

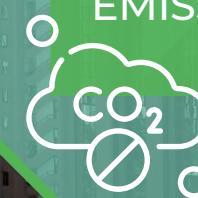


中華開發金控
CHINA DEVELOPMENT FINANCIAL

2021 ESG REPORT

2045

NET ZERO CARBON
EMISSION



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

Content

- 03 About the Report
- 04 Chairman's Message
- 05 2021 ESG Performance
- 06 CDF Overview

01 Sustainability Strategy

- 08 1.1 Sustainability Issues Management
- 14 1.2 Sustainable Vision and Values

02 Corporate Governance

- 19 2.1 Operating Overview
- 20 2.2 Governance Framework
- 27 2.3 Sustainability Risk Management
- 43 2.4 Information Security
- 46 2.5 Ethical Corporate Mangement
- 51 2.6 Tax Governance

03 Intelligent Finance

- 59 3.1 Responsible Investment
- 70 3.2 Sustainable Insurance
- 75 3.3 Principles of Responsible Banking
- 79 3.4 Customer Experience

04 Elite Talent Development

- 95 4.1 Employee Structure
- 96 4.2 Human Rights
- 100 4.3 Career Development
- 108 4.4 Employee Wellbeing

05 Low-Carbon Economy

- 113 5.1 Green operation
- 121 5.2 Sustainable Supply Chain

06 Co-Creation of Sustainable Society

- 129 6.1 Promote Intergenerational Collaboration
- 131 6.2 Take Care of the Elderly
- 133 6.3 Seek Common Good with the Disadvantaged
- 138 6.4 Coexist with the Environment
- 139 6.5 COVID-19 Pandemic Relief

07 Appendix

- 141 GRI Standards Index
- 148 SASB Index
- 152 Assurance Statement

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

About the Report

Since 2011, China Development Financial Holding Corporation (CDF) has published our ESG Report in June every year to report the Company's sustainability performance to our stakeholders. This report is the 11th ESG Report of the Company, which discloses the sustainability performance from January 1 to December 31, 2021.

Scope of Disclosure

This report's scope of disclosure covers 100% of the consolidated operating revenue of CDF in 2021:

Name of Unit	Abbreviation
China Development Financial Holding Corporation and its subsidiaries	CDF, the Company
China Development Financial Holding Corporation	CDFH
CDIB Capital Group and its subsidiaries	CDIB
KGI Securities Co., Ltd. and its subsidiaries	KGI Securities, KGIS
KGI Commercial Bank Co., Ltd. and its subsidiaries	KGI Bank, KGIB
China Development Asset Management Corp.	AMC
China Life Insurance Co., Ltd.	CL Insurance, CL
China Development Financial Holding Foundation	CDF Foundation
KGI Charity Foundation	KGI Foundation

Note:

- The Company has acquired 100% shareholding in CL Insurance as of December 30, 2021.
- The environmental data in this report only covers Taiwan, while the other data cover 100% of the consolidated revenue of CDF in 2021.
- Unless otherwise specified, the currency used in this report is New Taiwan Dollars.

Third-Party Assurance	
Certification Authority	Standard
British Standards Institution (BSI)	AA1000 Assurance Standard v3
Klynveld Peat Marwick Goerdeler (KPMG)	ISAE3000
Deloitte & Touche (Deloitte)	International Financial Reporting Standards (IFRS)
British Standards Institution (BSI) SGS Taiwan Ltd.	◆ ISO 14001: 2015 EMS International Certification ◆ ISO 14064-1: 2018 GHG Inventory Standards ◆ ISO 50001: 2018 Energy Management System ◆ ISO 27001 Information Security Standards ◆ ISO 45001: 2018 Occupational Health and Safety Management System

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

Disclosure Principle

Official Issuing Authority	Guidelines
Global Sustainability Standards Board (GSSB)	Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards) 2016 Edition
International Integrated Reporting Council (IIRC)	Integrated Report (IR) Framework
Sustainability Accounting Standards Board (SASB)	◆ Guidelines for Insurance Industry ◆ Guidelines for investment banking and economic industry
Financial Stability Board (FSB)	Task Force on Climate-Related Financial Disclosure (TCFD)
United Nations (UN)	◆ Sustainable Development Goals (SDGs) ◆ Global Compact
Taiwan Stock Exchange (TWSE)	◆ Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies ◆ Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Data Discrepancy

The discrepancy between the information disclosed in this report and that in 2020 is described as follows:

Chapter	Description of Discrepancy
4. Elite Talent Development	1. Adjustment of the calculation method of the employee employment contract and update the data 2. Adjustment of the calculation method of the injury rate and update the data
5. Low-Carbon Economy	1. Adjustment of waste classification method and update the data

Contact
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Sustainability website | <https://www.cdfholding.com/en/esg>

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

**Sustainability
Strategy**

**Corporate
Governance**

**Intelligent
Finance**

**Elite Talent
Development**

**Low-Carbon
Economy**

**Co-Creation of
Sustainable Society**

Appendix

Chairman's Message

2045 Net Zero Commitment Leads to Finance Transformation

Since the outbreak of COVID-19 in late 2019, 470 million people have been infected and more than 6 million people have died as of end of March 2022, with no end in sight. When Taiwan entered a level 3 epidemic alert in mid-2021, CDF's management team and employees responded quickly by implementing digital transformation and initiating work from home system to ensure the smooth progress of all businesses.

In 2016, CDF incorporated the United Nations Sustainable Development Goals (SDGs), launching and progressively improving the "Five Sustainable Strategies", namely, Corporate Governance, Intelligent Finance, Elite Talent Development, Low-Carbon Economy and Co-Creation of Society. The Company's ESG Report also serves as the framework reporting on the implementation results to all CDF's stakeholders.

In 2021, under the leadership of President and CEO, Steve Bertamini, a five-year development goal "ABCDE Five Strategies" was proposed. Accelerate Digital, Become Employer of Choice, Customer Focus, Drive Growth, Execution Excellence. We are steadily achieving our goals with the ABCDE Five Strategies. After the 100% acquisition of China Life Insurance, our total assets hit NT\$ 3.46 trillion, with NT\$ 35.043 billion net profit, 177% YoY growth, and a record high NT\$ 2.34 earnings per share.

UN Intergovernmental Panel on Climate Change (IPCC) released its sixth assessment report (IPCC AR6) in February 2022, stating that global warming will rise by 1.5 degree Celsius in the next 20 years, and the world will suffer from increased climate hazards, such as extreme climate disasters, heat waves, loss of biodiversity, etc. The impact of climate change on the next generations is direct and long-term. The 2050 net zero transition is both a global goal and a large-scale intergeneration and transborder project. As such, in 2021 we announced the "Total Portfolio Net Zero Carbon Emission by 2045". Through the Resilience of Industries on Climate Change Enhancement (RICE) and collaboration with National Taiwan University, we completed the carbon emission inventory of our total portfolio and planned a comprehensive net zero transformation, which is disclosed in this year's ESG Report.

With the concept of taking from society and giving back to society, CDF advocated the "Inclusive Vision" in 2021, hoping to achieve the four goals of "co-create with the young and elderly, do good to the disadvantaged, share joy with the elderly, and coexist with the environment" based on the four principles of "volunteering, responsible finance, influential investment, and foundation for public welfare". In 2021, we implemented several public welfare projects, including supporting the "Grass Book House" to care

for the disadvantaged children, purchasing rice dumplings from "Healthy Food", and continually promoting the "Heritage 100 x Tutoring 100" to assist disadvantaged children.

Since advocating our "Sustainable Development Project", the Company has been selected as a constituent of DJSI - World Index and DJSI - Emerging Markets Index for two consecutive years and achieved forth best performance in the global insurance industry in 2021. We have also been selected as a constituent of FTSE4Good Emerging Indexes for five consecutive years and consistently been listed in the MSCI ESG Leaders Index and Taiwan Sustainability Index. The Company won the "Taiwan Top 50 Sustainable Enterprise Award", "Climate Leadership Award", "Corporate ESG Report Award - Platinum" and "2021 TSAA Taiwan Sustainable Action Award - Social Inclusion" in the "2021 TCSA Taiwan Enterprise Sustainability Award".

International sustainability issues are changing rapidly and with new emerging issues, CDF is well aware of the importance of corporate sustainability. In 2021, the Company moved into a new green building, and the "CSR Committee" was renamed "Sustainability Committee", showing our determination to promote sustainability, enhance cooperation among subsidiaries, give full play to the group synergies, carry forward the cause pioneered, and forge ahead with sustainable development to become a sustainable leader in the industry! We believe that with new team and the new environment, better results await!



Chairman

Steve Bertamini

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

**Sustainability
Strategy**

**Corporate
Governance**

**Intelligent
Finance**

**Elite Talent
Development**

**Low-Carbon
Economy**

**Co-Creation of
Sustainable Society**

Appendix



2021 ESG Performance

- ◆ Constituent of DJSI - World Index and DJSI - Emerging Markets Index for the second consecutive years, ranking fourth in the global insurance industry in 2021
- ◆ Constituent of FTSE4Good Emerging Indexes and FTSE4Good TIP Taiwan ESG Index for the fifth consecutive years
- ◆ Taiwan's first financial holding company that is committed to "Total Portfolio Net Zero Carbon Emission by 2045"
- ◆ The new headquarters was awarded the "EEWH-Gold"



Environmental

- ◆ Won the Climate Leadership Award in the Taiwan Corporate Sustainability Awards for the third consecutive years
- ◆ Nearly 80% of the investment in principal investments is invested in green energy technologies and circular economy of 5+2 industrial transformation plan. China Life invested in green bonds issued by TSMC and Ørsted to support the development of clean energy in Taiwan, with an investment amount of NT\$ 2.3 billion and KGIB financing alternative energy generation by taking part in seven project financings to reduce carbon emissions by an estimated 979 thousands tCO₂e per annum.
- ◆ Green procurement amounted NT\$ 180.26million, and received recognition of "Green Procurement Plan for Private Enterprises and Groups" by the EPA and Taipei City Government



Social

- ◆ Won the Buying Power - Social Innovation Product and Service Procurement Award from the Ministry of Economic Affairs for the third consecutive years
- ◆ Won the 2021 TSAA Taiwan Sustainable Action Award - Social Inclusion



Governance

- ◆ Constituent of TWSE Corporate Governance 100 Index by TWSE for the seventh consecutive years, and of TWSE RAFl® Taiwan High Compensation 100 Index and TWSE RA Taiwan Employment Creation 99 Index for the eighth consecutive years
- ◆ Won the Top 50 Taiwan Corporate Sustainability Awards
- ◆ Won the CommonWealth Magazine Corporate Citizen Award for the fourth consecutive years

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

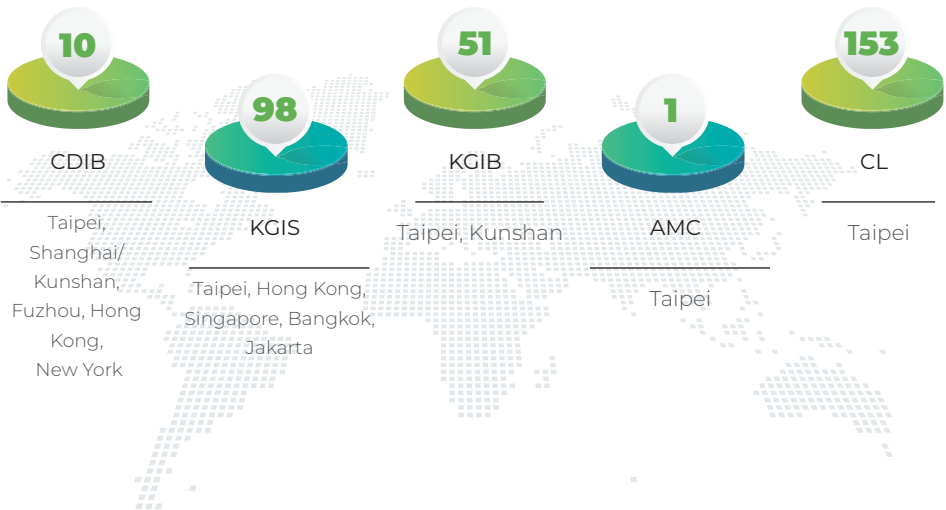
CDF Overview

About CDF

CDF was established on December 28, 2001 and listed on the same day (Stock Code: 2883). The Chairman is Mr. Chia-Juch Chang, and the President and CEO is Mr. Stefano Paolo Bertamini. We are one of the TWSE-listed companies with the largest number of individual shareholders, with more than 820,000 shareholders. Our total consolidated assets are NT\$3.5 trillion, with NT\$293.1 billion consolidated equity and NT\$ 19.09 billion paid-in capital.

With 60 years of industrial investment experience, CDF has been an important driving force in Taiwan's industrial development. CDF incorporated China Life Insurance as a wholly owned subsidiary of CDF through public acquisitions, cash and stock exchange. After gaining 100% CL Insurance shares in 2021, we can provide sustainable financial solutions for stakeholders through life insurance, commercial bank, securities, and venture capital/private equity, thereby becoming a leading financial company in Asia through our entrepreneurial spirit and innovation capabilities.

Operation Locations



Status of Shareholders

CDF is one of the TWSE-listed companies with the largest number of shareholders, with more than 500,000 individual shareholders. Neither the top ten shareholders nor government institutions hold more than 5% of shares (please refer to 4.1.2 of [CDF 2021 Annual Report](#)).

Top 10 Shareholders in Shareholding Percentage

Shareholder	Shareholding Percentage
Shin Wen Investment Co., Ltd	2.79%
Jing Kwan Investment Co., Ltd.	2.5%
Labor Pension Fund	2.01%
KGI Securities Co., Ltd.	1.98%
Bank of Taiwan	1.67%
Norges Bank	1.34%
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	1.32%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.2%
Jing Hui Investment Co., Ltd.	1.05%
Videoland Inc.	0.88%

Note: Mr. Chin-Lung Tseng is the chairman of Shin Wen Investment Co., Ltd. and Jing Kwan Investment Co., Ltd. At the same time, Shin Wen Investment Co., Ltd. is the 100% holding company of Jing Hui Investment Co., Ltd.

The Company attaches great importance to the rights and interests of each shareholder, and all shareholders have the right to one share, one vote. Send us your opinions by contacting the person in charge of investor relations directly or through the Company's website, and exercise your voting right at the Annual Shareholders' Meeting. We are always ready to respond to any shareholders' suggestions.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

1.1 Sustainability Issues Management
1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix



01 Sustainability Strategy

1.1 Sustainability Issues Management	08
1.2 Sustainable Vision and Values	14

CDF has been established for more than 60 years. CDF has accompanied and witnessed the development and changes of various industries in Taiwan. In 2021, the four core businesses is integrated and completed: insurance, banking, securities, and capital, which will serve as a solid foundation for responding to international sustainable trends and moving towards net-zero transition. Through forward-looking thinking, we are committed to the goal of sustainable development and grasp market opportunities with innovation capabilities. CDF's vision and five sustainable development strategies (Corporate Governance, Intelligent Finance, Elite Talent Development, Low-carbon Economy, and Co-creation of Sustainable Society) echo each other. We refer to international initiatives and guidelines to ensure that various sustainable promotion policies comply with international norms.

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

- 1.1 Sustainability Issues Management
- 1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

1.1 Sustainability Issues Management

1.1.1 Identification of Stakeholders and Material Topics

Identification of Stakeholders

CDF regularly reviews the focus of stakeholders every year to prepare ESG Report and the sustainable development plan. In 2021, we invited members of WG under the Sustainability Committee, senior executives and specific external stakeholders, to analyze the trend of international sustainable development according to the AA1000 Stakeholder Engagement Standard (AA1000SES), with the five principles of Responsibility, Influence, Tension, Diverse perspectives, and Dependency, and refer to domestic and foreign leaders in the industry. After discussion by the participating members, the Board approved 8 major stakeholders. The term “investor” was amended to “investee” in order to accurately express the Company's attention to the investee's concern.

◆ 8Major Stakeholders

Shareholders / Investors	Employees	Clients	Community
Investees	Suppliers	Government and Competent Authorities	Media

Identification of Material Topics

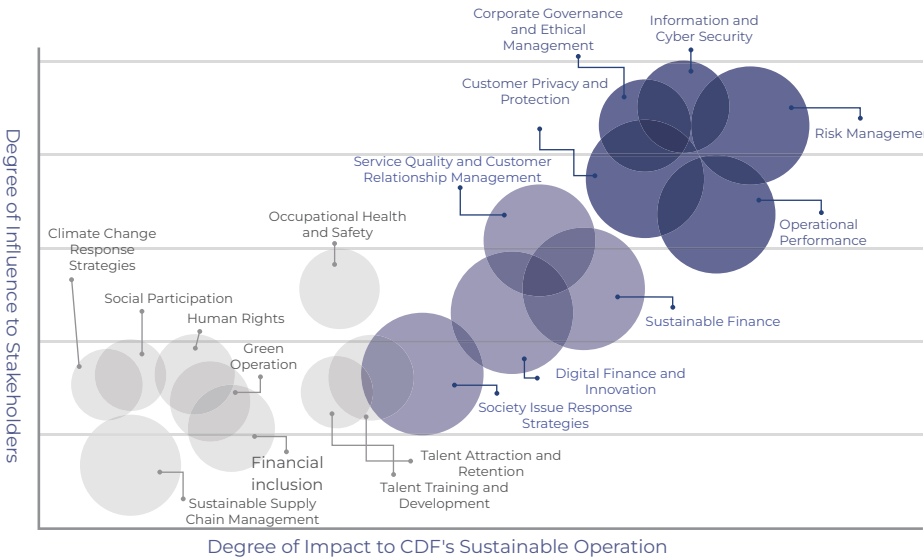
In 2021, CDF referred to the trend of international sustainable development, domestic and foreign leaders and peers, and internal opinions, and converged on the sustainability topic of “possibility of occurrence”, and adjusted the original 22 sustainability topics to 18, covering environmental, economic and social aspects, so that the Company can focus more on core issues and enhance communication efficiency.

Sustainability Issue Adjustment		
Original	Adjusted	Reason
Corporate Governance and Ethical Management / Compliance / Anti-Money Laundering and Countering Terrorism Financing Policy	Corporate Governance and Ethical Management	Consolidate similar issues
Service Quality and Customer Relationship Management / Principle for Treat Clients Fairly	Service Quality and Customer Relationship Management	Consolidate similar issues
Sustainable Supply Chain Management / Green Procurement	Sustainable Supply Chain Management	Consolidate similar issues
Inclusive finance	Financial inclusion	Expand Coverage
Climate strategies	Climate Change Response Strategies	Focus on Issues of Concern
Compensation and benefits and talent development	Talent Attraction and Retention	Focus on Issues of Concern
	Talent Training and Development	
Human Rights, Equality and Diversity / Labor-Management Communication	Human Rights	Consolidate similar issues

To effectively identify and rank major sustainability issues, we invited internal / external stakeholders to fill in the questionnaire according to the sustainability issue of “Degree of Impact”, and analyzed the answering results:

- (1) Degree of Impact to CDF's Sustainable Operation (X-axis): filled in by 317 senior and middle-level managers.
- (2) Degree of Influence to Stakeholders (Y-axis): filled in by the 8 major stakeholders, of which 795 were collected from internal stakeholders (employees of all levels) and 177 from external stakeholders.
- (3) Degree of Impact to the Economy, Environmental, and Social of the Company (Z-axis): filled in by internal stakeholders (employees at all levels), and a total of 795 copies were collected.

◆ Material (ESG) Topics Matrix



Note: Material topics matrix was approved by the senior management. It was divided into three categories: material topics, major issues and sustainability issues. The content of each sustainability issue will be explained in each chapter.

The importance of the “Service Quality and Customer Relationship Management” and “Sustainable Supply Chain Management” was adjusted to “Medium” and “Low”, due to the consolidated issue of the two accounts for a higher proportion of the overall issues and thus their importance is same as the consolidated issues. “Occupational Health and Safety” has a low impact on the external economy, environment, and society, so it's downgraded to “Medium”. The importance of “Social Participation” was reduced to “Low” because of its low importance to business operations.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

1.1 Sustainability Issues Management
1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance









Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

1.1.2 Responses to Stakeholders and Material Topics

2021 Communication with Stakeholders				
Stakeholder	Importance to CDF	Sustainability issues	Communication Channel	Frequency and Performance
 Shareholders / Investors	The support of shareholders and investors will enhance the corporate value of the Company	<ul style="list-style-type: none"> Operational Performance Service Quality and Customer Relationship Management Digital Finance and Innovations Corporate Governance and Ethical Management 	<ul style="list-style-type: none"> News releases / material information: timely disclosure and announcement via media / Market Observation Post System (MOPS) Shareholders Meeting Institutional investor conference, analyst visits, conference calls, forums Shareholder services and investor relations contact persons 	<ul style="list-style-type: none"> 227 Material information and announcements in Chinese and English 2 shareholder meetings / 1 annual report 7 institutional investor conferences and online institutional investor conferences Regular communication through the contact persons 73 visits of corporate analysts and conference calls, with a total of 103 persons Communicated with foreign investors through online institutional investor conferences and the English version of the annual report
 Employees	Good relations with employees can consolidate the foundation of sustainable management of the Company	<ul style="list-style-type: none"> Talent Attraction and Retention Talent Training and Development Occupational Health and Safety Operational Performance Human Rights 	<ul style="list-style-type: none"> Internal website, e-mail bulletin, suggestion box Labor-Management meeting Trade union 	<ul style="list-style-type: none"> More than 250 pieces of announcement 26 labor-management meetings Collected employee opinions regularly
 Clients	Customer support and trust contribute to the Company's revenue growth	<ul style="list-style-type: none"> Information and Cyber Security Customer Privacy and Protection Corporate Governance and Ethical Management Service Quality and Customer Relationship Management 	<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 seminars 	<ul style="list-style-type: none"> Facebook fans: 110,000 (+6%) of KGIB / 35,000 (+9%) of KGIS / 37,000 (+17%) of CL LINE friends: 33,000 (+24%) of KGIB, 247,000 (+71%) of KGIS Customer satisfaction: 98.8% for KGIB, 98.1% for KGIS; 98.7% for CL with a score of 4 or above out of 5 59 anti-fraud advocacy meetings, 11 financial planning seminars, and 430 wealth management seminars
 Community	Good relations with community can help increase the number of customers and enhance brand image	<ul style="list-style-type: none"> Social Participation Operational Performance Sustainable Supply Chain Management Financial Inclusion 	<ul style="list-style-type: none"> Forums and seminars organized by private associations and academic institutions Through CDF Foundation and KGI Charity Foundation to communicate with related community groups 	<ul style="list-style-type: none"> 5,016 volunteers, with 35,541 hours of volunteer work 122 free lectures on innovation and entrepreneurship, with 2,149 persons involved
 Investees	The business performance of the investees directly affects the profitability of CDF	<ul style="list-style-type: none"> Corporate Governance and Ethical Management Operational Performance 	<ul style="list-style-type: none"> Participate in investees' shareholders meeting and Board meetings Hold roadshows to share with investors Visit investees 	<ul style="list-style-type: none"> Participated in 159 investees' shareholders' meetings on a regular basis; 351 investees' Board meetings Held roadshows from time to time and visited 510 companies Held 18 one-day startup Board meetings
 Suppliers	Suppliers provide safe and environmentally friendly raw materials to assist CDF in stable operation	<ul style="list-style-type: none"> Corporate Governance and Ethical Management Sustainable Supply Chain Management 	<ul style="list-style-type: none"> Signing "Letter of Undertaking regarding Supplier Corporate Social Responsibility" Pre-bidding briefing Supplier audit, evaluation, self-assessment, education and training and supplier recognition Establish procurement mailbox Participate in the government's green procurement projects 	<ul style="list-style-type: none"> 100% of major suppliers signing the "Letter of Undertaking regarding Supplier Corporate Social Responsibility" Held pre-bidding briefings Conducted supplier audits, supplier evaluations, and supplier self-assessments irregularly Conducted real-time two-way communication with suppliers via procurement mailbox, which was used for supplier training during the pandemic
 Government and Competent Authorities	Government and the competent authorities policies have direct impact on the direction of our operation	<ul style="list-style-type: none"> Corporate Governance and Ethical Management Information and Cyber Security Customer Privacy and Protection 	<ul style="list-style-type: none"> Participate in policy discussions and forums Visit the competent authority 	<ul style="list-style-type: none"> Participated in discussions and forums irregularly Selected as a constituent stock of the TWSE Corporate Governance 100 Index, TWSE RA Taiwan Employment Creation 99 Index, and Taiwan High Compensation 100 Index Periodically responded to irregular inspections
 Media	Convey important information and performance through the media	<ul style="list-style-type: none"> Corporate Governance and Ethical Management Information and Cyber Security Customer Privacy and Protection Digital Finance and Innovation 	<ul style="list-style-type: none"> Press release Press conference 	<ul style="list-style-type: none"> 92 press releases Held press conferences irregularly

Note: Stakeholders can make complaints on [CDF's website](#), and relevant units will actively deal with them.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

- 1.1 Sustainability Issues Management
- 1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance






Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Material Topics Corresponding Table

Material Topics	Impact on CDF	Impact					GRI Standards	Chapter	Page
		Internal	External	Direct	Indirect	Impact on business relationship			
 Corporate Governance and Ethical Management	Corporate governance is the cornerstone towards sustainability, and follow the laws a implement the corporate culture of ethical management.	●	ABDEF	●	●	●	205: Anti-corruption 307: Environmental Compliance 415: Public Policy 417: Marketing and Labeling 419: Socioeconomic compliance	2.2 Governance Framework	20
								2.5 Ethical Corporate Management	46
 Information and Cyber Security	Under the trend of digitalization, risk management of cyber attacks is crucial to ensure business continuity.	●	BCEFG	●	-	●	418: Customer Privacy	2.4 Information Security	43
 Risk Management	Establish rigorous risk control to improve utilization efficiency of resources, and create new opportunities	●	ABDEF	●	-	●	201: Economic Performance	2.3 Sustainable Risk Management	27
 Operational Performance	Boost corporate operations performance to create value for shareholders and investors	●	ABDFG	●	-	-	201: Economic Performance	2.1.2 Operating Performance	19
 Customer Privacy and Protection	Ensure information security and the customer information to gain the trust of customers	●	BDEF	●	-	●	418: Customer Privacy	3.4.2 Customer Privacy and Rights Protection	81

Note:

1. Internal impact: CDF and subsidiaries and employees

2. External impact: A: Shareholders and investors, B: Clients, C: Community, D: Investees, E: Suppliers, F: Government and Competent Authorities, G: Media

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

1.1 Sustainability Issues Management
1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance




Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆ Top Three Material Topics' Management Strategies, Evaluation Mechanisms and Long-Term Targets

Material Topic	Strategy	Evaluation Mechanism	Long-term Target (2026)	Linkage to Senior management remuneration
 Corporate Governance and Ethical Management	<ul style="list-style-type: none"> ◆ Build corporate culture that is based on integrity to maintain corporate development 	<ul style="list-style-type: none"> ◆ Annual internal Board of Directors (BOD) performance evaluation; external evaluation every three years ◆ Compliance Department is responsible for ethical management and regularly reports to the BOD ◆ Auditors regularly check the status of compliance, and report the main flaws to the BOD and track the improvement status 	<ul style="list-style-type: none"> ◆ Strengthen the the BOD performances and functions ◆ Top 5% of Corporate Governance Evaluation ◆ 100% completion rate of ethical management courses ◆ Optimize compliance procedures and operational efficiency with supplemental FinTech solutions ◆ Obtain ISO 37001 Anti-Bribery Management System certification 	<ul style="list-style-type: none"> ◆ Incorporate ethical behavior into annual performance appraisals
 Information and Cyber Security	<ul style="list-style-type: none"> ◆ Improve information and cyber security management ◆ Raise information and cyber security awareness ◆ Improve capacities of maintenance and in-depth protection 	<ul style="list-style-type: none"> ◆ Monthly project self-inspection, irregular inspection by competent authorities, and other inspection on information security assessment 	<ul style="list-style-type: none"> ◆ 0 violations of information security, 0 leakage of personal information records ◆ Expand the coverage of information security insurance ◆ Maintain the validity of the ISO 27001 ◆ 95% completion rate of social engineering violation courses, and the violation rate shall be less than 4% ◆ Develop and implement the plan for improvement of information security maturity assessment ◆ Third-party testing platform should score at least 90 points in the security inspection of the external information service port 	<ul style="list-style-type: none"> ◆ Incorporate information security incidents into annual performance appraisals
 Risk Management	<ul style="list-style-type: none"> ◆ Strengthen the risk management mechanism ◆ Combine emerging risk and traditional risks into risk management ◆ Build a sound risk management culture 	<ul style="list-style-type: none"> ◆ Quarterly Risk Management Committee meeting to review, manage and supervise the market, credit, operational and liquidity risk control ◆ Sift key emerging risks from those identified in the Global Risks Report of the World Economic Forum every year and request 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 the assessment of impact and opportunity of emerging risks, as well as mitigation mechanisms ◆ Establish a climate risk assessment mechanism that incorporates business, review, and management, and reduce carbon emissions from the investment and financing portfolio by 25% ◆ Formulate decarbonization strategy, such as reduction targets of high-carbon industries, and timelines for the phase-out of coal and unconventional oil. 	<ul style="list-style-type: none"> ◆ Include risk management negligence incidents and the achievement of emerging risk objectives into the annual performance appraisal

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

- 1.1 Sustainability Issues Management
- 1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

1.1.3 Membership of Associations and External Initiatives

To promote social inclusion and assist the government to improve the overall domestic economic environment, CDF participated in 54 domestic and foreign associations and trade associations to understand the development trends of the industry, the direction and progress of regulatory research, so as to ensure that its strategic policies were in line with the trend and continued to advance to the sustainable development of the Company.

From 2018 to 2021, the Company made no financial contribution to political parties, think tanks, political advocacy organizations or advocacy acts.

Participation in Trade Associations and Organizations' Initiatives		
Initiative	Engagement	Amount invested (NT\$)
Assist government in implementing financial policies and formulating regulations	CDF participated in various associations, regularly put forward policy suggestions to the competent authorities, and communicated extensively with international organizations through associations to assist the government in implementing financial policies, improving business development and promoting the public interests of the industry. Ex: Bankers Association of Taipei assists members in financing renewable energy-based power-generation projects in line with the government's green finance policy. The Company participated in 15 associations advocating assisting the government to implement financial policies and regulations, and held positions in 12 of them.	4,886,225
Protecting investors	CDF participated in the relevant associations that advocate to protect investors to jointly prevent and curb fraud cases and save huge social costs. Ex: Chinese National Futures Association is to protect investors, develop economy, coordinate inter-industry relations, and promote common interests. The Company participated in 5 related associations that advocate protecting investors, and held positions in 2 of them.	1,824,931

Annual Amount Invested for Participation in Trade Associations and Organizations				Unit: NT\$
	2018	2019	2020	2021
Lobbying or interest representation	0	0	0	0
Local, regional or national political campaigns, organizations, candidates	0	0	0	0
Chamber of commerce or tax-exempt organization	10,137,097	10,127,247	8,925,003	11,894,659
Elections and referendums or similar	0	0	0	0
Total	10,137,097	10,127,247	8,925,003	11,894,659
Data Coverage	100%	100%	100%	100%

Expenditure amount of the top three participating associations in 2021			Unit: NT\$
Organization	Type	Amount invested	
The Bankers Association of the Republic of China (BAROC)	Industry/Trade Association	1,742,625	
Trust Association of R.O.C.	Industry/Trade Association	1,244,447	
International Swaps and Derivatives Association (ISDA)	Industry/Trade Association	1,199,973	

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

- 1.1 Sustainability Issues Management
- 1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Associations Participated in 2021

Organization	Position
The Bankers Association of the Republic of China (BAROC) (Note 1)	Served as a supervisor in CDFH
The Life Insurance Association of the Republic of China (Note 1)	Served as executive supervisor and director of CL
Securities Investment Trust & Consulting Association of the R.O.C. (Note 1)	Served as a director at KGI SITE
China Venture Capital and Private Equity Association (CVCA)	Served as director of CDIB Capital Group
Taiwan Mergers & Acquisitions and Private Equity Council (MAPECT) (Note 1)	Served as director of CDIB
Chinese National Association of Industry and Commerce, Taiwan (CNAIC) (Note 1)	Served as a supervisor in CDFH
Technology ` Communication ` Networking ` Entrepreneurship ` Knowledge (Note 1)	Served as a director in CDFH
The Taipei Leasing Association, R.O.C.	Served as a director in CDC Finance & Leasing
Taiwan Venture Capital and Private Equity Association (Note 1)	Served as a director at KGI Ventures
Taiwan Venture Capital Association (Note 1)	Served as a director at KGI Ventures
ROC-USA Business Council (Note 1)	Served as a director in CDFH
Chinese National Futures Association (Note 2)	Served as chairman, supervisor and alternate director at KGI Futures
Chinese International Economic Cooperation Association (CIECA) (Note 1)	Served as executive director in CDFH
Life Insurance Management Institute of the Republic of China	Served as the executive director of CL
Taiwan Securities Association (Note 2)	Served as the executive director of KGIS and the alternate director of KGI Futures
Insurance Brokerage Association of Taiwan (Note 1)	Served as a director at KGI Insurance Brokers
Taiwan Stock Affairs Association (TWSAA)	Served as a director in CDFH
Tha Bankers Association of Taipei (Note 1)	Served as a director in CDFH
Society for Financial Governance and Legal Compliance of the Republic of China	Served as a director of CL
BAROC Financial Holding Business Committee	Served as a vice committee director, secretary and officer in CDFH

Organization	Position
Taiwan Bio Industry Organization	Served as director of CDIB
Actuarial Institute of the Republic of China (Taiwan)	Served as director and supervisor in CL
Taiwan Depository & Clearing Corporation (TDCC)	Served as a director at KGI Securities
Taiwan Futures Exchange (TAIFEX)	Served as a director at KGI Futures
Trust Association of R.O.C. (Note 2), R.O.C. Bills Finance Association (Note 1), Taiwan Insurance Law Association (Note 1), Institute for Biotechnology and Medicine Industry, Cross-Strait CEO Summit, The American Chamber of Commerce in Taipei, Taipei Passenger Car Rental Association, Taiwan Corporate Governance Association (Note 2), Securities Analysts Association, Chinese Taipei, Chinese Arbitration Association, Taipei, Taiwan Tourism Interchange Association, Taiwan ITRI New Venture Association, China Blood Donation Association, Banking Education Association of Taiwan (BEAT), China Financial Executives Association, Institute of Financial Law and Crime Prevention (Note 2), Accounting Research and Development Foundation, National Credit Card Center of R.O.C., Factors Chain International (FCI), Financial Information Sharing and Analysis Center (F-ISAC), Financial Planning Association of Taiwan (FPAT), Life Office Management Association (LOMA), Corporate Social Responsibility Association, Association of Certified Fraud Examiners, The Institute of Internal Auditors-Chinese, Computer Audit Association, Taiwan Law Society, Unity Sustainability Services iLab, International Swaps and Derivatives Association (ISDA), Chief Executives Organization, Taiwan Placemaking Festival	Member

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

Content

- About the Report
- Chairman's Message
- 2021 ESG Performance
- CDF Overview

Sustainability Strategy

- 1.1 Sustainability Issues Management
- 1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy


















Co-Creation of Sustainable Society

Appendix

1.2 Sustainable Vision and Values

1.2.1 Sustainable Visions and Strategies

CDF has planned five sustainable strategies: Corporate Governance, Intelligent Finance, Elite Talent Development, Low-carbon Economy, and Co-Creation of Sustainable Society, actively respond to the UN SDGs, and face up to the risks and opportunities of global economic environment, and strive to integrate sustainability spirit into corporate operations, so as to create maximum value for all stakeholders.

Sustainable Vision and Strategies				
Strategy	Implication	Action plan	Capital	SDGs
Corporate Governance	The Company planned sustainable governance strategies, deepened the corporate governance culture, effectively exerted the functions of the Board, enhanced information disclosure and strengthened compliance	<ul style="list-style-type: none">◆ Enhance the transparency of corporate governance and the functions of the BOD◆ Fulfill ethical management and embed in corporate culture◆ Improve risk management framework with emerging risks and assist subsidiaries in the adjustment planning of risk controls and mitigations	Financial capital Continue to invest funds in business operations and business development to increase return on investment and shareholder interest	  
Intelligent Finance	To keep in line with the development trend of international sustainable finance, implemented the net zero carbon emission strategy in the sustainable finance action plan, developed digital financial technology simultaneously, sought cross-sector partners, and enhanced the experience of financial services and brand value.	<ul style="list-style-type: none">◆ Integrate ESG concepts into investment and financing decision-making, and negotiate with investment and financing clients◆ Focus on “Digitalization, Mobility, and Cloud” industries. Strengthen the connection of international resources, and support local startup teams to go global.	Intellectual capital Invest in the development of financial products and innovative financial services	 
Elite Talent Development	With the rise of the knowledge economy, talents were cultivated so as to lead the Company in a changing situation to break through, and plan forward-looking sustainable talent plans.	<ul style="list-style-type: none">◆ Combine with organizational strategic goals, plan forward-looking plans for talent development, plan various training projects, and cultivate talents that respond to organizational changes◆ Promote the development plan for management functions of supervisors and the development plan for core functions of employees	Human capital Improve employees' expertise and ability to innovate and create an equal, healthy, and safe workplace	   
Low-carbon Economy	As the risks of climate change continued to increase, CDF planned to reduce its GHG emissions, explored low-carbon economic industries and enterprises with potential for development, and jointly promoted low-carbon transition.	<ul style="list-style-type: none">◆ Introduce global climate change risks management framework and plan a low-carbon roadmap of transition◆ Support green procurement and promote sustainable supply chain management◆ Support green energy and green industries for transformation, and work together to promote green finance	Natural capital Promote green investments with core functions to reduce the environmental impact of business operations	  
Co-Creation of Sustainable Society	The concept of “shared value” gradually affected the operation of the company, and used this concept for reference to create social value and enhance corporate value.	<ul style="list-style-type: none">◆ Strengthen the connection between social engagement and the core competencies of CDF, invest in various important issues of social welfare, implement social care, and exert key influence◆ Establish a volunteer system, encourage employees to participate, and deeply cultivate shared values	Social and relationship capital Expand the scope of public welfare initiatives to elevate brand identification	    

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

1.1 Sustainability Issues Management
1.2 Sustainable Vision and Values

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

1.2.2 Value Creation Model

Six Capitals			
	Input	Output (financial value)	Output (non-financial value)
Financial Capital	<ul style="list-style-type: none">◆ Total Assets: NT\$ 3.5 trillion◆ Total Operating Expenses: NT\$ 35.02 billion	<ul style="list-style-type: none">◆ Net profit after tax of NT\$ 47.10 billion (including non-controlling equity of NT\$ 12.06 billion)◆ Consolidated ROE of 15.1%	<ul style="list-style-type: none">◆ Constituent stock of DJSI (World, Emerging Markets) for the second consecutive year◆ Constituent stock of FTSE4Good Emerging Index and FTSE4Good TIP Taiwan ESG Index◆ Ranked in the Top 6-20% of the 7th Corporate Governance Evaluation of TWSE/TPEX listed companies◆ CL, CDIB, KGIB, KGIS and KGI SITE signed the "Stewardship Principles" of TWSE
Intellectual Capital	<ul style="list-style-type: none">◆ CL invested NT\$ 176.23 million in Fintech◆ CL invested NT\$ 11.25 million in i-Agent◆ CL subsidized NT\$ 2.892 million for examination fee of professional license◆ KGIB invested NT\$ 230 million for system research and development (including mobile banking, online banking, and the introduction of intelligent customer service platforms, and the new financial market trading systems, etc.)◆ KGIS invested NT\$ 200 million in Fintech	<ul style="list-style-type: none">◆ CL i-Agent utilization rate: 86%◆ Utilization rate of mobile insurance: 97%◆ Average licenses of CL employees: 2.6◆ The average number of licenses held by KGI Bank per person was 5.35◆ Built the fifth-generation "DMA-Speedy trading system" for customers to use the Company's low-latency and high-frequency trading system: average monthly trading volume increase 18%	<ul style="list-style-type: none">◆ Video survival analysis: 7,742 times◆ Introduction of "RPA Process Robots" reduced manual work: improved work efficiency by 70%.
Human Capital	<ul style="list-style-type: none">◆ Training costs: NT\$ 44.617 million◆ Compensation fee: NT\$ 17.99 billion	<ul style="list-style-type: none">◆ Human Capital Return on Investment (HC ROI): 9.64◆ Average training costs NT\$ 3,285 (excluding field staff).◆ Employee compensation: a 24.6% increase from the previous year	<ul style="list-style-type: none">◆ Constituent stock of Taiwan High Compensation 100 Index for 8 consecutive years◆ Average training hours: 76.31 hours
Natural Capital	<ul style="list-style-type: none">◆ Green procurement: NT\$ 180 million◆ Received ISO 14001, ISO 50001 third-party certification, and domestic ISO 14064-1 100% inventory and verification	<ul style="list-style-type: none">◆ Awarded "Green Procurement Certificate" for 3 consecutive years, and "Green Procurement Program for Private and Organizations" for 4 consecutive years	<ul style="list-style-type: none">◆ GHG emissions per capita reduced by 4.9% from the previous year◆ Electricity usage per capita reduced by 8.6% from the previous year◆ Water withdrawal and consumption reduced by 10.0% from the previous year◆ Total waste reduced by 15.5% from the previous year
Social and Relationship Capital	<ul style="list-style-type: none">◆ Total public welfare costs: NT\$ 150.77 million (including time investment and in-kind donations)◆ Employee volunteer time 44,471 hours◆ Promoted microinsurance, small-sum end-of-life insurance policies, and disability whole life comprehensive insurance that catered for the needs of the disabled – "Friendly Whole Life Insurance"◆ CDIB Capital Innovation Accelerator held 122 free innovation and entrepreneurship lectures, 18 one-day startup board meetings.◆ 8 charitable trust funds	<ul style="list-style-type: none">◆ "Give You A Hand" revolving credit: 318 people successfully applied, with a success rate of 58%◆ "Taxi Driver" small-sum revolving credit: 168 people successfully applied, with a success rate of 35%◆ "Quick Repayment", a quota-based loan product: enabled amount of NT\$ 286 million◆ Charitable trust: NT\$ 29.02 million	<ul style="list-style-type: none">◆ Microinsurance serviced 60,783 policyholders◆ 31,114 small-sum end-of-life policies◆ 16,315 disabled people were insured◆ Beneficiaries of public welfare activities: 27,634 people◆ "Heritage 100 X Tutelage 100" social return on investment (SROI): 4.9

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Management
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix



02 Corporate Governance

2.1 Operating Overview	19	2.4 Information Security	43
2.2 Governance Framework	20	2.5 Ethical Corporate Management	46
2.3 Sustainability Risk Management	27	2.6 Tax Governance	51

Steady corporate governance is the cornerstone of the sustainable operation. The Company conducts corporate governance with an honest attitude, establishes a sound mechanism, and draws a blueprint for sustainable governance.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Strategy, Targets and Progress

Strategy	Target	2021 Targets	2021 Progress	Short-term Goals (2022)	Mid-term Goals (2023-2024)	Long-term Goals (2024-2026)
Corporate Governance	Strengthen the functions of the Board of Directors (BOD)	<ul style="list-style-type: none"> ◆ Improve Corporate Governance Evaluation and scores in the DJSI questionnaire. ◆ More than 90% of the Board members attending in person ◆ Comply with the statutory requirements for director training hours 	<ul style="list-style-type: none"> ◆ Adjusted the composition of the members of the Risk Management Committee so that more than half of the members are independent directors ◆ The actual in person attendance rate of Board members reached 93% ◆ Complied with the statutory requirements for director training hours 	<ul style="list-style-type: none"> ◆ Improve corporate governance evaluation and scores in the DJSI questionnaire. ◆ The newly elected Board members meet diversity goals ◆ Conduct internal and external performance assessments of the BOD and receive excellent results ◆ More than 90% of the Board members attending in person ◆ Comply with the statutory requirements for director training hours 	<ul style="list-style-type: none"> ◆ Improve corporate governance evaluation and scores in the DJSI questionnaire. ◆ The newly elected Board members meet diversity goals 	<ul style="list-style-type: none"> ◆ Strengthen the functions of the BOD ◆ Remain in the Top 5% of Corporate Governance Evaluation
Risk Management	Enhance risk management mechanisms	<ul style="list-style-type: none"> ◆ Align with Task Force on Climate-related Financial Disclosures (TCFD), establish climate goal, and introduce climate risk quantitative assessment mechanism. ◆ Strengthen ESG investment / financing decision making, and assist clients in low-carbon transition. ◆ Improve the emerging risk management framework, and incorporate key emerging risks into risk indicators and reports for regular monitoring. 	<ul style="list-style-type: none"> ◆ Completed the carbon inventory for investment / financing and formulated the strategy to achieve net zero carbon emission. ◆ The distribution of CDF's securities ESG ratings and identified scope of high carbon emission sectors have been reported to the Sustainability Committee. ◆ Investment policy of each subsidiary has been incorporated into the ESG review system. ◆ Emerging risks' related impacts, action plans and potential opportunities have been reported to the Risk Management Committee and the BOD. ◆ Established monthly indicators for detecting the operational risk, including information security risk. 	<ul style="list-style-type: none"> ◆ Increase participation rate in risk training courses to raise risk awareness ◆ Enhance the identification of emerging risks to facilitate the formulation of action plans to address the impact ◆ Product development unit design financial products and services to capture business opportunities arising from emerging risks ◆ Optimize the climate risk assessment system, dashboard, implied temperature rise (ITR) indicators, carbon emission factors by sector, etc. 	<ul style="list-style-type: none"> ◆ Establish incentive schemes for employees to take the initiative to optimize risk management or escalate potential risks ◆ Adjust business mix or take mitigation measures in response to emerging risks with high probability of occurrence or greater business impact ◆ Improve the accuracy of quantitative assessment of physical risks ◆ Incorporate sustainability classification and carbon pricing into risk assessment 	<ul style="list-style-type: none"> ◆ Continue to reward employees who take the initiative to optimize risk management or escalate potential risks ◆ Enhance the financial impact adjustment mechanism for emerging risks ◆ Enhance risk warning mechanism as a basis for formulating business strategies ◆ Continue to improve the climate risk quantitative assessment mechanism

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Strategy	Target	2021 Targets	2021 Progress	Short-term Goals (2022)	Mid-term Goals (2023-2024)	Long-term Goals (2024-2026)
Information Security	Improved information management and security.	<ul style="list-style-type: none"> ◆ Maintained ISO 27001-certified. ◆ Held annual business continuity drill. ◆ Scored over 90 on external information service security inspections with third-party platforms. ◆ Ongoing evaluation of security maturity by external consultants. ◆ Information security insurance evaluation. 	<ul style="list-style-type: none"> ◆ Maintained ISO 27001-certified. ◆ Held upwards of 1 annual business continuity drill. ◆ Scored over 90 on all external information service security inspections. ◆ Made improvements from the security maturity evaluation by external consultants in a timely manner. ◆ China Life Insurance completed its cyber insurance program in a first. 	<ul style="list-style-type: none"> ◆ Maintained ISO 27001-certified. ◆ Increased business continuity drills to twice a year. ◆ Improved the score to over 91 on external information service security inspections with third-party platforms. ◆ Ongoing evaluations of security maturity and improvement reviews by external consultants. ◆ Expanded the Company's cyberinsurance coverage. ◆ Implementation and certification project for ISO 22301 business continuity management systems. ◆ Tested 5 providers' external information service security on a third-party platform. ◆ Ensured the capacity of information security event management and the Virtual Information Security Response Team (VIRT). ◆ Planned and regularly disclosed security key risk indicators (KRIs). ◆ Optimized the annual departmental cybersecurity evaluation and standards. 	<ul style="list-style-type: none"> ◆ Externally-verified and renewed the ISO 27001 certificate. ◆ Increased business continuity drills to twice a year at a bigger scale. ◆ Improved the score to over 92 on external information service security inspections with third-party platforms. ◆ Implemented FFIEC's cybersecurity assessment tools (CAT) and methods in line with the Financial Cybersecurity Actions. ◆ Adopted the standards of and became certified for ISO 22301 business continuity management systems. ◆ Continual budgeting for cyber insurance. ◆ Tested 7 providers' external information service security on a third-party platform as the basis for continual partnership. ◆ Ensured and optimized information security event management and the Virtual Information Security Response Team (VIRT). ◆ Regularly disclosed security key risk indicators (KRIs). ◆ Optimized the annual departmental cybersecurity evaluation and standards. 	<ul style="list-style-type: none"> ◆ Maintained ISO 27001 and ISO 22301 certified. ◆ Increased business continuity drills to twice a year at a bigger scale. ◆ Improved the score to over 94 on external information service security inspections with third-party platforms. ◆ Improved cybersecurity maturity revealed by FFIEC CAT. ◆ Continual budgeting for cyber insurance with a broader coverage. ◆ Tested 10 providers' external information service security on a third-party platform as the basis for continual partnership. ◆ Ensured and optimized information security event management and the Virtual Information Security Response Team (VIRT). ◆ Regularly disclosed security key risk indicators (KRIs). ◆ Optimized the annual departmental cybersecurity evaluation and standards.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.1 Operating Overview

2.1.1 Industry Trend and Group Business

In 2021, COVID-19 continued to impact the global economy, but it is managed to recover slowly due to the successive introduction of economic stimulus plans and loose monetary policies in various countries. Taiwan government was actively improving the investment environment and employment conditions, relaxing industrial and financial regulations, promoting digital finance, upgrading industries and reducing external impacts. The Central Bank also maintained a loose monetary policy. Various policies are beneficial to stabilize the financing needs and investment confidence of the public and enterprises, and improve the development of the financial industry.

The Company acquired 100% of China Life in 2021, and continued to develop its four major businesses including life insurance, commercial banking, securities and venture capital/private equity, and integrate the concept of corporate sustainability into its operations.

In the face of market changes, KGIB and KGIS promoted digital finance, developed diversified products, and upgraded various services, such as the new experience of Open Banking, to boost the scale of wealth management and continue to expand the scope of customer services.CL introduced big data precision marketing and artificial intelligence, and the Financial Supervisory Commission approved a pilot program for its pioneering use of facial recognition technology in mobile insurance applications.

In response to demographic changes, KGIB and KGIS continued to cooperate with medical institutions to build a wealth management system for silver-haired group. CL focused on the development of comprehensive health and medical insurance products.

In response to environmental changes, KGIB and CDIB adopted a responsible investment strategy to assist the green energy industry in raising funds, and cooperated with government plans to set up a financing project to establish a risk control mechanism for the green energy industry.

CDF pursued long-term and stable profits, while exerting significant influence on the market and investee companies, to construct a portfolio with a win-win situation for the Environment, Society, and Governance (ESG), as well as high profit potential, and to create maximum value for stakeholders.

2.1.2 Operating Performance

2021 Operating performance

Subsidiaries	Key Performance	Major Businesses
KGIB	1. Net profit after tax was NT\$ 4.15 billion; core income grew steadily by 13%, net interest margin bucked the trend to increase from 1.19% to 1.33%, and demand-to-deposit ratio increased from 35.5% to 40.5%. 2. Continue to adjust the asset structure, with its loans to SMEs and personal loans increased by 10% and 13% respectively. The overall credit assets were of good quality, with a non-performing loan ratio of 0.13%. 3. Suyin KGI Consumer Finance in Mainland China made a profit in its first year of operation, and the credit position reached NT\$ 10.8 billion.	Commercial banking services such as deposit and lending, credit card, wealth management, consumer finance, corporate finance, financial transactions and foreign exchange
KGIS	1. Net profit after tax increased by 48% to NT\$ 12.90 billion annually, and the return on shareholders' equity reached 18.0%, both hitting a record high. 2. It was No. 1 in the equity and bond underwriting market; its brokerage market share was 10.7%, an increase of 1.9 percentage points over last year and a record high. 3. The scale of managed assets increased by 12% year-on-year to NT\$ 360.7 billion.	Brokerage, wealth management, proprietary trading, underwriting, bonds, various derivatives and other securities businesses
CDIB	1. Net profit after tax was NT\$ 9.89 billion, mainly from the recognized profit from the sale of the buildings and the increase in investment evaluation. 2. To support the Company's strategic development needs, it turned over NT\$ 10.5 billion of funds to CDF. 3. Expanded the scale of managed assets, including private debt, M&A transformation and other asset types, fund raising strategies	Venture capital, equity investment and asset management businesses
CL	1. Net profit after tax was NT\$ 28.54 billion, an annual increase of 84%, a record high; CDF recognized NT\$ 13.45 billion for the year. 2. Focused on high-value traditional policies, with the value profit margin of new contracts increased to 28.3% (excluding investment policies). 3. Benefited from the investment performance, its positive spread widened; the hedging structure was stable, and the hedging cost fell to 1.18%.	Various businesses of life insurance, and used funds in line with laws and regulations

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.1.3 Financial Performance

CDF net profit after tax for 2021 reached NT\$ 35.00 billion, with EPSof NT\$2.34, and its annual profit increased by 177% compared to last year. Please refer to “2.1.2 Operating Performance” for the operating performance of its subsidiaries.

On December 30, 2021, the Company acquired all the remaining outstanding shares of China Life by transfer of shares, and the shareholding ratio increased from 55.95% to 100%. In the future, China Life's profits would be recognized 100%, and the recognition ratio would be more diversified and balanced, effectively improving the ROE. The 100% stake in China Life not only helped realize CDF's strategy announced in the first quarter of 2021, but also was the most important milestone for the Company to complete its business map.

The Company will continue to implement the ABCDE strategy: Five strategies: Accelerate Digital, Become Employer of Choice, Customer Focus, Drive Growth, and Execution Excellence. We also promote the development of the four major profit engines at full speed: life insurance, banking, securities and private equity/asset management related businesses, to strengthen CDF's competitiveness and operational synergy, exert entrepreneurial spirit and innovation capabilities, promote the utilization efficiency and stable profitability of long-term capital, and achieve CDF's vision of becoming a leading financial company in Asia.

Financial Performance		Unit: NT\$ thousands			
		2018	2019	2020	2021
Total Assets		2,717,814,828	3,027,288,004	3,434,618,475	3,458,639,948
Total Liabilities		2,494,251,922	2,730,822,850	3,101,992,388	3,165,529,196
Total Equity		223,562,906	296,465,154	332,626,087	293,110,752
Net Profit		252,349,877	239,327,562	224,824,427	192,278,170
Net Profit before Tax		13,441,879	21,565,807	21,948,393	52,199,699
Profitability	ROA (%)	0.50	0.68	0.64	1.37
	ROE (%)	5.35	7.56	6.57	15.05
	Profit Margin	5.08	8.21	9.20	24.50
	EPS (NT\$)	0.54	0.88	0.87	2.34
Growth rate of net profit after tax (%)		(7.42)	60.44	(1.10)	176.91

Note: Please refer to “2021 CDF Annual Report” for details.

Economic value distribution		Unit: NT\$ thousands			
		2018	2019	2020	2021
Direct Economic Value Generated and Distributed (Net Profit)		252,349,877	239,327,562	224,824,427	192,278,170
Economic Value Distributed		230,254,171	208,350,884	190,633,927	129,922,312
Economic Value Retained (Retained Earnings)		22,095,706	30,976,678	34,190,500	62,355,858

Note:
1.The Company distributed cash dividends from 2018 to 2021.
2.Please refer to “2021 CDF Annual Report” for details.

2.2 Governance Framework

A sound governance structure and an effective Board of Directors (BOD) are the cornerstones of corporate governance, enabling the management to grasp the Company's business strategy and performance, formulate coping strategies, respond to the business environment, and create sustainable value.

The highest governance unit is BOD, which is responsible for leading and supervising CDF's operations and sustainable development. In order to improve the functions of BOD and decision-making efficiency. 5 functional committees have been set up under BOD, and appointed EVP Vincent Hung as a full-time “Corporate Governance Supervisor” to supervise corporate governance-related affairs. The Company has established the “SOP for responding to requests from Directors” to assist directors to obtain the information and support they need to perform their duties as directors, and to enhance the effectiveness of the Board of Directors.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

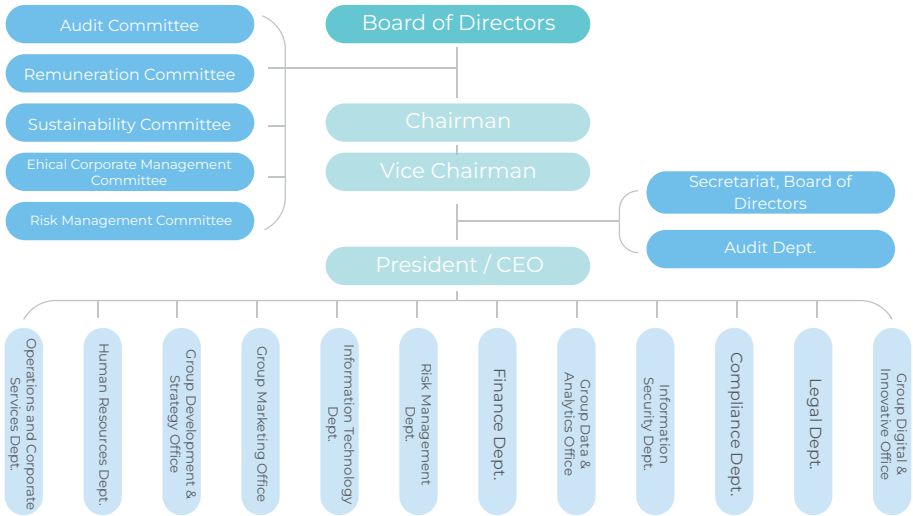
Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆CDF Corporate Governance Structure



Note: Data dated March 31, 2022.

2021 Corporate Governance Improvement Project

1. Strengthened risk management mechanism and adjusted the number of independent directors of the "Risk Management Committee" to more than half.
2. The "Corporate Social Responsibility Guidelines" was renamed "[Sustainable Development Guidelines](#)", and the "Corporate Social Responsibility Committee" was renamed the "Sustainability Committee" to implement sustainable development goals.
3. Improved the diversity of training courses for directors to achieve the required annual training hours.
4. Strengthened the effectiveness of the BOD performance evaluation, and regularly review the measurement indicators of the BOD performance self-evaluation.
5. The BOD approved the "[Intellectual Property Management Plan and its Implementation Status in 2021](#)" to effectively manage intellectual property rights in response to the trend of digital transformation, protect the research results of Fintech.

2.2.1 Board of Directors Structure

Election Process, Diversity, and Independence

The term of Directors is 3 years and adopts a Candidates Nomination System. Candidates are nominated for directors (including independent directors) in accordance with the "[Articles of Incorporation](#)" and "Procedures for Election of Directors", which shall be approved by the BOD and elected by the shareholders' meeting.

In order to promote the sound development of the structure and functions of the BOD, the "[Corporate Governance Best - Practice Principles](#)" stipulates that the members of the BOD should consider diversity and the independency. The selection and appointment of directors shall be based on the number of directors who also serve as executive directors of the Company, and the basic requirements, (e.g.: gender, age, nationality, culture, and race), professional knowledge and skills as well as experience in ESG, shareholder opinions, etc. are taken into consideration. At the same time, in order to ensure that independent directors can exercise their powers objectively, the term of independent directors should not exceed three consecutive terms.

BOD Diversity Goals:

1. At least 1 director with experience in banking, securities/insurance and venture capital industries
2. The ratio of directors who also serve as executives shall not exceed 1/3
3. At least 1 female director
4. At least 3 directors with professional experiences in execution and strategic planning, risk management, finance/banking, corporate governance, business and marketing, information technology and international experience.
5. Independent directors shall serve no more than three consecutive terms

There are 9 directors in this session, including 3 independent directors and 1 natural-person, 3 foreigners and 1 female. The average age of the Directors is 59 years old, and the average tenure of 5.1 years. The proportion of independent directors is 1/3 and none of the independent directors have served for more than three consecutive terms. There are 3 directors (not more than 1/3) who also serve as executives. The background and practical experience of the Directors can meet the diversity composition. The 8th BOD will be re-elected at the 2022 shareholders' meeting.

In order to enhance the participation of female in decision-making, we continue to recruit suitable and outstanding female professionals to join CDF BOD and its subsidiaries in accordance with the principle of diversity.

◆ Ratio of Male and Female Directors

CDFH	CL	KGIB	KGIS	CDIB
8 : 1	7 : 2	4 : 3	8 : 0	9 : 2

Note: Data dated March 31, 2022.

In order to implement the management of part-time directors, the Company's "[Corporate Governance Best - Practice Principles](#)" and "Guidelines for Concurrent Serving of Chairman, President, and Directors" require that Directors' part-time jobs should be handled in accordance with relevant regulations. Independent directors should not serve in more than four listed companies at the same time, and no more than three independent directors of other listed companies can concurrently serve as an independent director.

