measures vs. 2016:<ol style="list-style-type: none">Reduced GHG emissions by 952.14 metric tons of CO₂e, or 105.3%^(Note 1), and reduced GHG emissions per capita by 0.26 metric ton of CO₂e, or 106.5%^(Note 1) vs. 2016Saved electricity by 69,000 kWh, or 103%^(Note 1), and saved electricity per capita by 346.50 kWh, or 104.1%^(Note 1) vs. 2016Reduced water consumption by 1.6% and per-capita water consumption by 6.4% vs. 2016Extended ISO 14064-1 GHG inventory to 53 branches of KGI Futures and KGI Bank in addition to 7 main office buildings, and achieved the unaudited coverage of ISO 14064-1 GHG inventory at 97.8%^(Note 3) and 75.5% with verification; obtained certification of ISO 14001 (Environmental Management System) and ISO 50001 (Energy Management System) in the annual follow-up review by an external organization (SGS) in October 2020Included Cheng Tung building in the waste inventory and expanded the coverage to 54.5% or more; reduced total waste and per-capita waste by 23.5% and 29.7% respectively vs. 2016		
Short-term goals 2021	Mid-term goals 2022~ 2023	Long-term goals 2023~ 2025	
<ul style="list-style-type: none">Annual energy efficiency goals vs. 2016:<ol style="list-style-type: none">Reduce greenhouse gas (GHG) emissions by 3%Save electricity by 3%Cut water use by 2%Continue expanding the ISO scopeRecycle more than 98% of wasteExpand the coverage of waste data to 75% and above	<ul style="list-style-type: none">Annual energy efficiency goals vs. 2016:<ol style="list-style-type: none">Reduce GHG emissions by 3%Save electricity by 3%Cut water use by 2%Continue expanding the ISO scopeRecycle more than 98% of wasteContinue expanding the coverage of waste dataComplete the low-carbon transformation route plan for achieving net-zero emissions from self- operations by 2030	<ul style="list-style-type: none">Continue improving the results of energy efficiency: GHG/electricity/ water use/waste recyclingContinue expanding the ISO scopeContinue expanding the coverage of waste dataMonitor and modify the route to net-zero emissions from self-operations by 2030	

Embrace renewable energy in response to climate change

2020 Goal

- Continue to purchase 50 renewable energy certificates
- Renewable energy-development plan for office buildings: Build solar panels on the roof of KGI Bank Beimen Branch in Tainan City

2020 Performance

- Obtained 34 biomass energy certificates, equivalent to 34,000 kWh of green power
- Completed the installation of solar panels at Beimen Branch, and received the audit report from the National Renewable Energy Certificate Center on March 26, 2021 to start generating green power

Short-term goals 2021

- Draw up medium- to long-term strategies for renewable energy management to gradually increase the annual use of green power
- Renewable energy-development plan for office buildings: Build solar panels at subsidiaries' office buildings

Mid-term goals 2022~ 2023

- Increase the ratio of green power to total electricity used year by year
- Renewable energy-development plan for office buildings: Build solar panels at subsidiaries' office buildings

Long-term goals 2023~ 2025

Further supplier sustainability management

2020 Goal

- Check on the records of environmental hazards or penalties for labor violations of new suppliers in addition to green marks and ISO certification
- Use CDF's influence over suppliers to sign the Supplier CSR Commitment Letter and organize awareness training to them
- Maintain the percentage of local suppliers at 80% and above
- Support green procurement, with 2019 as the base year, and increase the total amount of green procurement by 3%
- Incorporate "records of environmental hazards or penalties for labor violations" into the supplier self-assessment form
- Evaluate suppliers regularly and recognize those with an outstanding performance in CSR

2020 Performance

- Completed the assessment of 100% of the 102 new suppliers
- Partnered with 300 suppliers, including major suppliers with transaction amounts exceeding NT\$1 million and new suppliers, and had 100% of them sign the Supplier CSR Commitment Letter, and organized online awareness training to them as of March 31, 2021
- Maintained the percentage of local suppliers at and 84.56%
- Achieved green procurement amounting to NT\$188.55 million, a 43.8% increase from 2019, and received recognition of "green procurement plan for private enterprises and Groups" by the Environmental Protection Administration and Taipei City Government
- Added the environmental impact to the scope of the supplier evaluation in addition to human rights risk and CSR Self-assessment Form
- Conducted the annual supplier evaluation for 58 suppliers, with 10 graded A, 38 B, 9 C, 0 D, and 1 E; conducted self-assessment (1~5 points) for 105 suppliers (compared with 93 in 2019), with an average score of 4.42, to increase discrimination, and selected outstanding suppliers in recognition of their remarkable achievements as of March 31, 2021

Short-term goals 2021

- Use CDF's influence over suppliers to sign the Supplier CSR Commitment Letter and organize awareness training to them
- Continue incorporating "human rights and environmental sustainability issues" into the supplier evaluation
- Increase the amount of green procurement and maintain the percentage of local suppliers at and above 80%
- Support green procurement and participate in government-led green procurement projects
- Conduct supplier evaluations and supplier self-assessments and recognize suppliers with outstanding performances in CSR on a regular basis

Mid-term goals 2022~ 2023

- Continue including more suppliers in the supplier evaluations and supplier self-assessments to strengthen their management capacity
- Have 100% of major suppliers sign the Supplier CSR Commitment Letter and organize awareness training to them
- Increase the amount of green procurement and maintain the percentage of local suppliers at and above 80%
- Support green procurement and participate in government-led green procurement projects
- Evaluate suppliers regularly and recognize those with an outstanding performance in CSR
- Gradually expand the scope of supplier management and GHG inventories

Long-term goals 2023~ 2025

- Have 100% of major suppliers sign the Supplier CSR Commitment Letter and organize awareness training to them
- Increase the amount of green procurement and maintain the percentage of local suppliers at and above 80%
- Support green procurement and participate in government-led green procurement projects
- Evaluate suppliers regularly and recognize those with an outstanding performance in CSR
- Plan to set up a group procurement platform, allowing all entities within the Group to partner with outstanding suppliers and be aware of those on the watch list and on the blacklist
- Plan to set up a group procurement platform and offer a choice of green mark-certified products to employees

Implement carbon-reduction initiatives

2020 Goal	2020 Performance	
<ul style="list-style-type: none">• KGI Bank continues to promote the "Green Life" credit-card reward plan as an advocate of eco-friendly daily necessities• Continue to promote the "e-statements" offers to increase the usage rate of electronic credit card statements to 32%• Continue to implement carbon-reduction initiatives for employees to conserve energy and cultivate a healthy lifestyle	<ul style="list-style-type: none">• Had 1.4% of the total credit-card rewards come from the "Green Life" credit-card reward plan• Achieved a 38% electronic bill adoption rate• Organized "KGI Walker 2021" walkathon, with the total number of steps exceeding 220 million, equivalent to a walking distance of 134,764 km and 3.4 times circumnavigation, and reduced carbon emissions by 191 metric tons or more	
<h3>Short-term goals 2021</h3> <ul style="list-style-type: none">• Plan to launch an e-passbook• Continue to promote the "e-statements" offers to increase the usage rate of electronic credit card statements to 40%• Organize a walkathon for KGI Bank employees and encourage employees to reduce GHG emissions by walking instead of using elevators and vehicles• Encourage employees to reduce GHG emissions by walking instead of using elevators and vehicles• Promote low carbon footprint diet - No Red Meat Today monthly initiative	<h3>Mid-term goals 2022~ 2023</h3> <ul style="list-style-type: none">• Continue to promote the "e-statements" offers to increase the usage rate of electronic credit card statements to 43%• Organize a walkathon for KGI Bank, CDF, CDIB Capital Group, and KGI Securities• Promote low carbon footprint diet - No Red Meat for Two Days monthly initiative• Encourage employees to reduce GHG emissions by walking instead of using elevators and vehicles• Have each department review the operating procedures and switch to electronic files to cut down on one-time paper consumption• Plan to expand the scope of paperless processes	<h3>Long-term goals 2023~ 2025</h3> <ul style="list-style-type: none">• Continue to promote the "e-statements" offers to increase the usage rate of electronic credit card statements to 45%• Organize a walkathon for KGI Bank, CDF, CDIB Capital Group, and KGI Securities• Promote low carbon footprint diet - No Red Meat for Three Days monthly initiative• Encourage employees to reduce GHG emissions by walking instead of using elevators and vehicles• Have each department review the operating procedures and switch to electronic files to cut down on one-time paper consumption• Plan to expand the scope of paperless processes

Note 1: Given the change in the scope of data, the GHG emissions and energy management targets in 2020 were estimated at a 2.5% reduction from the coverage and targets in 2016 (2020 targets = (Total data in 2016 / Data coverage in 2016) x 97.5% (expected reduction of 2.5%) x 97.8% (Data coverage in 2020)).

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 Dept. every month. Domestic coverage was 100%.

Note 3: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82%. The above data included the data of China Life Insurance since 2016.



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 2020, CDF continued to implement the GHG reduction plan in line with the government's environmental policy. With a focus on environmental sustainability, we made every effort to fulfill the Group's environmental commitment.

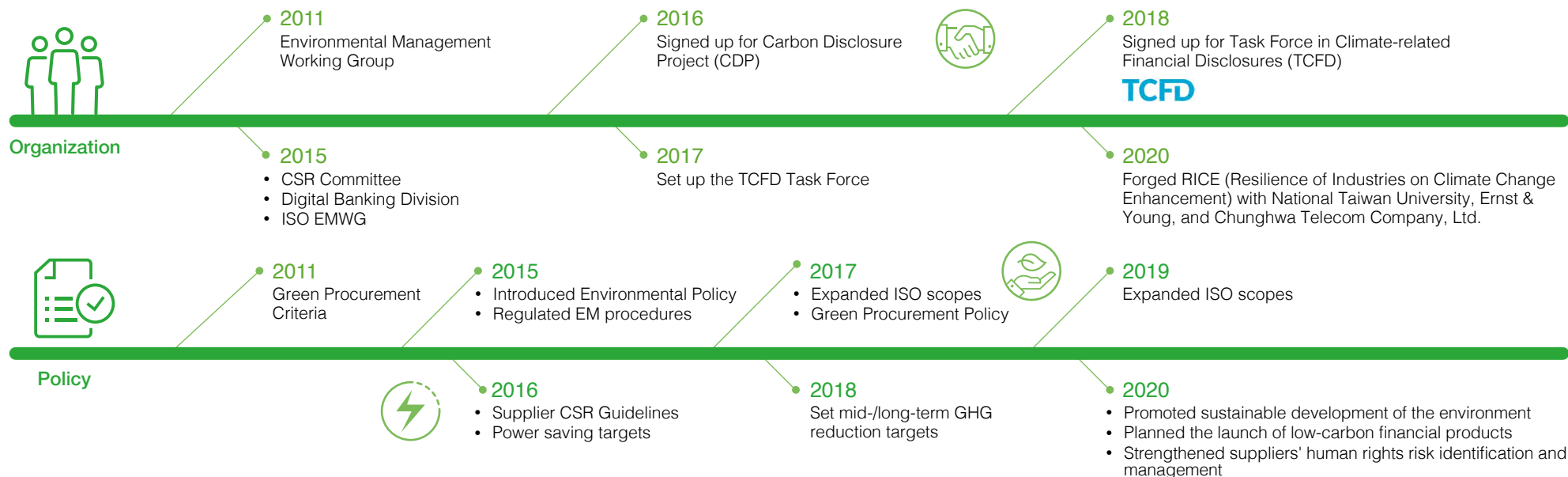
Our Environmental Commitment and Policy

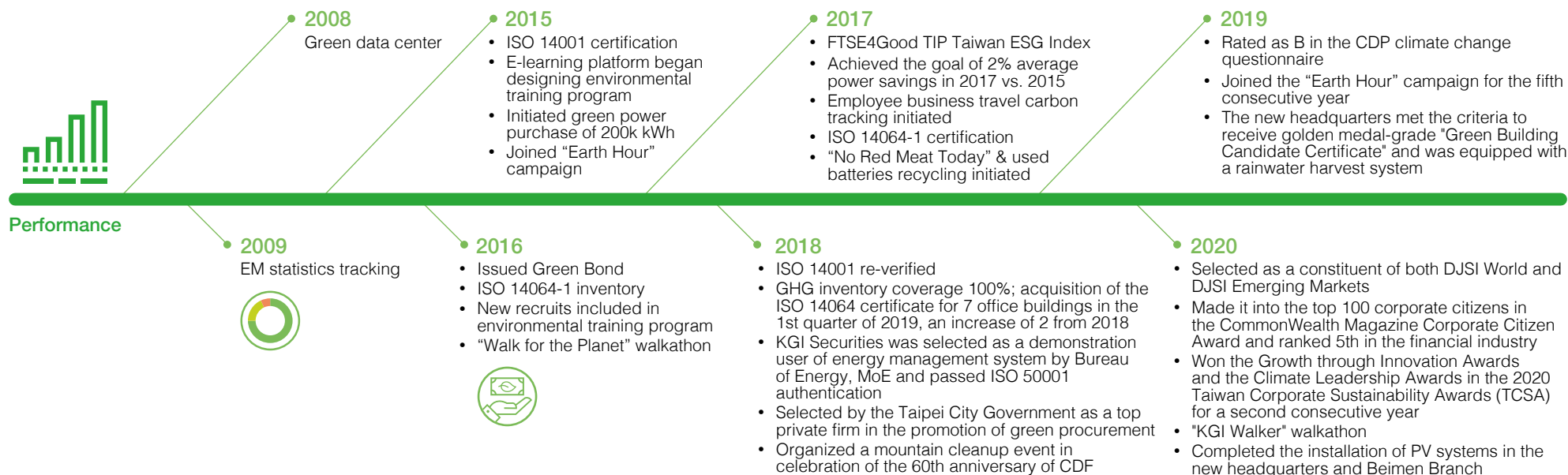
Achieving established commitments and setting more ambitious targets for carbon reduction

In the past year, CDF continued to implement the GHG reduction plan and achieved the medium-term target of a 3% reduction in carbon emissions by 2021 vs. 2016. In addition to moving toward the long-term target of a 10% reduction in carbon emissions by 2030 vs. 2016, CDF attempted a commitment more ambitious and proceeded to target setting and route planning on a scientific basis. On April 28, 2021, CDF committed its total portfolio to net-zero emissions by 2045 and self-operations to net-zero emissions by 2030. To achieve net-zero emissions from the total portfolio by 2045, CDF put forward five specific strategies, including voluntarily complying with the Net-Zero Banking Alliance under UN Environment Programme Finance Initiative and the Net Zero Asset Managers initiative and setting goals for engagement, industry, investment portfolio, and transformation (see 2.3.2 Climate Change Risks Management - Climate Strategies). "Net-zero emission targets" are the focus of CDF's carbon management in the future. Based on changes in external driving forces, CDF creates different future scenarios and plans routes and action plans at each stage for the integrated analysis of business operations and decision-making.