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Board Members

Title	Name	Executive Director/ Non-Executive Director	Tenure (Years)	Diversity Standards							Committee					Concurrently hold less than 4 positions in other companies	Independence of external director
				Metrics				Skillset			Audit	Remuneration	Sustainability	Risk Management	Ethical Corporate Management		
				Nationality	Gender	Age		Experience		Professional Knowledge / Skills							
						40 -60	61 and above	Financial Industry	Other industries								
Chairman	Chia-Juch Chang	Non-Executive Director	14 year 1 Month	R.O.C	Male		🕒	AC	DE	FGHIJKL			🕒		🕒	🕒	
Vice Chairman	Lionel de Saint-Exupéry	Executive Director	2 years 6 Month	France	Male	🕒		C	D	FGHIL					🕒	N/A	
Director	Stefano Paolo Bertamini	Executive Director	1 years 5 Month	U.S.A.	Male	🕒		B	D	FGHIJKL			🕒	🕒	🕒	N/A	
Director	Shou-Lun, Tan	Non-Executive Director	3 Month	Malaysia	Male	🕒		C		FGHIJL					🕒	🕒	
Director	Shan-Jung Yu	Executive Director	2 years 10 Month	R.O.C	Female	🕒		AC	D	FGIL					🕒	N/A	
Natural-Person Director	Paul Yang	Non-Executive Director	12 years 11 Months	R.O.C	Male	🕒		ABC	D	FGHIJL					🕒	🕒	
Independent Director	Hsiou-Wei Lin	Non-Executive Director	5 years 11 Months	R.O.C	Male	🕒		ABC	DE	FGHIJ	🕒	🕒		🕒	🕒	🕒	
Independent Director	Tyzz-Jiun Duh	Non-Executive Director	2 years 10 Month	R.O.C	Male		🕒		DE	FGIKL	🕒	🕒		🕒	🕒	🕒	
Independent Director	Hsing-Cheng Tai	Non-Executive Director	2 years 10 Month	R.O.C	Male		🕒	BC		FGHIJ	🕒	🕒	🕒	🕒	🕒	🕒	

Note:

1. The data is dated March 31, 2022, and CDF will re-elect the 8th director on June 17, 2022.

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

3. Concurrently serving in other company positions means serving as a director or supervisor of a TWSE/TPEx listed company; are in compliance with relevant laws and regulations.

4.The independence of external directors is defined as per definition in the 2021 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. According to this definition, the company has 6 independent directors, of which the chairman is a non-executive director and an independent director. (For criteria incorporated in domestic laws and regulations, please refer to the 2021 Annual 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 other companies or a member of the senior management of other companies.

(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.

5. Lionel de Saint-Exupéry (CEO of CDIB Capital International Corporation), Stefano Paolo Bertamini (CEO of CDFH), and Shan-Jung Yu (Senior Vice President of CDIB Capital) are internal directors of the Company; therefore, the criteria for the independence of external directors does not apply.

Proportion of Directors with Relevant Skillsets

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

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.2.2 Board Operation

Board Effectiveness

17 meetings were convened in 2021, with an average attendance of 93% for personal attendance by directors (100% 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", (less than 70%-1/needs improvement; 70%-2/acceptable; 80%-3/fair; 85%-4/ good; 90%-5/excellent), every board member has to have at least 80% attendance at Board meetings. Regarding the Board operation which are implemented according to the law, and the details are disclosed in the [AGM report](#).

CDF has established the "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 the AGM report of the shareholders meeting of the Company for the shareholding status of directors on other boards.

Regular Meeting			
Department	Frequency	Hierarchy	Issue
Finance Dept.	Monthly	BOD	Operating performance
	Annually	BOD	Tax management implementation
Risk Management Dept.	Quarterly	BOD	Risk management implementation and major risks reporting
Compliance Dept.	Semi-Annually	BOD Audit Committee	Compliance implementation
	Annually	BOD Audit Committee	Evaluations of the compliance system of each department and subsidiary
Audit Dept.	Semi-Annually	BOD Audit Committee	Auditing report
	Annually	BOD Audit Committee	1. Meeting minutes of internal control system deficiencies forums 2. Auditing performance scoring of departments 3. Internal auditing scoring of subsidiaries
Legal Dept.	Annually	BOD	Handling of major lawsuits
Compliance Dept.	Monthly	BOD	Meeting minutes of subsidiaries' board meetings
Information Security Dept.	Annually	BOD	Annual information security plan and implementation report

Note: From March 2021, the supervisory business responsibility of subsidiaries was transferred from the Group Marketing Dept. to the Compliance Dept.

Effectiveness of Functional Committees

The "Audit Committee", "Remuneration Committee", "Sustainability Committee", "Risk Management Committee" and "Ethical Corporate Management Committee" are set up under the BOD of CDF to assist the BOD in deliberating and discussing important proposals related to the economy, environment, society, risk, and ethical governance. (Regarding mandate for each functional committee, please refer to the 2021 AGM Report for details.)

Effectiveness of Functional Committees in 2021					
	Audit Committee	Remuneration Committee	Sustainability Committee	Risk Management Committee	Ethical Corporate Management Committee
Establishment Year	2011	2011	2014	2019	2019
Members	All independent directors	All independent directors	Chairman, CEO, independent directors, chairmen of KGIB and KGIS, and the independent directors/outside directors of KGIS and CDIB	All independent directors, CEO, Chief Risk Officer	Chairman, independent directors, Independent/ Outside Indepent directors of KGIB, KGIS, and CDIB, directors of CL
Number of Members	3	3	7	5	6
Proportion of members who are independent directors of the Company or subsidiaries	100%	100%	28.6%	60%	50%
Number of meetings held	10	8	4	4	1
Attendance rate (in person)	100%	100%	96%	88.5%	100%
Attendance rate (including attendance by proxy)	100%	100%	100%	96.2%	100%

Note:
1. As of March 31, 2022.
2. The "Corporate Social Responsibility Committee" was renamed the "Sustainability Committee" on January 24, 2022.
3. The mission of the "Strategic Development Committee" under the BOD has been completed and abolished by BOD in November 2021.

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview

2.2 Governance Framework

2.3 Sustainability Risk Management

2.4 Information Security

2.5 Ethical Corporate Management

2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Board Performance Evaluation

In order to implement corporate governance and enhance the functions of the BOD, establish performance targets to enhance the operational efficiency of the BOD. 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 to evaluate the whole BOD, including individual Board members and functional committees. Since 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.

◆ Performance Evaluation Dimensions

Self-evaluation of Board performance	Self-evaluation of Board member performance	Self Assessment of the Functional Committee performance
A. Involvement in the Company's business activities	A. Control over the Company's goals and tasks	A. Involvement in the Company's business activities
B. Improving Board of Directors' decision-making	B. Understanding of director duties and functions	B. Understanding of functional committee duties and functions
C. Composition and structure of the Board of Directors	C. Involvement in the Company's business activities	C. Improving the functional committee's decision-making
D. Election of directors and their continuing education	D. Management of internal relations and communication	D. Composition of the functional committee, and election and appointment of committee members
E. Internal control	E. Directors' professional and continuing education and training	E. Internal control
F. Participation in ESG initiatives	E. Internal control	

Note: Five levels for each index: Excellent (5), Good (4), Fair (3), Acceptable (2), and Needs Improvement (1). The scoring standard is based on the “average score”.

In 2021, all the [self-evaluation scores of the BOD](#) are higher than 4.83 points (out of 5 points), indicating that the overall operation of the BOD is running well. Among them, the “Participation in ESG initiatives” evaluates the achievements of Board members on sustainability issues, with an average self-rating score of 4.94 points.

In December 2019, EY Business Advisory Services Inc. conducted an [external evaluation of the Board's performance](#) in three aspects, “Structure, People, and Process”. The BOD performance was evaluated as “Advanced”.

The evaluation results were disclosed on CDF’s website and in the AGM Report. We will continue to strengthen the effectiveness of the BOD and improve the corporate governance mechanism based on the evaluation results and objective recommendations of external independent agencies.

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, ESG, internal control system or financial reporting accountability. The Company invites experts and scholars in related fields to serve as lecturers 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 2021, CDF's directors logged a total of 108 hours training (including 69 hours logged by non-executive directors) and met the annual training requirement. Please refer to [2021 AGM Report](#) for training details.

Internal Training Courses for Directors		
Date	Course	Lecturer
July 21, 2021	Strengthening the Information Resilience of the Financial Industry - Responding to Risk Crisis	The British Standards Institution - Taiwan - Junhao, Hsieh, Chief Operating Officer

Content

- About the Report
- Chairman's Message
- 2021 ESG Performance
- CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

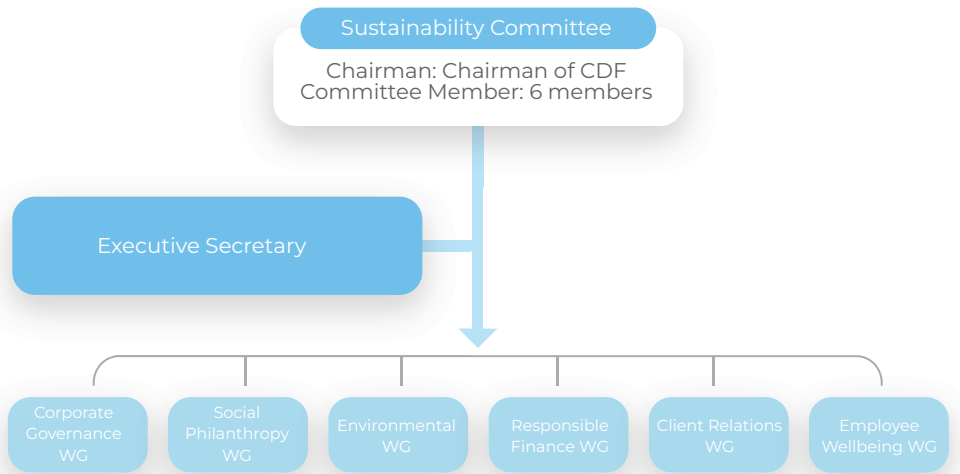
2.2.3 Sustainability Governance Structure

With the growing trend of global sustainability, the Financial Supervision Commission (FSC) successively launched the “Green Finance 2.0 Action Plan”, “Corporate Governance 3.0 - Blueprint for Sustainable Development”, and “Roadmap for the Sustainable Development of TWSE/TPEX listed Companies”. In order to actively respond to various government regulations, the Company renamed the “Corporate Social Responsibility Committee” under the BOD to the “Sustainability Committee” in January 2022, and the “Corporate Social Responsibility Guidelines” was renamed the “[Sustainability Development Guidelines](#)”, demonstrating the promotion of sustainable development and the determination to develop sustainable projects.

There are six working groups under the Sustainability Committee led by the senior management of the Company, responsible for the specific promotion of the planning and implementation of projects and regularly report the content to the BOD. 4 meetings were convened in 2021.

The Company's ESG Report is collected by the ESG Team of the Group Marketing Office from other departments. After confirmation by the supervisors of each working group and verification by a third-party notary unit, it is submitted to the Sustainability Committee and the BOD for approval.

◆ Organizational Structure of the Sustainability Committee



2.2.4 Remuneration Policy

Director Remuneration Policy

The Company's remuneration for directors includes director's remuneration, monthly salary and attendance fees, and relevant specifications are stipulated in the Company's “[Articles of Incorporation](#)” and “Guidelines for Remunerations Payment to Directors and to Functional Committee Members”.

According to the “[Articles of Incorporation](#)” , 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 BOD for approval prior to the annual shareholders' meeting, and distributed after the meeting. The directors' remuneration is allocated with reference to the director's duties, degree of participation in and contribution to the operations of the Company, and whether there is a violation of legal obligations or laws is taken into consideration, as well as the results of a comprehensive assessment of the directors' individual performance. 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 directors of the company receive a fixed monthly remuneration, and if they concurrently serve on the functional committee, the remuneration of the functional committee members will be paid on a monthly basis. However, if the director of the company is an executive of the Company or its subsidiary, he or she shall not receive the director's remuneration and functional committee remuneration.

In addition, if a director attends the BOD and functional committees in person, an additional attendance fee will be paid on a case-by-case basis.

A director who serves as the executive of the Company or a subsidiary, the Company will pay the managers' remuneration according to its regulations, and the payment method includes long-term rewards. For example, to restrict employees' rights to new shares, the company must meet certain performance conditions before it can be vested. With its value is relating to the future stock price, and shares future operating risks with the company.

Structure of CEO / Executives Compensation

The CEO/Executive (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. Performance measures include financial indicators and key management indicators.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Management
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

CEO / Executives Performance Indicators

Indicators	Annual Variable Compensation		Long-term Variable Compensation
Type of Indicators	Ratio	Indicators	Indicators
Financial Indicators	45%	Return on equity, net income target, cost control, and related financial metrics such as return on capital, return on invested capital, etc.	The Company’ s Restricted Stock Unit (RSU) considered in the three performance indicators for a three-year period. If the three indicators reach the top four of all financial holdings in Taiwan, the stock issuance will reach the upper limit. According to the proportion corresponding to the achievement of the performance indicators, it will be awarded in three years. A long-term reward mechanism for up to 6 years.
Relative Financial Indicators		Financial Industry Rankings of Total Shareholder Return (TSR), Return On Common Equity (ROCE) and Earnings Per Share (EPS)	Total Shareholder Return (weighted 34%): 1. (Average closing price in 2023 - Closing price at the end of 2020+ Dividends distribution during the period) / closing price at the end of 2020. 2. Return on common stockholders' equity (weighted 33%): Average return on common stockholders' equity for the three-year period from 2021 to 2023. 3. Earnings per share (33% weight): Three-year average EPS for 2021-2023.
Management Indicators	30%	Business, Customer NPS, Digital, Employee Engagement, Talent Development	
Materiality Indicators	25%	Risk Management, Compliance, ESG, Information Security	

Note: 3-year rolling cash bonus plan or stock-ownership plan: The Company has established an annual performance bonus method, which stipulates that the part of the bonus exceeding a certain amount should be deferred. If the shares are held by the executive's trust, the deferred amount varies from 25% to 70%.

Executives' variable bonus is decided in line with the performance of the Company as well as that of the stock price. We encourage executives to pay attention to the Company's long-term business performance and create a win-win situation for the Company, employees and shareholders. However, our clawback policy request when 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, not promote the executives to pursue high remuneration, and to ensure that they comply fully with corporate governance practices. The compensation of CDF's CEO is 82 times that of an average employee.

Structure of CEO Compensation

Fixed Compensation	Percentage of total compensation: 27%
Variable Compensation	Percentage of total compensation: 73%
a. Cash Compensation	Percentage of variable compensation: 37.5%
b. Shares Compensation	Percentage of variable compensation: 62.5%

Notes:
1. If the cash reward part of the variable salary exceeds a certain amount, a shareholding trust shall be handled in accordance with the regulations. The ratio of variable compensation deferred to shares is 81% in 2021.
2. In 2021, a long-term reward mechanism of up to 6 years was allocated to the Company's new shares with restricted employee rights issued in 2021.

Ratio of Allotted Shares Relative to Basic Salary

CEO	5.4 times
Other Executives	2.8 times

Note: The CEO took office on November 4, 2020, and the basic salary is calculated according to the in-service ratio, resulting in a smaller denominator in 2020. Therefore, compared with 2021, the shareholding ratio in 2020 is relatively high.

The above rewards and remuneration projects have indeed implemented a high degree of connection between employee and company performance and individual rewards, in order to possess both talent retention and risk management control mechanisms.

Ratio of Shares Held by Executives in Taiwan to Base Salary

CEO	7.9 times
Other Executives	5.6 times

Notes:
1. The CEO took office on November 4, 2020, and the basic salary is calculated according to the in-service ratio, resulting in a smaller denominator in 2020. Therefore, compared with 2021, the shareholding ratio in 2020 is relatively high.
2. The Company stock held by the executives includes the number of self-owned shares (According to the agreement, CEO will purchase a certain amount of the Company's stock with its own funds and continue to own it. Without pledge setting), employee stock ownership trust, and new shares with restricted stock unit (RSU) that have been allocated but not yet obtained. In addition, the shares held do not linked to derivative financial instruments. The base date for the number of shares and stock price is March 31, 2022.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.3 Sustainability Risk Management

2.3.1 Risk Management Framework and Policy

Risk Management Framework

The Company has established comprehensive risk management framework and policies, including risk governance, risk identification and measurement, risk management, and risk reporting and monitoring, in order to manage various risks. The risk appetite indicators and tolerance levels are set in accordance with the strategic objectives. The Company is committed to creating value via prudent management, taking into account the interests of shareholders, customers, supervisory authorities and social responsibilities, and the Company will continue to increase the value of the Company through promoting a systematic risk culture.



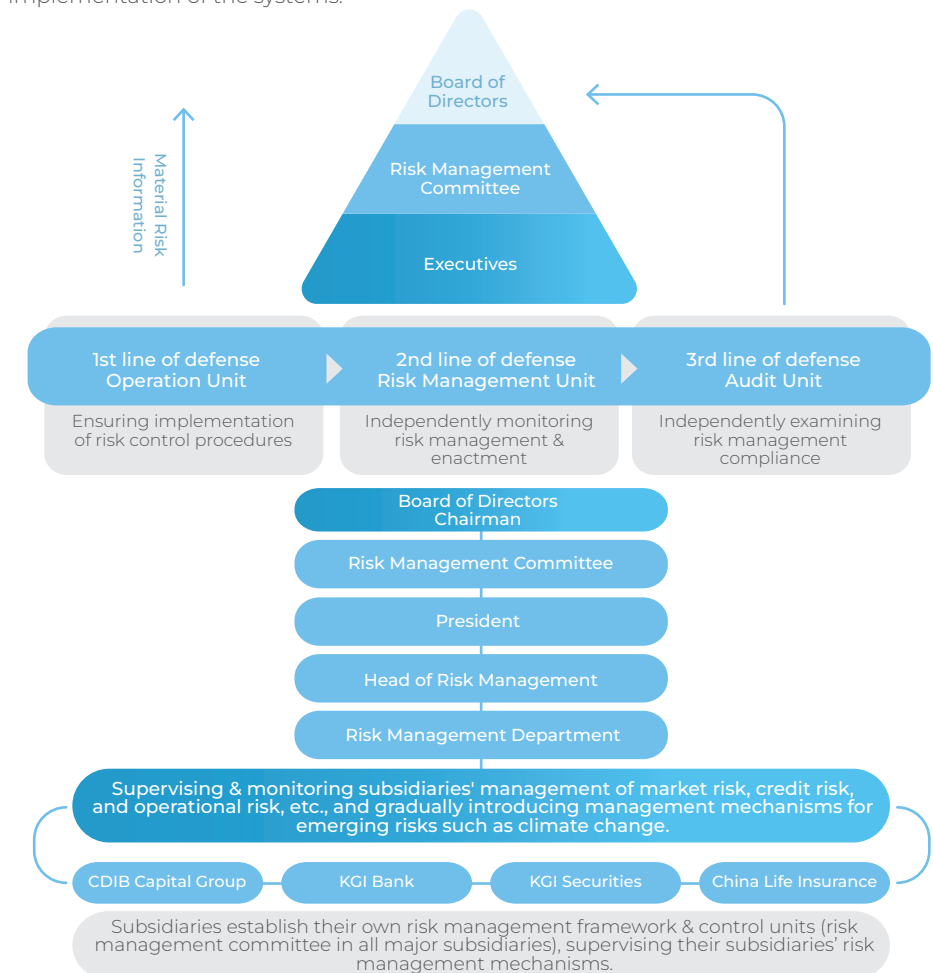
Risk Governance Organization

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

The Risk Management Committee reviews risk appetite, asset portfolio and major risk issues, oversees the implementation of overall risk management, and reports to the Board of Directors on a regular basis. The identification, assessment and action plan for emerging risks have been incorporated into the risk management report since 2021.

The Chief Risk Officer is tasked with dedicated risk management responsibility, including supervising the Group to establish and comply with risk management systems, monitoring of appropriateness of risk exposure and the effectiveness of risk controls, and reporting to the President and Risk Management Committee.

The Company adopts three lines of defense in the risk management framework. The first line of defense lies with the business and process units and each unit is responsible for ensuring its compliance with risk management regulations and for implementing risk controls in daily business activities. The second line of defense refers to the independent risk management unit that is set up to design and manage the Company'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. The third line of defense refers to the audit unit that is responsible for reviewing the establishment of risk management systems and auditing on the compliance and implementation of the systems.



Content

- About the Report
- Chairman's Message
- 2021 ESG Performance
- CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Scope of Risk Management

The scope of the CDF's risk management includes life insurance, banking, securities, venture capital and asset management. We follow international standards and risk management policies to develop relevant guidelines as the basis for risk management. Appropriate techniques are used to measure the risks and assess potential losses and correlations. In response to emerging risks such as climate change, relevant mechanisms have been established to identify, assess, and address key emerging risks. Scenario analysis is also conducted regularly to manage such risks. The major risk types are as follows:



Enterprise Risk Management (Enterprise risk management, ERM)		
Risk type	Description	Monitoring/Reporting Frequency
Country Risk	Track macroeconomics and country risk exposure trends, monitor concentration limits, sovereign ratings, CDS changes and the impact of regional risks, and strengthen management of high-risk countries.	Monthly assessment and monitoring
Industrial Risk	Regularly detect changes in the industry risk and consolidate subsidiaries' limit control of high risk industry.	Monthly monitoring
Market Risk	For short-term trading of financial instruments, assess and monitor value at risk, position sensitivity (Delta, DV01, Vega, etc.), and stop loss limits, and perform stress tests on a regular basis to estimate potential losses arising from drastic market price changes.	Daily assessment and monitoring
Credit Risk	Regularly monitor the large exposure of credit extension and securities investment; review subsidiaries' asset quality and the appropriateness of allowance for doubtful accounts on a quarterly basis.	Monthly monitoring
Operational Risk	Monitor the frequency and loss of operational risk events.	Immediate reporting
Significant Risk	Report various significant risk events with a certain severity level	Immediate reporting
Assets and Liabilities Management	Monitor the assets and liabilities risk and liquidity risk of CDF and subsidiaries.	Regular monitoring
Insurance	Monitor the compliance with relevant regulations of the Insurance Act.	Regular monitoring
Emerging Risks and Climate Change Risk	Evaluate the potential impact on key businesses and examine the handling capabilities of the organization members, internal control procedures, and risk mitigation or measures.	Regular meetings and discussions

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Risk Culture

Risk culture is the cornerstone of CDF's core competitiveness and sustainable development. We continue to enhance monitoring indicators, risk self-assessment, risk incident reporting, and internal control self-assessment mechanism, and regularly report the execution status to the Risk Management Committee and the Board of Directors. CDF also instills risk awareness among employees through training to shape a sound risk culture and carries out risk management in daily operations.

Enhancement of Risk Culture

1. Financial incentives

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 sustainability targets. The remuneration of heads of departments is correlated to their departments' KPIs covering indicators in respect of financial, business, internal management and risk management. Employees' performance evaluation involves 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 the evaluation.

2. Measures encouraging employees to proactively identify and report potential risks and provide feedback

The existing operational risk-reporting mechanism allows employees to proactively identify and report significant risk incidents and operational risk incidents and propose corrective measures to prevent potential risks from occurring or recurring. In 2021, CDF and its subsidiaries reported a total of 35 significant risk incidents and 2,840 operational risk incidents. To further strengthen risk management, the goals associated with ESG criteria, risk management process optimization and innovation have been added to performance evaluation in 2020, encouraging employees to suggest solutions to potential risks (including emerging risks) and motivating them to participate in the risk management enhancement. The Group promotes RPA (Robotic Process Automation) process automation and competition. During this period, KGI Bank's MAs were in charge of the RPA project. Through the logic and innovative vision of the younger generation, the Group was able to utilize RPA to reform operation processes. The staff meeting was also broadcast live on YouTube, and the "RPA Good Ideas" competition was held. The digital transformation proposal has improved the efficiency of operation management and effectively prevented operational risks. KGI Securities also introduced the concept of RPA (Robotic Process Automation) to continuously improve productivity. From 2020 to 2021, 74 processes have been improved and a lot of man-hours have been saved.

In order to accelerate the overall group risk management efficiency, the Risk Management Department promoted data integration and Tableau visual risk analysis, encouraged employees of subsidiaries to participate, and rewarded the participating colleagues after each project was completed. In the future, CDF will continue to improve quality and efficiency, and the human surplus generated by technologicalization increases the output and added value of research and analysis.

3. 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. The subsidiary, China Life Insurance, has built Risk Metrics in 2021 to produce value at risk, stress scenarios and other results, and all subsidiaries have achieved standardization of market risk measurement.

4. Focused training

In addition to centralized risk education and training for new recruits, courses on various risk management topics are offered throughout the year for Group employees to sign up for, including risk appetite, financial market perspective sharing, macroeconomics forecasting models, early warning indicator tools, and visual management platform, etc. In 2021, 10,449 employees of the Company and its subsidiaries attended training courses on risk management for a total of 30,512 hours, accounting for approximately 62% of all employees.

Note:
There are a total of 38 defects and no major defects. All defects listed are continuously tracked until improvement is completed. (Please refer to "2021 CDF Annual Report - Internal Control System Enhancements and Improvement Plans").

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

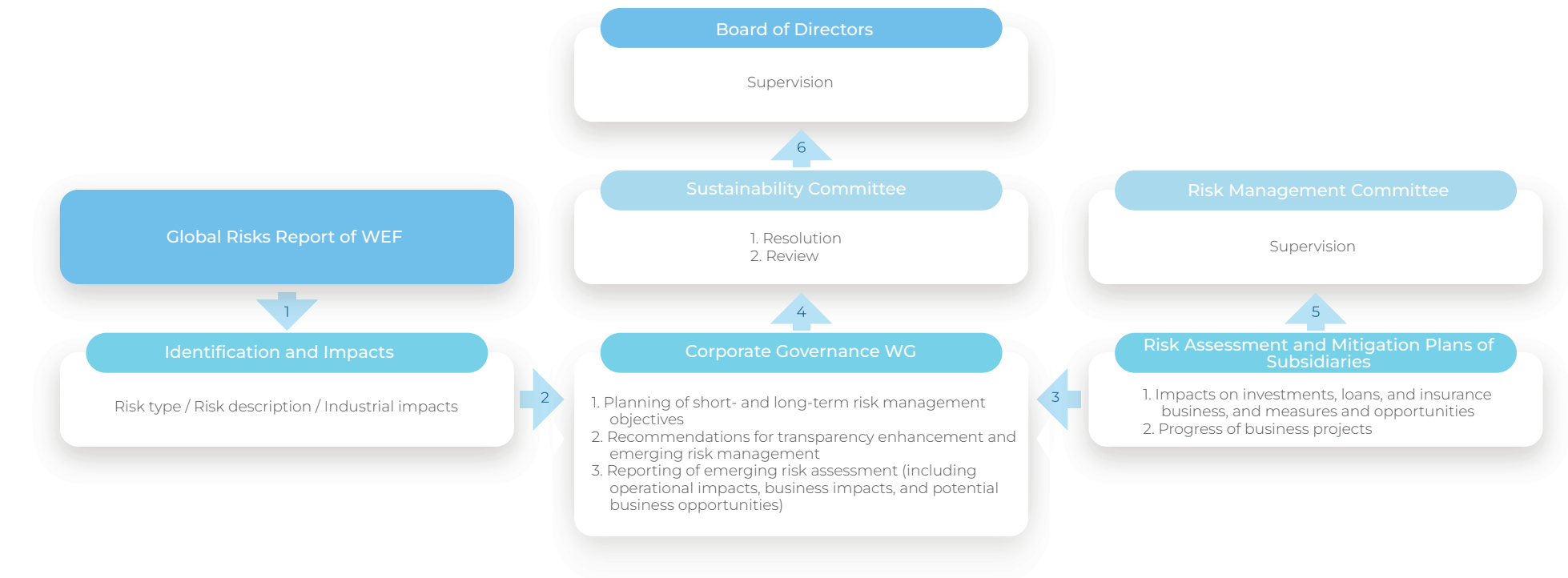
Appendix

2.3.2 Emerging Risks Management

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 critical emerging risks are determined after intensive internal discussion.

Emerging Risks Identification Process

In light of the increasing impact of emerging risks and their influence on the financial market, we have established the following procedures to effectively assess the impact and develop measures in response. After discussion, the critical emerging risks identified by the Company in the current year include climate action failure, regional economic risk, declining social cohesion, and information security failure risk.



Content

- About the Report
- Chairman's Message
- 2021 ESG Performance
- CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Impact of Emerging Risks, Measures and Potential Opportunities

Based on the identified emerging risks, possible impact timeframe of the orresponding events, and major risk changes, CDF's subsidiaries assess the impact of emerging risks on businesses or assets, develop the strategies to address the impact, and identify the potential opportunities. This section lists the risks of climate action failure, regional economic, declining social cohesion, and information security failure, along with possible events in the future, their timeframe, and major impact areas. Based on these information, CDF assesses the potential impacts on the Company's related businesses and comes up with feasible measures accordingly.

Type of emerging risk	Future Risk Events	Risk timeframe	Description of risk
Climate action failure	The temperature is rising and the frequency of extreme weather is increasing.	According to the sixth climate change assessment report published by the IPCC, the average surface temperature in 2032 has increased by 1.07° C compared with the pre-industrial revolution levels, and the target of 1.5° C might not be achieved in less than ten years.	<ul style="list-style-type: none">◆ As the sea level rises, the offices in some low-lying areas are hit and the island is flooded. Coupled with changes in rainfall patterns, it has a significant impact on the environmental ecosystem and agriculture. To reach the 2050 net zero emissions target, corporate profitability will be affected by supply chain decarbonization and carbon rights.◆ The EU plans to impose carbon tariffs on Asian imports, which will take effect in 2023 and roll out in 2026. The long-term profits of Taiwan's steel, plastics and cement industries will likely be reduced by 20% to 40%.
Regional Economic Risk	Military Threat from China	In 2032, according to the Global Risk Report, China will test the resilience of international law and international cooperation through military exercises and operations in the Taiwan Strait in the next decade.	Recently, the frequent approach of China's military aircraft has increased the risk of military escalation. The deterioration of cross-strait relations may lead to further military actions taken by China, which will threaten the operation sites and discourage investors.
	U.S. - China Economic Decoupling	In 2032, according to the Global Risk Report, the competition between China and the United States will continue to heat up in the next decade.	The Sino-US trade war and tariff barriers may evolve into a decoupling of the Sino-US economy in the future, which will lead to the risk of supply chain disruption, reduced investment, and market turmoil.
Declining social cohesion	Reduced interpersonal trust	In 2025, in view of psychological and physical stress caused by the COVID-19 pandemic, job and financial insecurity, and even anxiety and anger about the government's ability to cope with changes in the pandemic, social cohesion is expected to deteriorate rapidly in the next 3-5 years.	Economic weakness, racial discrimination, diversity of values, technological changes, weakening of family ties, globalization, and intensified international competition lead to the risk of declining social cohesion, which in turn further alienates people' s relationships, reduces willingness to participate in public affairs and reduces productivity. It also causes the slowing down or even regression of national progress and economic growth, creating a vicious cycle.
Information Security Failure	Digital transformation and service failure	In 2030, the popularization of digitization, digital currency, and online transactions brought about by the epidemic has greatly changed the content and scope of information security in the next 3-10 years.	<ul style="list-style-type: none">◆ Online banking is hacked, leading to breakdown or customer losses, and phishing websites cause data leakage.◆ Leakage, tampering or encryption extortion of customer information or suspected money laundering or terrorist transaction declaration information may result in customer claims, penalties for violations of laws and regulations, and significant reputational risks to the Company.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Type of emerging risk	Affecting Area	Impact Description	Impact Quantitative Assessment	Mitigating actions / Opportunities
Climate action failure	On Operation Level	<ul style="list-style-type: none">Due to extreme weather conditions in the area of operations, business disruptions may occur, resulting in a decrease in profits.Cause information equipment malfunctions, power outages, or loss of other physical assets.	<ul style="list-style-type: none">Under the SSP4-3.4 2030s Risk Neutral scenario, the total number of affected locations is 9, and the estimated loss is about NT\$63,000.	<ul style="list-style-type: none">The existing locations will take further waterproof measures, and the new locations will conduct further investigation and evaluation of the sections that are not affected by climate. In order to reduce dependence on physical locations, to continue to improve the features of digital platforms and the number of transactions, and to measure climate risks more accurately, the scale of flood production has been reduced to 10*10M for urban areas and 40*40M for non-urban areas.Review the status of the information equipment in accordance with the "Guidelines for Emergency Responses" of the Company and follow the relevant handling steps to resolve abnormal conditions. Drills are conducted on a regular basis in line with the "Information Operation Management Guideline" to mitigate the impact.
	On Business Level	<ul style="list-style-type: none">Collateral may be damaged by the disasters due to climate change, resulting in a decrease in the value of the collateral or an increase in bad debts.Customers in high energy consumption and high pollution sectors who fail to transform successfully will lose competitiveness and support from financial institutions.Extreme climate may affect the investment target whose revenue is likely to drop, leading to the risk of profitability. It will have a negative impact on the long-term profitability of the enterprise, and further affect the valuation of the investment target.	<ul style="list-style-type: none">Under the SSP434-2030 Risk Neutral scenario, the estimated loss is about NT\$170 million, accounting for about 0.21% of the total mortgages.The high carbon emission industry is under significant pressure of transformation. The investment and financing positions of the Group in the high-carbon emission industry account for around 21% of total investment and financing positions. The Group will further develop the carbon grading system for more effective management.In accordance with EU standards, the carbon tax will be imposed on heavily polluting industries in the future. The risk exposure of the Group's investment and financing in industries such as iron, steel, chemical fertilizers, and non-metallic minerals accounts for approximately 1.27% of the Group's total assets.	<ul style="list-style-type: none">The collateral of the mortgage loan should have adequate liquidity, flood prevention plan and drainage facilities, and due diligence and analysis of geologically sensitive areas should be carried out. When assessing land and building financing, soil liquefaction potential area investigation should be conducted.By prudently assessing the impact of climate change on investment targets before investment, as well as investment targets' business/capacity contingency mechanisms to address the climate risk in the region, CDF aims to avoid investment in the companies whose profitability is vulnerable to the failure in climate actions and at the same time strengthen its post-investment monitoring mechanisms. The Group has also established a negotiation strategy for high carbon emission companies, and through adequate investigation and communication, the Group is able to understand customers' thoughts facing the climate risk. Based on the results of the negotiation, the Group will work out a plan to reduce the number of customers who are unwilling to transform, and on the other hand, provides assistants to those customers who are willing to engage in the transition in order to create a win-win situation.By examining the environmental performance of the target, screening and adjusting the investment and financing portfolio, reducing the exposure to those high carbon emissions customers who are not capable or unwilling to transform, and increasing green investment assets, the Group hopes to exert its financial influence to achieve sustainability. The Group has established a target of 5% annual growth in its green investment and financing position.
Regional Economic Risk	On Operation Level	<ul style="list-style-type: none">The local industry in China engaged in Sino-US trade is slowing down, resulting in reduced business and investment opportunities for business sites located in China, and further affecting human resources, revenue and profitability.	<ul style="list-style-type: none">The Group's investment and financing exposure in China is approximately NT\$207 billion. If China cuts the interest rate by 0.5%, it is estimated that the Group's revenue will decline by approximately NT\$1.035 billion.	<ul style="list-style-type: none">Identify impacted sectors, reduce local operations in China or close uneconomical business locations to reduce losses.
	On Business Level	<ul style="list-style-type: none">Supply chains are facing restructuring, and trade, technology, and investment are all under pressure of adjustment, which also affects the valuation of investment targets.Regional economic instability may cause exchange rate fluctuations and inflation risk, which will in turn affect the economic recovery and the business of some customers.China's economic growth will decline, especially for companies that focus on Sino-US trade or companies that hold a large number of mainland companies, and they will suffer default risks or price losses.	<ul style="list-style-type: none">The decline in investment in China and the oversupply in the real estate sector are expected to impact the solvency of real estate developers. The Group's investment and financing exposure to the real estate developers in China accounts for approximately 0.16% of the total assets.The trade war between China and the United States is expected to affect global GDP by up to 5%, which will directly affect investment profits.China's GDP is hit by the Sino-US trade war and the epidemic, and the growth rate is expected to drop to 5%. The Group's investment and financing positions in China account for approximately 5.7% of the total assets, primarily focusing on large financial institutions and international companies, which are less impacted.	<ul style="list-style-type: none">Strengthen the review of the credit risks of investment and financing targets of Chinese real estate developers, and timely dispose of high-risk targets. The appraisal should take into account future prospects and make more prudent assessments.Be more cautious in providing financing in the region, and include the analysis of customer plants and supply chains in the credit assessment. Prudently assess the global competitiveness and industry outlook of the targets before making investment and financing. The Group has imposed a limit cap for high-risk sectors to reduce the concentration risk. Enhance the monitoring mechanism post-investment and financing, and keep abreast of customers' business and operations to mitigate the credit risk.In view of the opportunities arising from low interest rates, returning of Taiwanese corporates, and production site relocation due to the restructuring of the global supply chain, businesses in lending, investment and financial consulting are expected to pick up. It is estimated that by 2024, the amount of Taiwanese businessmen's investment in Taiwan will reach NT\$900 billion and will drive the demand for land and talents.In addition to selecting customers with good creditworthiness, the Group adopts the strategy of risk mitigation and risk avoidance, taking into consideration that the US bans on high-tech exports are likely to result in supply chain disruption and overcapacity for the related industries in China. However, niche technologies or industries, especially semiconductor, high-tech, and those industries highly protected by intellectual property, are expected to benefit, which will be the key driver for future business growth.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Type of emerging risk	Affecting Area	Impact Description	Impact Quantitative Assessment	Mitigating actions / Opportunities
Declining social cohesion	On Operation Level	After the outbreak of the COVID-19 pandemic, governments have taken measures such as lockdowns and remote offices and classes. Social distancing and interpersonal alienation will erode social cohesion, which will lead to a decrease in public trust, employee productivity and economic growth.	It is estimated that the WFH ratio will be more than 50%. due to the severe epidemic.	<ul style="list-style-type: none"> ◆ The Group has recruited a psychological counselor to care for employees, and there is ABCDE strategy under the five-year development objective, of which Become Employer of Choice (Excellent Employer), is also one of the important strategies to care about the development of employees. Promoting related activities to care for disadvantage groups is also aimed at enhancing social cohesion.
	On Business Level	The service and retail sectors are hit the hardest by the COVID-19 pandemic. The Gini coefficient usually increases significantly in the five years following a major pandemic.	It has caused significant damage to the tourism and hotel sector, which highly relies on human connections. CDF's investment and financing risk exposure in this industry amounts to NT\$2.045 billion, accounting for 0.06% of the total assets.	<ul style="list-style-type: none"> ◆ In addition to bailing out these customers who have been hit by the epidemic, the Group also assists them in digital transformation. ◆ With the increase of digital and remote applications after the epidemic, it is crucial to enhance the interface and functions of digital products, online product promotion, and customer digital data collection. According to research institutes, the size of the teleconsultation market will grow to US\$3.47 billion at a CAGR of 13.9% in 2028; the Metaverse market will grow from US\$148.5 billion in 2021 to US\$1.5 trillion in 2030, which will create the investment opportunities for the related industries.
Information Security Failure	On Operation Level	<ul style="list-style-type: none"> ◆ Information security protection challenges heighten the related risk, such as information system design and management negligence or system loopholes, hacker attacks, fraud and other information security incidents, resulting in leakage of personal information or impact on the operation of digital financial transactions. ◆ Leakage, tampering or encryption extortion of customer information or suspected money laundering or terrorist financing reporting data may be subject to customer claims, penalties and damage to reputation. 	<ul style="list-style-type: none"> ◆ Systems, networking, security equipment and management costs will increase. ◆ It is estimated that operating income may decline and expenses and costs may increase. 	<ul style="list-style-type: none"> ◆ In terms of personal information protection, the Group has established the confidentiality and security maintenance mechanisms and regulations of customer information. Education and training, personal information inventory and leakage drills are conducted on a regular basis to enhance employees' awareness of information security. ◆ Establish anti-counterfeiting monitoring and alerting mechanisms. Systems are equipped with firewalls, vulnerability scanning, PC personal information scanning, data storage, and transmission encryption, etc. ◆ Improve all aspects of information security management. In addition, professional consultants are regularly engaged to assist the Bank in conducting compliance assessment, information security assessment and testing to ensure the protection and resilience of the system.
	On Business Level	<ul style="list-style-type: none"> ◆ Information security or personal information leakage incidents such as hacking will affect the confidence of customers and investors in the Bank's digital products and information security protection. ◆ Affecting the willingness of customers to deal with the Bank, revenue decline, and suspension of business due to violation. 	Losses vary depending on the affected customers, amount of data, scope and category.	<ul style="list-style-type: none"> ◆ Improved personal data protection enhances customer trust. ◆ The Group has established a solid foundation for information security, which is conducive to innovative financial development.

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

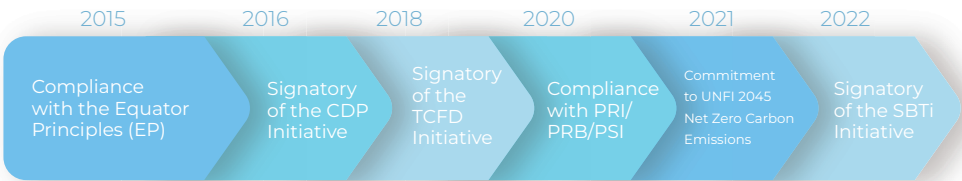
2.3.3 Climate Change Risk Management

CDF is committed to improving the environment and has been conducting lending business in accordance with the Equator Principles since 2015. CDF officially signed the TCFD in December 2018. Therefore, the Company follows the disclosure structure, including four core elements of governance, strategy, risk management, metrics and targets. 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.

In order to achieve the Paris Agreement's goal of controlling the temperature rise within 1.5°C of the pre-industrial average level, in 2021, the Group has committed to the goal of achieving net zero carbon emissions across all assets by 2045, and has established five strategies and short, medium and long-term goals. By improving the energy consumption and carbon emissions of its own operations, adjusting the asset portfolio of investment and financing businesses, and using its financial influence to help customers transform, the Group works together with the customers to mitigate the impact of climate risks and achieve net-zero carbon emissions. The Group has gradually linked the management of climate risks with traditional risks, and has incorporated the assessment results into daily operating activities through the self-inspection mechanism.

CDF and its subsidiaries have adopted the PCAF method to complete the carbon inventory of all investment positions and corporate lending positions, and set annual carbon reduction targets. In order to track the progress of carbon reduction systemically, CDF has signed up to join SBTi (Science Based Targets initiative) and is committed to achieving decarbonization targets at each phase, including the cessation of investment and financing of new plans for new coal mining, coal power plants, and coal infrastructure. CDF plans to gradually decrease and eventually phase out the investment and financing in thermal coal and unconventional oil and gas sectors.

◆ CDF's progress in response to international initiatives



CDF's actions towards net-zero carbon emissions in accordance with UNEP FI Guidelines for Climate Target Setting for Banks		
Strategy	UNEP FI's Credible Net Zero Standards	Actions taken by CDF
In line with net zero scenario	1. Align with science-based 1.5 ° C scenarios	Committed to net zero for all assets by 2045, and has signed to join SBTi, and committed to reaching net zero prior to 2050 in accordance with the initiatives under the 1.5 ° C pathway.
	2. Align with the assumptions and criteria of the scenarios	CDF has set a timetable for reducing investment and financing in high-carbon emission industries and increasing the proportion of green finance. CDF will cease to engage in new investment and financing related to thermal coal and unconventional oil and gas sectors in 2025, and also plans to gradually decrease and eventually phase out in the investment and financing in the thermal coal and unconventional oil and gas industries.
Complete Carbon Footprint Inventory	3. Set near-term targets (about 5 years)	A 5-year target to reduce carbon emissions of investment and financing by 25% has been set.
	4. Commit to transparent reporting of greenhouse gas emissions	Detailed GHG emissions and distribution are disclosed in the annual report.
	5. Establish an appropriate emission scope, striving for full coverage as soon as possible	According to the current scope, 100% investment and financing carbon inventory of equity, bonds and commercial loans in 2021 has been completed.
Specific Implementation approach	6. Incentivize the real economy to achieve a low-carbon transition	The investment policy has established review standards, and has begun to conduct relevant investigations and negotiations. In the future, CDF will continue to develop effective incentive mechanisms to encourage investment and financing targets' engagement in low-carbon transition.
	7. Neutralize remaining carbon emissions through investment cooperation	With its direct investment channels, CDF continues to look for companies with negative emission technologies such as companies engaged in forestry and regenerative agriculture. CDF aims to take advantage of the negative emission effects through investment cooperation, and use it to neutralize the remaining carbon emissions once the emissions reduction goals are achieved.
	8. Financing low-carbon transitions	The Company's sustainable finance commitment, which serves as a mechanism for due diligence governance and financial influence, undertakes to provide enterprise transition financing in accordance with appropriate strategies for each industry.
	9. Provide sustainable product metrics to categorize products	Participate in the development of Taiwan's sustainable classification standards, incorporate the sustainable classification standards into the product classification after the establishment of the complete standard, and follow the international standard to define green financial products.
	10. Specific products and services have a unique transition purpose	Actively seek out companies that have specific low-carbon or negative emission technologies, such as carbon capture and sequestration, and provide them with funding for investments.
Periodic public disclosure	11. Transparent and comprehensive disclosure of indicators, goals, and progress	Continue to disclose detailed goals and progress in the reports.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆ Main actions following 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 implementation of sustainability goals by the Sustainability Committee and major climate risk assessment reports made by the Risk Management Committee.◆ The Sustainability Committee holds regular meetings to review and approve sustainability goals and major issues. It also sets 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.◆ Sustainable financial decarbonization commitment.◆ Improve energy efficiency and expand the sources of green energy.◆ Introduce principals of internal carbon pricing system.◆ Increase green financial products.	<ul style="list-style-type: none">◆ Adopt a consistent approach of PACF calculation of carbon emissions for investment and financing and complete the carbon inventory of the assets.◆ Climate risk classification management.◆ Incorporate the scenario analysis into the quantitative risk assessment of physical and transition risks.◆ Integrated climate 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 the progress indicators for the short-term and medium-term goals, including the emission reduction ratio of its own operations, the percentage of high carbon emission industries below a certain level, and the mechanism for negotiating with key large carbon emission customers.

Climate Governance

Board of Directors

- CDF's Board of Directors authorizes the Sustainability Committee to set the targets for environmental, social, and corporate governance (ESG) issues and net zero carbon emissions 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 Sustainability Committee reports to the Board of Director every half a year the material climate issues and the achievement of the targets.
- The Board of Directors regularly supervises the major climate risk assessment reports and decisions made by the Risk Management Committee.

Sustainability Committee

- As a supervisory unit for sustainable finance, the Sustainability Committee consists of directors and independent directors of subsidiaries with the CDF Chairman serving as the chairman.
- The Sustainability Committee is responsible for reviewing sustainability goals, guiding the action plans put forward by the six working groups (WGs), and monitoring the progress of such plans every half a year based on the TCFD recommendations and material climate issues.
- 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 Sustainable Development Goals (SDGs) as well as collecting and setting the indicators and goals in relation to climate risks and opportunities.

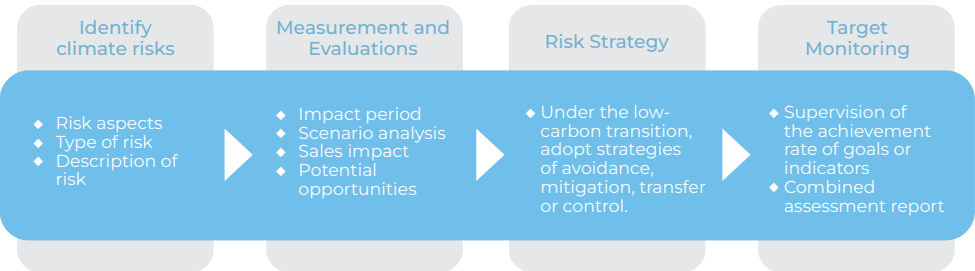
Climate Strategies

With reference to Net-Zero Banking Alliance standards, CDF has formulated 5 strategies. Quantitative goals are set up according to the business conditions of each subsidiary, and are used as internal KPIs for regular monitoring and review.



- Set sector goals. After understanding the carbon emissions and environmental impact of the sectors, with a sustainable future in mind, CDF has formulated the investment and financing strategies of the sectors and carbon footprint goals.
- Set negotiation goals. CDF has selected specific customers for negotiation and targets to gradually increase the coverage. CDF has teamed up with the customers to work towards sustainability and net-zero, and provide sustainability-linked financial services.
- Investment portfolio goals. To achieve all portfolios aligned with the Paris Agreement, subsidiary goals will be set at the same time and the Group is making all efforts to accomplish phased goals.
- Transition goals. CDF aims to achieve net zero carbon emissions in its own operations by 2030, significantly increase the proportion of green loans and green investments in its business, and actively engage in the development of sustainability-linked loans (SLL).

◆ Climate Risk Management



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Assessment of Identified Climate Change Related Risks

Risk Aspects	Type of risk	Significant Risk Description	Impact and Influences	Response Measures or Opportunities
Physical Risks	Immediate risk of extreme weather incidents	<ul style="list-style-type: none"> ◆ The value of the self-owned real estate and business continuity of the premises are affected. ◆ Decrease in value of collateral provided by lending accounts 	<ul style="list-style-type: none"> ◆ Premises or facilities are damaged, and business is interrupted, such as power outage in maintenance sites and damage to mainframes or network equipment in the event of typhoons. ◆ Collateral located in special areas may be damaged. 	<ul style="list-style-type: none"> ◆ Initiate and complete the establishment of backup sites in a timely manner to reduce the risk of business interruption. The "Directions for Emergency Responses" has been formulated and the "Contingency Group" has been set up to take immediate and effective actions in the event of a disaster to ensure continuous operation and management. ◆ Take the risk of extreme weather into account when accepting collateral and incorporate the collateral risk into the conditions of granting loans.
Physical Risks	Immediate risk of extreme weather incidents	<ul style="list-style-type: none"> ◆ Establishment and management of operation locations ◆ Decrease in the value of collateral pledged by financing customers 	<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"> ◆ Improve waterproofing measures at the existing operation locations with a high flooding probability and factor them in when determining future business locations. As an important factor for determining investment and credit, make adjustments to business guidelines whenever necessary. ◆ Take the risk of extreme weather into account when accepting collateral. The collateral risk is to be reflected in the terms and conditions of the credit extension.
Physical Risks	The long-term risks of rising sea levels caused by continuous warming	<ul style="list-style-type: none"> ◆ Establishment of operating sites and operation management 	<ul style="list-style-type: none"> ◆ Flooded areas may cause operating sites unable to operate 	<ul style="list-style-type: none"> ◆ List the locations with a high flooding probability as warning areas for determining business locations and enhance flood protection measures at existing sites. ◆ Improve digital efficiency and customer experience, and focus on promoting digital outlets and increasing the proportion of online transactions to mitigate the risk of natural disasters on operating locations.
Physical Risks	The long-term risks of rising sea levels caused by continuous warming	<ul style="list-style-type: none"> ◆ Investment/lending customers have insufficient capabilities of climate change management 	<ul style="list-style-type: none"> ◆ When the operating sites or collateral are located in a heavily flooded area, it will impact the productivity and the real estate value, resulting in losses in cases of long-term investment and credit extension with longer tenors. 	<ul style="list-style-type: none"> ◆ List the locations with a high flooding probability as warning areas for determining investment and credit extension. ◆ Investigate the risk level of the existing mortgage collateral locations, and evaluate the long-term possible losses. ◆ 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	Policies and 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"> ◆ The increase in the cost of purchasing green electricity increases the operating cost of the Company. ◆ In the medium to long term, the rising financial pressure on large carbon emission companies affects the Company's willingness to maintain relationships 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. ◆ Check customer's carbon emissions and willingness to transform, and adjust the relationship strategy accordingly in a timely manner.
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 result is unsatisfactory or unsuccessful. 	<ul style="list-style-type: none"> ◆ In the medium to long term, companies that use traditional equipment for power generation or large carbon-emission companies have difficulty in raising funds or have significantly increased financing costs. 	<ul style="list-style-type: none"> ◆ Diversify the risk exposure to transitioning businesses to reduce the risk of failure. ◆ Strengthen credit investigation and research on renewable energy technologies.
Transition risk	Market	<ul style="list-style-type: none"> ◆ Changes in consumer behavior and preference, for example, the rapid growth of electric vehicles seizes the market, and traditional energy 	<ul style="list-style-type: none"> ◆ Decrease in petroleum demands in the medium to long term. ◆ The value of polluting power generation assets no longer exists, and the liquidity in the market reduces, even becoming an idle asset. 	<ul style="list-style-type: none"> ◆ Reduce investment and credit exposure to the companies focusing on petroleum-burning related products. ◆ Increase green financial product sales to make up for the shortfall arising from decarbonization.
Transition risk	Reputation	<ul style="list-style-type: none"> ◆ Investors and consumers focus on the Company's climate change actions. 	<ul style="list-style-type: none"> ◆ In the short and medium term, traditional products are not favored. ◆ Investments and financing activities that are with high carbon emissions have negative impact on the Company's low-carbon transition. 	<ul style="list-style-type: none"> ◆ Commit to net zero carbon emissions and propose specific response strategies. ◆ Negotiate with customers or adjust assets, or provide green products to assist businesses in transition. ◆ Join international initiatives and adopt internationally recognized approaches.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Scenario Description for Climate Risk

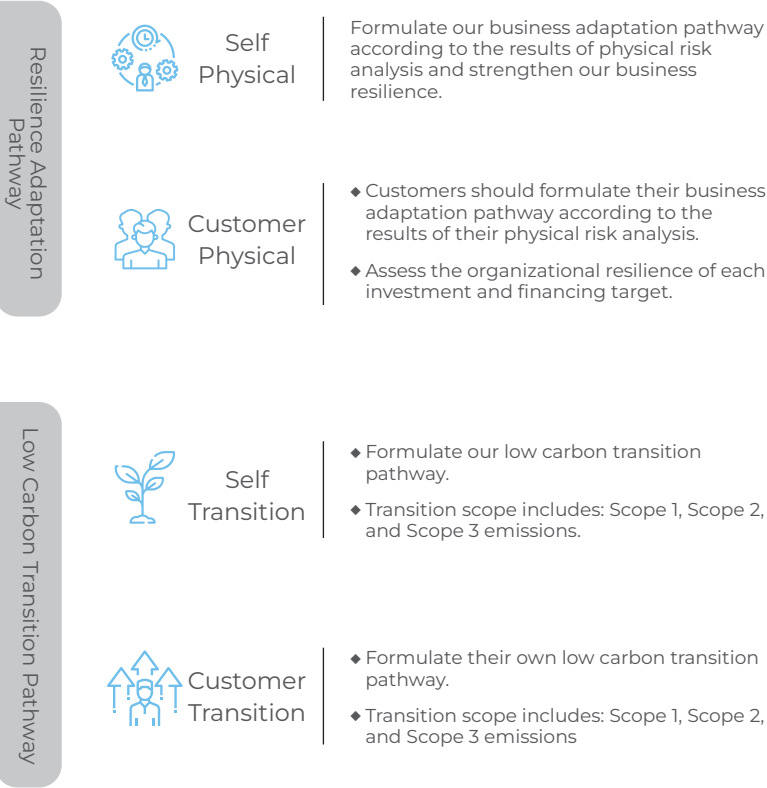
Physical risk refers to any loss that a company may suffer directly when facing slow changes in climate change and extreme weather events, including damage to operating locations arising from flooding, damage to factories, and an increase in costs caused by drought and lack of water. Transition risk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

The Company adopts the carbon reduction scenarios of IPCC SSP1-1.9, SSP4-3.4, SSP5-8.5, NGFS Disorderly, NGFS Orderly, and NGFS Hot House World to assess physical risks and transition risks. While IPCC is mainly used for physical risks and NGFS is mainly used for transitional risks, these scenarios consider both transition and physical risk factors. Scenarios with less active implementation of transition will result in more drastic climate change and higher physical risks; on the other hand, scenarios with more active implementation of transition will generate more significant transition risks. Physical and transition risks are interrelated.

CDF selects the SSP1-1.9, SSP4-3.4 and SSP5-8.5 scenarios of IPCC AR6 to assess physical risks. The three scenarios mentioned above can correspond to RCP1.9, RCP3.4, and RCP8.5. AR6 also considers the combination of Shared Socioeconomic Pathway (SSP) and Representative Concentration Pathway (RCP), and the use of AR6 can fully present the results of socioeconomic development and environmental interaction.

CDF chooses NGFS Disorderly, NGFS Orderly and NGFS Hot house world to evaluate the transition risks. According to the instructions provided on the NGFS official website, the IEA scenario can correspond to the NGFS scenario, the NGFS Orderly net zero 2050 can correspond to the IEA NZE 2050, and the NGFS Hot house world can correspond to IEA CPS. (Source from NGFS official website: <https://www.ngfs.net/ngfs-scenarios-portal/faq/>)

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. In 2021, CDF moved into an environmental-friendly new building constructed based on the concept of sustainable development. The new building is also planned as a model building for carbon neutrality.



Quantitative Results of Scenario Analysis - Physical Risks

Scenarios	Physical Risks	Result of identification	Financial impact	Adaptation strategy
SSP1-1.9 SSP4-3.4 SSP5-8.5	Upstream supply chain	The upstream supply chain mainly refers to the supplier of electricity, i.e., Taiwan Power Company. The scenarios of SSP1-1.9, SSP4-3.4, and SSP5-8.5 of AR6 are used to assess physical risks. The above scenarios are used to assess the average flooding probability of power plants, and the power plants are significantly affected are Tatan Power Plant and Nanbu Power Plant. The estimated flooding probability of Tatan Power Plant is about 2.96% to 24.51%. The estimated flooding probability of Nanbu Power Plant is about 2.23% to 5.23%.	As there is currently no evidence to show the impact of flooding hazards on electricity users, the preliminary assessment of the financial impact of power plant flooding hazards on CDF is relatively small, and therefore it not included here.	In order to prevent the instability of power and energy supply caused by physical risks, an emergency power supply system and energy storage equipment will be installed to ensure stable operation of CDF. In addition, CDF plans to increase the percentage of direct purchases or self-production of green electricity to reduce the dependence on Taiwan Power Company. Evaluation period: 20 years

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

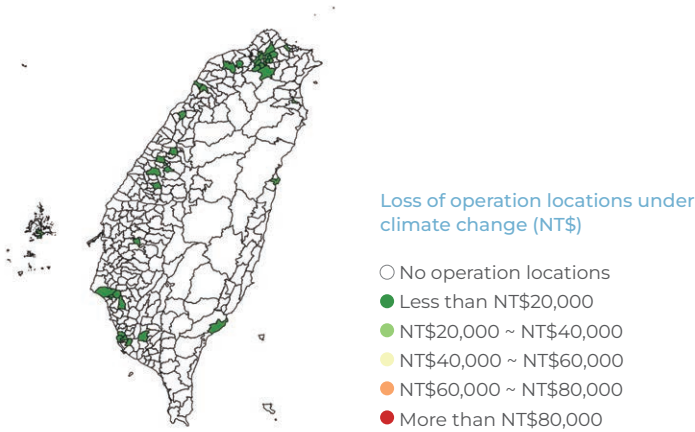
Co-Creation of Sustainable Society

Appendix

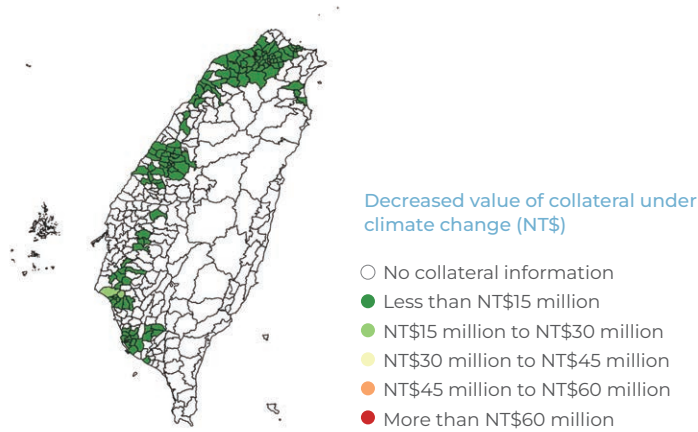
Quantitative Results of Scenario Analysis - Physical Risks

Scenarios	Physical Risks	Result of identification	Financial impact	Adaptation strategy
SSP1-1.9 SSP4-3.4 SSP5-8.5	Operation locations	The flooding probability of all operation locations of the subsidiaries are assessed based on the drainage standards of different administrative regions in Taiwan and the rainfall amount under climate change in different areas. Also, estimated damage value of each operation location is assessed according to the flood potential map and the disaster losses provided by the Water Resources Agency.	A total of nine operation locations will be affected by flooding. Under the SSP4-3.4 2030s scenario, the estimated operation loss is NT\$63,000, which should not affect the business of related operation locations.	1. The “Directions for Emergency Response and Countermeasures” and “Instructions on Prevention and Relief of Natural Disasters” have been formulated to improve response capabilities, reduce physical risks resulted from disasters, and maintain normal operations. 2. Improve efficiency of digital services, focus on the deployment of digital channels, and increase the volume of online transactions to reduce the impact of natural disasters on physical branch offices. 3. Continue to improve flood modeling by incorporating various factors to optimize the assessment of flooding probability. 4. Include the future establishment and relocation of operation locations in nationwide flood modeling and make proper plans in response.
SSP1-1.9 SSP4-3.4 SSP5-8.5	Downstream customers (mainly in aspects of loans and mortgages)	Loans and mortgages are granted based on the impacts of flooding on house prices over the past years. CDF calculates the future flooding probability of the areas, 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.	1. The loss ratio of collateral provided for KGI Bank in each area (under the SSP434-2030 Risk Neutral scenario) is much lower than the buffer ratio (100% minus average loan to value ratio). 2. The average loss ratio of collateral is about 0.21%, far lower than the overall mortgage buffer ratio (50%). In each area, the smallest gap between the buffer ratio (52.5%) and the loss ratio (42.9%) is 9.6%.	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. 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. 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.