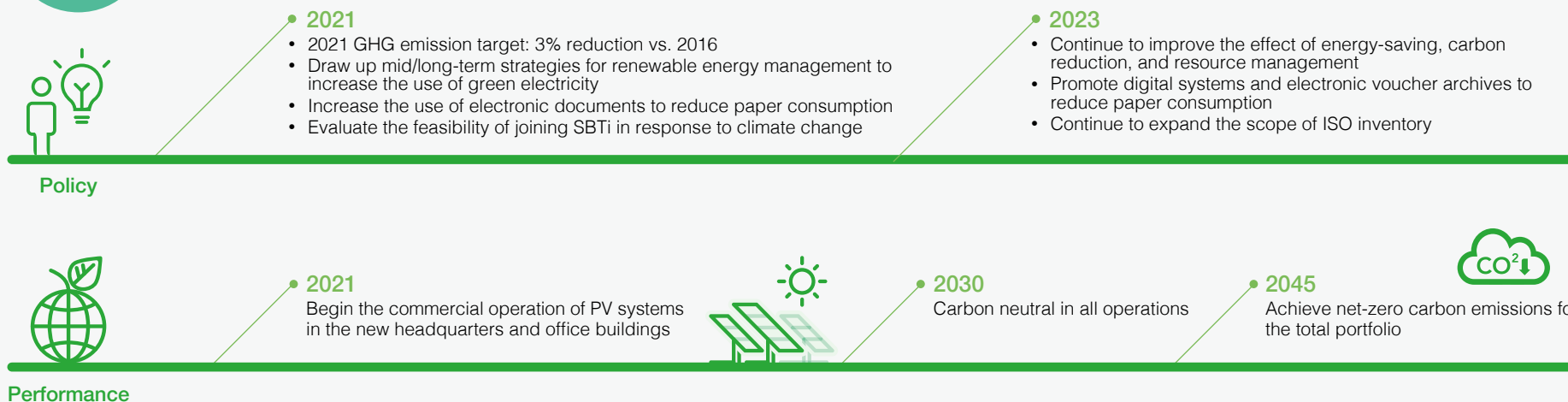
Our Environmental Policy

- 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

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.

To strengthen climate-change risk management, CDF plans to link the remuneration of senior executives in charge of operations and the environmental/social/corporate governance (ESG) criteria; in addition, CDF has gradually included ESG criteria in the employees' KPIs and performance evaluation forms as an incentive to engage employees in the management of emerging risks. The ESG criteria involve solutions to emerging risks concerning climate change and other environmental issues.

The Environmental WG's main tasks are as follows:

- Draft the annual work plan
- Develop annual energy conservation and carbon reduction programs
- Set the KPIs and short-term, medium-term, and long-term goals for environmental sustainability (GHG, water, electricity, waste recycling)
- Promote green procurement and urge suppliers to sign the "Supplier CSR Commitment Letter"
- Report the implementation results of the annual work plan to the CSR Committee/CDF's Board

The CSR Committee appoints an executive within the Group as a leader of the Environmental WG. The executive is responsible for leading the team members (representatives of the environmental unit at each subsidiary) to implement environmental and energy efficiency policies within the Group in a systematic and organized manner. The leader is also tasked to keep track of the implementation of the environmental and energy efficiency policies to ensure their effectiveness. To increase the employees' awareness of sustainability issues, the Environmental WG publishes propaganda and training material from time to time and calls on employees to put energy-conservation and carbon-reduction into action.

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

To learn more about the CSR section, scan the QR Code below or visit the website at <https://www.cdibh.com/en/CSR/Index>



Environmental Initiatives

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

1. Since 2015, we have actively supported the "Earth Hour," a global environmental campaign organized by Hair O'right International Corporation for six consecutive years, joining hands with the world to offer our corporate platform for positive impact.



2. Since 2017, CDF has implemented the 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 2020, 7,212 employees took part in the No Red Meat Today monthly initiative, equivalent to 5.5 metric tons of CO₂e cut.

3. On December 14, 2020, KGI Bank organized KGI Walker 2021, a 30-day walkathon, as an energy-saving and carbon-reduction initiative. At the end of the event on January 12, 2021, the total number of steps exceeded 220 million, equivalent to a walking distance of 134,764 km and 3.4 times circumnavigation, and reduced carbon emissions by 191 metric tons or more.

4. 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.

5. To promote the cause for carbon reductions, CDF periodically forwards promotional materials through internal email to all employees advocating practicing the principles in everyday activities, such as taking public transportations, taking the stairs instead of the lift, increasing the portions of fruit and vegetables and in-season ingredients in our diet, setting temperature control for AC chiller unit at 26°C and above, promoting electronic paperless services, reducing plastic consumption, and conducting garbage sorting and recycling, etc.

6. CDF joined the "Do One Thing for Tamsui River" initiative launched by CommonWealth Magazine in 2020. In addition to distributing eDM, CDF conducted a survey of employees' opinions on ways to protect rivers and promoted the documentary, The Confessions of a River Creature. We called on more than 2,400 employees and also invited 24 investors to support the initiative; on the official Facebook fanpage, KGI Bank also called on employees and customers to face up to the pressing challenge of environmental sustainability and to work in concert to ensure water sustainability in Taiwan.



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 during operations. In 2016, CDF kicked off the ISO 14064-1 GHG inventory and verification. Since 2017, CDF has expanded the scope of GHG inventory and verification, and in 2020 covered major office buildings and 53 branches of KGI Bank, or 97.8% of employees at home and abroad. To make a carbon-reduction plan for controlling GHG emissions effectively, we have not only expanded the scope of coverage but also expanded the scale for indirect emissions. In 2020, the total GHG emissions (Scope 1 and Scope 2) were down 952.14 metric tons of CO₂e, or 105.3%, from 2016 and down 1,233.82 metric tons of CO₂e vs. the goal in 2020 (meeting the medium-term objective of 2.5% reduction), and per-capita emissions were down 0.26 metric tons of CO₂e, or 106.5%, from 2016.

Note 1: The GHG emission goals only covered Scope 1 and Scope 2, and did not include other indirect GHG emissions (Category 3~6).

Note 2: Given the change in the scope of data, the GHG emission targets in 2020 were estimated at a 2.5% reduction from the coverage and targets in 2016:
2020 targets = (Total data in 2016 / Data coverage in 2016) x 97.5% (expected reduction of 2.5%) x 97.8% (Data coverage in 2020).

“

In the face of global warming and climate change, CDF took the initiative in setting the GHG reduction plan. As business banked on the sustainable development of the operations, customers, and the environment and closely tied in with corporate social responsibility, CDF started to introduce the Task Force on Climate-related Financial Disclosures (TCFD) and the internal carbon pricing (ICP) model. We linked climate change scenarios and our business operations and decision-making, and referred to these scenarios when setting the GHG emission targets using the science-based target (SBT).

2020 Goal	Initiatives		Performance	Achievement rate
<ul style="list-style-type: none"> GHG emission down 2.5% vs. 2016 Expand the scope of ISO 14064-1 GHG inventory 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 75.5% verified with statements Passed the ISO 14064-1 GHG inventory and verification Passed the third-party certification of ISO 14001 (environmental management system) 	Achievement rate: 100%
Implement other indirect GHG emission (Category 3~6) inventory	Extend the scale of other indirect GHG emission inventory :		Other indirect GHG emissions: 6,237.65 metric tons of CO ₂ e	Achievement rate: 100%
	1. Business trips 2. Delivery of photocopy paper 3. Delivery of bank receipt to post offices 4. Delivery of credit cards and credit card bills to post offices 5. Delivery of packages 6. Delivery of shareholder meeting notices to post offices 7. Delivery of cash dividend payment notices to post offices 8. Power transmission and distribution losses	9. Diesel oil transmission and distribution losses 10. Gasoline transmission and distribution losses 11. Natural gas transmission and distribution losses 12. Electricity use of ATMs 13. Printer repair and maintenance under contract 14. Waste directed to disposal		

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 Dept. 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 ^(base year)	2017	2018	2019	2020	Target in 2020 ^(Note 3)	Achievement rate ^(Note 3)	YoY change (%)
Direct GHG emissions (Scope 1)	1,063.43	997.95	819.80	873.94	1,164.25	1,076.47	91.8%	33.2%
Indirect GHG emissions (Scope 2)	21,909.80	21,811.22	23,879.07	22,024.98	20,856.84	22,178.44	106.0%	-5.3%
Total GHG emissions	22,973.23	22,809.17	24,698.87	22,898.92	22,021.09	23,254.90	105.3%	-3.8%
Per-capita GHG emissions	2.94	2.93	3.05	2.83	2.68	2.87	106.5%	-5.4%
Total coverage of employees (%)	94.2%	95.0%	97.8%	97.8%	97.8%	-	-	0.0%
Audited coverage	31.7%	56.0%	59.7%	62.1%	75.5%	-	-	21.6%

Note 1: 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 Dept. every month. Domestic coverage was 100%.

Note 3: Given the change in the scope of data, the GHG emission targets in 2020 were estimated at a 2.5% reduction from the coverage and targets in 2016.

2020 targets = (Total data in 2016 / Data coverage in 2016) × 97.5% (expected reduction of 2.5%) × 97.8% (Data coverage in 2020).

Note 4: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82%. The above data included the data of China Life Insurance since 2016.

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, in 2019 to China Life Insurance's head office and five branches, and in 2020 to 53 branches of KGI Bank.

Annual GHG Emissions from Gasoline Consumption:

Year	2016 (base year)	2017	2018	2019	2020	2020 Goal	YoY change (%)	Change vs. 2016
Direct greenhouse gas (GHG) emissions (mt CO ₂ e)	472.28	369.48	344.48	312.6	240.69	478.15	-23.0%	-49.7%
Scope of statistics	94.2%	95.0%	97.8%	97.8%	97.8%	-	0.0%	3.9%

Percentage of GHG emissions by type:

Unit: mt CO₂e

Category	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	NF ₃	Total
Emissions	21,248.51	460.99	7.41	304.19	0.00	0.00	0.00	22,021.09
Percentage (%)	96.49%	2.09%	0.03%	1.38%	0.0%	0.0%	0.0%	100.0%

Inventory of Other Indirect GHG Emissions:

The Group's employees and business activities may increase year by year. To control the environmental impact of business activities, CDF started to implement the inventory of indirect GHG emissions in 2020. By identifying, analyzing, and assessing the sources of emissions, we pinpointed the areas of improvement and drew up measures in response to effectively mitigate the potential impacts on the environment of our business operations and services provided.