1. Operation Locations



Operation Locations SSP4-3.4 2030s and Risk Neutral(After Adaptation)



Collateral Risks SSP4-3.4 2030s and Risk Neutral

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

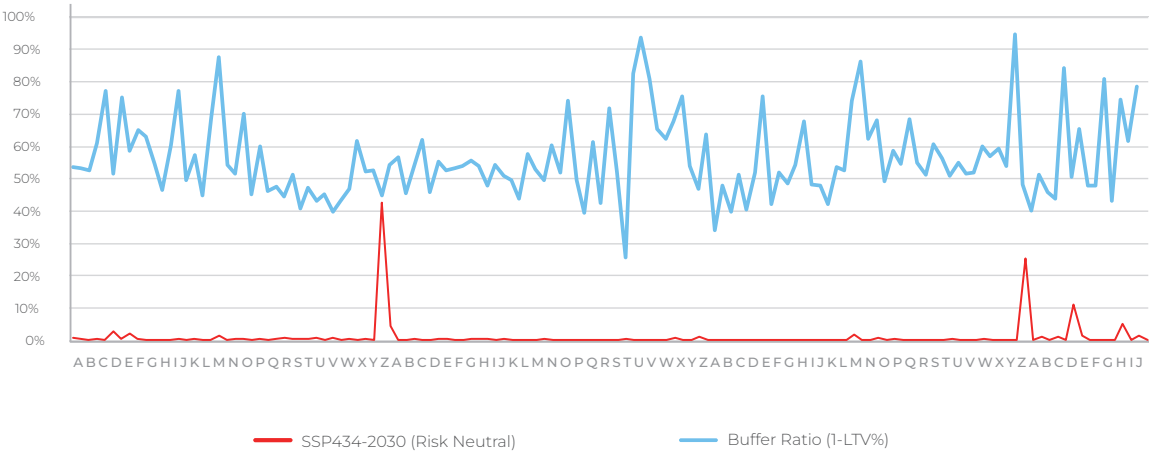
Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2. Loans and mortgages

According to the further assessment of the lending risk of this physical risk, under the SSP434-2030 Risk Neutral scenario, for each area, 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 evaluations of the future collateral value and loan ratio of real estate are considered safe, as shown in the figure 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.

Quantitative Results of Scenario Analysis - Transition Risks				
Scenarios	Transition risk	Result of identification	Financial impact	Adaptation strategy
Orderly transition, disorderly transition	Upstream supply chain	Possible impacts in the context of low-carbon transformation. 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. CDF converts electricity consumption into carbon emissions and multiplies it with the carbon price expected by Taiwan's policy to assess the financial impact.	We used the Network for Greening the Financial System to estimate the change in carbon price in Taiwan through the "Comprehensive Evaluation Model" and using the "orderly transformation" scenario to estimate the carbon cost is NT\$ 10,083/ton (US\$347.7/ton). The electricity consumption of CDF this year is 40,469.71 kilowatt-hours, which is converted into carbon emissions of 20,553.04 metric tons. Therefore, the carbon cost that may be incurred in the future is about NT\$207,236,000.	In the long run, CDF should regarded the power strategy as an important part of corporate social responsibility, actively reduce carbon emissions, increase the proportion of green energy applications, and improve the power utilization efficiency and energy strategy for its own operations. CDF increases the proportion of renewable energy through three strategies, including purchasing green power certificates year by year, self-purchasing renewable energy power, and installing solar energy installations by itself, so as to increase the proportion of renewable energy use and cope with the impact of power transformation.
NGFS Orderly, NGFS Disorderly	Self-operation	The implied carbon cost is assessed based on the operational carbon emissions. The scope includes: Scope 1 and Scope 2 emissions from operations and Scope 3 emissions from commuting.	Scope 1 and Scope 2 emissions from operations totaled 22,029.35 metric tons, with the implied carbon cost of NT\$127,909 thousand; Scope 3 emissions from commuting reached 146.37 metric tons per year. The total carbon cost was NT\$223,598 thousand.	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.
GFS Orderly, NGFS Disorderly	Downstream customers	For the top 20 domestic and foreign investment and financing targets, CDF evaluates the revenue loss caused by the carbon price target in the disordered and orderly scenarios in 2030, and further calculates the PD(Probability of Default) change and the expected loss change value.	The carbon price data is taken from the NGFS public database, and the integrated analysis models (IAMs) are used to generate the prices of the two scenarios, and calculate the expected loss change value of the top 20 investment and financing targets of CDF by domestic and foreign countries, and the expectation of orderly transition. The change in loss was NT\$558,667 thousand, and the expected loss change in disorderly transformation was NT\$690,115 thousand.	In order to reduce the impact of investment and financing targets of high carbon emission industries on CDF, CDF will further use negative screening as a strategy to identify targets that have no transformation plan, and is expected to reduce assets in untransformed high carbon emission industries by 25% in 2025, and further reduce untransformed high-carbon investment/financing by 50% in 2030.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

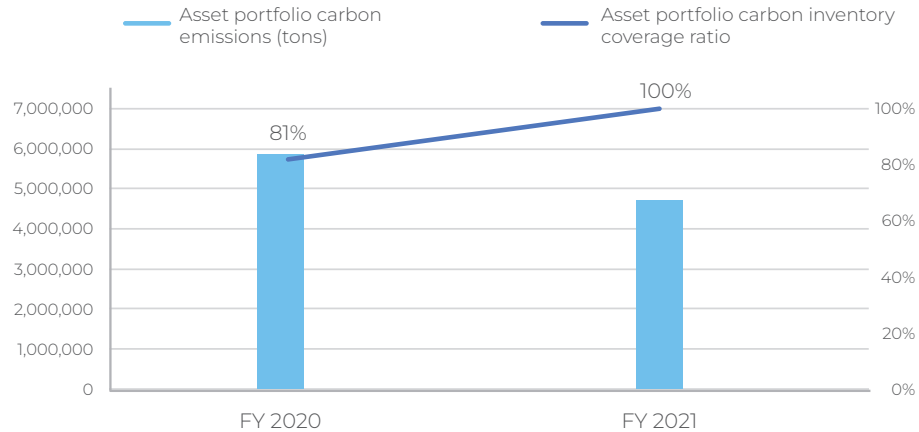
Low-Carbon Economy

Co-Creation of Sustainable Society

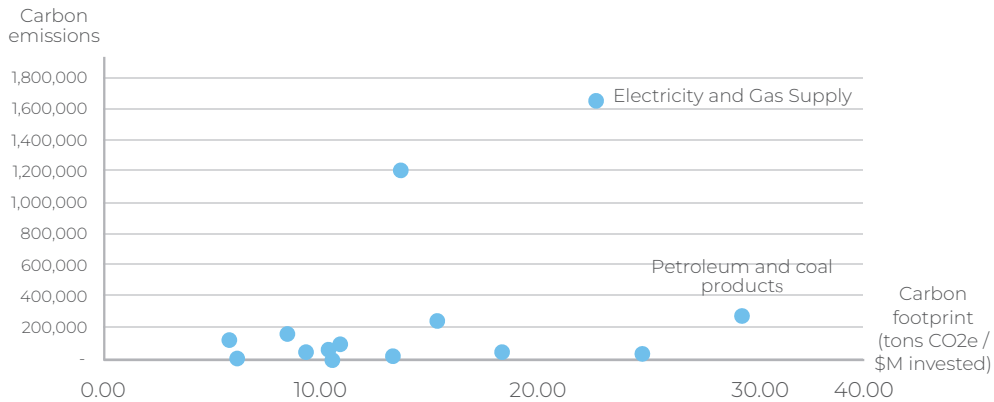
Appendix

Carbon Emissions of investment and financing exposure

CDF's carbon inventory rate of the bonds, stocks and corporate lending has been increased to 100%. The total investment and financing carbon emissions are 4,670,481 metric tons, and the investment and financing carbon footprint is 2.52 metric tons per million. The carbon emissions of the top 15 industries with the largest carbon footprint accounted for about 84.43% of the investment and financing portfolio, and the balance of investment and financing accounted for 13.66% of the portfolio. This part falls into the scope of priority negotiation and adjustment.



Carbon emissions and coverage ratio of investment and financing portfolio



Distribution of the top 15 carbon footprint industries

Climate Stress Testing

- Under the Orderly and Disorderly scenarios in 2030, the Group's top 20 domestic and foreign debt instruments (bonds and loans) are assessed to forecast the loss arising from changes in default rates in the face of physical and transition risks.
- The total assessment amount is about NT\$565 billion, accounting for 35.46% of corporate debt instruments. Under the Disorderly scenario, the estimated loss rate is 0.11%, with an estimated loss of NT\$594 million. Under the Orderly scenario, the estimated loss rate is 0.12%, with an estimated loss of NT\$691 million.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Management
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

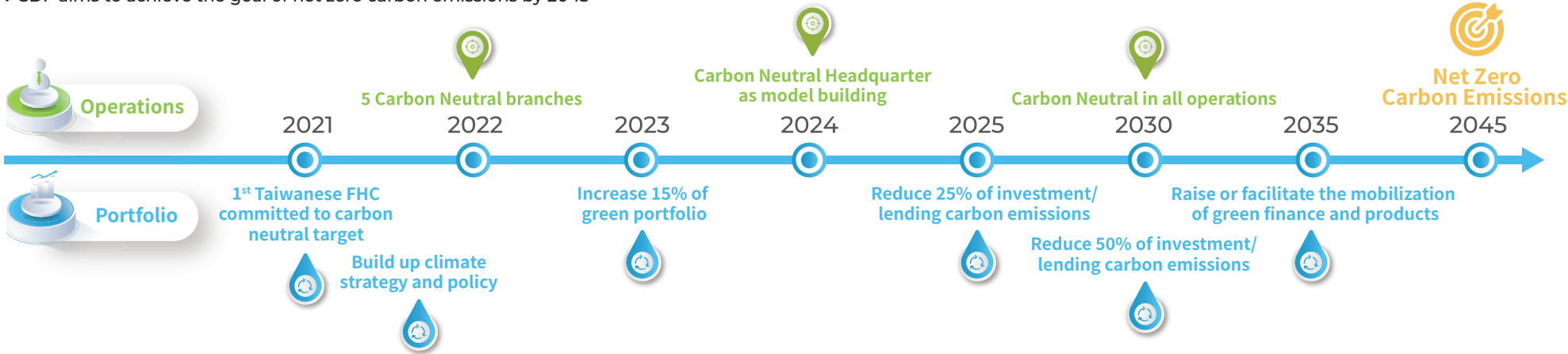
Co-Creation of Sustainable Society

Appendix

Climate Metrics and Targets

CDF has been a long-term supporter of the government's greenhouse gas reduction policy, with the ultimate goal of achieving zero emissions. CDF has proactively introduced the ISO 14001 environmental management system and the ISO 50001 energy management system at its head office and operating branches nationwide, along with a comprehensive GHG inventory check to effectively control emissions and thus construct an action plan for GHG reduction. To align with Paris Agreement, CDF set 2045 as Net Zero transition target year. Besides 2045 as long-term target year, CDF also set 2025 as short term target year to reduce 25% carbon emissions for investment/financing portfolios by 2025 and net zero transition target will be included in the internal KPIs assessment. The target setting approach for CDF 2045 net zero target is in line with the target setting principles proposed in the UNEP FI Guidelines for Climate Target Setting for Banks as well as in line with the Net-Zero Asset Owner Alliance Target Setting Protocol for the investment portfolio target, which recommends the principle of "at least 16%-29% emission reduction between 2020 and 2025". The 25% carbon emissions reduction by 2025 is with 2020 as the base year, which is reduce at least 5% carbon emissions for portfolios per year. In SBT Absolute Contraction approach, for the 1.5°C scenario, there should be a linear reduction of at least 4.2% per year should be achieved, so the target set by CDF already meets this carbon reduction standard. In the future, CDF will apply SBT Target Setting Approach for investment/financing portfolios including Sectoral Decarbonization Approach, SBT Portfolio Coverage Targets and Portfolio Temperature Rating Targets. CDF will set investment and financing carbon emission targets by different asset class and sector/industry, which is in line with SBT target setting methodology.

◆ CDF aims to achieve the goal of net zero carbon emissions by 2045



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

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

Target:

- Achieve net-zero emissions for own operations by 2030 (with 2020 as the base year).
- Continue to save energy and reduce carbon, and increase the proportion of green electricity to achieve carbon reduction equivalent to five carbon neutral branches by 2022.

2. Investment and Financing Portfolio Emissions: 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 extension 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:

- Achieve net-zero emissions for total portfolio by 2045 (with 2020 as the base year).
- Reduce high-carbon emission investment and financing portfolios to achieve the goal of carbon emissions reduction by 25% by 2025 and reduction by 50% by 2030
- Continue to increase green investment and financing, targeting at annual growth of 5%

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.4 Information Security

CDF have formulated the “[Information Security Management Policy](#)” / “Information Security Policy” to maintain information security, strengthen the security management of information assets, and ensured confidentiality, integrity and availability of all information assets, so as to maintain the information security of the enterprise. These policies, applicable to all information operations, information assets, and information users, including permanent employees, temporary employees, visitors, and vendors, having business dealings with the Company, stipulate that all of the aforesaid users should maintain, retain, use, and manage the Company's information assets in line with policies in relation to information security.

2.4.1 Information Security Management

The Board of Directors (BOD) is the highest governance body of the information governance. In order to disclose and review the information security risk management status and the implementation status of the “[Information Security Management Policy](#)”, the Information Security Dept. conducts the “Annual Information Security Risk Report” under the Risk Management Committee of the BOD every year, and submits the “Information Security Planning and Implementation Report” to the BOD. The main information security governance members, including Chairman, independent directors and the Chief Information Security Officer, all have a background in information security governance.

2.4.2 Information Security Management Organization

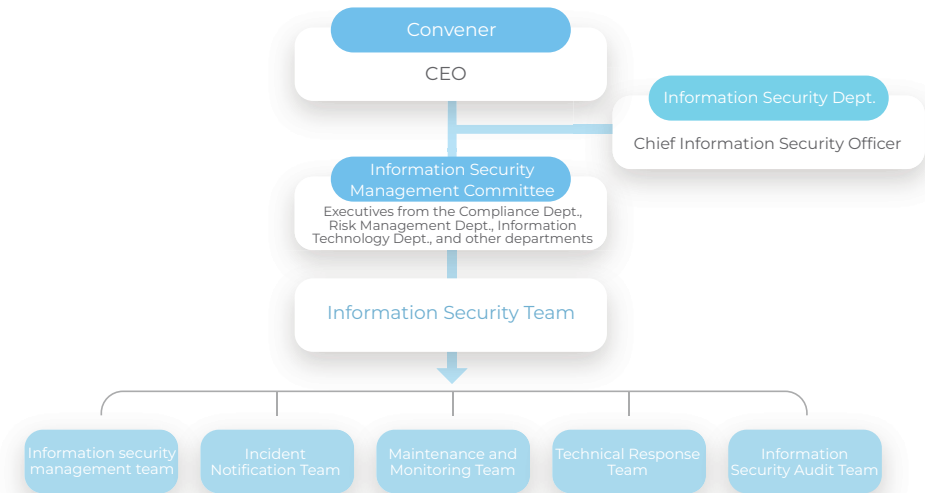
CDF has followed the Plan-Do-Check-Act (PDCA) cycle according to ISO 27001 standards to establish the information security management systems. We have set up the “Information Security Management Committee”, responsible for the resolution and management review of matters related to the information security management system, supervise the establishment of an information security management mechanism by the Company, and review the strategic planning, control measures and implementation of related issues. The members consist of the CEO, Chief Information Security Officer and executives from the Compliance Dept., Risk Management Dept., Information Technology 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 improvements.

KGIB, KGIS, and CL have also declared the management's determination to support information security, the head of the information security will submit the annual implementation status of information security to the Chief Auditor, CEO and Chairman to review and sign the information security statement. The Company encourages subsidiaries to regularly report the annual information security risk status to the Risk Management Committee, and report the overall implementation of information security to the BOD. This may enhance the BODs' supervision to corporate governance, protect the rights and interests of customers, and declare the management's determination to support information security. Additionally, KGIB, KGIS, and CL have all established independent information security units to be responsible for information security governance, as well as planning and implementing information security policies.

Members with Background in Information Security Governance

Title	Name	Qualifications
CDFH Chairman	Chairman Chia-Juch Chang	Previously served as the Minister of Economic Affairs of Taiwan and promoted CNS 27001 Information Security Management System during his tenure.
CDFH Independent Director	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 also served as member of Risk Management Committee of CDFH.
CDFH Chief Information Security Officer	Executive Vice President Richard Richard Sun	Executive Vice President Sun has a master's degree in industrial engineering from Stanford University, was the head of the information technology department at CL. He has more than 25 years of work experience in IT planning, installation and implementation / information security / cybersecurity management.

◆ Information Security Management Organization Chart



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

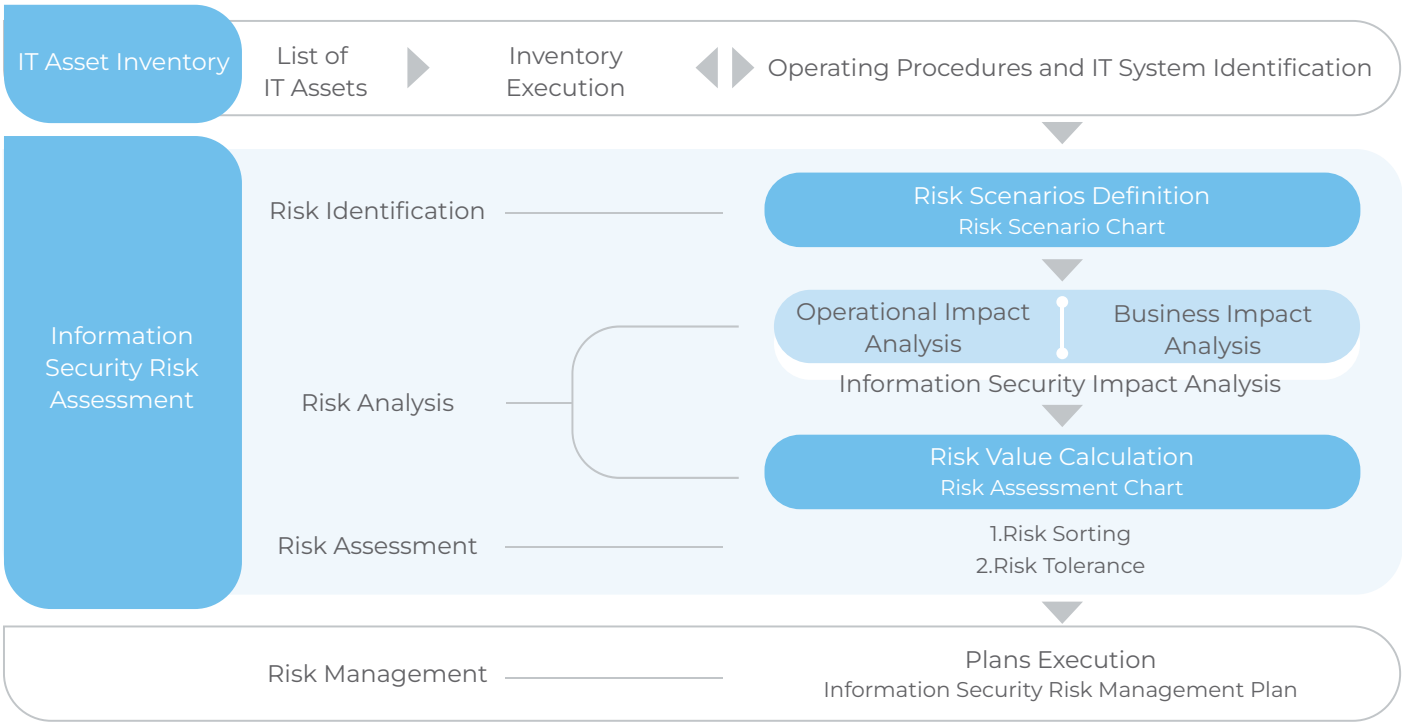
2.4.3 Sound Information Security Management

According to the “Key Points for Operational Continuity Management and Major Disaster Response Operation”, the Company has formulated the information operation continuity management regulations, including the Business Continuity Plan (BCP) and the testing and rehearsal frequencies. According to the 2021 annual plan, CDFH completed one off-site backup drill for the BCP, and KGIB, KGIS, and CL completed at least two off-site backup or information security response drills for the operational continuity plan respectively.

The Company plans to commission external professional information security manufacturers to annually simulate hackers and conduct penetration tests on the weaknesses of external service systems, in order to discover logic problems on the application and system vulnerabilities at an early stage and repair them in a timely manner. Through the personnel training of hacker attack and defense drills, and the red and blue army attack defense drills that actually simulate hacker attacks, the information security emergency response capabilities are strengthened and the losses caused by hacker attacks are reduced.

In order to reduce the financial loss and impact on goodwill from information security incidents, CL has purchased Cyber Insurance every year since 2018, and other subsidiaries are being evaluated successively. The Company has obtained the ISO 27001 Information Security Management System Certification, and KGIS and CL have also obtained BS 10012 Ppersonal Information Management certification.

◆ Information Risk Inventory and Evaluation Methodology



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.4.4 Comprehensive Assessment and Verification

- 1. We follows the laws and regularly conducts computer information system security inspections every year. The inspection results are disclosed in the overall information security implementation report, and are submitted to the Board of Directors for verification.
- 2. Self-promoting assessments: The Company has used a third-party testing platform to conduct security testing of the Company's external information services and has improved its standards year after year. All the monthly statistical scores in 2021 was higher than 90 points, which is among the best in the industry. The "Information Security System and Protection Maturity Assessment" will be conducted every three years from 2019. An external maturity analysis model will be introduced to conduct information security assessment, so as to identify information security risks and weaknesses early on, and incorporate improvement measures into planning and management to ensure continuous optimization in all aspects, which is also an act that is ahead of the industry.
- 3. Self-inspection: In addition to performing regular self-inspection on internal control, regulatory compliance self-assessment, and inspection of information security operations, the ISO 27001 information security self-inspection is also implemented according to schedule. The deficiencies are listed and tracked, and the improvement progress is reviewed monthly.

2.4.5 Information Security Culture

For information security precautionary measures, the Company publishes information security publicity announcements every month, which are delivered to all employees by email and e-newsletter. Besides, e-mail social engineering drills are carried out from time to time to test employees' information security awareness, and it is also included as part of the department's annual assessment.

In addition to the professional identification and judgment of information security professionals, the employees' awareness on information security is the key to reporting information security incidents. In addition to publishing the "Key Points to Information Security Incident Management" planning notification and contingency procedures, the "Information Security Incident Notification and Response Operation Instructions" also clearly states the operating procedures. In the planning of emergency response and post-event recovery operations, the Company has established a business continuity group in place to prevent information security incidents, strengthen information security, and take contingency measures in case of threats.

The Company attaches great importance to the implementation of information security culture. In addition to conducting information security training in accordance with regulations, at least 3 hours of information security awareness training is conducted for employees every year. The personnel from the information security unit shall have at least 15 hours training every year. In addition, the Company conducts social engineering drills on a regular basis to enhance employees' information security awareness and ensure the operation of information systems and information security.

General Personnel Training			
	Attendants	Attendants Completed 3 hours Training	Total (Hours)
CDFH	342	Completed	3,780
KGIB	2,560	Completed	7,680
KGIS	3,386	Completed	10,158
CL	2,509	Completed	7,527

Information Security Personnel Professional Training			
	Attendants	Attendants Completed 15 hours Training	Average (Hours)
CDFH	7	Completed	49.28
KGIB	12	Completed	76.74
KGIS	4	Completed	56
CL	12	Completed	46.14

Email Social Engineering Drills Results					
	Attendants	Test Emails per Drill	Total Test Emails	Number of Failures	Ratio of Failures (%)
CDFH	607	3	1,821	5	0.27
KGIB	25,279	3	75,837	362	0.48
KGIS	10,958	4	43,832	836	1.91
CL	2,587	>=7.78	20,132	415	2.06

To ensure that every employee is aware of the importance of information security / cybersecurity, CDF link information security management to employee performance evaluation. Employees not meeting information security indicators will affect their annual performance scores, such as failing the e-mail social engineering drills, not completing the information security training, the overall failure rate for planning social engineering is less than 5%, and 100% of the employees who violated the regulations were educated and trained.

The Company attaches great importance to information security culture, which is shown in various competitions. In 2021, CDF won the first "Digital Service Financial Award", KGIS received the "Commercial Times Digital Financial Service Award – Gold Award in Digital Information Security", and CL received the "Outstanding Award in Digital Information Security", and KGIB received the 4th "Information Security Attack and Defense Competition - Third Place".

According to the regulations in CDFH's "Information Security Incident Notification and Response Operation Instructions", there were no incidents of viruses or hacking the computer systems that seriously damaged the rights and interests of customers or affected normal operations. The statistics of relevant information security incidents are as follows: 0 security breach, 0 security breach involving customers' personally identifiable information, 0 customer was affected by data breach or any fines, 0 fines were levied or penalties related to information security breaches or other cybersecurity events.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.5 Ethical Corporate Management

Business integrity is one of the most important aspects of deepening sustainable management. Only by carrying out corporate governance with "Integrity" can an enterprise continue to operate. Through the establishment of management standards related to business integrity, the core values of Counter-Terrorism Financing, anti-corruption and bribery, and antiCompetitive are introduced into the soul of the enterprise. A good business operation model and risk control mechanism work together to create a sustainable business environment.

2.5.1 Ethical Corporate Management Committee

The "Ethical Corporate Management Committee" under the BOD is in charge of formulating and supervising the execution of ethical corporate management policies and prevention programs. Ethical management is executed from the top to bottom. On April 16, 2021, the Company held the fourth meeting of the first session of the Ethical Corporate Management Committee, and passed and confirmed the 2020 annual ethical management committee executive report.

Regulation

In order to establish a corporate culture of ethical management and improve corporate development, the Company has established the "[Code of Conduct for Employees](#)," at the CEO level and the "[Ethical Corporate Management Best Practice Principles](#)", "[Code of Ethical Conduct](#)," "[Regulations Governing the Handling of Whistleblowing Cases on Illegal, Unethical, or Dishonest Conduct](#)" at the board level, "[Anti-Money Laundering, Anti-Corruption and Anti-Bribery, and Antitrust and Anti-Competitive Practice Statements](#)", all of which are published on the Company's website. There is also a "Code of Conduct for Subsidiaries' Insiders" for the subsidiaries. In addition to declaring the Company's position of ethical corporate management, we also expressly prohibits dishonest behavior, and requires that the employees shall not directly or indirectly provide, accept, promise or demand any illegitimate benefits, or engage in other acts that violate good faith, illegality or fiduciary obligations in the process of engaging in business activities. They should conduct business activities in a fair and transparent manner and promote the implementation of corporate social responsibility.

Ethical Corporate Management Risk Assessment

In the Q1 of 2022, the Company conducted a risk assessment of unethnical conduct. The assessment items include: Giving or receiving bribes, making illegal political contributions, improper charitable donations or sponsorships, offering or accepting unreasonable gifts/hospitality or other improper benefits, infringement of trade secrets/trademarks/patents/copyrights and other intellectual property rights, disclosure or inquiry of the Company's information to engage in insider transactions, damages the rights and interests of stakeholders, and engages in unfair competition. The risk of unethnical conduct of the Company is low after evaluation.

In addition, the first-tier subsidiaries such as KGIS, KGIB, CL, CDIB, and AMC have also completed the "2021 Ethical Corporate Management Risk Assessment" by March 2022.

2.5.2 Management Mechanism

Ethical Corporate Management Policy Statement

In order to implement ethicalmanagement from top to bottom and declare CDF's determination to establish ethical management and sustainable development, CDF's directors and senior managers have signed the "Ethical Corporate Management Policy Statement". In addition, all employees also signed 100% commitment in 2021 to abide by the relevant provisions of the Company's ethical corporate management policies.

Regularly Report the Implementation of Ethical Corporate Management

To fully implement ethical corporate management, the executives report to the Sustainability Committee and BOD every year regarding the implementation status and the implementation results should cover the implementation and publicity of relevant regulations. Moreover, the auditors regularly check the status of compliance and report to the BOD on the main deficiencies and suggestions for improvement.

Incorporate ESG as Part of Annual Performance Review

To emphasize how CDF values ethical corporate management, CDF lists the implementation status of "Risk Management, Compliance, Information Security and ESG" as one of the annual performance performance review items for the CEO and senior executives, and stipulated that the proportion should be at least 25%. It is also required to be included in the annual performance review items for general employees. From top to bottom, everyone implements ethical corporate management and sustainable management.

Conflict of Interest Avoidance

The Company attaches great importance to the conflict of interests avoidance and adds the control of benefits in internal control; for example, in the proposal of the BOD, there is a check field for interest avoidance, which requires directors or executives to disclose whether there is a conflict of interest in the case. In addition, the Company also consider great importance to the management of the stakeholders' information. If there is any change, the Compliance Department will update it in the stakeholder system immediately, and conduct a census of stakeholder information every six months. The census in the first half of 2022 will be completed in March 2022.

In addition, according to the relevant regulations such as the "Ethical Corporate Management Best Practice Principles", the Company's external donations or sponsorships shall comply with relevant laws and internal operating procedures, and shall not seek commercial interests or trading advantages. For social investments such as charitable donations and educational assistance, please refer to "Chapter 6 Co-creation of Sustainable Society". In 2021, the Company has no financial contribution to make donations to political parties, think tanks, political advocacy organizations or advocacy activities.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Management
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

External Promotional Mechanisms

CDF requires all suppliers to sign the “[Letter of Undertaking regarding Supplier Corporate Social Responsibility](#)” follow the principle of ethical corporate management, conduct transactions in an open and transparent manner, avoid involving in dishonest transactions, and implement the ethical corporate management policies.

Contracts signed with business partners, including: suppliers, real estate projects, sales, lease contracts, etc., are also included in the terms of ethical, in order to implement ethical corporate management from a 360-degree direction.

In addition, CDF organizes annual supplier education and training activities to promote the balance and sustainable development of economy, society and environment. The supplier education training and promotion was completed in March 2021, and at the same time we promoted the importance of anti-corruption.

2.5.3 Ethical Corporate Management Training

The Company continues to promote ethical corporate management education and training. All new recruits should complete ethical corporate management training within 3 months after starting on the job. Through internal system tracking, it is ensured that all employees complete the recurrent training every year. In 2021, 100% of the Company's directors and regular employees were trained in ethical corporate management.

The legal regulations training for sales personnel by subsidiaries are as follows:

2021 Legal Promotion Training

Course	Hours
Internal Training: Training for new recruits on banking regulations, information security regulations, Personal Data Protection Act, foreign exchange regulations, financial technology regulations, anti-money laundering regulations, etc.	1-5
External Training: Derivative financial product business regulations and money laundering prevention regulations	1-6
Principle for Financial Service Industries to Treat Clients Fairly	3
Introduction of procedures on new and existing customers	1

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

To strengthen AML and CFT, CDF established the “[Anti-Money Laundering and Countering Terrorism Financing Policy](#)” and establish a group-wide plan for prevention. The policy 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 AML and CFT 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.

In order to monitor the risks related to money laundering and terrorism financing, each subsidiary is controlled according to the status of suspected money laundering or terrorism financing transactions announced by the respective associations. The object's property or interests in property and its location shall be reported to the Investigation Bureau of the Ministry of Justice in accordance with regulations, and each subsidiary shall report the status of the AML and anti-terrorism financing business on a monthly basis.

Information Sharing Platform

In order to prevent money laundering and combat financing of terrorism, the Company launched a group information sharing platform in June 2018, including: List of high-risk customers, information about international organizations, competent authorities, suspicious transactions, etc. From May 2021, the frequency of compilation of public opinion watch lists will be increased to once every two months.

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

The Company holds relevant training courses so that employees can continue to improve their vigilance, and adapt to the changing environment.

2021 Money Laundering Prevention Related Courses

Course	Hours
Series of Publicity Series on Preventing Money Laundering and Combating Terrorism Financing (1, 2, 3)	9.5
Internal and external training on AML	1-2.5
Domestic and foreign laws and regulations related to preventing money laundering and combating terrorism	3
E-Course on the National Risk Assessment Report Identifying Pre-Criminal Threats Tax Crime Cases	2.5
E-Course on the Development and Prospect of Post-APG Era	2.5
E-Course on the Application of Fintech in Money Laundering Prevention	2.5
A new chapter in virtual currency and money laundering prevention	3
Qualification training and re-training for AML and counter-terrorism personnel	12, 24
2021 Digital Course on AML and CFT	1
2021 Annual Training on AML and CFT -1	2
2021 Annual Training on AML and CFT -2	2
2021 Regular Training on AML and CFT	7
The changing trend of international AML/CFT regulatory environment	2
AML and anti-terrorist in-service courses	6
Identification of Substantial Beneficiaries and Risk Identification and Practice of Suspected Money Laundering, Terrorism Funding or Financial Aid Transactions	3

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Management
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.5.5 Compliance

Framework

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 KGIB, CL, and KGIS have also established legal compliance departments and assigned supervisors to implement legal compliance affairs. The other subsidiaries have assigned supervisors and established legal compliance departments based on different factors.

A Paperless Legal Compliance System

The Company attaches great importance to the paperless environment, and hopes to protect the global environment and achieve the goal of sustainable operation by reducing paper consumption. Therefore, since the CEO Stefano Paolo Bertamini took office in September 2020, he has thoroughly implemented the paperless policy. The Company has adopted the electronic information system replacing the traditional paper documents for the addition (amendment) of internal regulations, signing or reviewing of simplified forms, the Board's proposals or committee proposals, issuance of external letters, and self-assessment of legal compliance, in hopes to contribute to sustainable development.

360 Degree Communication and Inspection

Ethical corporate management involves a variety of aspects, including insider transactions, transactions with stakeholders, business secrets, improper interests, money laundering prevention and unfair competition, etc. For specific integrity management operations and plans for preventing dishonest behavior, the compliance department assists each department in formulating relevant internal regulations, including but not limited to "Stakeholder Transaction Operation Guidelines", "[Anti-Money Laundering and Countering Terrorism Financing Policy](#)", "[Code of Conduct for Employees](#)", "Code of Conduct for Subsidiaries' Insiders", "[Regulations Governing the Handling of Whistleblowing Cases on Illegal and Unethical or Dishonest Conduct](#)", etc. At the same time, a number of related educational trainings were also held.

2021 Ethical Corporate Management Training

Course	Hours
Regulations and case studies on anti-corruption and ethical corporate management	Legal training materials
Legal Education and Training Course for Practitioners (Recurrent Training)	1
Legal Education in 2021	2
General Law Studies in 2021	0.5

In order to check whether the ethical corporate management is implemented, the Compliance Department includes the above-mentioned internal regulations involving integrity management into the items of the compliance self-assessment when it implements the compliance self-assessment twice a year. All departments are required to earnestly implement self-assessment, and review the implementation status of ethical corporate management management by the means of self-examination. In addition, the Legal Department conducts random checks every year on whether employees have violated insider trading. As a result of the random check in 2021, no violations were found.

The Compliance Department keeps abreast of changes in laws and regulations, and informs relevant units as soon as possible and assists them in revising their internal control systems to comply with legal requirements. The head of legal compliance of the Company and each subsidiary regularly participates in monthly legal compliance meetings every month to discuss issues related to ethical corporate management or other important issues for the purpose of communicating and supervising subsidiaries. In addition, the Company collects important legal issues and, communicate with senior executives and relevant departments monthly.

If a peer in the industry is punished by the FSC, the Compliance Department will immediately notify the relevant supervisors and subsidiaries of various industries in both Chinese and English, and ask the relevant units or subsidiaries to check for any violations, and make adjustments and corrections immediately.

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 "[Regulations Governing the Handling of Whistleblowing Cases on Illegal and Unethical or Dishonest Conduct](#)", 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.

Although the Company had no reported cases in 2021, we received a letter from a shareholder in March. The content of the letter is to alert the Company to pay attention to a certain KY company that is invested by the Company, which may have financial problems. The Company's fund management team has re-examined the allegations and obtained the alleged company's legal opinion, and the alleged company's management has confirmed that the allegations have no real proof. In addition, this case has been investigated by the Company's Ethical Corporate Management Committee and an independent auditor, and no misconduct has been found. The relevant allegations have been filed with the Stock Exchange and the Investigation Bureau.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Management
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Subsidiaries Whistleblower System

	KGIS	CL	KGIB
Internal Regulation	"Regulations Governing the Handling of Whistleblowing Cases on Illegal, Unethical, or Dishonest Conduct" (hereinafter referred to as the: "KGIS Whistleblowing Standards")	"Regulations Governing the Handling of Whistleblowing Cases on Illegal, Unethical, or Dishonest Conduct" (hereinafter referred to as the "CL Whistleblowing Standards")	"Regulations Governing the Handling of Whistleblowing Cases on Illegal, Unethical, or Dishonest Conduct" (hereinafter referred to as the "KGIB Whistleblowing Standards")
Processing Unit	KGIS Compliance Dept.	CL Compliance Dept.	KGIB' s Compliance Dept.
Investigating Unit	According to Article 6 of the "KGIS Whistleblowing Standards" : 1. If the counterpart is an employee below the Vice President (excluding) of the company, the head of the Compliance Dept. should immediately report to the CEO, and the CEO will direct and organize an investigation team. 2. If the counterpart is a director of KGIS or an executive whose responsibilities are equivalent to the Vice President or above, the head of the Compliance Dept. should report to the convener of the Audit Committee, who will direct the formation of an investigation team. 3. If the counterpart is an independent director, the head of the Compliance Dept. should immediately report to the Chairman, and the Chairman will direct and organize an investigation team.	If there are other applicable procedural regulations, it may be transferred to the competent authority to continue the investigation and other procedures according to the regulations, and the remaining cases will be investigated by the Compliance Dept.	According to Article 6 of the "KGIB Whistleblowing Standards" : 1. If the counterpart is an employee below the Vice President (excluding) of the company, the head of the Compliance Dept. should immediately report to the President, and an investigation team (hereinafter referred to as the investigation unit) shall be formed by the President or a unit designated by the President. 2. If the counterpart is a director of KGIB or an executive whose responsibilities are equivalent to the Vice President or above, the head of the Compliance Dept. should report to the convener of the Audit Committee, who will convene an investigation unit. 3. If the counterpart is an independent director, the head of the Compliance Department from KGIB should immediately report to the President, and the President will designate an investigation unit.
Whistleblower Channel	1. PO Box: 10499 PO Box No. 223, Bei An Post Office, Taipei City 2. Hotline: +886-7702-0906 3. Fax: 02-7702-0907 4. Email: whistleblower.kgisec@kgi.com 5. The above-mentioned channel are all announced on KGIS' website: https:// www.kgi.com.tw/zh-tw/code-of-conduct 6. In addition, the relevant instructions and channels of the whistleblowing system are provided in the Compliance Dept. of the Company's intranet.	CL has four whistleblowing channels to report, including in person, written reports, email, (whistleblower@chinalife.com.tw) and telephone (+886-8712-5192).	KGIB reporting channels and methods are fully disclosed on KGIB' s website. 1. Written Letter: Mail it to the head of the Compliance Department of the Bank's head office, and mark the envelope as "Confidential" 2. Email: whistleblower@kgi.com
Whistleblower Channel Promotion	1. Promoted and explained to all the employees during the annual "Legal Education and Training Course for Practitioners" . 2. Every newly recruited sales personnel is explained during the Evergreen Project Training.	Reporting channels and methods are fully disclosed on the company website. (https:// www.chinalife.com.tw/wps/portal/chinalife/ESG/Resources/CorporatePoliciesAndRegulations/ResponsibleInvestmentPolicies#EthicalCorporateManagement), and regularly promote within the employees During the annual ethical corporate management training.	KGIB whistleblowing channel are announced on the official website, please see https://www.kgibank.com.tw/zh-tw/about-us/corporate-governance
Incentives	According to Article 8 of the "KGIS Whistleblower Standards" , if the reported case is verified to be true and the circumstances are serious, in addition to handling the case according to laws or relevant regulations, we may also provide appropriate rewards to the whistleblower.	According to Article 11, Paragraph 1 of the "CL Whistleblowing Standards" , if the reported case has been verified to be true and the circumstances are serious, we may provide the whistleblower with appropriate rewards.	In accordance with Article 11, Paragraph 2 of the "KGIB Whistleblower Standards" , if a case is verified, appropriate measures shall be taken against the accused person, relevant units or personnel who may be held accountable. Relevant units will review the KGIB' s internal regulations and operating procedures and other improvement plans. If the circumstances are serious, appropriate rewards may be provided to the whistleblower.
Reported Cases	None.	None	None

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

2.1 Operating Overview
2.2 Governance Framework
2.3 Sustainability Risk Management
2.4 Information Security
2.5 Ethical Corporate Management
2.6 Tax Governance

Intelligent Finance

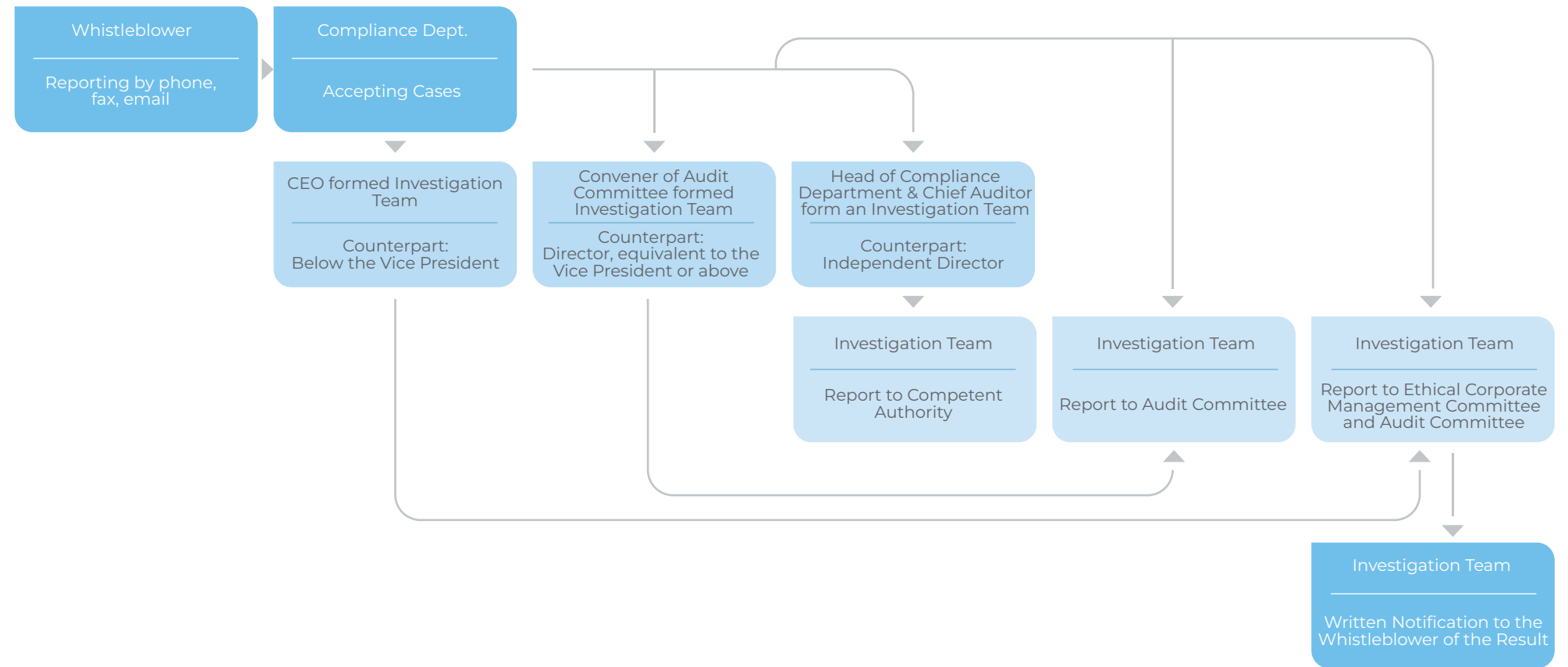
Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆ Flowchart of Handling Reported Cases



In 2021, there were no cases reported to the Company under the “Regulations Governing the Handling of Whistleblowing Cases on Illegal, Unethical, or Dishonest Conduct”.

2.5.6 Disclosure of Illegal Incidents

For employees of the Company who violate the “[Ethical Corporate Management Best Practice Principles](#)”, “[Code of Ethical Conduct](#)”, or “[Code of Conduct for Employees](#)”, 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 2021, the Company has no major violations of laws and regulations such as (1) environmental protection regulations (2) regulations related to information and labelling of products and services (3) regulations related to marketing communication.

In 2021, the Company did not have any violation of the prohibition on insider trading, antitrust or anti-competitive practices. There were no cases of violating the ethical corporate management cases of business operations and being punished by the competent authorities, and there were no incidents of violating the code of conduct (such as privacy, corruption, discrimination, etc.).

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

2.6 Tax Governance

Tax Governance Mechanism

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, CDF formulated the "Tax Governance Policy". The BOD is the highest decision-making unit of the tax governance mechanism to approve the overall tax governance policy to ensure the effectiveness of the group's tax governance operation. CDF's tax governance practice in 2020 was reported to the BOD for review and approval in 2021.

CDF should comply with the tax governance policies as below:



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.




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

Comply with all relevant regulations, such as financial reporting guidelines and annual report disclosure of tax information, to increase tax transparency.



Strengthen Tax Expertise

Strengthen expertise of tax employees via internal and external training, as well as continuous updates to changes in tax laws and regulations.



Manage Tax Risks

In advance of conducting the business, tax evaluation and assessment should be performed with consideration of Company's reputation, risk management, and sustainable operation. To control tax risk effectively, external expert opinion will be sought as required.



Comply with Arm's Length Principles

Comply with transfer pricing requirements and arm's length principles in tax law for related party transactions.

Income Tax Information in 2020 and 2021

Unit: NT\$ million

	2020	2021
Net Profit before Income Tax	21,948	52,200
Income Tax Expense	1,272	5,100
Income Tax Paid	1,992	5,240

Effective Tax Rate

	2020	2021	Average	Average after Adjustment	Peer Average
Effective tax rate (%)	5.80	9.77	8.59	21.04	19.50
Cash tax rate (%)	9.08	10.04	9.75	21.78	24.66

Note:
1. Effective tax rate = Income tax expense/Net profit before income tax.
2. Cash tax rate = Income tax paid/Net profit before income tax.
3. The average effective tax rate and cash tax rate in the industry are cited from the 24 industry groups of the Global Industry Classification Standard(GICS) published in the 2021 Sustainability Assessment Companion, a publication of RobecoSAM

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

- 2.1 Operating Overview
- 2.2 Governance Framework
- 2.3 Sustainability Risk Management
- 2.4 Information Security
- 2.5 Ethical Corporate Mangement
- 2.6 Tax Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Analysis of Tax Rate Differences in 2020 and 2021

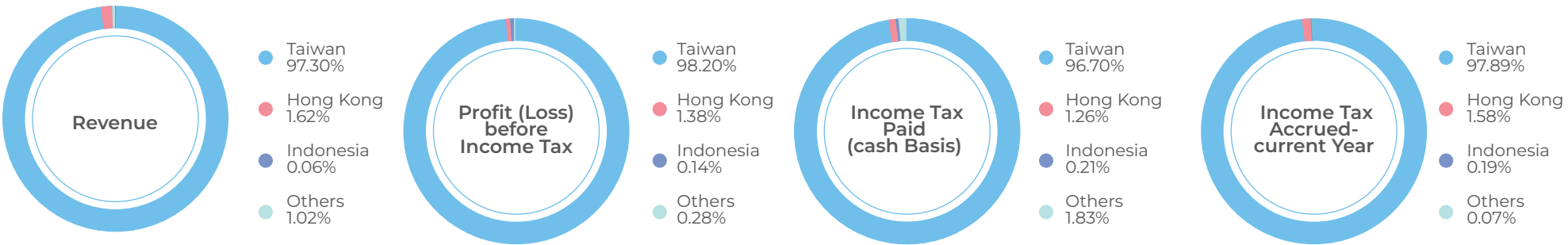
CDF is subject to lower effective tax rates and cash tax rates compared to the insurance industry averages under the GICS for the following reasons:

- 1. A difference in effective tax rates is because that the primary region of CDF's operations is in 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

In response to the international requirements, adoption of a three-tiered transfer pricing documentation framework, which consists of "Master File", "Local File", and "Country-by-Country (CbC) Reporting" are needed. In 2021, CDF followed the regulations of the countries where the subsidiaries are located and Taiwan to prepare the 2020 Master File and Local File, and complete the CbC Reporting for Taiwan, South Korea and Indonesia to enhance the transparency of the taxation information of the Group, and use it as a reference for the self-examination of the related party transaction transfer pricing to implement and strengthen the compliance of global transfer pricing.

◆ CDF's Revenue and Tax Information in 2021



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix



03 Intelligent Finance

3.1 Responsible Investment	59	3.3 Principles of Responsible Banking	75
3.2 Sustainable Insurance	70	3.4 Customer Experience	79

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.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Strategy, Targets and Progress

strategy	Action Plan >>	Performance 2021 >>	Short-term goal 2022 >>	Mid-term goal 2023 to 2024 >>	Long-term goal 2024 to 2026 >>
Develop sustainable theme investments	<ul style="list-style-type: none">Promoting green industry investments	<ul style="list-style-type: none">Nearly 80% of the investment in principal investments is invested in green energy technologies and circular economy of 5+2 industrial transformation planChina Life invested in green bonds issued by TSMC and Ørsted to support the development of clean energy in Taiwan, with an investment amount of NT\$2.3 billion.China Life invested NT\$12.8 billion in foreign green bonds and Peruvian sustainable bonds	<ul style="list-style-type: none">Establishing climate response strategies and decarbonization strategy	<ul style="list-style-type: none">Establishing green industry investment guidelinesIncrease green industry investment portfolios by 15%	<ul style="list-style-type: none">Selected key investment targets and communicated climate issues with the invested companiesReduced carbon emissions from investment and financing portfolios by 25%
Startup investments	<ul style="list-style-type: none">Support smart technologies or environmental innovation industriesResponding to the problem of an aging populationSupport culture and innovation industry developmentsSupport innovative industries	<ul style="list-style-type: none">Asset management operations<ul style="list-style-type: none">the Advantage Fund raised NT\$4.54 billionRaised two biomedical funds in Taiwan with a total amount of NT\$4.86 billion, and raised biomedical funds totaling RMB420 million in ChinaThe scale of the cultural and innovation fund is NT\$1.5 billionCDIB Capital Innovation Fund raised NT\$1.29 billion	<ul style="list-style-type: none">Continue to develop smart technologies, environmental protection innovations, potential healthcare, cultural innovations, and investments in startups	<ul style="list-style-type: none">Continue to develop smart technologies, environmental protection innovations, potential healthcare, cultural innovations, and investments in startups	<ul style="list-style-type: none">Continue to develop smart technologies, environmental protection innovations, potential healthcare, cultural innovations, and investments in startups
	<ul style="list-style-type: none">Support the growth of new startups in Taiwan	<ul style="list-style-type: none">CDIB Capital Innovation Accelerator (CCIA) held a total of 122 online and offline seminars on innovation and entrepreneurship, with a total of 2,149 participants	<ul style="list-style-type: none">Support startups in business expansions through the innovation fund and invest in new startups with potential.Over 80 events are expected to be held.Gather fund shareholders and corporate partners to provide partnerships opportunities for startups and large corporations.	<ul style="list-style-type: none">Support startups in business expansions through the innovation fund and invest in new startups with potential.80 to 100 events are expected to be held.Provide partnerships opportunities for startups and large corporations.The events aimed to help investors go beyond Taiwan and enter international markets (such as Japan, Southeast Asia, etc.), in order to establish a new ecological network.	<ul style="list-style-type: none">Continue to support startups in business expansions through the innovation fund and invest in new startups with potential.80 to 100 events are expected to be held.Provide partnerships opportunities for startups and large corporations.Expand the deployment of overseas funds and businesses

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

strategy	Action Plan >>	Performance 2021 >>	Short-term goal 2022 >>	Mid-term goal 2023 to 2024 >>	Long-term goal 2024 to 2026 >>
Incorporate ESG factors into investment decision-making and the evaluation process	<ul style="list-style-type: none"> Implement responsible investment and green finance, and incorporate ESG into investment decisions 	<ul style="list-style-type: none"> China Life's 100% of relevant investment decision research reports have included ESG assessments. China Life organized 2 internal ESG investment education and training events. China Life's 81% of startup funds have signed PRI. China Life participated in the shareholders' meetings of listed investee companies, with a participation rate of more than 100%. China Life participated in 35 ESG investment related forums. KGI Securities participated in 7 domestic ESG-related underwriting or guidance cases, with a total of NT\$14.5 billion issued. KGI Securities organized 41 equity capital raising cases, raising around NT\$35 billion. These included 15 environmental protection and green energy cases, accounting for about 36.5% of the number of cases organized in the year. The environmental protection and green energy funds raised more than NT\$18.0 billion, accounting for about 52% of the funds raised in the current year. Included Taiwan Corporate Governance 100 Index constituent stocks in the domestic stock and asset pool Factor pool entry assessment procedure incorporates ESG scores. According to the target of factor model entry, factor models are reviewed quarterly, and due diligence scores provided by professional institutions are included to evaluate the business operations of investee companies that violate ESG or those with unfavorable sustainable operation risks. We use the ESG database to regularly review the disputed event scores and ESG issues of Taiwanese stocks. When the disputed event scores of Taiwanese stocks decrease or are lower than a certain standard, the related matters shall be tracked and monitored. 	<ul style="list-style-type: none"> Deepen sustainable investment management, regularly carry out carbon inventory of investment portfolios and formulate carbon reduction targets, and deepen discussions with investment targets Establish an ESG watch list for investee companies that involve environmental pollution, social disputes and corporate governance concerns, etc., and evaluate the relevant risks before investing in the targets on the watch list 	<ul style="list-style-type: none"> Optimize sustainable investment management, improve investment efficiency, and gradually implement the goal of zero carbon emissions in the investment portfolio by 2045 	<ul style="list-style-type: none"> Optimize sustainable investment management, improve investment efficiency, and gradually implement the goal of zero carbon emissions in the investment portfolio by 2045
	<ul style="list-style-type: none"> Issue ESG Products-KGI Sustainability Series Funds 	<ul style="list-style-type: none"> The Global ESG Sustainable High Yield Bond Fund and the Emerging Asia Sustainable Preferred Bond Fund were established in August and September 2020 respectively. As of the end of 2021, the AUMs of the two funds were NT\$2,169 million and NT\$637 million respectively. In May 2021, the first two ETFs in Taiwan using the Bloomberg MSCI ESG Bond Index were established In September 2021, an emerging market ESG sustainable theme bond fund will be established. By the end of 2021, the fund AUM will reach NT\$4,138 million 	<ul style="list-style-type: none"> Continuous issuance of sustainability series funds Strengthen the promotion of ESG and sustainable development related products to investors 	<ul style="list-style-type: none"> Refer to the ESG investment process of overseas investment advisors, such as the KGI Global ESG Sustainable High Yield Bond Fund, which excludes issuers that do not meet specific sustainable management indicators from investment targets to optimize the company's ESG investment process 	<ul style="list-style-type: none"> Evaluate and adopt ESG databases in a timely manner, and continuously optimize relevant mechanisms
	<ul style="list-style-type: none"> Exercising influence over investee companies by participating in shareholders' meetings and negotiating with investee companies 	<ul style="list-style-type: none"> In 2021, KGI Securities will communicate with the management of the investee companies through conference calls and face-to-face meetings (3,240 times), participation in legal seminars (592 times), or sending staff to participate in regular shareholders' meetings or major extraordinary shareholders' meetings (924 times), etc. In order to further understand and communicate the risks and strategies faced by management to the industry. KGI SITE's participation in the shareholders' meetings of listed investee companies reached 100%. KGI SITE proactively visited investee companies a total of 391 times in 2021 	<ul style="list-style-type: none"> Actively participate in Shareholders' Meetings and issue in-principle disapproval of proposals that impact the portfolio companies' sustainable development or corporate governance or violate ESG standards. Managers who hold investment positions on the ESG watch list should negotiate with the company on relevant disputes and track the follow-up irregularly 	<ul style="list-style-type: none"> Continuous issuance of sustainability series funds Strengthen the promotion of ESG and sustainable development related products to investors 	<ul style="list-style-type: none"> Continuous issuance of sustainability series funds Strengthen the promotion of ESG and sustainable development related products to investors
			<ul style="list-style-type: none"> Participate in ESG related initiatives and organizations when appropriate 	<ul style="list-style-type: none"> Participate in ESG related initiatives and organizations when appropriate 	<ul style="list-style-type: none"> Participate in ESG related initiatives and organizations when appropriate

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

strategy	Action Plan >>	Performance 2021 >>	Short-term goal 2022 >>	Mid-term goal 2023 to 2024 >>	Long-term goal 2024 to 2026 >>
Sustainable Insurance	<ul style="list-style-type: none">◆ Implement the principle of sustainable insurance and deeply root the concepts of corporate sustainability	<ul style="list-style-type: none">◆ China Life has strengthened climate risk governance, established a TCFD (climate-related financial disclosure) evaluation and disclosure mechanism, and obtained the highest third-party certification of Level-5. The first TCFD report was published in early 2022◆ China Life launched and completed ISO14097 certification, the first company in the world, confirming that China Life has taken climate action and responded to green finance with investment behavior to promote carbon reduction◆ China Life launched the CDP (Carbon Disclosure Questionnaire) project, and responded to the question for the first time, responding to the international trend of attaching importance to carbon emission issues, and obtained the B management level as a result of the evaluation◆ China Life's Sustainability Report won the Platinum Award of TCSA Taiwan Sustainability Award, which is the highest level of recognition. Our overall sustainability performance won the TCSA Taiwan Sustainability Award TOP50 Sustainability Award, and was selected into the FTSE Emerging Markets Sustainability Index and Taiwan Sustainability Index.	<ul style="list-style-type: none">◆ China Life strengthens the sustainable governance structure and information disclosure, and deepens the sustainable education and training of the Board of Directors and all employees	<ul style="list-style-type: none">◆ China Life follows the international sustainable development trend and continues to improve the sustainable operation of the life insurance industry	<ul style="list-style-type: none">◆ China Life follows the international sustainable development trend and continues to improve the sustainable operation of the life insurance industry
Responsible Banking	<ul style="list-style-type: none">◆ Through the encouragement of green energy upgrades and fund raising assistance to the green energy industry, the compound annual growth rate of the overall green credit amount is expected to reach 5% in the next two years.	<ul style="list-style-type: none">◆ KGI Bank's 2021 green energy technology industry credit balance was NT\$20,579 million.◆ On May 18, 2021, KGI Bank issued Social Bond totaling NT\$700 million. All the funds raised were used for the five types of social welfare plans to promote sustainable social development through our core competencies.	<ul style="list-style-type: none">◆ Inventory of ESG risks in credit facilities, deepen the introduction of the spirit of the Equator Principles, evaluate the establishment of exclusion industries , and strengthen negotiation with customers.	<ul style="list-style-type: none">◆ Complete the ESG exposure risk assessment for credit facilities and establish exclusion industry categories◆ Establish an ESG review project for industries with high ESG risks, and evaluate and promote communication with customers on related issues through ESG commitments and other means	<ul style="list-style-type: none">◆ In 2025, use the methodology and database of the Partnership for Carbon Accounting Financials (PCAF) to disclose the carbon emissions of investment and financing.◆ Evaluate climate statements/targets and related industry guidelines for integrated investment and financing◆ Continue to deepen ESG review of credit cases◆ Focus on strengthening communication with high climate risk customers

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

3.1 Responsible Investment
3.2 Sustainable Insurance
3.3 Principles of Responsible Banking
3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

strategy	Action Plan >>	Performance 2021 >>	Short-term goal 2022 >>	Mid-term goal 2023 to 2024 >>	Long-term goal 2024 to 2026 >>
Customer Service	<ul style="list-style-type: none"> Expand the influence of the bank's digital community 	<ul style="list-style-type: none"> KGI Bank will have 110,000 Facebook followers in 2021, up 6% from the previous year KGI Bank official Instagram account was officially opened 	<ul style="list-style-type: none"> Integrate various social media and operate according to the characteristics of different ethnic groups and needs. 	<ul style="list-style-type: none"> Lower the psychological threshold of financial services through professional and interesting content Show more personalized styles and extend the management of age groups Plan personalized service and customized promotions. 	<ul style="list-style-type: none"> Build a consistent brand image and increase opportunities for reach and interactions. Customer requirements will be prioritized to develop loyalty and become the first choice for customers.
	<ul style="list-style-type: none"> Expand the influence of the securities digital community 	<ul style="list-style-type: none"> The number of LINE friends reached 240,000 by the end of 2020 	<ul style="list-style-type: none"> The number of LINE friends reaches 450,000 	<ul style="list-style-type: none"> Continue to expand the number of friends to more than 600,000 	<ul style="list-style-type: none"> Guide customers to place orders through the LINE link to trade Taiwan stocks, fixed quotas, funds and other commodities
	<ul style="list-style-type: none"> Securities customer call satisfaction results 	<ul style="list-style-type: none"> The problem solving rate during the first call is above 95% The average wait time is less than 60 seconds 	<ul style="list-style-type: none"> Introduce the Net Promoter Score (NPS) mechanism, manage, track and improve according to customer feedback, fully understand customer needs and optimize customer experience. CTI system upgrade to improve service efficiency. 	<ul style="list-style-type: none"> Provide a high-quality and efficient in-line experience The problem solving rate during the first call is above 95% The average wait time is less than 60 seconds 	<ul style="list-style-type: none"> The problem solving rate during the first call is above 95% The average wait time is less than 60 seconds
	<ul style="list-style-type: none"> Improve life insurance policyholder satisfaction 	<ul style="list-style-type: none"> China Life conducted 4 education and training on fair hospitality and 1 employee participation activity. China Life has introduced a Net Promoter Score (NPS) mechanism in new contracts and claims services, and managed, tracked and improved based on the results to optimize customer experience. China Life helps claims adjusters to accurately identify high-risk cases through the claims and fraud prevention model. Compared with the model-free assistance model, the accuracy has increased by 15.5%, and the customer claims experience has been improved. 	<ul style="list-style-type: none"> China Life continues to introduce different key touch points, strengthen the customer opinion tracking mechanism, and optimize the customer experience and NPS investigation mechanism. China Life develops digital financial innovation, and promotes the digital health ecosystem by combining with institutions from different industries. 	<ul style="list-style-type: none"> Based on the core concept of "customer-centricity", China Life improves customer experience, implements a service culture, and continuously promotes fair customer service, making China Life the most trusted and recommended life insurance company in Taiwan. Through the operation of a mature ecosystem, China Life has linked up with partners from different industries to benefit disadvantaged groups, and established a sustainable, inclusive and co-prosperity ecosystem. 	<ul style="list-style-type: none"> Based on the core concept of "customer-centricity", China Life improves customer experience, implements a service culture, and continuously promotes fair customer service, making China Life the most trusted and recommended life insurance company in Taiwan. Through the operation of a mature ecosystem, China Life has linked up with partners from different industries to benefit disadvantaged groups, and established a sustainable, inclusive and co-prosperity ecosystem.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

strategy	Action Plan >>	Performance 2021 >>	Short-term goal 2022 >>	Mid-term goal 2023 to 2024 >>	Long-term goal 2024 to 2026 >>
Financial Inclusion	<ul style="list-style-type: none">Promoting new ventures and digital platform players to cooperate to enhance customer financial experience solutions	<ul style="list-style-type: none">KGI Bank's Ruten auction seller's big data loan won the 2021 "Bronze Award for Best Product Innovation" in the Digital Age and the "Digital Inclusion Award" in the Industrial and Commercial Times Digital Finance Award, for sure .The courier paid back the money quickly, and the online sellers used big data to apply for loans. The courier successfully applied for 496 applications, and the online sellers successfully applied for 181 transactions.Donation platform: We cooperated with 30 charitable organizations to use the "KGI inside" API to handle nearly 140,000 donations, with an amount of more than NT\$176 million. The handling fee cost was greatly reduced by 78%, effectively helping social welfare organizations to manage and control administrative expenses, and allocate more resources for care of beneficiary groups.	<ul style="list-style-type: none">Online sellers (Ruten/JKo/Shopee) guide customers in different fields, provide online loan services, and connect field revenue with API to recognize revenue and improve customer experience.In 2022, the target number of applications for quick repayment of funds was 18,515, of which 7,803 were successfully applied for.	<ul style="list-style-type: none">Copy the successful experience of cross-industry cooperation and expand the application of inclusive finance scenarios	<ul style="list-style-type: none">Continue to improve customer financial experience through cooperation with new industries or alliances with different industries
	<ul style="list-style-type: none">Continue to promote micro-insurance, small end-of-life insurance policy, online annuity insurance, and develop inclusive financial insurance products	<ul style="list-style-type: none">The number of insured persons for micro-insurance services of China Life in the whole year was 60,783.For small-sum end-of-life insurance policies of China Life, the cumulative total insured policies reached 31,114.The number of insured persons with disabilities of China Life accumulated to 16,315 throughout the year.	<ul style="list-style-type: none">China Life will continue to promote inclusive financial products (micro-insurance, small-sum end-of-life insurance policy) and protect people with disabilities, and build a more complete safety net with love and care.	<ul style="list-style-type: none">For social disadvantaged groups and specific groups, China Life will promote group insurance and accidental injury products, and provide micro accident insurance for individuals, groups and groups to meet the diverse basic protection needs of customers and fulfill social responsibilities .The subject matter of China Life's new investment commodity discretionary account includes ESG investment strategy components .	<ul style="list-style-type: none">For social disadvantaged groups and specific groups, China Life will promote group insurance and accidental injury products, and provide micro accident insurance for individuals, groups and groups to meet the diverse basic protection needs of customers and fulfill social responsibilities .The subject matter of China Life's new investment commodity discretionary account includes ESG investment strategy components .
Digital Finance	<ul style="list-style-type: none">Using innovative identity verification and cross-industry information to improve customer online application threshold	<ul style="list-style-type: none">Guided by customer needs, China Lifethe company has launched 10 precision marketing lists, and the repurchase rate of up to 30% of the customers recommended by the appointment list can be reached.Optimize the online account opening journey, launch a three-in-one account opening and separate account, and use the account opening person to take a photo with his ID card for identification.Establish a two-factor authentication mechanism, implement information security, and provide a more secure login authentication mechanism, requiring customers to use high-quality passwords and control to ensure user transaction security	<ul style="list-style-type: none">Guided by customer needs, China Life launched precise marketing lists to continuously improve repurchase opportunitiesBuild a new platform for wealth management (such as: U.S. and Hong Kong stocks, regular quota area), reduce investment difficulties and thresholds, deepen the management of new-generation customer groups, and expand the scale of customer groups for entrusted business.	<ul style="list-style-type: none">Guided by customer needs, China Life launched a precise marketing list to continuously improve repurchase opportunities.Optimize customer transaction journey experience and service satisfaction, and provide online zero-contact wealth management experience	<ul style="list-style-type: none">Guided by customer needs, China Life launched a precise marketing list to continuously improve repurchase opportunities.Intelligent customer service fully covers digital touch points and provides artificial human services

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

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 "Sustainable Development Goals" (SDGs) of the United Nations, CDF's subsidiaries, China Life, CDIB Capital, KGI Bank and KGI Securities, have stipulated their "Responsible Investment Policy", and incorporated ESG as an important consideration in investment evaluation and management.