Other Indirect GHG Emissions (Category 3 & 4) under GHG Protocol Scope 3

Category 3: Indirect GHG Emissions from Transportation

No.	Item	Estimated emissions (unit: mt CO ₂ e)	Percentage (%)
► Business Travel:			
1	Business trips	194.42	100%
Total		194.42	100%
► Upstream Transportation and Distribution:			
1	Delivery of photocopy paper	5.81	100%
Total		5.81	100%
► Downstream Transportation and Distribution:			
1	Delivery of bank receipt to post offices	0.0112	0.001%
2	Delivery of credit cards and credit card bills to post offices	47.00	5.087%
3	Delivery of packages	876.79	94.9%
4	Delivery of shareholder meeting notices to post offices	0.0484	0.005%
5	Delivery of cash dividend payment notices to post offices	0.0558	0.006%
Total		923.9054	100%

Category 4: Indirect GHG Emissions from Products Used by the Organization (Fuel-and-Energy-related Activities)

No.	Item	Estimated emissions (unit: mt CO ₂ e)	Percentage (%)
1	Upstream production of purchased energy, including transportation (electricity)	4,473.99	97.67%
2	Upstream production of purchased energy, including transportation (diesel oil)	1.19	0.03%
3	Upstream production of purchased energy, including transportation (gasoline)	67.06	1.46%
4	Upstream production of purchased energy, including transportation (natural gas)	38.41	0.84%
Total		4,580.65	100%
Capital Goods:			
1	Electricity use of ATMs	35.45	94.76%
2	Printer repair and maintenance under contract	1.97	5.3%
Total		37.42	100.00%
Waste in Operations:			
1	Waste directed to disposal (including incineration)	495.45	100.00%
Total		495.45	100.00%

CDF is yet to collect data on Category 5 (indirect GHG emissions associated with the use of products from the organization) and Category 6 (indirect GHG emissions from other sources).

Statistics on the Inventory of Other Indirect GHG Emissions:

Category 3: Indirect GHG Emissions from Transportation

Business Travel:

• Business Trips / 3,972,130.8 km / 194.42 mt CO₂e

CDF began unaudited inventorying and reporting carbon emissions from employees' business travels by public transportation in 2015, including aircraft, 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 each type of transportation (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. The scope of data in 2020 covered CDF and all of its subsidiaries. The coverage rate was 97.8% based on the number of employees.

Breakdown by type of transportation

Type of transportation	Flight	Taiwan High Speed Rail (THSR)	Taiwan Railway	Taxi	Total
(%)	20.2%	43.7%	13.4%	22.7%	100%

Upstream Transportation and Distribution:

• Delivery of Photocopy Paper / 92,146 packs, 141,523.29 kg / 5.81 mt CO₂e

According to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan, CO₂ emissions were calculated based on the distance from the supplier to the company (i.e., total weight of photocopy paper x distance of delivery).

Downstream Transportation and Distribution:

- **Delivery of Bank Receipt to Post Offices / 23,810.9 kg / 0.0112 mt CO₂e**

According to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan, CO₂ emissions were calculated based on the weight of bank receipt multiplied by the distance of delivery.

- **Delivery of Credit Cards and Credit Card Bills to Post Offices / 1,537,613 mails, 36,186.75 kg / 47.00 mt CO₂e**

According to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan, CO₂ emissions were calculated based on the total weight of credit cards and credit card bills multiplied by the distance of delivery.

- **Delivery of Packages / 5,014 kg / 876.79 mt CO₂e**

According to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan, CO₂ emissions were calculated based on the weight of packages multiplied by the distance of delivery to the customer.

- **Delivery of Shareholder Meeting Notices to Post Offices / 1,843,834 mails, 10,694.24 kg / 0.0484 mt CO₂e**

According to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan, CO₂ emissions were calculated based on the distance from the printing company to the post office.

- **Delivery of Cash dividend Payment Notices to Post Offices / 2,464,449 mails, 12,322.25 kg / 0.0558 mt CO₂e**

According to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan, CO₂ emissions were calculated based on the distance from the post office to the customer.

Category 4: Indirect GHG Emissions from Products Used by the Organization

Fuel-and-Energy-related Activities:

- **Upstream Production of Purchased Energy, Including Transportation (Electricity) / 4,473.99 mt CO₂e**

CO₂ emissions from the transmission and distribution losses of purchased electricity were calculated according to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan.

- **Upstream Production of Purchased Energy, Including Transportation (Diesel) / 1.19 mt CO₂e**

CO₂ emissions from the transmission and distribution losses of purchased diesel oil were calculated based on the carbon footprints announced by the Environmental Protection Administration.

- **Upstream Production of Purchased Energy, Including Transportation (Gasoline) / 67.06 mt CO₂e**

CO₂ emissions from the transmission and distribution losses of purchased gasoline were calculated based on the carbon footprints announced by the Environmental Protection Administration.

- **Upstream Production of Purchased Energy, Including Transportation (Natural gas) / 38.41 mt CO₂e**

CO₂ emissions from the transmission and distribution losses of purchased natural gas were calculated based on the carbon footprints announced by the Environmental Protection Administration.

- **Capital Goods: Electricity Use of ATMs / 69,642 kWh / 35.45 mt CO₂e**

Electricity used by ATMs was purchased from Taiwan Power Company. CO₂ emissions were calculated based on the electricity emission factor published by the Bureau of Energy, Ministry of Economic Affairs. If the current year's electricity emission factor has not been published before the audit, the latest factor shall prevail.

CO₂ emissions per ATM were calculated based on electricity per kWh (power/1,000) x 24 (hours) x 365 (days).

- **Printer Repair and Maintenance under Contract / 1.97 mt CO₂e**

According to the carbon footprints announced by the Environmental Protection Administration, Executive Yuan, CO₂ emissions were calculated based on the distance from the printing company to the office building multiplied by the frequency of repair/maintenance and the CO₂ emission factor for motorcycles.

Waste in Operations:

- **Waste Directed to Disposal (Including Incineration) / 1.1226 kg per Day per Person / 495.45 mt CO₂e**

Carbon emissions = EPA-announced carbon emission factor of waste disposal per kilogram/person/day x total waste calculated by the Company. Carbon emissions = number of the Group's employees as of December 31, 2020 x amount of general waste generated per person per day x carbon emission factor of waste disposal x 250 days (250 working days per year).

- **Identification of Sources of Other Indirect GHG Emission:**

Total emissions: 6,237.65 metric tons of CO₂e / Total coverage of domestic employees: 97.8%

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 Dept. every month. Domestic coverage was 100%.

Note 2: In September 2017, CDF acquired a 25.33% stake in China Life Insurance through tender, with the consolidated shareholding ratio reaching 34.82% by the end of 2019. Other indirect GHG emissions included China Life Insurance's data from 2020.

To improve the internal management of operational risks and to stay ahead of the competition, CDF plans to introduce a carbon pricing system in hopes of reducing GHG emissions in a fair and cost-effective way. At present, we calculate GHG emissions from business trips and estimate the carbon cost for carbon pricing. We also set the time-phased targets within the organization as the basis for carbon reduction. We expect to roll out the carbon pricing system in 2021.

To improve operational risk management and competitiveness, the Company plans to introduce Internal Carbon Pricing (ICP) in hopes of reducing greenhouse gas emissions in a fair, cost-effective manner. This year, CDF started to implement carbon pricing for Scope 1 and Scope 2 carbon emissions from self-operations and Scope 3 emissions from commuting. The potential costs of carbon emissions were estimated using the shadow price, and the carbon reduction target at each stage was set accordingly. ICP will be formally launched in 2021. Pricing was based on the price of the purchased green energy certificate, with the cost of one ton of carbon amounting to NT\$5,570.

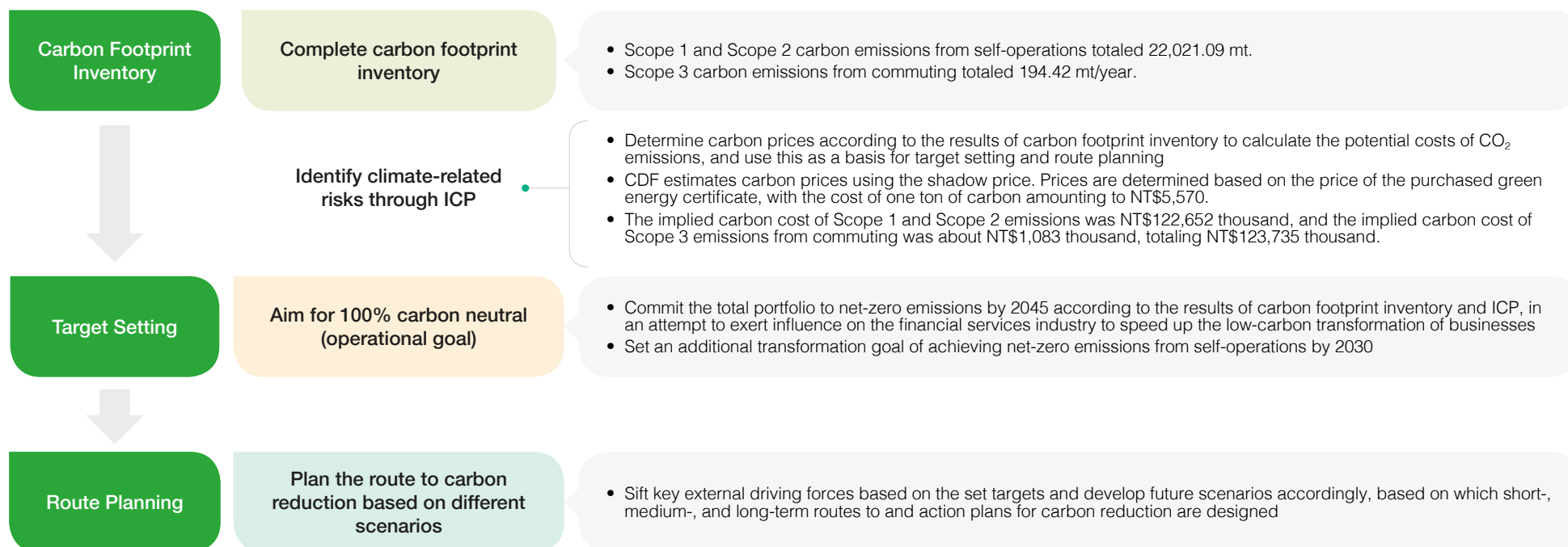
Scope 1 and Scope 2 carbon emissions from self-operations totaled 22,021.09 mt, and their implied carbon cost was NT\$122,652 thousand; Scope 3 carbon emissions from commuting totaled 194.42 mt/year, and their implied carbon cost was about NT\$1,083 thousand. The total carbon cost was NT\$123,735 thousand.

According to the results of carbon pricing, three different assumptions are made to set future carbon management targets, including annual budget targets, total budget targets, and net-zero emission targets, and to calculate the corresponding carbon costs. On April 28, 2021, CDF committed its total portfolio to net-zero emissions by 2045 and self-operations to net-zero emissions by 2030. "Net-zero emission targets" are the focus of CDF's carbon management in the future. Based on changes in external driving forces, CDF creates different future scenarios and plans routes and action plans at each stage for the integrated analysis of business operations and decision-making.

Internal Carbon Pricing (ICP) - A Future Carbon Management Strategy

Science-based Target Setting and Route Planning

Three stages of carbon management: carbon footprint inventory, target setting, and route planning



Greenhouse Gas Reduction Initiatives

Our main business activities take place in general offices. As our main source of energy consumption is externally purchased power, we decided to replace the power-guzzling equipment as part of our 2020 key energy-saving initiatives and adjust the duration of signboard lights used at branches. In 2020, we achieved estimated savings of 158,400 kWh, equivalent to a reduction of 80.64 metric tons of CO₂e.

Item	Initiatives in 2020	2020 Performance	Investment cost (NT\$10,000)
Replacement of old AC equipment	1. KGI Bank has replaced 13 sets of outdated AC equipment at branch offices with modern eco-friendly refrigerant or inverter AC equipment 2. The Dazhi building replaced 3 chiller units.	Total savings of 102,222.17 kWh / reduction of 52.03 metric tons of CO ₂ e (projected annual savings of 388,567.50 kWh)	532.82
Replacement of lighting fixtures	1. KGI Bank replaced 117 LED energy-saving lighting fixtures 2. Taichung Branch, China Life Insurance replaced 384 LED energy-saving lighting fixtures	Total savings of 4,763.40 kWh/reduction of 2.42 metric tons CO ₂ e (projected annual savings of 5,629.00 kWh)	10.99
Lighting duration management	KGI Bank reduced the duration of illuminated outdoor vertical and horizontal signage by 2 hours daily at 39 branch locations.	Annual savings of 51,447.00 kWh/26.19 metric tons CO ₂ e	0

Note 1: The above energy-saving initiatives offered projected power savings of up to 445,600 kWh per year, equivalent to 1,604.16 gigajoules (GJ). With an average electricity charge of NT\$3.43/kWh in 2019, this translated into savings of NT\$1,528,600 per year. The total investment of NT\$5,438,100 is estimated to be recouped in 3.56 years.

Note 2: Carbon emissions were calculated based on the 2019 electricity emission factor of 0.509 (kg CO₂e/kWh) as published by the Bureau of Energy, Ministry of Economic Affairs.

5.1.3 Energy Management

In response to the government's renewable energy policy, CDF is also actively developing and promoting feasible low-carbon solutions to reduce environmental impacts as much as possible, so as to strike a balance between environmental sustainability and company growth. The following are main accomplishments in 2020:

2020 Goal	Initiatives	Performance	Achievement rate
Reduce electricity 97.61% consumption by 2.5% vs. 2016	<ul style="list-style-type: none"> Replace old AC and lighting equipment at the headquarters and branches with eco-friendly, power-saving and energy-efficient equipment; moderate duration of signage lighting usage 	Achieved estimated savings of 158,400 kWh, equivalent to a reduction of 80.64 metric tons CO ₂ e; saved electricity by 693,200 kWh, or 103% ^(Note 1) , and saved electricity per capita by 346.50 kWh, or 104.1% ^(Note 1) vs. 2016	103%
Support the government's renewable energy policy	Purchase renewable energy certificates	Acquired 34 biomass energy certificates, equivalent to 34,000 kWh of green power, through the "National Renewable Energy Certification Center" on December 1, 2020	100%

Note 1: Given the change in the scope of data, the GHG emission targets in 2020 were estimated at a 2.5% reduction from the coverage and targets in 2016.
2020 targets = (Total data in 2016 / Data coverage in 2016) x 97.5% (expected reduction of 2.5%) x 97.8% (Data coverage in 2020).

Use of Energy

CDF's energy consumption is mainly supplied by externally purchased electricity, accounting for 97% 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 2020, externally purchased electricity cost a total of NT\$142,572,924, and other energy costs amounted to NT\$4,169,242, totaling NT\$146,742,166.

Annual Energy Expenditures:

Unit: NT\$

Annual expenditures	2016 (base year)	2017	2018	2019	2020	YoY change (%)	Change vs. 2016
Electricity	162,976,083.00	154,917,434.00	159,935,443.00	153,597,747.00	142,572,924.00	-7.2%	-12.5%
Natural gas	1,142,469.00	1,197,197.00	1,374,160.00	1,378,589.00	931,468.00	-32.4%	-18.5%
Gasoline	4,762,224.00	4,122,421.00	4,342,978.00	3,819,597.00	3,198,387.00	-16.3%	-32.8%
Diesel	46,682.65	29,604.85	49,840.44	61,415.50	39,387.00	-35.9%	-15.6%
Total	168,927,458.65	160,266,656.85	165,702,421.44	158,857,348.50	146,742,166.00	-7.6%	-13.1%
Coverage	94.2%	95.0%	97.8%	97.8%	97.8%	0.0%	3.9%

Note 1: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82%. The above data included the data of China Life Insurance since 2016.

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 Dept. 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 2020, we consumed 155,461.64 GJ of energy, a 3.3% decrease from 160,690.58 GJ in 2016, with energy intensity down by 8.0% °

Energy Consumption		2016 (base year)	2017	2018	2019	2020
Externally purchased electricity	Total consumption (kWh)	41,777,815.00	41,506,794.00	43,297,140.00	41,116,888.10	41,084,620.03
	Average consumption per person (kWh)	5,345.85	5,324.81	5,338.13	5,084.95	4,999.35
Natural gas	Total consumption (kWh)	97,541.00	94,010.00	98,665.00	94,777.00	82,644.00
Gasoline	Total consumption (liters)	200,006.76	156,461.06	145,880.01	132,377.61	134,272.00
Diesel	Total consumption (liters)	2,370.00	1,337.00	1,912.27	2,448.65	1,648.00
Total number of employees (b)		7,815.00	7,794.98	8,110.92	8,086.00	8,218.00
Energy intensity (a/b)		20.56	20.29	20.27	19.29	18.92
Converted into GJ (a)		160,690.58	158,123.43	164,418.78	155,986.65	155,461.64
Converted into kWh		44,636,630.24	43,923,526.43	45,672,249.22	43,329,971.21	43,184,133.34
Total coverage of employees (%)		94.2%	95.0%	97.8%	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, CDF 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 included the data of China Life Insurance from 2016 to 2020. The scope of inventories for diesel included the main office buildings (CDF, Dazhi, Zhonghe, Taikai, and Cheng Tung buildings) and 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 within CDF's subsidiaries.

Note 3: Given the change in the scope of data, the GHG emission targets in 2020 were estimated at a 2.5% reduction from the coverage and targets in 2016.

2020 targets = (Total data in 2016 / Data coverage in 2016) x 97.5% (expected reduction of 2.5%) x 97.8% (Data coverage in 2020) = 42,318,922.4 kWh. The achievement rate in 2020 was 103% (41,084,620.03 kWh).

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, published online by 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 Dept. 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 that goes in line with the international trends in renewable energy and low-carbon economy, CDF purchased 400,000 kWh of renewable energy-based electricity from Taiwan Power Company in 2016 and 2017. In 2019 and 2020, CDF acquired solar power certificates (equivalent to 31,000 kWh of electricity) and biomass energy certificates (equivalent to 34,000 kWh of electricity), respectively, through the "National Renewable Energy Certification Center." As electricity is the main source of energy and GHG emissions, CDF has assessed the feasibility of installing PV systems at main office buildings and branches. The PV systems were installed at the new headquarters and KGI Bank Beimen Branch in 2020, and are expected to begin commercial operation in 2021.

Internal energy consumption	2016		2017		2018		2019		2020		2020 Goal
Business unit	GJ	MWh	GJ	MWh	GJ	MWh	GJ	MWh	GJ	MWh	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	155,461.64	43,184.13	45,183.93
Renewable Energy	720.00	200.00	720.00	200.00	0.00	0.00	111.60	31.00	122.40	34.00	50.00
Total consumption	161,410.58	44,836.63	158,843.43	44,123.53	164,418.78	45,672.25	156,098.25	43,360.97	155,584.04	43,218.13	-
Scope of statistics Coverage ratio	94.2%		95.0%		97.8%		97.8%		97.8%		-

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

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.

Note 3: We obtained 31 biomass energy certificates through the National Renewable Energy Certification Center in 2020, equivalent to 34,000 kWh of green electricity.

Note 4: Given the change in the scope of data, the GHG emission targets in 2020 were estimated at a 2.5% reduction from the coverage and targets in 2016.

The target of non-renewable energy consumption in 2020 = (Total data in 2016 / Data coverage in 2016) x 97.5% (expected reduction of 2.5%) x 97.8% (Data coverage in 2020) = 45,183.93 MWh.

5.1.4 Water Resource Management

CDF addresses itself in saving and protecting water resources by replacing old air-conditioning equipment and installing eco-label certified water-saving and sensor-embedded equipment, so as to improve the efficiency of water use; in addition, CDF continuously conveys water-saving initiatives to employees. Total tap water consumption in 2020 decreased by 1.6% and per-capita water consumption decreased by around 6.4% vs. 2016.

2020 Goal	Initiatives	Performance	Achievement rate
Reduce water consumption by 2% vs. 2016	1. Sensor-embedded equipment 2. Preferential purchase policy for water conservation eco-label certified equipment 3. Promote water conservation measures to employees	Reduced water consumption by 1.6% and per-capita use by 6.4%	100%
Plan rainwater harvesting facilities	CDF's new headquarters comes with rainwater harvesting facilities to water the lawn without adding use of tap water	Launched rainwater-harvesting facilities	100%

Most of CDF's water consumption is from livelihood water consumption and air conditioning. All water is supplied by the local water plants without use of ground-water or waterways. Wastewater from building kitchens and pantry rooms is processed before being discharged into the underground sewers laid by the government. In 2020, no sewage spills had 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 are equipped with water-saving devices to moderate water usage. When replacing equipment and facilities, priorities are given to products certified with a water-saving eco-label. For the better use of water resources, CDF's new headquarters launched rainwater-harvesting facilities in 2020 to water the lawn.

Water-Resource Consumption 2016~2020

Year		2016 (base year)	2017	2018	2019	2020	2020 Goal (Note 4)	Achievement rate
Water	Total consumption (kWh)	235,904.96	232,003.24	237,582.00	232,442.65	232,198.00	240,022.02	103%
	Total volume of recycled and reused water (liters) (Note 6)	0	0	0	0	0	-	-
	Total volume of recycled and reused water as a ratio of total water intake	0	0	0	0	0	-	-
	Average consumption per person (kWh)	30.19	29.76	29.29	28.75	28.25	30.72	108%
	Carbon emissions (kg CO ₂ e)	38,216.60	37,584.52	38,488.28	37,655.71	34,829.70	-	-
Total coverage of employees (%)		94.2%	94.2%	95.0%	97.8%	97.8%	97.8%	-

Note 1: Calculation of carbon emissions 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, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82%. The above data included the data of China Life Insurance since 2016.

Note 4: Given the change in the scope of data, the GHG emission targets in 2020 were estimated at a 2.5% reduction from the coverage and targets in 2016.

2020 targets = (Total data in 2016 / Data coverage in 2016) × 98% (expected reduction of 2%) × 97.8% (Data coverage in 2020).

Note 5: 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 Dept. every month. Domestic coverage was 100%.

Note 6: As the inauguration of the new headquarters is scheduled in 2021, no consumption of recycled water was available in 2020.

Note 7: 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 creates a milder environmental impact in the operations compared to the manufacturing industry. The waste produced is mostly general trash, not industrial waste containing toxic materials that require special treatment. To maximize contribution to the environment, we encourage our employees to recycle waste. While increasing the employees' awareness of waste reduction and recycling, we continue expanding the scope of waste inventory. In 2020, we recycled 439.89 metric tons of waste, accounting for 98.9% of total waste, the same level as of 2016. Total waste reached 444.94 metric tons of waste, showing a reduction of 15.5% from 526.78 metric tons in 2019, 23.5% in comparison to 2016, and a reduction of 29.7% per capita.

Waste Disposal

2020 Goal	Initiatives	Performance	Achievement rate
Recycling Observation	<ul style="list-style-type: none"> Collect statistics on recyclable and non-recyclable waste Start tracking the weighting of recyclables in aggregate waste volume 	Recycled a total 439.89 metric tons of waste, constituting 98.9% of total waste	100%

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 2016~2020: Unit: kg

Category	Item	Treatment method	2016	2017	2018	2019	2020
Total amount of waste			581,775.84	539,928.10	541,019.00	526,776.00	444,935.17
Recyclable/ reusable/resold waste	Paper	Recycled by outsourced contractors	146,433.84	133,831.00	139,472.70	128,752.20	113,450.61
	PET bottles		4,138.90	4,196.90	3,701.80	4,096.20	5,018.67
	Tin/aluminum cans		5,226.20	6,459.40	7,315.30	6,919.60	5,243.05
	Kitchen scraps		114,290.80	116,708.80	110,314.90	112,039.00	78,105.68
	Light tubes, light bulbs		302.10	460.00	713.30	574.00	3,071.00
	General trash	Transported to incinerator by contractors	304,844.94	272,428.29	273,631.48	268,632.71	235,005.18
	Total		575,236.78	534,084.39	535,149.48	521,013.71	439,894.20
Total waste disposed			6,539.06	5,843.71	5,869.52	5,762.30	5,040.97
Recycling ratio			98.9%	98.9%	98.9%	98.9%	98.9%
Coverage ratio			50.7%	50.9%	51.3%	51.9%	54.5%

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 in 2019 and from CDF building, Dazhi building, Zhonghe building, and Cheng Tung building in 2020, covering 54.5% of employees.

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

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

Note 4: In compliance with the Personal Data Protection Act and relevant regulations, classified documents are disposed of under work colleagues' monitoring, by turning into pulp before turning into recycled paper. Data storage devices to be disposed of must be first destroyed by IT personnel before recycling in order to prevent leaking of personal and classified information.

Note 5: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82%. The above data included the data of China Life Insurance since 2016.

Note 6: Domestically, general waste is mainly disposed of through incineration for power generation (approximately 97.9%) and 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 Dept. every month.

Note 8: Discarded waste is non-recyclable waste that cannot be recycled and reused (Quantity = Total waste - Recyclable/reusable/resold waste).

Note 9: 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 implemented for procurement in order to share and exchange resources. This also allows 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 prop up management of, IT equipment, office furniture, among other corporate fixed asset. Reallocate and resume utility of idle asset to prevent wasteful handling of resources

Email, bulletin board system (BBS), and the electronic official document systems are used to replace hard-copy documents and streamline the approval process. Use tablets instead of photocopies as interface for regular meeting handout

Give preference to MFP rental services with Green Mark eco-label. Rationalize utilization by specifying 2-sided print or merging multiple pages etc. as default. Use recycled paper to reduce consumption. Use eco-friendly recyclable consumables

Glass or ceramic cups are provided instead of paper cups. No disposable tableware is provided at employee cafeterias, and employees are encouraged to use eco-friendly chopsticks. Instead of providing bottled water at corporate events, encourage colleagues to prepare their own bottles.

Ensure use of legally-required minimum of green materials during renovations to reduce burden on the environment



CDF continues to promote the paperless (paper-reduction) operations in terms of internal processes and customer services. In digital paperless services, we reduced 5,345.34 metric tons of CO₂e, or 76.3% in comparison to 2019. The use of internal paperless operations was reduced by 90.24 metric tons CO₂e, or 28.5% as compared to 2019.