China Life Responsible Investment Policy

CDIB Capital Responsible Investment Policy

UN PRI Principles		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 ESG 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 ESG reports the implementation of responsible investment.	

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

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 Intergration 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.	●		●		

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Decarbonization Strategy

In 2021, CDF was the first financial holding company in Taiwan to make a formal commitment to reach net zero carbon emissions for its entire asset portfolio by 2045 and proposed a low-carbon transition roadmap. In terms of carbon emissions target for investment/financing, our target is with 2020 as the base year to reduce 25% carbon emissions by 2025 and reduce 50% carbon emissions by 2030 to achieve net zero carbon emissions for its entire asset portfolio by 2045. In April 2022, CDF has joined the Science Based Target initiative (SBTi) in order to reach carbon reduction targets through using scientific tools and methods. CDF and all subsidiaries will continue to work towards the carbon reduction targets at various stages and also plans to gradually decrease and eventually phase out in the investment and financing in the thermal coal mining and unconventional oil and gas industries. CDF announced [Sustainable Finance Commitment](#) in 2022.

As to thermal coal related industries and unconventional oil and gas related industries, we are committed to withdrawing from businesses involving related industries by 2040, including infrastructure and project financing, credit lines and loans, fixed income commodity underwriting business, and all active, passive, and third-party managed investments activities. Our phased commitments are:

- By 2025, cease direct project investment and financing of not only thermal coal as well as unconventional oil/gas projects (including new projects or expansion of existing projects) but also projects from companies which are still expanding related businesses (Note 1).
- By 2030, phase out most (Note 2) of our direct investment and financing from companies in the thermal coal and unconventional oil and gas industries in industrialized countries in the European Union and OECD Member States.
- By 2040, phase out globally from the investment and financing support (Note 3) of thermal coal related, unconventional oil and gas related industries.

Note 1: The percentage of revenue from relevant businesses is expected to continue to grow.
Note 2: A business deriving more than 30% of their revenue or generated power from thermal coal and unconventional oil and gas related industries, without putting forth a low-carbon transition project in alignment with the targets under the Paris Agreement.
Note 3: A business deriving more than 5% of their revenue or generated power from thermal coal and unconventional oil and gas related industries, without putting forth a low-carbon transition project in alignment with the targets under the Paris Agreement.

CDF's all subsidiaries have also established short-term carbon reduction targets and decarbonization timeline and continuous increase in the percentage of green investment. CDF has completed the 2021 carbon inventory of 100% investment and financing positions of equity, debts, and corporate loans (Please refer to the right table for the Statistics of Scope 3 Financed Absolute Emissions and Scope 3 Financed Emissions Intensity). For high-carbon business clients, CDF's subsidiaries will proactively engage them for a low-carbon transition strategy via investment and financing plans. The subsidiary CDIB Capital Group took the lead by committing to exclude coal-fired and coal mining businesses from its own capital investment positions by the end of 2022. In February 2022, KGI Bank joined the Partnership for Carbon Accounting Financials (PCAF) and is actively introducing international finance carbon emission management standards. China Life Insurance has incorporated TCFD framework to manage climate-related risks and took action to implement carbon reduction for its investment portfolios. It has also become the first company in the world to be certified with the "ISO 14097".

Assets managed by third parties: responsible investment approach

CDF and its subsidiaries 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.

Scope 3 Financed Absolute Emissions		
	FY 2020	FY 2021
Total scope 3 financed absolute emissions (Metric tonnes CO2e)	5,759,217	4,670,481
Portfolio Coverage	81%	100%
Portfolio Type	On-Balance Sheet assets/products	

*Financed Absolute Emissions = Equity Percentage (Calculated based on Current Value of Equity) x (Scope 1 + Scope 2 Carbon Emissions)
**Asset classes include Equity, Bonds and Corporate Finance (including project finance), but exclude retail business.

Scope 3 Financed Emission Intensity		
	FY 2020	FY 2021
Total scope 3 emission intensity (Metric Tonnes CO2e)	3.56	2.52
Total scope 3 financed_ Metric Type	Carbon Footprint	
Portfolio Coverage	81%	100%
Portfolio Type	On-Balance Sheet assets/products	

*Carbon Footprint: Absolute Carbon Emissions per Million Dollars Invested. Unit: Metric tonnes CO2e/\$M invested
**Asset classes include Equity, Bonds and Corporate Finance (including project finance), but exclude retail business.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

3.1.2 Investment Composition and Risk Analysis

China Life Insurance, CDIB Capital, KGI Bank, KGI Securities and KGI Investment Trust, subsidiaries of CDF, exert the influence of their responsible investment, in addition to complying with various financial supervision agencies and regulations in Taiwan. The companies also strengthen environmental, social and corporate governance (ESG) factors to facilitate the responsible investment management processes to mitigate risks in their portfolios. The following is a description of the laws and regulations stipulated by the regulatory authorities for the subsidiaries of CDF, including the Insurance Act, the Banking Act, the Regulations Governing Securities Firms, and the relevant administrative orders of the Financial Supervisory Commission, so as to manage the exposure of investment portfolios:

Subsidiary	Type	Corresponding relevant laws and regulations	
China Life Insurance	SASB FN IN 410a.2	Please refer to China Life Insurance: 2021 Sustainability Report/Chapter 3 Sustainable Finance_ Responsible Investment	
KGI Bank	Investing in stocks traded in the centralized trading market and the store market , new equity certificates, private equity, private corporate bonds, fund benefit certificates, warrant certificates and subscription (sell) warrants	The total balance of the original acquisition cost shall not exceed 30% of the bank's accounting base Among them, the total balance of various original acquisition costs invested in storefront market transactions shall not exceed 5% of the bank's accounting base.	Article 74-1 of the Banking Act
	Invest in bond securities with a long-term credit rating below BBB- (or twBBB-)	shall not exceed 10% of the bank's accounting base	
	Invest in bonds and stocks of various types of securities	The total balance, excluding public bonds, treasury bills, central bank negotiable time deposit certificates and central bank savings certificates issued by Taiwan shall not exceed 25% of the total balance of deposits received by the bank and the sale of financial bonds.	
KGI Securities	The total amount of shares held in any domestic company	must not exceed 10% of the total issued shares of the company	Article 19 of the Rules for the Administration of Securities Dealers
	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 in 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	shall not exceed 20% of the net worth of the securities firm, but the total cost of equity securities shall not exceed 10% of the net worth of the securities firm.	FSC Certificate No. 10703249552
	The total amount of foreign securities positions held is added to the balance of foreign bond repurchase transactions and deducted from the balance of foreign bond repurchase transactions	The total shall not exceed 30% of the net value	
	Holding foreign-related bonds and structured bonds with fixed-income commodity-linked derivative financial products	Except for the securities issued overseas by domestic enterprises with the consent of the Association, if the credit rating of the securities does not meet the BBB- level (or twBBB-) and reaches a certain level or above, the total amount shall not exceed 10% of the net value.	

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Subsidiary	Type	Corresponding relevant laws and regulations	
KGI SITE	The investment target of the multinational investment trust fund	Credit investment enterprises should conduct investment analysis, decision, implementation and review in accordance with the prescribed risk management measures, including paying attention to the governance of the investment target issuer, fulfilling environmental protection, corporate integrity and social responsibility, and taking into account the political and economic risks of the investment region.	CTBC Gu-Zi No. 1100052667
CDIB Capital Group	Shareholding ratio of any business other than finance-related business	Unless certain circumstances are met, the total shareholding ratio of CDF, CDIB Capital and its subsidiaries in industries other than finance-related industries shall not exceed 15% of the total issued voting shares of the enterprise.	Paragraph 5, Article 37 of the Financial Holding Company Act (note: CDIB Capital is currently a venture capital company, and the regulations above are the common regulations for the CDF Group)

Considering the balance of asset and liability allocation and stable long-term capital return, the Group mainly invests in bonds with market liquidity, and bond investment accounts for 82.39% of the total investment exposure.

Unit: NT\$ million

	Stock	Bonds	Derivative financial products	Real estate collateral for loans
Short-term investments	8,091	24,018	-	0
Long-term investments	320,353	1,825,190	6,296	60,571
Total	328,444	1,825,208	6,296	60,571

Industry division

According to the latest North American industry standard NAICS classification, the Group's top ten investment risk insurance accounts for approximately 89.48% of the overall investment portfolio, most of which are government agencies and relatively stable industries .

Unit: NT\$ million

Industry type		Stock	Bonds
Top 10 industries by investment amount	Short-term investments	6,100	16,033
	Long-term investments	190,529	1,569,474
	Total	196,629	1,585,507

排序	NAICS	Names of the top ten industries	Balance	Ratio
1	522 (Credit Intermediation and Related Activities)	Banking industry	867,848	43.59%
2	921 (Executive, Legislative, and Other General Government Support)	Government	341,367	17.15%
3	334 (Computer and Electronic Product Manufacturing)	Technology industry	133,990	6.73%
4	517 (Telecommunications)	Telecommunications industry	102,649	5.16%
5	523 (Securities, Commodity Contracts, and Other Financial Investments and Related Activities)	Securities and financial investment industry	90,593	4.55%
6	221 (Utilities)	Energy industry	70,182	3.52%
7	521 (Monetary Authorities-Central Bank)	Central bank	63,941	3.21%
8	221 (Utilities)	Utilities	42,977	2.16%
9	311 (Food Manufacturing)	Food production industry	35,661	1.79%
10	333 (Machinery Manufacturing)	Machinery manufacturing industry	32,927	1.65%

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

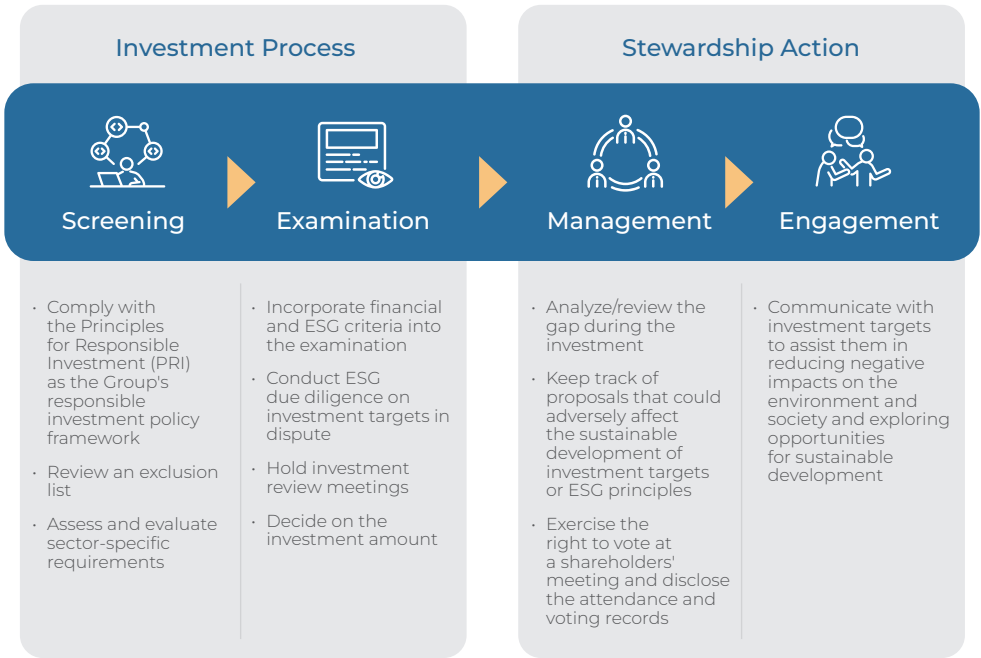
Co-Creation of Sustainable Society

Appendix

3.1.3 Review Process

Incorporate ESG criteria into investment analysis and decision-making processes

The Group shall take sustainability into consideration and execute stewardship, when sourcing, evaluating and underwriting deals, and implementing portfolio management, to create value and facilitate sound development of the Group and the portfolio companies.



ESG Assessment Process

Investment teams shall screen potential investment targets according to ESG when developing new investment sources, conducting ESG due diligence on those with an environmental, social or governance dispute. If the investment target is involved in industries and sectors related to pornography, drugs, money laundering, terrorism financing, servitude, child labor or violation of human rights, the investment will not be carried out.

◆ ESG rating quality of portfolio investment positions

Investment scope

The investment of the Group is mainly on the targets with publicly traded information and liquidity, most of which are bonds and listed OTC stocks for medium and long-term investment purposes. The definition of ESG rating adopted by the Company and the overall results are as follows:

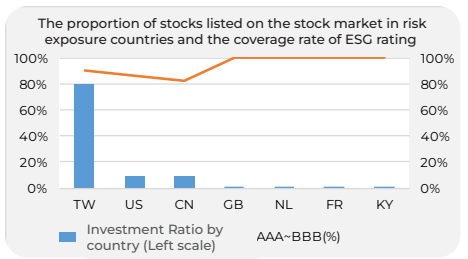
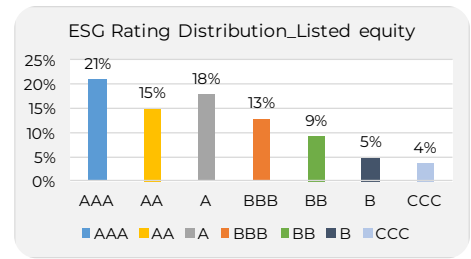
ESG Rating Definition

Considering the integrity of the investment market and rating data, the company uses the MSCI ESG rating as the corporate screening data, and divides the asset portfolio into three groups: AAA~AA grades are ESG leading groups, A~BB grades It is the average level, and the B~CCC grades are the backward group . In addition, when examining sovereign debt, in addition to using sovereign rating as a measure, it also examines the impact of a country's ESG performance on sovereign credit.

The investment behavior continued to effectively implement the spirit of ESG, and the ESG results of the investment portfolio were good

The investment business of the Group makes investment decisions after careful review of all aspects. In addition to the ESG Rating coverage ratio of the overall investment portfolio reaching 92%, the ESG Rating performance is also as high as 94.9%. Here's how the asset class performed:

Equity positions have ESG rating coverage ratio of 84.3%, and the performance is 90% above average and above. In terms of investment target countries, Taiwan, the United States and China accounted for 96.8% of the investment positions.



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

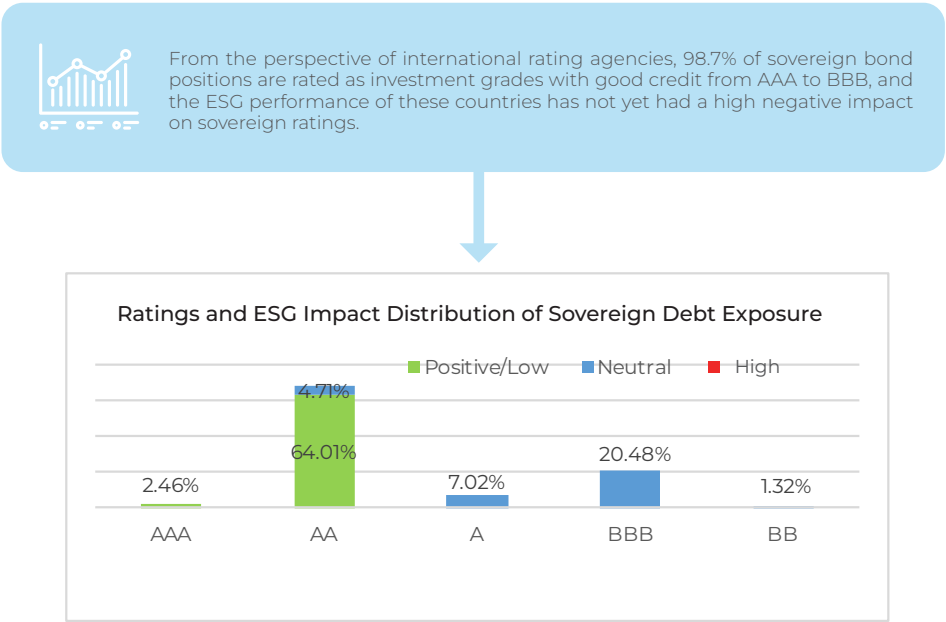
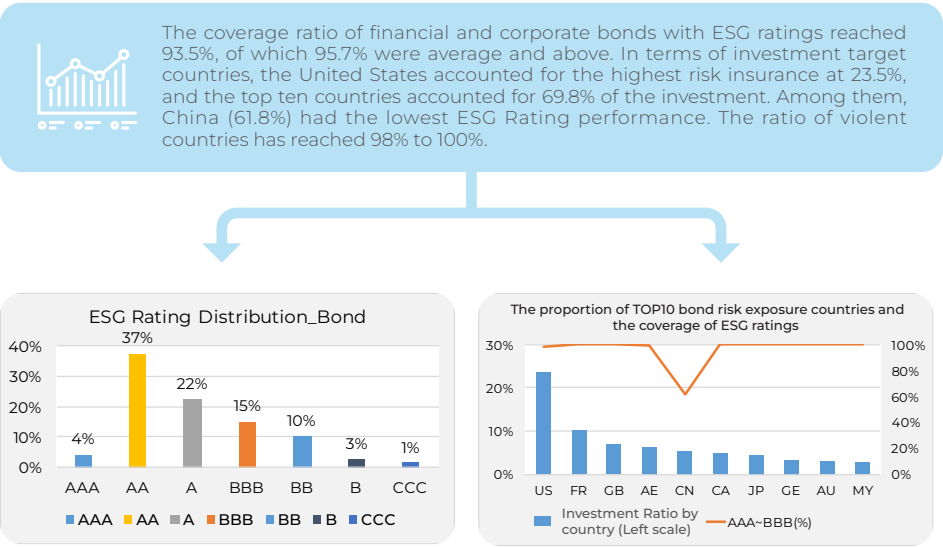
- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix



ESG Due Diligence

In terms of investment follow-up management, we will continue to pay attention to the relevant information and risks of the invested business, and take ESG factors into consideration. In addition, through interaction and visits with the management of the investee company, participation in shareholder meetings and voting, etc., to strengthen communication with the investee company, by expressing concerns about ESG issues, influencing the investee company and promoting its benignity Develop and fulfill social responsibility and create future value.

CDF firmly believes that there is a benign and positive relationship between ESG conceptual investment and long-term income, and can exert significant influence on the market and investee companies, thereby creating a win-win situation for the environment, society and corporate governance with high profit potential investment portfolio.

In addition, companies such as CDIB Capital, a subsidiary of CDF, have signed the "Stewardship Principles for Institutional Investors" with the Taiwan Stock Exchange, and regularly publishes due diligence reports on the [official website](#), in addition to disclosing the due diligence governance policy, conflict of interest policy and voting policy, the disclosure of due diligence implementation includes voting at the shareholders meeting, interaction with investee companies, negotiation, major conflict of interest events and internal Investing resources to implement due diligence, etc.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Compliance with the “Stewardship Principles for Institutional Investors”

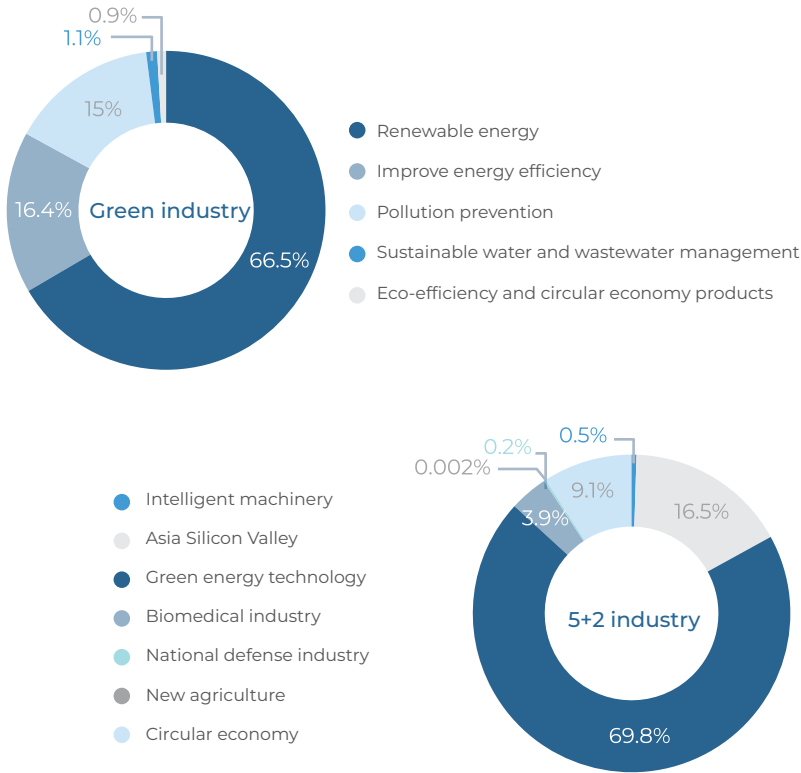
Company	Compliance with the “Stewardship Principles for Institutional Investors”
China Life	China Life regularly publishes the "Report on Disclosure of Voting Results of Shareholders' Meetings of China Life's Invested Companies". At least 50% of the management companies of the private equity funds that China Life invests in each year are PRI members. Participated in the shareholders' meetings of listed investee companies in 2021, with a participation rate of more than 100%.
CDIB Capital Group	In 2021, he will attend 159 shareholder meetings of the invested company in person (including electronic voting) , 1 time by proxy, and 2 times because he did not attend.
KGI Bank	In 2021, the Bank invested in the securities of Taiwanese companies (including but not limited to listed, OTC, emerging or public offering companies), and holds 5% (inclusive) or more of the issued shares. and the holding period exceeds one year and the amount A total of 22 stock investments at fair value (FVOCI) measured by other comprehensive profit and loss amounted to NT\$300 million, including 22 listed companies, of which 4 companies will be selected as constituent companies of the 2021 Dow Jones Sustainability Index, listed on the market 100% participation rate of investee companies Disclosure of KGI Bank Stewardship Principles for Institutional Investors and compliance: https://www.kgibank.com.tw/zh-tw/about-us/corporate-governance .
KGI Securities	In 2021, according to regulations, there were 924 companies that personnel were required to participate in their shareholders' meetings or perform electronic voting operations, of which 908 (98.3%) participated in electronic voting at the shareholders' meeting of the invested company, and 16 (1.7%) were present at the meeting. The attendance rate was 100%. For the unlisted investee companies that do not adopt electronic voting and in which we hold less than 300,000 shares, due to the low impact of shareholding and the compliance with the environmental protection, sustainable energy saving and paper reduction policy, there was no need to assign personnel to participate in the shareholders' meetings of 45 companies according to regulations. In order to respect the professional management of the portfolio companies and promote effective developments, the proposals proposed by the senior management of the companies are approved in principle by KGI Securities. However, proposals with a negative impact on the portfolio company' s sustainable development or ESG principles will be disapproved in principle. In 2021, we participated in the voting of 4,607 proposals at the shareholders' meeting of 924 investee companies, and 4,585 proposals were voted in favor, accounting for 99.5% of the total proposals in which we participated. 22 proposals were abstained, and the abstention ratio was 0.5%. The abstained votes included 16 cases concerning the election of directors and supervisors, 5 cases of “resignation of directors and supervisors” , and 1 case of “exercise of the right of subordination” . The company abstained in order to maintain a neutral position or due to the consideration of the issuer's sound operation. KGI Securities actively engages in dialogue and interaction with investee companies by visiting companies, teleconferences, participating in legal seminars, or sending staff to attend shareholder meetings from time to time. the frequency of dialogue and interaction with investee companies in 2021: Teleconferences and face-to-face meetings (3,240 times), participation in legal seminars (592 times), or sending staff to participate in ordinary shareholders' meetings or major extraordinary shareholders' meetings (924 times). Disclosure of KGI Securities Stewardship Principles for Institutional Investors and compliance: https://www.kgi.com.tw/zh-tw/stewardship
KGI SITE	In 2021 , a total of 100 shareholders' meetings will be attended, and the participation rate of the shareholders' meetings of the listed companies' invested companies will be 100% , and a total of 751 resolutions (including the election of directors and supervisors) will be voted on, all of which are in favor. Due to the stable operation of the investee company, and the company's shareholders' meeting proposal is a proposal for profit distribution or internal regulations to be amended by laws and regulations, there is no proposal that is obviously detrimental to the sustainable operation of the company or detrimental to the interests of investors. Therefore, there is no disapproval of the proposal. In addition, in 2021 , the number of active visits to investee companies will total 391 times, and the company will actively interact and negotiate with investee companies.

3.1.4 Responsible Investment Performance

Principal Investments

Green Energy-related investment

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. CDF mainly invests in green industries with its two major subsidiaries, CDIB Capital and China Life, and actively responds to government policies. The total investment in 5+2 industrial transformation plan amounted to NT\$156.7 billion, of which nearly 80% of the investments are in green energy technology plus circular economy.



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development


Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix


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 Investments

- ◆ The investee company, Windtree Therapeutics, Inc., focuses the development of drugs and medical devices for acute pulmonary and cardiovascular diseases to improve the quality of human life.
- ◆ The investee company, Excelsior Medical, focuses on long-term care services, strengthening elderly care and the care for critically ill patients.
- ◆ The investee company, K Health, is company that provides a free telemedicine app with AI technology, which offers 24-hour online and timely medical diagnosis. After users answer the questionnaire, AI uses a powerful database to compare and provide suggestions such as: Go directly to the outpatient clinic, pick up medicine at the pharmacy, or seek medical attention online. During the COVID-19 pandemic, users can get prompt and proper medical advice, saving time and cost of medical treatment.
- ◆ The investee company InstaDeep used its AI technology to work with BioNTech to build an effective "early warning system" for detecting potentially dangerous variants of the COVID-19 virus. In the case of the Omicron virus variant, the system identified it as potentially dangerous the same day its genetic sequence was first made public, giving researchers, vaccine developers, health authorities and policy makers an early warning, allowing more time to take precautions .
- ◆ In view of the increasing trend of global population aging and the increase in the population with chronic diseases, in response to the trend of population aging and aging society, KGI Investment Trust focuses on hospitals, medical equipment, consumables and long-term care related industry products - KGI Hospital and Long-term Care Industry Fund , hoping to activate the vigorous development of related industries and improve the quality of life and medical care for the elderly.
- ◆ As of the end of 2021, the size of the KGI Hospital and Long-term Care Industry Fund was NT\$378 million.




Smart Manufacturing Investment

In addition to the production of power supplies, the investee company, Dee Van Enterprise, has also invested in the production of LED energy-saving street lamps and smart meters, introduced automation equipment, and continued to conduct R&D.




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.



Green chemical investment

The invested company, Jintex, is an established traditional chemical enterprise with technical standards. It manufactures and sells special chemicals used in textile, dyeing and finishing, leather, digital and other industrial purposes. In recent years, it has been committed to the development of non-toxic and sustainable EHS standards. It is a pioneer in green sustainability.



Social Investment

The investee company Weave Group specializes in shared apartment rental and property management in Hong Kong and Singapore, providing hotel-style suites to young people who cannot buy a house, sharing public space at a reasonable price, and enjoying a high-quality living environment.

Our Funds

Our funds include CDIB Capital Creative Industries, CDIB Capital Healthcare Ventures, CDIB Capital Innovation Accelerator, CDIB Capital Growth Partners; Innolux Fund, 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\$34.2 billion, of which funds devoted to social funds accounted for NT\$8 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\$5.6 billion, totaling NT\$13.6 billion, approximately 40% of the total AUM..

Unit: NT\$ 100 million

ESG Funds		AUM
Social funds	CDIB Capital Creative Industries	6
	CDIB Capital Innovation Accelerator	9
	CDIB Capital Healthcare Ventures	65
Subtotal		80
Environmental protection and smart energy fund	CDIB Capital Growth Partners	56
Total		136

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Environmental Thematic Fund

1. 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 motor vehicle industry have also played the role of energy saving and carbon reduction, which can reduce air pollution and thus protect people's health.

Social Thematic Fund

1. 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.

2. 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.

3. 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\$1.29 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 entrepreneurial mentorship, corporate-matching events, community and media resources, to help Taiwanese companies to enter overseas markets.

Investment results and performance

2019	1. Investor Mentor Guidance Project - Organizing a 1-day Board of Directors Meeting for Startups: 12 events. Entrepreneur Chat for Investors - Startup Afternoon Tea: 3 events. 2. Develop the public space for startup accelerators and organize free startup seminars: 129 events.
2020	1. Investor Mentor Guidance Project - Organizing a 1-day Board of Directors Meeting for Startups: 15 events. Entrepreneur Chat for Investors - Startup Afternoon Tea: 2 events. 2. Develop the public space for startup accelerators and organize free startup seminars: 84 events. 3. In 2020, the Corporate Day matchmaking event was improved to match new startups with companies with innovative resources. A total of 10 events were held in 2020.
2021	1. Investor Mentor Guidance Project - Organizing a 1-day Board of Directors Meeting for Startups: 18 events. Entrepreneur Chat for Investors - Startup Afternoon Tea: 1 events. 2. Develop the public space for startup accelerators and organize free startup seminars (online and offline): There were 122 events in total, with a total of 2,149 participants. 3. In 2021, the Corporate Day matchmaking event was improved to match new startups with companies with innovative resources. A total of 23 events were held in 2021. 4. In order to expand its social influence at home and abroad, CCIA cooperated with the "Epoch Foundation" in the Garage+ Incubation Program to promote the development of Taiwan's Internet of Things, mobile Internet, Internet cloud, and next-generation e-commerce industries. During the cooperation with Garage+, we organized matchmaking meetings, arranging 12 investment negotiation meetings with Taiwan startups and 6 meetings with international startups. Additionally, we also organized 3 CEO roundtables to exchange ideas with startups who wish to expand into the Japanese market. The seminar topics included: Strategies for entering the capital market, ways to work with big companies, and dealing with Japanese consumers.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

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.

In August 2020, KGI SITE was the first to issue a high-yield bond fund that included ESG sustainable investment. "Renewable investment" and "value investment" are the core of investment, which are established with a golden ratio and value-first investment portfolio, to promote sustainable ESG investment and pursue the total return of the fund. As of the end of 2021, the sizes of the two funds were NT\$2,169 million and NT\$637 million, respectively.

In May 2021, KGI SITE issued the first two ETFs in Taiwan using Bloomberg MSCI ESG Bond Index - KGI 15-year USD investment-grade emerging market ESG sustainable bond ETF fund, and 15-year USD BBB-rated ESG sustainable bond ETF fund. Continued corporate bond ETF fund. As of the end of 2021, the combined size of the two funds was NT\$1,580 million. In addition, on September 15, 2021, the Emerging Markets ESG Sustainability Themed Bond Fund was raised and established. The fund focuses on investing in bonds with ESG sustainability themed investment concepts, by investing in companies that have a positive impact on environmental and social sustainability, in order to take into account the total return on investment and the goals of environmental and social sustainable development. As of the end of 2021, the size of the fund was NT\$4,138 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	Total	
	Investment balance ratio	Portfolio companies ratio
 No Poverty	5.1%	1.5%
 Zero Hunger	3.6%	2.9%
 Good Health and Well-Being	18.4%	21.0%
 Quality Education	0.2%	1.0%
 Clean Water and Sanitation	0.8%	1.0%
 Affordable and Clean Energy	2.1%	2.4%
 Decent Work and Economic Growth	7.9%	14.1%
 Industry, Innovation and Infrastructure	23.4%	17.6%
 Sustainable Cities and Communities	18.7%	27.3%
 Responsible Consumption and Production	15.8%	6.3%
 Climate Action	2.6%	2.4%
 Peace, Justice and Strong Institutions	0.8%	0.5%
 Partnerships for the Goals	0.6%	2.0%
Total	100%	100%

Note: The above table includes self-owned fund and external fund investments

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Financial Advisory Services

In order to implement the principles of responsible investment and sustainable development goals, promote the balance of environment, society and corporate governance, and follow the code of due diligence for institutional investors, KGI Securities has formulated the "Responsible Investment Policy" approved by the Board of Directors in May 2021 , as a promotion and guidelines for the implementation of responsible investment. KGI Securities plans to consider ESG and other sustainable management factors in the evaluation of investment targets, investment decision-making and investment management to enhance investment value, and continue to use the professional guidance of securities underwriters to assist companies in issuing green bonds, assisting green corporate financing and provision of related services to companies developing green industries.

Green Bonds

KGI Securities participated in 7 domestic ESG-related underwriting or guidance cases in 2021 (including 5 green bonds, 1 sustainable bond and 1 social bond), with a total of NT\$14.5 billion issued. China Life responded to the government's green finance action plan 2.0 policy to promote green financial product development and invested in green bonds issued by TSMC and Ørsted to support the development of clean energy in Taiwan, with an investment amount of NT\$2.3 billion. A total of NT\$2.3 billion was investment to implement the ESG investment spirit through action. Apart from investing in domestic green bonds, China Life has invested NT\$12.8 billion in foreign green bonds and Peruvian sustainable bonds

Green Financing

KGI Securities organized 41 equity capital raising cases in the capital market in 2021, raising around NT\$35 billion. These included 15 environmental protection and green energy cases, accounting for about 36.5% of the number of cases organized in the year. The environmental protection and green energy funds raised more than NT\$18 billion, accounting for about 52% of the funds raised in the current year.

3.2 Sustainable Insurance

Corporate Operation Indicators - Number of Effective Policies

CDF currently is not engaged in the product insurance business. Our subsidiary, China Life, has 21,792,338 valid life insurance policies, and reinsurance premiums for reinsurance expenditures in 2021 were NT\$1,533,969,184.

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 recommended and trustworthy 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 risks and self-risk and solvency assessment (ORSA) , China Life has implemented relevant measures as follows:

China Life has incorporated environmental risks such as climate change into its ESG goals for 2022, and plans to incorporate climate change risks into its risk management procedures . In addition, the education and training in 2022 will include a course on climate change-related risk management for the Board of Directors and senior management to promote China Life's risk management culture from top to bottom.

The 2021 Self-Risk and Solvency Assessment (ORSA) report will initially include the climate change risk assessment and submit it to the Board of Directors for approval. In 2022, China Life plans to strengthen the assessment results of climate change-related risks in the 2022 Self-risk and Solvency Assessment (ORSA) report , through climate change scenario analysis, implement the assessment process, and present it in the ORSA report or related documents.

Note: SASB FN-IN-450a.3: Please refer to the [China Life 2021 Sustainability Report](#) Chapter 2 Corporate Governance/Risk Management Identification and Response

Total fair value of securities lending collateral assets

Unit: NT\$ thousands

Item	2021.12.31
Total fair value of securities lending collateral assets	0

Content

- About the Report
- Chairman's Message
- 2021 ESG Performance
- CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

3.2.3 Sustainable Insurance Products



The main operating base of China Life is in Taiwan. In response to the relevant policies of the Taiwan government on financial inclusion, it has continued to communicate and discuss financial inclusion issues with the Financial Regulatory Commission, the Life Insurance Association and other units, and has launched micro-insurance products. County Government, NGOs and channels jointly promote and introduce inclusive financial policies, products and knowledge, and provide basic protection for vulnerable groups in Taiwan. In 2021, it has also been relaxed to "elderly or their family members who meet the provisions of the Elderly Welfare Law and receive living allowances for the middle- and low-income elderly (65 years old)" can also apply for micro-injury insurance, with affordable premiums for economically disadvantaged groups, providing basic safety Protection, to avoid sudden accidents have a serious impact on the family economy. 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, 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.

Product Development and Design Procedures

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.

In response to factors such as the needs of different policyholders and the aging population structure, China Life will continue to promote traditional life insurance with multi-currency single payment and installment payment in 2021, annuity products suitable for retirement planning, health insurance to improve the quality of medical care, and insurance products in response to the Covid-19 epidemic. Epidemic prevention

insurance and vaccine insurance, as well as investment insurance policies that take into account investment and protection needs, meet the diverse needs of policyholders in the life cycle. It enables policyholders to make up for the protection gap through proper insurance planning. Through advance planning, they can maintain their due quality in all aspects of future life, medical care and care, and fulfill China Life's commitment to providing protection and services to policyholders.

In May 2021, the Covid-19 epidemic in Taiwan continued to rise, and 4 vaccine insurance products such as Epidemic Guardian were successively launched to meet the needs of policyholders for vaccine-related protection. In addition, in response to medical insurance such as surgery, hospitalization, cancer, and major illness (injury) required by the aging population structure, a series of insurance products have been launched to provide complete protection for policyholders. China Life has successively launched a number of main investment products in Taiwan and foreign currencies, so that policyholders can enjoy investment and protection at the same time, and provide policyholders with the freedom to choose suitable investment products.

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.

Promote the effective implementation of health insurance

According to statistics from the Ministry of the Interior, the average life expectancy of Chinese people has reached 81.3 years, but the average life expectancy of unhealthy people has reached 8.5 years, reflecting the dilemma that Chinese people face a decline in health and quality of life in old age. In order to encourage policyholders to develop good living habits for self-health management, provide health management products with spillover effects, and provide additional protection depending on whether the agreed conditions are met. We launched "Go Health Life Insurance " with spillover effect and prevention mechanisms. Additional coverage is provided to those performing exercises and based on sleep data on approved terms. Through the combination of health management products and self-management, it not only helps the insured save money and enjoy insurance protection, but also maintains a healthy body, so that insurance products no longer only have the function of compensation for damages, but also add a prevention mechanism to reduce the risk of illness, It is a win-win situation of reducing the insurance company's claims rate and reducing social medical resource expenditure.



Effective contracts as of the end of 2021

944 cases



New contract premiums in 2021

NT\$ 8 million

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Achievements in Financial Inclusion

Microinsurance

China Life actively responds to the government's promotion of inclusive financial policies, so that disadvantaged groups can also enjoy micro-insurance protection. In 2021, the scope of protection will be expanded, and the Tainan City Government and the Tainan Private Chaoxing Social Welfare Charity Foundation (hereinafter referred to as the Chaoxing Foundation) will be established. Working together, about 16,000 new citizens will enjoy micro-insurance protection by donating insurance premiums. In addition, it has also been relaxed to "elderly or their family members who meet the provisions of the Elderly Welfare Law and receive living allowances for the middle- and low-income elderly (65 years old)" can also apply for micro-injury insurance, with affordable premiums for economically disadvantaged groups, providing basic safety Protection, to avoid sudden accidents have a serious impact on the family economy.

China Life has never stopped caring for the society. It actively cooperates with banks, government agencies and non-governmental organizations to jointly promote micro-insurance services, thereby extending insurance protection to every corner that needs care and providing a strong backing for disadvantaged families. The accumulated insured individuals in 2021 amounted to 60,783 persons with a growth rate of 183%.

Since 2014, he has been promoting micro-insurance, and has been awarded the Outstanding Performance Award in the Micro-Insurance Competition by the competent authority for seven consecutive years, and has also been awarded the Disability Care Award for two consecutive years. At the same time, he has also won the 9th Taiwan Insurance Excellence Award for excellence in micro-insurance promotion. The silver award is awarded to build a safety net for the economically disadvantaged, demonstrating the essence and value of life insurance. China Life offers micro-insurance with lower premiums, lower insured amounts, and easy terms to make basic accident insurance covering death and disability affordable for disadvantaged groups.

Microinsurance			
	2019	2020	2021
Number of Bbeneficiaries	21,959	33,178	60,783
Premium lincome	NT\$4.57 million	NT\$8.35 million	NT\$9.407 million



Small-amount Life Insurance

In order to implement the construction of a basic social protection network and continue to promote small-value end-of-life products, in March 2021, [China Life Public Education Small-Amount Whole Life Insurance] added additional out-of-pocket medical insurance to make the protection of small-amount end-of-life products more complete. another in 2021 In September, the "Prepare for Retirement Platform" of Fortis launched the [China Life e National Small Amount Whole Life Insurance] and [China Life e National Small Injury Insurance], with various sales channels, providing consumers with different attributes to choose from. In 2021, more than 4,000 units will be sold, and the premium income will be about 77 million. the number of insured persons over 55 years old will account for about 44%, and the premium income will account for about 67%.



Disadvantaged Insurance: "Protect You" comprehensive life insurance for people with disabilities

People with disabilities experience more hurdles while seeking insurance cover, such as health examination, additional charges, and limited amount and coverage. At the end of 2019, China Life Insurance launched the "Protect You" comprehensive life insurance for people with mild to moderate disabilities way ahead of other insurance companies in the industry, 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 insurance product won the "Insurance Innovation of the Year Award" at the Insurance Asia Awards and the "Innovative Growth Award" at the TCSA Taiwan Corporate Sustainability Award.

With the changes in the epidemic situation and the arrival of vaccines in Taiwan, people are looking forward to being vaccinated against the novel coronavirus pneumonia, but they feel uneasy about the possible side effects after vaccination. Therefore, China Life keeps pace with the times and further extends the coverage in the first time. Considering the risk of vaccination, in July 2021, it will lead the life insurance industry to launch the first personal vaccine insurance "China Life Epidemic Guardian Hospital Medical Health Insurance", which provides the public with double protection of "vaccination" and "post-vaccination diagnosis". In the deterministic development of the epidemic, people are freed from the interruption of hospitalization medical expenses and household income, and they are suddenly in financial dilemma. During the epidemic period, an all-round protection umbrella is timely provided for the insured and their families. China Life is working with the public to fight the epidemic. Whether it is planning anti-epidemic measures or providing a variety of products, we hope that when faced with the development of the highly uncertain epidemic, the public will have more choices and plan the most suitable protection.



Vaccine insurance

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

**Sustainability
Strategy**

**Corporate
Governance**

**Intelligent
Finance**

3.1 Responsible Investment

3.2 Sustainable Insurance

3.3 Principles of Responsible
Banking

3.4 Customer Experience

**Elite Talent
Development**

**Low-Carbon
Economy**

**Co-Creation of
Sustainable Society**

Appendix

3.2.4 Sustainable Insurance Mechanism

Product design

1. Develop innovative products that meet the needs of the public, and regularly review various actuarial assumptions. In accordance with the "Operation Guidelines for Pre-sales Procedures for Insurance Products", an insurance product management group meeting is held at least once every six months for review to ensure sustainable operations and consumer rights.
2. Commodity design implements the spirit of inclusive finance, and continues to promote products with ESG value such as micro-insurance, small-amount whole life insurance, exclusive whole life insurance for the disabled, health management products with spillover effects, epidemic prevention and vaccine insurance in response to the COVID-19 pandemic, in order to meet the different needs of different stages of life and different ethnic groups.

Sustainable insurance procedures and mechanisms

1. China Life is customer-centric, upholds the core spirit of "Love and Care", and the service concept of "Fairness and Empathy, Treating Customers as Oneself". From the Board of Directors to all employees, they attach great importance to and implement the principle of fair hospitality. The Board of Directors sets a fair The Hospitality Principles Committee assists in supervising and promoting fair hospitality. Internally, there are "Fair Hospitality Principles Policy and Strategy" and "Fair Hospitality Principle Implementation Specifications" for all operating units to follow. The English bilingual version publicly discloses the service commitment of each operation process to consumption.
2. Risk management and underwriting are conducted in accordance with the "Underwriting Management Mechanisms and Procedures" and "Offshore Insurance Units (OIU) Underwriting Mechanisms and Procedures." Underwriters weigh the company's risk-undertaking capacity and consider issues, such as risks of money laundering and financing of terrorism, protection of customers' personal information, etc., for fair treatment of customers.
3. 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.
4. 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.
5. When handling insurance business according to the life cycle of the policy, it will collect, process and utilize a large amount of personal data of customers. According to the latest version of BS 10012, the best practice of personal data protection management has been introduced into all businesses of the head office and local branches. In 2018, we continued to appoint external verification agencies to handle the review work, so that the personal data management system has been raised to an international level and the overall corporate culture has been displayed.
6. 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.

Sales and underwriting

1. All field staff must sign and follow the "Convention for Salespeople to Follow the Principle of Fair Hospitality to Safeguard Clients' Rights and Interests", and remind salespeople to uphold the principle of integrity to provide customers with a transparent and reasonable trading environment through channels such as the E-based operation platform "Elite Action Network" for salespeople.
2. Regularly check sales related documents (such as plans, product DMs) and compile page numbers, provide complete relevant notification and disclosure principles of consumer information, and understand relevant consumer information to ensure the suitability of the product or service to consumers. And confirm that it has been handled in accordance with the operating procedures and relevant laws and regulations, in accordance with the principles of fairness and reasonableness, equality, mutual benefit and integrity, and there is no falsehood, fraud, concealment or other circumstances that may cause others to mistrust.
3. Pursuant to the amendments to the "Self-discipline of Insurance Solicitation Advertisements", sales personnel engaged in the sales solicitation of specific insurance products on the Internet should use advertisements approved by the company, and may not reproduce, modify, edit or alter information in any other form without authorization. In addition to the advertising content, only personal contact information can be left to avoid misleading customers by adding other instructions.
4. Salespeople should follow the principles of honesty and fairness in the sales process. In 2021, 11 online training courses on fair hospitality laws with different themes will be held, with a total of 107,225 people completing the training. A total of 16,433 people completed the course on Friendly Service Principles.
5. According to the risk level of policyholders (such as age, sum assured, body condition), establish control measures applicable to different risk levels and carry out underwriting procedures for policyholders, and conduct money laundering and terrorism risk assessment through system comparison and manual review.
6. In order to provide a complete protection plan for customers with disabilities, the "Business Solicitation Handling System and Procedures" and the "Management Rules for Insurance Salespersons" have been revised for the matters that should be paid attention to when soliciting customers with disabilities. Medical rules, in the process of applying for insurance, the insured should be assisted to fully understand the insurance content and obtain appropriate services. If there is any act of refusing to apply for insurance for persons with disabilities, sending documents or improperly persuading them to quit, they will be punished in accordance with the regulations.
7. In order to protect the elderly financial consumers in the aging society, in addition to standardizing the business solicitation processing system and procedures for insurance application, it also encourages colleagues to accept the professional courses of retirement financial planning consultants, and specially plans the 2021 annual retirement financial planning consultant RFA (Retirement Financial Advisor).) license subsidy program, a total of 322 people have completed training and 163 people have obtained licenses, so as to solve the needs of elderly customers for early retirement planning.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

3.1 Responsible Investment
3.2 Sustainable Insurance
3.3 Principles of Responsible Banking
3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

3.2.5 Transparent Claim Settlement Procedures

Transparent claims process

Realize promises to policyholders through claims, and continuously improve the transparency of claims application progress. It further launched the "Quick Claim Settlement Service at the Counter", which combined with 30-second instant payment operation to accompany policyholders to overcome difficulties in an instant.

After-sales services

1. Taking customers as the center, adhering to the original intention of love and care, coordinating relevant departments, self-service planning, process optimization, hardware equipment establishment and front-end service implementation, we are committed to providing customers with attentive, immediate and high-quality services, and establishing good interaction and trust, and to enhance customer loyalty and stickiness.
2. In accordance with the policy of "Fair Treatment of Customers in the Financial Services Industry", we maintain and update after-sales service management measures in a timely manner, and enhance colleagues' awareness of consumer protection through internal publicity and education and training.
3. Reassuring policyholders with thoughtful value-added services, such as the establishment of novel and diverse health care products and services, providing subsidies for travel expenses for re-consultation for cancer diagnosis and treatment, and cooperating with specialized cancer medical institutions to provide second diagnostic opinions for referrals of suspected cancer patients.
4. Realize promises to policyholders through claims, and continuously improve the transparency of claims application operations. In addition to receiving instant acceptance and case closing text messages, policyholders can also download the policyholder APP to check the claims history and case processing progress, and can also use the "claims alliance chain service" to apply for multiple claims at the same time with a single claim application file to achieve "One-stop application, file sharing".

3.2.6 Sustainable Insurance Internal and External Engagement

Internal awareness promotion for Sustainable Insurance

In order to internalize the corporate sustainability thinking of China Life employees, strengthen ESG-related knowledge and trends through physical and online courses, including education and training for newcomers and other related education and training in cooperation with external consultants. In 2021, a total of 13 sessions and a total of 10,983.5 hours of ESG education training will be held.

External communication for Sustainable Insurance

China Life communicates ESG issues with government units, policyholders, investment targets and relevant stakeholders through press releases, policyholders' e-newsletters, corporate websites, questionnaires and annual sustainability reports.

1. Cooperation with government units: Joined a number of government associations to promote ESG management in the insurance industry, including the Life Insurance Business Association of the Republic of China, the Financial Legal System and Crime Prevention Center of Consortium Corporations, the International Life Insurance Management Association, and the Financial Governance and Law Compliance Society of the Republic of China.
2. Provide government units with risk management expertise to promote sustainable development: Negotiate with the competent authority, proactively respond to the implementation of the risk assessment of preventing money laundering, promote inclusive finance (micro-insurance, small life insurance, health management insurance products with spillover effects, and in-kind insurance products, etc.), and treat customers fairly in the financial service industry principles and other related measures.
3. Promote digital innovative financial services with government units: In line with the trend of Green Finance 2.0 and international ESG trends, China Life, with the core of improving customer experience, initiated the digital innovative financial "Smile to Sign" remote face-scanning insurance service, which was approved by the Insurance Bureau for trial operation. By introducing the biometric identity authentication mechanism, business personnel and customers can complete one-stop remote face-scanning insurance application at home without having to go out, which greatly optimizes the process experience and improves insurance application efficiency.
4. Negotiate with investment targets: China Life considers the characteristics of the life insurance industry to improve its responsible investment management mechanism and promote the three major climate action solutions of "renewable energy power plant investments", "green bond investments" and "high-carbon industry negotiations", in order to respond to green finance and implement sustainable investments. China Life encourages investment targets to move towards low-carbon transformation developments.
5. Cooperate with legal persons to promote dementia friendly services: China Life pays attention to elderly-friendly issues, cooperates with Taiwan Dementia Association, participates in the development of a new type of anti-lost aid - emergency contact card key ring, and jointly holds a press conference on emergency contact card donation with the Dementia Association and the National Police Agency, Sponsored the Dementia Safeguarding Webinar, and called on the Communications Office to participate. All bases in Taiwan have been included in the Taiwan Dementia Association's Dementia Friendly Map, becoming the first "dementia friendly insurance company" in the industry.
6. Cooperate with private enterprises to promote barrier-free travel: China Life leads its peers and cooperates with the domestic "Multi-Support Businesses" specializing in barrier-free transportation and "Multi-Support Travel Agency", a barrier-free travel agency, to organize barrier-free travel for policyholders to meet the emotional and social needs of the elderly and provide policyholders with barrier-free travel. The safe choice of travel also hopes to make the society pay more attention to the right of people with disabilities to "travel", and create a friendly environment for unimpeded travel.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

3.3 Principles of Responsible Banking

3.3.1 Management Mechanism of Responsible Bank

In order to ensure that the organizational goals and key decisions are consistent with the United Nations Sustainable Development Goals and the Paris Agreement, CDF has established effective policies. The management system and control measures have incorporated sustainable development goals into the business decision-making process, and formed a responsible banking culture management model, in order to fulfill our commitment to the PRB principles. Therefore, we also actively promote green finance through green project financing, green credit and green underwriting and other commodities, hoping to promote the transformation and sustainable development of Taiwan's green energy industry.

When conducting corporate credit review, KGI Bank follows the "Key Points of Legal Credit Grant and Review", under which the principles of green financing review are formulated, and the "Equator Principles" are also considered to determine whether borrowers are fulfilling environmental protection and social responsibilities. and corporate integrity management, and incorporate ESG-related issues into credit decision-making, credit evaluation projects and post-loan management mechanisms:

- For the handling of project financing cases with high water consumption and high pollution industries reaching more than US\$10 million, various feasibility analyses are required in the credit report, including analysis of technology, market, finance and environmental protection, and are listed on a case-by-case basis. Entry conditions are standardized to increase its operational responsibilities.
- Incorporate the concept of the Equator Principles into the "credit rating table" of the case. If there are disputes over environmental protection issues, labor disputes, etc., the operation and management factors under the business risk item in the case "credit rating table" include risk management, corporate governance, etc. Projects are deducted points to reflect the risks of their operation and management.
- In principle, companies that do not comply with environmental protection standards, are involved in labor disputes or have corporate governance issues, and have no specific improvement plan will not undertake the contract. Those with significant influence on the operation and KGI Bank's creditor's rights will not increase the loan or withdraw the loan gradually, in order to assist and encourage the enterprise to strengthen the implementation of environmental protection and fulfill its corporate social responsibility.

Due to issues such as climate change, resource sustainability, health and environmental safety, "banks" have the responsibility to understand the sustainability of products and services, create transparent and fair sustainable value for customers, shareholders, investors and society, and then build "Responsible Finance" model. The Responsible Banking Principles provide a coherent framework for integrating elements of sustainable development at the business level, helping us to make a positive contribution to a sustainable society, in support of the UN 2030 Sustainable Development Goals (SDGs) and the Paris Agreement goals. In fact, CDF has implemented many actions in response to the consistency of PRB.

3.3.2 Implementation and Promotion of Responsible Bank

Green Credit

Introduce international investment and financing carbon emission calculation methodology to encourage low-carbon transformation of corporate customers

In February 2022, KGI Bank joined the Partnership for Carbon Accounting Financials (PCAF). The bank is actively introducing international finance carbon emission management standards and establishing climate change risk management mechanisms, in order to help corporate customers implement low-carbon transformations through banking operations.

KGI Bank uses PCAF's financial asset carbon emission calculation methodology and database to comply with the international financial industry climate change risk management standards, and conduct an inventory of its own investment and financing portfolio carbon emissions . Corporate customers reduce operational carbon emissions. We look forward to reducing the carbon emissions of investment and financing year by year and contribute to Taiwan's sustainable development.

Support the development of green industries and actively participate in renewable energy financing

KGI Bank uses its financial influence to support the energy transformation including energy conservation, energy creation, energy storage and intelligent system integration with credit business, responds to the government's promotion of energy independence and promotes the development of emerging green energy industries, promotes the research and development of green energy technology industries, and assists solar energy The upgrade of green energy industries such as photovoltaics, wind power generation, fishery and electricity symbiosis, and water resource recycling will create green employment opportunities for local areas.

In recent years, KGI Bank has actively participated in landmark large-scale renewable energy plant financing projects and has supported the construction of small-scale solar power plants in junior high schools and elementary schools. The compound annual growth rate of the overall green credit amount is expected to reach 5% in the next two years.

Green credit balance				Unit: NT\$ million
2018	2019	2020	2021	
17,606	20,425	16,578	20,579	

Note: "Green credit balance" refers to the green energy technology industry credit balance defined by the Banking Bureau's statistics for key innovative industries.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix


In view of the government's 2025 target of renewable energy generation accounting for 20% of the total installed capacity, KGI Bank actively invests in the financing of renewable energy generation (such as solar power generation and offshore wind power generation). The financing of renewable energy power generation projects that KGI Bank participated in in 2021 are as follows:

Case name	Estimated device capacity	Expected annual carbon reductions	Credit balance in 2021
Maiora Yongyao Energy	49.7MW	34 thousand tons	\$6,088 NT\$ million
Jhih-Guang Energy	120MW	81 thousand tons	
Shuo Li PV Energy	270MW	197 thousand tons	
Yu Chang Power	40MW	30 thousand tons	
Vena Energy Taiwan Renewables	42MW	29 thousand tons	
Shinfox Energy	77.5MW	57 thousand tons	
Zhongneng Power Generation	300MW	551 thousand tons	
Total	899.2MW	979 thousand tons	

Note:
1. The carbon emission coefficient for power is calculated according to the carbon emission coefficient for power in Taiwan in 2020 (0.502 kg CO2e/kWh) announced by the Bureau of Energy.
2. Zhongneng Power Generation is an offshore wind power project, while the rest are solar power projects. The annual power generation of individual projects will be affected by factors such as project design, site location, weather and equipment efficiency.


Diversified green credit

In addition to financing for the development of solar power, offshore wind power, biomass energy, geothermal energy, and marine energy projects, it also includes:




Energy conservation

Develop high-efficiency variable frequency motors and optimize systems, thermal waste power generation, production process improvements, green building materials, deepen energy-saving technologies, and improve energy efficiency.



Energy storage

Develop household/enterprise/grid-level energy storage systems, improve key materials, control management models, support power transmission and supply systems, and improve power supply reliability.



System integration

Promote the cross-sector system integration of the industry, introduce modular technologies and power generation management integrated with IoT, big data, and information communication technologies, and promote the circular economies of the energy service industry, smart grid, and carbon reducing clean coal.

Social Bond

Use core competencies to promote sustainable social development

In April 2021, after the Taipei Exchange announced and implemented the "Key Points for Sustainable Development Bond Operations", KGI Bank efficiently formulated a social bond investment plan, and successfully obtained the first batch of qualifications to issue social bond issued by Taipei Exchange in Taiwan in May, becoming a pioneer in the social bond market.