Achievements of Paperless Policy and Services:

2020 Goal	Initiatives	Performance	Achievement rate
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 raise the shares of customers utilizing e-statements and eDM Encourage digital transactions via Internet banking 	Saved an estimated 742 million sheets of A4 paper, equivalent to a reduction of 5,345.34 metric tons of CO ₂ e	100%
Internal Paperless Operations	<ul style="list-style-type: none"> KGI Bank streamlines application processes for more services (e.g.,) Parking and procurement systems... 	Saved an estimated 12,533,000 sheets of A4 paper, a reduction of 90.24 metric tons of CO ₂ e	100%

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)	
		2019	2020	2019	2020
KGI Bank	Internet banking and mobile banking	2,502.80	11,794.81	18,020.12	84,922.62
	Online account opening, electronic billing, eDM	44,371.24	41,291.01	319,472.95	297,295.26
KGI Securities	Online account opening, e-statement	6,543.06	113,357.39	47,110.05	816,173.22
	Electronic consignment order system	363,339.41	572,281.14	2,616,043.73	4,120,424.18
China Life Insurance	Digital application processes, including E-notice, E-service, E-policies, and mobile insurance	4,300.00	3,683.86	30,960.00	26,523.78
Total		421,056.51	742,408.20	3,031,606.85	5,345,339.06

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

Note 2: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82%. The above data included the data of China Life Insurance since 2016.

Note 3: In the wake of the COVID-19 pandemic in the first half of 2020, KGI Bank limited customer events, so the number of eDM for events decreased. The total saving of A4 paper in "Internet banking and mobile banking" and "online account opening, electronic billing, eDM" was up 13.3% from 2019.

Achievements of internal paperless operations:

Item	Business unit	Projected reductions			
		Saving of A4 paper (1,000 sheets)		Equivalent reduction of carbon emissions ^(Note 1) (kg CO ₂ e)	
		2019	2020	2019	2020
Digitalized procurement procedures	CDF	0.50	0.54	1.80	3.91
	KGI Bank	8.38	6.85	30.18	49.28
	KGI Securities	17.62	16.39	63.42	118.02
	CDIB Capital Group	6.20	4.50	22.33	32.43
Streamlined procedures	KGI Bank	9,726.59	12,504.72	70,031.44	90,033.97
Total		9,759.29	12,533.00	70,149.17	90,237.61

Note : Based on data posted by the EPA on the Taiwan Product Carbon Footprint website, each box of A4 paper containing 500 x 70g (210mm x 297mm) sheets generates 3.6 kg of CO₂ 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 the office buildings are cleaned and disinfected with the help of the heads of local villages and neighborhoods. 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 CDF's main office buildings to green and beautify the environment. In 2020, CDF spent NT\$56.96 million on environment-protection measures.

5.2 Sustainable Supply Chain

5.2.1 Supplier Management

CDF continues to strengthen internal controls in procurement operations and supplier management. Having the "Enforcement Rules of Corporate Social Responsibility for Suppliers" in place, we continue to enhance measures for supplier management. Through pre-screening, performance management, on-site inspections, annual supplier evaluation and self-evaluation, unscheduled supplier CSR awareness promotion, 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."

The 2020 performance is described as follows:

Supplier management measure	2019 performance	2020 performance
Supplier CSR Commitment Letter	Scope of the Supplier CSR Commitment Letter (2016): 1. Principle 2. Labor rights and human rights 3. Environmental protection 4. Ethical corporate management	Scope of the Supplier CSR Commitment Letter (new version): 1. Principle 2. Labor rights and human rights (penalties, labor rights, information security, personal privacy protection, etc.) 3. Environmental protection 4. Ethical corporate management 5. Percentage of local major suppliers signing the letter: 100%
Have new suppliers sign the Supplier CSR Commitment Letter	Urged new suppliers with the first-time transaction at an amount of NT\$200,000 and above to sign the Supplier CSR Commitment Letter	Urged all of new suppliers to sign the Supplier CSR Commitment Letter
Supplier CSR Self-Assessment Form	Self-assessment result: Whether a self-assessment is conducted (yes or no)	Self-assessment result: Score a self-assessment (1~5 points) to increase discrimination
Expand the scope of supplier management within the Group	CDF, CDIB Capital Group, KGI Bank, KGI Securities, China Life Insurance, etc.	China Development Asset Management Corporation (subsidiary) and CDIB Capital Management Corporation, KGI Futures, KGI Securities Investment Trust, KGI Securities Investment Advisory, and CDC Finance & Leasing Corporation (sub-subsidiaries) in addition to CDF, CDIB Capital Group, KGI Bank, KGI Securities, China Life Insurance, etc.

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 2020, no supplier was penalized or disqualified by CDF; however, one supplier was found in the supplier evaluation to give false quotations and was therefore graded E and excluded from subsequent transactions.

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 2020, major suppliers accounted for 91.22% of the total procurement value.

2. As of 2020, 975 suppliers had signed the Supplier CSR Commitment Letter, representing an annual increase of 45.3%. From 2017 to 2020, 100% of our local major suppliers ^(Note) signed the Supplier CSR Commitment Letter. From 2018 to 2020, 100% of our new suppliers signed the Supplier CSR Commitment Letter.

3. As of 2020, the Group had a total of 300 new and major suppliers signing the Supplier CSR Commitment Letter, and no record of material environmental hazards was found on screening; three suppliers (about 0.98%) were penalized for environmental violations at the total amount of NT\$67,200. Among the Group's new and major suppliers in 2020, 20 of them (about 6.56%) were penalized for labor violations at the total amount of NT\$1,403,792.

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

Main Accomplishments in 2020:

2020 Goal	Initiatives	2020 performance
Supplier screening	Check on the records of environmental hazards or penalties for labor violations of new suppliers, in addition to these suppliers' professionalism and achievements	Had 102 new suppliers, with no record of environmental hazards found upon verification and one supplier penalized for the minor violation of Paragraph 1, Article 24 and Paragraph 6, Article 30 of the Labor Standards Act
On-site inspection	Conduct on-site inspections depending on the case and according to internal/external regulations	Conducted on-site inspections for 103 suppliers and found no violation of relevant regulations
Signing of the Supplier CSR Commitment Letter	Urge new suppliers to sign the "Supplier CSR Commitment Letter"	Had all of 300 new and major suppliers sign the Supplier CSR Commitment Letter
Annual supplier evaluation	According to relevant regulations, the Company conducts an annual supplier evaluation by the end of a year, where suppliers are graded (A (best) to E (worst)) based on the quality, correctness, accuracy, and integrity of service rendered, for future procurement decision-making.	Conducted the annual supplier evaluation for 58 suppliers: Grade A (best): 10 suppliers (17.24%) Grade B (second best): 38 suppliers (65.52%) Grade C (average): 9 suppliers (15.52%) Grade D (bad): None Grade E (worst): 1 supplier (1.72%)
Supplier self-evaluation	Invited 240 suppliers to conduct the self-assessment in the following aspects:	Had 105 suppliers complete the self-assessment with the average score of 4.42, or 88.3%. The score criteria and achievement rate are as follows:
	1. Does the company purchase eco-label certified products to improve energy efficiency?	1. Achieved the average score of 4.19 (83.8%)
	2. Are the company's products or services eco-label or ISO certified?	2. Achieved the average score of 3.58 (71.5%)
	3. Does the company have a record of environmental hazards in the year of self-assessment?	3. Achieved the average score of 4.87 (97.3%)
	4. Does the company value labor rights and comply with the anti-employment discrimination policy?	4. Achieved the average score of 4.94 (98.9%)
	5. Does the company provide a healthy and safe workplace?	5. Achieved the average score of 4.71 (94.2%)
	6. Does the company purchase insurance for employees at work?	6. Achieved the average score of 4.70 (93.9%)
	7. Does the company protect information security and personal information?	7. Achieved the average score of 4.61 (92.2%)
	8. Does the company comply with labor laws and regulations in relation to working conditions?	8. Achieved the average score of 4.80 (96.1%)
	9. Does the company have a business continuity plan in response to climate change?	9. Achieved the average score of 3.67 (73.4%)
	10. Does the company take measures to reduce GHG emissions?	10. Achieved the average score of 4.11 (82.2%)
Supplier incentives	<ul style="list-style-type: none"> Selection of outstanding suppliers: <ol style="list-style-type: none"> Grade A and Grade B suppliers with higher scores in the supplier evaluation Suppliers having signed the "Supplier CSR Self-Assessment Form" Suppliers with outstanding performances in CSR, ESG, and CDP and having no record of penalties for environmental or labor violations within three years Recognition of select outstanding suppliers: <ol style="list-style-type: none"> Grant medals and hold annual commendation ceremonies Give extra points (up to 1 point) apart from overall rating and price criteria in the event of CDF's procurement projects Make an internal announcement of such suppliers for each department's choice 	<p>Based on the annual supplier evaluation in 2020, CDF selected 3 outstanding suppliers and has granted each of them a medal in the supplier commendation on March 31, 2021.</p> <p>TSTI Tatung System Technologies Inc. MDBS Digital Technology Co., Ltd. SYSTEX Corporation</p>

Note 1: The local suppliers here refer to suppliers registered in Taiwan.

Note 2: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82% by the end of 2020.

The above data included the data of China Life Insurance since 2019.

Sustainable Supply-Chain Management

The Company is a player in the financial services industry. Our suppliers mainly engage in information services, engineering, and general services.

Type of suppliers	Labor intensity	Quantity	Percentage
Paper and prints	Medium high	8	2.67%
Restaurants and food ingredients	High	10	3.33%
Information services	Medium low	101	33.67%
Engineering	High	38	12.67%
Other services	Medium high	75	24.99%
Information equipment	Medium	31	10.33%
Office supplies	Low	11	3.67%
Transportation and communications	Medium	12	4.00%
Electrical appliances and equipment	Medium	14	4.67%
Total		300	100.00%

Evaluation of New Suppliers

The Group had 102 new suppliers in 2020. 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?	102	100%
Social and human rights	Does the company have a record of penalties for labor violations?	102	100%
Others	Does the company sign the Supplier CSR Commitment Letter? Is the company sourced locally? Is the company ISO or eco-label certified?	102	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	102	100%



Signing of the Supplier CSR Commitment Letter

Item\Year	2016	2017	2018	2019	2020
Percentage of signatories	54.3%	100.0%	100.0%	100.0%	100.0%

Note 1: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82% at the end of 2020. The above data included the data of China Life Insurance.

Note 2: As CDF became a signatory of the human rights commitments, the new version of the "Supplier CSR Commitment Letter" took effect in February 2020. In 2020, 100% of both our local major suppliers and new suppliers signed the new version of the "Supplier CSR Commitment Letter."

Human Rights Assessment for Existing Suppliers

CDF conducted the human rights assessment for all of the above suppliers for four consecutive years from 2017 to 2020. The results below suggest that 20 of the suppliers (about 6.56% were penalized in 2020 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 2018 to 2020. The Company will continue to monitor and check on suppliers' protection for labor rights.

Item	Year	2018			2019			2020		
	Human rights risk	Category 1	Category 2	Category 3	Category 1	Category 2	Category 3	Category 1	Category 2	Category 3
	Types of supplier/ scope of risk	Working hours	Workplace safety and health	Equality and non-discrimination in the workplace	Working hours	Workplace safety and health	Equality and non-discrimination in the workplace	Working hours	Workplace safety and health	Equality and non-discrimination in the workplace
Type of suppliers	Paper and prints	1	-	None	-	-	None	-	-	None
	Restaurants and food ingredients	-	-		-	-		2	-	
	Information services	-	-		-	-		2	-	
	Engineering	-	-		-	-		2	-	
	Other services	8	3		15	7		12	2	
	Information equipment	1	-		1	-		1	-	
	Office supplies	-	-		-	-		-	-	
	Transportation and communications	-	-		1	-		-	-	
	Electrical appliances and equipment	1	1		3	-		1	-	
Number of penalties for labor violations		11	4	0	20	7	0	20	2	0
Number of penalized suppliers		15			21			20		
Total number of major and new suppliers		203			252			300		
Ratio of penalties for labor violations		7.39%			8.33%			6.67%		
Summary of penalties for labor violations		1. Failed to keep a record of attendance and have it broken down to minutes 2. Extended working hours beyond legal requirements and failed to give overtime pay and declare the wages appropriated for pensions 3. Failed to prevent work sites with concerns of personnel falling off, objects falling, or collapse from causing danger								
Legal bases for penalties		1. Articles 24, 30, and 32 of the Labor Standards Act 2. Article 15 of the Labor Pension Act and Article 6 of the Occupational Safety and Health Act								

Environmental Hazards of Major Suppliers

CDF assessed the environmental hazards of major suppliers for three consecutive years from 2018 to 2020. In 2020, three suppliers had records of penalties for environmental violations at the total amount of NT\$67,200.

Year/Item	Mild environmental hazards (Hygiene)	Low environmental hazards (Waste Disposal Act)	Moderate environmental hazards (Water Pollution Control Act)	Severe environmental hazards	Number of penalized suppliers for environmental violations	Number of suppliers	Percentage
2020	1 in service industry	1 in information service industry	1 in information service industry	None	3	300	1.00%
2019	1 in service industry	1 in office equipment industry	1 in office equipment industry	None	2	252	0.79%
2018	None	1 in communications industry 1 in office equipment industry	None	None	2	203	0.99%

Supplier engagement

The Company has suppliers' CSR attached to orders in the procurement system and tender instructions. We organize supplier training courses and communicate with suppliers every now and then. CDF held the "2020 CDF Supplier Training and Commendation Ceremony" on March 31, 2021.

The scope of training covered the following:

1. The Group's supplier management policy and supplier management measures
2. New supplier management measures in 2020
3. New Supplier CSR Self-Assessment Form in 2020
4. Supplier communication channels and the Group's CSR policy
5. Suppliers' labor rights and human rights practices from 2018 to 2020
6. Impact of global warming
7. The Group's green procurement projects and awards
8. The selection of outstanding suppliers and the commendation ceremony for outstanding suppliers in 2020
9. The Company's achievements in CSR and environmental sustainability

5.2.2 Responsible Procurement

In 2020, CDF, CDIB Capital Group, KGI Securities, KGI Bank, and China Life Insurance did not have suppliers with deliveries of poor-quality products or major environmental hazards. We will continue promoting the responsible procurement policy and work with our suppliers to fulfill the Group's commitment to ESG.

Responsible Procurement Policy

Assess the actual needs:

A thorough needs analysis involving the relevant stakeholders will help define the scope for greening the contract as well as avoiding unnecessary purchases.

Apply selection criteria based on energy saving capacity:

Set awarding criteria which encourages equipment and products that emit less pollutant, are more energy efficiency, and are eco-label certified or verified by relevant manufacturing directives.

Reduce purchases of single-use disposable items:

Consider alternatives which are reusable and durable to minimize environmental impact.

2020 Goal	2020 Initiatives		Performance
A 3% increase in total green procurement (NT\$131.11 million) from 2019	Prerequisites	Priorities	1. CDF and China Life Insurance were selected by the Department of Environmental Protection, Taipei City Government as "the top private firm and group in green procurement" for a third and fifth consecutive year, respectively, in 2020. 2. CDF and China Life Insurance were selected by the Environmental Protection Administration, Executive Yuan as "the top private firm and group in green procurement in 2019" for a second consecutive year and the first year, respectively, in 2020. 3. The Group increased the amount of green procurement to NT\$188.55 million in 2020, a 43.8% increase vs. 2019. Of the total green procurement, NT\$83.73 million was granted a total of 20 eco-labels by the Environmental Protection Administration.
	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	
	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, and purchased printers and toner cartridges only	3. Prioritize energy-saving or eco-label or Energy Star certified equipment and electrical equipment	
Percentage of local suppliers at and above 80%	We have begun calculating the percentage of the Group's locally-sourced suppliers since 2016 and set the rule of having to conduct 80% or higher of procurement with local suppliers in 2017		Achieved the percentage of procurement from local suppliers at 84.56%
Extended scope of green procurement	Expand the scope of green procurement within the Group and include the suppliers' business operations in the GHG emission inventory		In 2020, the scope of green procurement extended from CDF and major subsidiaries (CDIB Capital Group, KGI Bank, KGI Securities, and China Life Insurance) to China Development Asset Management Corporation (subsidiary) and CDIB Capital Management Corporation, CDC Finance & Leasing Corporation, KGI Futures, KGI Securities Investment Trust, and KGI Securities Investment Advisory (sub-subsidiaries); in addition, carbon emissions from the suppliers' business operations such as the delivery of photocopy paper and printer repair and maintenance services were also included in the inventory (totaling 7.78 metric tons of CO ₂ e in 2020).

Note : In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82% by the end of 2020. The above data included the data of China Life Insurance since 2019.

Results of Responsible Procurement

- 1 CDF 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. The scope of green procurement has been expanded year by year. In 2020, the scope of green procurement covered the subsidiaries and sub-subsidiaries within the Group. We joined forces with the upstream, midstream, and downstream portions of our supply chain to create a green supply chain ecosystem. In addition, the suppliers' business operations were included in the GHG emission inventory in 2020, with the GHG emission from the delivery of photocopy paper and printer repair and maintenance services reaching 7.78 metric tons of CO₂e. In cooperation with our procurement and business units, we expected to use our influence over suppliers to increase their environmental awareness, jointly achieving the goal of sustainable development.

2

Compared with NT\$41.77 million in 2016, the amount of green procurement totaled NT\$188.55 million in 2020, a 43.8% increase vs. 2019. CDF and China Life Insurance received the green procurement award from the Department of Environmental Protection, Taipei City Government for a third and fifth consecutive year, respectively, in 2020. In addition, CDF and China Life Insurance received the 2019 green procurement award from the Environmental Protection Administration, Executive Yuan for a second consecutive year and for the first time, respectively. Bearing in mind the idea of environmental sustainability, the Group will continue to promote green procurement.

Unit: NT\$10,000

Item\Year	2017	2018	2019	2020
Information equipment	667	1,195	2,631	12,721
Information equipment consumables	1,078	1,391	1,465	2,221
Electrical equipment	446	301	223	1,746
Building materials and lighting/ construction projects	1,887	773	6,370	519
Paper/office supplies/others	397	473	1,097	534
Transportation/rental of hybrid vehicles (eco-label)	644	518	752	629
Transportation/high speed rail (low carbon-label)	0	743	573	485
Total	5,119	5,394	13,111	18,855
Awards	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 respectively 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. 	<ul style="list-style-type: none"> CDF and China Life Insurance received the green procurement award from the Department of Environmental Protection, Taipei City Government, for a third and fifth consecutive year, respectively. CDF and China Life Insurance received the green procurement award from the Environmental Protection Administration, Executive Yuan for a second consecutive year and for the first time, respectively.

Note : In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82% by the end of 2020. The above data included the data of China Life Insurance since 2019.

Performance of Local Procurement over the Past Four Years

Item\Year	2017	2018	2019	2020
Percentage of local suppliers	99.0%	99.1%	96.7%	84.56%

Note 1: In September 2017, CDF acquired a 25.33% equity interest in China Life Insurance through public tender offer, with the consolidated shareholding ratio reaching 34.82% by the end of 2020. The above data included the data of China Life Insurance since 2019 and dated back to 2016.

Note 2: The percentage of local suppliers decreased in 2020 due to a long-term foreign currency service contract signed by and between CDF and a foreign information service provider.



06 / Co-Creation
of Society



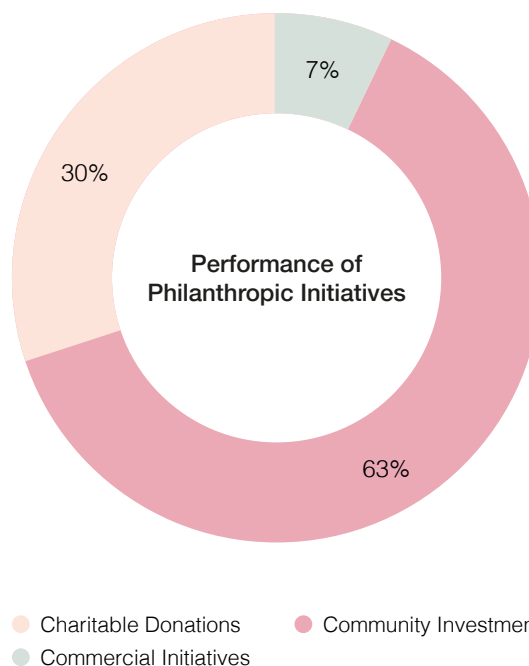
Its expertise in investment has helped CDF realize that education is the most valuable investment. Hence, it started providing educational resources and assisted students from rural areas and disadvantaged groups in overcoming poverty showing them opportunities to move up and become socially competitive. 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.

Through four types of philanthropic activities (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.

In the 2020 Taipei FinExpo, CDF set up the CDF Sustainability Pavilion to present global ESG trends and sustainable development issues; we also released the prototype of the "Resilience of Industries on Climate Change Enhancement, RICE," a science-based, credible climate risk management database built with National Taiwan University, Chunghwa Telecom Company, Ltd., and Ernst & Young, database, for the first time and demonstrated our achievements in promoting responsible finance. With volunteer leave offered, our employees volunteered to share with the general public the Company's response to climate change, responsible finance practices, and the entire design process of financial products in hopes of promoting the trends and issues in relation to sustainable development.

CDF has set up a CDF charity platform to encourage its own employees to volunteer, and those of subsidiaries to participate in various philanthropic activities. In 2020, a total of 5,016 employees volunteered for 35,541 hours, contributing NT\$5.43 million to social welfare organizations.

Performance of Philanthropic Initiatives



Total input of philanthropic contributions in 2020

Cash Contributions NT\$92.81 million












Time Input NT\$22.76 million
5,016 employees
35,541 hours









In-kind Giving NT\$44.05 million
84 free start-up seminars
and 2 start-up workshops






Management Overheads NT\$13.06 million

Goal	Philanthropic initiative	Short-term target (2021)	Medium-term target (2022~2023)	Long-term target (2023~2025)
Expand the scope of public welfare activities	Love, Starting From Elementary School	Beneficiary:400 students	1,200 beneficiaries by 2023	1,800 beneficiaries by 2025
	Let Love Flower	Beneficiary:1,000 students	4,000 beneficiaries by 2023	6,000 beneficiaries by 2025
Expand social participation	Gift Shoebox of Love	500 volunteer employees, 10 schools in remote areas	2,000 volunteer employees, 40 schools in remote areas by 2023	3,000 volunteer employees, 60 schools in remote areas by 2025
	Bread Love	NT\$630,000	A 5% YoY increase in the value of purchase by 2023	A 5% YoY increase in the value of purchase by 2025
	Lunch Dates	2 sessions, 10 volunteers per session, totaling 20 volunteers	6 sessions, 10 volunteers per session, totaling 60 volunteers by 2023	10 sessions, 10 volunteers per session, totaling 100 volunteers by 2025
	Charity Day	1 session per year, value of purchase: NT\$800,000 from social enterprises to support rural elementary school students, 20 volunteers	3 sessions by 2022, a 5% YoY increase in value of purchase from social enterprises	5 sessions by 2025, a 5% YoY increase in value of purchase from social enterprises
Continue to nurture talent and start-ups	Incubation	<ul style="list-style-type: none"> Mentor for "Mock Contest on Mergers and Acquisitions" at National Chengchi University 11th Greater China (Asia-Pacific) Mock Contest on Mergers and Acquisitions - Mentor CDIB Capital Innovation Accelerator's start-up mentoring programs 	Continue to recruit mentors from professionals in various fields with group resources and adjust program contents in line with trends	Continue to attend and organize training courses to cultivate talent in mergers and acquisitions and start-ups in Asia-Pacific and even worldwide

Key Philanthropic Activity in 2020

Type of Philanthropic Activity	SDGs	Action Plan	Organizer	2020 Input	2020 Performance		
				Amount/hour	Beneficiary (people/school/group)	Business Benefit	Social Benefit
Charitable Donations	 	COVID-19 Emergency Relief	KGI Charity Foundation	NT\$23.6 million	Japanese and Taiwanese disadvantaged people and groups	Elevated brand image and brand favorability	Donated anti-pandemic supplies to those hit badly by COVID-19 at home and abroad
Community Investments	 	"Heritage 100 X Tutelage 100" scholarship program	CDF Foundation	<ul style="list-style-type: none"> NT\$5 million 10,000 hours 	100 low-income college students and 100 underprivileged children	<ul style="list-style-type: none"> Increased KGI Bank's new accounts: 100 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
	 	Online and offline 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\$525,000 In-kind contribution: NT\$520,000 266 volunteers, 1,064 hours 	27 beneficiary units (including elementary rural schools and social welfare groups) 1,849 beneficiary individuals	<ul style="list-style-type: none"> Increased visibility and favorability - Awarded Buying Power by Small and Medium Enterprise Administration, M.O.E.A. for a fourth consecutive year Development of outstanding talent 	<p>Education Spent over NT\$840,000 in promoting a healthy diet and smiling the epidemic prevention among rural school children</p> <p>Social care</p> <ul style="list-style-type: none"> Worked with 5 emerging artists and rural school children to fight against the pandemic through online and offline events, attracting 800,000 views online Made a promotional video and a quick guide to rice to communicate the appreciation of food and a virtuous circle via social media, attracting nearly 70,000 views <p>Local identity Made a quick guide to rural tourism to introduce the attractions and features in remote areas when the pandemic gradually subsided, attracting 260,000 views online</p> <p>Circular economy Introduced the concept of circular economy in line with international trends to improve the resource utilization of off-grades, and helped eco-friendly small farmers rake in nearly NT\$500,000, further creating social value</p>
	  	Let Love Flower	KGI Charity Foundation	NT\$5.49 million	50 schools	Improved corporate image, favorability, and visibility	<ul style="list-style-type: none"> Supported 1,177 students from 50 schools in remote areas Ensured that the disadvantaged students in remote areas had food prior to attending class, so that they could concentrate on their learning Created an opportunity for students to learn English and broaden their horizon
	 	Love, Starting From Elementary School	KGI Charity Foundation	NT\$5.43 million	394	Improved corporate image, favorability, and visibility	Helped economically disadvantaged students continue their studies and be unaffected by family circumstances and provided them an opportunity to transform their lives through education