On May 18, 2021, KGI Bank issued financial bonds totaling NT\$700 million. All the funds raised were used for the following five types of social welfare plans to promote sustainable social development through our core competencies:

- (1) Funding related to infrastructure construction.
- (2) Financing related to medical education in rural areas.
- (3) Low-interest financing loans for small, medium and micro enterprises.
- (4) Small loans for financially disadvantaged groups and those with vocational certificates.
- (5) Financing projects for urban renewal and reconstruction of old buildings.

Before distributing the funds, KGI Bank conducted special assessments on whether the loan customers perform environmental protection, corporate governance and corporate integrity management effectively. We hope to utilize our financial influence and encourage customers to work together to practice corporate social responsibility. The annual financial report during the retention period will be publicly disclosed after being certified by the third-party impartial unit.

Financial inclusion

Implementor of inclusive finance

In order to promote social inclusion and provide more resources for financially disadvantaged groups, KGI Bank uses digital technology to create inclusive financial products, assisting non-fixed-salaried people, small shop owners or young people who were not easily able to enjoy banking services in the past, and can gradually build credit, to successfully obtain reasonably priced funds from the banking system, in order to create the possibility of a diverse life and stabilize family happiness.

		2018	2019	2020	2021
"Giving You A Hand" Revolving Personal Loan Promotion ProjectAssistance Project Small Amount Circular Credit Loan	Accounts number	418	462	485	318
	Balance	6,473,118	11,708,017	8,147,084	3,480,511
Taxi Driver Loan	Accounts number	421	455	217	168
	Balance	7,419,572	14,222,202	6,011,975	4,326,912
Internet Seller Loan	Accounts number	--	--	--	181
	Balance	--	--	--	5,737,895
Delivery Person Loan	Accounts number	--	--	--	496
	Balance	--	--	--	16,314,014
... Far EasTone Telecom Project	Accounts number	--	--	--	37
	Balance	--	--	--	2,055,491

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

“Giving You A Hand” Revolving Personal Loan Promotion Project

In order to support young people to start their own businesses and develop their talents, KGI Bank has launched the ““Giving You A Hand” Revolving Personal Loan Promotion Project ” microfinance project since 2018, targeting those with vocational certificates, disadvantaged low-income households, or plan proponents of crowd-funding platforms , to provide loan preferential projects to assist its stable career development and solve its operational turnover problems. The ““Giving You A Hand” Revolving Personal Loan Promotion Project ” program offers lower interest rates than secured mortgages, encouraging young people and new entrepreneurs to obtain capital through legal financial channels. In 2020, we launched the COVID-19 Epidemic Prevention Discount Project to help those holding technical and vocational certificates affected by the pandemic to obtain funds through fast application processes and preferential prices. In 2021, there were 547 applicants, among which, 318 applications were successful, representing a success rate of 58%.

Taxi Driver Loan

Because taxi drivers cannot provide proof of fixed income, it is difficult to obtain traditional financial services. If there is a need for capital turnover, they often can only resort to underground financing channels. Based on the concept of practicing inclusive finance, KGI Bank has joined hands with the leading Taiwanese truck fleet in the domestic transportation industry since July 2017 to proactively provide micro-credit services for taxi drivers, solving the problem of unstable income due to occupational characteristics of drivers in the past and unable to provide bank credit information. Provided salary slips and other relevant financial proof, resulting in the inability to contact the bank, establish credit records and other issues. Using the big data database of the Taiwan Convoy, the "taxi driver credit scoring model" is customized, and the data such as driver service evaluation, award record, passenger load and other data are included in the credit score. Drivers can score well because of passenger service evaluation , get credit points for high passenger numbers. In 2021, there were 477 applicants, among which, 168 applications were successful, representing a success rate of 35%.

Internet Seller Loan

KGI Bank, in cooperation with Open Air Auction and PChome Pay, launched the "Big Data Loan for Open Air Auction Seller", which uses API (application programming interface) technology to simplify the application and review process of e-commerce sellers. Basic information and payment records, shorten the time for sellers to fill in the application materials, and can apply online. After the application, funds can be allocated to sellers within one day, allowing sellers to immediately use funds to prepare payment for goods and expand the scale of operations, solving the problem that e-commerce sellers cannot provide traditional financial resources This book won the 2021 Digital Times "Bronze Award for Best Product Innovation" and the "Digital Inclusion Award" of the Business Times Digital Finance Awards, which is the best recognition of KGI's commitment to the practice of inclusive finance. In 2021, there were 838 applicants, among which, 181 applications were successful, representing a success rate of 22%.

Delivery Person Loan

During the period of epidemic alert in 2021, the demand for delivery services has greatly increased, attracting many full-time or part-time people to enter the delivery ranks. However, when funds are often needed, it is difficult to obtain loans from banks because there is no proof of income. Therefore, KGI Bank launched "" The “Quick Repayment for Delivery Personnel” project replaces traditional financial documents with screenshots of delivery remuneration, and helps delivery partners obtain preferential loans by applying for small loans online. In 2021, there were 1,436 applicants, among which, 496 applications were successful, representing a success rate of 35%.

"Far EasTone Telecom Project"

KGI Bank's internal data shows that young customers who need micro-credit loans mainly use their funds to purchase work-needed supplies, such as computers, mobile phones, and motorcycles, and secondly, to support temporary family needs, such as household appliances, children's supplies, and house repairs. , the amount of these consumer spending is not large, but the shortage will cause a lot of inconvenience in work and life. Adhering to the perspective of promoting positive financial management, KGI Bank cooperates and Far EasTone Telecom to provide preferential loans for customers who apply for new phone numbers. The annual interest on borrowing NT\$100,000 is only NT\$1. Even those who have just graduated or entered the workplace and are without credit records can have the opportunity to easily obtain funds, helping young people obtain preferential funds. In 2021, there were 174 applicants, among which, 37 applications were successful, representing a success rate of 21%.

"Quick Repayment" Limited Amount Loan

In recent years, the low starting salary environment in China has made it inevitable for young people to encounter insufficient cash flow even if they are active. Therefore, the age group of customers who need micro-credit loans mainly falls between 25-39 years old. The biggest difference between KGI Bank's "Quick Repayment" compared with other general credit services on the market is that it can be repaid at any time, and the interest is calculated on a daily basis when it is used, and there is no penalty for early repayment. You can repay at any time when you receive your salary early next month. Support young people to immediately relieve short-term capital needs, and the interest rate is relatively economical.

"Quick Repayment" Limited Amount Loan

2018	2019	2020	2021
7,830 applications/ NT\$210 million was used	8,536 applications/ NT\$220 million was used	11,413 applications/ NT\$235 million was used	16,461 applications/ NT\$286 million was used

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

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.

Charitable trust product

KGI Bank actively uses professional financial tools as the support for social welfare organizations. As of 2021, KGI Bank has been entrusted to manage 8 public welfare trust funds with a total management amount of more than NT\$29.02 million. We aim to help individuals or legal persons implement their social welfare ideas, and assist in social welfare affairs and account management.

Payroll transfer service for non-profit organizations

In order to fulfill the responsibilities of financial institutions in assisting social services, KGI Bank has launched integrated service solutions such as dedicated salary transfers, demand deposits, and donation platforms for schools and foundations. In addition to assisting non-profit organizations in serving the public, we have also increased the opportunities for non-profit organizations to increase their income

Support the cultural and creative industries

Continue to cooperate with government policies to promote the development of cultural and creative industries and build a social environment with rich cultural and creative connotations. KGI Bank combines government resources with the assistance of the SME Credit Guarantee Fund to provide various financing services for the cultural and creative industries to meet the needs of corporate customers. Funds required for stage development..

Loans to startups in key industries

NT\$ million

	2018	2019	2020	2021
Balance	90,228	82,890	87,225	87,882

Small and micro business financing (note)

NT\$ million

	2018	2019	2020	2021
Balance	1,945	1,780	1,522	1,852
Number of cases	1,715	1,697	1,661	2,072

Note: "Small and micro enterprises" are defined as enterprises whose annual revenue has not exceeded NT\$300 million in the most recent two years.

Product name	Project content	Service results in 2021
Campus Payroll Transfer Service Project	<ul style="list-style-type: none">◆ Provide faculty and staff with better than market salary transfer conditions, such as free number of transfers, demand deposit interest rates, etc.◆ Simplify the collection and payment process of tuition and miscellaneous fees. Assist schools in printing payment slips, convenience store payment processing fee exemptions, and a credit card payment platform for tuition and miscellaneous fees.◆ Provide high-interest demand deposits, which is up to 5.75 times the announced interest rate, to increase school income.	Serving 1 school with 579 employees
Foundation Payroll Transfer Service Project	<ul style="list-style-type: none">◆ Provide employees with better than market salary transfer conditions, such as free number of transfers, demand deposit interest rates, etc.◆ Reduce the fee expenses of the foundation, provide a collection and payment platform, and only charge a fixed fee (minimum NT\$6) for each donation, which is better than the original 2% fee incurred on the donation amount.◆ Provide high-interest demand deposits, which is up to 5.75 times the announced interest rate, to increase foundation income.	Serving 8 foundations with 187 employees

Cultural and creative industries loan

NT\$ million

	2018	2019	2020	2021
Balance	4,993	5,640	8,273	5,444
Number of cases	144	105	149	203

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

3.4 Customer Experience

3.4.1 Digital Finance

Digital finance strategy

In order to cope with the dramatic and dynamic changes in the investment environment in the post-epidemic era, CDF Group, in addition to its professional wealth management team, also focuses on digital financial service tools, so that investment and wealth management can meet the trends and needs of life. In the future, "One Website, One App" will be our goal in the implementation of FinTech (financial technology), which is rapidly infiltrating and transforming consumers' financial life.

KGI Bank adopts the "KGI inside" strategy and uses the technical capabilities of fragmenting, modularizing and API-based financial services to create an innovative cooperation model between FinTech players and banks, and is the first in the financial industry to use the concept of Open Banking, open plug-and-play financial service components (Open API) to realize scenario finance.

In recent years, "KGI inside" has been used in social housing rent payment and charity donation quick-connect service, the first to pay rent by credit card, which is convenient for disadvantaged groups, and assists small and medium-sized social welfare organizations with the quick-connect API module with zero cost and fast connection. Construct donation channels to help groups with relatively few social resources to effectively use financial tools.

Provide better financial experiences for customers of CDF Group, and establish a digital bridge between KGI Bank and KGI Securities. KGI Securities' new customers can import the securities account opening information to the bank through the digital process, and customers can fill in the information once to open a digital account in Taiwan dollars and a Taiwan stock securities account. KGI Securities customers can also complete identity verification through a simple process, and use securities inventory as the financial proof for credit card application, which greatly shortens the online application steps and creates a holistic financial experience for group customers.

In addition, China Life and KGI Bank launched the "Electronic Authorized Premium Deduction Service", through the online verification mechanism of KGI Internet Banking to complete the application for China Life insurance premium deduction agreement. Know the authorization results, and provide customers with convenient and fast digital financial services.

KGI Securities is the first securities company to launch the Line binding account service, dedicated to the functional development of the Line and Facebook community platforms and precise product marketing, outlining the appearance and operational feasibility of a digital securities company. In addition to the continuous improvement of functions

such as electronic and mobile ordering, the AI intelligent customer service function will be launched in 2021, attracting a total of 46,000 people to ask 140,000 questions, using machine learning to promote the accuracy of question and answering to 96%, using multiple rounds of situational dialogue and Emotion detection mechanism to quickly respond to customers' questions about products and services.

In order to provide a better financial experience for the customers of the CDF Group, we have established a digital bridge between KGI Bank and KGI Securities, and created the first two-way digital identity authentication method between the bank and the securities company. Three-in-one accounts (Taiwan stocks, U.S. stocks, fund accounts) can be opened online in one go, providing superior service to the brokerages in the same industry. KGI Bank online banking customers can open a KGI Securities Taiwan stock securities account online through the online banking review, and KGI Securities customers can also complete the identity verification through a simple process and use the securities inventory as the financial proof for applying for a credit card, which greatly shortens the time. Online application steps to create a holistic financial experience for group customers.

CDF Group's Digital Finance Achievements

China Life Insurance

1. "Smile to Sign" remote facial recognition insurance purchasing

In the face of the new financial technologies, China Life has invested abundant resources to promote the digital transformation, pioneered the application of facial recognition technology in the insurance process, and was one of the first companies to be allowed to test remote insurance. With the most rigorous information security and personal information protection measures, we have created an intelligent identity verification mechanism, leading the industry into a new era of "facial recognition insurance". These outstanding digital transformation achievements won the "Digital Innovation Award" in the first "Business Times Digital Finance Award" and the TCSA Taiwan Enterprise Sustainability "Innovation and Growth Leadership Award", which not only show our outstanding performance in implementing financial technologies, but also shows our entrepreneurial spirit and innovation ability. Since their launch, over ten thousand people have completed the insurance process.

2. Insurance Claims Medical Start-up – a new online service for claims settlement, leading a new life with technology

Under the organization of the Life Insurance Association, China Life took the lead in announcing the launch of the "Insurance Claims Medical Start-up" program with the Taipei City Government, and cooperated with 10 hospitals in Taipei City to share medical documents and data. After authorization, the "InsurTech Application Sharing Platform" will automatically provide medical documents such as diagnosis certificates to the insurance company, so that the insured does not need to rush between the hospital and the insurance company to deliver the documents, which greatly reduces the time and cost of documents required for claim settlement. Zhongshou has cooperated with the various districts of Taipei Municipal United Hospital, Cathay Pacific Hospital, Shin Kong Hospital, and Wanfang Hospital to start the sharing of medical documents and data, which can save the time for policyholders to travel to and from the hospital. Zhongshou will also use the security features of blockchain technology. Provide a high degree of information security protection for the personal information of the insured to ensure the confidentiality of important personal information.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

3.1 Responsible Investment
3.2 Sustainable Insurance
3.3 Principles of Responsible Banking
3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

3. New Opportunities for Sales Assistants in Digital Sales - "i-Game", "i-Inquiry"

"i-Game" and "i-Inquiry" are China Life's exclusive development digital tools, and through agile development, it has created a business development tool for salesmen, mainly to create more friendly and situational interactive communication opportunities for new salesmen. Because insurance is a diverse and professional commodity, but it is also closely related to life. With accumulated rich experience and sales skills, senior salespeople are good at actively creating opportunities to contact customers, and can transform complex insurance product combinations into situational interactive communication. Provide appropriate protection to meet customer needs. However, this is not easy for newcomers with less than two years of experience.

Driven by AI and big data, China Life actively assists new business people to identify problems, and solves pain points with the successful experience of senior salesmen. "Game" and "i-Inquiry", through digital games, help new business people understand the insurance awareness of customers, and then can provide advice according to their needs, and plan appropriate insurance, so that new business people can also provide consultative insurance services.

Customers' acceptance of "i-Game" and "i-Inquiry" has been very high, and the response has been enthusiastic since its launch. After customers receive "i-Game", salespeople can use "i-Inquiry" again to further communicate with customers Interaction to confirm insurance needs and complete insurance planning. at the same time, the salesperson also reported that this new tool can easily create topics, which helps to speed up the promotion of marketing and recruitment, and the process is smoother. "i-Game" and "i-Inquiry" are also connected with other digital tools of China Life. After confirming the customer's protection needs and insurance willingness, the recommended products can be listed with just one click, so that the services can be seamlessly connected, bringing A smoother insurance experience for customers.

4. AI intelligent assistant "Xiaochai" - a personal assistant for salesmen and a tool for business development

"Xiaochai" is an intelligent assistant specially designed and developed for China Life salesmen, providing instant question and answer answers, and a variety of intelligent and caring services. "Xiaochai" uses natural language processing technology NLP, combined with the smart head built by the experience of life insurance experts, salesmen can ask questions about products, business rules, and the use of digital tools, and can also further obtain information needed in daily work. In addition, through big data data and calculations, "Xiao Chai" can provide dynamic information related to policyholder services, such as: Customers' birthday reminders, to-do work today, etc., are combined with "Xiaochai" business development aids, including greeting cards, digital calendars, etc., so that salesmen can provide customers with considerate services and convey warmth at the right time.

In 2021, "Xiaochai" will also continue to be optimized and upgraded, including continuous training and improvement of knowledge, adding more than 200 sets of knowledge, making the intelligent assistant smarter! In addition, a "keyword search function" has been developed to predict the questions that salespeople want to input, and match them in real time. The answer, make the smart assistant more useful! In 2021, more than 90% of the salesmen will use it on average every month. "Xiaochai" has become the most trusted personal intelligent assistant for China Life salesmen, and provides digital services during the epidemic without interruption. "Xiaochai" will work hard to move forward and continue to be China Life. The most solid backing of business colleagues.

5. Big Data and AI Platform and Marketing Tag Library

China Life has built a marketing tag database to describe customers' attributes, behaviors, intentions, interests and other information, and automatically organizes interactive data to detect customers' intentions for specific products. in 2021, it will further assist front-line customer service personnel based on information on the use of customer funds To improve customer experience, it is more in line with the development strategy of the overall ecosystem, and uses customer tags to enhance subsequent service experience.

6. Precise marketing list – find the right customer in the right market

From the huge list of existing customers, through big data analysis and building machine learning models, customers with high repurchase rates for various products are identified, and salespeople are given priority to arrange marketing activities. in 2021, the data dimension will continue to expand and strengthen The hyperparameter tuning of the advanced model has increased the repurchase multiple of the list by more than 5 times.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Innovative digital financial products and services

Products/services	Partners	Content
Digital credit	Provide customers with 24-hour online loan application services	<ul style="list-style-type: none">◆ Continuously optimize and promote digital applications, such as credit RPA receipt and allocation automation processes◆ In 2021, the number of online loan applications reached 33,000, and the annual loan application amount reached NT\$35.7 billion. The released loan amount reached NT\$13.5 billion, and the online utilization percentage reached 98%.
KGI Inside – Digital Credit	Alphaloan	<ul style="list-style-type: none">◆ In cooperation with AlphaLoan, the largest loan comparison platform in the country, the first cross-bank loan bill management function was created, so that "Smartphone Generation" mobile phone users can enjoy cross-bank credit loan comparisons, loan applications, repayment services, etc., through a one-stop service for finance.
KGI Inside – General Payments	Donation platform	<ul style="list-style-type: none">◆ Provide more than 30 charitable groups with fundraising through the cooperation with KGI Inside's various scenarios at a lower handling cost, and launch a quick-connect API module suitable for small and medium-sized social welfare organizations with zero serial connection costs.
	Social housing	<ul style="list-style-type: none">◆ KGI Bank was the first to launch the convenient payment of social housing rent by credit cards, assisting the government and the industry to facilitate rent payment and benefiting the disadvantaged in society
KGI Inside - Big data analysis	iCHEF	<ul style="list-style-type: none">◆ Provide professional knowledge related to big data module analysis and risk management to help iCHEF build a restaurant closure prediction model and strengthen the grasp of restaurant operation variables. Furthermore, KGI Bank has connected the service with online loan applications, and launched the "iCHEF Restaurant Loan" service to help stores obtain funds in a more efficient and convenient way.
Biometric login	External/internal development	<ul style="list-style-type: none">◆ Since the launch of biometric functions such as FACE ID/fingerprint/pattern verification in 2020, the use of quick login services by customers has grown significantly. The cumulative number of bound devices in 2021 reached 143,000, representing an increase of 60.7% over 2020. In the future, the biometric transfer function will be launched to provide customers with a more convenient transfer method.
Online banking function optimization	External/internal development	<ul style="list-style-type: none">◆ A new electronic passbook delivery service was added, and nearly 22,000 online applications were made throughout the year. Customers can directly apply for the electronic passbook cover and transaction details of their domestic and foreign currency accounts through the Internet/mobile banking, which saves the need for frequent passbook replacements at the counter and reduces the paper needed for printing attached documents for various business applications.◆ Established a notification service for changes in deposit account balances. From May 2021 to the end of the year, the number of customers who completed the service registration exceeded 50,000, and more than 470,000 push notifications of changes in account balances were sent to customers, providing a safer and more secure service experience.◆ Added online updates of occupational industry information, helping customers avoid visits to the counter or calls to customer service.◆ Expanded online banking ETF ordering services to provide customers with multiple ordering channels.
Credit Card Digital Acceptance Service	LG Fitness Factory iCHEF	<ul style="list-style-type: none">◆ Partnered with telecom operators to create "mobile digital credit card machine" services.◆ Supports swiped cards, proximity cards, and 3 international pay services◆ Support primary and secondary account usage/account inquiry◆ Personal credit card signing, merchant signing slips and payment request slips are cloud-based, realizing the convenience of paperless services.
Facilitating transactions	External/internal development	<ul style="list-style-type: none">◆ Digital account opening at the counter, online form filling and account opening services shorten the waiting time at the counter

3.4.2 Customer Privacy Rights and Protection

Privacy Protection

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, vendors, and Privacy Policy applies to the entire operations, including suppliers. We uphold a strict adherence to the protection of customers' privacy and personal data security.

CDF's Compliance Department completed the 2021 "Business Process Identification and Personal Data Inventory" and "Risk Assessment" in accordance with the "Security and Maintenance Plan for the Protection of Personal Data Files and Guidelines for Disposing Personal Data Following Business Termination". According to the inventory and assessment results, the personal data risks involved in each business process of the Company have been effectively managed; in order to implement the protection of personal information even more thoroughly, the Company has also further reviewed all of its business processes involving personal information with a value-at-risk ranking of 5% or more. Upon review, it was confirmed that each department completed the "Personal Data Processing Risk Assessment Form" in accordance with the aforementioned "Security and Maintenance Plan for the Protection of Personal Data Files and Guidelines for Disposing Personal Data Following Business Termination", and risk ranking was performed by a task force to assess the Company's acceptable risks. The administrative unit of the task force assigned personnel to write a self-assessment report of personal data management risks based on the aforementioned assessment results. The report was then submitted to the task force for discussion and approved by the

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

President to have the personal data risks arising from the business processes mentioned above effectively managed.

Rules and regulations of domestic and international government agencies and relevant institutions that stipulate requirements for the Company to provide personal data have been amended to the internal rules and regulations of the subsidiaries, so as to more thoroughly protect the privacy and rights of customers. In addition, KGI Securities has also added a requirement where in the event of a major personal data breach, it shall be reported to the competent authority within 72 hours for more thorough protection of the privacy and rights of customers. With respect to system improvements: For the online ordering system, now the ID number is hidden when logging in and when checking customer information, all basic personal information is hidden behind random characters, two-factor login verification is enabled, etc. KGI Bank introduced the database personal information scanning system in 2021 and performed regular scanning to prevent improper storage of personal information in the test database and reduce the risk of personal information breach.

CDF has compiled and disclosed the "[Privacy Policy](#)", "[Personal Data Management Policy and Personal Data Notification Statement](#)", and "[Client Data Protection and Confidentiality Statement](#)" on the corporate website to explain how CDF, its subsidiaries, and third party suppliers use and protect customers' personal information as well as to provide a smooth and effective communication channel for the customers.

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 and Management Policy](#)" as a group-wide privacy protection guidelines. The Company and subsidiaries have built a 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 to 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, designated person or department 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 by 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's Privacy policy system embedded in group-wide risk/compliance management and 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. The Company has disciplinary actions in case of breach: Employees violating these regulations will be punished as per "Employee Reward and Discipline Policy" and other relevant reward and punishment regulations. Regarding the Audit of privacy policy compliance, the Company incorporates personal data protection into the compliance self-evaluation, and conducts regular evaluations to ensure compliance with relevant laws and regulations.

01 Report to the dedicated unit

- ◆ 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

02 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.

03 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

04 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"

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Privacy Protection Practices

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

- 1. Use of the collected personal data.
- 2. Categories of the collected personal data.
- 3. Time period, territory, recipients, and methods of which the personal data is used.
- 4. Rights of the persons involved and the methods for exercising such rights under Article 3 of the Personal Data Protection Act:
 - (1) Make an inquiry or request to review or obtain copies of personal data, for which the Company may charge a fee to cover necessary costs by law.
 - (2) Supplement or correct personal data, for which appropriate explanations should be provided by law.
 - (3) Demand cessation of the use of and removal of personal data.
 - (4) Demand processing restrictions.
 - (5) Request data portability.
 - (6) Reject automated profiling.
 - (7) Reject the processing of personal data for direct marketing purposes.
- 5. 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 "Client Data Protection and Confidentiality Statement " on the corporate website:

- (1) How customer information is collected.
- (2) How customer information is retained and protected.
- (3) Methods for securing and protecting customer information.
- (4) Classification, scope and items for use of customer information.
- (5) Purpose of collected customer information.
- (6) Third-party disclosure of customer information (the Group will not disclose customer personal data to any third parties unless required by law, with your written consent, or commissioned by the Group to conduct business affairs on behalf of the Group).
- (7) Methods for changing and updating customer information.
- (8) Methods for opt-out.
- (9) Names and telephone numbers of subsidiaries sharing customer information.

We conduct third-party audits of the privacy policy compliance. 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 (the certificate remains valid) 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 (the certificate remains valid) 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. The personnel from the Information Security Department of KGI Bank won the 3rd place in the 4th RedAlert Information Security Attack and Defense Competition co-organized by the National Center for High-performance Computing and Taiwan Cyber Security Alliance. KGI Securities and China Life Insurance won the titles of "Digital Information Security Gold Award" and "Digital Information Security Quality Award" respectively in the securities category of the first Digital Finance Awards held by Commercial Times in 2021. 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 against KGI Securities and China Life Insurance about breaches of customer privacy in 2021.
- KGI Bank privacy-related complaints are as follows.

Among the customer complaints received in 2021, there were 2 cases involving privacy rights:

- Case 1: A guarantor was required for a business credit application, and upon receipt of a request from the applicant's brother, KGI Bank confirmed that the applicant's brother has no intention of guaranteeing for the applicant. Therefore, KGI Bank immediately destroyed the credit application, and upon final evaluation, KGI Bank denied the loan application of the business and came to an understanding with the applicant's brother. The headquarter management units launched new personal information training and requested all personnel to implement the notification of personal information collection, processing, and use. If the personal data collected is not provided by the subject, the subject shall be informed of the source of the data and the relevant provisions of the Personal Data Protection Act before processing or using it.
- Case 2: The home delivery company working with the credit card reward gift vendor made a mistake on the shipping information; the home delivery company immediately corrected the delivery mistake and made a new delivery on the day it was informed of the mistake. Improvement measures taken by the vendor:
- 1. The gift vendor replaced the home delivery company.
 - 2. The vendor made sure to double check the delivery list before shipment and then provide the confirmed list to the home delivery company for delivery.

- There was no secondary use of any data (use of personal data for purposes other than for which it was originally collected) in 2021.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Integrity and Transparent Communication: Principle of Treating Clients Fairly 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 WG." At the same time, KGI Bank and KGI Securities also formulated the "Principle of Treating Clients Fairly" 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 Principle of Treating Clients Fairly 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 Principle of Treating Clients Fairly by subsidiaries to solid customer service and protection of rights and interests.



Methods of Implementation			
Subsidiary	Policies and Procedures	Communication Method and Mechanism	Communication Performance
KGI Bank	<div><div>I. KGI Bank has established the " Policy for Principles of Treating Clients Fairly ", "Consumer Protection Principles", and "Guidelines for Handling Customer Complaints and Disputes" to fulfill its corporate social responsibility in improving customer satisfaction and safeguarding customer rights and interests.</div><div>II. Implementation</div><div>1. Customer satisfaction: The customer service department conducted customer satisfaction surveys on Taiwan and foreign currency transactions, account opening, wealth management, personal financial management, new loan application/credit card business, customer service center, and online account opening at the branches. The total number of questionnaires returned was 20,000. The overall service satisfaction rate was 98.8%.</div><div>2. Customer complaint and customer feedback management</div><div>(1) In 2021, there was a total of 265 customer complaints, 92% of which were processed within 3 business days, exceeding the target of 85%.</div><div>(2) The customer service units continued to analyze the types and causes of customer complaints as well as reviewed and implemented improvement measures, such as improving the processing procedures (including the feedback from the complainant), optimizing platform functions such as website/voice, strengthening system efficiency, and providing education and training, with a total of 81 items.</div><div>(3) A customer complaint satisfaction questionnaire has been implemented since August 2021, and 80% of the customers are satisfied with the attitude and efficiency of the personnel providing responses and assistance.</div><div>3. Customer call services: In 2021, 80.4% of the customer calls were answered within 20 seconds, providing effective, prompt, and accurate solutions to customers' inquiries.</div><div>4. NPS has been implemented to obtain customer opinions for improvement and tracking and to optimize customer experience.</div><div>KGI Bank has established the "Committee for Fair Treatment of Customers" to assist the Board of Directors to promote and implement KGI Bank's principles of fair customer treatment. KGI Bank has also formulated the "Consumer Protection Principles", and "Guidelines for Handling Customer Complaints and Disputes" to fulfill its corporate social responsibility in improving customer satisfaction and safeguarding customer rights and interests.</div></div>	Through the legal compliance notification mechanism, KGI Bank cooperates with the competent authorities to update the regulations for control and tracking and incorporate the relevant provisions of fair customer treatment in the self-assessment and regular review of legal compliance.	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 Principle of Treating Clients Fairly. 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. In 2021, KGI Bank won the "Bronze Medal Award" of the "Taiwan Service Industry Review" among 18 domestic banks for the third consecutive year, affirming KGI Bank's efforts. Its branches and customer service personnel believe in heartiness and strive to provide warm and professional services.

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

**Sustainability
Strategy**

**Corporate
Governance**

**Intelligent
Finance**

3.1 Responsible Investment

3.2 Sustainable Insurance

3.3 Principles of Responsible
Banking

3.4 Customer Experience

**Elite Talent
Development**

**Low-Carbon
Economy**

**Co-Creation of
Sustainable Society**

Appendix

Methods of Implementation

Subsidiary	Policies and Procedures	Communication Method and Mechanism	Communication Performance
China Life Insurance	<ul style="list-style-type: none"> The Committee for Fair Treatment of Customers has been established to formulate the "Principles for the Implementation of Fair Treatment of Customers" and regularly summarize and report to the Board of Directors of measures related to fair treatment of customers. In the self-evaluation of directors, the assessment items of "Importance to ESG Issues" and "Proactively Promoting the Principle of Treating Clients Fairly" 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. The Net Promoter Score (NPS) has been implemented to assess the service experience brought to customers by China Life Insurance. In 2021, two service contact points "New Contracts" and "Claims" have been launched with outstanding performance of more than 70 scores. At the same time, China Life Insurance analyzes and organizes customer responses, obtains feedback from customers regarding handling procedures, refers to customer pain points, and further promotes improvement plans to indirectly improve the appeal mechanism. China Life Insurance plans to continue to introduce different touch points to more comprehensively optimize customer experience in 2022. 	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 2021, a total of 4,562+ calls have been made to listen to the product introduction, and a total of 3,447 inquiries have been made. Won the "Principle of Treating Clients Fairly Evaluation" by the Financial Supervisory Commission for 2 consecutive years. As the COVID-19 pandemic surged in 2021, China Life Insurance has overcome environmental and system difficulties within two weeks and is the first in the industry to start home-based check-ins for all 0800 customer service staff, maintaining an annual answering rate of 94.71% and providing high-quality services with uninterrupted customer service.
KGI Securities	<ul style="list-style-type: none"> KGI Securities has set a total of 18 internal regulations related to the Principle of Treating Clients Fairly, 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 years. The Corporate Strategy and Planning Department of KGI Securities is responsible to plan, promote, and supervise the implementation of the aforesaid tasks as well as organize annual review meetings and report to the Board of Directors. In 2021, KGI Securities established the Committee for Fair Treatment of Customers (hereinafter referred to as the "Committee"), which is responsible for the planning and implementation of fair customer treatment and regularly reports the implementation results to the Board of Directors. The President serves as the convener of the Committee, and its composition and operation are handled in accordance with the Company's "Regulations for Fair Treatment of Customers".

Educational Training Procedure

Subsidiary	Number of Educational Training	Hours of Educational Training
KGI Bank	KGI Bank all employees	<ul style="list-style-type: none"> In 2021, all employees of KGI Bank underwent three hours of training on fair treatment of customers, including 3 hours of online training in the first half of the year and 1.5 hours of online training in the second half. 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 Financial Consumer Protection Act into orientation for new recruits. 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	16,497 office workers, supervisors, and field staff	<ul style="list-style-type: none"> The Board of Directors of China Life attaches great importance to the top-down promotion of the corporate culture of fair customer treatment and continues to conduct relevant education and training online or in person depending on the severity of the COVID-19 pandemic. In 2021, 1 physical course on fair customer treatment and 3 online courses were held: <ol style="list-style-type: none"> For the members of the board of directors and senior managers, distinguished Professor of Law at National Yang Ming Chiao Tung University, Carol Lin, was invited to teach a course on financial friendliness for the elderly from the perspective of financial consumer protection on November 16, 2021. A total of 47 directors and senior executives attended the course and participated in interactive discussions. For the directors and representatives of core departments, on November 24, 2021, Deputy Chief of the Financial Ombudsman Institution, Ming-Cheng Hsu, was invited to give a course on the Principle of Treating Clients Fairly: Appraisal Case Studies. A total of 70 people attended the course. For the general department representatives, a course on the Financial Consumer Protection Act and Principles for Fair Treatment of Customers was held on June 28, 2021 by the Taiwan Insurance Institute, and a total of 80 people attended. In 2021, the online training digital material related to the principles for fair treatment of customers was updated and included in the FCA guidelines for fair treatment of financially disadvantaged people. A total of 2,300 office workers and over 14,000 field staff completed the training, showing a completion rate of 100%. The total hours of the above courses amounted to 49,339 hours, completed by a total of 16,497 people.
KGI Securities	2,466	<ul style="list-style-type: none"> In 2021, KGI Securities held 4 physical/online courses on Principle of Treating Clients Fairly, totaling 7.5 hours, and provided related digital courses, totaling 3 hours, with a total of 2,441 participants; in addition, the number of people who participated in related courses organized by external agencies amounted to 25 (2 courses, including 7 directors). The total number of people who participated in all relevant training courses in 2021 (including directors and representatives) was 2,466. KGI Securities regularly conducts company-wide legal education and training courses which cover the principles for fair treatment of customers, relevant regulations on financial consumer protection, customer complaints and dispute resolution, important penalty cases, and laws. KGI Bank has communicated other companies' punishments announced by the FSC with all employees and requested relevant departments to check for similar cases, review operating procedures, or establish control mechanisms in order to continue to evaluate and optimize its business operations.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Violations				
Subsidiary	Number of Violation	Nature of Violation	Background	Improvement Measures
China Life Insurance	0	No violation in 2021.		
KGI Bank	2	Related to fair treatment of customers and consumer protection	1. Case 1 (major incident): In response to a customer's allegation that funds from the customer's KGI Bank account had been remitted, the supervisor of Beimen Branch was suspected of being involved in financial transactions with the customer, and the branch staff were found having violated the code of conduct and having operational negligence. 2. Case 2 (significant deficiencies identified in the Senior Financial Consumer Protection Program): A customer of Jiguang Branch reported that the customer's account password was hacked, and funds were withdrawn without the customer's consent.	1. Case 1 (major incident): The deficiencies have been reported to the Personnel Management Committee for personnel punishment. 2. Case 2 (significant deficiencies identified in the Senior Financial Consumer Protection Program): The relevant improvement measures have been completed to check the flow of funds and related transaction data. For the negligence in the professional service process and the financial transactions with customers, they have been reported to the Personnel Management Committee in April 2021 and November 2021 respectively. With respect to the fraud lawsuit the customer also filed with the Taichung District Prosecutor's Office against the branch personnel, the investigation has been completed, and a non-prosecution decision was made.
KGI Securities	1	Related to fair treatment of customers	In November 2021, KGI Securities received a letter from the Financial Supervisory Commission (FSC) requesting attention to improve the implementation of Principle of Treating Clients Fairly (Letter No. 1100364693).	On December 24, 2021, an improvement plan was approved by the Board of Directors, with five improvement measures: 1. Appointment of professional consultants: At present, Deloitte & Touche has been hired as a project consultant, and several meetings on related topics have been convened. The improvement plan is still in progress. 2. Establishment of the fair treatment promotion committee: 3. Report to the Board of Directors on the implementation of Principle of Treating Clients Fairly. 4. Improve and optimize customer complaint handling mechanism. 5. Set up a special area on the official website for Principle of Treating Clients Fairly.

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

1. Service ambassador

Adhering to the service concept of "Love and Care" and "Fairness and Empathy, Treating Customers as Oneself", China Life has promoted the selection of service ambassadors from the fourth quarter of 2018 to encourage colleagues to create high-quality "touching services" together. By 2021 A total of 114 service ambassadors were selected, and all colleagues voted for 47 to win the TOP5 service ambassador award based on their service stories. The general manager personally praised them publicly, demonstrating the sense of honor of the front-line customer service personnel, deepening the service culture and implementing fair hospitality. Spirit, establish service model, enhance corporate image and customer satisfaction.

2. Service course

The telephone service center will hold two self-organized training courses in 2021, and invite the staff of customer service centers from all over the world to participate, which will help improve the financial investment knowledge of colleagues and facilitate the provision of diversified services. Change thinking, stimulate the spirit of innovation, make services more flexible and perceptive, create better services with customers as the center, and continuously improve customer experience.

KGI Securities

In order to improve the digital customer journey experience. Fully digitized customer journey, including account opening, review, transaction, service process, and accounting is fully online and automated, allowing customers to enjoy all services at home without leaving home. In addition, in order to reach young customers, it provides customers with one-stop community wealth management services, establishes a real-time interactive community marketing platform, and uses LINE community focus marketing to gradually guide customers to understand financial wealth management products. In addition, creating a new official website presentation style combined with Adobe Analytics system tools to automatically collect audience data, understand individual customer preferences, optimize customer experience, and increase the probability of potential customers turning into actual customers.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

KGI Bank		
Products/ Services	Content	2021 Performance
Credit card	◆ Customers can choose installment payment plans through online banking/ mobile banking point/interactive billing/official website for credit card purchases	The number of transactions increased by 8% compared to the previous year
Transaction services	◆ Fund: Continue to provide customers with better transaction fees and more fund services, such as private equity funds ◆ Foreign stocks/ETF: Provide online banking order placing and US stock listing services ◆ Structured products: Provide more structured products that are linked to diverse targets ◆ Savings: Provide a more convenient account opening channel ◆ Make check deposit interbank transactions available ◆ Make holiday payroll transfer functions available ◆ Formless foreign remittance ◆ Continuous transactions for tax collection	◆ Launched the first private equity fund ◆ Release structured products connected to equity
Credit card bill service	◆ Interactive digital billing: Compared with traditional electronic bills, interactive digital billing provides four major functions: "pay now", "installment payment", "past bills", and "digital applications", which helps customers grasp their purchase information and flexibly manage their finances. Through digital interactive billing, customers can make online payment or generate payment barcodes with mobile phones to branches or convenient supermarkets to pay, immediately apply for current account installments or single consumption installments, inquire about the last 6 installments, apply for credit online or other credit card etc.	The percentage of e-bill valid cardholders increased to 45.3%
Internet banking and mobile banking services	◆ KGI Bank's online banking and mobile banking will carry out more than 150 optimization/new functions in 2021, including providing new electronic passbook sending, deposit amount change notification, online update of career industry information, online banking ETF order service and other functions. Satisfy the requirements for convenience and excellent customer experience for customers in terms of query, transaction, and account checking functions.	Implemented over 150 optimized/added functions in online banking and mobile banking
Automatic notification of corporate Internet banking messages	◆ Provide corporate customers with foreign currency transactions (deposit, remittance, import and export, lending) and e-commerce of Taiwan dollar lending transaction documents	From its launch in November 2017 to the end of 2021, the total number of subscribers to the "Automated Message Notification Service" was 732. the cumulative number of notifications in 2021 was 61,324.

Note: Digital credit application saves 4 A4 sheets per application. deeds estimate that each application saves 6 A4 sheets. According to the calculation from the Taiwan Product Carbon Footprint Information Website of the Environmental Protection Administration, Executive Yuan. A pack of 500 sheets of A4 paper, 70g (210mm x 297mm), produces about 3.6 kg of CO2e. In 2021, there will be 33,490 digital application cases, about 13,767 online digital applications, and 216,562 sheets of paper, which is estimated to reduce carbon emissions by 1.559246 tCO2e.

More active social media management

Subsidiaries KGI Bank and KGI Securities have both established Facebook fan pages and LINE@Life Circle, reaching out to the young Internet generation through social media, and expanding communication channels with customers at all levels of consumption to help cultivate young people to manage their money properly View and provide diversified financial information. China Life is also customer-centric, conveys love and care through creative content close to life, actively creates exposure and enhances brand favorability.

Social media	2021 Operating Status	2022 Goals
 KGI Bank Facebook	Number of fans: 110,161 (+6%) Number of posts during the year: 243 Number of views for the posts: Around 2.46 million times Counts of post interactions: Around 310 thousand Number of shares for the posts: Around 30 thousand Number of direct messages from customers: Around 1,500 cases	This year, various social media will be integrated and operated according to the characteristics of different ethnic groups and needs. (1) Lower the psychological threshold of financial services through professional and interesting content. (2) Show more personalized styles and extend the management of age groups. (3) Plan personalized services and customized preferential activities. Build a consistent brand image and increase opportunities for reach and interactions. Customer requirements will be prioritized to develop loyalty and become the first choice for customers.
 KGI Bank Instagram Official account	Official Instagram account Official operations	
 KGI Bank Official LINE account	Number of friends: 33 thousand (+24%)	
 KGI Securities Official LINE account	Number of friends: 247 thousand people (+18%) Number of bound accounts: 37 thousand (+22%) Number of views: 600 thousand+	Continue to contact customers with diverse themes, interactive programs, and professional research, effectively exert the influence of content, shorten the distance between brokers and investors through the community, make LINE and FB a bridge of rapid interaction with young people, and improve the youth group. Investors' willingness to invest, and launched the new content "Investment Video" in the community to provide consumers with better daily market analysis, monthly money line reports, and investment advisors' opinions, so as to guide customers to quickly grasp the market dynamics of Taiwan stocks, And the pulse of overseas popular industries, to promote the trading willingness of Taiwan stocks or overseas stocks (re-entrustment) .
 KGI Securities Facebook	Number of fans: 35 thousand (+9%) Number of posts during the year: 210 posts Number of views for the posts: Around 810 thousand times Counts of post interactions: Around 72 thousand Number of shares for the posts: Around 15 thousand Number of direct messages from customers: Around 400 cases	
  China Life Insurance Facebook fan page Official Instagram account	Number of fans: 37 thousand (+17%) Number of posts during the year: 480 posts Post engagement: Around 11 million times Counts of post interactions: Around 390 thousand Number of shares for the posts: Around 50 thousand Number of direct messages from customers: Around 180 cases	In response to the global carbon reduction trend, the China Life Community will enhance the brand's favor and sustainable recognition, lead the way with creativity, and strengthen the content of sustainable financial initiatives. With themes such as risk protection, friendly environment and social participation, the design of healing and eye-catching graphics conveys the brand's love and care, actively creates exposure and interaction, and becomes a close and warm contact point with fans' lives.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

More popularized financial education seminars

In order to promote our customers' understanding of financial products and taxation, and considering the government's launch of the third-level anti-epidemic measures in the second quarter, KGI Bank held offline and online financial and wealth management seminars in the province, including insurance, bonds, and taxation. theme, sharing the latest domestic and foreign commodity development trends and domestic tax system changes, helping customers to grasp the most suitable financial management methods in the face of the new crown epidemic. In 2021, the province will hold a total of 11 briefing sessions, serving 2,134 person-times, to meet customers' needs for financial management knowledge.

In addition, feeling that domestic fraud is rampant and criminal methods are innovating, KGI Bank has launched the "Guard Your Wealth Safety" anti-fraud publicity project since September 2021. Through the briefing session, it will help the public to build fraud prevention knowledge. As of By the end of December of the same year, a total of 1,697 people had been promoted.


In order to improve service quality, KGI Securities not only organizes on-the-job education and training for managers to help managers keep pace with the times in various financial products, but also organizes lectures on different topics for customers. Investors' understanding of financial markets and products meets investors' needs for financial services.

Combining the functions of finance and insurance, China Life has joined hands with the Department of Finance and Finance of Donghua University in Hualien to launch a series of activities of "Meet a Happy and Beautiful Life Financial Primary School" since 2020. As of 2021, it has toured Hualien, Ji'an, Yuli, Fenglin and Xincheng, etc. In each remote township, a total of 5 sessions were held, and the cumulative number of publicity was about 400 people. Through the power of education, it was closely linked to the community network to inject more resources into Hualien. The gap in financial knowledge makes education a key to promoting sustainable development.



	Party involved	Summary	Session	Attendents
KGI Bank	Customers	Insurance conference	2	647
		Bondholder conference	2	697
		Tax affairs conference	7	790
	Community residents	"Protecting Your Wealth" anti-fraud promotion	59	1,697
KGI Securities	Customers	Small conference	133	1,321
	Customers	Large conference	21	524
	Customers	Online conference	264	5,236
	Customers	KGI Securities Taiwan Investment and Financial Management Seminar (Taiwan Stocks)	12	413
Total			500	11,325

◆ Friendly service mechanism for the disabled

Demographic	Inclusive facilities and policies
 Visually impaired (total blindness or amblyopia)	<p>KGI Bank</p> <ul style="list-style-type: none">◆ KGI Bank's "Public Information and Simple Function Website" (barrier-free zone) not only discloses necessary information such as foreign exchange rates, customer service hotlines, etc., but also provides deposit and account enquiries, agreements and transactions such as non-transfer and transfer, and is based on the needs of visually impaired people. , combined with the built-in narration function of the mobile phone, guides the visually impaired to operate by means of voice guidance, and tailors a friendly interface to reduce operational obstacles and difficulties, so that the visually impaired can use digital financial services more conveniently and easily.◆ 【Deposit account opening】 On-the-counter account opening is performed by the customer and a witness (witnesses must be persons with full capacity and discernment. If relatives and friends cannot assist in the process, they may also be non-account opening bankers of KGI Bank), and the key points of the account opening contract will be read aloud by the witness. The content is for customers to listen to and assist them to complete the account opening process. At the same time, according to the needs of customers, they can also assist in off-site account opening services if they meet the requirements of the competent authority.◆ 【Transaction Services】 Non-counter visitors can be provided with telephone, online and mobile banking transaction services, as well as 24-hour telephone inquiries. Customers who visit the branch counters may place transactions orders orally or through the telephone. The onsite manager shall provide relevant transaction services according to the customer's requirements.◆ 【Other Services】 For customers who visit the counter, the on-site supervisor will provide relevant services according to the actual needs of the customer, and those who do not visit the counter can ask questions and receive answers through the telephone service. <p>China Life Insurance</p> <ul style="list-style-type: none">◆ 【Financial Friendly Zone Accessible Web Pages】 On the corporate website, disclose the necessary information that should be informed, including the environment, communication and services, products, information, announcements and statistics. Quickly browse any information on the website to assist the visually impaired to obtain picture information. When the pictures on the website cannot be displayed, the general public can also obtain relevant information through alternative text descriptions.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience



Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆ Friendly service mechanism for the disabled

Demographic	Inclusive facilities and policies																												
<div></div> <div>Those with hearing impairments and speech impairments</div>	<div>KGI Bank</div> <div><ul style="list-style-type: none">◆ 【Deposit account opening】 Provide online reservations for account opening services. The application content must be confirmed by the customer and all application documents must be signed. Onsite and offsite account opening services will be provided according to the customer’ s and competent authority’ s requirements.◆ 【Transaction Services】 Non-counter visitors can be provided with online and mobile banking electronic transaction services. Customers who visit the branch counters may confirm transactions through writing and formless transaction services are provided. The onsite manager shall provide relevant transaction services according to the customer’ s requirements.◆ 【Other Services】 E-mail inquiry and answer services</div>																												
<div></div> <div>Physically handicapped</div>	<div>KGI Bank</div> <div><ul style="list-style-type: none">◆ 【Deposit account opening】 Provide online reservations for account opening services. The application content must be confirmed by the customer and all application documents must be signed. Onsite and offsite account opening services will be provided according to the customer’ s and competent authority’ s requirements. If a visually impaired or physically handicapped applicant for opening an account cannot sign in person, if the signature is signed with a seal, it must be certified by one witness. Witnesses must be relatives or friends of the applicant for opening an account or a member of a social welfare organization or a non-account opening clerk.◆ 【Barrier-free facilities】 All branches of KGI Bank set up barrier-free environment spaces in accordance with the design specifications for barrier-free facilities in buildings formulated by the Construction Administration of the Ministry of the Interior. A total of 125 barrier-free ATMs for wheelchairs have been installed throughout the bank. The hospital has set up a visually impaired ATM, hoping to provide better barrier-free financial services for the physically and mentally handicapped. In addition, in response to the trend of an aging society, all 51 branches in Taiwan have set up service counters with seats to provide customers with seated service and create a customer-friendly environment .</div> <div>China Life Insurance</div> <div><ul style="list-style-type: none">◆ 【Friendly Service Counter】 In order to provide a better and faster business environment for elderly and disabled policyholders, China Life has set up a "Friendly Service Counter" at the counter of the customer service center, which is specially designed to give priority to specific objects. For policyholders in need of assistance, we will provide attentive services that special counters or special personnel will give priority to assisting in handling various insurance businesses.◆ 【On-site service】 China Life continues to provide care measures to the disadvantaged (visually impaired, mute, mentally and physically handicapped or disabled) and the elderly (over 65 years old), including on-site assistance in claim settlement and customer service related applications. pieces, etc. When applying for a claim, the customer can choose to remit the money, or choose to have the claim check delivered by the dedicated service staff to the customer at home.◆ 【Financial-friendly service hotline】 Provide friendly services for the elderly and disadvantaged groups, and plan a dedicated service hotline for the elderly and disadvantaged groups, which will be officially launched in June 2021, providing warm, professional and convenient financial-friendly services, simplifying the IVR input process, and free input Press 5 directly on the ID to quickly transfer to the dedicated service. According to statistics, in 2021, a total of 5,430 calls will use the dedicated hotline IVR voice explanation service, of which 4,127 calls will be transferred by full-time customer service personnel to provide consulting services.</div> <div>KGI Securities</div> <div>In order to provide all kinds of friendly financial services for people with disabilities, KGI Securities ensures that people with disabilities can fully enjoy basic, equal and reasonably convenient financial services. In addition to providing assistance in account opening and transactions, KGI Securities also sets up or leases its own bases in the province. The building provides friendly service measures. The data points and percentages are detailed in the table below:</div> <div><table><tr><th>Number of locations (percentage %)</th><th>Set up by yourself</th><th>leased building provided</th><th>Total</th></tr><tr><td>Accessible ramps</td><td>2 companies (3%)</td><td>34 companies (47%)</td><td>36 companies (50%)</td></tr><tr><td>Disabled toilet</td><td>6 companies (8%)</td><td>22 companies (31%)</td><td>28 companies (39%)</td></tr><tr><td>Accessible parking</td><td>3 companies (4%)</td><td>9 companies (13%)</td><td>12 companies (17%)</td></tr></table><table><tr><th>Number of locations (percentage %)</th><th>Set up by yourself</th><th>leased building provided</th><th>Total</th></tr><tr><td>Accessible elevators</td><td>5 companies (7%)</td><td>28 companies (39%)</td><td>33 companies (46%)</td></tr><tr><td>The height of the settlement counter is lowered</td><td>59 companies (82%)</td><td>-</td><td>59 companies (82%)</td></tr></table></div>	Number of locations (percentage %)	Set up by yourself	leased building provided	Total	Accessible ramps	2 companies (3%)	34 companies (47%)	36 companies (50%)	Disabled toilet	6 companies (8%)	22 companies (31%)	28 companies (39%)	Accessible parking	3 companies (4%)	9 companies (13%)	12 companies (17%)	Number of locations (percentage %)	Set up by yourself	leased building provided	Total	Accessible elevators	5 companies (7%)	28 companies (39%)	33 companies (46%)	The height of the settlement counter is lowered	59 companies (82%)	-	59 companies (82%)
Number of locations (percentage %)	Set up by yourself	leased building provided	Total																										
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Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

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 in the "Best Service in Taiwan 2021" under the category, "Domestic Banking," for its commitment to the "We Care" corporate culture." KGI Bank continued to win the awards in three consecutive years. 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 2021, 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 and new digital online account opening. A total of 20,000 questionnaires were collected. The overall service survey results are as follows:

Survey by phone (total)					2021 Goals
Year	2018	2019	2020	2021	
No. of survey	63,000	50,000	24,000	20,000	Maintained 20,000 entries
Satisfaction ratio (%)	99.22%	99.48%	98.85%	98.80%	95%

Note 1: In 2021, due to the pandemic, part of the branch and customer service employees were working from home and hence there was a shortage in manpower. As a result, the questionnaire was suspended for 2 months, and the number of returned questionnaires decreased slightly (from 24,000 to 20,000 annually). After the pandemic stabilized, the questionnaire practice for each customer group has resumed normally.

Note2: The survey covers all customer groups of the bank, with a coverage rate of 100%.

China Life Insurance

1. Counter 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. China Life will continue to implement the "General Service Counter" and "Friendly Service Counter" satisfaction surveys. A score of 4 or more in the "General Service Counter" satisfaction survey was recorded in 99.9% of the surveys, and a score of more than 4 in the "Friendly Service Counter" was recorded in 100% of the surveys

2. Telephone 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. The customer satisfaction survey system was launched in the first quarter of 2021, and 98.71% of all surveys showed an average score of over 4 points for the telephone service satisfaction survey (out of 5 points).

3. Customer Net Promotion Survey (NPS)

China Life has introduced a customer Net Promoter Score (NPS) to measure the service experience provided to customers. In 2021, China Life has launched contact points for two services, "New Contract" and "Claims", and achieved an average score of over 70 points. At the same time, we have analyzed the customer's responses, summarized the customer's problems, and further promoted the improvement plan.

	2018	2019	2020	2021
Counter Satisfaction Survey - General Service Counter	99.9%	99.9%	99.9%	99.9%
Counter Satisfaction Survey - Friendly Service Counter	100%	100%	100%	100%
Telephone service satisfaction survey	100%	100%	99.16%	98.71%

Note: An average score of 4 or more is classified as "satisfactory".

4. Policy continuation rate and payout complaint rate

	2020	2021
Policy continuation rate	13months : 98.8% 25months : 97.8%	13months : 98.4% 25months : 97.7%
Payout complaint rate (number of payout complaints/payout applications)	0.21 ‰	0.15 ‰

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

KGI Securities

1. Customer call satisfaction

In 2021, 19,364 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 16,485 (about 85.1%) completed the questionnaire, among which 98.1% were satisfied (4 out of 5) and very satisfied (5 out of 5).

In 2021, the completion rate of the questionnaire should be 75% or more. In 2021, the actually rate was 85.13%, acheived the annual goal.

Year	2017	2018	2019	2020	2021
Number of clients requested	31,538	25,768	28,562	29,837	19,364
No. of survey	26,127	19,871	22,533	23,674	16,485
Questionnaire completion rate	82.84%	77.12%	78.89%	79.3%	85.13%
Number of respondents satisfied and very satisfied	25,524	19,423	22,039	23,058	16,171
Satisfaction ratio (%)	97.70%	97.75%	97.81%	97.4%	98.10%

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

2. Website satisfaction NPS survey

KGI Securities introduced Net Promoter Score on the Company's website for the first time at the end of 2021. A total of 169 valid online questionnaires were collected, and 60.4% of the respondents gave the company's official website a score of 9 to 10 (representing their willingness to recommend the KGI Securities website to relatives and friends). Most of the positive reviews are based on the "humanized UI", "good functions", "complete data", "convenient inquiries", etc. Some customers also used the NPS questionnaire mechanism to give feedback related to the enthusiasm, good service, good service, and competitive fees of KGI Securities.

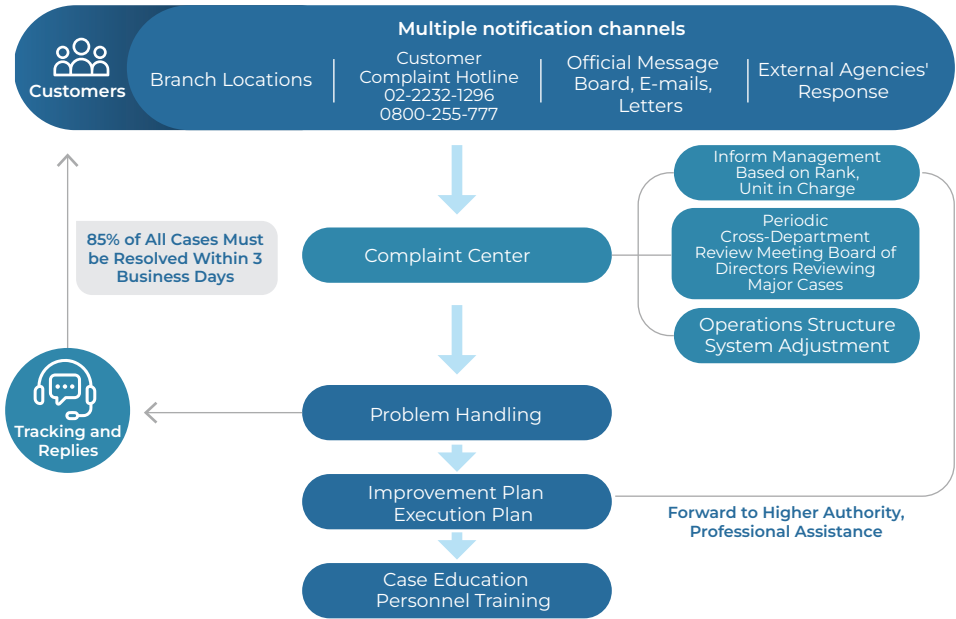
Customer complaint handling procedure and operating method

Diverse 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 51 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.

In order to promote a corporate culture centered on treating customers fairly, KGI Bank has formulated the "Guidelines for Handling Customer Complaints and Disputes", establishing a consistent system for handling customer complaints and disputes across the bank. After receiving the customer's complaint, KGI Bank will immediately appoint a dedicated personnel to learn about the incident and contact the customer within three business days from the acceptance date of the complaint to explain the handling situation (or solution) by phone or in writing. The number of cases are counted every month, the causes are analyzed, and the improvement measures are reported to the president and senior managers. Major customer complaints are reported to the Board of Directors on a quarterly basis. In addition, the individual fund head office customer care committee has been set up to actively handle disputes and implement improvement measures, in order to ensure that customer opinions or disputes are effectively resolved and to improve customer satisfaction and safeguard customer rights.



Content

- About the Report
- Chairman's Message
- 2021 ESG Performance
- CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

- 3.1 Responsible Investment
- 3.2 Sustainable Insurance
- 3.3 Principles of Responsible Banking
- 3.4 Customer Experience

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

KGI Securities established "Guidelines for Handling Consumer Complaints and Disputes" and Customer Complaint Resolution Process. After the customer service center or branch accepts the customer's opinion, it is necessary to record the customer's complaint in detail, and immediately notify the unit supervisor on the same day. The branch manager needs to contact the customer within 30 minutes to appease and understand the customer's appeal, and reply as soon as possible. The brokerage and wealth management channel department also holds a monthly customer complaint review meeting as to the results of customer handling. If the attitude, operation process and system are related, it is necessary to propose improvement measures and track the improvement progress to ensure that customer complaints can be effectively resolved. In addition, the customer service center will randomly investigate customer satisfaction after the completion of the telephone service as a reference for service improvement. And regularly conduct case publicity and personnel training to continuously optimize customer service. 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.

Customer complaint handling result

In 2021, KGI Bank received 265 complaints from clients, 92% of which were handled within three business days, exceeding the set target of 85%. The other 70 complaints were mainly related to issues of service attitude and proficiency, and operational processes and systems. A total of 81 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	2021
No. of complaints (KGI Bank)	218	209	235	265
Percentage of cases resolved within 3 days	90%	91%	92%	92%

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

Type of improvements made	2018	2019	2020	2021
Education and training / sampling / case advocacy	42	39	28	42
Current workflow adjustment	9	9	9	7
Improvement of enhancement of system functionality	3	12	5	15
Adjustment of official website / voice mail / text message	5	2	2	4
Adjustment of the operative manual / education training materials	1	2	1	1
Adjustment of the form style or notification content	2	2	-	-
Testing or replacement of machine / ATM	2	1	-	7
Adjustment of manpower	-	-	-	5
Total improvements made	64	67	45	81

In 2021, KGI Securities handled 59 cases of customer complaints and disputes, of which 21 were related to services, 20 to workflow, 7 to transactions, 7 to systems and 4 to proficiency. To date, all cases have been closed and properly handled.

Service quality improvement

KGI Bank conducts mystery visits every half year. In 2021, KGI Bank conducted mystery visit twice (in 1H and 2H), visiting 51 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.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

4.1 Employee Structure
4.2 Human Rights
4.3 Career Development
4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix



04 Elite Talent Development

4.1 Employee Structure	95	4.3 Career Development	100
4.2 Human Rights	96	4.4 Employee Wellbeing	108

Talent is the most important asset of a company and a key advantage in pursuing excellence. Therefore, regardless of gender, nationality, age, or title, every employee is an important partner in the sustainable operation of the Company.