Type of Philanthropic Activity	SDGs	Action Plan	Organizer	2020 Input	2020 Performance		
				Amount/hour	Beneficiary (people/school/group)	Business Benefit	Social Benefit
Commercial Initiatives	  	Online charity donation platform	KGI Bank	A charity donation platform was set up on the company website 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"> Helped NGOs collect donations online without an IT system and improve brand visibility More than 1,015 donations made at nearly NT\$2 million as of today Achieved a 64% YoY increase in the amount of donations
	  	Online donations via KGI inside	KGI Bank	Provided open API for social welfare organizations to connect with the e-Bill and Tax Online platforms of Financial Information Service Co., Ltd. via KGI inside and save bank fees	17 social welfare organizations	<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 68,000 donations made at nearly NT\$80 million since February 2020 Helped NGOs save bank fees by 78% Increased popularity and exposure of non-profit organizations
	 	CDIB Capital Innovation Accelerator's start-up mentoring program	CDIB Capital Innovation Accelerator	<ul style="list-style-type: none"> NT\$1.29 billion 15 one-day start-up board meetings (Start-up Mentor Projects) free of charge and 2 start-up workshops 84 start-up seminars held online and offline, including an anti-pandemic session on relief granted by the National Development Fund, due to the restrictions on activities amid the pandemic; provision of more external resources and funds for start-ups amid the pandemic; "Social Enterprise X Venture Capital Day" held with Taiwan NPO Self-Regulation Alliance, where venture capital firms shared with social enterprises their insight into successful companies and helped them plan ahead and exert influence on society Expanded corporate influence on society at home and abroad by teaming up with Epoch Foundation to launch Garage+, a start-up incubator that backs up innovation-driven start-ups in fields such as IoT, mobile Internet, cloud networking, and next-generation e-commerce with a wealth of resources and business opportunities 	<ul style="list-style-type: none"> 18 investee start-ups (accumulated) 84 sessions, attended by 2,024 people Performance of Epoch Foundation initiative: <ol style="list-style-type: none"> Co-creation seminars with Far EasTone Telecommunications, LINE, Wistron, and Advantech to promote in-depth cooperation and investment between enterprises and start-ups CCIA X Garage+ at Meet Taipei to match 23 businesses at home and abroad CEO roundtable meetings on 3 different topics: <ul style="list-style-type: none"> How to raise funds amid the pandemic? How to find business opportunities in a crisis? How to exploit global markets during the crisis? In-depth discussion on each topic led by mentor to explore rising stars with potential 	<ul style="list-style-type: none"> 18 investee start-ups of CDIB Capital Group Increase in start-up investments CDIB Capital Innovation Accelerator's visibility and influence in responsible investment Opportunities for cooperation between subsidiaries and start-ups Opportunities for collaboration among investors, large enterprises and customers, and start-ups DIB Capital Innovation Accelerator's differentiation from other venture capital firms in terms of service and social influence 	<ul style="list-style-type: none"> 18 start-ups received funds required for business development (as of today) Young people and start-ups received professional guidance to overcome difficulties through free seminars, workshops, and courses 84 sessions, attended by 2,024 people Corporate-matching opportunities for start-ups Increase in employees' participating, self-satisfaction, and social recognition

Type of Philanthropic Activity	SDGs	Action Plan	Organizer	2020 Input	2020 Performance		
				Amount/hour	Beneficiary (people/school/group)	Business Benefit	Social Benefit
Commercial Initiatives		Donation to SME Credit Guarantee Trust Fund	KGI Bank	Donation: NT\$28,274,995; total credit guarantee in 2020: NT\$2,703,088,477	4,347 SMEs or start-ups in Taiwan	<ul style="list-style-type: none"> The Credit Guarantee Trust Fund paid off bank loans on behalf of SMEs having difficulty in repaying debts to reduce financing risks and losses. Boosted the confidence and scale of loans for SMEs to increase the yield of loans with high spreads 	Assisted domestic SMEs or start-ups with insufficient collateral in improving their credibility and obtaining loans
Employee Engagement		2020 Charity Day Event	CDF Foundation	<ul style="list-style-type: none"> NT\$653,400 800 volunteers 	4 vendors 1 school	<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
		Gift Box of Love	KGI Charity Foundation	400 employees collected over 400 shoeboxpresents	Students from 6 rural schools in Yunlin, Chiayi, and Pingtung	Improved corporate image, favorability, and visibility	Expanded employee participation in philanthropic activities
		KGI Volunteer Day	KGI Bank	28 volunteers, putting in a total of 112 services hours in 2020 ^(Note) (Note: KGI Volunteer Day was suspended from February 2020 due to the outbreak of the COVID-19 pandemic.)	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.
		Love to Go Volunteer Team	China Life Insurance	2,748 volunteers, putting in a total of 19,559 services hours	82 beneficiary units, 68,106 beneficiaries	Improved corporate image, cohesion among employees, opportunities for developing new customers	<ul style="list-style-type: none"> Created a platform for 82 NGOs, eco-friendly small farmers, and social enterprises with group resources Supported NGOs through consumption: Over 70% of employees subscribed to coupons for common good

Social Return on Investment (SROI)

Heritage 100 X Tutelage 100 is a long-term program that the CDF Foundation have engaged in for more than ten years. The foundation puts in NT\$5mn each year to keep the program running, with beneficiaries including 100 college students and 100 elementary school children. In order to find out the social impact of the program, in 2017, we introduced the SROI system to assess the changes to the major stakeholders and the social impacts the program had brought about. The social impact is calculated and presented in monetary terms. The denominator is the cost, or the NT\$5mn we allocate for the program each year, while the numerator is the value of the social impacts, including the livelihood of college students, academic progress of school children, improved family relationships and reduced workload for primary school teachers, etc. We find out that the SROI of the Heritage 100 X Tutelage 100 program was 4.9 in 2020, meaning that for every NT\$1 we invested in, we created positive social impact of NT\$4.9. In 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.

6.1 Charitable Donations



The world was badly hit by the COVID-19 pandemic in 2020. CDF and its foundations took the lead in donating supplies to those in need at home and abroad to help them fight against the pandemic. CDF through its charitable acts has consistently provided care and assistance for people who are victims of emergencies, such as student affected by Formosa Fun Coast explosion and children orphaned by Tainan Earthquake. The KGI Charity Foundation also provides financial assistance for families that often face sudden upheavals in their lives.



Social emergency aid

Organizer	Program	Description	Beneficiary	Highlights of 2020
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
CDF 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	<ul style="list-style-type: none"> Grants totaling NT\$0.69 million, benefiting 27 students The grants distributed since 2015 total NT\$19.81 million, benefiting 589 students
KGI Charity Foundation	Emergent Aid Program	Financial aid and emergency funds for students' families that experience sudden upheavals	Low-income students	<ul style="list-style-type: none"> Grants totaling NT\$1.54 million Benefited 49 students
KGI Charity Foundation	COVID-19 Emergency Relief	Donated anti-pandemic supplies to those hit badly by COVID-19 at home and abroad	Japanese and Taiwanese disadvantaged people and groups	<ul style="list-style-type: none"> NT\$23.6 million Donated 0.22 million masks to the government of Japan and 1.85 million masks to city/county governments and disadvantaged groups in Taichung, Kinmen, and Hualien
KGI Securities Thailand	COVID-19 Emergency Relief	<ol style="list-style-type: none"> Donated money to Ramathibodi Foundation Donated money to Somdech Phra Pinklao Hospital for purchasing medical devices 	<ol style="list-style-type: none"> The general public Medical professionals 	THB1.5 million

6.2 Community Investments



Our community investment center 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 2020, our community investment amounted to about NT\$31.39 million and benefited 13,000 students of over 500 schools across Taiwan. In addition to investment in education, KGI Bank also donated NT\$28,274,995 to the Small & Medium Enterprise Credit Guarantee Fund of Taiwan in 2020 to create a more borrower-friendly environment for quality SMEs and start-ups.



Educational Aid

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF	Asia Youth Forum	Sponsoring the 1st Asia Youth Forum organized by Fair Winds Foundation and NTHU Leadership Program and executed by students from 15 colleges and universities	Students from over 10 countries such as Taiwan, the United States and Vietnam	Sponsorship: NT\$0.3 million
CDF Foundation	Heritage 100 X Tutelage 100 offered	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 in were similar to those of the students 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.	Low-income college students	<ul style="list-style-type: none"> Subsidies: NT\$5 mn Beneficiaries: 100 college students 100 underprivileged children, 10,000 tutorial hours and 100 schools Sponsorship as of today: NT\$70 million; beneficiaries as of today: 2,800 individuals

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF Foundation	Our Class Has Got Talent	<ul style="list-style-type: none"> Since 2009, 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 years, the Foundation has fostered outstanding young talent like NCAA player Oscar Gao and choreographer Jya-ming Li. CDF created a platform for participants of the Little Flying Elephant Project to exhibit their talent. The 2020 CDF Little Flying Elephant Summer Camp encouraged the project's young talent, Oscar Gao, to be in charge as the lecturer and coach 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. 	<ul style="list-style-type: none"> Individuals or groups with potential Underprivileged students, CDF employees and their family members 	<ul style="list-style-type: none"> Sponsorship: NT\$1.262 million Beneficiary: 101 students 22 schools Beneficiary: 27 employees
CDF 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 students with potential	<ul style="list-style-type: none"> Sponsorship: NT\$2.45 million Beneficiary: 128 students Sponsorship as of today: NT\$5.95 million; beneficiary as of today: 356 students
CDF Foundation	Scholarships	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 2017, they have been offering courses in dance, watercolor painting, and guitar every year.	Disadvantaged students, employees, spouses, and children	<ul style="list-style-type: none"> Beneficiary: 84 employees and their family members Beneficiary as of today: 352 employees and their family members
CDF Foundation	Desk calendar	Extending the Flying Elephant Project and the Vocational Skills Scholarship program, the Foundation invited the program's long-term beneficiaries to design the desk calendar for CDF.	Underprivileged students and schools	Beneficiary: 27 art students
China Life Insurance	Societal-Minded Young CEO initiative	For over 14 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	Beneficiary: 725 rural students and residents from 8 colleges and universities; sponsorship as of today: NT\$1 million or more to nearly 30 colleges and universities
China Life Insurance	Read Across 319 Townships	In the wake of the COVID-19 pandemic, the project was carried out through virtual and physical integration. In addition to designing a dance that makes healthy diet a cool thing to do, the project worked with elementary schools in rural areas to promote healthy diet and prevent epidemic diseases, so as to help students grow healthily. China Life continued donating funds to enable students to consume knowledge through reading. Reading could calm students and increase their physical and mental immunity during the epidemic prevention.	School children and teachers from rural areas	<ul style="list-style-type: none"> China Life worked with 4 schools in rural areas to organize an online and offline dance that promoted healthy diet; 2 videos on a quick guide to rural tourism were also made, drawing the attention of nearly 70,000 viewers online. Sponsorship: NT\$0.5 million odd; beneficiary: Nearly 400 school children and teachers

Organizer	Program	Description	Beneficiary	Highlights of 2020
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. In the wake of the COVID-19 pandemic, the project was carried out through virtual and physical integration. Working together with five cutting-edge emerging artists, nearly 100 school children in rural areas created art in the anti-pandemic campaign while increasing their awareness of epidemic prevention through creation. This project injected smiles, love, and care into society during the epidemic prevention. We also helped a wider audience to discover the students' artistic talent by converting their artwork into merchandise and souvenirs, such as e-cards for China Life's 57th anniversary gift boxes for stakeholders, creating a virtuous cycle.	Rural elementary schools, social enterprises, teachers, and cutting-edge emerging artists	<ul style="list-style-type: none"> Five cutting-edge emerging artists worked with nearly 100 school children in rural areas to hold three rounds of the anti-pandemic campaign in 2020, drawing the attention of more than 0.8 million viewers online. Sponsorship as of today: NT\$2.85 million; beneficiary as of today: 557 students and teachers from 13 elementary schools in rural areas The Aesthetic Education Plan won the Buying Power - Social Innovation Product and Service Procurement Award for a fourth consecutive year in 2020.
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 12 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	Beneficiary: More than 6,000 children with mental and developmental challenges and their family members since 2009

Remote communities & special needs organizations

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF Foundation	Perfect Nutrition	Since 2005, the Perfect Nutrition program was initiated to subsidize rural elementary and junior high schools in 10 cities and counties across Taiwan for annual food budgets, supplying necessary nutrition for more than 10,000 school children.	Elementary and junior high schools in rural areas	<ul style="list-style-type: none"> Sponsorship: NT\$4.91 million Beneficiaries: 151 schools and 920 bicycles donated to 10,523 students Beneficiary: 201 schools Sponsorship as of today: NT\$85 million; beneficiary as of today: 0.15 million school children
CDF Foundation	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. Positive feedback has been received from students attending art performances. (Due to the pandemic, the project was postponed in 2020.)	Disadvantaged students and families	Sponsorship: NT\$0.1 million
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 learning English.	Economically disadvantaged students living in rural areas	<ul style="list-style-type: none"> Sponsorship: NT\$5.49 million Beneficiaries: 50 schools
China Life Insurance	Green Academy Program for Food Safety	Since 2014, seasonal fruits have been purchased from eco-friendly small-scale local farmers for rural students and students experiencing poverty in order to supply them necessary nutrition and increase their environmental awareness. In addition to purchasing food from local farmers, China Life took local young farmers deeper into rural elementary schools and orphanages. Through supplying organic rice and food education, 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	<ul style="list-style-type: none"> Beneficiary: More than 500 school children from 4 rural schools and 4 social welfare organizations Sponsorship as of today: NT\$2.2 million; beneficiary as of today: More than 2,235 students from 40 rural schools and social welfare organizations

Low income and underprivileged households

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF	Education Charity Fund	A supportive program of the Taiwan Financial Services Roundtable to help underprivileged students complete their study	Underprivileged students	Donation: NT\$1 million
CDIB Capital Group	Sponsorship & assistance to Chung Yi Social Welfare Foundation & the children of Chung Yi Orphanage	<ul style="list-style-type: none"> The 2020 journal and notebook charity sale Three charitable events: "Let Children Go to School," "Warm + Accompany + You = WAY - Medical Expenses for Orphans," and "Love Is Power" 	The orphans	<ul style="list-style-type: none"> A gain of NT\$10,698 from the charity sale A gain of NT\$26,400 from three charitable events
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.	Low-income students	<ul style="list-style-type: none"> Sponsorship: NT\$5.43 million Beneficiaries: 394 students 115 schools Since 2012, the Foundation has provided over NT\$30 million in scholarship to over 2,000 students of underprivileged families to protect their rights to education.