We employ talents with competitive compensation and benefits, strive to create a quality-working environment, and provide diversified development channels, enabling every employee to give full play to their strengths, and create a better future together with CDF.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

4.1 Employee Structure
4.2 Human Rights
4.3 Career Development
4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

Strategy, Targets and Progress

Strategy	2021 Targets >>	2021 Progress >>	Short-term Goals (2022) >>	Medium-term Goals (2023-2024) >>	Long-term Goals (2024-2026) >>
Promote talent recruitment and retention mechanism	<ul style="list-style-type: none">Selected to Taiwan High Compensation 100 IndexStrengthen employee education and training programsConduct employee satisfaction surveysDevelop long-term incentive and compensation plans for employeesIntroduce ISO 45001:2018 Occupational Health and Safety Management System	<ul style="list-style-type: none">Selected to Taiwan High Compensation 100 IndexPromoted executive leadership training and developmentEstablished a Group talent management mechanismMore than 50% of employees involved in the multi-dimensional evaluation mechanismEmployee satisfaction was improved from 53 points to 69 pointsDeveloped employee value propositionsIssued new restricted employee shares as long-term incentive and compensation for employees	<ul style="list-style-type: none">Selected to Taiwan High Compensation 100 Index and introduce the international "Human Capital Management Cloud System (Workday)"Promote a culture of online and offline Learning (Training Blueprint/LinkedIn Learning)	<ul style="list-style-type: none">Improve employee satisfactionExpand the certification scope of ISO 45001:2018 Occupational Health and Safety Management System to 100%	<ul style="list-style-type: none">Establish a long-term plan for talent recruitment and retention
Optimize the human rights management mechanism	<ul style="list-style-type: none">Amend Human Rights Commitments in line with international trends	<ul style="list-style-type: none">Amended CDF Human Rights CommitmentsExpand the survey coverage of human rights risk assessment from <1% to 7.7%	<ul style="list-style-type: none">Expand coverage of human rights risk by 10%	<ul style="list-style-type: none">Strengthen human rights risk identificationExpand the survey coverage of human rights risk by 10%	<ul style="list-style-type: none">Establish preventive remedial measures and adaptation plans for human rights risks

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

4.1 Employee Structure
4.2 Human Rights
4.3 Career Development
4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

4.1 Employee Structure

Employment Contract

		2019		2020		2021	
		Number	Ratio (%)	Number	Ratio (%)	Number	Ratio (%)
Permanent Employee	Male	4,654	37	4,773	37	5,008	37
	Female	7,924	63	8,191	63	8,433	63
	Subtotal	12,578	100	12,964	100	13,441	100
Temporary Employee	Male	3,138	37	3,395	38	4,184	38
	Female	5,262	63	5,553	62	6,843	62
	Subtotal	8,400	100	8,948	100	11,027	100
Total	Male	7,792	37	8,168	37	9,192	38
	Female	13,186	63	13,744	63	15,276	62
	Total	20,978	100	21,912	100	24,468	100

Note:
1. Temporary employees include dispatch and contract employees. There is 29 fixed term contract employees.
2. There are 113 employees with disabilities in 2021, accounting for 0.8% of the permanent employees, and include 55 males and 58 females.

Employment Type

		2019		2020		2021	
		Number	Ratio (%)	Number	Ratio (%)	Number	Ratio (%)
Full-time Employee	Male	3,429	38	3,510	39	3,668	39
	Female	5,488	62	5,584	61	5,631	61
	Subtotal	8,917	100	9,094	100	9,299	100
Part-time Employee	Male	4,363	36	4,658	36	5,524	36
	Female	7,698	64	8,159	64	9,644	64
	Subtotal	12,061	100	12,817	100	15,168	100
Total	Male	7,792	37	8,168	37	9,192	38
	Female	13,186	63	13,744	63	15,276	62
	Total	20,978	100	21,912	100	24,468	100

Employment Management Postion

	Non-management	Junior Management	Middle Management	Top Management
Male	2,146	2,212	549	101
Female	4,033	3,889	451	60
Total	6,179	6,101	1,000	161

Note: The Company has 38,227 professional licenses.

Employment Age and Gender

		2019		2020		2021	
		Number	Ratio (%)	Number	Ratio (%)	Number	Ratio (%)
< 30	Male	782	46	847	45	911	47
	Female	905	54	1,032	55	1,046	53
	Subtotal	1,687	100	1,879	100	1,957	100
30-50	Male	2,991	35	2,965	36	3,072	36
	Female	5,441	65	5,381	64	5,392	64
	Subtotal	8,432	100	8,346	100	8,464	100
> 51	Male	881	36	955	35	1,025	34
	Female	1,578	64	1,775	65	1,995	66
	Subtotal	2,459	100	2,730	100	3,020	100
Total	Male	4,654	37	4,767	37	5,008	37
	Female	7,924	63	8,188	63	8,433	63
	Total	12,578	100	12,955	100	13,441	100

Note: In 2021, employees under the age of 30 account for 14.6%, 63.0% between the ages of 30 and 50, and 22.4% over the age of 51.

Female Employees Indicators

	Ratio (%)	2025 Target (%)
Share of Female in Total Employees	63	60
Share of Female in all Management Positions	61	40
Share of Female Junior Management Postions	64	55
Share of Female in Middle Management Postions	45	40
Share of Female in Top Management Positions	37	35
Female in Management Positions in Revenue-generating Functions as % of all such Managers (excluding support functions such as HR, IT, Legal)	51	60
Share of Female in STEM-related positions	31.4	33.3

Note: STEM positions in our company include business positions related to science, engineering and mathematics, such as programming, web development, statistics, actuarial, etc.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Type of Race / Ethnicity	Ratio of Employees of this Race/ Ethnicity to all Employees	Ratio of Managers of this Race/ Ethnicity to all Managers
Asians: Taiwanese	95.9	97.6
Asians: Non-Taiwanese	3.8	2.0
White	0.1	0.2
Others	0.2	0.2

Note: CDF has a total of 71 Taiwan indigenous employees.

4.2 Human Rights

4.2.1 Human Rights Commitment and Assessment

CDF strictly abides by local labor laws, respects and supports various international human rights conventions, including various international human rights standards such as 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”. The Company has a “CDF Human Rights Commitment” in place since 2017. In order to strengthen human rights management, the Company amended the relevant provisions of the commitment in 2021, covering the Company's employees, suppliers and partners.

◆ CDF Human Rights Commitment

No discrimination, no Bullying, no Harassment

Freedom of Association and Smooth Labor-management Communication

Work-life Balance

Workplace Health and Safety

Information Security and Privacy Protection

No Forced labor

Note: Please refer to the “CDF Human Rights Commitment” for details. Prohibition of child labor and human trafficking are committed in the commitment of “No Forced Labor”. Right to collective bargaining is committed in the commitment of “Freedom of Association”. Equal remuneration is committed in the commitment of “Work-life Balance”.



Since 2017, the Company has conducted Human Rights Due Diligence every year based on the CDF Human Rights Commitment, monitored the implementation and risk impact of human rights-related issues, and actively stands firmly in opposition to any business conduct that may infringe upon human rights. In 2021, the Company issued questionnaires to 100% permanent employees, with 1,029 valid questionnaires were recovered, accounting for 7.7% of all permanent employees.

◆ Human Rights Due Diligence Process

01 Risk Identification

Regularly review human rights issues of stakeholders' concerns and identify the risk level of each issue

02 Risk Assessment

Discuss the issues with high risk level and calculate their risk value

03 Monitoring & Improvement

Put forward risk mitigation measures and management objectives, and establish a monitoring and improvement mechanism

04 Regular Review

Follow up improvements and regularly assess and adjust the Company's Human Rights Commitment

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

2021 Human Rights Risk Assessment

Potential Human Rights Issues	Risk Level	Groups Covered / Identified	Management, Mitigation and Remediation Actions
Work-life Balance	Low risk	Employees who work overtime for 40 hours or more per month	1. Promote to all employees. 2. Limit the total number of overtime hours per day/month 3. Discuss improvement plans with departments with high overtime hours
Freedom of Association and Smooth Labor-management Communication	Low risk	All employees	1. Analyze labor disputes and put forward improvement plans 2. Enhance internal communication and promote harmony between labor and management 3. For other measures, please refer to "4.4.2 Labor Relations"
Workplace Health and Safety	Low risk	All employees / Third-party Employees	Please refer to "4.2.2 Workplace Health and Safety"
No discrimination, no Bullying, no Harassment	Extremely low risk	All employees / Indigenous / Women	1. Increase the employment rate of employees with disabilities 2. Make the workplace more friendly 3. Strengthen internal complaint channels and mechanisms
No Forced labor	Extremely low risk	Child labor	The Company shall not and does not employ child labor in accordance with law

Notes:

- 1. Child labor and human trafficking are covered in "No Forced Labor". Right to collective bargaining is covered in "Freedom of Association". Equal remuneration is covered in "Work-life Balance".
- 2.1.0% of total assessed (all employees) where risks have been identified.
- 3. Risk scores range from 1-5: 1 (extremely low risk), 2 (low risk), 3 (medium risk), 4 (high risk), and 5 (extremely high risk).
- 4. Mitigation and Remediation Actions cover all the Company's bases and 100% of all employees.



The Company requires all employees to take human rights-related promotion courses and workplace harassment and discrimination prevention courses every year. In 2021, the training hours totaled 34,234 hours, and the total number of trainees was 17,634 person-times. In 2021, the Company has not committed any human rights violations, or suffered from any labor-related penalties.

Human Rights Complaint Mechanisms and Results in 2021

To establish a friendly working environment, eliminate sexual harassment during work, and take appropriate preventive, corrective, disciplinary and treatment measures, the Company has formulated the "Workplace Sexual Harassment Prevention Measures, Complaints and Punishment Measures", and "Sexual Harassment Prevention and Treatment, Complaints and Investigation Key Points" and other regulations, to establish a complaint mechanism to protect employees from related harassment.

If employees are involved in related cases, they can complain to the "Sexual Harassment Complaints Review Committee" (referred to as the "Review Committee") by phone, fax or email. Upon receipt of the complaint, the Company will initiate a rigorous and confidential investigation mechanism and set up an investigation team within the shortest time. The Company also provides appropriate assistance to complainants, such as counseling, medical treatment, adjusting the injuring person's unit as the case may be, strengthening promotion or educational training, etc. During the investigation process, the parties concerned will also be provided with opportunities to fully state their opinions and defense, as well as opportunities to reply. However, if an incident is confirmed to be actually occurred, we will report it to the relevant review committee for punishment in accordance with regulations, so as to safeguard the rights and interests of the complainant and prevent sexual harassment incidents.

Inclusion and Equality

In 2021, KGIB received 2 workplace bullying complaints. Upon receipt of the complaint, the Company immediately conducted interviews and investigations, and formed a committee for deliberation. Subsequently, it also provided care and educational for personnel from relevant departments to effectively eliminate factors related to illegal infringement in the workplace, and provide employees with a secure and healthy working environment.

Case A: An employee complained of being bullied at work by a colleague. After investigation, the case was found to be true. Later, the respondent applied for retirement. The Company followed up with care for relevant department personnel.

Case B: After the employee's complaint and an investigation, the facts were found to be untenable, but the Company still provided care and educational training for the personnel of the relevant departments.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

4.2.2 Workplace Health and Safety

CDF actively establishes a high-quality working environment and a workplace taking into account physical and mental health. The Company started introducing ISO 45001:2018 Occupational Safety and Health Management System in 2020 to improve workplace health and safety. In 2021, KGIS passed the certification, covering all employees in the scope. CDF also issued the “CDF Occupational Safety and Healthy Policy” in 2022, which was approved by CEO and applicable to the whole Company. We are committed to continuous improvement of our occupational safety and health management system, and will develop action plans for high-risk issues based on the results of risk assessments and establish quantitative targets for improvement. The Company solicits internal opinions in a wide range, and strengthens the relevant management mechanisms.

In addition, CL has completed the establishment of an “Occupational Safety and Health Committee”, consisting of 1 chairman and 7 members, including 4 labor representatives, accounting for 50% of the total number of members. The committee meets regularly every quarter to discuss issues related to occupational safety and health risks, and the performance appraisal of all members is linked to the occupational safety and health performance.

◆ Occupational Safety and Health Committee



Occupational Safety and Health Risks

Risk Type	Prevention and Mitigation Measures
Occupational Accident	<ul style="list-style-type: none">◆ Care for employees who suffer accidental injuries or are hospitalized due to illness◆ Develop emergency response plans and notification mechanisms

Occupational Safety and Health Educational Training

	2018	2019	2020	2021
Number of Classes	45	162	117	82
Training Hours	5,706	39,825	16,288	6,047
Number of Participant	4,707	12,468	14,598	4,242
Engagement Rate	98%	99%	99%	99%

Note: Employees are required to take relevant courses for 3 hours or more accumulatively every 3 years. The number of trainees was 12,594 in 2019, 14,408 in 2020 and 4,284 in 2021.

In addition, the Company has explicitly stated in the undertaking contract with suppliers that it agrees to abide by government regulations and internal contracting regulations on occupational safety and health in the contract. We requires suppliers to commit to comply with laws and regulations related to labor health and occupational safety and health, and abide by relevant regulations on internal safety, health and environmental management, etc. The Company works with external stakeholders by various channels to comply with occupational safety and health regulations to create a safe and healthy working environment.

To enhance employees' awareness of occupational safety and health, the Company provides various training courses, as well as internal and external training or lectures based on different needs of employees, such as occupational safety and health, fire safety, disaster prevention and control, health care information, physical and mental health, AED+CPR first aid courses, etc.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

4.1 Employee Structure
4.2 Human Rights
4.3 Career Development
4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆ Health Care and Workplace Safety Measures

01 Employee Care <ul style="list-style-type: none"> ◆ Provide health checks that are better than legal requirements ◆ Perform employment that is better than legal requirements of contract professional nurses, and provide health consultation of occupational disease and general injury on a regularly basis ◆ Care for employees who suffer accidental injuries or are hospitalized due to illness ◆ Promote the information on infectious disease prevention and health-care through internal website, e-mails or electronic bulletin boards, with a total of 49 issues 	02 Health Management <ul style="list-style-type: none"> ◆ 31 health talks were held to promote health and relieve stress ◆ Signs with professional institutions to provide employees with psychological counseling 	03 Occupational Safety Facilities <ul style="list-style-type: none"> ◆ The Company has installed automated external defibrillators (AED), blood pressure meters, wheelchairs and other facilities. China Life Insurance has received the AED certification issued by Ministry of Health and Welfare; KGIB and KGIS have an infirmary in place ◆ Our colleagues have obtained the certificate of "Indoor Air Quality Maintenance and Management Specialist" ◆ Implement automatic inspection of workplace facilities, and environmental monitoring (including carbon dioxide concentration and workplace illumination) in the first and second half of the year 	04 Workplace Hazard risk Assessment <ul style="list-style-type: none"> ◆ Four major programs: Overwork-related diseases prevention management program, Human-caused harm prevention program, Maternity health protection program, and Workplace violence prevention program
05 Occupational Accident Response <ul style="list-style-type: none"> ◆ Conduct maintenance and report of workplace fire safety facilities and buildings in the workplace on a regular basis ◆ Set up fire safety administrators and self-defense groups to hold 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 ◆ Develop emergency response plans and notification mechanisms ◆ KGIB has organized a total of 104 anti-robbery drills. 	06 Workplace Facilities and Activities <ul style="list-style-type: none"> ◆ Have a staff gym better than legal requirements ◆ Sign contracts with fitness centers to assist employees to set up health-promoting clubs (currently 82 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 breast-feeding facilities better than legal requirements, which have been accredited as "Excellent" by the Taipei City Government ◆ CDIB, KGIS, and CL receive the "Healthy Workplace" certification from the Health Promotion Administration, Ministry of Health and Welfare 	07 Social Care <ul style="list-style-type: none"> ◆ KGIB employed four visually-disabled masseurs as full-time employees since September 2018, who work four hours every day to help other CDF employees relax. A 15-minute massage is free of charge. The service has been well-received, with about 1,602 employees receiving massage services in 2021. 	08 Response to COVID-19 <ul style="list-style-type: none"> ◆ Set up an "Epidemic Response Team", establish a notification mechanism, keep abreast of the latest news and policies, and implement epidemic prevention measures ◆ Implement remote and home office, promote telephone and video conferences, and distribute rapid testing kits in response to the government's epidemic prevention policies

Note: Due to COVID-19, fire evacuation training (drills) and environmental monitoring in some offices were suspended in the first half of the year. Cancer screening, blood donation, influenza vaccination and some first-aid courses (AED+CPR) were also suspended.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

4.1 Employee Structure
4.2 Human Rights
4.3 Career Development
4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

Occupational Injury/Absentee Rate

	2018	2019	2020	2021		
				Male	Female	Total
Occupational Injuries (persons)	54	36	45	7	23	30
Lost days of Occupational Injuries	372	295	538	47.5	178.57	226.07
Injury Rate (%)	4.04	2.04	1.73	0.7	2.12	1.12
Lost Day Rate (%)	27.83	16.74	20.74	4.75	15.51	12.86
Number of Absentees	2,157	5,763	4,956	1,396	2,526	3,922
Days of Absence	10,571	19,690	17,607	6,322	15,438	21,760
Total Work Days	1,683,738	3,152,091	3,254,750	1,252,000	2,108,520	3,360,250
Absentee Rate (%)	0.63	0.62	0.54	0.50	0.73	0.65

Note:
1. Injury rate (IR): (Number of occupational injuries / Total Work Hours) × 1,000,000* (*based on fifty weeks a year, forty hours a week, and per 500 employees)
2. Lost day rate (LDR): (Lost Days / Total Work Hours) × 1,000,000
3. Absence rate of male and female employees is calculated based on total work days of male and female employees respectively.
4. Absence days include sick leave, personal leave, occupational injury leave, menstrual leave and family care leave.
5. Data coverage is all 100% from 2018 to 2021. Target absentee rate in 2021 was 0.75%, which has been successfully achieved.

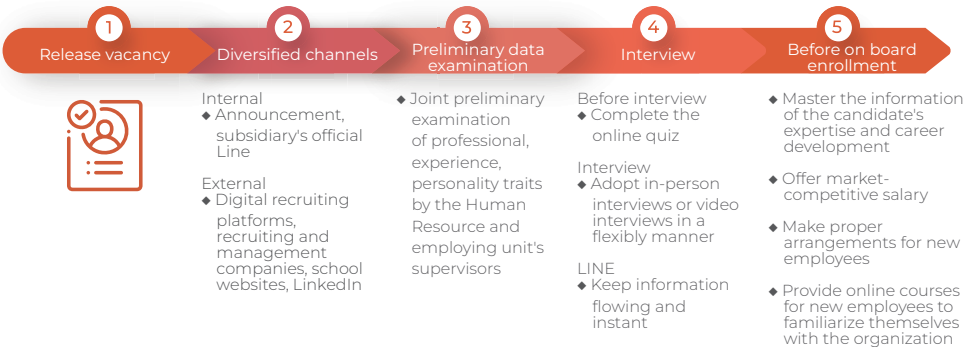
4.3 Career Development

4.3.1 Talent Recruitment and Retention

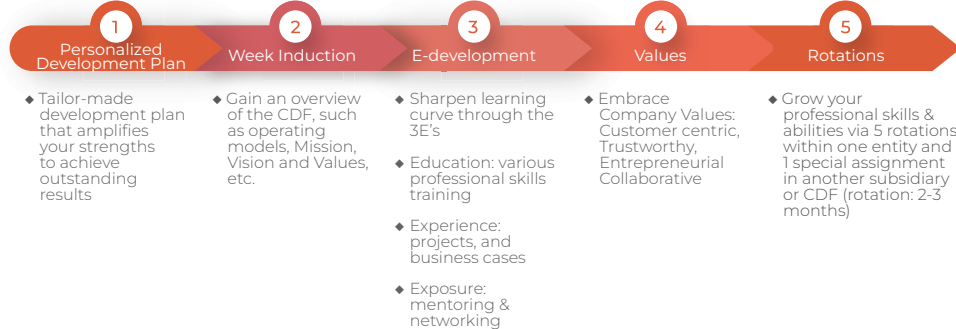
The success of business is driven by talents. In response to competition at home and abroad, and the trend of Fintech, we attract new talents through diversified channels prior to screening and interviewing potential candidates. In addition, the Company has established an internal rotation system, a promotion mechanism and a training and development plan, to provide employees with the development space and opportunities, as well as competitive salaries and benefits, achieving a sustainable development together with the Company.

In 2021, the Company actively adopted video interviews, and a digital and rejuvenated approach to cope with the COVID-19 epidemic aiming to provide an efficient, flexible and warm recruitment process.

◆ Recruitment Flow Chart



◆ YouLead Incubation Program Strategy and Blueprint



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

2021 Recruitment Programs

Category	Program	Percentage of New Recruits
Freshmen	To attract outstanding talents, the Company launched the "YOUth LEADership" (referred to as YouLead) talent recruitment activity, and constructs a systematic, structural, hierarchical training program strategy and blueprint to cultivate professional elites in the financial industry, to design a personal career development plan for outstanding talents "Not afraid of joining of talents, but afraid that talents do not join" . During the interview process, the Company also invites talents to have a face-to-face conversation with the Company's management team (not an official interview); creating a recruitment process that is different from ordinary enterprise reserve cadres.	3.5%
Outstanding talents	CDF attracts outstanding talents in various fields through internal employee referral, official corporate website, job search websites, and other channels.	96.5%

In line with the -B (Best Employer) goal of the Company's ABCDE strategy, we promote digital and innovative talent recruitment, and seek for all kinds of local talents in the excellent talent pool at home and abroad. Our recruitment strategies divide into internal and external talent.

- Internal Talent:
Regularly provided internal domestic and overseas job vacancies, made internal mobility program available for application, and increased learning and development opportunities for different positions. In addition, there is an employee referral program to encourage employees to recommend excellent talents and boost the cohesiveness of internal talents.
- External Talent:
Recruited more talents with digital innovation, data analysis, cloud technology, etc. experience, and emphasized efforts in the integration of corporate to talents in campus, proactively recruiting fresh blood, and promoted innovation thinking so as to support the Company's digital enhancement strategy and cope with the ceaseless demand for fintech talents.

In 2021, the Company introduced Workday, a global human resource management platform, to build a unified human resource management system and progressively built modules such as core personnel data, recruitment, talent and performance management, and learning management. Post first phase launch, supervisors can obtain important information and indicator data (such as turnover rate, vacancy replacement status, employee training records, etc.) in real time through various reports or dashboards. During the second phase, online data would be transformed and optimized, including the introduction of People Analytics (PA). Once live, supervisors will be able to quickly analyze and make decisions on talent management through PA function from five aspects of diversity and inclusion, organizational layout, talent retention and attrition, recruitment, characteristics and performance, so as to drive the optimization of organizational structure, boost productivity and achieve the Company's performance goals.

The Company hired a total of 4,500 new employees in 2021.

2021 New Employee Hires

	Male		Female		Total	
	Number	Ratio (%)	Number	Ratio (%)	Number	Ratio (%)
< 30	755	82.9	872	83.3	1,627	83.1
30-50	994	32.7	1,460	27.1	2,454	29.0
> 51	152	14.8	267	13.3	419	13.9
Total	1,901	38.0	2,599	30.8	4,500	33.5

Note: Total new employee rate is derived by dividing the number of the new employee of an age group by the total number of employees of the same age group.

We give our employees priority on applications for transfer by internal announcements every month, so as to promote the circulation of talent and greater diversity in the career development for our employees. Employees are also transferred between departments. Employees can be transferred across departments, subsidiaries, and countries.

Internal Hires

	2018	2019	2020	2021
Total New Employees	1,036	2,717	3,592	4,500
Total Internal Open Postitions	261	693	904	1,269
Open Positions filled by Internal Candidates	61	223	322	347
Percentage of Open Postitions filled by Internal Candidates	23.4%	32.2%	35.6%	27.3%
Average hiring cost of New Employees (NT\$)	4,200	7,533	9,231	4,458

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

Employee Turnover in 2021

	Male		Female		Total	
	Number	Ratio (%)	Number	Ratio (%)	Number	Ratio (%)
< 30	364	40.0	389	37.2	753	38.5
30-50	488	15.9	666	12.4	1,154	13.6
> 51	140	13.7	207	10.4	347	11.5
Total	992	19.8	1,262	15.0	2,254	16.8

Note:
1. Total employee turnover rate is derived by dividing the number of the employee left of an age group by the total number of employees of the same age group.
2. Total employee turnover rate from 2018 to 2021 is 17%, 10.4%, 9% and 16.8% respectively.
3. Voluntary employee turnover rate from 2018 to 2021 is 16.9%, 10.3%, 7.8% and 16.6% respectively.
4. Data coverage is 100%

◆ Business-academia Collaboration in 2021

Organizer	Program	Contents	Beneficiary	Achievement
KGI SITE	Asset Management Practicing Project	This course started in mid-September 2021, which was led by the Chairman KGI SITE, with KGI SITE's senior department heads of serving as lecturers, and lasted for 16 weeks, 3 hours per week. KGI SITE introduced students to the asset management industry and KGI SITE through thematic and practical experience, promote ESG asset management concepts and trends, assist students in exploring careers, to lay a foundation for future asset management talents and discover outstanding young financial talents. The final presentation also focused on ESG trends and concepts as investment themes, as well as achievement evaluation standards and projects, to stimulate students' interest in ESG.	Senior students, first-year and second-year graduate students of the Department of Finance, NCU	25 students
CDF	Enterprise Visit	A number of senior executives were led by CDF's General Manager to share the Company's strategy, ESG sustainable development brand mission, and financial digital innovation and development, and introduced the concept of campus talent cultivation. The Company assisted students in acquiring further understanding of the development trend of financial talents through special projects and food sharing, helping young students explore their careers and discovering future talents for the financial industry.	Second-year graduate students of the Department of Finance, National Sun Yat-sen University	43 students

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

Talent Retention

Performance Appraisal

The Company has a fair three-stage performance management system in place: (1) Defining goals, (2) Midterm performance target follow-up and adjustment, and (3) Final self-assessment, annual achievement review and performance interview with supervisors. In addition to the result evaluation, a two-way communication and feedback are also conducted for the future self-expectation and outlook in the final performance interview, so as to create a positive cycle.

In addition to professional functions, employees' performance in legal compliance, information security, risk management, and ESG are also assessed for the performance evaluation. The evaluation results will be used as reference for performance bonus, promotion, salary adjustment and career development.

Performance Appraisal Type in 2021		
	Permanent Employees under Evaluation	% of Permanent Employees
Management by Objectives	13,441	100%
Multi-dimensional Performance Evaluation	6,836	51%
Permanent Employees Performance Comparative Ranking	13,441	100%

Note: Multi-dimensional performance evaluation includes 360-degree, 270-degree and 180-degree review.

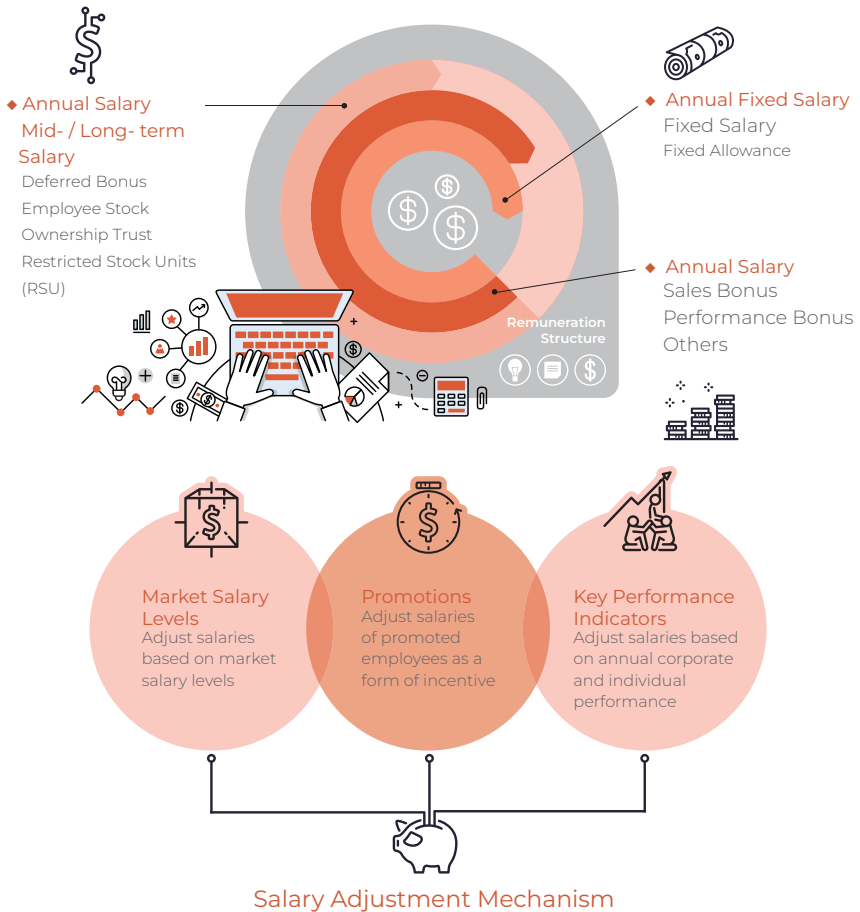
Remuneration Mechanism

The Company adopts a performance-oriented compensation and bonus system is, taking into consideration the market competitiveness, linking operating results with individual performance, to achieving a triple-win outcome for employees, the Company and shareholders. Salary conditions are in compliance with the labor laws and regulations of the place of operation. Employees' starting salary are determined based on their professional ability and the position held, following the rules of equal appointment. We provide competitive salary for employees, the maximum starting salary for freshmen is 2.7 times of the legal basic salary.

Employee compensation includes basic salary, allowances and variable bonuses, as well as annual performance bonuses based on overall business results and individual performance, so as to optimize the resource allocation, achieve outstanding performance or enable special contributors to receive corresponding rewards. The 2021 Employee Engagement Survey Report shows that, regardless of employees or organizations, they all agree that employees shall be rewarded for their contributions.

The Company participates in the market salary survey every year. The independent directors of the remuneration committee also review the remuneration system. The Company adjust employee salary based on the market salary level, economic trend and individual performance, promote outstanding talents through a fair and continuous promotion mechanism, and offer them higher positions and better pay. In 2021, the Company's average salary increase rate was 3.5%, and that for excellent employees was more than 10%.

The Company's remuneration policy for directors and managers shall be implemented and reviewed in accordance with the provisions of Remuneration Committee. Please refer to "2.2.4 Remuneration Policy" for details.



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Salary of Non-managerial Full-time Employees

Unit: NT\$

	2019	2020	2021
Median Annual Salary	917,000	1,026,000	1,143,000
Average Annual Salary	1,118,000	1,268,000	1,468,000
Non-managerial Full-time Employees	7,032	7,194	7,313

Note: Data calculation is same as that reported to the Taiwan Stock Exchange. Median and average annual salary increased by 11% and 16%, respectively, comparing to 2020.

Salary Comparison to Market

	2021
Average Annual Regular Earnings over Market Rate	90%
Entry Level Salary over Legal Basic Salary Rate	221%

Note: The data of market salary comes from the average salary and legal basic salary published by the Directorate-General of Budget, Accounting and Statistics.

Annual Total Compensation Ratio

	2021
Ratio of the Highest-paid Individual to the Median of All Employees (Excluding the Highest-paid Individual)	120
Ratio of the Percentage Increase in the Highest-paid Individual to the Median Percentage Increase in All Employees (Excluding the Highest-paid Individual)	0

Note: No salary adjustment for individuals with the highest annual total compensation in 2021.

Long-term Incentive

To retain outstanding talents, CDF offers several mid-/long- term incentives, such as deferred bonuses, employee stock ownership trust, RSU. The “employee stock ownership trust” and “RSU” link to 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.

For deferred bonuses and RSU, we have a corresponding clawback porvisions that is also applied to MRTs, with 71% of total compensation for all MRTs is recoverable.

1. RSU

During the performance measurement period, employee should not violate the labor contract of the Company or subject to a major demerit or above according to the employee reward and punishment rules of the Company. Employees subject to individual evaluation indicators of 3 (inclusive) or more have been awarded in 3 phases after the period. Any employee who leaves office or retires during the performance measurement period, or any employee who acquires RSU under this regulation, shall comply with the provisions thereof. In case of any violation, it shall be deemed the vesting conditions for the unvested shares have not been satisfied, and the Company may recover and cancel them without any compensation.

2. Deferred bonuses

Performance bonuses are awarded based on the measurement results of annual performance; provided that, bonuses over a certain amount shall be subject to stock ownership trust in accordance with the Company's performance bonus deferment standards. Any employee who has not been committed to any major violation of laws or regulations, breach of employment or appointment contracts, or has not been subject to major demerits or above according to employee reward and punishment measures, or is in violation of the operation rules or the contracts or documents signed in accordance with the operation rules, and is still in office, shall be deemed to have satisfied the vesting conditions and shall be entitled to receive the bonuses in three years. Otherwise, it shall be deemed to have not satisfied the vesting conditions, and shall the return the bonuses to the Company after being punished.

Compensation Ratio of Material Risk Takers (MRTs) in 2021

Ratio of Variable Compensation to Total Compensation	(A)	65%
	(B)	70%

Note:

1. Total compensation = fixed compensation + variable compensation
2. (A) is the average of the ratios for each MRT, and (B) is the cumulative variable compensation divided by the cumulative total compensation for each MRT

Equal Remuneration Indicators in 2021

Unit: NT\$

	Average Male Salery	Average Female Salery	Female: Male
Executive level (Base salary only)	4,205,197	3,715,294	88%
Executive level (base salary + other cash incentives)	11,433,614	11,796,940	103%
Management level (base salary only)	1,085,675	996,822	92%
Management level (base salary + other cash incentives)	2,139,966	2,001,233	94%
Non-management level	1,091,956	1,133,769	104%

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Employee Engagement Survey

CDF first conducted the “Organizational Assessment Questionnaire (OAQ)” among full-time employees in 2020. This can help CDF understand how employees recognized the Company in terms of business objectives, process efficiency, teamwork, talent cultivation, and creative thinking, thus fostering the labor-management relations and employees’ identification with the organization. CDF set its OAQ target as 65 points for 2021, and the actual survey result was 69 points.

Employee Engagement Survey Overview in 2021

Respondent	8,900 full-time employees Accounted for 96.2% of the total full-time employees of the Company	
Valid Responses	Male: 3,268 (38.4%) Female: 5,248 (64.8%)	Number: 8,516 Percentage: 95.7%
	Managerial employees: 1,113 (13.1%) Non-managerial employees: 7,403 (86.9%)	
Result	1. Male: 71 points; Female: 68 points 2. Under 30 years old: 70 points; 31-50 years old, 69 points; Above 51 years old: 68 points 3. Managerial: 72 points; Non-managerial: 68 points	Total: 69 points

Employee Engagement Survey

	2018	2019	2020	2021
Results (points)	87	95	53	69
Coverage (%)	73.1	19.5	69	98.6

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).

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 blessings from everyone, along with memorabilia. In 2021, 315 veteran employees attended the event and received applause.

4.3.2 Human Capital Development

Our five-year ABCDE strategy "B - Become Employer of Choice" highly demonstrates our commitment to developing talent and enabling employees to give play to their highest potential.

Since 2021, CDF has launched a number of employee training programs to develop the potential of each employee and make career development planning for employees through the CDF Financial Academy.

1. Learning direction: Key competency development, action learning, digital solutions
2. Design approach: Build a learning organization that focuses on a training and feedback culture, drive individualized development plans, and develop various training programs to support the Company’s various development needs.
3. Implementation method: Design a mixed learning style, create various online videos and organize physical courses and forum activities through digital learning modules for learning knowledge and skills, and apply them at work.

Develop the CDF Financial Academy and plan courses with a 3E development framework:

1. Education: Get to know the Company and build professional knowledge and skills
2. Experience: Participate in Company projects and on-the-job learning to develop expertise
3. Exposure: Interact with talents from different backgrounds and build meaningful connections

The CDF Financial Academy tailors a personal development plan for each employee to accelerate the personal and corporate development based on their strengths, and implements innovative learning methods, integrating company values into learning outcomes by making use of digital learning.

Content

- About the Report
- Chairman's Message
- 2021 ESG Performance
- CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

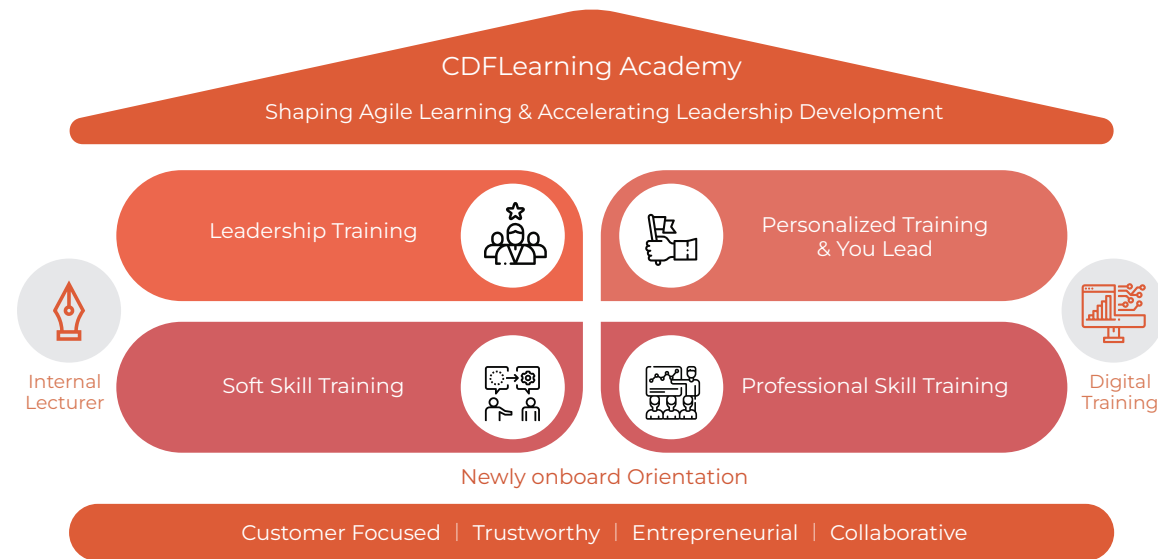
- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆ Employee Development System



Training Statistics in 2021									
		Male	Female	< 30	30-50	> 51	Non-man- managerial	Managerial	All Employees
Average Training hours (Hours)	Required training	47.02	45.20	73.65	45.52	28.88	21.27	29.05	45.88
	Optional training	29.64	30.90	57.01	28.50	18.63	13.40	33.46	30.43
	Total	76.66	76.10	130.66	74.02	47.51	34.67	62.51	76.31
Average Training Cost (NT\$)	Required training	1,571	1,205	1,308	1,449	1,061	906	1,391	1,341
	Optional training	1,105	1,229	2,943	1,882	1,472	707	2,325	1,944
	Total	2,676	2,434	4,251	3,331	2,533	1,613	3,716	3,285
Coverage (% of Employees)		100%							

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

4.1 Employee Structure
4.2 Human Rights
4.3 Career Development
4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

◆ Employee Development Programs in 2021

Programs	Program Target / Business Benefit	Quantitative Impact of Business Benefits (Monetary or Non-monetary)	% of Employees Participating in the Program
 Learning with LinkedIn	<p>Description of program</p> <p>To consolidate the transformation of talents and expand the breadth and depth of employee training, the Company has partnered with LinkedIn Learning Platform in 2021 to provide employees with online learning accounts, where each employee can freely choose from over 16,000 different types of courses, such as project management, customer service, marketing and promotion, and other management courses. There are also a variety of courses that can help promote digitalization to effectively enhance employees' professional abilities and competent supervisory abilities. Offering these courses can also accelerate the development of a learning culture and support personal development plans and needs through learning on smart phones or computers at any given time. Meanwhile, in order to expand the benefits of LinkedIn Learning for the company, we also expect to integrate the platform results with our HR system WORKDAY so that employees' learning status and course satisfaction can be displayed on the HR system. The HR department or department head can then recommend or communicate with employees in a timely manner through the relevant results to drive the improvement of employees' all-round ability. After opening the platform in 2021, more than 5,300 class hours were completed in less than 2 months.</p> <p>Objective/business benefits</p> <ol style="list-style-type: none"> Digital training courses reduce the impact of the epidemic on employee training plans. For employees who are willing to participate, the supervisor of each unit will assist them in establishing a dedicated learning path to enhance various professional skills and develop key knowledge and abilities for their careers to effectively improve their competency. Free access to learning methods and learning time promotes the willingness and culture of learning, improves employee learning coverage, and helps to elevate overall performance. There are unlimited choices of all-round training courses guided by experts in different fields and providing recommendations on suitable courses through big data to reduce training and personnel costs. 	<ol style="list-style-type: none"> Digital courses compensated for the lack of courses caused by the pandemic and enabled employees to learn online, reducing the overall cost by about 60%. The platform can recommend courses according to employees' needs in a timely manner and improve employees' satisfaction with the company. This drove employee engagement score increase 30% compared to 2020. The freedom to conduct courses is the preferred method of young people nowadays, which promotes the youth of the organization: the average seniority of employees dropped by 0.8 years compared to 2020. The comprehensive course drives the overall competency of employees: the average salary of employees has increased by 16% compared to 2020, and the promotion rate of junior employees to supervisors has reached 7.5%. This course enables new recruits to quickly learn various courses: new recruits who have served for more than one year account for over 90% of all new recruits, the highest in the industry. 	Provide 46% of the Company's full-time employees
 Financial Innovation and Customer Experience Training Program	<p>Description of program</p> <p>In the post-epidemic era, the investment environment has changed dramatically and people are relying more on digital financial service tools. Therefore, we aim to swiftly penetrate consumers' financial lives through financial technologies with the goal of "One Website, One APP". In 2021, with a focus on "Financial innovation and Enhancing customer experience", a number of lectures, courses, and workshops were offered to guide employees to understand the impact of disruptive innovation in the financial industry through real financial innovation cases at home and abroad. We also produce customer services that are more intimate with our clients through design-thinking workshops. As a result, employees have accumulated a total of 5,150 course hours.</p> <p>Objective/business benefits</p> <ol style="list-style-type: none"> Build a consensus on organizational culture and a common language for innovation. Establish a culture of digital innovation, shape customer-focused innovation, and enhance customer experience. Cultivate innovative and customer-oriented thinking. Through the course, we can produce customer experience service solutions that are more suitable for our clients. 	The Company produced a total of 6 innovative customer experience service solutions in the training workshop, and its implementation is continuously being monitored.	Average training rate of employees is 93.4%
 Training Blueprint	<p>Assist employees in developing skills and knowledge, and provide networking opportunities within the Company to achieve our ABCDE strategic priorities.</p> <p>We have completed the program by the end of 2021 and expect to launch in the first half of 2022, including (1) Leadership training: Help employees develop their maximum potential and build effective leadership skills. (2) Soft skills training: Learn practical methods and acquire tools for professional development. Network with colleagues and learn from each other through courses.</p>	Offer 60 courses on different topics each year, which are available for 2,000 employees participating.	Account for 20% of the full-time employees
 CL champion	<p>In order to strengthen the ability of senior executives, CL will invite McKinsey and Gartner to share new knowledge and trends related to the Company's ABCDE strategy, learn best practices and expand our international perspectives, so as to build the foundation for accelerated development of the organization.</p>	Completed 33 workshops with 1,622 participants and 2,703 hours in total.	100% participation rate for senior executives

Note: In the Employee Engagement Survey in 2021, the overall satisfaction of employee training increased by 13.6%.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

Evaluation of Employee Training

The Company introduced the training evaluation method by referring to the Kirk Patrick Model to evaluate the results of employee development programs and improve the Human Capital Return on Investment (HC ROI), by which we estimate the benefit that can be generated for every NT\$1 invested in human capital, as a reference for optimizing the talent retention system.

◆ Evaluation of Training Results with the Kirk Patrick Model

Level	Criterion	Method	2021 Result
L4 Result	Employees' substantial contribution to CDF	Actual training results	HC ROI: 9.64
L3 Behavior	Employees' change of behavior at work	Hands-on practice/ performance evaluation/360 degree feedback	The 360 degree feedback score increased from 4.29 to 4.30 on average
L2 Learning	Employees' performance on skill / knowledge / attitude	Test/evaluation results	Passing rate of required courses: 100% Agerage compliance test score: 92
L1 Reaction	Employees' satisfaction with training	Satisfaction surveys	Average satisfaction rate: 88%

Human Capital Return on Investment (HC ROI)			
2018	2019	2020	2021
12.16	14.67	12.21	9.64

Note: HC ROI = (Total Revenue - (Total Operating Expenses - Total employee-related expenses)) / Total employee-related expenses

4.4 Employee Wellbeing

4.4.1 Employee Benefits

Benefits and Retirement System

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 group insurances, as well as accident insurance, hospitalization/ healthcare insurance. All of these are the concrete actions we take to take care of our employees and their family members. We have also designed a more flexible career plan for employees qualified for voluntary retirement which is superior to the law of labor. Since 2019, we have offered maternity allowances, more flexible work arrangements, and childcare service rendered by third-party partners, to help improve the declining birth rate.

Employee Caring and Health Care Projects	
Flexible working hours / Part-time working options	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 30 minutes to achieve work-life balance. Employees can also apply for part-time working options if necessary.
Working-from-home arrangements	In response to COVID-19, CDF has formulated the Workplace Epidemic Response Plan. Since 2021, we provided effective information system support, made working from home arrangements, maintained business continuity, and provided daily transportation allowance for employees who commute to work.
Allowances for COVID-19 vaccinations	In the early stage of the COVID-19 outbreak, we provided colleagues with allowances for vaccinations.
Strengthen group insurance coverage	We insure our employees with epidemic prevention insurance - “New Group Hospitalization Medical Health Insurance for Statutory Infectious Disease” , which will be included in the group insurance coverage in 2022.
Childcare contribution	CDF has contracted with external childcare centers to provide preferential childcare service for employees.

Childcare Benefits
We offer a maternity allowance up to NT\$20,000 per child to resolve the crisis of declining birth rate.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

- 4.1 Employee Structure
- 4.2 Human Rights
- 4.3 Career Development
- 4.4 Employee Wellbeing

Low-Carbon Economy

Co-Creation of Sustainable Society

Appendix

Parental Leave									
	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Number of Eligible Applicants	113	133	246	46	111	157	60	98	158
Number Applied	13	48	61	16	103	119	8	56	64
Number should Returned	14	64	78	24	86	110	24	109	133
Number did Returned	11	47	58	17	65	82	30	96	126
Return to Work Rate	78.6	73.4	74.4	70.8	75.6	74.5	83	88	87
Returned over One Year	12	86	98	15	85	100	14	64	78
Retention Rate	37.5	77.1	71.4	75.0	93.3	89.9	100	97.0	97.5

Note:
1. Eligible applicants in 2021 included the aggregate of employees asking for maternity leave and male employees applying for a maternity allowance only.
2. Retrun to Work Rate = Number did Returned / Number should Returned.
3. Retention Rate = Returned over One Year / Number did Returned in the previous year (Reason of the employees who returned for less than one year included resigned voluntarily or applied for unpaid leave again).

Employee Insurance

We offer employees life insurance, accident insurance, hospitalization/healthcare insurance, cancer insurance, long-term group insurance coverage including extended epidemic insurance, and other group insurances that offer better protection than what is legally required, and provide travel insurance for employees on business trips. Employees' dependants can also be enrolled in accident, hospitalization/healthcare, cancer, and other policies.

Retirement Plan

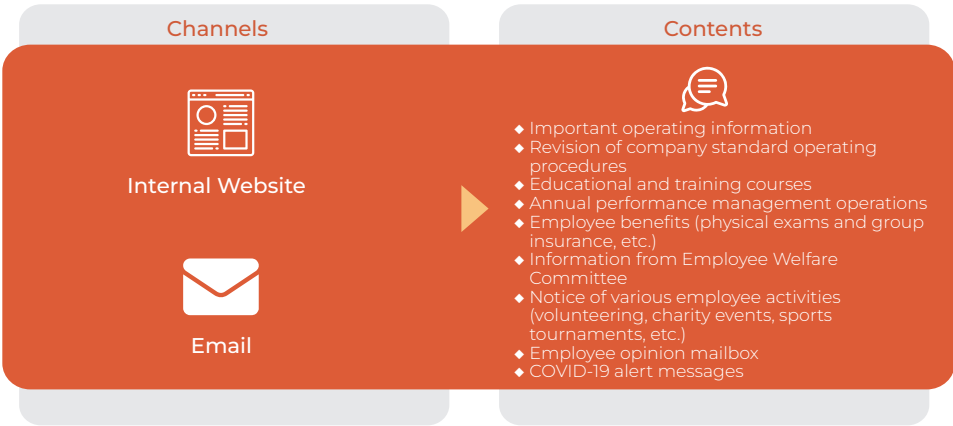
In accordance with the “Labor Standards Act” and “the Labor Pension Act”, we have formulated an “Employee Retirement Code”, make monthly pension contributions to employees' personal accounts maintained by the Labor Pension Supervisory Committee and the personal account for pension fund. Before the end of a fiscal year, the Company estimates the difference between the balance of the personal account and the total pension payable in the next year, and then makes up the difference. The retirement contributions are completely separated from the Company and not included in the financial statements. At present, the new defined contribution plan applies to all employees except those who chose to apply the defined benefit plan before July 1, 2005. Please refer to the Company's “Financial Report - 33. RETIREMENT BENEFIT PLAN” for the amount of annual pension contributions.

4.4.2 Labor-Management Relations

In order to enhance labor relations and strengthen collaboration between the employer and employees, we respect and communicate with labor unions in good faith, hold labor-management meetings on a regular basis, build a consensus between labor and management, and create mutually beneficial outcome and win-win goals for both sides. 50% of participants in a labor-management meeting are employee representatives. In 2021, there were 26 labor-management meetings held, with the topics discussed including work-hour extension, work-hour flexibility, epidemic subsidies for employees, and other issues.

On June 13, 2019, KGIB entered into a 3-year collective bargaining agreement with its labor union, and 100% of its full-time employees were covered by the collective bargaining agreement, including those who have not joined the labor union. The contents of the collective agreement are respected in all labor-management activities, and both parties live in harmony. In December 2021, six months before the expiration of the collective agreement, KGIB held a consultation meeting for the renewal of the collective agreement. In 2021, employees participating in the labor union or covered by the collective bargaining agreement accounted for 35% of all regular employees in Taiwan. The Company also maintains smooth communication channels for other regular employees, achieving a labor-management relation.

The “Employee Complaint Procedure” is published on our internal website, which 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 2021, no employee complaints were lodged.



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix



05 Low-Carbon Economy

5.1 Green Operation	87
5.2 Sustainable Supply Chain	88

After the conclusion of the 2021 United Nations Climate Change Conference (COP 26), the goal of net zero by 2050 has become a global consensus. The Company has also committed to the goal of “achieving carbon neutrality in its own operations and management by 2030”, planning various decarbonization measures and renewable energy procurement projects, and promoting the recycling of water resources and waste through low-carbon operations, to create a sustainable future for the next generation.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of
Sustainable Society

Appendix

Strategy, Targets and Progress

Strategy	2021 Targets	2021 Progress	Short-term Goals (2022)	Medium-term Goals (2023-2024)	Long-term Goals (2024-2026)
Implement low-carbon operations management.	<p>With 2016 as the base period:</p> <ul style="list-style-type: none">◆ 3% greenhouse gas (GHG) reduction.◆ 3% reduction in electricity use.◆ 2% reduction in water use.◆ 100% GHG inventory taken for the updated ISO 14064-1.◆ Externally certified for ISO 14001 and ISO 50001.◆ Expanded waste inventory rate to 75%.	<p>Results:</p> <ul style="list-style-type: none">◆ 4.11% reduction of GHG emission.◆ 3.59% reduction in electricity use.◆ 9.64% reduction in water use.◆ ISO 14064-1 (Greenhouse Gas Inventory) reached 99.27% coverage (excluding overseas offices and China Life service locations).◆ Passed annual reviews for ISO 14001 environmental management systems and ISO 50001 energy management systems.◆ Waste inventory rate reached 99.27%.	<p>With 2020 as the base period:</p> <ul style="list-style-type: none">◆ 3% reduction in carbon emission.◆ 3% reduction in electricity use.◆ 10% reduction in electricity consumption in all branches of commercial banks (equivalent to about 5 carbon neutral branches).◆ 3% reduction in water use.◆ ISO 14064-1 (Greenhouse Gas Inventory) reached 100% coverage.◆ Passed annual certifications for ISO 14001 environmental management systems and ISO 50001 energy management systems. The headquarters building is now ISO 14001 and ISO 50001 certified.◆ The percentage of energy use after recycling + incineration is ≥ 98%. Waste inventory coverage is now 100%.	<p>With 2020 as the base period:</p> <ul style="list-style-type: none">◆ Carbon neutral operation achieved at the headquarters building.◆ 5% reduction in electricity consumption in all branches of commercial banks (equivalent to about 17 carbon neutral branches).◆ 5% reduction in water use.◆ China Life Field Personnel Center is planning to implement ISO 14064-1 inventory.◆ Annual certifications of ISO 14001 environmental management systems and ISO 50001 energy management systems◆ The percentage of energy use after recycling + incineration is ≥ 98%. Waste inventory coverage is now 100%.	<p>With 2020 as the base period:</p> <ul style="list-style-type: none">◆ The CDF Holding remained carbon neutral at its headquarters building while broadening areas of net-zero/ carbon neutral.◆ 50% reduction in electricity consumption in all branches of commercial banks (equivalent to about 25 carbon neutral branches).◆ 8% reduction in water use.◆ China Life Field Personnel Center implemented ISO 14064-1 inventory.◆ Annual certifications of ISO 14001 environmental management systems and ISO 50001 energy management systems◆ The percentage of energy use after recycling + incineration is ≥ 98%. Waste inventory coverage is now 100%.
Supporting Green Energy	<ul style="list-style-type: none">◆ Installed solar panels on our own buildings.	<ul style="list-style-type: none">◆ The solar panels generated 90.45 MWh of green energy.	<ul style="list-style-type: none">◆ Draw up medium- to long-term strategies for renewable energy management to gradually increase the annual use of green power.◆ Assessed the possibility of installing solar panels on own real estate.	<ul style="list-style-type: none">◆ Increase the ratio of green power to total electricity used year by year.◆ Assessed the possibility of installing solar panels on own real estate. KGIS are in the talks with document warehouses to install solar panels on the rooftops of factories in central and southern Taiwan.	<ul style="list-style-type: none">◆ Increase the ratio of green power to total electricity used year by year.◆ Assessed the possibility of installing solar panels on own real estate. KGIS are in the talks with document warehouses to install solar panels on the rooftops of factories in central and southern Taiwan.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

Strategy	2021 Targets >>	2021 Progress >>	Short-term Goals (2022) >>	Medium-term Goals (2023-2024) >>	Long-term Goals (2024-2026) >>
Carbon Reduction Project	<ul style="list-style-type: none"> ◆ 40% usage of credit card e-startments. ◆ Held a walking contest to promote the green lifestyle. ◆ Promoted monthly No Red Meat Today. 	<ul style="list-style-type: none"> ◆ E-statement utilization was 43% in 2021, up 13% from the previous year. ◆ Continuous promotion of paperless services and operations, with carbon emissions reduced by 4.7% in 2021 from 2020. ◆ 2021's monthly No Red Meat Today garnered 8,828 participants, covering to an estimated 10.4 metric tons reduction in carbon emissions. The Bank's walking contest was canceled in 2021 due to the pandemic. 	<ul style="list-style-type: none"> ◆ Promotions for e-statements continued, raising utilization for credit-card e statements to 45%. ◆ Promoted low carbon footprint diet and lifestyle with the monthly "No Red Meat Today + Whole Foods." ◆ KGI Bank and Securities endeavor to lower electricity consumption with energy saving demonstration sites and an energy saving writing competition. ◆ The Banks conducted a bank-wide review of its operations to reduce printing and encourage electronic data, resulting in an estimated 2% increase in paperless carbon reduction compared to the same period in 2020. 	<ul style="list-style-type: none"> ◆ Promotions for e-statements continued, raising utilization for credit-card e statements to 47%. ◆ Promoted low carbon footprint diet and lifestyle with the monthly "No Red Meat Today + Whole Foods." ◆ The Banks conducted a bank-wide review of its operations to reduce single-use paper consumption and expand the scope of digital processes, resulting in an estimated 3% increase in paperless carbon reduction compared to the same period from the year before. 	<ul style="list-style-type: none"> ◆ Roll out low-carbon credit cards ◆ Promotions for e-statements continued, raising utilization for credit-card e statements to 50%. ◆ Promoted low carbon footprint diet and lifestyle with monthly "No Red Meat Today." ◆ The Banks conducted a bank-wide review of its operations to reduce single-use paper consumption and expand the scope of digital processes, resulting in an estimated 3% increase in paperless carbon reduction compared to the same period from the year before. ◆ Supports EPA's Green Office Initiative.
Sustainable Supply-Chain Management.	<ul style="list-style-type: none"> ◆ Main/new suppliers that signed the Letter of Undertaking regarding Supplier CSR reached 100%. ◆ Supplier training. ◆ Human rights and sustainability are now included in the evaluation. ◆ Local purchases reached 80%. ◆ Promoted Green Purchasing. ◆ Commanded excellent suppliers. 	<ul style="list-style-type: none"> ◆ 100% of the 151 new suppliers and 279 main suppliers signed the Letter of Undertaking regarding Supplier CSR. ◆ The "Supplier Convention" was held virtually and physically on March 31, 2022, promoting the company's corporate sustainability philosophy and recognizing the three "excellent suppliers" in the annual evaluation. ◆ Formulated a "Supplier Guidelines to Sustainability." Local purchases with supplier due diligence reached 98.4% in total amount spent. ◆ Green procurement amounted to NT\$ 180.26 m, which was praised by the EPA and the Taipei City DEP. 	<ul style="list-style-type: none"> ◆ Main/new suppliers that signed the Letter of Undertaking regarding Supplier CSR reached 100%. ◆ Supplier training continued. ◆ Human rights and sustainability are now included in the evaluation. ◆ Local purchases reached 80%. ◆ Promoted Green Purchasing 	<ul style="list-style-type: none"> ◆ Suppliers reviewed and self-assessed continued to increase. ◆ Main/new suppliers that signed the Letter of Undertaking regarding Supplier CSR reached 100%. ◆ Local purchases reached 80%. ◆ Promoted Green Purchasing. ◆ Commanded excellent suppliers. ◆ Gradually expand the scope of supplier management and GHG inventories 	<ul style="list-style-type: none"> ◆ Suppliers reviewed and self-assessed continued to increase. ◆ Main/new suppliers that signed the Letter of Undertaking regarding Supplier CSR reached 100%. ◆ Local purchases reached 80%. ◆ Promoted Green Purchasing. ◆ Commanded excellent suppliers. ◆ Build our procurement platform as part of supplier management, which contains a watchlist and blacklist and increases opportunities for excellent suppliers.



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of
Sustainable Society

Appendix

5.1 Green operation

5.1.1 Environmental Policy and Strategy

CDF Environmental Governance Mechanism

CDF established the "Environmental Management Team" in 2011, which was incorporated into one of the six main working groups of the "Sustainability Committee", a functional committee under the Board of Directors, and renamed as the "Environmental Sustainability Team" in 2015. The Sustainability Committee assigns CDF's senior executives to lead the representatives of subsidiaries, plan and implement the environmental policy of the whole group, and report the operation status to the Sustainability Committee.

Responsibilities:

1. Draft an annual work plan, including energy conservation and carbon reduction plans, and short-, medium- and long-term environmental goals
2. Promoted green procurement and major/new suppliers to sign "[Letter of Undertaking regarding Supplier CSR](#)"

To strengthen the senior management's attention to environmental issues, CDF linked its senior management's compensation and incentives to their environmental performance, and evaluated environmental-related solutions. In the future, it planned to link all employees' compensation and incentives to their environmental performance to increase willingness to participate and strengthen environmental management.

Environmental Commitments and Policies



1. Reduce energy consumption and carbon emissions with full participation
2. Protect the environment and cherishing resources
3. Prevent pollution and comply with regulations
4. Communication and coordination, friendship and good neighborliness
5. Continuous improvement, sustainable management

In 2016, the Company set a goal of reducing GHG emissions and electricity consumption by 3% by 2021 and achieved it ahead of schedule in 2020. In 2021, it continued to promote the GHG emissions reduction plan and to increase the coverage rate of GHG inventory and verification in Taiwan to 100%, while introducing renewable energy such as solar energy to gradually increase the utilization rate of green electricity.

The Company committed in 2021: "Carbon Neutrality of the Headquarters by 2024", and "Carbon Neutrality of Own Operation and management by 2030".

Environmental Initiatives

We continued to promote environmental protection and to encourage colleagues in the Group to take practical actions to participate in energy conservation and carbon reduction, so as to contribute to environmental sustainability.

1. Earth Hour

Since 2015, the Company had responded to this global environmental protection initiative for the 7th consecutive year, turning off the lights at all locations in Taiwan for one hour, exerting its positive influence and jointly protecting our planet.

2. One day a month without red meat

Since 2017, to encourage colleagues to eat more vegetables, we had been promoting a "low-carbon diet" in the Company's staff restaurants by purchasing seasonal and local fresh ingredients, reducing manual processing and transportation, and cooking them in appropriate and energy-efficient ways to reduce food waste and garbage. In 2021, a total of 9,234 persons participated, with an estimated reduction of about 10.90 tCO₂e.

3. Employee walking competition

KGI Bank held a 30-day "KGI Walker Towards 2021" employee walking competition in 2020. From Dec. 14, 2021 to January 12, 2021, a total of more than 220 million steps and 134,764 kilometers were walked, which could be detoured. 3.4 circles of the earth with about 191 tCO₂e of calories consumed.

Due to the enthusiastic response from our employees, we expanded the scope of the event to all subsidiaries, and held a 30-day "2022 CDF Walker for Health and Public Welfare", inviting employees to take "10,000 steps per day" as the goal, walked into the community and proposed public welfare activities. A total of 1,737 colleagues responded, with a total of more than 679 million steps, 494,793.2 kilometers, translating into 12.3 circles of the earth, and about 96 tCO₂e of calories consumed.

4. Internal communication and promotion activities

Starting from itself, the Company promoted various energy saving and carbon reduction measures and activities to colleagues through internal letters from time to time, such as: Responded to issues such as World Earth Day, Environment Day, Lights Off Day, plastic reduction, paper saving, green procurement, taking public transportation, e-services, and resource recycling.

5. Create a new culture of environmentally friendly and healthy eating

Subsidiary China Development Medical Ventures, responded to the Taipei City Government's "banning disposable and melamine tableware".

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of
Sustainable Society

Appendix

5.1.2 GHG Management

The GHG generated by CDF's own operations mainly came from electricity purchasing, operation of building equipment, gasoline and natural gas used in official vehicles. To effectively grasp the amount of GHG emissions and formulate carbon reduction plans, we had been conducting ISO 14064-1 GHG inventory and verification since 2016. The scope of the inventory and verification in 2021 covered all locations except overseas units and CL Communications Division, with a 99.27% coverage, and other indirect GHG emissions were identified.

In the face of the crisis of global warming and climate change, the Company set up a GHG emissions reduction plan. We paid attention to various international climate initiatives. CDF signed and supported the "Task Force on Climate-related Financial Disclosures (TCFD)" in 2018 to gradually establish a climate risk management mechanism. We also began to introduce the "Internal Carbon Pricing (ICP)" system from 2020; completed the signing of the commitment "Science Based Targets initiative (SBTi)" on April 7, 2022, with internationally recognized scientific methods to implement the goal of "Total Portfolio Net Zero Carbon Emissions by 2045" committed by the Company in 2021. This target takes 2020 GHG emissions as the base year. In 2021, Scope 1 & 2 GHG emissions increased by 0.04% compared with 2020, while per capita emissions decreased by 9.71%.

◆ 2021 Goals and Implementation Status of GHG Management

Goals	Results of Plans and Measures	Implementation Status	Achievement rate
◆ GHG emissions reduced by 3% compared to 2016 ◆ ISO 14064-1 GHG emissions inventory and verification coverage reached 100%	◆ Promoted energy saving and carbon reduction programs and evaluated the purchase of green energy ◆ Continued and expanded the scope of ISO 14064-1 GHG inventory and verification ◆ Promoted ISO 14001 and ISO 50001 annual verification process	◆ Total GHG emissions of Scope 1 & 2 were 22,029.35 tCO ₂ e, a decrease of 4.11% compared with 2016. ◆ Achieved 99.27% coverage of ISO 14064-1 GHG inventory and verification (excluding overseas offices and the CL Communications Division)	106.19%
Inventory of GHG emissions in Category 3 - 6 (Scope 3)	Identified and inventoried the GHG emissions of Category 3 - 6, including: 1. Business travel 2. Upstream transportation and distribution 3. Downstream transportation and distribution 4. Fuel and energy-related activities 5. Final disposal of operational waste	Total GHG emissions of Scope 3 were 7,164.30 tCO ₂ e	-

Scope 1 & 2 GHG emissions								Unit: tCO ₂ e
	2016(Base year)	2018	2019	2020	2021	2021 Goal	Achievement rate	Ratio compare to base year
Scope 1(Category 1)	1,063.43	819.8	873.94	1,164.25	1,758.97	1,087.04	38.19%	65.40%
Scope 2(Category 2)	21,909.80	23,879.07	22,024.98	20,856.84	20,270.39	22,396.22	109.49%	-7.48%
Total	22,973.23	24,698.87	22,898.92	22,021.09	22,029.36	23,483.26	106.19%	-4.11%
Per capita Emissions	2.94	3.05	2.83	2.68	2.42	3.01	119.48%	-17.70%
Inventory Coverage	94.20%	97.80%	97.80%	97.80%	99.27%	100%	99.27%	5.38%
Verification Coverage	31.70%	59.70%	62.10%	75.50%	99.27%	100%	99.27%	213.15%

Notes:

- We use ISO 14064-1:2018, GHG Inventory Protocol - Corporate Accounting and Reporting Standards, and GHG Inventory Registration Operation Guidelines as the GHG inventory method. GWP value is taken from the 2013 IPCC AR5 report.
- The emission factors for electricity are 0.528 (2018), 0.533 (2019), 0.509 (2020) kgCO₂e/kWh.
- The per capita Emission = Total Emissions / Permanent Employees in the scope of Inventory.
- Inventory/verification Coverage = Permanent Employees in the scope of inventory/verification / Total Permanent Employees (excluding overseas offices and the CL Communications Division)
- Achievement rate = -[(2021 actual usage - 2021 goal) / 2021 goal] + 1
- Considering the changes in the inventory scope, the Company included the "inventory coverage rate" and "Goal reduction ratio of 3% compared to 2016" in 2021, and estimated that the target value which should be achieved in 2021 = (2016 Total Emissions / 2016 Inventory Coverage Rate) x 97 % (expected to decrease by 3%) x Inventory Coverage Rate in 2021.
- The inventory scope of 2021 included 9 buildings (CDF HQ, CDF old HQ, Nangang Information Center, KGIS HQ, Taikai Building, KGIB Zhonghe Building, Hongqi Building, Chengdong Building, CL Dunbei Building), 72 branches of KGIS, 3 branches of KGI Futures, 51 branches of KGIB and 8 branches of CL.
- Emission coefficients and Global Warming Potential (GWP) use version 3.0.0 of the GHG Inventory Registration Form of the EPA of the Executive Yuan (EPA) and version 6.0.4 of the coefficient management table.
- The operational control method is used as the method for consolidating the amount of greenhouse gases.
- The carbon emissions of Scope 2 (Category 2) are calculated on location-based and are generated from the use of electricity in buildings.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation

5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

Scope 1 GHG Emissions - Breakdown by GHG type in 2021

Unit: tCO₂e

	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	NF ₃	Total
Emissions	391.86	535.83	7.76	822.51	0	0	0	1,757.96
%	22.29%	30.48%	0.44%	46.79%	-	-	-	100%

Scope 1 GHG Emissions - Business Travel from Official Vehicles

Unit: tCO₂e

	2016 (base year)	2018	2019	2020	2021	2021 Goal	Ratio compare to base year
GHG emissions	472.28	344.48	312.60	240.69	259.31	482.77	-45.09%
Data Coverage	94.20%	97.80%	97.80%	97.80%	99.27%	100.00%	5.38%

Notes:

- The only transport owned by the Company are official vehicles.
- 2021 Goal = (2016 total emissions / 2016 inventory coverage) x 97 % (expected to decrease by 3%) x Inventory coverage in 2021.
- Emission coefficients and Global Warming Potential (GWP) use version 3.0.0 of the GHG Inventory Registration Form of the EPA of the Executive Yuan and version 6.0.4 of the coefficient management table. If there are updated coefficients, the latest version is adopted.

Other indirect GHG emissions

The Company's operating scale continued to expand. To control the impact of business development on the environment, we conducted an inventory of other indirect GHG emission sources in 2020, identified opportunities for improvement and formulated response strategies through identification, analysis and evaluation processes to effectively reduce the possible impact of operating activities and service processes on the environment.

Category 3 GHG emissions in 2021 are 2,380.69 tCO₂e, an increase of 1,256.55 tCO₂e compared to 2020. This is mainly due to the expansion of the scope of KGIS inventory and the delivery of anti-epidemic materials to colleagues.

In order to reduce GHG emissions from business travel, the company upgrades various video conferencing equipment in meeting rooms and encourages video conferencing to replace business travel.

Scope 3 GHG Emissions (Category 3 - 6)

Unit: tCO₂e

Category		Item	Emissions	Percentage	Calculate Methods
Indirect GHG Emissions from Transportation ³	Business travel	Airplane	28.43	19.42%	Based on the carbon footprint calculator provided by the UN International Civil Aviation Organization (ICAO) for the current year.
		High speed rail	57.59	39.35%	Based on the carbon footprint data of high-speed rail transportation services in 2020 provided by Taiwan High Speed Rail Corporation.
		Taiwan railway	18.85	12.88%	Based on the data and mileage announced by the product carbon footprint calculation service platform in 2014 and 2015of the Industrial Technology Research Institute of Taiwan.
		Taxi	41.50	28.36%	
		Subtotal	146.37	100%	X
	Upstream transportation and distribution	Purchased photocopying paper	7.26	74.18%	Based on the carbon footprint announced by the EPA, with the total weight of the items x shipping distance.
		Photocopier manufacturer warranty maintenance	2.53	25.82%	Based on the carbon footprint announced by the EPA, with distance from the manufacturer's office to each office building x the number of times x the carbon emission coefficient of the motor.
		Subtotal	9.79	100%	X
	Downstream transportation and distribution	Sent money bills to the post office	0.01	0.00%	Based on the carbon footprint announced by the EPA, with the total weight of the items x shipping distance.
		Sent credit card and bills to the post office	0.31	0.01%	
		Transportation of package delivery	2,224.06	99.98%	
		Sent notice of shareholders' meeting to the post office	0.07	0.00%	
		Sent cash dividend claim notice to the post office	0.08	0.00%	
Subtotal		2,224.53	100%	X	
		Total	2,380.69	100%	X
Indirect GHG Emissions from Products used by Organization ⁴	Fuel and energy-related activities	Upstream production of purchased energy including transportation (electricity)	3,727.01	96.16%	For the transmission and distribution losses caused by purchased electricity, calculated the carbon emissions of transmission and distribution losses and the total amount of purchased electricity, diesel, gasoline, and natural gas based on the carbon footprint announced by the EPA.
		Upstream production of purchased energy including transportation (diesel)	3.70	0.10%	
		Upstream production of purchased energy including transportation (gasoline)	71.15	1.84%	
		Upstream production of purchased energy including transportation (natural gas)	32.39	0.84%	
		Power usage of ATM	41.59	1.07%	Based on the latest electricity emission coefficients announced by the Energy Bureau of the Ministry of Economic Affairs. Calculated per kWh (power/1,000) x 24 (hours) x 365 (days).
		Subtotal	3,875.84	100%	X
	Final disposal of operational waste	Final disposal of waste (including incineration)	724.30	79.79%	Calculated based on the average monthly number of employees of the Company in 2021 x the daily general waste generation per person announced by the EPA x the working days in 2021 x the carbon emission coefficient of waste announced by the EPA.
		Domestic garbage removal service	183.47	20.21%	Based on the carbon footprint announced by the EPA, with the total weight of the domestic garbage removal x shipping distance.
		Subtotal	907.77	100%	X
		Total	4,783.61	100%	X
	Total Other Indirect GHG emissions		7,164.30	100%	X
	Data Coverage				99.27%

Notes:

- Category 3 was indirect GHG emissions from transportation; Category 4 was indirect GHG emissions from products used by the Company. Category 5 & 6 were identified as being of no significance, so no inventory was conducted.
- Emission coefficients and Global Warming Potential (GWP) use version 3.0.0 of the GHG Inventory Registration Form of the EPA of the Executive Yuan and version 6.0.4 of the coefficient management table.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of
Sustainable Society

Appendix

Internal Carbon Pricing (ICP) mechanism

The Company introduced ICP mechanism as a reference for assessing and managing the transition risk of climate change and as a reference for decision-making. We calculated the implicit cost of GHG emissions from operations through the Shadow Price, and expected to gradually introduce this system and to incorporate it into our internal management measures in the form of internal fees to elevate energy efficiency.

There were two main methodology of ICP. First, we calculated the carbon price based on the actual purchase price of Taiwan Renewable Energy Certification (T-REC), which represented the current actual cost of carbon. Second, we predicted the future changes in carbon price based on the Network for Greening the Financial System composed of central banks and financial supervision agencies in major countries around the world for risk measurement and management.

The Company adopted the second methodology, which was more forward-looking to calculate the expected carbon price in 2045 in response to the goal of "Total Portfolio Net Zero Carbon Emissions by 2045". We used the Network for Greening the Financial System to estimate the change in carbon price in Taiwan through the "Comprehensive Evaluation Model". We also considered Taiwan's 2050 Net-zero policy and CDF's 2045 Net-zero goal, and using the "orderly transformation" scenario to estimate the carbon cost is NT\$ 10,083/ton (US\$347.7/ton), and calculated the Company's implicit cost of carbon emissions in 2021 as shown in the table below.

Implicit Cost of Carbon Emissions for 2021

	Total Emissions (tCO2e)	Implicit cost
Scope 1, 2 (Category 1, 2) - Own operation	22,029.35	NT\$ 222,122 thousand
Scope 3 (Category 3) - Business travel	146.37	NT\$ 1,476 thousand
Total	22,175.72	NT\$ 223,598 thousand

5.1.3 Energy Management

We actively developed feasible solutions to promote energy conservation and carbon reduction responded to green energy policies, reduced impact on the environment, and pursued sustainable and balanced development with the environment.

◆2021 Energy Management Goals and Implementation Status

Goals	Results of Plans and Measures	Implementation Status
Reduced electricity consumption and carbon emissions by 3% compared to 2016	◆ Renewed air-conditioning equipment and lighting fixtures to environmentally friendly, energy-saving and high-efficiency equipment ◆ Adjusted the lighting hours of the signboard lights	◆ The electricity saved through the energy saving scheme was about 432.40 MWh, which was equivalent to a reduction of 219.00 tCO2e ◆ The electricity consumption in 2021 was about 40,469.71 MWh, which was reduced by 3.59% compared to 2016. Per capita electricity consumption was 4.45 MWh, which was reduced by 17.24% compared to 2016.
Increased renewable energy usage	◆ Actively expanded solar panel	◆ Installed solar panels in the CDF HQ and the Pei Men Branch of KGIB, with 90.45 MWh of green electricity generated in 2021, which is equivalent to a reduction of 45.81 tCO2e.
Pass the ISO 50001 certification	◆ Handling ISO 50001 annual certification	◆ Dazhi Building has passed ISO 50001 energy management system certification

Energy Savings and Investment

Energy Savings Projects	Investment (NT\$)	Energy Savings (MWh)	Energy Savings (J)	Reduction Emissions (tCO2e)
Replacement of air-conditioning equipment and lighting fixtures that are more environmentally friendly	26,033,498	387.64	1,395.49	196.33
Adjust the lighting time of the signboard lights	-	44.76	161.15	22.67
Actively expand solar panel power generation (Install solar panels in the new HQ building and the Beimen Branch of KGIB)	1,790,000	90.45	325.63	45.81
Total	27,823,498	432.40	1,556.64	219.00

Notes:
1. Calculation method of Energy saving projects: Power difference between old and new equipment (Watt) x Number of hours of use in a year (hours) / 1,000; Power of energy saving measures (Watt) x Number of hours of use in a year (hours) / 1,000
2. 1 MWh = 3.6GJ
3. According to the results of this GHG inventory: 1 kWh electricity = 0.50648 kgCO2e

Content

About the Report

Chairman's Message

2021 ESG Performance

CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation

5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

Energy Consumption

In 2021, the Company's energy consumption was 42,172.28 MWh. The main energy consumption was from office buildings and business units, accounting for 95.96% of the total consumption; the second was gasoline used in business vehicles. The expenditure for purchased energy was NT\$ 156,760,629 in 2021.

Energy Consumption								
	2016 (base year)	2018	2019	2020	2021	2021 Goal	Achievement Rate	Ratio compare to base year
Purchased Power (MWh)	41,777.82	43,297.14	41,116.89	41,084.62	40,379.26	42,705.33	105.45%	-3.35%
Purchased Green Power (MWh)	200	0	31	34	90.45	204.44	155.76%	-54.77%
Total Electricity (MWh)	41,977.82	43,297.14	41,147.89	41,118.62	40,469.71	42,909.77	105.69%	-3.59%
Natural Gas (cubic meter)	97,541	98,665	94,777	82,644	71,808.1	99,706.53	127.98%	-26.38%
Gasoline (liters)	200,006.76	145,880.01	132,377.61	134,272.00	108,155.49	204,447.15	147.10%	-45.92%
Diesel (liters)	2,370.00	1,912.27	2,448.65	1,648.00	5,051.00	2,422.62	-8.49%	113.12%
Total Non-renewable Energy (MWh)	44,508.74	45,565.93	43,234.78	43,090.13	42,081.83	45,496.88	107.51%	-5.45%
Total Energy (MWh)	44,708.74	45,565.93	43,265.78	43,124.13	42,172.28	45,701.32	107.72%	-5.67%
Energy Consumption per capita (MWh)	5.37	5.34	5.09	5.00	4.45	5.49	119.04%	-17.24%
Energy Consumption per capita (GJ)	20.56	20.27	19.29	18.92	16.68	21.02	120.65%	-18.89%
Data Coverage	94.20%	97.80%	97.80%	97.80%	99.27%	100%	99.27%	5.38%

- Notes:
- 1 MWh = 3.6 GJ; 1 GJ = 277.78 kWh; 1 kcal = 0.000004 GJ.
 - Conversed calorific value according to the "Emission Factor Table Version 6.0.4" announced on the Energy Bureau's website, with natural gas of 9,000 kcal/kWh (cubic meter), gasoline of 7,800 kcal/L, and diesel of 8,400 kcal/L.
 - The inventory scope of 2021 included 9 buildings (CDF HQ, CDF old HQ, Nangang Information Center, KGIS HQ, Taikai Building, KGIB Zhonghe Building, Hongqi Building, Chengdong Building, CL Dunbei Building), 72 branches of KGIS, 3 branches of KGI Futures, 51 branches of KGIB and 8 branches of CL, with the coverage rate of inventory/verification reaching 99.27%.
 - Considering the changes in the inventory scope, the Company included the "inventory coverage rate" and "Goal reduction ratio of 3% compared to 2016" in 2021, and estimated that the target value which should be achieved in 2021 = (2016 Total Consumption / 2016 Inventory Coverage Rate) x 97 % (expected to decrease by 3%) x Inventory Coverage Rate in 2021.
 - Achievement rate = -[(2021 actual usage - 2021 goal) / 2021 goal] + 1
 - Inventory Coverage = Permanent Employees in the scope of inventory / Total Permanent Employees (excluding overseas offices and the CL Communications Division); Per capita consumption = Total energy consumption / Permanent employees in the inventory scope.
 - Renewable energy (electricity) was included in electricity consumption from 2021, and the data on total energy consumption for the past years was revised simultaneously.

Renewable Energy

The Company had long supported the government's green energy policy, and followed the international trend to promote the development of renewable energy and the transition to low-carbon economy. In 2016 and 2017, the Company purchased 200,000 kWh of green enrgy from TaiPower. In 2019 and 2020, purchased 31 solar T-REC and 34 biomass T-REC from the National Renewable Energy Certification Center. In addition, the Company installed solar panels in the CDF HQ and the Pei Men Branch of KGIB in 2020, with 90.45 MWh of green energy generated in 2021.

Energy Cost						Unit: NT\$
	2016 (base year)	2018	2019	2020	2021	Ratio compare to base year
Electricity	162,976,083	159,935,443	153,597,747	142,572,924	152,751,823	-6.27%
Natural gas	1,142,469	1,374,160	1,378,589	931,468	747,991	-34.53%
Gasoline	4,762,224	4,342,978	3,819,597	3,198,387	3,138,798	-34.09%
Diesel	46,683	49,840	61,416	39,387	122,017	161.38%
Total	168,927,459	165,702,421	158,857,349	146,742,166	156,760,629	-7.20%
Inventory Coverage	94.20%	97.80%	97.80%	97.80%	99.27%	5.38%

Note: Inventory Coverage = Permanent Employees in the scope of inventory / Total Permanent Employees.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

5.1.4 Water Resources Management

The Company attached importance to the use of water resources, set targets for water saving, and promoted various water-saving measures to reduce water consumption.

◆2021 Water Resources Management Goals and Implementation Status

Goals	Results of Plans and Measures	Implementation Status	Achievement rate
Water consumption reduced by 2% compared to 2016	◆ Adopted inductive device ◆ Adopted equipment with water-saving label ◆ Strengthened propaganda to colleagues to cherish water resources	◆ Reduced water consumption by 213,16 million liters in 2021, which was reduced 9.64% compared to 2016.	112.33%
Installed rainwater recovery equipment	◆ Installed rainwater recovery equipment in the CDF HQ	◆ Installed and started using it in 2021	-

CDF mainly used water for people's livelihood and air conditioning, and the water source was all from the local tap water plant, not from groundwater or rivers. The waste water from the kitchen and pantry of the buildings was purified and discharged into the underground sewer buried by the government. The kitchen was equipped with oil-water separation facilities to reduce water pollution, and there was no leakage in 2021. Toilet urinals in the main office buildings adopted sensor-type water dispensers to effectively utilize water resources, and water-saving devices were also installed in the toilets and pantries to effectively regulate water resources; the equipment with the water-saving label was preferred for replacement. Rainwater recovery equipment was installed in CDF HQ in 2021 for lawn watering, so as to effectively utilize water resources.

Water Withdrawal and Water Consumption		Unit: 1,000 kL							
Tap Water		2016 (base year)	2018	2019	2020	2021	2021 Goal	Achievement Rate	Ratio compare to base year
	Total	235.90	237.58	232.44	232.20	213.66	243.63	112.30%	-9.43%
	Per Capita	0.0302	0.0293	0.0288	0.0283	0.0235	0.0312	124.73%	-22.26%
	Carbon Emissions (kg CO2e)	38.22	38.49	37.66	34.83	32.48	39.47	117.71%	-15.02%
Data Coverage		94.20%	97.80%	97.80%	97.80%	99.27%	100%	99.27%	5.38%

Note

1. The Company's water withdrawal was the same as its water consumption.

2. Water withdrawal comes directly from the Taiwan Water Corporation. Taiwan is not a water-stressed area, and the total dissolved solids (TDS) are all ≤1,000 mg.

3. CDF has no recycled water. Although theHQ is equipped with a rainwater recycling system, it is not yet possible to measure the recycling amount.

4. We calculate the CO2e of water withdrawal/consumption according to the data announced by the Taiwan Water Corporation.

5. Considering the changes in the inventory scope, the Company included the "inventory coverage rate" and "Goal reduction ratio of 3% compared to 2016" in 2021, and estimated that the target value which should be achieved in 2021 = (2016 Total Consumption / 2016 Inventory Coverage Rate) x 97 % (expected to decrease by 3%) x Inventory Coverage Rate in 2021.

6. Achievement rate = -[(2021 actual consumption – 2021 goal) / 2021 goal] + 1; Inventory Coverage = Permanent Employees in the scope of inventory / Total Permanent Employees (excluding overseas offices and the CL Communications Division)

7. Per capita consumption = Total water consumption / Permanent employees in the inventory scope

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

5.1.5 Waste Management

Most of the waste generated by CDF's operations was general household waste, and there was no waste that required special treatment. To maximize the classification and recycling of resources, we strengthened the promotion of waste reduction and resource recycling and classification, encouraged our employees to implement waste recycling, and continued to expand the coverage of waste inventory.

◆2021 Waste Management Goals and Implementation Status

Goals	Results of Plans and Measures	Implementation Status
Implementation of waste recycling statistics	◆Collect recyclable and non-recyclable waste data ◆Calculate recyclable waste ratio data	Total volume of recycled waste was 217.99 tons and the total volume of incinerated waste for energy use was 264.51 tons. These two accounted for 98.73% of the total waste.

Resource Management and Waste Reduction Measures

1. Established standardized and consistent procurement principles to facilitate resource sharing, to reuse during unit adjustment, to reduce waste.
2. Used FSC certified environmentally friendly paper for printing business cards and annual reports, and purchased FSC or PEFC certified paper for photocopying.
3. In order to reduce waste of resources, we regular checked and strengthened the management of the Company's fixed assets such as information equipment and office furniture, and allocated idle assets for use.
4. Made good use of e-mail, electronic bulletin boards, and electronic document systems to replace paper documents and sign-off processes; used tablet computers for regular meetings instead of paper agendas; and offered online courses instead of classroom courses.
5. Rented copying machine with environmental protection label and controlled printing, set up double-sided or multi-page printing, recycled paper for reuse, saved paper consumption, and used environmentally friendly consumables and recycled them after use.
6. Used glass or porcelain cups instead of paper cups, did not provide no-wash tableware in the employee cafeteria, and encouraged employees to use environmentally friendly chopsticks; did not provide bottled water during events, and encouraged employees to bring their own water.

Waste Statistics		Unit: tons							
		2016 (base year)	2018	2019	2020	2021	2021 Goal	Achievement Rate	Ratio compare to base year
Total Waste Disposed	Total Waste Recycled/Reused	270.39	261.52	252.38	204.89	217.99	518.83	157.98%	-19.38%
	Waste Landfilled	6.54	5.87	5.76	5.04	6.23	12.55	150.37%	-4.77%
	Waste Incinerated with Energy Recovery	304.84	273.63	268.63	235.01	264.51	584.94	154.78%	-13.23%
	Waste Incinerated without Energy Recovery	-	-	-	-	-	-	-	-
	Waste otherwise Disposed	-	-	-	-	-	-	-	-
	Waste with unknown Disposal Method	-	-	-	-	-	-	-	-
Total Waste Disposed		311.38	279.50	274.40	240.05	270.74	597.49	154.69%	-13.05%
Total Waste		581.78	541.02	526.78	444.94	488.73	1,116.32	156.22%	-15.99%
Percentage of Energy Recovery after Recycling/Reusing and Incineration		98.88%	98.92%	98.91%	98.87%	98.73%	-	-	-0.15%
Data Coverage		50.70%	51.30%	51.90%	54.50%	99.27%	100.00%	99.27%	95.80%

Note:

1. According to the 2021 Annual Report on Environmental Protection Statistics by the EPA, the two main methods of general waste disposal in Taiwan were "incineration for power generation" (97.7% on average in the past three years) and "landfill" (2.3% on average in the past three years). The volume of incinerated and buried waste was calculated in this table according to this ratio.
2. All incinerators in Taiwan used thermal energy by incineration for electricity generation, so all incinerated waste was counted as "incineration for power generation".
3. Considering the changes in the inventory scope, the Company included the "inventory coverage rate" and "Goal reduction ratio of 2% compared to 2016" in 2021, and estimated that the target value which should be achieved in 2021 = (2016 Total Waste / 2016 Inventory Coverage Rate) x 98 % (expected to decrease by 2%) x Inventory Coverage Rate in 2021.
4. Achievement rate = -[(2021 actual waste - 2021 goal) / 2021 goal] + 1
5. Inventory Coverage = Permanent Employees in the scope of inventory / Total Permanent Employees
6. We cooperate with legal registered operators to transport recycling/reusing waste to the government-registered recyclables depot for processing.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

Promotion of Paperlessness

CDF continued to promote the paperless policy, moving toward paperless internal management process and external customer service.

Goals	Results of Plans and Measures	Implementation Status
Promoted paperless business	<ul style="list-style-type: none">◆ KGIS and KGIB provided online application services, business transactions and wealth management services.◆ KGIS and KGIB increased the proportion of electronic billing and EDM delivery.◆ Encouraged the use of corporate Internet banking for online transactions.	Reduced consumption of approximately 778 million sheets of A4 paper, which was equivalent to a reduction of 5,598.44 tCO2e
Promoted paperless internal management	<ul style="list-style-type: none">◆ KGIB expanded the scope of application of simplified workflow (adding legal audit and operations)◆ CDF/CDIB promoted the transfer of multiple paper-based operations to online systems, including parking reservation system, procurement system, and iFlow system	Reduced consumption of 12.658 million sheets of A4 paper, which was equivalent to a reduction of 91.13 tCO2e

Effectiveness of paperless business and services		Estimated Benefits					
		Sheets of A4 Paper Saved (thousand Sheets)			Approximated Reduction in Carbon Emissions (tCO2e)		
		2019	2020	2021	2019	2020	2021
KGIB	Paperless Business such as Online Banking and Mobile Banking	2,502.80	11,794.81	14,712.79	18.02	84.92	105.93
	Paperless Services such as Online Application, E-billing, and EDM	44,371.24	41,291.01	50,149.49	319.47	297.30	361.08
KGIS	Paperless Services such as Online Account Opening and E-Statements	6,543.06	113,357.39	171,675.95	47.11	816.17	1,236.07
	Paperless trust order	363,339.41	572,281.14	534,052.29	2,616.04	4,120.42	3,845.18
CL	Green Service Process (including E-notice, E-services, Electronic Policy, Mobile Insurance)	4,300.00	3,683.86	6,969.85	30.96	26.52	50.18
Total		421,056.51	742,408.21	777,560.37	3,031.60	5,345.33	5,598.44

Note:
Calculated based on the data on the Taiwan Carbon Footprint Information Platform of the EPA, Executive Yuan: The production of one pack of 500 sheets of 70g A4 paper generates about 3.6 kgCO2e.

Effectiveness of Electronic Internal Management Process		Estimated Benefits					
		Sheets of A4 Paper Saved (thousand Sheets)			Approximated Reduction in Carbon Emissions (tCO2e)		
		2019	2020	2021	2019	2020	2021
Electronic Procurement	CDF	0.50	0.54	1.06	0.002	0.004	0.01
	KGIB	8.38	6.85	8.18	0.03	0.05	0.06
	KGIS	17.62	16.39	21.21	0.06	0.12	0.15
	CDIB	6.20	4.50	3.30	0.02	0.03	0.02
Simplified Workflow	KGIB	9,726.59	12,504.72	12,624.20	70.03	90.03	90.89
Total		9,759.29	12,533.00	12,657.95	70.14	90.23	91.13

Note: The production of one pack of 500 sheets of 70g A4 paper generates about 3.6 kgCO2e according to the data on the Taiwan Carbon Footprint Information Platform of the EPA, Executive Yuan.

Environmental Maintenance

The Company was committed to create a community environment, placed emphasis on regular environmental cleaning and disinfection (including garbage removal, and carpet and exterior wall cleaning) in all office buildings and business premises, and contacted the local village chiefs to help clean and disinfect the environment. Planted various types of plants on the corridors, terraces, and roofs around the main office buildings to beautify the environment.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society
Appendix

5.2 Sustainable Supply Chain

5.2.1 Supplier Management

In 2021, CDF has 279 major suppliers (with a transaction amount of more than NT\$ 1 million), accounting for about 90% of the total purchase amount. We continue to strengthen sustainable supplier management, to convey CDF's concept of sustainable development, and jointly promote sustainable supply chain.

2021 New Practices	
Program	2021
Implemented sustainable supplier management and paperless operations	1. Implement “Supplier Human Rights Due Diligence” 2. Formulate “ Code of Sustainable Conduct for Suppliers ” and promote it 3. Extend the goal of “Total Portfolio Net Zero Carbon Emissions by 2045” to the CDF’s suppliers 4. Tracking for suppliers improvement of the penalized in the previous year (2020) 5. Renew the ESG self-assessment form for suppliers and moved up the order of human rights self-assessment, highlighting the importance of human rights 6. The above management measures are all paperless to implement energy saving, carbon reduction and environmental sustainability.
Supplier management measures	1. Signing proportion of “ Letter of Undertaking regarding Supplier Corporate Social Responsibility ” keep at 100% since 2017. 2. Encourage suppliers to take out product liability insurance and business premise insurance and to reduce operational impact or diversify risks 3. Added documents such as “Supplier Signing Confidentiality Consent” , “Information Security Declaration” and “Personal Information Notice” .

Proportion of Major Suppliers by Category and Labor Intensity for 2021			
Category	Labor Intensity	Number of Suppliers	Ratio of the Number of Suppliers
Information service	Medium-low	112	40.1%
Engineering	High	35	12.5%
Information equipment	Medium	28	10.0%
Electrical appliances and equipment	Medium	13	4.7%
Restaurant and ingredients	High	11	4.0%
Paper and printed matters	Medium-high	10	3.6%
Transportation and communications	Medium	9	3.2%
Office supplies	Low	3	1.1%
Others and services	Medium-high	58	20.8%
Total		279	100%

◆ 2021 Results

Goals
New and major suppliers are required to sign the “Letter of Undertaking regarding Supplier Corporate Social Responsibility”
Introduce “Human Rights, Environmental Sustainability” to sustainable supplier management
Maintain the proportion of local suppliers above 80%
Green procurement amount increased by 3% compared to 2019
Conducted regular supplier evaluations and commended excellent suppliers who implemented corporate sustainability

Results of Plans and Measures
Actively invite suppliers to sign the “ Letter of Undertaking regarding Supplier Corporate Social Responsibility ” and implemented educational propaganda
1. Formulate and promote the “ Code of Sustainable Conduct for Suppliers ” 2. Implement the “Supplier Human Rights Due Diligence” 3. Promoted “Total Portfolio Net Zero Carbon Emissions by 2045”
Actively purchased from local suppliers to reduce unnecessary wastage and resource consumption during the transportation of products to promote local economic development
Increase green procurement items and coverage, and participate in government agencies or external evaluations
Conducted annual supplier evaluation every year, and rated the overall performance of suppliers in three stages (five grades in total, with “A” stands for the best and “E” stands for the worst.)

Implementation
All the 151 new suppliers and 279 major suppliers have 100% completed supplier assessment and signed the “ Letter of Undertaking regarding Supplier Corporate Social Responsibility ”
1. 100% promoted the “ Code of Sustainable Conduct for Suppliers ” to suppliers 2. Suppliers are asked to self-evaluate on 5 labor human rights concerns, with a response rate of 78.5% and an overall risk value of 1.06, which means that the human rights risk was extremely low 3. 77.8% of major suppliers support the goal of “Total Portfolio Net Zero Carbon Emissions by 2045” 4. Major suppliers have no record of environmental penalty and labor penalty record about 8.9% in 2021.
Local suppliers accounted for 98.4%
1. Green procurement increased by 37% compared to 2019. 2. Received the “Green Procurement Certificate” issued by EPA for 3 consecutive years, and the “Green Procurement Program for Private and Organizations” issued by the Taipei City Department of Environmental Protection for 4 consecutive years 3. The National Green Life Information Platform responds to green office, which is approved by the Environmental Protection Administration in May 17, 2021, and will be expired in May 17, 2024 4. In 2021, the evaluation score of “Corporate Commitment”, a related indicator of the “CommonWealth ESG Award”, has increased for three consecutive years
A total of 68 suppliers are evaluated, including 8 suppliers in “A(best)”, 53 suppliers in “B(good)”, and 7 suppliers in “C(average)”, with no “D” or “E”.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

Sustainable Supply Chain Management

1. In 2021, CDF conducted “Supplier Human Rights Due Diligence” for major suppliers for the first time (1-5 points, 5 points represent the highest risk value) to investigate the scores among supplier’s permanent employees, contractors and third-party suppliers in various risk. The overall risk (1.06) is classified as extremely low risk. The results show that our suppliers’ human rights risks are extremely low, and no significant vulnerable groups.

Results of Human Rights Due Diligence for 2021					
Item	Concerned Issues	Permanent Employees	Contractor	Third-party Suppliers	Risk Value
1	Employment Discrimination and Forced Labor	1.03	1.04	1.08	1.05
2	Workplace Safety risk	1.02	1.03	1.08	1.04
3	Information Security and Privacy Protection	1.07	1.07	1.12	1.08
4	Labor Equality and Life Integration	1.05	1.04	1.11	1.07
5	Lack of Workplace Protection	1.04	1.05	1.10	1.06

Notes: “Concerned Issues” is the title of each question item in the questionnaire. Among them, “Employment Discrimination” covers “Workplace Discrimination”, “Equal Pay for Equal Work” and “Collective Agreement”; “Forced Labor” covers “Child Labor” and “Human Trafficking”.

2. Formulate “[Code of Sustainable Conduct for Suppliers](#)” covers sustainable issues such as labor rights, environmental sustainability, ethical management, and occupational health. It has been present on [CDF's website](#), and promoted by email.
3. Conduct “Supplier ESG Self-Assessment” (1-5 points, max: 5 points) for 279 major suppliers, and prioritizes human rights issues to highlight CDF’s emphasis on human rights issues.

Major Suppliers ESG Self-Assessment Form and Results for 2021		
Content	Score	Average
Emphasized on human rights and no employment discrimination	4.95	4.89
Healthy and Safe Workplace	4.92	
Information security and privacy protection	4.87	
Complied with labor laws and balanced working conditions	4.92	
Workplace and operation related insurance	4.78	4.53
Purchased eco-friendly products to enhance energy efficiency	4.52	
Product or service with environmental label or ISO certification	4.14	
No environmental penalties in the self-assessment year	4.92	4.45
With a backup plan of operation for climate change	4.44	
GHG emission reduction measures	4.47	

New Supplier Assessment

In 2021, the Company has a total of 151 new suppliers, and all of them are required to complete and pass the assessment, which includes professional quality, actual performance and environmental hazards or labor penalties. Major suppliers are assessed for human rights risks and environmental risks based on penalties.

◆ 2021 New Supplier Selection Criteria



Environmental conditions

Any record of environmental hazards?



Social and human rights conditions

Any labor penalty record?



Other conditions

Have signed the CSR Commitment?
Is a local supplier?
Have ISO certification or environmental label?



Ethical Management Statement

Confirmed and declared that there is no record of material breach of contract and lawsuits affecting goodwill

◆ Ratio of New and Major Suppliers signed the “Letter of Undertaking regarding Supplier Corporate Social Responsibility”

2018	2019	2020	2021
100%	100%	100%	100%

Note: Unless there is an updated version, the suppliers do not need to re-sign. It will announce on CDF’s website.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of Sustainable Society

Appendix

Human Rights Risk Assessment of Major Suppliers for the past three Years

Year	2019			2020			2021		
	Working Hours	Healthy and Safe Workplace	Workplace Equality and no Discrimination	Working Hours	Healthy and Safe Workplace	Workplace Equality and no Discrimination	Working Hours	Healthy and Safe Workplace	Workplace Equality and no Discrimination
Information Equipment and Services	1	0	None	3	0	None	7	0	None
Engineering	0	0		1	0		1	1	
Others and Services	14	2		10	4		14	2	
Number of Suppliers Punished	17			18			25		
Total Number of Major Suppliers	252			300			279		
Ratio of Labor Penalties	6.8%			6%			9.0%		

Environmental Hazards of Major Suppliers for the past three Years

	2019	2020	2021
Severe	None	None	None
Moderate(Water Pollution Control Act)	1 office equipment company	1 information service company	None
Low(Waste Disposal Act)	1 office equipment company	1 information service company	None
Light environmental hazard (Environmental Health)	1 service company	1 service company	None
Number of suppliers punished for environmental protection	2	3	0
Total number of major suppliers	252	300	279
Percentage	0.79%	1%	-

Tracking Suppliers who were Penalized in 2020

In 2020, a total of 18 suppliers are punished for environmental and/or labor hazards, and all of them complete improvements, with a self-assessment score of 4.67 (1-5, with 5 being the highest).

Supplier Engagement

ECDF selects the best suppliers of the year based on annual evaluation, due diligence, ESG self-assessment, environmental / labor penalties, green procurement, and the level of contacts. Evaluated a total of 68 suppliers in 2021, including 8 A-grade (Best) suppliers, 53 B-grade (Good), 7 C-grade (Average), no D or E-grade. The list of best suppliers after three stages of evaluation is as follows, which will be publicly recognized and provided to the demand units for priority use.



ENTERPRISE BUSINESS GROUP, CHUNGWA TELECOM CO., LTD.

NTT Taiwan Solutions Limited

LANCOM TECHNOLOGIES INC.

In addition, we have ESG publicity on our website, electronic procurement orders and bidding instruction, etc., and set up communication channels such as a special mailbox for “CDF Procurement Management”. On March 31, 2022, we hold the “Sustainable Supplier Management and Best Supplier of the Year” event.

- Chief Operation Officer of CDF delivers a speech, and the 2021 Best Suppliers are awarded and recognized.
- Keynote speech on supplier human rights and ESG promotion, covered occupational health and safety issues.
- Supplier opinion exchange or ESG experience sharing.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

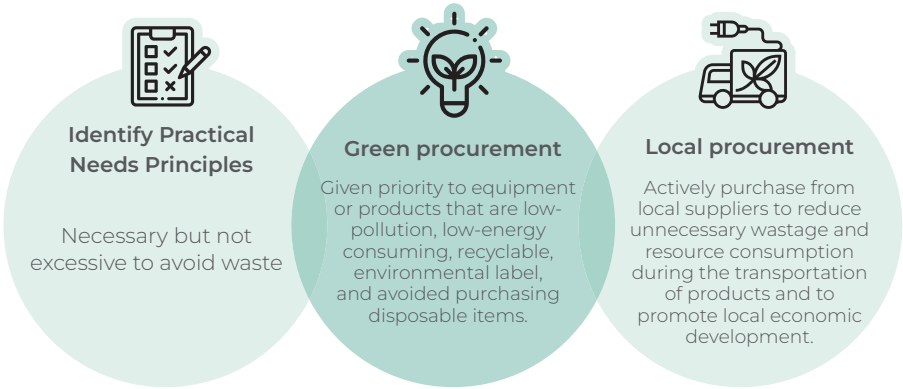
5.1 Green operation
5.2 Sustainable Supply Chain

Co-Creation of
Sustainable Society

Appendix

5.2.2 Responsible Procurement

In 2021, none of the CDF's suppliers has poor delivered quality or environmental hazards. We continue to promote the "Responsible Procurement Policy" with three key policies:



Green Procurement

Since 2016, CDF has responded to the government and carried out green procurement from NT\$ 51.19 million to NT\$ 180 million in 2021, an increase of more than 250%. CDF has been awarded the "Green Procurement Certificate" by EPA, Executive Yuan for 3 consecutive years, and awarded the "Green Procurement Program for Private and Organizations" by the Taipei City Department of Environmental Protection for 4 consecutive years.

The target for 2021 is to increase the green procurement amount by 3% compared to 2019 (NT\$ 131 million), and the target is successfully achieved.

2021 Implementation Measures

Necessary	Priority
Server, PC, NB, screen and other equipment that fully adopted Energy Star or green environmental label	Leasing vehicles with green environmental label, and products with carbon reduction label for services
Photocopying paper that are all paper products with FSC, PEFC and other environmental label	Green building materials and water-saving labels for decoration projects
Rented photocopiers and their toner cartridges of various colors, and drum cartridges, and purchased printer toner cartridges with green environmental label.	Equipment or electrical appliances with green environmental protection label, energy saving label or energy star

Achievements of Green Procurement

Unit: NT\$ 10 Thousand

	2018	2019	2020	2021
Information equipment	1,195	2,631	12,721	9,825
Information consumables	1,391	1465	2,221	1,737
Electrical equipment	301	223	1,746	1,299
Building materials and lighting / renovation works	773	6,370	519	3,551
Paper / Office Equipment / Other	473	1,097	534	383
Transportation (leasing oil and electric vehicles with green environmental protection label)	518	752	629	953
Transportation/High speed rail (carbon label)	743	573	485	278
Total	5,394	13,111	18,855	18,026

◆ Performance of Local Procurement

	2018	2019	2020	2021
Ratio	99.1%	96.7%	84.6%	98.4%

Note:
1. In 2020, the amount of local procurement was reduced due to the long-term foreign currency service contracts with foreign information service providers.
2. Local suppliers referred to those with companies registered in Taiwan.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix



06 Co-Creation of Sustainable Society

6.1 Promote Intergenerational Collaboration	129	6.4 Coexist with the Environment	138
6.2 Take Care of the Elderly	131	6.5 COVID-19 Pandemic Relief	139
6.3 Seek Common Good with the Disadvantaged	133		

CDF is devoted to creating maximum shared value for society stakeholders. In 2021, CDF launched the “Inclusive Vision” project to promote the development of regional revitalization in Taiwan. CDF aims to leverage our core competencies in venture capital and inclusive finance, along with the cooperation with social enterprises, in order to achieve the goals of promoting intergenerational collaboration, taking care of the elderly, seeking common good with the disadvantaged, and coexisting with the environment, and ultimately become the backbone to support sustainable development in Taiwan.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

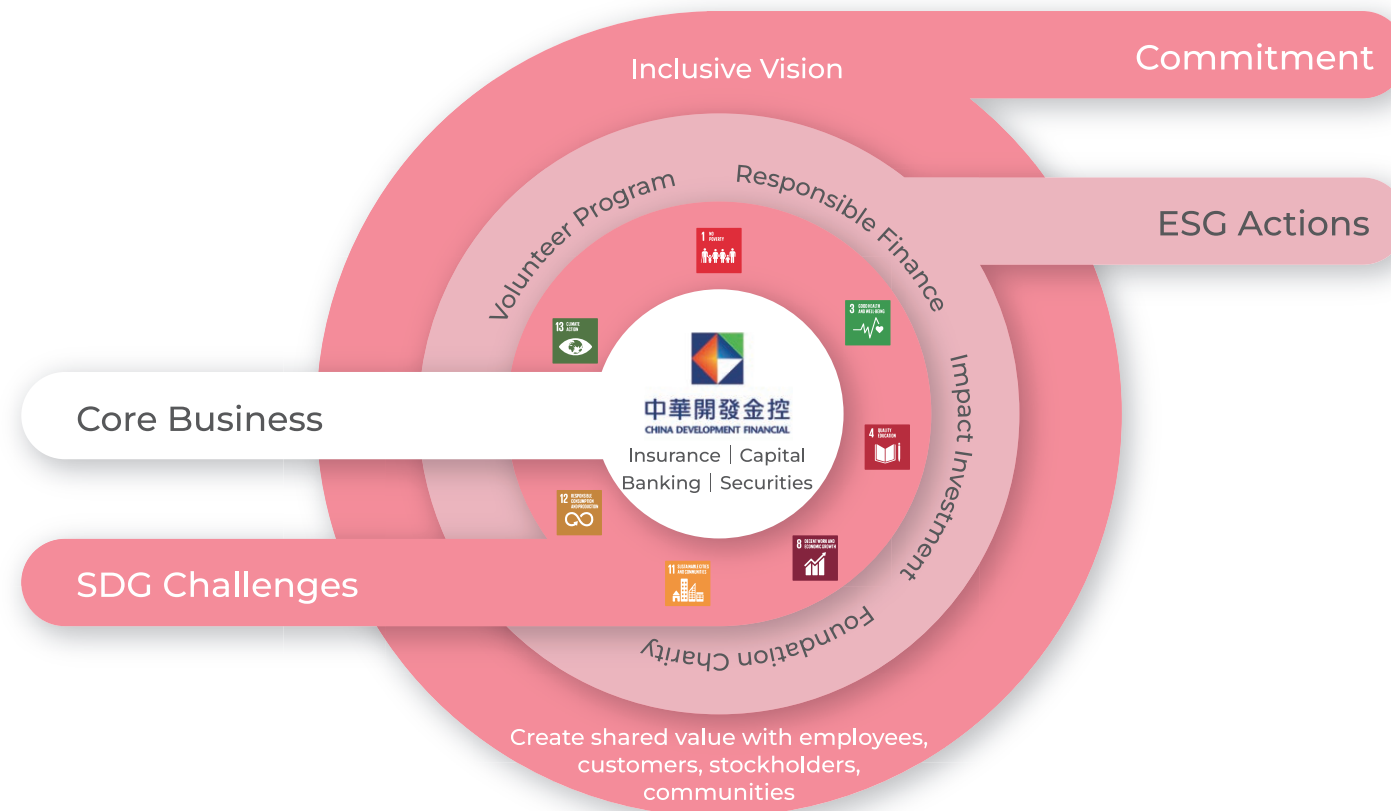
Co-Creation of
Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Led by the Social Philanthropy WG of the Sustainable Committee, CDF is devoted to creating maximum shared value for society stakeholders through joint efforts from CDF Foundation, KGI Charity Foundation and each subsidiary with the goal of achieving a sustainable society. In 2021, CDF launched the "Inclusive Vision" project to promote the development of regional revitalization in Taiwan. With a mid to long-term plan for the next three to five years, CDF aims to leverage our core competencies in venture capital and inclusive finance, along with the cooperation with social enterprises, so as to bridge the urban-rural gap and achieve the United Nations' Sustainable Development Goals (SDGs).

The "Inclusive Vision" project aims to understand the needs of local communities through the work of the Group's volunteers, and, along with CDF's financial expertise, to promote the development of regional revitalization in Taiwan. Having been doing business in Taiwan for more than 60 years, CDF has witnessed several industrial transformations in Taiwan. While Taiwan has made a massive leap to the top 20 economies in the world, the gap between urban and rural development has been widening. Over 70% of Taiwan's population live in the six major cities, which occupies only 30% of Taiwan's land. Population migration, aging, and low birthrate have become serious challenges for rural development. CDF's "Inclusive Vision" project progressively fulfills the needs of regional revitalization. It not only injects resources into rural communities but also assists local organizations in building sustainable support systems through connecting social innovations, in an effort to achieve the goals to promote intergenerational collaboration, take care of the elderly, seek common good with the disadvantaged, and coexist with the environment in order to support sustainable development in Taiwan.



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

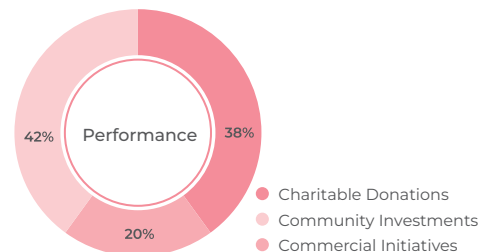
Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

"Inclusive Vision" Four Major Aspects

Focus Areas	Description	Society Stakeholders	Communication Approach	Medium/long-term Targets
Promote Intergenerational Collaboration	Leverage our expertise in finance to cultivate and accompany local youth and capable elders to start businesses or develop new business opportunities.	Local youth, elders, government agencies, social enterprises, employees, local non-governmental organizations, customers	<ul style="list-style-type: none"> Hold financial training workshops for local youth. Devise intergenerational collaboration models in partnership with social enterprises. Invite corporate volunteers to participate in local activities. Participate in and support activities held by organizations of regional revitalization. Use the media and social networks to promote the collaboration between CDF and regional revitalization teams to customers. 	<p>Medium-term:</p> <ul style="list-style-type: none"> Establish 3 to 5 successful collaboration cases. Create over 100 job opportunities. <p>Long-term:</p> <ul style="list-style-type: none"> Assist in cultivating over 50 regional revitalization managers. Leverage financial products to encourage customers to participate in regional revitalization.
Take Care of the Elderly	Empower the elderly to obtain economic, social, and health resources through volunteer work and corporate core competencies and create a senior-friendly society.	Local elders, social enterprises, employees, charitable organizations, customers	<ul style="list-style-type: none"> Communicate with local charitable organizations to understand their needs. Hold financial literacy seminars for the elderly. Work with social enterprises to realize social design for seniors. Hold volunteer training on services for the elderly. Promote the accomplishments of CDF to customers through the media and social networks. 	<p>Medium-term:</p> <ul style="list-style-type: none"> Work with local teams to establish 1 to 2 successful models of empowering the elderly to live a better life. Serve more than 300 seniors. Enhance the recognition of CDF among the elderly. <p>Long-term:</p> <ul style="list-style-type: none"> Replicate successful models of empowering the elderly to more regions. Provide the elderly more financial protection through integrating life insurance, trust, and other products.
Seek Common Good with the Disadvantaged	Build a social security network and improve it through volunteer work and inclusive finance.	Vulnerable children/people, rural children/people, charitable organizations, social enterprises, employees, customers	<ul style="list-style-type: none"> Work with charitable organizations and social enterprises to hold charitable activities for vulnerable and rural children. Hold volunteer activities/diverse education courses for disadvantaged children. Hold financial education seminars for the disadvantaged. Promote the accomplishments of CDF to customers through the media and social networks. 	<p>Medium-term:</p> <ul style="list-style-type: none"> More than 10,000 children in rural areas benefit every year. Work with more than 300 schools every year to help disadvantaged schoolchildren. <p>Long-term:</p> <ul style="list-style-type: none"> Combine resources of social enterprises and non-profit organizations to help establish regional support systems. Invite customers to support the disadvantaged communities.
Coexist with the Environment	Promote local environmental sustainability through environmental symbiosis initiatives and practices.	Regional revitalization teams, environmental protection organizations, social enterprises, employees, schools, customers	<ul style="list-style-type: none"> Discuss environmentally friendly practices with the revitalization teams. Work with social enterprises to incorporate diverse practices. Work with social enterprises or regional revitalization teams to hold volunteer environmental protection activities. Support local teams to hold food and agriculture education or environmental protection seminars on campus. Promote the accomplishments of CDF to customers through the media and social networks. 	<p>Medium-term:</p> <ul style="list-style-type: none"> Successfully launch 1 to 3 environmental symbiosis initiatives. Improve CDF's corporate citizenship image. <p>Long-term:</p> <ul style="list-style-type: none"> Create a net zero ecosystem and business opportunities with the regional revitalization teams.



Type of Philanthropic Activities

Project Outcome/Year	2021	2020	2019
Charitable Donations	38%	30%	7%
Community Investments	42%	63%	67%
Commercial Initiatives	20%	7%	26%

Total Investments in Charitable Projects

Year	2021	2020	2019
Cash Contributions	NT\$99.72 million	NT\$92.81 million	NT\$98.76 million
Time: Employee Volunteering During Paid Working Hours	NT\$36 million 44,471 volunteer hours	NT\$22.76 million 35,541 volunteer hours	NT\$27.05 million 32,652 volunteer hours
In-kind Giving: Product or Service Donations, Projects/partnerships or Similar	NT\$5.8 million	NT\$44.05 million	NT\$3.4 million
Management Overheads	NT\$9.25 million	NT\$13.06 million	NT\$8.22 million

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy








Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Key Strategies and Goals

CDF's "Inclusive Vision" project utilizes the Company's core competencies and harnesses the power of volunteers to work toward seven of the United Nations' Sustainable Development Goals (SDGs) and to create shared value for stakeholders. In response to the unbalanced regional development Taiwan is facing, through the "Inclusive Vision" project, CDF is committed to the goals to promote intergenerational collaboration, take care of the elderly, seek common good with the disadvantaged, and coexist with the environment in order to support sustainable development in Taiwan.

Focus Areas	SDGs	Business Drivers	Business Benefit KPI	Social/Environmental Benefit KPI
Promote Intergenerational Collaboration	   	Utilize the core competencies of venture capital, support for start-ups, private equity business, and inclusive finance, in order to cultivate young entrepreneurs and capable seniors and provide a resource platform for local development, activate the regional economy in response to the needs of potential customers while enhancing brand image and also bringing business opportunities and potential partners to the Company.	<ul style="list-style-type: none"> ◆ Hold 100 start-up seminars and forecast forums every year, match startups and enterprises in partnership with CDF, and identify talents and startups with a good potential. ◆ Assist in cultivating over 10 regional revitalization managers every year and help them use financial services to successfully start a business, and ultimately create potential business opportunities. ◆ Strengthen the corporate image of CDF supporting innovations co-created by the youth and elderly ◆ Develop brand awareness of CDF in the field of regional revitalization, and create opportunities for business cooperation ◆ Create and improve cooperation opportunities with local start-ups every year. 	<ul style="list-style-type: none"> ◆ Provide in-depth support for 3-5 local revitalization teams every year, and use social innovation to activate the local economic and social environment. ◆ Assist in the creation of over 100 local jobs. ◆ Provided more than 100 entrepreneurship training courses with more than 2,000 participants. ◆ So far, more than 276 people have participated in the training of volunteering for local start-ups, with a total of 1,384 volunteering hours.
Take Care of the Elderly	  	CDF leverages social innovations and China Life's profound experience in serving the older adult population to empower the elderly to obtain economic, social, health and other resources to improve the quality of life and care of the elderly so as to establish a brand identity for the elderly in the aging society; and through employee participation, we train employees to implement financial-friendly services for dementia and the elderly, so that they can better understand how to sell related products and develop potential customer groups. The brand image of helping build social care safety nets can bring business opportunities and potential partners to the Company.	<ul style="list-style-type: none"> ◆ China Life is the first dementia-friendly insurance company in Taiwan. ◆ The Net Promoter Score (NPS) of the elderly group has reached over 90. ◆ Deepen brand identity and popularity among senior customers. ◆ China Life promoted internally for the 2,200 colleagues to complete a dementia-friendly training course to enhance employees' skills and their sense of identity with the Company. ◆ In cooperation with social enterprises, the sales personnel of China Life participated in a one-day tour with senior policyholders, which shows the importance of fair customer treatment and customer service as well as increases the number of potential customers. 	<ul style="list-style-type: none"> ◆ Assisted in the establishment of Tribal Life Art Museum at the Heping District in Taichung as a co-creation base for the youth and elderly, benefiting more than 100 tribal youth and elders. ◆ Combining social enterprises and social welfare organizations to jointly promote the All-in-one model, which integrates home care, telemedicine, and smart technology for the elderly care. It has been promoted in three counties and cities in Taiwan.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance



Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Aspect	SDGs	Driving Force	Business Benefit KPI	Social/Environmental Benefit KPI
Seek Common Good with the Disadvantaged		CDF combines corporate volunteers and its core business in the financial industry to work with campuses to improve financial management concepts and financial literacy; and responds to and meets the needs of disadvantaged groups such as rural areas, low-income households, and visually impaired groups to obtain diverse information, basic services, adequate nutrition and financial support through public welfare investment. This can help to increase the visibility among these disadvantaged or specific groups, as well as deepen the brand recognition and gain favor over the potential customer groups. Potential business opportunities are then developed for inclusive financial products among the groups concerned with such issues.	<ul style="list-style-type: none">◆ More than 50,000 people with valid microinsurance policies every year.◆ More than 10 financial seminars for remote areas or disadvantaged groups every year are held, which enhances brand awareness◆ More than 50 media exposures for volunteer service projects, 19 media exposures for supporting disadvantaged projects, establishing a corporate brand image of giving back to the society.◆ Deepen the brand recognition and gain favor of potential disadvantaged customers◆ Enhance employee recognition.	<ul style="list-style-type: none">◆ More than 10,000 children benefit from the injection of education resources into remote villages every year.◆ Work with more than 300 schools across Taiwan every year to help disadvantaged schoolchildren.◆ Assist underprivileged students in attending school and help disadvantaged students develop special skills, benefiting a total of 168 schools and 405 students across Taiwan.◆ KGI Inside digital charity donation platform has assisted 30 social welfare organizations in raising nearly 140,000 donations, with the total amount exceeding NT\$176 million, and the handling fee for online donations has significantly reduced by 78%.◆ Assisted in proofreading more than 210,000 pages of e-books and audiobooks in 2021.◆ KGI Bank's "Protecting Your Wealth" anti-fraud volunteer project where volunteers serve as lecturers has helped nearly 1,700 people across Taiwan build knowledge about fraud prevention.◆ In 2021, the total number of volunteer service hours increased by 25%, reaching 44,471 hours, and the total number of service recipients exceeded 10,000.
Coexist with the Environment		Advocate environment-friendliness and net-zero carbon emissions and strengthen the corporate image of responsible finance through the practice of green finance.	<ul style="list-style-type: none">◆ Echo the corporate commitment to Total Portfolio Net Zero Carbon Emission by 2045 to strengthen brand identity by working with social enterprises on initiatives for environment-friendliness.	<ul style="list-style-type: none">◆ Collaborate with social enterprises to implement carbon reduction and reduce carbon emissions by at least one metric ton per year.

6.1 Promote Intergenerational Collaboration

Develop Healthy Farmland

With its volunteer work and core competencies, CDF assists Food Healthy in promoting environmentally friendly agriculture in Syuejia, Tainan through the use of idled farmland and collaboration between young and elderly farmers as well as in establishing a sustainable ecosystem to drive local sustainable development.

Food Healthy grows organic black beans, corn and wheat in Syuejia, Tainan. The founder, Mr. Liu Zheng-hong, and his wife, Mrs. Wu Shi-han, have been promoting the farmland revitalization program. Under the production contract, elder farmers provide idled land for Food Healthy to use, and Food Healthy provides farming manpower, fertilizers, machines, etc. Food Healthy also purchases the produce when harvested at above-market prices. In this way, elderly farmers not only do not need to work in the fields but also have a stable income. The farmland revitalization program resolves the problem of elderly farmers being too old to work but not wanting to sell their idled land.



Food Healthy Initiative

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

CDF uses its volunteer manpower to cultivate revitalization. Through the Volunteer Day project in collaboration with Food Healthy, the President of CDF leads the Group's senior managers to participate in Food Healthy's eco-friendly farming education as well as help farmers build perches for the black-winged kites and the like who capture rodents in the fields, reducing the use of rodenticides. In addition to continuing to purchase products from Food Healthy for internal and external activities and New Year gifts, during the COVID-19 pandemic under the level 3 alert, CDF also collaborated with Food Healthy to support public welfare groups and donated baby corns and Dragon Boat Festival rice balls to about 550 elders and children. Through the collaboration with Food Healthy, CDF will continue to call on local young farmers to participate in financial consultation seminars and to assist local young farmers in developing financial management and financing capabilities, in an effort to support local young farmers to start their own businesses.