Social & micro enterprises and social welfare organizations

Organizer	Program	Description	Beneficiary	Highlights of 2020
China Life Insurance	Charity Fairs	<p>Having been organized for 12 years, charity fairs have evolved from simply a vending platform for eco-friendly small local farmers and social 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 and 2020, China Life issued Charity Fairs coupons, which have been ordered by over 70% of employees around the country in support for under-served groups and eco-friendly local farmers.</p>	Social welfare organizations; eco-friendly small local farmers	<ul style="list-style-type: none"> 1 charity fair Beneficiary: 7 social welfare organizations and eco-friendly small local farmers Sales totaling NT\$1.2 million Up over 20% YoY Sponsorship as of today: NT\$1.5 million; beneficiary as of today: 14,000 people

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.

In the 2020 Taipei FinExpo, CDF set up the CDF Sustainability Pavilion to present global ESG trends and sustainable development issues; we also released the prototype of the "Resilience of Industries on Climate Change Enhancement, RICE," a science-based, credible climate risk management database built with National Taiwan University, Chunghwa Telecom Company, Ltd., and Ernst & Young, database, for the first time and demonstrated our achievements in promoting responsible finance. Small seminars on digital innovation, startup incubation, climate change, and industrial sustainability were also organized to share with the public the latest trends in sustainable investment and wealth management and various aspects of sustainable finance.

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.



Communication with Stakeholders

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF	2020 Taipei FinExpo	In the 2020 Taipei FinExpo, CDF demonstrated the achievements in financial inclusion and digital financial technology. The Company also released the climate risk assessment model under the "Resilience of Industries on Climate Change Enhancement, RICE," for the first time and shared with the general public its response to climate change, responsible finance practices, and the entire design process of financial products.	The general public and employees	Employees attended the 2020 Taipei FinExpo based on the following plans: 1. With volunteer leave offered, 84 employees of the Company and subsidiaries volunteered in the exposition for 484 service hours in total. 2. A total of 6 seminars were organized in the exposition to train 48 employees of the Company and subsidiaries.

Arts cultivation and educational aid

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF Foundation	Art cultivation	The Foundation sponsored a variety of performance events, including the 2021TIFA Taiwan International Art Festival, to raise CDF's brand image.	Art and culture groups; schools and employees	Sponsorship: NT\$2 million
CDF Foundation	Taipei National Theater and Concert Hall "Philosophy of Art"	The Foundation sponsored Taipei National Theater and Concert Hall's "Philosophy of Art" in 2020 to prompt art discussions in senior high schools. A total of 11 seminars are scheduled in 2021 to have an in-depth dialogue with students about their thoughts on art.	Senior high school students	Donation: NT\$200,000
CDF Foundation	National Taichung Theater "Open House project" and NTT Academy	Since 2017, the Foundation has sponsored the project and invited rural students in Taichung, Changhua, Nantou, and Chiayi to appreciate performance art in the opera house. 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.	Rural elementary and junior high-school students; high-school students	<ul style="list-style-type: none"> Sponsorship: NT\$0.5 million Beneficiary: 300 students 7 schools Sponsorship as of today: NT\$2 million; beneficiary as of today: 1,076 students from 28 schools
CDIB Capital Management Corporation/ CDIB Capital International Corporation (CCIC)	Working with MIT to help Taiwanese start-ups enter overseas markets	Sponsoring the "MIT Entrepreneurship and Maker Skills Integrator (MEMSI)" project and "Demo Day" organized by MIT Hong Kong Innovation Node, CDIB Capital Management Corporation and CCIC promoted the exchanges of talents and cooperation between start-ups in Taiwan and the U.S. This helped Taiwanese start-ups enter overseas markets, which in the long run will increase their global visibility and the Group's overall market presence overseas.	Students of MIT & HKU, etc.	Sponsoring MEMSI at US\$100,000 and organizing MEMSI Demo Day on January 18, 2020, where 34 teams of business and engineering students from the University of Hong Kong and MIT were selected to make presentations
KGI Securities	Sponsorship program for Rong-shing Cultural Foundation	Music education	Rong-shing Cultural Foundation	<ul style="list-style-type: none"> Enhance our brand awareness and media exposure Total donation: NT\$200,000 Beneficiary: 130 individuals

Social and micro enterprises

Organizer	Program	Description	Beneficiary	Highlights of 2020
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	Coordinating with AAMA to set up incubation, the Accelerator hosted AAMA's season 9 final elimination on May 23, 2020 and selected 26 start-ups with huge potential. Start-ups continue to benefit from group resources and generate cross-selling synergies. In 2020, 11 AAMA start-ups completed cross-selling transactions.
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"> 18 portfolio companies of CDIB Capital Innovation Accelerator (as of today) Number of one-day startup board meetings organized (Start-up Mentor Project): 15; number of start-up workshops: 2 Number of free start-up seminars organized at CDIB Capital Innovation Accelerator: 84 sessions, attended by 2,024 people
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.	28 charity organizations	<ul style="list-style-type: none"> Over 1,015 donations of nearly NT\$2 million as of today Achieved a 64% YoY increase in the amount of donations Same number of benefited charities
KGI Bank	Online donations via KGI inside	With the Application Programming Interface (API), "KGI inside" provides open API for 17 social welfare organizations to connect with the e-Bill and Tax Online platforms of Financial Information Service Co., Ltd., effectively reducing the fees payable to financial institutions for each online donation.	17 social welfare organizations	<ul style="list-style-type: none"> Processed nearly 68,000 donations of over NT\$80 million through KGI inside from February to December 2020 Significantly reduced the fees charged to 17 social welfare organizations by 78%, allocating more resources to those in need
KGI Bank	Donation to SME Credit Guarantee Trust Fund	Long support to SMEG Fund and helped micro and social enterprise to be qualified for credit guarantees and loans	Micro and social enterprise	Donation: NT\$28,274,995

6.4 Employee Engagement



CDF has set up a charity platform to encourage employees to volunteer, and employees of subsidiaries also take the initiative in participating in various philanthropic activities. Currently, we offer four-day voluntary leave to every employee per year, hoping that he/she will volunteer for more philanthropic activities. By promoting philanthropic activities from educational aid and financial aid to start-up incubation, CDF and subsidiaries continue to exert corporate influence on society to put SDG1, SDG8, SDG10, and SDG17 into practice while consolidating their position and brand image in the local market. As the COVID-19 pandemic raged in 2020, many activities brought to a halt; however, this did not stop our employees from volunteering for philanthropic activities. In 2020, 5,413 employees across the Group volunteered for a total of nearly 35,541 service hours. Among the subsidiaries, China Life has proactively set up the "Love to Go Volunteer Team" to provide care and aid for socially disadvantaged groups. In 2020, China Life's employees volunteered for a total of nearly 20,000 service hours.

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.



Remote communities

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF 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. In 2020, the president of KGI Bank led a team to Liyu Elementary School in Miaoli County to prepare Halloween dinner for school children.	Students and Teachers at rural areas	<ul style="list-style-type: none"> Volunteered for 120 service hours Beneficiary: 84 students and teachers
KGI Charity Foundation	Gift Box of Love	KGI Securities staff collected shoebox presents during winter, sending their loving thoughts to children in rural areas. In 2020, all employees across the Group were called on to collect shoebox presents for children from 6 rural schools in Yunlin, Chiayi, and Pingtung. All shoebox presents collected were given to the children by KGI Charity Foundation.	Students from 6 rural schools in Yunlin, Chiayi, and Pingtung	400 employees collected over 400 shoeboxpresents

Volunteering for social service

Organizer	Program	Description	Beneficiary	Highlights of 2020
China Life Insurance	Love to Go Volunteer Team	Established in 2012, the Love to Go Volunteer Team operates on China Life'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 under-served seniors company, beach clean-up, and goodwill products/packaging, etc. To encourage employee participation, China Life began offering one day of volunteer leave each year in 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	Back-office and field employees volunteered for a total of 19,559 and benefited 68,106 individuals.
KGI Bank	KGI Volunteer Day	In cooperation with the United Way of Taiwan, KGI Volunteer Day cares for the elderly from various Elder Centers. By rewarding the compensatory leave, employees are encouraged to spend half a day a month during weekend at care facilities in Taipei, Taichung and Kaohsiung and provide companionship to senior citizens	350 Seniors from senior care centers	<ul style="list-style-type: none"> A total of 1,388 employees have volunteered for 5,552 service hours since KGI Volunteer Day kicked off in 2013. 28 volunteers, putting in a total of 112 services hours in 2020 ^(Note) (Note: KGI Volunteer Day was suspended from February 2020 due to the outbreak of the COVID-19 pandemic.)
China Life Insurance	Accessibility holiday	China Life partnered with DuoFu Holidays, an "accessibility holiday" travel agency, to organize a one-day trip for the disabled or the elderly and their family members. For family members, the trip was an escape from the stress of daily care. The event also drew people's attention to the needs of the physically challenged and the elderly for medical care.	Families of individuals with disabilities and the elderly	Beneficiary: 27 caregivers from 10 disabled families



Collective buying from social welfare organizations and social enterprises

Organizer	Program	Description	Beneficiary	Highlights of 2020
CDF Foundation	Annual Charity Day Event	Employees participate in the annual charity fair held at the end of the year or the beginning of the following year, where social enterprises and charity group partners are invited as merchandise booth vendors. To boost purchases, the Foundation made a promotional pre-sale of subsidized coupons in limited quantity. On January 20, 2021, a total of 14 shelter workshops, social enterprises, and local farmers were invited as merchandise booth vendors. Employees turned out at the event and purchased local specialties, golden potatoes, to support the establishment of the talent class of a rural elementary school in Yunlin. The charity fair grossed NT\$1.12 million in sales.	Social enterprises and social welfare organizations	There was a decent turnout with about 800 employees, and the charity fair grossed NT\$1.12 million in sales.
CDF 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. 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.	Mentally or physically challenged people	<ul style="list-style-type: none"> • Raised NT\$0.28 million. • Beneficiary: 200 students and teachers • 200 employees participated
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"> • Mentally or physically challenged people • Elderly who live alone • Orphanage kids • School children living in poverty or rural areas 	<ul style="list-style-type: none"> • Purchase of bread worth NT\$0.71 million • Beneficiary: 33 students and teachers from shelter workshops • 50 orphans • 145 elderly who live alone • Called on 595 employees to participate
China Life Insurance	Charitable Group Buying	Using the term payment model common to 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 own 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 2020, orders exceeded NT\$1.62 million, yielding nearly NT\$600,000 worth of resources to social welfare organizations.



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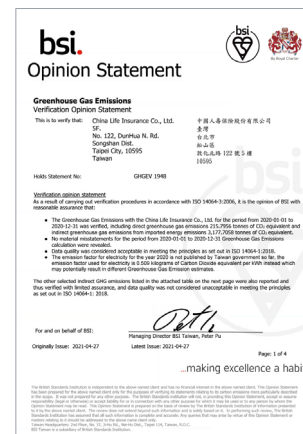
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FN-IN-450a.2	Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	CDF does not operate property insurance business, so this indicator is not applicable.	
FN-IN-450a.3	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	(1) China Life Insurance under CDF is a member of the life insurance industry, and individual contracts of policyholders have a low correlation with environmental risks, so this indicator is not applicable. (2) 3.2.2 Sustainable Insurance Risk Management	79

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Assurance Statement





INDEPENDENT ASSURANCE OPINION STATEMENT

China Development Financial Holding Corporation 2020 Corporate Social Responsibility Report

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

1. The assurance scope is consistent with the description of China Development Financial Holding Corporation 2020 Corporate Social Responsibility Report.
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 AS v3 sustainability assurance engagement.

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

Opinion Statement

We conclude that the China Development Financial Holding Corporation 2020 Corporate Social Responsibility Report provides a fair view of the CDF CSR programmes and performances during 2020. 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 2020 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 v3. 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 v3 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 one external stakeholders to conduct interview
- interview with 30 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 continually 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 China Development Financial Holding Corporation 2020 Corporate Social Responsibility 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 v3 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-2020095
2021-05-27

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