Subsidiary / Organization	Action Plan	Issues to be Addressed	Medium (2023-2024) / Long-term (2024-2026) Targets >>	Stakeholder Groups	Business Benefit	Social Benefit
CDF	Develop eco-friendly and healthy farmland.	Young farmers encounter difficulties when returning to their hometowns to work, and elderly farmers are unable to till fields.	Establish a model for the cooperation between enterprises and young farmers, and assist more young farmers who return to their hometowns in utilizing environmentally friendly agriculture to grow crops and work sustainably.	Local young farmers and regional revitalization teams	<ul style="list-style-type: none">Strengthen the corporate image of CDF in supporting intergenerational collaboration.Through the collaboration with Food Healthy Limited Company to call on local young farmers to participate in financial consultation seminars and to assist local young farmers in developing financial management and financing capabilities.	<ul style="list-style-type: none">Increase the income of young farmers: The total amount of purchase from Food Healthy by CDF Group was approximately NT\$800,000 in 2021.Jointly support local disadvantaged groups.Combine the research results of academic institutions to advocate friendly farming.
CDF	Create revitalization support systems with CAN Culture, Art & Nature.	Community education support system, parenting in vulnerable families	Support CAN Culture, Art & Nature to continue to nurture disadvantaged children in local communities; assist in replicating the successful models of CAN Culture, Art & Nature to other regions.	Children from vulnerable families, social enterprises aiming to solve local education issues	<ul style="list-style-type: none">Combine customer resources to jointly support social innovations.Expand CDF's brand awareness in the field of regional revitalization and create opportunities for business collaboration through actual participation.	<ul style="list-style-type: none">Encourage more companies to invest in regional revitalization and accelerate local development through establishing successful cases of corporate social responsibility and regional revitalization teams.
KGIB	Donate to Small and Medium Enterprise Credit Guarantee Fund of Taiwan.	Increase the funds of credit guarantee institutions of small and medium-sized enterprises (SMEs) and improve the financing and guarantees provided for SMEs so that SMEs can obtain financial assistance from banking institutions.	Continue to promote the donation of funds for credit guarantees to help with the sound development of SMEs.	Domestic SMEs or startups	Under the guarantee of credit guarantee funds, KGIB can effectively manage and control the financing risks of SMEs; the total credit guarantee amount in 2021 was NT\$2,515,475,944, provided to a total of 5,789 SMEs or startups.	Assist domestic SMEs or startups with insufficient collateral in improving their credibility and obtaining loans so as to help with the sound development of SMEs.
CDIB Capital	Promote the development of startups.	Assist startups in obtaining relevant knowledge and market information on fundraising, operation, marketing, etc.	Continue to integrate domestic and international resources to support the cultivation of startups in Taiwan and assist startups in establishing themselves in Taiwan and in entering overseas markets.	Startup companies	<ul style="list-style-type: none">Discover potential startups and infuse resources and investments.Held a total of 122 seminars on innovation and entrepreneurship, with a total of 2,149 participants; held a total of 18 one-day startup board meetings.	Assist social enterprises and entrepreneurs in solving problems encountered in the process of starting a business.

Note: We also have the "CDIB Capital Innovation Accelerator Fund", which invests in early-stage startups, provides startup mentors, corporate resource matchmaking, community and media resources, and organizes various entrepreneurship courses to enable Taiwan startups to obtain the resources they need for growth. For the content of the Innovation Accelerator, please see 3.1.4 Social Products of Responsible Investment Outcomes.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

6.2 Take Care of the Elderly

Subsidiary / Organization	Action Plan	Issues to be Addressed	Medium (2023-2024) / Long-term (2024-2026) Targets >>	Stakeholder Groups	Business Benefit	Social Benefit
CDF	Promotion of self-supporting community for the elderly by CDF and Plahan	Elderly care and health promotion in a super-aged society	Build a successful model and replicate in other regions.	Elders and their families	Promote the self-supporting and mutual-beneficial lifestyle for the elderly by supporting Plahan Symbiotic Community Hub to successfully establish the "All in One" model for the tribes in Heping District, Taichung. In addition to internal training on the All in One model, CDF also strives to plant its image of caring for the elderly through social innovations in the minds of the public.	<ul style="list-style-type: none"> Assisted in establishing an art museum of tribal life as a place for intergenerational interaction, benefiting over 100 tribal elders and youths. Supported charitable dinners for 60 seniors living alone in the tribes along Daan River during the COVID-19 pandemic under the level 3 alert. Support the "All in One" model to be promoted in other counties and cities.
China Life	Dementia-friendly initiatives	Aging population, super-aged society, dementia prevention and care	<p>Medium-term goals: Act as the "financial guardian of the elderly" and foster adoption of dementia friendly practices through comprehensive collaboration with professional organizations every year.</p> <p>Long-term goals: Put forward response plans for an aging society and advocate a dementia-friendly society.</p>	People with dementia and their families	China Life has arranged for over 2,200 employees to complete training courses on dementia-friendly practices, with communication offices across Taiwan called upon to participate, in order to raise awareness and knowledge of dementia and has earned the title of "the first dementia-friendly insurance company" among the members of the Taiwan Alzheimer's Disease Association. Also, through participation in various activities, China Life continues to strengthen the concept of services and practical skills of its employees as well as implement its understanding of and empathy toward dementia patients into every aspect of care and services for elderly and vulnerable customers, so as to create a friendly environment and provide services with warmth for fellow citizens with dementia and their families.	China Life has produced health and dementia prevention materials as well as online comics about fraud prevention for the elderly in collaboration with Taiwan Alzheimer's Disease Association, broadcast financial-friendly information for the elderly on its own social platforms to raise the public's awareness of the importance of such topics; China Life also sponsors academic seminars, expands the promotion of dementia care online, and supports Taiwan Alzheimer's Disease Association to develop various services for dementia patients and their families.
China Life	China Life X DuoFu accessible travel services for the elderly/disabled	Aging population, super-aged society, travel equality, accessibility	<p>Medium-term goals: Start with the company itself to provide accessible service solutions and environments and to safeguard the rights of physically/mentally handicapped and elderly customers.</p> <p>Long-term goals: Work with diverse service agencies to advocate accessible environments in Taiwan and establish the benchmark for accessibility for the disadvantaged in the financial industry.</p>	Policyholders and their family members	Continue to practice fair treatment of customers and financial accessibility for the elderly, demonstrate China Life's devotion to fair customer treatment and services through inviting employees to participate in one-day tour activities with senior policyholders, as well as promote China Life's corporate value of customer-centricity, trustworthiness, and social common good. The net promoter score (NPS) of the activities has reached 95.	Hold accessible fitness tours for seniors to raise the public's awareness about the importance of the travel rights, physical and mental health care, as well as social needs of the elderly with disabilities.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Promotion of Self-supporting Community for the Elderly by Plahan

Plahan Symbiotic Community Hub has successfully established the "All-in-One" model in Heping District, Taichung to promote the self-supporting and mutual beneficial lifestyle for the elderly. CDF has gathered corporate volunteers to assist in the establishment of a tribal art museum in the tribe of L'olu which includes facilities for Atayal workshops, Story House of hens, and herb gardens for all ages. During the COVID-19 pandemic, CDF provided vegetables to the charitable kitchen in the tribe for three consecutive months to prepare meals for seniors living alone and also provided pandemic supplies to local caregivers to ensure that caregivers and seniors are well protected. In addition, CDF has called on the Group's employees to raise funds in order to support the "Be the Light Project" organized by Plahan Symbiotic Community Hub and Taiwan Taxi Academy Association. During the COVID-19 pandemic, the All-in-One model established by Plahan, which integrates home care, telehealth, and smart technology, has been applied to families with needs for elderly care in Taiwan to prevent sudden deaths of the isolated elderly at home due to insufficient care; also, through sharing sessions and forums, CDF continues to promote the model to stakeholders in the field of elderly care, hoping to establish a social care safety network in the post-pandemic era.



CDF volunteers assisted in establishing the tribal art museum in the L'olu Tribe.

Dementia-friendly Initiatives

China Life has long been supporting Taiwan Alzheimer's Disease Association through event sponsorship and joint initiatives. By gathering family members, government agencies, and professionals from all walks of life, China Life calls for joint efforts to promote dementia prevention, treatment, and care, so as to attract more enterprises and resources to address these issues and prepare for a super-aged society. In addition to supporting related activities such as dementia month events and dementia care academic seminars, China Life has set up a dementia prevention knowledge section on its website to raise awareness of dementia prevention and enable readers to understand its importance. The materials in the dementia prevention knowledge section are easily accessible and can be downloaded online to be shared offline, so as to help improve public understanding, care, and support for people with dementia. In 2021, China Life set up a webpage about fraud prevention for the elderly by referring to a related publication by Taiwan Alzheimer's Disease Association, and the webpage consists of comics with easy to understand content for the elderly to read and share, as an effort to act as the "financial guardian of the elderly" and to fulfill CDF's corporate social responsibility.

Furthermore, in response to population ageing, CDF assists the public to manage the risks of aging. Making 2021 the "Safeguarding Year", CDF worked with Taiwan Alzheimer's Disease Association to develop 2,800 "emergency contact card key rings", the new prevention aids for people who are at risk of going missing, and provided them to the 12 locations of Taiwan Alzheimer's Disease Association across Taiwan, the National Police Agency, and the 6 major customer service centers of China Life in Taiwan for dementia patients or seniors who are in need in order to help build a protection network to prevent missing persons.

China Life X DuoFu Accessible Travel Services for the Elderly/Disabled

China Life is the first in the industry to partner with DuoFu Care & Services, which specializes in accessible transportation, and DuoFu Holidays, which specializes in accessible travel, to provide policyholders with a safe choice for accessible transportation and travel. China Life also organizes accessible tours for policyholders to help satisfy the emotional and social needs of the elderly, safeguard the physical and mental health of the elderly and people with disabilities, and ensure social equity in addition to achieving common good. In collaboration with DuoFu, China Life plans fitness travel events for senior policyholders and invites Dr. Jian-Zhong Guo to provide rehabilitation training for the elderly through walking activities using canes, along with an occupational therapist, so as to promote the health of the elderly and improve the quality of life through innovative travel models that combine travel, fitness, and rehabilitation.



China Life holds accessible fitness tours for seniors

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

6.3 Seek Common Good with the Disadvantaged

Subsidiary / Organization	Action Plan	Issues to be Addressed	Medium (2023-2024) / Long-term (2024-2026) Targets >>	Stakeholder Groups	Business Benefit	Social Benefit
CDF	Volunteer service project	Lack of resources in rural areas, difficulties in recruiting volunteers due to the COVID-19 pandemic	Medium-term: Increase volunteer service hours to an average of 6 hours per person per year. Long-term: Achieve an average of 8 volunteer service hours per person per year.	Charitable organizations, social enterprises	<ul style="list-style-type: none"> ◆ Inculcate the corporate culture of giving back to the society. ◆ Improve the corporate brand popularity. ◆ Have over 50 media reports. 	In 2021, the total number of volunteer service hours reached 44,471 hours, and the total number of service recipients exceeded 10,000.
China Life	Microinsurance promotion	Enhance basic insurance guarantees for economically disadvantaged persons or persons with certain status.	Provide goods or marketing promotion services suitable for economically disadvantaged persons or persons with certain identities.	Economically disadvantaged and certain groups of people who are eligible for microinsurance	The number of valid microinsurance policies in 2021: 60,783	Provide the economically disadvantaged people with basic insurance guarantees.
China Life	Finance Schooling in Hualien	Improve the basic understanding of financial management and insurance in the rural communities, reduce the differences and barriers between urban and rural areas, and bridge the financial literacy gap.	Equality in financial literacy for rural/disadvantaged groups	Vulnerable families, seniors, and youths in the rural areas of Hualien	Utilize insurance expertise to implement inclusive finance, instill a culture of fair customer treatment internally, and demonstrate China Life's care for the disadvantaged externally to promote the image of sustainable finance.	During 2020 and 2021, 5 physical activities were held, with nearly 400 people attending.
China Life	Social-minded young CEO initiative	Insufficient funds for campus service clubs, low social participation of students	Enhance sustainable practices and expand the social influence of China Life. Continue to sponsor colleges and universities to organize service activities and share the spirit of love and care.	College and university students, vulnerable people, and rural children	Improve the popularity of the China Life brand among young students.	Nearly 300 community residents and children in rural areas have benefited.
China Life	Projects to support the disadvantage	Lack of resources for social welfare organizations and disadvantaged children in rural areas	Continue to provide care for the disadvantaged, support the stable operation of social welfare organizations, and expand the social influence of China Life.	Small eco-friendly farmers, social welfare organizations, school children in rural areas, dependent children and seniors, the physically and mentally disabled	Enhance CDF's positive image of giving back to the society and generate 19 media exposures.	More than 6,500 people have received help.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Subsidiary / Organization	Action Plan	Issues to be Addressed	Medium (2023-2024) / Long-term (2024-2026) Targets >>	Stakeholder Groups	Business Benefit	Social Benefit
CDF Foundation	Perfect Nutrition program for rural school children	Concerns about nutrition of school lunches in rural areas, supplies of nutrition for rural school children	Medium-term: Invest a total of NT\$10 million for the benefits of 20,000 schoolchildren. Long-term: Continue to address the difficulties in providing school lunches in rural areas and help	204 rural schools have been subsidized with additional food budgets, benefiting 11,602 students.	Improve the brand image.	Ease the problem of insufficient educational resources in urban and rural areas, so that parents are willing to have their children attend local schools and help improve regional development.
CDF Foundation	Heritage 100 X Tutelage 100	Financial pressure of underprivileged college/university students, lack of educational resources for disadvantaged school children	Medium-term: Invest a total of NT\$10 million over two years and increase the number of beneficiaries by 100 college/university students and 100 school children. Long-term: Continue to support college/university students and school children to improve their learning quality.	100 underprivileged college/university students, 100 disadvantaged school children, families receiving help, and school teachers	Improve the brand image to increase the number of KGIB student accounts.	Assist underprivileged college/university students with financial difficulties in completing their studies and help disadvantaged junior high school or elementary school children from low-income families improve their learning motivation and learning performance.
CDF Foundation	Our Class Has Got Talent	Lack of funds to participate in extracurricular activities for junior high school and elementary school children from low-income families	Medium-term: Continue to sponsor school children to participate in extracurricular activities, with a total investment of NT\$2 million. Long-term: Continue to pay close attention to the education of junior high school and elementary school children.	School children receiving help and their families	Improve the brand image.	Cultivate diverse talents in the society and help financially disadvantaged students build self-confidence and affirmation.
CDF Foundation	Scholarship for skilled vocational high school students	High school and college/university students with outstanding performance in art, sports, or technical/vocational skills are in need of resources during learning processes.	Medium-term: Continue to sponsor high school and college/university students to strengthen their skills, with a total investment of NT\$4 million. Long-term: Continue to cultivate diverse talents in the society.	Students who benefit from the scholarship, their families, and their schools	1. Improve the brand image. 2. Increase the number of KGIB student accounts. 3. The students who benefit from the scholarship give back to corporate employees through their skills and optimize work environments.	Nurture young people with potential to develop skills, cultivate diverse talents in the society, and promote social progress. CDF Foundation has assisted in cultivating many outstanding talents in various fields including dancing, sports, and art over the years.
CDF Foundation	Bread Love	Limited employment opportunities and income for persons with disabilities	Medium-term: Support Huakuang Social Welfare Foundation and Amazing Grace Deaf Bakery to achieve self-sufficiency goals. Long-term: Provide long-term support to the stable operation of sheltered workshops.	Members of Huakuang Social Welfare Foundation and hearing impaired employees of Amazing Grace Deaf Bakery	Improve the corporate brand image.	A total of NT\$4.8 million in revenue has been generated over the past eight years since the launch of the project for the sheltered workshops to maintain long-term stable operation and to provide better learning platforms for people with disabilities.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Subsidiary / Organization	Action Plan	Issues to be Addressed	Medium (2023-2024) / Long-term (2024-2026) Targets >>	Stakeholder Groups	Business Benefit	Social Benefit
CDF Foundation	Ruifang Old Street art revitalization project	Insufficient resources and employment opportunities in Ruifang, New Taipei City	Continue to address the issues of insufficient resources and employment opportunities in rural areas.	Residents of the communities in the Ruifang area	Improve CDF's brand image of caring for regional communities and taking actions.	Collaborate with Taiwan Art Revitalization and Culture Foundation to promote local arts and cultural events as well as attract talents.
CDF Foundation	Sponsorship of National Taichung Theater's "Open-Door Project" and NTT (National Taichung Theater) Art School	Gap between urban and rural art education resources	Continue to support the promotion of art education for youths in the central region.	300 school children in rural areas, 44 high school students in the central region.	Improve the brand image and popularity.	Promote art education, nurture performing arts workers in the central region, and provide opportunities for young students to access performing arts.
CDF Foundation	Sponsorship of "Ray Chen x NSO Outreach Program"	Gap between urban and rural art education resources	Sponsor new musicians to develop courses for young musicians with professional guidance, visit rural areas to perform for and interact with the locals, and continue to promote the art of music.	361 people benefiting from the promotion of art education	Improve the brand image and popularity.	To provide effective performance training for young musicians, so as to attract talents and plant sustainable seeds of art education in Taiwan.
CDF Foundation	Lunch Dates	Lack of nutrition for disadvantaged school children in rural areas	Continue to lead corporate employees to visit rural areas, care for school children, and inculcate the corporate culture of giving back to the society.	86 teachers, students, and parents	Improve the brand image and popularity.	Address the issue of nutritious lunches in rural areas with specific actions.
CDF Foundation	Annual Charity Day Event	Difficulties in expanding operations and building brand awareness for social welfare organizations and social enterprises	Continue to increase employee participation and strengthen the collaboration between businesses and social welfare organizations.	100 people from social welfare organizations and social enterprises selling goods, and 1,000 corporate employees participating in the market activities	<ul style="list-style-type: none"> ◆ Improve the brand image and popularity. ◆ The purchasing process has been improved with KGIB mobile payment. ◆ KGI credit cards were used by 529 people to make purchases. 	A total of NT\$1,123,874 in revenue has been generated to help social enterprises and social welfare organizations. Corporate employees are encouraged to make eco-friendly purchases, understand SDG issues, and help rural schools raise funds to fulfill dreams and create social inclusion through their purchases.
KGI Charity Foundation	Love, Starting From Elementary School	Due to financial difficulties, underprivileged students are unable to attend school and develop skills.	<p>Medium-term: Plan to invest NT\$8.5 million every year to help 450 school children.</p> <p>Long-term: Continue to expand the scope of care and assist disadvantaged students in attending school, helping them grow up without worries.</p>	Disadvantaged students	◆ Improve the corporate brand image.	Assist underprivileged students in attending school and help disadvantaged students develop special skills. Assisted a total of 168 schools and 405 students in 2021 in various counties and cities including New Taipei City, Taoyuan City, Pingtung County, Yunlin County, Nantou County, etc.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Subsidiary / Organization	Action Plan	Issues to be Addressed	Medium (2023-2024) / Long-term (2024-2026) Targets >>	Stakeholder Groups	Business Benefit	Social Benefit
KGI Charity Foundation	Let Love Flower	Lack of nutrition and lack of English learning resources for children from economically disadvantaged families in rural areas	Medium-term: Plan to invest NT\$8.5 million every year to help more school children. Long-term: Provide long-term care for disadvantaged students with nutritional supplements, bridge the gap between urban and rural educational resources, and offer rural children the opportunity to learn English from an early age.	Disadvantaged students	◆ Improve the corporate brand image.	Provide nutritious breakfast and English learning for economically disadvantaged students living in rural areas; promote the healthy development of disadvantaged students and build a foundation for English learning. In 2021, a total of 72 schools were provided with assistance, amounting to a total of NT\$7.36 million.
KGI Charity Foundation	Emergent Aid Program	Financial aid and emergency funds for students and families that experience sudden hardship	Medium-term: Invest NT\$ 3 million every year to assist more cases. Long-term: Expand care for vulnerable students and their families that experience sudden hardship to ensure their basic life needs are being met and difficulties are being overcome.	Disadvantaged students and families	Improve the corporate brand image.	Help the families of students who suffer sudden hardship to overcome difficulties as emergency relief and continue to provide care and further assistance depending on the situation. Assisted a total of 71 cases in 2021.
KGI Charity Foundation	Christmas gifts for rural areas	Insufficient resources for rural children	Medium-term: Continue to care for school children in rural areas. Long-term: Lead employees across Taiwan to care for the needs of school children in rural areas.	Disadvantaged school children in rural areas	◆ Send warm thoughts to children in rural areas with loving gifts at the end of each year, showing the spirit of caring for local areas.	KGI Charity Foundation has been sending Christmas gifts to school children in rural areas for six years, and its employees have served as volunteers to spread the spirit of common good.
KGIS	Help the blind read	Lack of resources to help proofread e-books and audiobooks for the visually impaired	Continue to provide the visually impaired with sufficient learning and teaching resources and improve the willingness of the visually impaired to participate in social activities through the ability to obtain information.	The visually impaired	Improve the corporate brand image.	Assisted in proofreading more than 210,000 pages of e-books and audiobooks in 2021, improving the ability of visually impaired persons to obtain resources.
KGIS	Help people with intellectual disabilities	In need of broadening sources of income	Medium-term: To collect at least 60,000 receipts annually. Long-term: To collect 100,000 receipts annually.	Children Are Us Foundation	Improve the corporate brand image.	Help people with intellectual disabilities obtain lifelong learning and lifelong care.
KGIB	KGI Inside digital charity donation platform	With the Application Programming Interface (API), "KGI Inside" provides open API for social welfare organizations to effectively reduce the fees for each online donation.	Continue to provide the service to more social welfare organizations.	30 social welfare organizations	Encourage charitable organizations to open salary transfer accounts with KGIB.	Has assisted 30 social welfare organizations in raising nearly 140,000 donations, with the total amount exceeding NT\$176 million, and the handling fee for online donations has significantly reduced by 78%.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Volunteer Service Project

In 2021, CDF launched the “Inclusive Vision” project and, through volunteer work and its financial expertise, CDF has been participating in local social services. The Group's total volunteer hours in 2021 increased by 25% compared with 2020, and the service content has also become more diverse. China Life, a CDF subsidiary, launched the “Love to Go Volunteer Team” in 2012 and has been encouraging employees to give back to the society and to incorporate empathy cultivated through volunteer activities into the workplace and life. Due to the impact of the COVID-19 pandemic, many physical volunteer activities have been suspended, and social welfare organizations have been significantly affected. China Life has worked with social welfare organizations to develop and create innovative online volunteer opportunities, such as scanning books with mobile phones to provide online books for the visually impaired to read or telling stories via video conferencing to interact with rural or disadvantaged children. KGIS has also worked with social welfare organizations and invested manpower in proofreading e-books and audiobooks. KGIS has assisted in proofreading more than 210,000 pages of e-books and audiobooks so far to ensure the visually impaired the same rights to read and learn as the general public. Furthermore, KGIB has also launched the “Protecting Your Wealth” anti-fraud volunteer project where volunteers serve as lecturers, helping nearly 1,700 people across Taiwan build knowledge about fraud prevention to protect their and their families' properties.

Finance Schooling in Hualien

China Life continuously observes social trends. With its financial and insurance expertise, China Life has been working with the Department of Finance at National Dong Hwa University in launching the “Finance Schooling” event series to connect local communities and inject more resources into the rural areas of Hualien through the power of education. The United Nations Sustainable Development Goals (SDGs) have been incorporated into the “Finance Schooling” event series. Through community services, the local employees of China Life and teachers and students of National Dong Hwa University have been working together to provide financial literacy seminars to about 400 adults and youths from low/ middle-income or economically disadvantaged households in various areas (including Jian, Yuli, and Fenglin in 2020 as well as Hualien and Xincheng in 2021). The objectives of the event series is to raise public awareness of the basics of financial management and insurance and to gradually guide the public to understand important information on personal and family financial planning through experience exchanges and case studies; financial fraud issues that the elderly are prone to encounter have also been brought to discussion in order to remind the elderly to be more cautious and take precautions. Not only the differences and barriers between urban and rural areas have been reduced, but the financial literacy gap has also been steadily decreasing. “Knowledge is Power” is no longer just a slogan but a key to promoting sustainable development.

Microinsurance

China Life works with Yilan County Government, Yunlin County Government, Hualien County Government, Tainan City Government, Taitung County Government as well as multiple social welfare and charitable organizations in Yunlin County, Tainan City, and Yilan County to promote microinsurance. The numbers of policyholders and insured amount continue to grow year by year. In recent years, the growth rate of microinsurance premiums has exceeded 40% every year. In 2021, China Life expanded services to about 16,000 economically disadvantaged people in low- and middle-income households in Tainan City, exerting the effect of insurance in emergency relief and reducing the serious impact of sudden accidents on the household economy.

Social-minded Young CEO Initiative

China Life is committed to expanding the corporate culture and spirit of "Love and Care" and has been exhorting college/university students to be involved in charitable activities and widen their horizon to serve the community. China Life offers to sponsor student initiatives which support the causes to protect the environment, promote education, uplift underprivileged communities, or advocate personal financial and insurance planning, in an effort to encourage students be involved in charitable activities and widen their horizon to serve the community. By bringing together people, China Life hopes to inject more positive and stable energy into the society, so that love can continue to spread and grow everywhere. In 2021, China Life sponsored a total of 3 college/university service clubs and served nearly 300 rural and disadvantaged children and residents.

2021 Social-minded Young CEO Initiative

Participants	Number of Participants	Content of Financial Education
School children in rural areas	143	Assisted rural school children in developing the habit of bookkeeping and saving in their daily life through interactive games and helped them learn to distinguish between "want" and "need" in order to establish basic concepts of saving and financial management.

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

Appendix

Scholarship for Skilled Vocational High School Students

CDF Foundation's scholarship for skilled vocational high school students provides resources to high school and college/university students with outstanding performance in art, sports, or technical/vocational skills to develop or strengthen their skills. CDF Foundation has assisted in cultivating many outstanding talents in various fields including dancing, sports, and art over the years, including:

1. The first Taiwanese football player to win an European football professional contract: Yung-Cheng Yuan. Aged 19, Yuan has been awarded a scholarship since 2020 and won a contract with Racing Rioja CF in Spain's Segunda B-Segunda RFEF in May 2021.
2. Dream Dancer: Chia-Ming Li. Li graduated from the School of Dance at Taipei National University of the Arts in January 2022 and has joined the Our Class Has Got Talent project since junior high school. After ten years of cultivation by CDF Foundation, Li has become a member of Hong Kong Dance Company in 2022 and started his career in Hong Kong.
3. Gold medal tennis player: Chu-Yun Cheng. Cheng is a student at Kaohsiung Municipal Sanmin Senior High School and has had outstanding performance in tennis competitions. In the 2021 National Middle School Athletic Games, she won the gold medal in both high school tennis women's team and women's doubles.
4. Badminton player: Chia-Hsin Li. Li is a student at Kaohsiung Municipal Hsin-Chuang Senior High School and has joined the Our Class Has Got Talent project since the third grade of elementary school. In 2021, Li advanced to the national elite squad.



Yung-Cheng Yuan

Heritage 100 X Tutelage 100 Social Return on Investment (SROI)

Heritage 100 X Tutelage 100 is a long-term program that CDF Foundation has been engaged in for more than ten years. The foundation puts in NT\$5 million 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\$5 million 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 2021, meaning that for every NT\$1 we invested in, we created positive social impact of NT\$4.9. In the future, we plan to hold courses to teach college students from poor families the right attitude to teaching, empathy, and cooperation, so that they can help kids from poor families improve their learning and build confidence. It's our hope that these efforts will have a greater social impact and create more social benefits.

6.4 Coexist with the Environment

Water Refill Campaign

China Life has been promoting environmental sustainability for a long time and launched the "Water Refill" campaign in 2021, which incorporate sustainable environmental protection and social innovation, making China Life the only insurance company among those who support the Circular Economy & Carbon Reduction 100+ initiative. In response to health, environmental protection, and social issues, China Life has set up Water Refill spots in various areas, including the Tamsui Commercial Area—Cultural Tourism Association, Dadaocheng Commercial Area—Dihua Street, and Sanxia Old Street - HIDEKAWA soy food store, as well as spots at cyclist-friendly locations: Li-Shiuan International Hotel in Hualien County and the Indigenous Family Service Center in Taimali Township, Taitung County, providing the public, tourists, and sports groups a convenient way to refill drinking water. By encouraging the general public to drink more water to improve health and to reduce plastic bottles, China Life strives to reduce plastic waste and carbon emissions at the source, exerting its influence on environmental protection.

Promoting environmental sustainability has always been a focus of China Life when planning ESG strategies. In addition to implementing the "Green Living for All" eco-friendly lifestyle promoted by the Environmental Protection Administration of Executive Yuan, China Life also continues to take actions to reduce plastic waste within the company. The Water Refill campaign is a collaboration between China Life and CircuPlus, which combines the tea-serving culture originating from Taiwan's agricultural society with modern technology. A water drinking map with the information of the Water Refill spots is available on the dedicated app of the Water Refill campaign, allowing the public to look for spots near them and enjoy free clean water. It provides convenience, reduces plastic waste, promotes health, and brings people together with kindness and warmth. By practicing what it preaches, China Life hopes to encourage more people to reduce plastic waste at source and drink more water to improve health, so as to achieve the goal of reducing greenhouse gas emissions and to create diverse sustainability benefits.



Water Refill Campaign

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability Strategy

Corporate Governance

Intelligent Finance

Elite Talent Development

Low-Carbon Economy

Co-Creation of Sustainable Society

- 6.1 Promote Intergenerational Collaboration
- 6.2 Take Care of the Elderly
- 6.3 Seek Common Good with the Disadvantaged
- 6.4 Coexist with the Environment
- 6.5 COVID-19 Pandemic Relief

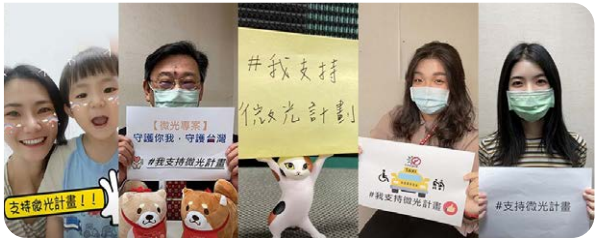
Appendix

Subsidiary / Organization	Action Plan	Issues to be Addressed	Medium (2023-2024) / Long-term (2024-2026) Targets >>	Stakeholder Groups	Business Benefit	Social Benefit
China Life	Water Refill Campaign	Health, environmental protection, and plastic reduction	Improve the effectiveness of the Water Refill events and promote them via public welfare or business activities.	The general public	1. 21 media reports, with the exposure value equivalent to NT\$1,902,525. 2. Enhance the popularity of the China Life brand among the Water Refill event partners as well as event participants.	1. By encouraging the general public to drink more water to improve health and to reduce plastic bottles, China Life strives to reduce plastic waste and carbon emissions at the source. In the Q1 of 2022, China Life has helped reduce a total of 3,803 plastic bottles and a total carbon reduction of 353.68 kg, successfully exerting its influence on environmental protection. 2. China Life has supported one winning social enterprise in the Presidential Hackathon event, CircuPlus.
China Life	Environmental protection project	Raise public awareness of environmental protection.	Continue to encourage the public to take environmental sustainability actions.	1. Tainan University of Technology 2. Beach clean-up event participants	Improve the corporate image of protecting the environment.	More than 500 people participating in the beach clean-up event
KGIS	KGIS' purchasing platform for small farm products	Assist local small farmers of Taiwan in production and sales.	Continue to promote platform products to employees; use small farm products in staff restaurants to achieve local low-carbon consumption.	Organic small farmers throughout Taiwan	KGIS encourages employees to support small farmers and build a corporate culture of common good. In 2021, a total of 288 boxes of pomelos (a total weight of 900 kg) and more than 700 units of organic vegetables and fruits were purchased, with the total purchase amount exceeding NT\$200,000.	Support eco-friendly farming, encourage local low-carbon consumption, and achieve common good through the collaboration between businesses and communities.

6.5 COVID-19 Pandemic Relief

During the COVID-19 pandemic under the level 3 alert in 2021, CDF not only donated thousands of kilograms of vegetables and tens of thousands of pandemic supplies to charitable organizations that were in need, but also launched the “Be the Light Action” to raise funds within the company through KGIB’s “KGI Inside” digital charity donation platform. By matching donations, CDF raised a total of NT\$2,535,756 and donated it to the “Be the Light Project” for the Be the Light Project team to help provide proper care for COVID-19 patients and people who were in isolation and quarantine and to reduce mortality. The “Be the Light Project” has helped more than 4,000 people. CDF continues to support the organizers of the “Be the Light Project”, Plahan Symbiotic Community Hub and Taiwan Taxi Academy Association, to share their experience of the “Be the Light Project” with organizations in other counties and cities as well as provide them with training. A total of eight domestic and international online seminars have been held, attracting more than 700 domestic and foreign long-term care and medical experts and practitioners to participate, and a community pandemic prevention network has been gradually developing.

During the COVID-19 pandemic, China Life also sponsored Taiwan Indigenous Peoples Cultural Foundation’s project to provide care and pandemic aids for indigenous tribes in rural areas. In addition to helping provide food supplies to 100 vulnerable indigenous families facing shortage of food due to the level 3 pandemic alert, China Life also provided 100 tablet computers for 100 children in indigenous areas to continue learning.



Be the Light Action

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement



07 Appendix

GRI Standards Index	141
SASB Index	148
Assurance Statement	152

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index

SASB Index

Assurance Statement

GRI Standards Index

GRI Standards	Disclosure		
	General Disclosures	Chapter	Page
GRI 102: General Disclosures 2016	102-1 Name of the organization	About the Report	3
	102-2 Activities, brands, products, and services	CDF Overview-About CDF	6
	102-3 Location of headquarters	CDF Overview-About CDF	6
	102-4 Location of operations	CDF Overview-About CDF	6
	102-5 Ownership and legal form	CDF Overview-About CDF	6
	102-6 Market served	CDF Overview-About CDF	6
	102-7 Scale of the organization	CDF Overview-About CDF	6
	102-8 Information on employees and other workers	4.1 Employee Structure	95
	102-9 Supply chain	5.2.1 Supplier Management	121
	102-10 Significant changes to the organization and its supply chain	CDF Overview-About CDF	6
	102-11 Precautionary Principle or approach	2.3.1 Risk Management Framework and Policy	27
	102-12 External initiatives	1.1.3 Membership of Associations and External Initiatives	12
	102-13 Membership of associations	1.1.3 Membership of Associations and External Initiatives	12
	102-14 Statement from senior decision-maker	Chairman's Message	4
	102-16 Values, principles, standards, and norms of behavior	2.5.1 Ethical Corporate Management Committee	46
	102-17 Mechanisms for advice and concerns about ethics	2.5.2 Management Mechanism	46
	102-18 Governance structure	2.2.1 Board of Directors Structure	21
		2.2.3 Sustainability Governance Structure	25
	102-19 Delegating authority	2.2.1 Board of Directors Structure	21
		2.2.3 Sustainability Governance Structure	25
	102-20 Executive-level responsibility for economic, environmental, and social topics	2.2.3 Sustainability Governance Structure	25
		2.2.4 Remuneration Policy	25
	102-22 Composition of the highest governance body and its committees	2.2.1 Board of Directors Structure	21
	102-23 Chair of the highest governance body	2.2.1 Board of Directors Structure	21
	102-26 Role of highest governance body in setting purpose, values, and strategy	2.2.3 Sustainability Governance Structure	25
	102-27 Collective knowledge of highest governance body	2.2.2 Board Operation	23

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

GRI Standards	Disclosure		
	General Disclosures	Chapter	Page
GRI 102:General Disclosures 2016	102-28 Evaluating the highest governance body's performance	2.2.2 Board Operation	23
	102-29 Identifying and managing economic, environmental, and social impacts	1.1.1 Identification of Stakeholders and Material Topics	8
		1.1.2 Responses to Stakeholders and Material Topics	9
	102-30 Effectiveness of risk management processes	2.3.1 Risk Management Framework and Policy	27
	102-31 Review of economic, environmental, and social topics	2.2.3 Sustainability Governance Structure	25
	102-32 Highest governance body's role in sustainability reporting	2.2.3 Sustainability Governance Structure	25
	102-33 Communicating critical concerns	2.3.1 Risk Management Framework and Policy	27
	102-34 Nature and total number of critical concerns	2.3.1 Risk Management Framework and Policy	27
	102-35 Remuneration policies	2.2.4 Remuneration Policy	25
	102-40 List of stakeholder groups	1.1.1 Identification of Stakeholders and Material Topics	8
		1.1.2 Responses to Stakeholders and Material Topics	9
	102-41 Collective bargaining agreements	4.4.2 Labor-Management Relations	109
	102-42 Identifying and selecting stakeholders	1.1.1 Identification of Stakeholders and Material Topics	8
		1.1.2 Responses to Stakeholders and Material Topics	9
	102-43 Approach to stakeholder engagement	1.1.2 Responses to Stakeholders and Material Topics	9
	102-44 Key topics and concerns raised	1.1.1 Identification of Stakeholders and Material Topics	8
		1.1.2 Responses to Stakeholders and Material Topics	9
	102-45 Entities included in the consolidated financial statements	About the Report	3
	102-46 Defining report content and topic Boundaries	1.1.1 Identification of Stakeholders and Material Topics	8
		1.1.2 Responses to Stakeholders and Material Topics	9
	102-47 List of material topics	1.1.1 Identification of Stakeholders and Material Topics	8
		1.1.2 Responses to Stakeholders and Material Topics	9
	102-48 Restatements of information	About the Report	3
	102-49 Changes in reporting	1.1.1 Identification of Stakeholders and Material Topics	8
	102-50 Reporting period	About the Report	3
	102-51 Date of most recent report	Jun. 2021	-
	102-52 Reporting cycle	About the Report	3

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

GRI Standards	Disclosure		
General Disclosures		Chapter	Page
GRI 102:General Disclosures 2016	102-53 Contact point for questions regarding the report	About the Report	3
	102-54 Claims of reporting in accordance with the GRI Standards	About the Report	3
	102-55 GRI content index	GRI Standards Index	141
	102-56 External assurance	About the Report	3
Material Issues			
Risk Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	1.1.2 Responses to Stakeholders and Material Topics	9
	103-2 The management approach and its components	2.3 Sustainability Risk Management	27
	103-3 Evaluation of the management approach	2.3 Sustainability Risk Management	27
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	2.3.3 Climate Change Risk Management	35
Corporate Governance and Ethical Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	1.1.2 Responses to Stakeholders and Material Topics	9
	103-2 The management approach and its components	2.5.1 Ethical Corporate Management Committee 2.5.2 Management Mechanism	46 46
	103-3 Evaluation of the management approach	2.5.1 Ethical Corporate Management Committee 2.5.2 Management Mechanism	46 46
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	2.5.1 Ethical Corporate Management Committee	46
	205-2 Communication and training about anti-corruption policies and procedures	2.5.3 Ethical Corporate Management Training	47
	205-3 Confirmed incidents of corruption and actions taken	2.5.6 Disclosure of Illegal Incidents	49
GRI 307:Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	2.5.6 Disclosure of Illegal Incidents	49
GRI 415: Public Policy 2016	415-1 Political contributions	2.5.2 Management Mechanism	46
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	2.5.6 Disclosure of Illegal Incidents	49
	417-3 Incidents of non-compliance concerning marketing communications	2.5.6 Disclosure of Illegal Incidents	49
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	2.5.6 Disclosure of Illegal Incidents	49

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

GRI Standards	Disclosure		
General Disclosures		Chapter	Page
Corporate Governance and Ethical Management			
GRI 103:Management Approach 2016	103-1 Explanation of the material topic and its Boundary	1.1.2 Responses to Stakeholders and Material Topics	9
	103-2 The management approach and its components	3.4.2 Customer Privacy Rights and Protection	81
	103-3 Evaluation of the management approach	3.4.2 Customer Privacy Rights and Protection	81
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.4.2 Customer Privacy Rights and Protection	81
Information and Cyber Security			
GRI 103:Management Approach 2016	103-1 Explanation of the material topic and its Boundary	1.1.2 Responses to Stakeholders and Material Topics	9
	103-2 The management approach and its components	2.4 Information Security	43
	103-3 Evaluation of the management approach	2.4 Information Security	43
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.4 Information Security	43
Operating Performance			
GRI 103:Management Approach 2016	103-1 Explanation of the material topic and its Boundary	1.1.2 Responses to Stakeholders and Material Topics	9
	103-2 The management approach and its components	2.1.2 Operating Performance	19
	103-3 Evaluation of the management approach	2.1.2 Operating Performance	19
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	2.1.3 Financial Performance	20
Sustainable Finance			
GRI 103:Management Approach 2016	103-1 Explanation of the material topic and its Boundary	1.1.2 Responses to Stakeholders and Material Topics	9
	103-2 The management approach and its components	3.1 Responsible Investment	59
		3.2 Sustainable Insurance	70
		3.3 Principles of Responsible Banking	75
	103-3 Evaluation of the management approach	3.1 Responsible Investment	59
		3.2 Sustainable Insurance	70
		3.3 Principles of Responsible	75
GRI 203:Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	3.1.4 Responsible Investment Performance	66
		3.3.2 Implementation and Promotion of Responsible Bank	75

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

GRI Standards	Disclosure		
General Disclosures		Chapter	Page
GRI 203:Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	3.1.4 Responsible Investment Performance	66
		3.2.3 Sustainable Insurance Products	71
		3.3.2 Implementation and Promotion of Responsible Bank	75
Digital Finance and Innovation			
GRI 103:Management Approach 2016	103-1 Explanation of the material topic and its Boundary	1.1.2 Responses to Stakeholders and Material Topics	9
	103-2 The management approach and its components	3.4.1 Digital Finance	79
	103-3 Evaluation of the management approach	3.4.1 Digital Finance	79
Service Quality and Customer Relationship Management			
N/A			
Financial Inclusion			
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	3.1.4 Responsible Investment Performance	66
		3.2.3 Sustainable Insurance Products	71
		3.3.2 Implementation and Promotion of Responsible Bank	75
Climate Change Response Strategies			
GRI 201:Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	2.3.3 Climate Change Risk Management	35
Talent Attraction and Retention			
GRI 201:Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	4.4.1 Employee Benefits	108
GRI 202:Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	4.4.1 Employee Benefits	108
GRI 401:Employment 2016	401-1 New employee hires and employee turnover	4.3.1 Talent Recruitment and Retention	100
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.4.1 Employee Benefits	108
	401-3 Parental leave	4.4.1 Employee Benefits	108
Talent Training and Development			
GRI 404:Training and Education 2016	404-1 Average hours of training per year per employee	4.3.2 Human Capital Development	105
	404-3 Percentage of employees receiving regular performance and career development reviews	4.3.1 Talent Recruitment and Retention	100

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

GRI Standards	Disclosure		
General Disclosures		Chapter	Page
Society Issue Response Strategies			
N/A			
Sustainability Issues			
Occupational Health and Safety			
GRI 403:Occupational Health and Safety 2018	403-1 Occupational health and safety management system	4.2.2 Workplace Health and Safety	98
	403-3 Occupational health services	4.2.2 Workplace Health and Safety	98
	403-4 Worker participation, consultation, and communication on occupational health and safety	4.2.2 Workplace Health and Safety	98
	403-5 Worker training on occupational health and safety	4.2.2 Workplace Health and Safety	98
	403-6 Promotion of worker health	4.2.2 Workplace Health and Safety	98
Green Operation			
GRI 302:Energy 2016	302-1 Energy consumption within the organization	5.1.3 Energy Management	116
	302-3 Energy intensity	5.1.3 Energy Management	116
GRI 302:Energy 2016	302-4 Reduction of energy consumption	5.1.3 Energy Management 5.1.5 Waste Management	116 119
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	5.1.4 Water Resources Management	118
GRI 305:Emissions 2016	305-1 Direct (Scope 1) GHG emissions	5.1.2 GHG Management	114
	305-2 Energy indirect (Scope 2) GHG emissions	5.1.2 GHG Management	114
	305-3 Other indirect (Scope 3) GHG emissions	5.1.2 GHG Management	114
	305-4 GHG emissions intensity	5.1.2 GHG Management	114
GRI 306:Waste 2020	306-4 Waste diverted from disposal	5.1.5 Waste Management	119
	306-5 Waste directed to disposal	5.1.5 Waste Management	119
Human Rights			
GRI 405:Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	2.2.1 Board of Directors Structure 4.1 Employee Structure	21 95
	405-2 Ratio of basic salary and remuneration of women to men	4.4.1 Employee Benefits	108

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

GRI Standards	Disclosure		
General Disclosures		Chapter	Page
GRI 406:Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	4.2.1 Human Rights Commitment and Assessment	96
GRI 408:Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	4.2.1 Human Rights Commitment and Assessment 5.2.1 Supplier Management	96 121
GRI 409:Forced or Compulsory Labor 2016	409-1Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.2.1 Human Rights Commitment and Assessment	96
GRI 412:Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	4.2.1 Human Rights Commitment and Assessment	96
	412-2 Employee training on human rights policies or procedures	4.2.1 Human Rights Commitment and Assessment	96
Social Participation			
GRI 203:Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	6. Co-Creation of Sustainable Society	125
Sustainable Supply Chain Management			
GRI 204:Procurement Practices 2016	204-1 Proportion of spending on local suppliers	5.2.2 Responsible Procurement	124
GRI 308:Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	5.2.1 Supplier Management	121
	308-2 Negative environmental impacts in the supply chain and actions taken	5.2.1 Supplier Management	121
GRI 408:Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	5.2.1 Supplier Management	121
GRI 409:Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	5.2.1 Supplier Management	121
GRI 414:Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	5.2.1 Supplier Management	121
	414-2 Negative social impacts in the supply chain and actions taken	5.2.1 Supplier Management	121

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index

SASB Index

Assurance Statement

SASB Standards Index

Insurance Industry		
Accounting Metrics		Chapter/Description
FN-IN-270a.1	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product related information to new and returning customers	3.4.2 Customer Privacy Rights and Protection
FN-IN-270a.2	Complaints-to-claims ratio	3.4.4 Customer Recognition
FN-IN-270a.3	Customer retention rate	3.4.4 Customer Recognition
FN-IN-270a.4	Description of approach to informing customers about products	3.4.2 Customer Privacy Rights and Protection
FN-IN-410a.1	Total invested assets, by industry and asset class	3.1.2 Investment Composition and Risk Analysis
FN-IN-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	3.1.1 Responsible Investment Principles and Policies 3.1.2 Investment Composition and Risk Analysis 3.1.3 Review Process
FN-IN-410b.1	Net premiums written related to energy efficiency and low carbon technology	CDF does not operate property insurance business, so this indicator is not applicable.
FN-IN-410b.2	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	3.2.3 Sustainable Insurance Products
FN-IN-450a.1	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	CDF does not operate property insurance business, so this indicator is not applicable.
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
FN-IN-550a.1	Exposure to derivative instruments by category: (1) total potential exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	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. https://www.chinalife.com.tw/CustomUpload/DownloadServlet?UIdAndFileName=18ed6936-95c3-44b0-841a-502995f9f113~@@~2020%204Q.pdf
FN-IN-550a.2	Total fair value of securities lending collateral assets	NT\$0 on December 31, 2021
FN-IN-550a.3	Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	2.3.1 Risk Management Framework and Policy
FN-IN-000.A	Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance5	3.2 Sustainable Insurance

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

Investment Banking & Brokerage Industry

Accounting Metrics		Chapter/Description																																																					
FN-IB-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	4.1 Employee Structure <i>i</i>																																																					
FN-IB-410a.1	Revenue from (1) underwriting, (2) advisory, and (3) securitization transactions incorporating integration of environmental, social, and governance (ESG) factors	<div>(1)Underwriting:NT\$669,581 thousands; (2)Advisory: NT\$21,568 thousands; (3)Securitization: 0; Total NT\$691,149 thousands</div> <div><div>Top 10 Underwriting by industry</div><table><tr><th>NAICS industry</th><th>2021 (NT\$ thousand)</th></tr><tr><td>Machinery Manufacturing</td><td>210,049</td></tr><tr><td>Computer and Electronic Product Manufacturing</td><td>125,715</td></tr><tr><td>Primary Metal Manufacturing</td><td>48,583</td></tr><tr><td>Finance and Insurance</td><td>34,098</td></tr></table><div>Note: No other underwriting revenue by industry is more than 2%</div><div><div>Top 10 Advisory by industry</div><table><tr><th>NAICS industry</th><th>2021 (NT\$ thousand)</th></tr><tr><td>Computer and Electronic Product Manufacturing</td><td>15,100</td></tr><tr><td>Finance and Insurance</td><td>9,939</td></tr><tr><td>Air Transportation</td><td>1,000</td></tr></table><div>Note: No other advisory revenue by industry is more than 2%</div></div></div>		NAICS industry	2021 (NT\$ thousand)	Machinery Manufacturing	210,049	Computer and Electronic Product Manufacturing	125,715	Primary Metal Manufacturing	48,583	Finance and Insurance	34,098	NAICS industry	2021 (NT\$ thousand)	Computer and Electronic Product Manufacturing	15,100	Finance and Insurance	9,939	Air Transportation	1,000																																		
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FN-IB-410a.2	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry	<div>Total number: 119, Total value NT\$2,847,274 thousands</div> <div><div>Top 10 by Industry</div><table><tr><th colspan="2"></th><th colspan="2">2021</th></tr><tr><th colspan="2"></th><th>Number</th><th>Total value of investments (NT\$ thousand)</th></tr><tr><td>1</td><td>Computer and Electronic Product Manufacturing</td><td>72</td><td>2,433,591</td></tr><tr><td>2</td><td>Apparel Manufacturing</td><td>2</td><td>109,646</td></tr><tr><td>3</td><td>Machinery Manufacturing</td><td>9</td><td>79,565</td></tr><tr><td>4</td><td>Chemical Manufacturing</td><td>5</td><td>53,337</td></tr><tr><td>5</td><td>Air Transportation</td><td>2</td><td>31,124</td></tr><tr><td>6</td><td>Printing and Related Support Activities</td><td>3</td><td>29,706</td></tr><tr><td>7</td><td>Water Transportation</td><td>1</td><td>15,178</td></tr><tr><td>8</td><td>Merchant Wholesalers, Durable Goods</td><td>4</td><td>14,360</td></tr><tr><td>9</td><td>Real Estate</td><td>6</td><td>12,635</td></tr><tr><td>10</td><td>Finance and Insurance</td><td>3</td><td>11,809</td></tr><tr><td colspan="2">Top 10 sub-total</td><td>107</td><td>2,790,951</td></tr></table></div>				2021				Number	Total value of investments (NT\$ thousand)	1	Computer and Electronic Product Manufacturing	72	2,433,591	2	Apparel Manufacturing	2	109,646	3	Machinery Manufacturing	9	79,565	4	Chemical Manufacturing	5	53,337	5	Air Transportation	2	31,124	6	Printing and Related Support Activities	3	29,706	7	Water Transportation	1	15,178	8	Merchant Wholesalers, Durable Goods	4	14,360	9	Real Estate	6	12,635	10	Finance and Insurance	3	11,809	Top 10 sub-total		107	2,790,951
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FN-IB-410a.3	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities.	3.1.4 Responsible Investment Performance, and please refer to the KGI Securities “2021 Stewardship Report” for the details																																																					

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

Accounting Metrics		Chapter/Description
FN-IB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	2.5.6 Disclosure of Illegal Incidents
FN-IB-510a.2	Description of whistleblower policies and procedures	2.5.5 Compliance
FN-IB-510b.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory	2.5.5 Compliance
FN-IB-510b.2	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	2.5.6 Disclosure of Illegal Incidents
FN-IB-510b.3	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care, by party	2.5.6 Disclosure of Illegal Incidents
FN-IB-510b.4	Description of approach to ensuring professional integrity, including duty of of care, by party	2.5.1 Ethical Corporate Management Committee
FN-IB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	CDF is not one of G-SIB so this index is not applicable.
FN-IB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.	<p>In accordance with the Company's "Risk Management Policy", in order to effectively manage the risks related to the Company's operations, and to strengthen the Company's competitive advantages and industry development strategies, the Company prudently controls the capital adequacy ratio and maintains a minimum legal ratio that complies with the requirements of the competent authority. The above is to maintain sufficient capital to support the risks arising from operations, and to balance risk control and business development through capital allocation, effectively allocate resources, and achieve the goal of optimal capital allocation.</p> <p>In terms of capital planning and adequacy management procedures, when preparing the annual budget, the company uses the company's strategic planning, risk policy, and total resources as the basis for business departments to formulate budget performance goals, strategic priorities and risk capital allocation to achieve Company strategic goals and effective management of company-wide risks. The company's financial department regularly conducts stress tests to monitor the overview of the capital adequacy ratio to comply with the requirements of the competent authority and internal regulations, and reports to the competent authority on a monthly basis. And based on the stress test results, analyze the impact of each business RAROC or business on capital adequacy to achieve optimal capital allocation. The company has also established an internal capital adequacy ratio early warning indicator. When the overall risk capital and resources of the company are insufficient due to the overheating of the market business, the capital adequacy ratio will fall below the early warning indicator, and the risk capital of each business department will be redistributed according to the stress test results. When necessary, relevant business departments may be convened to discuss and adjust the capital allocation of each unit.</p> <p>In addition, in order to understand the market risk tolerance level of trading positions, Risk Management department will regularly perform stress tests to measure the profit and loss impact of extreme changes in market risk factors in the investment portfolio, so as to understand the possible impact on the profit and loss of the business investment portfolio.</p> <p>The Company's stress testing adopts historical scenario analysis and self-designed scenario analysis, and the test results are regularly reported to the Company's Risk Management Committee and Board of Directors.</p> <p>Assuming that the company's inventory on December 30, 2021 remains unchanged, the self-created simulation scenario shows that the stock price index of each country will fall by 15%, the yield curve will rise in parallel by 100bps, the exchange rate of each foreign currency will depreciate against the Taiwan dollar by 10%, and each commodity index will fall by 25%(under the expected profit and loss in the worst scenario), the estimated loss of the company's trading position is approximately NT\$2.105 billion.</p>
FN-IB-550b.1	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)	2.2.4 Remuneration Policy
FN-IB-550b.2	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied	2.2.4 Remuneration Policy

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

Accounting Metrics		Chapter/Description																																				
FN-IB-550b.3	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	<p>The fair value of the company's assets and liabilities belongs to the Level 3 evaluation process, which is in accordance with the "Key Points of Asset Evaluation" set by the company. Reasonable, and will be recorded by the accounting department according to the evaluation results.</p> <p>Besides some financial instruments are evaluated by the long-term investment evaluation management system, business units use appropriate evaluation methods or models to estimate fair value according to the evaluation methods in the system. For the remaining financial instruments, because the Company has obtained the relevant qualifications to adopt the sensitivity analysis (Delta-Plus) method for the option under the advanced calculation method of the self-owned capital adequacy ratio of securities firms. If these financial instruments use the financial product evaluation model for calculating capital adequacy ratio and other statutory ratios, they must also follow the "Key Points of Model Management" stipulated by the company. If the business unit has new transaction requirements for the financial product evaluation model, the business unit shall submit an application for the new transaction of the model (including parameters) to Risk Management Department and provide relevant documents. Risk Management Department will go through approval process including the verification and approval procedures of models and parameters in accordance with regulations, and notify the information unit, model development and use unit, audit unit, accounting department, financial management department and management department of the results. If the model verification result is "passed", the relevant units will incorporate it into actual business operations, or build the model into the information system to ensure that the calculation method used across departments and products is consistent with the model and data. Risk Management Department will also review the model every quarter. If there is no change in the model in the current quarter, it will only review the correctness and applicability of various parameters, and report to TWSE and TPEX for the previous quarter "Business Use Model Management Job Self-Checklist".</p> <p>In addition, the investment real estate held by the company is not measured by fair value. According to the International Financial Reporting Standards and the Financial Reporting Standards for Securities Firms, etc., the information of its fair value must be disclosed in the financial report, and its fair value level is Level 3 and fair value refer to the external appraisal report.</p>																																				
FN-IB-000.A	(1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitization transactions	<p>Bond underwriting 120 cases/revenue NT\$234,047,149</p> <p>Capital underwriting 41 cases/revenue NT\$ 736,025 thousands</p> <p>Advisory and IPO 76 cases/ value NT\$ 66,444 thousands</p>																																				
FN-IB-000.B	(1) Number and (2) value of proprietary investments and loans by sector	<table><tr><th>Sector</th><th>No.</th><th>Value (NT\$thousands)</th></tr><tr><td>Utilities</td><td>1</td><td>2,805</td></tr><tr><td>Construction</td><td>2</td><td>9,459</td></tr><tr><td>Manufacturing</td><td>90</td><td>2,694,981</td></tr><tr><td>Wholesale Trade</td><td>4</td><td>14,360</td></tr><tr><td>Retail Trade</td><td>1</td><td>8,394</td></tr><tr><td>Transportation and Warehousing</td><td>4</td><td>48,381</td></tr><tr><td>Information</td><td>5</td><td>39,293</td></tr><tr><td>Finance and Insurance</td><td>3</td><td>11,809</td></tr><tr><td>Real Estate Rental and Leasing</td><td>6</td><td>12,635</td></tr><tr><td>Professional, Scientific, and Technical Services</td><td>1</td><td>888</td></tr><tr><td>Health Care and Social Assistance</td><td>2</td><td>4,269</td></tr></table>	Sector	No.	Value (NT\$thousands)	Utilities	1	2,805	Construction	2	9,459	Manufacturing	90	2,694,981	Wholesale Trade	4	14,360	Retail Trade	1	8,394	Transportation and Warehousing	4	48,381	Information	5	39,293	Finance and Insurance	3	11,809	Real Estate Rental and Leasing	6	12,635	Professional, Scientific, and Technical Services	1	888	Health Care and Social Assistance	2	4,269
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FN-IB-000.C	(1) Number and (2) value of market making transactions in (a) fixed income, (b) equity, (c) currency, (d) derivatives, and (e) commodity products	<p>Fixed income: 75 cases/NT\$ 118,629,780,164</p> <p>Equity: ETF: 123 cases/NT\$65,730 millions, Equity: 44 cases/NT\$23 millions</p> <p>Currency: not applicable</p> <p>Derivatives: Stock Future: 212/NT\$48,810 million, Call Warrants: 12,128/NT\$130,459 million</p> <p>No Commodity products</p>																																				

Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index

SASB Index

Assurance Statement

Assurance Statement



INDEPENDENT ASSURANCE OPINION STATEMENT

China Development Financial Holding Corporation 2021 ESG 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 ESG report, 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 2021 ESG 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 2021 ESG Report provides a fair view of the CDF ESG programmes and performances during 2021. The ESG 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 performance information of Environment, Social and Governance (ESG) are correctly represented. The ESG performance information disclosed in the report demonstrate CDF's efforts recognized by its stakeholders.

Our work was carried out by a team of ESG report assurors 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 1 external stakeholders to conduct interview
- interview with 25 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 the information of Environment, Social and Governance (ESG) 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 sustainable 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 2021 ESG 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 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 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 ESG 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

Peter Pu, Managing Director BSI Taiwan



Statement No: SRA-TW-2021085
2022-06-09

Taiwan Headquarters: 2nd Floor, No. 37, Ji-Hu Rd., Ni-Hu Dist., Taipei 114, Taiwan, R.O.C.
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Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

Assurance Statement



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Independent Limited Assurance Report

To China Development Financial Holding Corp.:

We were engaged by China Development Financial Holding Corp. ("CDF") to provide limited assurance over the selected information attached as Appendix I ("the Underlying Subject Matter") on the 2021 Sustainability Report of CDF ("the Report") for the year ended December 31, 2021.

Reporting Criteria of the Underlying Subject Matter

CDF shall prepare the Underlying Subject Matter and reporting criteria in accordance with Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies ("the Regulation") as set forth in Appendix I.

Management's Responsibility for the Report

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

Our Responsibilities

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000: "Assurance Engagement other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board and to issue a limited assurance conclusion on whether the Underlying Subject Matter is free from material misstatement. Also, we have considered appropriate limited assurance procedures according to the understanding of relevant internal controls in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the internal control over the design or implementation of the Report.

Independence, Professional Standards and Quality Control

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

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Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

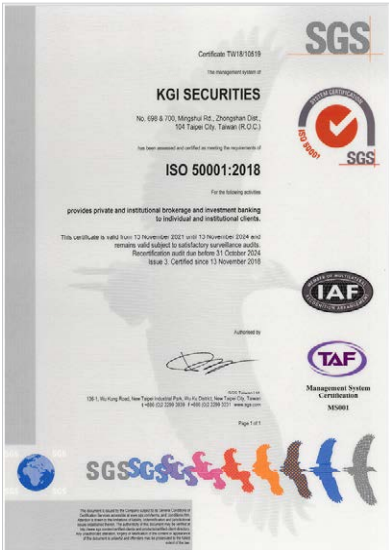
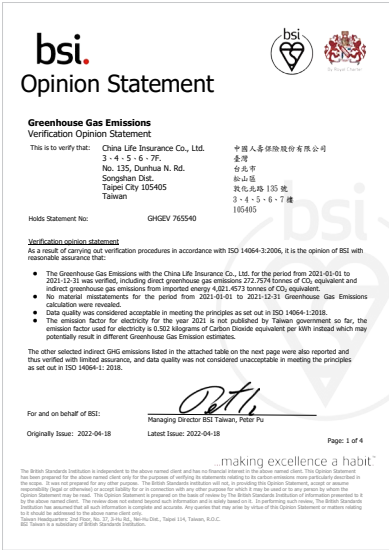
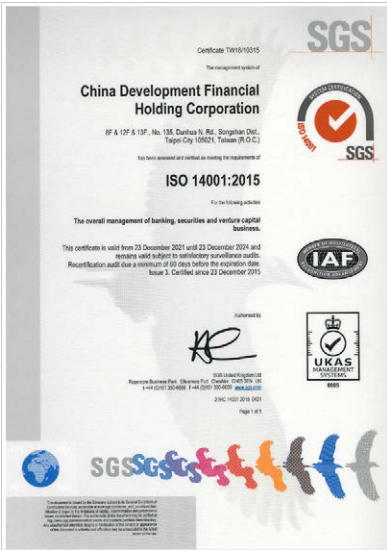
Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

Assurance Statement



Content

About the Report
Chairman's Message
2021 ESG Performance
CDF Overview

Sustainability
Strategy

Corporate
Governance

Intelligent
Finance

Elite Talent
Development

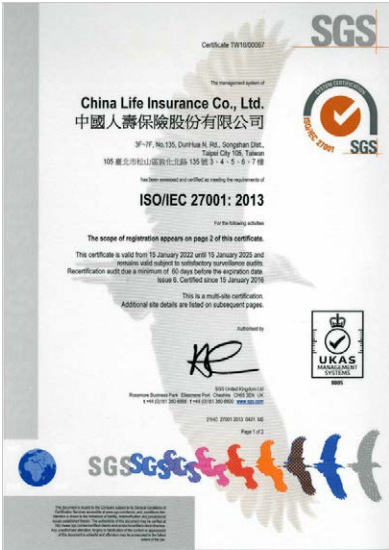
Low-Carbon
Economy

Co-Creation of
Sustainable Society

Appendix

GRI Standards Index
SASB Index
Assurance Statement

Assurance Statement





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